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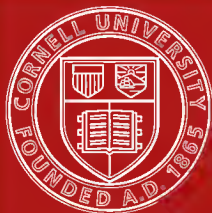
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The Trade Policy of Great Britain  
and her Colonies since 1860

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THE TRADE POLICY OF  
GREAT BRITAIN AND HER  
COLONIES SINCE 1860

BY

CARL JOHANNES FUCHS

PROFESSOR OF POLITICAL ECONOMY IN THE UNIVERSITY OF FREIBURG I. B.

TRANSLATED BY

CONSTANCE H. M. ARCHIBALD

WITH A PREFACE BY

THE RIGHT HON. J. PARKER SMITH, M.A., M.P.

FORMERLY FELLOW OF TRINITY COLLEGE, CAMBRIDGE

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TO  
THE MEMORY OF MY UNCLE  
CHARLES WAYDELIN

C. J. F.





## AUTHOR'S PREFACE

THE following book, which was published in Leipzig in 1893, forms the final part of the first great publication issued by the Verein für Sozialpolitik, on the Trade Policy of the different countries, entitled *Die Handelspolitik der wichtigeren Kulturstaaten in den letzten Jahrzehnten*. Giving, as it does, the first history that has been written, either in English or German, on the period under discussion, it had to be taken from the original sources, *i.e.* blue books, periodicals, and pamphlets, and from information given by word of mouth.

My grateful thanks are due, for the assistance rendered me in writing it, to Professor Brentano of Munich, the late Professor Munro of Manchester, Professor Foxwell of Cambridge, the late Sir Rawson W. Rawson, Mr. James Edgcome, Mr. Arthur Loring, Mr. Richard Goring, the late Right Hon. A. J. Mundella, the late Lord Farrer, Sir Robert Giffen, Sir Howard Vincent, M.P., and, not least, my late uncle, Mr. Charles Waydelin, who first introduced me to English economic life.

It was not without reluctance that I consented to the issue of this edition, as I had no wish to be drawn into the political campaign now being carried on in England on the Fiscal Question. I, therefore, gave my consent, only under the condition that the rendering should be close and scientific. For the loyal fulfilment of this

condition, my warmest thanks are due to Miss Constance H. M. Archibald for her able translation, and to my colleague, Professor Smart, for the extraordinary care he has taken in the revision.

The statesman of whom I spoke twelve years ago, in the last chapter of my book, seems to have come at last. The future must show whether it is not already too late. But if the Commercial Union of the British Empire is to come at all, it will certainly, in the United Kingdom at least, be carried through mainly on political and not on economic grounds. And, in my opinion, it will not result in giving the Mother Country a higher commercial or industrial position than she now holds, but simply in maintaining that which she has. Its economic effects, therefore, on Germany will not, to my mind, be so important and dangerous as I myself thought in 1893, since the Union would, under present circumstances, be primarily aimed at the United States, whose competition is in fact, at the present time, a much greater danger to the United Kingdom than is that of Germany. Politically, on the other hand, Germany has no reason for opposing this closer union, so long as Great Britain allows her sufficient elbow room for her own commercial and political expansion. A powerful British Empire, standing shoulder to shoulder with a powerful German Empire, each with sufficient possessions oversea for her surplus population and capital, might rule the world, and even yet succeed in saving it from the growing predominance of "Americanism": *an ihrem Wesen soll die Welt genesen!*

CARL JOHANNES FUCHS.

THE UNIVERSITY,  
FREIBURG I. B., *May*, 1905.

## PREFACE

THIS book has been translated into English as an example of German methods of thought upon economic questions and German methods of treatment of the problems which underlie the Trade Policy of a nation. It was published twelve years ago, and is therefore independent of the present controversy ; but it will be striking to the English reader to see how clearly the trend of national thought towards a policy of Commercial Imperialism, including the whole British Empire in its scope, was even at that time foreseen by a competent foreign observer.

The work is a sample of a large body of literature existing in Germany dealing with the Trade Policy of foreign states from a scientific point of view.

It is the standing complaint of German authors who deal with English economic subjects that no thorough and impartial treatment of them is to be found in the English language. The writings of professed economists are purely theoretical and do not grapple with historical facts. Official publications are chaotic, multitudinous, and unscientific in arrangement. Especially do they complain that the writings of those who have undertaken to defend or to attack Free Trade have been coloured by a partizan and uncritical spirit, which makes their work of small value in the view of the foreign historian. The present

work shews how, in the opinion of a German economist, the abundant available material should be treated. Its historical part is collected from Treaties, Blue Books, and other original sources of information concerning the Trade Policy of England during the half century ending in 1890. It presents in short compass an account of the relations of Great Britain with foreign countries and with her own colonies during that period. Such a survey has not hitherto existed in the English language and will be found of the highest value in understanding the conditions of the Fiscal problems by which we are faced to-day.

Professor Carl Johannes Fuchs was born at Nuremberg in 1865. He studied Law and Economics at Munich and Strassburg (at the latter place under Brentano and G. F. Knapp), and took his degree of Doctor of Political Sciences at Strassburg in 1888. His thesis on this occasion was a historical and economical investigation of the decay of the peasantry and the growth of large estates in Pomerania. In 1891 he was invited to become an 'extraordinary' Professor at the University of Greifswald, where he was appointed 'ordinary' Professor in 1893. In 1897 he was invited to the Professorship of Political Economy at Freiburg im Breisgau, and in 1898 became a member of the Historical Commission of Baden.

Professor Fuchs has intimate connections with Great Britain, and has had first-hand opportunities of studying her commerce. His uncle, Mr. Charles Waydelin, a German by birth, who became naturalized in England, after having founded a firm in London, trading in hops and flour, was a strong believer in a coming change of

the Commercial Policy of the United Kingdom. Under his auspices Professor Fuchs resided in England for nearly a year (1888-9) to study the organisation of the International Corn Trade of London and Liverpool. The result of his studies was a treatise on the English Corn Trade and its organisation past and present, published in Conrad's *Jahrbücher*, 1890. Again in 1891, while engaged in the preparation of the present book, Prof. Fuchs resided for some time with his uncle to collect material and to make acquaintance with many of those whose names are referred to in the course of the work.

Prof. Fuchs has recently devoted himself to the Housing Question, and spent part of the summer of 1903 in this country in investigating the problem, and especially in examining the work done by the municipalities in England and Scotland. The results are published in his book, *Zur Wohnungsfrage*, published last autumn by Duncker and Humblot, Leipzig.

After an Introduction (p. xxix.) describing the growth of nationalism whereby the Historical Political Economy of the present day rejects cosmopolitan theories of international division of labour, and postulates for each state an independent national economy, Professor Fuchs sketches the growth of the Free Trade system in England (Chapter I.). He shows how gradually the transition to Free Trade came about, and that it was due to the practical necessities of the time and not to any abstract devotion to theory. The abolition of the Corn Laws in 1846 was the victory of the great manufacturers over the landowning aristocracy (p. 8). Although in no sense a complete abolition of protection, this measure was a

weighty attack upon the whole system, and gradual reductions of tariff culminating in Mr. Gladstone's budget of 1860 put an end to the system so far as the interests of the manufacturers at that time demanded or allowed (p. 15). In various ways the fiscal system substituted bears specially heavily upon the working classes, and its doctrines subordinate all ideal ends of life and of the state to the economic interests of movable property (p. 16).

Under the heading of 'The Commercial Treaties of the Sixties,' Fuchs then proceeds to deal in detail with the Cobden Treaty of 1860, as the most important of the network of Treaties spread over Europe during the Sixties. He contrasts the attitude of England and of France to this treaty (p. 25). England by the Tariff Act of 1860 extended to all the world without consideration the same reductions as she had given to France. France on the other hand pursued the system of commercial treaties, using the reductions she was willing to give in order to obtain corresponding concessions (p. 27). England placed her whole reliance upon the passive system of the most favoured nation clause, and under the guidance of the extreme Manchester school set her face against any other form of Commercial Treaty (p. 35).

In his second chapter, Fuchs goes on to describe the protective movement which has passed over Europe in the last 30 years. This movement began in France immediately after the fall of the Empire (p. 38), and is traced in succession in the history of our relations with France, Austria, Italy, Germany, Spain, and other countries, the moral drawn being that England by her policy of non-resistance ceased to play her part in the commercial policy of the great European industrial countries (p. 55), and only

obtained successes in cases where she had a *quid pro quo* to offer, such as that of the Spanish wine duties (p. 59). In other cases she had to stand by idly looking on, only connected in a passive way through the most favoured nation clause with the policy of other countries, and finding her criticisms not always taken in good part (p. 75).

Fuchs then proceeds to a discussion of the sugar bounties and the proposed convention of Baron De Worms (p. 79-100). He describes the division of opinion among Free Traders over the question of countervailing duties, the strict Free Traders maintaining that countervailing duties were incompatible with Free Trade and could, with as much right, be demanded against foreign import duties, while a more moderate school contended that although equality in the natural conditions of production was not possible, yet to equalize the artificial conditions was in accordance with the Free Trade principle as held by Adam Smith and Cobden. In the view of Fuchs, the controversy shows 'how hazy the great mass of the people were as to the essential nature of the idol they worshipped' (p. 90) and the logical course for Free Traders was to reject any proposal of a countervailing duty.

The chapter ends with a short account of the Tariff changes made independently of treaties (p. 101), and a discussion whether the prohibitions on the import of cattle and the Merchandize Marks Act may be looked as measures of hidden protection.

In his third chapter upon 'the Development of English Trade between 1860 and 1890' (p. 109), Fuchs examines what effects the different trade policies of different countries have had upon international trade. In the period during observation he finds, as a whole, these effects to be surprisingly small (p. 141).

In tracing the development, Fuchs starts first with total trade, dealing afterwards with the trade with individual countries and colonies. This part is largely illustrated by official or authoritative statistical tables.

He first draws attention to the well-known fallacies of comparison and the inaccuracies to which statistics of value are peculiarly liable (p. 109), especially where the trade of a country is but little checked by custom-house restrictions, and where, as in England, statistics of import and export rest on declarations. Subject to these cautions he shews the fluctuations of British total trade between 1860-90, giving the figures of value and, so far as possible, of volume, both absolute and relative.

He brings out the connection between depression and prosperity and variations of exports, and shows the marked dependence of English industry on the export of English goods (p. 118).

In connection with the much discussed question of the 'unfavourable balance' from 1875 onwards he points out that the highest excesses of imports were precisely in the periods of industrial and commercial depression (p. 119). On the other hand he admits that the doctrine of protective mercantilism, that a great excess of imports is bound to be economically hurtful, is not justified when the years 1880-83, 1884-86 and 1886-87 are considered (p. 119).

The important conclusion, in Fuchs' view, after examining the great periodical fluctuations in the progress of British industry, is, that it is not so much the excess of imports, as the way in which that excess comes about which really matters (p. 120). 'Whether, *e.g.*, it is caused by a rapid rise in the imports, the exports meanwhile rising more slowly or remaining stationary, or by a fall in the exports, the imports meanwhile remaining stationary or



falling less rapidly, or, finally, by a simultaneous rise in the imports and fall in the exports' (p. 120).

He proceeds to a careful examination of the different classes of exports and imports to see how much of the growth of British Foreign Trade is due to *trade policy*. He finds trade policy an insignificant factor compared with other (p. 141) factors; that even in England herself the upward movements of trade have been claimed by both Free Traders and Protectionists (p. 159); that it is therefore necessary to examine whether the rapid growth in England was a phenomenon peculiar to it (p. 159). Here follow tables (p. 160, etc.) shewing that it was by no means confined to England, but that the rate has been considerably surpassed by countries which had not at that time Free Trade (pp. 162, 167).

The fact that the *percentage* share of England's foreign trade shews a steady decline, Fuchs does not attribute to her Free Trade Policy, but to an economic process of development—the rise of other countries into industrial states (p. 167).

The fact that fluctuations in trade have not emerged in England alone, shews they cannot be the result of her trade policy, but of deeper forces at work in the world (p. 170).

'The total result therefore of the enquiry into the effects of Free Trade on the development of English (foreign) commerce during the period 1860 to 1890 leads to no positive conclusion' (p. 170).

The chapter concludes by pointing out the much greater importance of home trade than of foreign, and the difficulties that surround the problem of examining the effects of the policy of Free Trade in the different parts of the country, England, Scotland, and Ireland (p. 173). In

particular he dwells (p. 173) upon the displacement of agriculture in England by other branches of economic production, and the significance of this in connection with the question of food supply.

In the Fourth Chapter (pp. 178-210) he describes the evolution of Free Trade opinion since 1846, and the tendencies to a change in opinion upon Trade policy which he observed at the time of writing. He sketches the ideas of the 'Manchester School' with its cosmopolitan foundation, accepted by the British people because at the time of its supremacy its doctrines were in full accordance with British interests (p. 179). He discusses the principles of the School, and points out their successive modifications in accordance with changing conditions. He describes the narrowness of its colonial policy (p. 183), the difficulty of reconciling its principles with the changed ideas as to labour legislation (p. 185), the failure of Cobden's predictions, and the uncertainty whether universal Free Trade, in view of the growth of the United States and Germany, would still be to the advantage of Great Britain (p. 186).

In the second part of the chapter he discusses the position of the Fair Trade movement in its gradual development up to the election of 1892, and, while concluding that there were no immediate prospects of a change, he is of opinion that there are many indications of such a change in the future (p. 205). He concludes the chapter by a short discussion of the Free Trade and Fair Trades theories upon the 'Balance of Trade' as affecting England.

The Second Part of the book is devoted to the commercial policy of the Colonies and of the Empire. The

first chapter (p. 213) contains a sketch of the trade policy of England to her colonies from the beginning, showing how commercial restrictions were from the first accompanied by political freedom, and tracing the gradual change from absolute restriction to a system of reciprocal differential duties (p. 217). The granting of responsible government at a time when the Manchester ideas as to the future of the Colonies were in the ascendant led to the abandonment of all efforts to control the commercial policy of the Colonies, and the abolition of the duties in respect of which they had been favoured left the Mother Country without any control over their policy except the negative right to prevent their entering into commercial treaties either with each other or with foreign countries (p. 227). The chapter concludes with a sketch of the political and commercial constitution of the British Colonies and India and their relations to the Mother Country (227-233).

The next chapter gives the history of the trade policy of the more important colonies separately.

In regard to Canada (pp. 234-253), he points out how, as early as 1859, duties at first imposed for revenue were welcomed for their protective effects and maintained against the remonstrances of the British Government (p. 240). He shews how the desire for 'Economic Independence' was stimulated by the frankness with which separation was anticipated in England (p. 241), and by the rivalry of the United States. He points out how from 1879 onwards Canadian tariffs have given preferential advantages to the Mother Country (p. 246), and describes the gradual development of a complete system of Protection (pp. 247-253).

Passing to Australasia, he describes the gradual transition from pure revenue duties to Protection. The

increased duties were begun for Revenue purposes, but continued in the endeavour to develop the natural resources of the country by a national economic policy (p. 263). Each colony has acted separately because the Home Government vetoed attempts at Colonial Reciprocity (p. 264) and vainly endeavoured to enforce Free Trade (p. 269).

In India, on the other hand, the Home Government was able to enforce its own Trade Policy (p. 272), and did so in the interests of Lancashire against the wishes of India.

In the Third Chapter he enters into a minute examination of the trade of the separate colonies to determine the effects of their various trade policies (pp. 275-316). The conclusion of his survey (which he bases to a great extent on the writings of Sir Charles Dilke) is that the 'National Economic Policy' of the independent colonies has attained its end in the economic development of these countries, and has attained that end at a not excessive cost (p. 316). The chapter concludes with an examination of the comparative rates of increase of inter-British and of external trade, shewing advantage in favour of the latter (p. 319).

In his final chapter (p. 330) Fuchs proceeds to discuss the various movements for Imperial Federation and Commercial Union which had developed themselves up to the date at which he wrote (1892), and describes the completeness of the change of public opinion as to the political importance of the Colonies (p. 331).

That change found its first expression in the creation of the Imperial Federation League in 1884. The Manchester doctrine, which advocated the abandoning of the colonies had practically lost its sway; the barriers

of space and time had been broken down between the colonies and the mother country, owing to improved methods of communication; the expansion of the colonies had awakened the pride of the mother country, and the fact had become manifest that the majority of the colonies themselves did not wish for final separation (p. 332).

The opinion that the colonies should be retained by England was fairly general. Less general was the conviction that, for this purpose, a closer political union was necessary (p. 334).

Thus, though the ultimate aim of the Imperial Federation League was to establish a constitutional federation, embracing the whole Empire, it did not lay down any concrete proposals but took as its first task the moulding of public opinion and confined itself to criticising the existing state of affairs. The two points which it described as abnormal were: (1) That none of the large colonies had a constitutional voice in the affairs of the Empire; (2) That the United Kingdom bore the cost of their protection, and of any war undertaken in their interests (p. 335).

Round these two points centred the main controversies of the time. The first served as a handle for agitation in the colonies, the second in the United Kingdom (p. 336).

Accordingly the question of the defence of the Empire and the share of the colonies in that defence, was put in the foreground of the agitation for Imperial Federation, and the question of a Tariff Union was set aside as unessential (p. 337).

The Colonial conference of 1887 and the proposals of Mr. Hofmeyer for an Imperial Supplemental Duty form an important stage in the history (p. 340), but the movement for pure political federation flagged (p. 345).

In 1891 the problem of the Colonial relations of the Empire became urgent through a variety of synchronous events. The Behring Sea dispute between Canada and the United States, the Newfoundland difficulty with France and with Canada, the movement for Tariff Union between Canada and the United States and the Federal Convention of the Australasian Colonies raised different aspects of the question (pp. 347-354).

Various discussions inside and outside Parliament led up to the famous deputations to Lord Salisbury of June 1891, when he declared that the only alternative to the ruling Free Trade Doctrine was a policy of mutual tariff preferences with preferential duties on corn and meat and wool, and invited those who felt themselves to be the apostles of such a doctrine to go forth and fight for it, 'and when they have convinced the people of this country their battle will be won' (p. 363).

After tracing the course of events down to the General Election of 1892, which for the time set back the question, Fuchs proceeds to an analysis of the various possible schemes of closer union. He argues that a purely political Federation would have no charms for the Colonies (p. 375) and that tariff preferences by the Mother Country form the necessary inducement (p. 377).

This being assumed, there are three alternative schemes, viz.:

- (1) That of a Zollverein, or Free Trade within the British Empire and a common imperial tariff against outsiders, in its two possible forms, *i.e.* purely fiscal or protective (p. 379). This Fuchs declares impracticable both on financial and commercial grounds, as the colonies would never agree (pp. 379-80).

- 
- (2) Hofmeyr's proposal of an imperial supplementary duty in its two forms; the main difficulty here being the inequality involved owing to the different tariff systems that prevail in different parts of the Empire. [Thus Great Britain would enjoy, in the protective colonies, advantages for which she could make no adequate return (p. 381) unless (as Hofmeyr himself recognised) she accepted the necessity of guaranteeing tariff preferences to the colonies (p. 382).]
  - (3) The form of tariff preferences (p. 382), the stumbling block to the British people being that this system is decidedly protective, not from the point of view of Great Britain, but from that of the Empire. In principle, says Fuchs, a reaction in this direction seems no longer impossible; the theoretical objections against it have lost their earlier force (p. 383). The chief difficulty is a practical one, that it threatens wool and wheat, the chief raw material and foodstuff of the British people, with a rise in price.

Whatever the outcome may be, Fuchs agrees with the Fair Traders in holding that the British Empire, more than any other nation in Europe, is capable of becoming a self-sufficient commercial state (p. 384), and that the political and commercial issues are so bound together that it might be advisable for the mother country to purchase political advantages even at the cost of some economic sacrifices (p. 386).

On political and economical grounds England needs now more than ever to retain her great colonial Empire. Owing to the numerous and active centrifugal forces of to-day, this can only be done by a closer union, which will be worth any cost (p. 386).

The difficulty in the way is the hatred of duties on

corn and of a possible rise in the price of the loaf, so deeply rooted in the people that no statesman dare propose it (p. 388), though the public mind is more and more occupied with the question. He concludes with the following strikingly prophetic anticipation: 'It remains to be seen whether time will raise up to England a statesman who possesses clear-sightedness, courage, energy, and tact enough to bring this question to a happy issue—a question which is of so much importance for the future of England, as well for her position among nations, as for her trade. But it must be soon, or it will be for ever too late' (p. 388).

In drawing a final summary and moral for England, Fuchs asks whether the adherence to Free Trade and the colonial policy of England during the period considered has been a success. In spite of the prosperous appearances he believes that it has not, and that, by adopting an active instead of a passive course, England might have turned the whole international trade policy of the period into another channel and have forced foreign countries to give up or moderate their high protective tariffs (p. 390).

His final deduction from his survey of the commerce of the British Empire is a negative one. He holds that 'questions of trade policy by themselves have not the primary importance they are generally assumed to have,' but that now-a-days they fall relatively into the background as compared with the great problems of the national organisation of Production and of Labour (p. 392).

"Die Handelspolitik Englands und seiner Kolonien in den letzten Jahrzehnten" was published in the beginning of 1893. No attempt has been made to bring figures or facts up to date. This could not have been done



without re-writing large parts of the book, and both by the translators and Professor Fuchs himself it was thought better to let the book speak as from the time at which it was written. What is valuable in it for us in England is the method of treatment of an economic problem and the freshness of a foreigner's point of view; subsequent facts can easily be learned elsewhere.<sup>1</sup>

From the foregoing summary it will be seen how closely a German observer, writing more than twelve years ago, was able to forecast the movement of events and of opinion. The book is written from a frankly German standpoint and for the instruction and direction of German policy. "Germany it is to be hoped will one day be in a position to draw the proper lessons from England's experience, and to apply them to a great German Colonial possession" (p. 392). It is, as Professor Ashley has described it, "the source from which German professors and officials draw perhaps most of their impressions as to the position of affairs in this country."<sup>2</sup>

<sup>1</sup>For more recent history see Professor Karl Rathgen, 'Über den Plan eines britischen Reichszollvereins,' 1896 (*Preuss. Jahrb.*, Bd. 86, pp. 481-523); 'Die Kündigung des englischen Handelsvertrags und ihre Gefahr für Deutschlands Zukunft' (*Schmollers Jahrbuch*, 1897, pp. 1369-1386); 'Die englische Handelspolitik am Ende des neunzehnten Jahrhunderts' (*Schriften des Vereins für Sozialpolitik, Beiträge zur neuesten Handelspolitik Deutschlands*, Bd. 2, pp. 121-171). See also the chapter on British Export Trade in Prof. Adolf Wagner's *Agrar- und Industriestaat*, 1901, and Professor Schmoller's article on the future Commercial Policy of England, *Jahrbuch für Gesetzgebung Verwaltung und Volkswirtschaft*, 1904; Dr. J. Grunzel, *Handbuch der Handelspolitik*, Vienna, 1898.

<sup>2</sup>The most important reviews of this book are those by Prof. Rathgen in *Schmollers Jahrbuch*, 1893; Prof. Lexis in *Conrads Jahrb.*, 1894; Prof. Schäffle in *Tübinger Zeitschrift für Staatswissenschaften*, 1894; Prof. Bastable, *The Economic Journal*, 1893; H. W. Farnam, *The Yale Review*, 1893; *Journal of the Royal Statistical Society*, v. LVI., 1893; *Scottish Geographical Magazine*, Sept., 1893; in the *Grenzboten*, under the title 'Finis Angliae,' 1893; Friedrichowicz in the *Preuss. Jahrb.*, 1893, 'Die Zollpolitik Englands.'

Such a work is naturally free from the 'elende leidenschaftliche Parteideclamationen,' of which German economists complain so bitterly in most English writings on Free Trade, and on the other hand it absolutely escapes any tinge of 'Schadenfreude' to mar the impartiality of its investigations. This being so, no Englishman will be offended to find Professor Fuchs pointing out to his fellow-countrymen the danger to themselves of a British Imperial Tariff Union, or the means by which that danger was to be avoided (p. 392). They will be pleased, however, to note the altered tone of his preface to the present edition, where, like Schmoller,<sup>1</sup> he recognises that there is room in the world for the economic development of both nations, and expresses his confidence that the prosperity of mankind lies in the future strength of both.

<sup>1</sup>Schmoller's *Jahrbuch für Gesetzgebung Verwaltung und Volkswirtschaft*, 1904, (Drittes Heft, p. 23). "Economically there is room enough in the world nowadays for both nations and their development. That will remain true whether England sticks to Free Trade or follows Chamberlain. Englishmen must learn to stand our building a strong fleet, gaining colonies, acquiring a great mercantile marine, and increasing our exports. We Germans have already learned that nowadays the supremacy of England in trade throughout the world does not hurt us as much as formerly. We have got to realise even more than we do now that the maintenance of the English Colonial Empire and of English trade, of English manufactures and of English wealth, is, from our own point of view, much better than the eventual dissolution and fall of the English Empire. In that Russia and the United States may perhaps have an interest, but not ourselves. We are not speculating upon that. Accordingly if Chamberlain brings about a new phase of British power and British prosperity we shall not complain of it. Neither shall we be afraid of it. We shall only demand that if we, in connection with the great shiftings of the trade of the world, work for a mid-European Zollverein, England will recognise this as natural and will not declare, as Palmerston formerly did about the Zollverein, that this is 'a measure directed against England, and which requires Retaliation.'"

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This translation has been made by Miss Constance H. M. Archibald, an assistant member of the staff of the Political Economy Department in the University of Glasgow. She has proved a most zealous and competent translator, and Professor Fuchs, besides giving permission for the publication of the book in English, has been good enough to go closely through the proofs.

The motive for the appearance of the translation lies in the desire felt by those who sympathize in the economic opinions of Professor Fuchs to make the views of the German school which he represents accessible to Englishmen, but the scientific value of the work, and the impartiality of its rendering are sufficiently guaranteed by the fact that it has been conducted with the assistance and under the supervision of so well known a Free Trader as Professor Smart.

The book owes much to the help of Professor Smart by his advice at each stage of the undertaking, and by his most valuable and laborious work in superintending and directing the translation and in correcting the proofs.

J. PARKER SMITH.

JORDANHILL, GLASGOW,  
*May, 1905.*



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## INTRODUCTION

ENGLISH trade policy of the later decades has, properly speaking, no history. While, during this period, in the other civilised countries, and even in the English colonies, there has been almost everywhere a complete reaction from a Free Trade to a Protective policy, the so-called Free Trade system, which had come into force in the United Kingdom of Great Britain and Ireland in preceding decades, has undergone no substantial change whatever. And yet this system was inaugurated by England in the confident expectation that the other countries would follow her example. In 1846, Cobden had predicted that, in less than five years after the repeal of the Corn Laws and the adoption of Free Trade by England, every tariff would be remodelled on her lines. And certainly when, in 1860, England made her last great tariff reform, one country at least—and that the country which then stood second in economic importance, namely France—had gone over from its former strong protection and prohibition to a moderate protective tariff, and its adoption of out-and-out Free Trade, in the English sense of the word, seemed only a question of time. As regards the other countries, the outlook was very much the same.

Twenty years later, we find not one of these countries converted to Free Trade. Nay, more, in

almost all of them, a strong reaction had set in against the Free Trade tendency of the sixties. In the task which England, in her own interests as we shall see, set herself after adopting Free Trade—to convert the other European nations to its acceptance—she has therefore completely failed.

Yet, in the ten years following this reaction, the United Kingdom has held firmly and without wavering to the trade policy which it then inaugurated and preached—if we leave out of account the minor question of the Sugar Bounties. What, then, we have to enquire into and set forth are:—the causes to which this stability in England's trade policy is to be attributed, whether to doctrinairism and conservatism or to the results attained by her Free Trade system; whether during all that time there has been a similar stability of public opinion in England—whether the trade policy openly entered on by the Government has never been endangered or shaken, and is still as firmly rooted as ever in the convictions of the masses—or whether, in England also, a reaction, transitory or permanent, has set in, which is as yet barely strong enough to overturn the ruling policy.

The fact is that, on closer observation, we shall be able to detect, beneath an almost motionless surface, a great number of different currents, which, up till now, have only attracted attention as intermittent and feeble attempts to reverse that policy. These suggest, however, that within the last twenty, and, still more, within the last ten years, there has been a substantial reconstruction and, to some extent, a reaction in fiscal ideas, which is making towards a reform of the prevailing trade policy.

But undercurrents of this kind are particularly hard

to follow, and there is another difficulty in the fact that, neither in English nor in German literature, is there any comprehensive, not to say impartial, scientific account of the period when the system of Free Trade was carried through—a period of such immense importance as regards English trade history—and of the class and party conflicts thereby brought to a close. Up till now, the financial side of this English tariff reform is the only one that has received impartial and critical exposition, at the hands of Vocke and Adolph Wagner. Of England's trade policy in the sixties, and of her share in the commercial treaties of that period which showed a tendency towards Free Trade, there is no exhaustive account. Leone Levi's short and cursory contributions are all that there is on the subject.

In the following, I have, of course, found it impossible to supply this deficiency. I have thought it indispensable, however, to start with some account of the inauguration of the policy of Free Trade, even though it cannot be much more than a compilation of the more obvious facts of tariff reform, drawn from the financial histories mentioned, and to add a somewhat more complete account, taken, in part at least, from the original sources, of the commercial treaties of the sixties. This introduction seems to me necessary before entering in detail, and at first hand, into our subject proper, *viz.* the development of the last twenty years.

For the same reason, namely the lack of any adequate account of that earlier period, the last great fundamental question—the practical effect of the Free Trade system on the whole of England's economy—cannot be answered within the scope of this enquiry, or with the means at my disposal. To do so, an exhaus-

tive investigation would have been necessary, embracing the preceding period, and entering into all the different branches of economic life. All that can be done here is to enquire into the effects of the system on English trade during the period.

Nor is a criticism of the English theory of Free Trade possible within the limited compass of this work. But it is not necessary. It is *in nuce* contained in the criticism long ago experienced by the doctrines of the classical political economy which lie at the root of the idea of Free Trade. All that I have tried to do, therefore, is to trace, in an entirely unbiassed way, the development of the theory of Free Trade in England during the period under discussion, and the rise of opposing views, without entering critically into the details of the arguments on either side. First, however, one or two principles may be laid down.

The view now generally accepted by the Historical School of political economy is not, to my mind, satisfactory as regards the English theory of Free Trade. According to it, the choice between Free Trade and Protection is not a question of principle but simply one of expediency—each is only an alternating historical form, and, according to the actual circumstances of a particular country at a particular time, now one, now the other is for the moment right. There is evidently an inaccuracy of expression here. By Free Trade in the above sense is meant the system which was introduced into Prussia in 1818, and that which was in force in the German Empire up till 1879; namely a moderately protective policy. But this ‘continental’ Free Trade only outwardly resembles the English; in reality there is a difference in principle and not merely in degree. It is quite

possible to maintain, in the opportunist style of historical argument, that at one time a lower scale of Protection, at another a higher—at one time one protective duty, at another time another—is good for a country. But it is not possible to maintain this as between Protection and Free Trade in the English sense. Between English Free Trade—which refuses on principle to impose import duties on goods that are also produced at home, and restricts itself to duties, for revenue purposes only, on goods not produced at home—and Protection, whether high protection or low protection, there is a fundamental difference due to nothing less than conflicting interpretations of history. There is, in fact, an alternative of principle involved, which neither economic theory nor politics can escape answering, and which may be summed up in two words, Nationalism or Cosmopolitanism. And if, to-day, both science and politics have decided with all possible emphasis in favour of the former, practical politics leading the way and economic theory following, there is in this at the same time an implicit decision in principle against pure Free Trade in the English sense.

The historical political economy of the present day is based upon the conviction that the future development of human civilisation will continue to take the form of separate nations and states. It must consequently repudiate English Free Trade, which, by its uncompromising insistence on international division of labour, implies ultimately a denial of the independent national economy. For the doctrine of the 'harmony of interests,' which attempts to reconcile the principles of the Manchester School with Nationalism, has long since been proved erroneous by modern political

economy, both as regards individual states and the relations of different nations with each other. In the economic sphere of each single state there are only individual and class interests. The common interests to which, on the modern conception of the state, both individual and class interests have to subordinate themselves, are to be found in the sphere of politics and culture alone: the existence and development of the state and its duties constitute these common interests. In the economic sphere, on the other hand, no interest can be described as common other than the equitable adjustment of the various individual and class interests. Besides this, there is no other common economic interest. A wise economical policy can, therefore, only be the resultant of these different class interests, *i.e.* it gives a clear ascendancy to the majority, combined, however, with the greatest possible regard for minorities. It will, indeed, always be most influenced by the interest of the classes dominant at the time, and, when these change, there will emerge forthwith the necessity for a change in trade policy. Now thoroughgoing Free Trade, as the English understand it, may occasionally be the interest of a single class, but never, from the standpoint of nationalism, the interest of the whole community; *i.e.* it can never result in a reconciliation of the separate interests. Even England, as we shall show, throughout the remodelling of her commercial policy on the lines of Free Trade, did not in the beginning neglect to give weight, in practice, to the various economic interests. It was only gradually, and in that country alone, that the rigid doctrinairism of absolute Free Trade developed.

This absolute theory of Free Trade, like the school of political economy from which it sprang,

adopts the same one-sided attitude towards national economy as it does towards the economic individual, inasmuch as the end it has in view is, not the highest possible development of the individual producer, but only the largest possible production of economic goods. Hence it is apt to explain economic phenomena solely by economic causes, and to measure them solely by their economic result. But the life of man does not, any more than that of nations, fall so easily into separate compartments as the scientific theory of the division of labour could wish. Thus there is no doubt that the change which has come over the trade policy of most advanced states in the last twenty years cannot be referred exclusively to economic causes. Great political forces have also contributed; such as the growth of national sentiment and the struggle for national development and independence, which are wont to occur especially after times of political stress and as consequence of political reorganisation.

In this connection, what one sees in England is a remarkable combination of the strongest national consciousness with a thoroughgoing cosmopolitanism, arising doubtless from the possession of colonies in all parts of the world, and from the uncontested economic and political supremacy which she enjoyed in the first half of the 19th century. So long as England alone had developed modern large scale industries, and could hope to be, and to remain, 'the workshop of the world,' the Manchester Free Trade theory and its cosmopolitanism were not incompatible with the strongly-marked British national consciousness. But since England's political and economic hegemony has ceased; since her political preponderance in Europe has vanished; since her industrial monopoly in most

departments has broken down, and even her trade monopoly is gradually crumbling away, a revolution is preparing, in that country too, which will lead, not of course to an insular nationalism, but to an imperialism that will embrace the whole British Empire.

But is it not already too late? For, at the very time when most of the advanced states of Europe went back to a system of high protective duties, the most important of the British colonies also, in virtue of the political independence conferred on them by the mother country, introduced—though on quite different grounds—a systematic policy of Protection, and have thereby created, between themselves and her, a conflict of interests which is to-day a powerful obstacle to the establishing of a uniform imperial trade policy. The trade policy of the self-governing British colonies and its results must, then, in the second place, be investigated and described, so far at least as is possible from the sources of information in the mother country—these being the only ones at my disposal. In connection with this, the problem of a political and commercial reorganisation of the British Empire falls to be considered. The subject matter thus divides naturally into two parts.



*PART I.*

THE TRADE POLICY OF  
THE UNITED KINGDOM OF GREAT BRITAIN  
AND IRELAND.



## CHAPTER I.

### INTRODUCTION OF THE FREE TRADE SYSTEM AND THE COMMERCIAL TREATIES OF THE SIXTIES.

#### A. TARIFF REFORM.<sup>1</sup>

It is a well-known fact that England's transition to Free Trade did not come about suddenly, but slowly and step by step, over a period of nearly forty years. There were, indeed, five distinct stages in it:—the initial measures of Canning and Huskisson from 1822 to 1826; the two great customs reforms of Peel in 1842 and 1845-46; and Gladstone's two tariff reforms of 1853 and 1860. The principles gradually carried out were:—the simplification of the old and extremely complicated tariff; the abolition of the prohibitions on imports, and of the export duties; the taking off, first, of the duties on raw materials, then, of the protective duties on agriculture, finally, of the duties on manufactures; and the simplification at the

<sup>1</sup>Vocke, *Geschichte der Steuern des britischen Reiches*, Leipzig, 1866, p. 102. Wagner, *Finanzwissenschaft*, Part III., p. 295. Dowell, *History of Taxation and Taxes in England*, London, 1884, Vols. II. and IV. Bastable, *The Commerce of Nations*, London, 1892, Chap. VI. p. 51. Thorold Rogers, *The Industrial and Commercial History of England* (second course), London, 1892, Chaps. XI. and XII., p. 415.

same time of the remaining purely revenue duties by confining them to a few leading articles of great productiveness.

Systematic, however, as the transition was, Vocke has shown that in each case these reforms were the result of practical necessities, and in no way due to mere devotion to the abstract theory and principle of Free Trade.

In the initial stages, it is true, abstract principles, and especially the doctrines of Adam Smith and Ricardo, had a very great influence. This is clearly seen in Canning's first measure. It was a direct attempt at an all-round systematic simplification and lowering of the tariff, with the view of facilitating trade and of improving the condition of the lower classes, by cheapening the common articles of consumption. But this came about quite gradually, without any violent disturbance, and was restricted in the first instance to what was most necessary. The lowering of the duties could, of course, be done but slowly, owing chiefly to revenue considerations. Thus the first to be taken off were the duties on salt, leather, and grain; followed, in the next few years, by those on rum, coal, wool, silk, glass, hemp, coffee, cocoa, and wine. In 1824, the protective duties on the most important manufactures were still between 50 per cent. and 80 per cent., while prohibitions on import and export still existed. In the following years, duties were further lowered, so that the tariff of 1833, along with the complete exemption of 58 articles, contained protective taxes of only 8 per cent. to 30 per cent. on the most important manufactures; in the case of leather goods alone did they amount to 75 per cent. Export duties were also reduced, but remained, in the case of numerous partly manufactured articles, at an average of

10 per cent., and the prohibition on the export of cattle was retained. In sharp contrast, however, with these innovations was the absolute prohibition then enacted, entirely on grounds of revenue, against the cultivation of tobacco in Ireland, which resulted in the extirpation of that industry in 1832.

On the accession of Queen Victoria, however, customs reform came to a standstill, and in 1840, as the result of a deficit, experienced a set-back in the form of a general rise of about 5 per cent. Reform of the tariff had meanwhile become a party question, and had thereby lost its original social character: the later reductions of the duties were no longer made in the interests of the lower classes, but in those of the gentry; the wine duties were lowered, the corn duties raised.

This highly-strained double Protection of the great landed proprietors was, however, directly opposed to the interests of the large-scale industry which had newly come into existence, and of the capitalists identified with it—interests which had gained the upper hand in the English Parliament by the Reform Bill of 1832. The employment of capital on a large scale, and the great technical inventions, had, under the influence of the current commercial and colonial policy, called into existence a great export industry. This industry had, up till that time, absolutely controlled the foreign markets, but was then beginning to suffer from its own competition, as well as from the competition starting among continental nations.<sup>1</sup> It was no longer in need of Protection. Its interests demanded, first, abolition of the duties on raw material which were raising the cost of production; and second,

<sup>1</sup> Engels, Preface to Marx's *A Discourse on Free Trade*, p. 4. Goldenberg, *Libre Echange et Protection*, Paris, 1847, pp. 10, 24, 81.

abolition of the duties on corn, not merely in order to allow of cheapening the subsistence of the workers, and so of reducing wages, but also to obtain—in return for free entry of continental corn into England—free admission of English manufactures into continental markets. The object, in short, was to facilitate the export of continental nations, and thus enable them to import, in return for their own goods, products of English industry to a corresponding extent. It was hoped that this would keep the continental nations from getting beyond the stage of agricultural states; for it was believed that the English trade policy, by obstructing the import of their agricultural produce, was the sole cause of their being ‘diverted’ to industrial activity themselves.<sup>1</sup>

The great tariff reform of Peel in 1842 and 1845-46 gave full weight to the interests of these large manufacturers who had gained ascendancy in the English Parliament. It marks England’s first great step from reduced protective duties to Free Trade. A Parliamentary Commission, appointed in 1840 to enquire into the question of import duties, reported in favour of breaking with the hitherto existing trade policy, and

<sup>1</sup> Morley, *Life of Cobden*, London, 1882, p. 18: ‘They (Cobden and his friends) boldly charged parliament with fostering the rivalry of foreign competitors . . . and the charge could not be answered. By denying to America and to Germany the liberty of exchanging their surplus food for our manufactures, the English legislature had actually forced America and Germany to divert (!) their resources from the production of food in order to satisfy their natural demand for manufactures. It was the Corn Laws which nursed foreign competition into full vitality.’ In the same strain, Dr. Bowring, reporting on an official visit through the countries of the German Customs Union, said that ‘in consequence of the English obstruction to the import of grain and timber, capital in Germany was being . . . diverted to manufactures.’

recommended a radical simplification of the tariff, by substituting, for numerous unproductive duties, duties on the most productive articles of consumption, regulating them in such a way as to increase consumption as much as possible.<sup>1</sup>

Peel's Budget of 1842, by the introduction of direct taxation, first provided the necessary financial basis for further reduction and lightening of the tariff. The new tariff took the duties entirely off 750 articles, replaced the prohibition on the import of cattle by moderate import duties, reduced the duties on raw material—so far as it did not altogether remove them—to a general level of 5 per cent., and made a systematic reduction to 12 per cent. of the duties on partly manufactured articles, which also must be regarded as the raw material of home industry. At the same time, by a new corn law, the sliding scale of corn duties was very considerably reduced.<sup>2</sup> These regulations, which were in the interests of manufacturing industry, were, however, balanced by a decrease of the Protection which the home trade no longer needed, in the shape of a systematic reduction of the duties on wholly manufactured articles to a maximum of 20 per cent. The duties on silk goods alone remained unchanged at 25 per cent. to 40 per cent. *ad valorem*, as it was considered that this branch of industry still needed Protection. Export duties were still imposed on coal and wool.

So far, then, as regards manufactured articles, this tariff was still moderately protective. Moreover, it retained, throughout, differential duties in favour of

<sup>1</sup> Morley, *Life of Cobden*, p. 21.

<sup>2</sup> Fuchs, *Der englische Getreidehandel und seine Organisation*, in the *Jahrbücher für Nat. und Statistik*, N.F., Vol. XX., 1890, p. 1.

the colonies, these, as a rule, having to pay only half the duty, or even less, on their principal products. A further important step was marked by the tariff of 1845, which made 430 articles duty-free; among them being the most important means of subsistence, raw materials, and partly manufactured articles, viz.:—live cattle, meat, potatoes, vegetables, silk, flax, hemp, cotton, certain yarns, minerals, ores, etc. This was succeeded, a year later, by the most important of Peel's reforms, the Repeal of the Corn Laws. From the first of June, 1849, onwards, a so-called 'registration duty' of 1s. per quarter took the place of the old duties on corn.<sup>1</sup>

The abolition of the Corn Laws marked the complete victory of the great manufacturers over the land-owning aristocracy. It was carried, after many years of bitter conflict, by the powerful agitation run by the Anti-Corn Law League, the organisation of Lancashire manufacturers led by Cobden. Cobden, indeed, from the very first, understood to perfection how to appeal to the interests of the great majority of the people, the corn-consuming masses, who suffered through the excessive protection of the landlords. There need be no doubt about his personal *bona fides*,<sup>2</sup> but this does

<sup>1</sup> *Ibid.*, p. 11.

<sup>2</sup> As is the case in this whole period, there is no just and unbiassed description of the personality of this interesting man, with whose name the conception of Free Trade will always be intimately linked. His countrymen have pushed their admiration of him to a cult bordering on the ridiculous, and this has also hindered his English biographers from forming an impartial judgment of him. To us, on reading his speeches and letters, this is difficult to understand, and must be attributed, primarily, to his personal qualities. In his agitation against the Corn Laws, he was by no means the fanatic who comes forward and sacrifices himself for an idea which he recognises as right, but one of those not uncommon natures who know how to convince themselves and others that they stand only for higher interests,



not alter the fact that the whole agitation, from the start, was meant to further the interests of one class only, the industrial capitalists, and they certainly did not bear the great expenses of the agitation from humanitarian motives.<sup>1</sup>

when these are all the time identical with the personal or class interests in which they originated, and who are thereby able to kindle so noble an enthusiasm and fanaticism that outwardly there is but little difference between the two. It must not be forgotten that Cobden himself was a Manchester manufacturer, and that, as his enthusiastic biographer, Morley, relates, even so far back as 1835 he had made speculative purchases of property in different quarters of the city, 'where his too cheerful vision discovered a measureless demand for houses, shops, and factories, as soon as ever the Corn Duties should be repealed and the springs of industrial enterprise set free' (p. 20). The speculation was, in every way, an unfortunate one, and cost him for 25 years an annual rent of £1000 for building land which did not yield one shilling. On the other hand, it is quite as true that, having once entered on the agitation, he neglected his business to such an extent that its ruin was only averted by the help of his friends.

Above all, however, it must be emphasised that, primarily, it was not economic, nor altogether theoretic, and still less social considerations, which gave rise originally to Cobden's activity against the Corn Laws, but political and practical ones. He had previously occupied himself but little, it appears, with political economy, but considerably with politics, in the spirit of the democratic radicalism of Bentham; and now, with political insight, he recognised in the bread and butter question, that is, the question of Corn Laws, the best means of gaining influence over the great unthinking masses. This coincided with the opinions which prevailed in his own circle in this regard. See *e.g.* his letter to his brother of Oct. 5th, 1838, and to the bookseller, Tait, of Aug. 17th, 1838 (Morley, pp. 15, 16). The first runs: 'I think the scattered elements may yet be rallied round the question of the Corn Laws. It appears to me that a moral and even a religious spirit may be infused into that topic, and, if agitated in the same manner that the question of slavery has been, it will be . . . irresistible.' It was political and business interests, then, that first prompted Cobden to his agitation against the Corn Laws: only in the course of this, did he forge, one by one, the more powerful and effective economic and social weapons of which at a later period of the struggle he availed himself exclusively.

<sup>1</sup> Cobden himself said, in a speech at Manchester, 19th Oct., 1843: 'I am

On the grounds just indicated, their interests demanded the complete abolition of the Corn Laws; and there was, besides, the old social opposition, namely, the hatred and envy on the part of the money capitalists against the land-owning aristocracy, which had found such a strong theoretical formulation in Ricardo's theory of rent.<sup>1</sup> The interests of the new industrial wage-earning class were, indeed, everywhere pushed into the foreground, but to most of those who took part in the agitation—I expressly except the leaders, Cobden and Bright—they were a matter of complete indifference, where they were not put forward in a purely pharisaic spirit. For, according to the wage theory of this same Ricardo, the spiritual father of the agitation, every cheapening of the means of subsistence of the workers was bound to accrue to the advantage of the manufacturers; and these manufacturers were the very Manchester men who were struggling with all their might

afraid that most of us entered upon this struggle with the belief that we had some distinct class interest in the question.' On this Morley very well remarks: 'It has been observed on a hundred occasions in history that a good cause takes on in its progress larger and unforeseen elements, and these in their turn bring out the nobler feelings of the best among its soldiers. So it was here. The class interest widened into the consciousness of a commanding national interest,' pp. 17, 46. See also Lecky, *History of the Eighteenth Century*, Vol. IV., p. 450.

<sup>1</sup> Held, *Zwei Bücher zur sozialen Geschichte Englands*, p. 186. Schultze-Gavernitz, *Zum sozialen Frieden*, I., p. 34; II., p. 91. Morley's *Life of Cobden*, p. 24: 'The conflict of the next five years was not merely a battle about a customs duty; it was a struggle for political influence and social equality between the landed aristocracy and the great industrialists.' Also p. 60: 'A large and wealthy class had the strongest material interest in repeal. What was important was that this class now happened to represent the great army of consumers.'

against the interference of the state with the regulation of labour, in the shape of the Ten Hours Bill.<sup>1</sup>

This fact was also fully recognised by that section of the English working men which had already become awakened to political class-consciousness, the Chartists; and for this reason they held themselves aloof from the agitation of the League. It was, thus, at the beginning, as Cobden in 1842 expressly declared, a thoroughly middle-class agitation, carried on by the methods which the middle classes in England usually employ in their agitations—‘Meetings of dissenting ministers, co-operation of the ladies, tea parties, etc.’<sup>2</sup> The first thing that won over the great masses, and, particularly, the agricultural labourers, to the agitation, and secured its victory, was the famine of 1845, which followed the bad harvests both of grain and of potatoes.<sup>3</sup>

This Pharisaism of the Anti-Corn Law League has been scathingly denounced by Karl Marx, as far back as 9th January, 1848, in a speech to the Democratic Club in Brussels (recently published in an English translation by Engels).<sup>4</sup> After describing how, by an elaborate system of fines, the English manufacturers sought in every way to lower the wages of their workers, Marx continues:—‘And these manufacturers are the very philanthropists who

<sup>1</sup> Cobden himself sympathised indeed with the demand for the limitation of women and children’s labour, but was opposed to legislative interference. On the passing of the Ten Hours Bill, he abstained from voting, and he was an outspoken opponent of Trade Unions (Morley, p. 43).

<sup>2</sup> Morley, p. 35.

<sup>3</sup> *Ibid.*, p. 47: ‘It was the rain that rained away the Corn Laws.’

<sup>4</sup> Marx, *A Discourse on Free Trade*, with preface by Frederick Engels. Boston, 1889.

would persuade the workers that they are giving large sums for the Free Trade Agitation simply in order to improve their condition. But the workers know very well that the price of bread is to be reduced only in order to allow of their wages being lowered. Ricardo, the apostle of the English Free-Traders, has expressly admitted such a possibility when he says: "The fall in the price of agricultural produce reduces the wages not only of the labourer employed in cultivating the soil, but also of all those employed in commerce or manufacture." Such a two-fold reduction is not, however, a matter of indifference to the worker; for so long as the price of corn and the rate of wages were comparatively high, a trifling economy in the consumption of bread was enough to procure him other enjoyments; so soon, however, as bread, and consequently wages, fell, he could save next to nothing, by reducing his consumption of bread, to get other articles. If, then, in spite of this, the workers made common cause with the manufacturers against the landowners, it was in order to destroy the last traces of feudalism, so that, later on, they might have only one enemy left to fight. In this the workers did not miscalculate; for the landowners, in order to avenge themselves on the manufacturers, in turn made common cause with the workers in carrying through the Ten Hours Bill—the Bill which they had claimed in vain for thirty years, but which was now passed immediately after the abolition of the Corn Laws.<sup>1</sup>

The repeal of the Corn Laws confirmed the triumph of the great manufacturers over the great land-

<sup>1</sup> Marx, *A Discourse on Free Trade*, pp. 30-2.

owners; but it was, at the same time, as Vocke rightly emphasises, a most weighty attack on the system of Protection itself, and the industrialists could not ultimately escape its consequences. They did not, indeed, attempt to do so. As already remarked, English industry, with few exceptions, was no longer in need of Protection.<sup>1</sup> Thus every successive year brought further reductions of duties, and in 1853 came another somewhat extensive transformation of the tariff by Gladstone: 123 articles were made duty-free, 146 reduced. According to the principle of the new tariff, raw materials and partly manufactured articles were now admitted free of duty; and the duties laid on wholly manufactured articles were not to be more than 10 per cent. But, to this extent, there still remained protective duties on manufactured articles, and differential duties, besides, in favour of the Colonies.

The taking off of these duties was the work of the last great measure embodying the new principle, the Gladstone Tariff of 1860, which accompanied the Anglo-French commercial treaty. (See below, Part II.) By it, the Colonies were put on the same level as foreign countries; duties on manufactured articles were entirely abolished; duties on articles of consumption, partly abolished, or at least reduced;

<sup>1</sup>The chief of these exceptions was the silk industry, which was longest protected against foreign (*i.e.* French) competition. Indeed, as Engels (*ibid.*, p. 13) has specially mentioned, when Protection by tariff was finally withdrawn from it also, Protection in another and disgraceful form was granted it: while, in the other textile industries, the Factory Acts limited the labour of women and children, special exceptions were made at first in favour of the silk industry, under which very young children could be employed; the result being that silk goods could be produced more cheaply than other textiles.

and only the duties most productive of revenue retained.

It is, however, worthy of note that the most important reductions of duty at that time, particularly those on wine, were not in the interests of the masses of the people who bore the burden of indirect taxation, but in the interests of the well-to-do classes.

The essence of the system of trade policy thus finally introduced—the so-called Free Trade in the English sense of the word—is then: No protective duties (*i.e.* duties on imported goods that are also made at home), but only pure revenue duties (*i.e.* duties on goods not made at home), and even these only on a few specially productive articles of general use; and, alongside of these, the so-called 'Ausgleichszölle' (*i.e.* customs duties on goods of foreign origin, *e.g.* spirits, exactly corresponding to the excise upon similar articles produced at home). The fiscal interest, which dictates the highest possible return for the lowest possible cost of collection is, therefore, always the prominent one.

To this system, however, there still remained, in 1860, certain exceptions—survivals of the earlier protective system; namely duties on hops, refined sugar, and manufactured tobacco, as well as the so-called 'registration duty' of 1s. per quarter on corn, which, as Vocke rightly points out, was not so entirely unimportant as it was usually represented to be. On the average prices of the years 1860-69, it amounted to about 2 per cent. *ad valorem*, and yielded quite important sums. It must, therefore, be regarded as a small protective duty still remaining in favour of the landowners. Of these survivals of the protective system, the hop duty was taken off in 1862; the sugar duty and the grain registration duty reduced in 1864; and the latter

abolished in 1869. In 1866, the last remaining duty on raw material, that on timber, expired. Thus, by the end of this period, with the exception of sugar and tobacco, the so-called Free Trade System was in full operation.

The nature of this Free Trade System, its principle of taking, as base, pure revenue duties imposed on a few articles of universal consumption either not produced, or else correspondingly taxed, at home—chiefly tobacco, spirits, tea, and coffee—plainly indicates its real meaning. The freeing of trade, by this system, only went so far as the interests of the manufacturers at that time demanded or allowed. The interests of the trading classes, and those of the great masses, who were so continually put in the foreground, would have dictated the further removal of those revenue duties which tax and render dear the most important articles of general consumption outside of bread and meat—the so-called luxuries of the people. These luxuries are, it is true, of little actual sustenance value, but, from the point of view of enjoyment, they are, to most people, quite as valuable and important. Had this been done, however, the burden of taxation would have been shifted entirely on to the incometax, *i.e.* to the shoulders of the well-to-do classes, a thing which even the Liberal party of that and the succeeding period did not dare to propose. Thus we find the astonishing phenomenon that Free Trade Britain raises a greater proportion of its national revenue by duties than do most protective nations—something like a quarter.<sup>1</sup>

<sup>1</sup>In the financial year 1890-1, £19,895,537, out of a total revenue of £89,489,112; £4.7 millions from liquors, £3.4 millions from tea, and £9.7 millions from tobacco. *Thirty Fifth Report on the Customs, 1891* (C.—6538).

This, of course, was not Free Trade in the logical sense of the word, so long as there remained, on the one hand, revenue duties which, as a matter of principle, though not perhaps of practice, were just as much a restriction on trade as protective duties; and so long as, on the other hand, the abolition of duties was one-sided, carried out by England alone and not by the other countries trading with her. The opponents of this system in England are not wrong, therefore, when they describe it as 'One-sided Free Trade,' or the 'System of Free Imports.'<sup>1</sup>

This system, which, as we have seen, gradually shaped itself out of the concrete needs of the ruling political class, and which, in the first instance, could be called a system only from a fiscal point of view, now received its general economic formulation—its theory—through the so-called Manchester School. It is, according to Adolph Held's definition, an example of the application of the doctrines of the classical political economy to an agitation in the special interests of movable property. 'The practical propositions of this movement seem a caricature of the one-sidedness of the doctrines of political economy. In this caricature, the subordination of all ideal ends of life and of the whole state to the economic interests of property, first becomes a final principle.'<sup>2</sup>

<sup>1</sup> See besides the Protectionist writings, particularly Webster, *The Trade of the World: our Present System of Commerce Examined*. London, 1880, p. 33. Also, *Commercial Treaties, Free Trade and Internationalism*, p. 26.

<sup>2</sup> Held, *Zwei Bücher zur sozialen Geschichte Englands*, p. 34.



## B. THE COBDEN TREATY AND THE OTHER COMMERCIAL TREATIES OF THE SIXTIES.<sup>1</sup>

The Repeal of the Corn Laws was, as we have seen, essentially an attempt on the part of the English manufacturers to obtain a free, or at least an easier, entry for their goods into the countries of Europe and North America which, at that time, were exporting mainly agricultural produce to England and importing English manufactured goods in return. 'To convert all other nations to the gospel of Free Trade, and thus to create a world in which England was the great manufacturing centre, with all other countries for its independent agricultural districts—that was the next task before the English manufacturers and their mouth-pieces, the political economists.' So Engels<sup>2</sup> appositely characterises this policy. The literature of the time, too, expresses, almost openly, the conviction that England in this way ought to be and to remain 'the workshop of the world.'<sup>3</sup>

The Free Trade Congress, held in Brussels towards the end of 1847, marks the opening of this international propagandism of Free Trade. At the head of it stands Cobden again,<sup>4</sup> and Cobden in this case also—in all

<sup>1</sup> Leone Levi, *History of British Commerce and of the Economic Progress of the British Nation, 1763-1870*. London, 1872, p. 403. Beer, *Geschichte des Welthandels im XIX Jahrhundert*. Vienna, 1884. Vol. I., p. 315; Vol. II., Pt. I., p. 33.

<sup>2</sup> Preface to Marx' *A Discourse on Free Trade*, p. 6. See also Goldenberg, *op. cit.*, p. 81, and *Fabian Essays*, edited by G. B. Shaw. London, 1889, p. 80.

<sup>3</sup> Torrens, *Tracts on Finance and Trade*, London, 1852, quoted in Vocke, p. 353.

<sup>4</sup> Goldenberg, *op. cit.*

good faith, I repeat—well knew how to cloak the special interests of England in the garb of a philanthropic cosmopolitanism and of an ideal aspiration after the welfare of mankind. To Cobden, personally, this political aspiration was the main thing, and the propagandism of Free Trade only a means to it.<sup>1</sup> But he underrated the difficulty of persuading other countries of the expediency of adopting this policy in their own case.

In 1846, Cobden had confidently asserted that, after the repeal of the Corn Laws and the adoption of Free Trade by England, every European tariff, following her example, would be changed, in less than five years.<sup>2</sup> But this prophecy was not fulfilled, and English manufacturers, as may be imagined, were little disposed to continue working only through example and precept. The English Free Trade School, it is true, now taught that, by the introduction of Free Trade, England had benefited herself, no matter what attitude the other nations took, and that these nations, through their protective policy, injured themselves most. In spite of this, however, the last great step—the surrender of the mode-

<sup>1</sup> See his letter to Ashworth of 12th April, 1842, quoted in Morley, p. 32: 'It has struck me that it would be well to try to engraft our Free Trade agitation upon the Peace movement. They are one and the same cause. It has often been to me a matter of the greatest surprise that the Friends have not taken up the question of Free Trade as the means—and I believe the only human means—of effecting universal and permanent peace.' In this Cobden only represented Bentham's ideas, which at that time were influencing thousands. Bentham was the spiritual father, not only of the political economists called the Manchester School, and of the Radical party leaders, but also of the little clique of out-and-out Benthamites, the so-called 'philosophical Radicals.' These last were neither political economists nor political agitators only, but accepted the whole of Bentham's philosophy. See Held, p. 278.

<sup>2</sup> *Speeches by Richard Cobden*, edited by John Bright and J. E. Thorold Rogers. London, 1880, p. 185.

rate import and differential duties, and the carrying through of the so-called Free Trade system by the tariff reform of 1860—was not accomplished till after France, the country which, at that time, stood second in economic importance, had begun to adopt a more liberal commercial policy, and had shown her willingness to impose moderate import duties on English goods in place of the former high duties and prohibitions. While, then, England's first tariff reforms were carried out independently and quite irrespective of the fiscal or trade policy of other nations, the last reform was carried out on the basis of a treaty obligation with France, as result of the celebrated Anglo-French Treaty of Commerce of January 23rd, 1860.

This treaty is, on its English side, closely associated with the name of Cobden; so much so, indeed, that it is generally referred to in England simply as the Cobden Treaty. Nevertheless his services in bringing it about have been manifestly exaggerated by the Cobden cult of his countrymen.<sup>1</sup> The impulse came from the French free trader, Michael Chevalier. He it was who succeeded in winning over both Cobden, with whom he had previously been in communication, and Gladstone, who was then Chancellor of the Exchequer; and this in spite of the fact that the idea was contrary to the doctrines of the Manchester School, which both of them had at one time professed. It had a powerful attraction for Cobden owing to its political consequences; Gladstone saw in it the means to his final tariff reform project;

<sup>1</sup>On the previous history of the treaty, see Morley, Chap. XVII., and Boiteau, *Les Traités de Commerce avec l'Angleterre, la Belgique, la Prusse (Zollverein) et l'Italie, avec une introduction historique et économique*. Paris, 1863, Introduction, p. 25.

while Chevalier convinced them that this was the only way in which France could go over to Free Trade. Chevalier claimed, as the chief concession on the part of England, the reduction of the wine duties, and this Gladstone also promised. Cobden, in complete sympathy with him, went first in October to Paris in a purely private capacity. While there, by means of personal audiences, he won over to the idea of a commercial treaty the French Minister of Finance, Rouher, a man of strong Free Trade convictions, and the Emperor Napoleon himself. What induced the Emperor to acquiesce in this, need not be discussed here.<sup>1</sup> Suffice it to say that both Cobden and his biographer, Morley, represent the former as having been the first to convert the Emperor to Free Trade. Cobden even boasts of having collaborated in the framing of the letter to Fould in the *Moniteur*, in which the Emperor, shortly before the conclusion of the treaty, announced and defended the change in the trade policy. In Cobden's view, it was, for the most part, political motives that induced the Emperor to conclude the treaty—the desire for better political relations with England, where he was regarded with little favour at the time, and where his foreign policy was looked on with the greatest suspicion.<sup>2</sup>

However this may be, the affair reached the stage of formal negotiations by a preliminary step on the part of France. On behalf of the English Government, which Gladstone had meanwhile won over to the project, Cobden, and the English Ambassador in Paris, Lord Cowley, were invested with full official powers. In the instructions communicated to them on January 17th,

<sup>1</sup> See, on this, Devers' account in the *Handelspolitik der Kulturstaaten*, Vol. III.

<sup>2</sup> Morley, pp. 94, 100 (Cobden's letter of 10th July, 1860, to Palmerston).

1860,<sup>1</sup> the English Government also emphasised the fact that it was disposed to a commercial treaty more from political than from economic motives. For such a treaty, the following leading principles were sketched out: Inasmuch as the rule of the French tariff is high duty, in general, with a large measure of absolute prohibition, while the rule of the British tariff is low duty, in general, with a large number of articles absolutely free, the proper basis for agreement will be, on the side of France, a general transition, so far as British commodities are concerned, from prohibition, or high duty, to duties at a moderate rate; and, on the side of England, the total abolition of customs duties on French productions, where fiscal considerations will permit it, and reduction to the lowest practicable point where fiscal considerations will not allow total abolition.

After some brief negotiations, conducted entirely between Rouher and Cobden, and kept strictly private, this preliminary was followed by the signing of the commercial treaty on 23rd January, 1860.<sup>2</sup>

In Article I. of the treaty, France agrees that the French duties on a large number of enumerated goods, *i.e.* on the greater proportion of English manufactures, shall in no case exceed 30 per cent. *ad valorem* and, in Article II., that the duty on British coal and coke shall be reduced to 15 cts. per 100 kilogrammes. But the differential duties imposed in favour of French shipping are not to be

<sup>1</sup> See the English Blue-book, Commercial, No. 37 (1881), p. 2.

<sup>2</sup> For the text of the treaty, see Hertslet, *A Complete Collection of the Treaties and Conventions, etc., between Great Britain and Foreign Powers so far as they relate to Commerce and Navigation, etc.* London, 1864, Vol. XI., p. 165.

interfered with (Art. III.). The *ad valorem* duties stipulated in the treaty shall be calculated on the value at the place of production, plus transport, insurance, and commission costs as far as the port of discharge, the value to be based on a written declaration of the importer at the Customs House (Art. IV.).

In return for this, the British Government engages to 'recommend' to Parliament the abolition of the import duties on a great number of enumerated articles, and to 'propose' to Parliament that the duties on French wine shall be at once reduced to a rate not exceeding 3s. per gallon, and that, from April 1, 1861, the following scale shall come into force: On wine containing less than 15 degrees of proof spirit, verified by Sykes' hydrometer, not more than 1s.; on wines containing from 15 to 26 degrees, not more than 1s. 6d.; from 26 to 40 degrees, not more than 2s.; on wines in bottles, not more than 2s. per gallon (Arts. V. and VI.). Further, it promises to recommend to Parliament to admit into the United Kingdom merchandize imported from France at a rate of duty equal to the excise duty which is or shall be imposed upon articles of the same description in the United Kingdom. At the same time the duty chargeable upon the importation of such merchandize may be augmented by such a sum as shall be an equivalent for the expenses which the system of excise may entail upon the British producer. In accordance with this, brandies and spirits shall pay 8s. per gallon of duty, with a surtax of 2d. per gallon (Arts. VII. and VIII.).<sup>1</sup> Rum from the French colonies shall be subject to the same duties as that from the British colonies. (This involved that England's differential

<sup>1</sup> This, however, being considered too low, was raised to 5d. by a supplementary clause of 25th Feb., 1860.

duties on rum, in favour of her colonies, should be given up.)

In the event of the establishment of a new excise tax on any article mentioned in the treaty, both parties reserve to themselves the right to impose a corresponding equivalent duty (Art. IX.). They also reserve the right to levy landing and shipping dues, but pledge themselves, as regards this, to equal national treatment (Art. XI.). This is to apply to the subjects of each contracting power in the dominions of the other (Art. XII.).

Both parties engage not to prohibit the exportation of coal, and to levy no duty upon such importation (Art. XI.).

The French *ad valorem* duties established by the treaty shall be converted into specific duties by a supplementary convention which shall be concluded before 1st July, 1860, on the basis of the medium prices during six months preceding the date of the treaty; otherwise *ad valorem* duties shall be retained (Art. XIII.).

The provisions of the treaty shall come into force in England immediately after its sanction by Parliament; in France, as regards different groups of goods, not till various subsequent dates (from 1st July, 1860, till 1st October, 1861). From the latter date, however, the *ad valorem* duties on merchandize of British production and manufacture shall not exceed a maximum of 25 per cent. (Arts. XV.-XVI.).

Article XVII. arranges specially for the specific duty on bar iron.

In Article XIX. both powers engage to confer on each other the most-favoured-nation treatment as regards duties and tariffs.

The treaty shall remain in force for ten years, and

may thereafter be continued from year to year, each party having the right to withdraw on twelve months' notice (Art. XXI.).

The assent of the English Parliament is expressly required to render the treaty valid (Art. XX.).

Under the French constitution, the Emperor was entitled to conclude commercial treaties without consulting the legislative body, and so this treaty was thrust on the country against its will. In England, however, the consent of Parliament, and the formal passing of a Tariff Bill, were necessary. Yet, even there, the reception of the treaty was by no means altogether favourable.<sup>1</sup> The economists of the Manchester School, and specially M'Culloch, opposed it as contrary to the principles of Free Trade. The democrats reproached Cobden for having made terms with Napoleon's autocratic government.<sup>2</sup> The English manufacturers, however, clearly saw the great importance of the treaty. In the centres of English industry, the news of its conclusion was greeted with enthusiasm, and the tariff subsequently agreed on met with almost universal approval.

Lord John Russell laid the treaty before Parliament, and Gladstone, in a brilliant speech on February 10th, defended its provisions, and the alterations in the British tariff proposed by Government in conformity with it. True, he could only thinly disguise the contradiction which actually existed between the pure theory of Free Trade and the conclusion of the treaty. He

<sup>1</sup> M'Carthy, *A Short History of Our Own Times*, Chap. XVII.

<sup>2</sup> There is, indeed, a singular contradiction in the fact that the very man who always had the interests of the people on his tongue gave his hand to forcing a new trade policy on the French people against the will of the majority.



maintained that Free Trade was a good thing in itself, and that the proposed reduction on the English tariff, consequent on the treaty, would be advantageous to England, even if France granted no concessions in return. He showed at the same time the unsatisfactory state of the exports from England to France, which the commercial treaty would remedy.<sup>1</sup> Nothing, he declared in the further course of the debate, had been conceded to France that was of any value to England; and, similarly, nothing had been granted by France whereby she did not herself gain. Disraeli, on the other hand, denounced the treaty as bad, in that it gave expression to the idiosyncrasies of the man who had negotiated it, Cobden. When the final vote was taken, however, the Government obtained a majority of 119.

The part of the treaty, then, which concerned England was carried out, in the way just described, by the tariff Bill of 1860 (23 and 24 Vict., c. 110). But the principle of Free Trade hitherto recognised in the reform of the tariff was so far maintained that the reduction and abolition of duties, promised in the treaty to France alone, was immediately carried out as an independent tariff reform, *i.e.* all other countries benefited without making the same concessions as France.

This had been announced by Cobden at the very beginning in his first audience with Napoleon. It was the recognised principle of England's Free Trade, that her own tariff should be reduced without reference to the trade policy of other nations, and from this principle she had actually diverged in the Anglo-French treaty.

It was in the carrying out of the treaty by France that the chief difficulties had yet to be overcome. The only

<sup>1</sup> Goldenberg, *op. cit.*, p. 91.

duty that had been definitely fixed by the treaty itself was that of iron; as regards everything else, the sole principle laid down was that duties were not to exceed 30 per cent. (ultimately 24 per cent.) *ad valorem*. The particular duties, and the gradual change of *ad valorem* into specific duties, had now to be determined, and this was to be done at a joint conference after the treaty. At this conference, the English plenipotentiaries, supported by the statements which representatives of the most important English industries laid before the Conseil Superieur with regard to the level of costs of production in the competing English and French industries, tried to get the duties fixed as far as possible below the maximum mentioned. On the other hand, the experts who represented French industry at the conference, being thoroughly protectionist in their views and opposed altogether to the commercial treaty, tried to secure the maximum wherever they could. Negotiations were prolonged and wearisome, lasting from April to November. It was at this point that Cobden rendered his chief services to the treaty. Backed by the results of the great French enquête, he defended the interests of English industry with much skill and tenacity, carrying in the end the most important points. The duties finally arranged were, on an average, with the exception of iron, not more than 15 per cent., in many cases only 10 per cent. of the value. In the case of a large number of goods—and among these the most important<sup>1</sup>—the proposed conversion of *ad valorem* into specific duties did not come

<sup>1</sup> Fine pottery, faience and porcelain, gobelins, table linen, woven cotton and wool, leather goods, watches, knives, cutlery, etc. See tariff of 12th Oct. and 16th Nov., 1860.

off. The plenipotentiaries could not come to an understanding as to the real value of the articles concerned, since the extraordinary variety, both in design and quality, of many English goods hitherto excluded from the French market, was not sufficiently well known, and there was little disposition to accept the English declarations by themselves. As the Convention, however, pressed for settlement, single *ad valorem* duties were fixed for all these goods, and an arrangement made for ascertaining the true value of such goods on their entry into France. To go further into these arrangements would lead us too far. Their defectiveness, however, as we shall see later, made them a source of continual friction and grievance, and finally imperilled the whole treaty.<sup>1</sup> This tariff, the outcome of these long conferences, is contained in the two Conventions of October 12th and November 16th, 1860.<sup>2</sup> It met with fairly unanimous approval in the large centres of English industry: Manchester and Belfast, etc., were satisfied; in Leeds, Nottingham, and Leicester, it was enthusiastically received.<sup>3</sup>

In contrast with England, France did not extend this treaty-made tariff into a general tariff; on the contrary, she pursued systematically the path of commercial treaties on which she had just entered. A year after the treaty with England, a similar treaty was concluded with Belgium, which contained still further reductions of duty, and, in the following years, others were concluded with the Zollverein, Italy, Switzerland, etc. All these further reductions in the French tariff

<sup>1</sup> Devers, *La Politique commerciale de la France (Handelspolitik der Kulturstaaten, Vol. III.)*, p. 158.

<sup>2</sup> Hertslet, XI., pp. 183, 191.

<sup>3</sup> Morley, p. 104.

accrued to the advantage of England also, through the most favoured nation clause.<sup>1</sup> England, however, was placed in a peculiar position by those treaties, and by others which the above-mentioned countries made with one another. In regard to all the nations with which France had concluded such treaties, and with which England had no previous treaty containing the most favoured nation clause, she stood at a decided disadvantage compared with France, who enjoyed under those treaties differential duties in her favour. It was

<sup>1</sup> How considerable were the reductions thus finally made on many articles in the French tariff, as compared with the duties originally agreed on in the Cobden Treaty with England, may be seen from the table in Parliamentary Return, No. 250 (1881). Only the most important are given.

ARTICLES.	Rates of Duty prescribed by Cobden Treaty.	Rates of Duty under Most-Favoured-Nation Clause in 1881.
	Francs.	Francs.
Steel in bars, 100 kilogs.,	13	9
„ Sheets or Coils, -	18 to 25	11.25 to 15
„ Wares, -	32 and 100	20 and 50
Clock and Watch Movements,	100	50
Leather,	250 and 30	60 and 45 and 10
Gloves, -	10% ad val.	5% ad val.
Sea-going Ships, Wood, Fch. ton,	20	2
„ Iron,	60	2
Flax or Hemp, Combed, -	5	free
„ Yarn Unbleached,	21 to 140	19.50 to 130
„ „ Bleached,	28 to 186	26 to 172.90
Cotton Tissues,	15% ad val.	10% ad val.
„ Yarn Doubled,	50% above the duties on single yarns	30% above the duties on single yarns
	unbleached	unbleached
	ditto	ditto
Wool Yarns,	15% ad val.	10% ad val.
Carpets,	8	4
Silk Ribbons,	25	5
Mustard,	10	4
Cheese,	10	4
Slates,	10	free

the same in the case of treaties which these countries made among themselves. Here was a state of affairs which seriously threatened English industry in her most important continental markets, and it had to be remedied. Thus it came about that England, in spite of the aversion of her prevailing Free Trade school towards commercial and tariff treaties, found herself obliged, like the rest, to make other commercial treaties of the same sort. At once, however, a difficulty presented itself. By extending independently to all countries the tariff changes conceded to France, she had almost lost her 'bargaining power.' At a first glance, it seems surprising how England, in spite of this difficulty, succeeded in concluding a number of commercial treaties in which she gave no equivalent, or only insignificant equivalents, for the advantages that were granted her. The explanation is, however, twofold. In the first place, other than purely economic reasons entered into consideration; and, in the second, other countries were not at the time able to judge whether the new fiscal policy would be approved by England in the long run, or whether, and perhaps quite soon, she might not return to Protection and differential duties. For that reason, a definite settling of this fiscal system by means of treaties, and the guaranteeing by England of the most favoured nation clause for a comparatively long term of years, was not without value to them.

The first of these new commercial treaties was that with Belgium of July 23rd, 1862.<sup>1</sup> This was not a tariff treaty, but simply a provision for most favoured nation treatment. In it the privileges granted to France by Belgium in the commercial treaty of May 1st, 1861,

<sup>1</sup> Hertslet, XI., p. 66.

were extended to England. In the protocol of the conference of August 30th, 1862,<sup>1</sup> a tariff for English cotton and yarns entering Belgium was arranged: this tariff was to have the same force as if it had been included in the text of the treaty. By this treaty, Belgium further promised to abolish tonnage dues and to reduce pilotage duties. Article XV. is, however, of special importance, as it expressly assures to Belgian goods entering the British colonies the same treatment in regard to duties as is given to British goods. This treaty remains unaltered at the present date [1893].

The second was the commercial and navigation treaty of August 6th, 1863,<sup>2</sup> with Italy. Like the other it contained merely reciprocal assurances of equal rights as regards navigation, and of most favoured nation treatment as regards the tariff, but no tariff provisions, except that Italy engaged not to prohibit the importation of British goods.

Then followed the commercial treaty of May 30th, 1865, with Prussia and the Zollverein.<sup>3</sup> This treaty, too, simply stipulated for reciprocal most favoured nation treatment, without any tariff provisions except a mutual engagement neither to prohibit the exportation of coal nor to impose export duties on it. By this treaty, then, English goods obtained the same privileges from the Zollverein as had been granted to French goods by the treaty of 1862—and obtained these, moreover, without giving any equivalent return. This was doubtless owing to the Free Trade tendency which then prevailed in the Zollverein, and which was opposed to differential treatment of different countries: moreover, the obligations which England assumed as regards the export of coal were considered valuable. Further, by Article VII.

<sup>1</sup> Hertslet, XI., p. 74.

<sup>2</sup> *Ibid.*, XI., p. 1112.

<sup>3</sup> *Ibid.*, XII., p. 761.

of this treaty, the imposition of differential duties by the British colonies in favour of the mother country was expressly prohibited. The most favoured nation clause was also to stand with regard to the British colonies and foreign possessions; that is to say, the Zollverein goods were not to pay higher duties in the colonies than those of the mother country or of any other country.<sup>1</sup> The treaty was originally to remain in force till 1877: after that date it might be tacitly continued from year to year, terminable at one year's notice.

This was followed by a navigation treaty of August 16th, 1865,<sup>2</sup> with Prussia, of the same duration as the treaty of commerce. It secured to both sides equal national treatment and the most favoured nation clause as regards navigation. The right of acceding was reserved to every State belonging to or entering the Zollverein. This treaty also applied to the British colonies, except as regards the coasting trade.

Finally came the treaties with Austria. The first was a commercial treaty of December 16th, 1865.<sup>3</sup> This, again, like the Franco-English, was a tariff treaty. Austria engaged, from 1st January, 1867, to impose no higher duty on British goods than 25 per cent. (after three years, 20 per cent.) *ad valorem*. Such duties as England considered specially important were to be the subject of a supplementary convention. Further, with certain exceptions relating to frontier traffic and possible

<sup>1</sup> This, then, goes still further than the treaty with Belgium, which only prohibits the colonies from granting differential duties to the mother country. But, as we shall see, it has lately become a controversial point in international law whether differential duties between the British colonies themselves are also prohibited by it; *i.e.* whether the word 'country' does not include the colonies as well. In my opinion it certainly does, though the official interpretation in England has varied at different times.

<sup>2</sup> Hertslet, XII., p. 764.

<sup>3</sup> *Ibid.*, XII., p. 168.

arrangements with the Zollverein, reciprocal most favoured nation treatment was assured. The grounds upon which Austria decided to enter on this commercial treaty were chiefly financial;<sup>1</sup> moreover, England in this case made some not unimportant concessions in return. In the final protocol of December 16, 1865, the British plenipotentiary undertook to recommend to Parliament the abolition of duties on wood and timber, as also the equalising of the duties on wines in bottle with wines in wood, and both recommendations were passed in 1866. The treaty, as it happened, was concluded by the 'Sistierungs' ministry of Belcredi, as the protectionist Austrian Parliament was not in session, and the supplementary convention only received its reluctant consent. The treaty was to last ten years and, afterwards, unless notice were given, to be tacitly continued from year to year. Further, the Austro-Hungarian navigation treaty, on the lines of the Anglo-Prussian one, was concluded on April 30th, 1868.<sup>2</sup>

In consequence of the most favoured nation clause, England gained a still further advantage from the reductions which Austria's commercial treaty of March 9th, 1868,<sup>3</sup> conceded to the Zollverein. On December 30th, 1869, a supplementary Convention was concluded,<sup>4</sup> and substituted for Articles III-V. of the commercial treaty. This extended to England the tariff meanwhile agreed upon with the Zollverein; and, in addition, a special and still more favourable tariff for certain specified British goods was accorded from January 1st,

<sup>1</sup> See on this, Beer, *Geschichte des Welthandels im XIX. Jahrhundert*. Vienna, 1884, Vol. II., p. 222.

<sup>2</sup> Hertslet, XII., p. 1108.

<sup>3</sup> Notification of 19th June, 1868. Hertslet, XIV., p. 59.

<sup>4</sup> Hertslet, XIII., p. 81.



1870. The Convention and the commercial treaty were to run till January 1st, 1877.

Unconnected with these European commercial treaties, are a few treaties with countries outside of Europe, by which England was given simply the right to the most favoured nation treatment in regard to navigation, commerce, and tariff. Where there was reciprocity of privilege, it was of no practical importance to the countries concerned, since the treaties, as on many previous occasions, were made exclusively through the political ascendancy of England.

Among those, are the Friendship, Commerce, and Navigation treaties of February 11th, 1860, with Nicaragua;<sup>1</sup> of October 24, 1862, with San Salvador;<sup>2</sup> and of February 16th, 1866, with Columbia.<sup>3</sup>

Between these two groups stands the commercial treaty concluded with Turkey<sup>4</sup> on April 26th, 1861, embracing also Servia, Bulgaria, Roumania, and Egypt. This treaty held good for the United Kingdom and the colonies, and was to remain in force 28 years, with, however, the right of withdrawal at 14 and 21 years. In it Turkey undertook to lower her export duties annually by 1 per cent. from an average of 8 per cent. *ad valorem* to 1 per cent.; her transit duties from 3 per cent. to 2 per cent. and later 1 per cent.; import duties not to exceed 8 per cent., or specific duties equivalent thereto. In return, Turkey was assured most favoured nation treatment and reciprocal national treatment in regard to shipping and shipping dues. Finally, by a joint settlement, a tariff for Turkey was to be drawn up, subject to revision after seven years.

<sup>1</sup> Hertslet, XI., p. 451.

<sup>2</sup> *Ibid.*, XII., p. 364.

<sup>3</sup> *Ibid.*, XI., p. 885.

<sup>4</sup> *Ibid.*, XI., p. 561.

Through the first group of treaties, and the similar ones which the states in question, namely, France, Belgium, the Zollverein, Austria, and Italy had made among themselves and with other countries, there came into existence a European 'network of treaties,' resting on the combination of independent tariff treaties and most favoured nation treaties. This worked, in a most ingenious way, towards further reducing the general level of tariff duties in the countries concerned; since every reduction of duty granted to one of these states came into force as regards the others also, owing to the independent operation of the most favoured nation clause.<sup>1</sup>

Whether it is right to say that England, and in particular, Cobden, inaugurated this system, appears, from what has been said, very doubtful.<sup>2</sup> But in any case, Cobden and Gladstone showed an appreciation of its effects which the economists of the strict Manchester type, especially M'Culloch and his disciples, Lowe, Bonamy Price, etc., were entirely without. These representatives of what is now called 'one-sided Free Trade,' in their insular narrow-mindedness, rejected commercial treaties altogether, having in their mind only the earlier treaties, which had aimed at obtaining monopolies and at over-reaching the other signatories. Hence they completely misconceived the spirit of these modern commercial treaties, which were based on slight concessions to mutual interests, and aimed neither at

<sup>1</sup> See *Commercial Treaties, Free Trade, and Internationalism*, by a Disciple of Richard Cobden. Publication of the Cobden Club, London and Manchester, 1870, p. 20. The author of this excellent tract, I have been told, was the well-known Sir R. Morier.

<sup>2</sup> Cobden himself was undecided in his views, and spoke in apologetic terms on several different occasions of his share in the treaty of 1860 (see Morley, p. 56, note).

monopoly nor at increased duties, but at a general lowering of tariffs, and at placing the allied countries on an equal footing—the only possible form which international Free Trade in general, from its very nature, can take.<sup>1</sup>

But the conception of Free Trade which is hostile to commercial treaties, has held the ascendancy in England since the middle of the sixties.<sup>2</sup> Cobden had died, and Gladstone inclined strongly to this view. Thus it was that the English Government did not do what, even with its reduced tariff and quite apart from its political influence, it might have done to further extend the treaty system. To this it is due that all further abolitions of tariff imposts in the sixties were a matter of purely domestic policy on the part of England, and were not turned to account to secure compensation from other states, as, in some cases, would have been quite possible; for example, in cigars and sugar as regards the Zollverein and other European countries interested in the establishment of these industries.<sup>3</sup> This, too, is the reason why the English Government, among other things, did not move a finger to fill up the gaps which still remained in the network, by making treaties with Spain and Portugal.

Both these countries complained that the English wine duties, as graduated according to alcoholic content—a regulation made entirely for fiscal convenience—acted as differential duties in favour of the lighter wines of France, against their own heavier ones,

<sup>1</sup> Morley, pp. 46, 48.

<sup>2</sup> It is most clearly formulated in a speech of Lowe, afterwards Chancellor of the Exchequer, March 17th, 1865, *ibid.*, p. 31. See also p. 15, etc.

<sup>3</sup> *Ibid.*, p. 49, etc.

which no longer came under Class I. (1-26 degrees). On this account, they asked for an extension of Class I., which would place their own wines on an equal footing with those of France. The negotiations, however, entered into with Portugal on the subject in 1866, fell through. They were resumed in 1869, but, on Lord Clarendon's conclusive answer of April 28th, 1870, again ended without result. Portugal was ready at that time to adopt a general and thorough Free Trade policy, if England had been willing to accept her proposal;—namely, to extend the first class of wine, which paid 1s., so as to take in wines containing up to 36 degrees of alcohol, and to levy an additional sum of 3d. per degree upon those containing from 36 to 42 degrees. But England, as we have said, declined—the Chancellor of the Exchequer at the time was Lowe, one of the most resolute opponents of commercial treaties—and thereby made it impossible for Portugal to adopt a radical Free Trade policy, inasmuch as the chief customer for her principal article of export continued to levy a differential duty of practically 150 per cent. against it.<sup>1</sup> It was very much the same in the case of Spain.

On the other hand, Germany, and specially German agriculture, complained that the customs duties on foreign spirits coming to England (to balance the inland excise) were, in fact, a protective duty in favour of British spirits.<sup>2</sup>

<sup>1</sup> See the communication of the Vicomte de Figanière, Member of the Cobden Club, and Portuguese Ambassador to St. Petersburg, of July 17th, 1875, in *Free Trade and the European Treaties of Commerce*. (Cobden Club Publications, 1875, p. 86), and *Commercial Treaties*, etc., pp. 21, 50.

<sup>2</sup> See the communication of G. v. Bunsen to the Cobden Club of 12th July, 1875, in *Free Trade and the European Treaties*, etc., p. 86; as also the

In the obstinacy with which England held fast on these tariff points, other countries could see, not without reason, how little she was seriously inclined to uphold her Free Trade principle when it did not seem to suit her interests.

exhaustive setting forth of the grievances in the treatise of Julius Faucher: *A New Commercial Treaty between Great Britain and Germany*, in Cobden Club Essays, London, 1872, pp. 265-343, where, first, the value of commercial treaties is emphasised; and, second, the equalisation duty on foreign spirits entering England is described as concealed protection and hypocrisy.

## CHAPTER II.

### TRADE POLICY OF THE UNITED KINGDOM SINCE 1870.

#### A. THE COMMERCIAL TREATIES.<sup>1</sup>

THE tariff treaties naturally form the central point in the network of European commercial treaties just described, and the chief of these was the Anglo-French or 'Cobden-Treaty' of 1860. With these tariff treaties stood or fell the whole system; without them the most favoured nation clause would only have had this much importance, that it would have prevented differential duties—it would not have prevented the imposition of new protective duties introduced against all foreign countries alike. The Cobden treaty, however, like the other Free Trade or moderately protective treaties of France, had been forced on that country against the will of those most deeply interested, by an autocratic government. It is, therefore, not surprising that, on the fall of this Government,

<sup>1</sup>There is practically no literature on the subject of this whole chapter. On part A in particular, there are only the scanty accounts in Leone Levi, *History of British Commerce*, and in Beer, *Geschichte des Welthandels im XIX. Jahrhundert*. I have therefore had to draw for the most part on the original sources, *i.e.* besides the text of the treaties (collected in Hertslet), primarily on the valuable but somewhat voluminous parliamentary papers and blue books.

the Republic immediately sought to return to the paths of previous trade policy.

The personal sympathies of Thiers, whose trade policy had always been that of a convinced protectionist, were strengthened by the financial distress occasioned by the war, and this distress also brought home the necessity of a return to higher duties. His object was two-fold:—on the one hand, to increase certain duties for protective purposes on particular yarns and tissues of cotton and wool, occasionally up to but never exceeding 15 per cent. *ad valorem*; on the other hand, to introduce new duties on fiscal grounds, particularly duties on raw materials and on the textiles, cotton, wool, silk, etc. In the case of the last two, however, they were meant to operate at the same time as protective duties in favour of home agriculture. Alongside of these duties, there were to be corresponding drawbacks, to allow of the export of French manufactures made from these raw materials, and besides—and this was particularly important—‘compensation duties’ on foreign manufactured goods made from similar raw material abroad. Thiers laid great weight on the possibility of making this change of policy in co-operation with England. The grounds for his expectation were:—(1) that the English Government—apart from its political sympathies—had, on several occasions, declared that, in spite of its opposition to systematic Protection, it had no absolute objection to moderate protective duties; (2) that the increased duties which he proposed did not reach the maximum laid down in the Cobden Treaty. He, therefore, opened negotiations with England on June 15th, 1871.<sup>1</sup> The

<sup>1</sup> Cf. Blue-book, France, Commercial, No. 1 (1872); *Correspondence respecting the Treaty of Commerce between Great Britain and France of 1860.*

English Government, however, protested against the proposed duties on raw materials as being, in effect, heavy 'differential duties' on British raw materials, wherever similar materials were produced in France itself, and were not burdened with a corresponding excise. It protested also against the new French navigation law as being aimed, both from protective and special motives, at the interests of British shipowners. Finally, it declared that, while it neither contemplated a tariff war against France nor a return to Protection, it attached importance to the recovery of its fiscal freedom, which had been encroached on at various points by the existing treaty.<sup>1</sup> This declaration was quite in consonance with the views which we know to have prevailed in England at the time in regard to commercial treaties.

By a law passed on February 2nd, 1872, Thiers obtained the right to denounce the treaties with England and Belgium, and renewed his proposals to the English Government for a reconstruction of the commercial treaty on the new basis he desired. The English Government, however, declined these proposals; whereupon France, on March 25, denounced the commercial treaty with England, and, on the 28th, that with Belgium. Negotiations were at once broken off; and a new law of July 26th, 1872, introduced the duties on raw textile materials, as also the corresponding compensation duties and drawbacks.

London, 1872 (C.—499). As Devers does not go into particulars as to these and the later Franco-English negotiations, and as I had the whole material—with one exception—before me, a fuller statement seemed appropriate at this point.

<sup>1</sup> *Ibid.*, p. 160.



Negotiations, it is true, were again resumed; but all that was then aimed at was the assent of foreign powers to this reform in French trade policy, not any modification of it. With respect more especially to England, the aim of France could only be a Convention in which England, on the one hand, should agree to the proportion fixed between the duties on raw material and the compensatory duties on manufactures, while France, on the other hand, should grant to England the right to the most favoured nation treatment in regard to commerce and navigation. This goal was reached in the Convention of November 5th, 1872,<sup>1</sup> through negotiations which do not seem to have been published, or else are out of print. At any rate I have not come across them.

By this Convention, England agreed in principle to the new French duties on raw material, and to the compensation duties, even going so far as to permit their immediate imposition on British goods. As regards other foreign countries, however, France was bound till 1877, and could not put the duties in force without their consent till then. In all probability, therefore, the new duties would at first fall on English goods alone, *i.e.* on manufactures of Great Britain and on the raw materials of her colonies. It was only from that year onward that England could obtain the right unreservedly to the most favoured nation treatment. To make up for this, France conceded the abolition of the 'surtaxe de pavillon' on indirect shipping which had been reinserted in the new navigation law.

This concession must have been of great importance to British shipowners: for it is certainly remarkable that the English Government should have given its

<sup>1</sup> Parliamentary Paper, France, Commercial, No. 1 (1873).

consent to the policy of the new French duties which it had so strongly opposed, both on practical and theoretical grounds, and particularly, to the imposition of differential duties acting to the prejudice of England. That this was done, in the main, for the *beaux yeux* of France, or from compassion for her financial condition at the time—as the French Government assumes, in the reasons contained in the preamble of the law presented to the National Assembly<sup>1</sup>—is hardly probable; although certainly the political motive, the desire that France should again become rich and prosperous, was not without influence on the Gladstone cabinet of the time. Besides, it was, in the case of raw materials at least, chiefly the interests of the colonies which were sacrificed, and the Manchester school was always ready enough to do this.

In Article XXI., however, it was stipulated that another mixed Anglo-French commission should be held, in order to revise the tariff appended to the Convention, with regard to the relation between the duties on raw materials and the compensatory duties calculated on them. This mixed Commission—Kennedy representing England, and Ozenne and Gavard, France, together with their respective secretaries—began by re-examining a number of English manufacturers in the woollen, silk, cotton, flax, caoutchouc, and nickel industries, and representatives of the same industries in France, as to whether the compensation duties, contained in the appendix to the Convention, were really just equivalent to the duties imposed on the raw material contained in the manufactures in question, or whether they did not constitute in addition a real protection to the French manufacturers. In a

<sup>1</sup> Cf. Blue-book, France, Commercial, No. 2 (1873), p. 9.

number of cases, the English delegates succeeded in obtaining a reduction of the compensation duties. The Commission finished its labours at the end of January, 1873, and postponed the consideration of further pressing points—principally technical—raised by England, till after the adoption of the Convention, with its reduced tariff, by the National Assembly.<sup>1</sup>

But, in consequence of the fall of Thiers, these points were never considered. The new Minister of Commerce gave up the taxation of raw material and the newly-concluded treaties with England and Belgium, and fell back on the commercial treaty of 1860. Thus all the laborious work of the Commission went for nothing. By the commercial and navigation treaty of July 23rd, 1873,<sup>2</sup> between Great Britain and France, the treaty of 1860, along with the two supplementary conventions, was again put into force, to last, in the first instance, till June 30th, 1877, and afterwards from year to year, terminable at one year's notice. The treaty guaranteed reciprocally most favoured nation treatment between the United Kingdom, France, and Algeria, and equal national treatment as regards navigation both direct and indirect (Art. II.). Up till that time, goods imported in British ships had been exempted from the 'surtaxe d'impot,' only if they came direct from the ports of the United Kingdom or its European possessions. Now, however, they were to be exempt in all cases. This was a new and important privilege.<sup>3</sup> Article IV., again, specified that the duties on British mineral oils should be reduced to 5 per cent.; *i.e.* the level at

<sup>1</sup> See the protocols of the Commission, *ibid.*, pp. 68-291.

<sup>2</sup> Hertslet, XIV., p. 340; Parliamentary Paper, Commercial, No. 3 (1873), and No. 1 (1874).

<sup>3</sup> Devers, p. 156.

which they stood previous to the French law of July 8th, 1871. On various points, again, a mixed commission was subsequently to decide.

As result of its labours, there followed the Supplementary Convention of January 24th, 1874.<sup>1</sup> This stipulated for the introduction of a compensatory import duty equivalent to any new inland excise tax that might be imposed, and, conversely, the suppression or reduction of any such duty. This was, of course, to apply to all nations equally. Further, mutual freedom of transit business, equal national treatment as regards patents, exemption from duty of samples, etc., were promised.

Finally, the provisions as to declaration of value, in the case of those goods which were still, as before, subject to *ad valorem* duties in France, were revised and altered. As already noted, the proposal made, on the conclusion of the Cobden Treaty, that the *ad valorem* duties on a number of goods should be changed into specific, had failed, owing to the difficulty in coming to an agreement. Under the circumstances, these goods gave rise to frequent disputes between the importer and the customs authorities, and there was much defrauding of the revenue. Now, however, by a special declaration of January 24th, 1874, the settling of these disputes was to be arranged by experts.

For reasons which cannot be discussed here,<sup>2</sup> the protectionist movement which had passed over France and threatened the most important of the European commercial treaties, was victorious, within the next few

<sup>1</sup> Hertslet, XIV., p. 348; Parliamentary Paper, Commercial, No. 2 (1874).

<sup>2</sup> See von Matlekovits, *Die Zollpolitik der österreichisch-ungarischen Monarchie*, and Peez, in the publications of the Verein für Socialpolitik: *Handelspolitik der Kulturstaaten*, Vol. I.

years, in another country, namely Austria. In this case also, it led among other things, to the notice of withdrawal, on January 16th, 1875, of the commercial treaties between Austria and England of 1865 and 1869.

These treaties expired in 1876. As early as 1874, the English ambassador in Vienna had drawn the attention of his Government to an agitation beginning in Austrian industrial circles against their renewal, and in favour of an independent protective policy. This was the result, partly of the industrial and financial crisis of 1873, partly of a long-standing dislike of these treaties, in the making of which it was felt that Austria had been overreached by the English representatives. The general opinion was that they had had nothing but injurious consequences as regards Austria-Hungary, while the hopes based on them had remained almost entirely unfulfilled.<sup>1</sup> This agitation grew as time went on, till it compelled the Government, towards the end of 1875, to denounce them. Austria, at the same time, indeed, declared herself willing to open negotiations for a new treaty, but, in spite of repeated pressure from England, it was not till ten months later, when the expiry of the treaties was close at hand, that she showed any real readiness to begin the negotiations. This was when the new trade policy had, with great difficulty, been agreed on between the two parts of the monarchy. England's request that the treaties should run on for another year at least, till the expiry of the other Austrian commercial treaties and their renewal, was, however, flatly refused.

<sup>1</sup> See the Blue-book, Commercial, No. 1 (1877); *Correspondence respecting Commercial Negotiations between Great Britain and Austria, 1874-7*. London, 1877 (C—1642), p. 3; and Peez, p. 174.

The Austrian Government, indeed, had committed itself to this effect in the Reichsrat, and proposed nothing more than a simple most favoured nation treaty, without any tariff obligations, as the only possible basis of agreement.

England's whole treatment by Austria-Hungary on this occasion was marked by a great want of consideration, as compared with her treatment by France in similar circumstances. Here, for the first time, the logical and obvious consequence of her doctrinaire adherence to Free Trade was demonstrated by a foreign power. The Cisleithan Minister of Finance gave expression to it, when he frankly declared to the English Ambassador that his Government was ready to negotiate with France, Italy, and Germany, in regard to a conventional tariff; but that England, as result of the adoption of Free Trade, had nothing to offer in return for possible concessions, and could only obtain most favoured nation treatment.<sup>1</sup>

This being the position taken by the Austrian Government, there was nothing for England to do, if she did not wish her products, at the expiry of the treaties, to fall under the raised general tariff, but to accept what Austria proposed:—simply most favoured nation treatment for one year.<sup>2</sup> She thus lost the special tariff allowed her on cotton and woollen goods, but, for the rest, British goods were not made subject to higher duties than before. On expiry of the year, however, the provisional treaty was prolonged for an indefinite

<sup>1</sup> See the Blue-book quoted.

<sup>2</sup> Parliamentary Paper, Commercial, No. 2 (1877), Austria.

period, terminable at one year's notice;<sup>1</sup> and, after Austria had remodelled her tariff in 1878 on protective lines, all that England was able to obtain, thanks to this treaty, was the same privileges as were granted by Austria to Germany, France, and Italy—provisions granted in the interests of these states and only of partial advantage to England.

At the same time, a reaction in favour of Protection took place in Italy, and led to notice of withdrawal from the Anglo-Italian commercial treaty of June 26th, 1875.<sup>2</sup> It was, however, nine times extended, for a half (sometimes a whole) year, up till June 30th, 1883, and, on June 15th of that year a new commercial and navigation treaty was concluded.<sup>3</sup> The old treaty of 1863, as has been shown, was simply a most favoured nation, not a tariff treaty, and had included merely the provision that Italy was not to impose any import prohibition. This obligation was absent from the new treaty, which was therefore purely a most favoured nation treaty. But, as such, it involved something very different. The old treaty had assured England of the same low tariff rates as had been granted to France in 1863. In the meantime, however, Italy had introduced a new protective tariff, so that now the most favoured nation treaty conceded only the much less favourable conditions of the new Franco-Italian treaty of 1881, and of the other new Italian treaties.<sup>4</sup> The coasting trade, moreover, was entirely excepted. Lastly, the treaty contained, on the English side, precise provisions regarding its applica-

<sup>1</sup> *I.e.* it might be denounced at any time, but remained in force for a year thereafter. See Parliamentary Paper, Austria-Hungary, No. 1 (1878).

<sup>2</sup> Hertslet, XIV., 1087.

<sup>3</sup> *Ibid.*, XV., p. 776.

<sup>4</sup> Cf. Sombart in *Handelspolitik der Kulturstaaten*, Vol. I., p. 98.

bility to the English colonies. It was to apply forthwith to 'all the Colonies and foreign Possessions of Her Britannic Majesty,' with the exception of India, Natal, and the self-governing colonies of Canada, Newfoundland, the Cape, New South Wales, Victoria, Queensland, Tasmania, South and Western Australia, and New Zealand. Each of these, however, was to have the right to adhere within one year after its ratification.

The special consideration shown on this occasion to the most important of the English colonies, appears as the result of the independent tariff policy they had meantime entered on. As we shall see, their policy, in contrast to that of the mother country, had become more protective since the end of the seventies.

The new and highly protective Italian tariff of July 14th, 1887,<sup>1</sup> dealt another heavy blow at English exports to Italy—especially in the case of cotton, wool, glass, and the felt hat industries. Again a lively protest was raised by these trades, partly through the English diplomatic representatives in Italy, partly through delegates sent to the Italian Government. A few unimportant concessions to the Bradford and Nottingham industries were actually obtained in this way. In the main, however, the Italian Commission on the general tariff refused to make concessions without equivalent returns, and England was again put off with the crumbs which fell from the other commercial treaties between Italy and other countries, particularly Austria.<sup>2</sup>

The transition of the German Empire to Protection, which followed in 1878, left the Anglo-German com-

<sup>1</sup>Cf. Sombart, p. 109.

<sup>2</sup>Cf. Blue-book, Commercial, No. 10 (1889); *Correspondence respecting Alterations in the Italian Tariff*, 1887-9.



mercial treaty undisturbed, as it was simply a most favoured nation treaty. It did not, of course, hit the English export trade any the less heavily on that account; it crippled it, indeed, in many departments.

In France also, the protective movement gathered weight, and prepared a second crisis for the tariff treaty of 1860, which, this time, it was not fortunate enough to surmount.

On January 13th, 1879, France gave notice of withdrawal from the treaties with England of 1860, 1873, and 1874, and these accordingly expired on December 31st, 1879.<sup>1</sup> This withdrawal was made in order to give the French government entire freedom, as regards the Chamber, in the drawing up of the new general tariff which, quite apart from the protective tendency, had become a necessity.<sup>2</sup> On England's emphatic representation of the uncertainty of trade with France which followed as result of this announcement, France, after some short negotiations, declared her readiness to allow the old treaties and the old conventional tariff to remain in force, as regards England, until six months after the proclamation of the new general tariff; the proposal was accepted by the English Government on May 21st, 1879.<sup>3</sup>

The pourparlers regarding renewal of the treaties lasted several years, and the negotiations finally fell through. It is, therefore, not necessary to describe them in detail; only the chief points may be mentioned.<sup>4</sup>

<sup>1</sup> Hertslet, XIV., 1202.

<sup>2</sup> Cf. Parliamentary Paper, Commercial, No. 2 (1879), and Devers, p. 157.

<sup>3</sup> Cf. Parliamentary Paper, Commercial, No. 15 (1879).

<sup>4</sup> See Blue-books, France, Commercial, No. 37 (1881), No. 38 (1881), and No. 9 (1882). Further, the Parliamentary Papers, Commercial, Nos. 2, 15, 28 (1879), 24 (1880), 18 (1882), and *French Tariff*, 96 (1882).

The impression which they made in England, and the agitation which they called forth in that country, will be described later in another connection (See below, Chap. IV.).

The ends which both Governments kept before them during these negotiations, and the claims which they accordingly made, were not, at the outset, so divergent as to make an agreement impossible. The first negotiations for the renewal of the treaties which had expired in 1877, and been afterwards continued on yearly notice, had taken place in 1877, and were in the Free Trade direction of a further lowering of the French tariff. These negotiations, however, had been broken off in consequence of the change of ministry in France. But, in 1880, Léon Say again indicated officially, as the basis of new treaties, an improvement of the *status quo* in the way of a further development of reciprocal commercial relations, and asked nothing in return but the exemption of cattle and agricultural products from the conventional tariff, and a reduction of the English duties on French wines.<sup>1</sup>

This was hailed with great satisfaction in England. Parliament, at the request of Gladstone, then Chancellor of the Exchequer, took the unusual step of resolving provisionally—that is to say, on the event of an agreement with France—to make a corresponding change in the wine duties.<sup>2</sup>

In conformity with this, England made several demands, both at the *pourparlers* and at the definite negotiations which took place after the publication of the new general tariff in May, 1881. She did not ask merely for the maintenance of the *status quo*, which would have meant, in the first instance, asking for the

<sup>1</sup> Commercial, No. 24 (1880).

<sup>2</sup> Dowell, Vol. IV., p. 174.

lowering of certain specific duties, as these duties, owing to the fall in price of the goods concerned from the year 1860—especially of steel and iron goods, and chemicals—had considerably exceeded the agreed maximum of 24 per cent. *ad valorem*. What she proposed was on the contrary an improvement in the *status quo*, by a reduction or abolition of the duties; that 15 per cent. *ad valorem* should henceforth be the maximum; that the former average of 15 per cent. should be replaced by an average of 10 per cent.; and that duties of  $7\frac{1}{2}$  per cent. should take the place of the former 10 per cent. duties. Besides this, England asked for the maintenance, and, where possible, the extension of the system of *ad valorem* duties, simply because of the difficulties which arose with specific duties. Finally, she asked that special provisions should be made as regards the English colonies. These claims show how little England understood the prevailing feeling in France regarding trade policy.

But the French Government, owing to the spread of protective agitation in the country,<sup>1</sup> was no longer in a position to accept the basis of negotiation proposed by the free trader, Léon Say. Indeed, after the passing of the new protective or, rather, fighting general tariff, it had to start from this as basis, and all it could offer was to reduce the 24 per cent. at which this tariff worked out on the average as compared with the earlier conventional tariff. On the other hand, certain articles, formerly included under the conventional tariff, were henceforth to be taken out, and put under the higher general tariff. Further, the French Government had pledged itself to Parliament to change the *ad valorem* duties

<sup>1</sup> Devers.

which still remained into corresponding specific ones, and this now constituted the chief point at issue between the two Governments.

The English industries raised the general objection that, when different qualities of one kind of goods were classified together in the tariff, and the calculation was made on the average value of these goods, specific duties affected these different qualities very unequally, weighing more heavily on the coarse than on the fine; so that *e.g.* one and the same specific duty corresponded, in the case of the fine qualities, to an *ad valorem* duty of only 5 per cent.; in the case of the coarse common qualities, to one of 60 per cent. Seeing, then, that British exports for the most part consisted of ordinary textile and metal articles of common consumption, they were much too hardly hit by specific duties calculated on an average, and the trade in these was, in many directions, almost entirely crippled. It was not denied, on the English side, that there would be disputes and evasions arising out of the declarations of value, but it was hoped that, by a change of method—requiring, *e.g.* declarations to be accompanied by written invoices, subsequent confirmation by chambers of commerce at the place of production with regard to the real value, and the more strict exaction of fines—this could be greatly remedied.<sup>1</sup>

The English Government, however, when it saw that France held fast to the conversion of *ad valorem* into specific duties, declared itself agreeable in principle, but claimed that the fixing of the specific duties should be done by a joint commission.

<sup>1</sup> See on this point the Memorandum of the Bradford Chamber of Commerce, in Blue-book, Commercial, No. 38 (1881), p. 44; and also Amé's statements in Devers, p. 159.

A commission, accordingly, sat from May 26th, 1881, till July 30th, in London, and again, from September 22nd, 1881, till January 2nd, 1882, in Paris.<sup>1</sup> In London, it examined, as before, a great number of industrial experts. In the course of negotiation, France made a number of concessions, which, however, were not considered sufficient by England, especially as regards her most important export to France, cotton goods.

Meanwhile, as we shall see, a lively agitation had sprung up in England against the conclusion of an unfavourable tariff treaty. Consequently, the English Government in the end refused these last proposals, and instead put forward a simple most favoured nation treaty. But France was not ready to agree to this without something further. It would have ended in an unfair relation, since France was on the point of fixing her tariff for a number of years by new treaties with other states, while England, whose tariff was not restricted by any other treaty, would not be hindered from raising her duties, particularly those on wine, nor even, it might be, from imposing new ones on silk goods—both these duties being widely agitated for in England at the time. France, therefore, was inclined to conclude a most favoured nation treaty only on condition that England bound herself not to alter her tariff during its continuance. This, however, England in turn refused, on the ground of the difference between the two tariff systems, and in accordance with the disinclination, in principle, of the Free Trade school to bind the home tariff by treaties. As the French Government did not wish to treat England more unfavourably than other

<sup>1</sup> Negotiations were chiefly carried on on the English side by the well-known Liberal statesman, Sir Charles Dilke.

nations, it now hit on the expedient of bringing in, independently, a Law, on February 27th, 1882,<sup>1</sup> granting to English goods (*i.e.* goods of English origin or English manufacture) the most favoured nation treatment with regard to tariff. Colonial products, on the other hand, were excluded, and put under the general tariff: this was a result of the protective policy which most of the self-governing British colonies had established meanwhile on their own account.

On other points which, in addition to import duties, are generally regulated in commercial and navigation treaties, a new most favoured nation treaty was concluded, *viz.* the Commercial and Maritime Relations Convention of February 28th, 1882.<sup>2</sup> It transferred the future regulation of import duties on products of the United Kingdom entering France and Algeria, and *vice versa*, to the internal legislation of the two States. Most favoured nation treatment was, however, assured in all other respects. The treaty guaranteed also equal national treatment in regard to shipping, as well as the right to the levying of tonnage, landing, and shipping dues to defray the expenses involved, providing here also for equal treatment, exception being made of the coasting and fishing trades. The treaty was to run till February 1st, 1892. The effect was:

(1.) Goods of English origin or manufacture enjoyed till May 15th—the period to which the other treaties had been extended—the same tariff provisions as before: from that time onwards, the same as those granted to other countries under the new treaties, *i.e.* in the main, the duties of the new general tariff, minus the increases of 24 per cent.;

<sup>1</sup> Hertslet, XV., p. 183.

<sup>2</sup> *Ibid.*, XV., p. 184.

(2.) *Ad valorem* duties were converted into specific, according to the original French terms, *i.e.* without the concessions proposed in the deliberations of the commission: all these laborious negotiations had therefore been fruitless, and their hard-earned results had gone for nothing, so far as England was concerned;

(3.) Colonial products fell in future under the distinctly higher general tariff;

(4.) England was thrown on the good-will of France, as regards import duties, for her position of most favoured nation.

These, then, were the results of the Free Trade doctrinairism which, at that time, completely dominated the policy of the Government. England was prevented from entering on one or other of the only two courses reasonably open to her—either to accept the French proposals for a new tariff treaty (eventually a complete most favoured nation treaty), or to refuse them, as not favourable enough, and return to retaliation or a tariff war against France, the policy urged by a certain section in England who were agitating against the new tariff treaty. The English Government did neither, and England thus ceased to play her part in the commercial policy of the great European industrial countries.

While England did not succeed in obtaining a renewal of the most important of her earlier treaties as they stood, she was fortunate in being able to conclude, during this period, the commercial treaties with Spain and Portugal which had previously fallen through. This was simply owing to the fact that, in her wine duties, she still possessed the power of giving valuable

concessions in return, and that she now determined to make use of it.

The first reconstruction of the Anglo-Portuguese trade relations, it is true, owing to the objections of English free traders to tariff treaties, took the form of independent legislation on either side. In 1876, England lowered her wine duties in such a way as to confer a special advantage on Portuguese wines (see below, Part II.). On the Portuguese side, a Law of January 26th, 1876,<sup>1</sup> independently extended the advantages of Tariff B, which had been granted to France in the treaty of July 11th, 1866, to Great Britain and to all other countries which gave Portuguese goods most favoured nation treatment. In accordance with a royal decree of February 3rd, 1876, this extension was limited to the import of British products only. Finally, on May 22nd, 1882, a Commercial Convention was arranged between Great Britain and Portugal,<sup>2</sup> which gave immediately and unconditionally most favoured nation treatment on both sides, with the exception that Portugal reserved the right to grant special advantages to Brazil.

In the case of Spain, there were greater difficulties. Here England was most deeply concerned in concluding a favourable treaty, for, by the trade policy of that country, she had been placed at a great disadvantage compared with other states.<sup>3</sup> In 1869, Spain, taking England for her example, had entered on an independent free trade, or, at least, a moderate protective policy, which, however, was not completed for a

<sup>1</sup> Hertslet, XIV., p. 1118.

<sup>2</sup> *Ibid.*, XV., p. 293.

<sup>3</sup> See Morier's Report of April 25th, 1882, on Spanish trade policy; Commercial, No. 38 (1882), Spain, p. 4; also Gwinner, in *Handelspolitik der Kulturstaaten*, Vol. III., p. 72.



comparatively long time, in 1887. In 1877, this trade policy was interrupted by a new one of partly higher, partly lower duties, and by the drawing up of two tariffs; the new reductions being given only to those countries which had concluded treaties granting Spain the most favoured nation treatment and other advantages. France was the first to obtain these reductions under a convention of 1877, which was followed by a treaty in 1882. Then followed, in 1883, treaties with Switzerland, Sweden, Norway, Portugal, and the German Empire. In the end, practically England alone, of all the European states, was handicapped<sup>1</sup> by comparatively high duties in her export trade to Spain; and, for this reason, a large part of the trade took its way through France.<sup>2</sup>

The Anglo-Spanish negotiations for the improvement of this state of affairs began in 1882, and led to an agreement on December 1st, 1883.<sup>3</sup> By this, the Spanish Government undertook to grant the modifications of her existing Conventional Tariff which English interests demanded; the British Government undertook in return to apply to Parliament for an alteration in the wine duties, namely, an extension of the 1s. duty to wines containing 30 degrees of alcohol, and a modification of existing duties on wines over 30 degrees. Meanwhile a *modus vivendi* was arranged: the Spanish Government was to apply forthwith to the Cortes for the admission of British goods under the Spanish conventional tariffs; the English Government, to Parlia-

<sup>1</sup> On the height of these differential duties against England's most important exports into Spain, see the Memo. of the United Chambers of Commerce of Great Britain, of June 30th, 1883, in the Parliamentary Paper, Spain (Commercial Relations), 261 (1882).

<sup>2</sup> Gwinner, *ibid.*, p. 80.

<sup>3</sup> Hertslet, *ibid.*, XV., pp. 822, 824.

ment for the extension of the 1s. scale. The British plenipotentiary at the negotiations was Sir Robert Morier, author of the work more than once referred to, *Commercial Treaties, Free Trade, and Internationalism, by a Disciple of Cobden*. On this occasion, he was able to put in practice the principles he had formerly advanced theoretically. His task was, however, by no means a light one.<sup>1</sup> For the only important Spanish industry which had attained a high degree of prosperity under the previous system—the cotton industry of Catalonia—found itself threatened by this reduction of the import duties on English goods, and offered an obstinate resistance to the conclusion of a most favoured nation treaty with Great Britain. As a fact, this resistance was successful for some years, during the protectionist Conservative ministry of Canova, 1884-1886. On December 21st, 1884, a declaration was made to the effect that the Spanish Government would, as soon as possible, submit a Bill to the Cortes, empowering it to grant most favoured nation treatment to Great Britain. The British Government undertook to continue the most favoured nation treatment to Spain, as regards trade and navigation, and to ask from Parliament an extension of the lower alcoholic duties: afterwards, both Governments were to work for modifications of the tariff and further alterations in the alcohol scale. But it was two years later, after a break in the negotiations in May, 1885, before a Convention was finally concluded. This Convention, of April 26th, 1886, gave most favoured nation treatment between the United Kingdom and its colonies

<sup>1</sup> On the protracted negotiations, see English Parliamentary Papers, Commercial, Nos. 38 and 41 (1882), No. 4 (1883), Nos. 5, 6, 18, 22, 12, 13 (1885).

on the one hand, and Spain and her colonies on the other, and, in particular, extended to England the privileges formerly conceded by Spain to Germany and France. England, in return, engaged to obtain from Parliament the long-talked-of extension of the alcohol scale. This was done by the Acts of Parliament 49 and 50 Vict. c. 41 (see below). An interchange of diplomatic notes in 1886 provided that the extension of the scale to 30 degrees, voted by the British Parliament, should not hold in the case of wine in bottles, and that the Government should be free to make a new sub-division of 1-15 degrees, treating this differentially. The right was granted to the self-governing British colonies to give a year's notice of withdrawal from the Convention.

The treaty thus at length concluded marked another success for British diplomacy. In return for a very small sacrifice, England secured the equal treatment which was so important to her in the Spanish market. Spain, however, as we shall see, made a very bad bargain: the increase in the export of lighter Spanish wines to England, which was expected by the Spanish free traders on the conclusion of the treaty, and which was, indeed, the object aimed at in altering the tariff, turned out to be only temporary, while the import of English manufactures considerably increased in the following years. In consequence of this, the treaty with 'perfidious Albion' caused great irritation in Spain, and gave occasion to a law closely connected with her return later on to strong Protection.<sup>1</sup>

An easier matter was the conclusion of new and favourable treaties with the states of the Balkan penin-

<sup>1</sup>Cf. Gwinner, p. 82.

sula, and with extra-European countries, as here the great political ascendancy of Great Britain turned the scale and made concessions on her part unnecessary.

(a) *The Commercial Treaties with Servia.*<sup>1</sup> A provisional arrangement of March 7th, 1879,<sup>2</sup> between Servia and Great Britain, provided for most favoured nation treatment till a commercial treaty should be concluded: this was done on January 26th (7th February), 1880.<sup>3</sup> This treaty granted most favoured nation treatment, but contained besides an equal import tariff on goods from Great Britain and her colonies. A number of the most important British products—metals and metal manufactures, tools and cutlery, machines, yarns, threads, textile goods, pottery, porcelain wares, and refined mineral oils—were to pay *ad valorem* duties of not more than 8 per cent.; other goods, specific or *ad valorem* duties of 10 per cent., at the option of the importer. Surcharges for portorage, weighing, and warehousing were agreed on; regulations made for equalising the duties with the inland excise, as in the commercial treaty of 1882 with France; and equal national treatment in commerce and navigation granted. The treaty was to remain in force for ten years, and thereafter to be tacitly continued from year to year. An exchange of diplomatic notes of February 7th excepted the frontier traffic from the most favoured nation treatment,<sup>4</sup> while a declaration of July 4th, 1881,<sup>5</sup> expressly excluded Canada and the South African colonies from the treaty, and still further reduced the *ad valorem* duties on woollen and cotton yarns to 5 per cent.

<sup>1</sup> Cf. the Parliamentary Papers, Nos. 24 and 30 (1881).

<sup>2</sup> Hertslet, XIV., p. 1150.

<sup>3</sup> *Ibid.*, XV., p. 342.

<sup>4</sup> *Ibid.*, p. 347.

<sup>5</sup> *Ibid.*, p. 348.

(b) *The Roumanian Treaties.* The Roumanian declaration of November 30th, 1876, had provisionally granted England most favoured nation treatment; in consequence of this, the tariff arranged with Austria by the convention of June 22, 1875, was applied to England. On April 5th, 1880, a commercial and navigation treaty was concluded for ten years.<sup>1</sup> This granted most favoured nation treatment, and, in addition, by Article III., modifications of the Conventional Tariff on a number of English goods,<sup>2</sup>—thus making it a tariff treaty—as well as equal national treatment in regard to navigation. On the expiry of the ten years' limit, it was to be tacitly renewed from year to year. The treaty speaks of 'British territories,' but, in the protocol,<sup>3</sup> the South African Colonies are excluded, and the right extended to the others to give notice of withdrawal within one year. Only Canada, however, has availed herself of this.<sup>4</sup> On November 14th (26th), 1886, a supplementary treaty was concluded, which replaced Article III. of 1881 by a new conventional treaty. This was to run till June 28th (July 10th), and thereafter from year to year.<sup>5</sup>

(c) *The Treaty with Montenegro of January 21st, 1882.*<sup>6</sup> This also was a one-sided tariff treaty. In addition to mutual most favoured nation

<sup>1</sup> Hertslet, XV., p. 314.

<sup>2</sup> *E.g.* felt, cotton twist, doubled yarns, jute tissues, very common grey textures, petroleum, cement, common earthenware, glass, copper, tin raw and in plates, iron and steel rails, iron hoops, parts of machinery, nails, chains, unenumerated and semi-fine articles of iron and steel, cutlery.

<sup>3</sup> Hertslet, XV., p. 322.

<sup>4</sup> *Ibid.*, p. 323.

<sup>5</sup> *Ibid.*, XVII., p. 876. Cf. also the preface to Blue-book, *Return of Foreign Import Duties*, 1890.

<sup>6</sup> *Ibid.*, XV., p. 240.

treatment, it lays down, in principle, free import of British goods. No import duties are to be levied on them, but only custom house, portorage and weighing dues, and charge for the maintenance and improvement of the quays and customs buildings. Montenegro, however, reserves to herself the right, when expedient, to levy import duties, not without six months' previous notice, and then not exceeding 8 per cent. *ad valorem*. From the free imports are excepted arms, gunpowder and munitions of war, salt, saltpetre, sulphur, spirits, tobacco, and wines. Further, both parties concede to each other the right to impose compensatory duties on goods subject to any excise in the home country, and engage, in the event of a reduction or suppression of excise, to reduce or suppress the same correspondingly. Equal national treatment also is mutually assured. The treaty was to run, in the first instance, for ten years, and thereafter to be renewed from year to year. India was included in the treaty, Natal and the ten self-governing colonies, excluded; but permission was given them to come in within a year. They do not seem to have availed themselves of this.

A protocol of January 21, 1882, stipulated in addition that the 4 per cent. excise raised in Montenegro on the sale of foreign goods, should cease if import duties were levied.

(d) *The Greek Commercial Treaty of November 10, 1886.* This is not a tariff treaty, but grants only mutual freedom as regards commerce and navigation, most favoured nation treatment, and equal national treatment. The treaty holds for all British colonies and possessions, with the exception of India and the

<sup>1</sup> Hertslet, XVII., p. 757.

self-governing colonies, to which, however, the right of participation is reserved (as in the case of Italy). Of this all have availed themselves, with the exception of India, Canada, the Cape, and New South Wales. The treaty is also to be extended to every state entering into a tariff union with one of the contracting parties. The period of the treaty is ten years, to be tacitly continued from year to year thereafter.

But, on March 28, 1890, a new agreement was made between England and Greece, with special clauses relating to their respective tariffs. England undertook to obtain from Parliament a reduction on the duty on currants from 7s. to 2s. per cwt.; Greece, on the other hand, undertook to obtain<sup>1</sup> from her Parliament a considerable reduction of the duties on a number of goods.<sup>2</sup> In this case also, the United Kingdom was in a position to obtain very important concessions from Greece, in return for a single concession on her side in the shape of a tariff modification. And her readiness now, as formerly with Spain and Portugal, to avail herself of this weapon, showed how the English Government, under pressure of necessity, was beginning to climb down from the height of its former Free Trade doctrinairism to the level of practical politics.

We have now to consider a group of commercial treaties with countries outside of Europe, concluded for the most part during the eighties.

(1.) To this group belongs the commercial Convention with Tunis, of July 19, 1875.<sup>3</sup> This contains a

<sup>1</sup> Parliamentary Paper, Commercial, No. 15 (1890).

<sup>2</sup> *I.e.* salted or dried fish, cotton yarn, vegetable dyes, chemical products, and tissues of cotton, linen, hemp, jute, wool, or hair.

<sup>3</sup> Hertslet, XIV., p. 541.

tariff provision. The Bey of Tunis engages not to prohibit the importation of British goods, and not to impose import duties of more than 8 per cent. *ad valorem*, or a specific duty fixed by common consent equivalent thereto; reciprocal most favoured nation treatment, and equal national treatment are also granted. The Convention holds for the United Kingdom and the Colonies in regard to coasting trade, but only for those of the colonies which have opened their coasting trade to foreign vessels. Tunis also grants the abolition of all monopolies except salt, tobacco, fisheries and tanneries, as well as free admission of agricultural implements and cattle for private use.

(2.) The regulation of commercial relations with Egypt was formerly included in the commercial treaty of 1861 between England and Turkey, but, since 1867, the right to conclude commercial treaties has been transferred to the Khedive. On March 3rd, 1884, a commercial Convention was concluded between Egypt and Greece, and, by an agreement between Great Britain and Egypt of the same date, the custom-house regulations of this Convention were extended to British subjects, ships, and commerce, and most favoured nation treatment generally was given to Great Britain. The Convention with Greece provided that an Egyptian tariff should be mutually drawn up, on the basis of a fixed duty of 8 per cent. *ad valorem*, to come into force on March 20, 1884, for seven years, to be tacitly renewed thereafter from year to year. On October 29th, 1889, a new commercial Convention was concluded between England and Egypt.<sup>1</sup> It guaranteed in general most favoured nation treatment as re-

<sup>1</sup> Parliamentary Paper, No. 9 (1890): *Correspondence respecting a new Commercial Convention with Egypt.*



gards commerce and navigation, and special treatment as regards import and export duties. Egypt, further, engaged to levy no import duties above 10 per cent. on a number of articles.<sup>1</sup> For the rest, she reserved to herself complete and absolute independence in her tariff. Her export duties, on the other hand, were not in general to amount to more than 10 per cent. The treaty was to last for ten years, from January 1st, 1890. Expressly excluded from the most favoured nation clause were import prohibitions—on sanitary grounds. The treaty was to hold, as it stood, for all British colonies, with the exception of Natal and the ten self-governing colonies, to which, however, it might be extended within a year on their declaration of adhesion.

(3.) Further similar treaties are the following : (a) the Friendship and Commercial treaty with Ecuador, October 18th, 1880,<sup>2</sup> which guaranteed reciprocal most favoured nation treatment and equal national treatment, both for the United Kingdom and the Colonies, with no special arrangements as regards the latter : (b) the Commercial Convention with the Transvaal, August 3rd, 1881,<sup>3</sup> giving most favoured nation treatment to the United Kingdom and the Colonies : (c) the Friendship and Commercial treaty with Korea, November 26th, 1883,<sup>4</sup>

<sup>1</sup> *I.e.* the following classes : (1) metals, raw materials, partially and wholly manufactured articles, including machines and parts of machines, railway waggons, and hardware ; (2) ordinary cutlery ; (3) yarns, threads, and ribbons of any vegetable fibre whatever ; (4) ditto of wool, worsted yarns, etc., of any animal fibre except silk ; (5) mixed fabrics made of materials under (3) and (4) ; (6) coal ; (7) indigo ; (8) rice, and (9) rape seed.

<sup>2</sup> Hertslet, XVII., p. 386.

<sup>3</sup> *Ibid.*, XV., p. 411.

<sup>4</sup> *Ibid.*, XV., p. 880.

opening three ports to British trade, and admitting British goods under a tariff appended to the treaty, revision of which might be claimed at the end of ten years by either party; forbidding export duties, and fixing tonnage dues in Korea; (d) the Friendship, Commercial, and Navigation treaty with Paraguay, October 16th, 1884,<sup>1</sup> for ten years, renewable thereafter from year to year, guaranteeing most favoured nation treatment and equal national treatment. But in this latter case, as in the treaty with Montenegro, Natal and the ten British colonies were excluded, as was India subsequently by a protocol of May 10, 1886.<sup>2</sup> The Colonies have now come in, with the exception of South Australia, New South Wales, Canada, and New Zealand.

(4.) A few treaties remain to be mentioned. (a) The Commercial Convention with the Congo Free State, of December 16, 1884,<sup>3</sup> which gives the latter complete freedom of trade without import duties, and guarantees to British subjects most favoured nation treatment, both in regard to person and property. (b) The Friendship, Commercial, and Navigation treaty of November 13th, 1884,<sup>4</sup> with Uruguay (most favoured nation and equal national treatment, to last ten years, thereafter renewable from year to year). (c) The agreement with San Salvador, of July 23rd, 1886, which prolonged the commercial treaty of 1862 (see above) for twenty years,

<sup>1</sup> Hertslet, XVII., p. 851.

<sup>2</sup> *Ibid.*, XVII., p. 858, and Commercial, No. 1, 1890-1891.

<sup>3</sup> *Ibid.*, XVII., p. 58.

<sup>4</sup> *Ibid.*, XVII., p. 1084, and Parliamentary Paper, Commercial, No. 22 (1889). Of the twelve British possessions as usual excluded, all have come in, except India, Victoria, New Zealand, South Australia, and New South Wales.

(renewable from year to year thereafter), but conceded to the twelve British possessions, before referred to, the right to withdraw: India, the Cape, Canada, and New Zealand, have availed themselves of this permission. (d) The Friendship, Commercial, and Navigation treaty with Mexico, November 27th, 1888 (most favoured nation and equal national treatment; exclusion of the twelve British possessions; period, twelve years with yearly renewal thereafter). (e) The Commercial Treaty with Zanzibar, April 30, 1866.<sup>1</sup> This latter, besides granting most favoured nation treatment, arranges for import duties not exceeding 5 per cent. on all goods from foreign countries imported into Zanzibar by sea, except spirituous liquors, beer, wine, etc., and for freedom from transit duties; but levies export duties of from 5 per cent. to 30 per cent. on African produce exported from the African continent across Zanzibar. A special tariff is attached to the treaty, from which again Natal and the ten self-governing colonies are excluded, with the right of adhesion within two years. The duration of the treaty is fifteen years.

In most of these commercial treaties of the eighties, there were, as we have seen, special provisions as regards the British possessions, granting to the self-governing colonies, and, to a certain extent, to India, the right of entrance or exclusion. Along with these must be mentioned a few commercial treaties (or treaty negotiations) which the mother country entered into solely on behalf of certain particular colonies.

First among these is a treaty of Commerce and Extradition between Great Britain and Portugal,

<sup>1</sup> Hertslet, *ibid.*, XVII., p. 1114; Commercial, No. 5 (1889).

December 26, 1878,<sup>1</sup> which provides a tariff-union between the English and the Portuguese possessions in India, with a common tariff for import and export.

To this class also belong the negotiations with the United States, beginning in 1884, regarding a reciprocity treaty between them and the British West Indies. These colonies, dependent to a great extent on the United States as a market for their sugar, saw themselves threatened by the special privileges granted by the United States, through reciprocity treaties, to the Sandwich Islands and to a few South American States. Lord Granville, therefore, asked for an extension to the West Indies of the most favoured nation clause in the existing treaty of 1815 between the United States and Great Britain. The United States refused, but offered to the West Indian Colonies a reciprocity treaty conceding special advantages, with the stipulation that the most favoured nation clause of 1815 should not apply to privileges which the United States had granted to other countries (not gratuitously but) in return for distinct and definite treaty concessions. This interpretation of the clause, England—and rightly—would not accept. She had, therefore, with great regret, to refuse the proposed treaty, as being in direct contradiction with her conception of the most favoured nation clause.<sup>2</sup>

The question of commercial and political relations between the United States and the British West Indies entered, however, on a new phase in 1890, in consequence of the M'Kinley Bill, and, in particular, its so-called Reciprocity Clause of Section III. This empowered the President, from July 1, 1892, onward, to suspend all countries producing and exporting sugar, syrup, coffee, tea, and hides, and which, in

<sup>1</sup> Hertslet, XIV., p. 1119.

<sup>2</sup> See Commercial, No. 3 (1892), p. 490.

his opinion, levied 'unequal and unreasonable duties' on the agricultural and other produce of the United States, from the exemption of duty which these articles would otherwise enjoy under the M'Kinley Act.<sup>1</sup>

Thus, commercial policy forged for itself a new and thoroughly effective weapon. The United States first granted free import to certain goods, till such time as the advantages of this free import had been realised, whereupon they threatened the exporting countries with the withdrawal of the privilege unless return advantages were granted on exports from the United States. By this means, as is well known, they obtained from Germany the abolition of the import prohibitions on American pork, and an extension of the reduction of duty on grain, basing this on the mid-European commercial treaties. They secured, moreover, favourable reciprocity treaties from Brazil, and from Spain for the Spanish West Indies, and they now brought the same weapon to bear against England (*i.e.* as regards her West Indian Colonies) with the same success. Although at first a few of the West Indian Colonies resisted a reduction of their tariff, the British Ambassador at Washington, after arduous negotiations in which he was supported by the advice of delegates from the various colonies, finally concluded an agreement with the United States, in virtue of which, from February 1st or April 1st, 1892, onward, the import duties on a large number of American products entering the West Indies were to be entirely abolished or reduced by some 25 per cent. and 50 per cent.<sup>2</sup> This was done in conformity with the

<sup>1</sup> See on this point, Commercial, No. 4 (1885), and T. H. Farrer, *The Sugar Convention and Bill*, London, 1889, p. 26.

<sup>2</sup> See Blue-book, West Indies: *Correspondence relative to the Commercial*

principle of English trade policy, by the colonies concerned making, on their own account, corresponding changes in their tariffs, not only as regards the United States but generally.<sup>1</sup>

When we look at the results of this survey of England's commercial treaties and treaty negotiations during the last twenty years, we see that the British Government, specially in the eighties, was fairly active in this direction, thereby displaying an attitude towards commercial treaties widely different from the principles it had formerly adopted. But this activity has, on the whole, been attended with success only where England had to deal with countries still, for the most part, in the agricultural stage, and possessed of none, or at any rate only a few industries competing with her own. She has been everywhere unsuccessful as regards the great European industrial states. In all of them, with the exception of Belgium and Holland, a protectionist reaction has set in. They are endeavouring to regain the liberty of constructing an independent tariff, and this endeavour corresponds, as we have seen, with the principles which prevailed in England herself at the beginning of the period. Since, however, she did not follow the other states in their conversion to Protection, but gave expression, on every opportunity, to her firm determination to adhere to her one-sided Free Trade, refusing even to have recourse to retaliation duties, she was unable, in her negotiations for commercial treaties, to exert successful pressure on countries over which she no longer

*Arrangement negotiated in 1891-2 with the U.S. in regard to trade between certain of Her Majesty's West India Colonies and the U.S. of America (C-6680), 1892.*

<sup>1</sup> See Parliamentary Paper (C-6805), 1892.

possessed any political or commercial ascendancy. Simple representation and bare protests on her part naturally received almost no attention. The then Premier himself, Lord Salisbury, speaking at the annual dinner of the Associated Chambers of the United Kingdom, in London, March 4th, 1891, characterised the absurdity of such representations in these words:— ‘ This matter of commercial tariffs is singularly unfitted for the exercise of that magic spell of remonstrance and objugation of which the people of this country are so fond. The object of a foreign Power in raising its tariffs is to exclude your commodities, and when you tell them in reproachful tones that the effect of their policy will be to exclude your commodities, the only result is they say, “ Thank you, I am very much obliged to you. That is just what I intended.” And they give another turn of the screw to the tariff in order that the effect may be quite unmistakable, and leave you to your reproaches. I, therefore, hope that, whatever other policy may be recommended to Her Majesty’s Government by these enlightened Chambers, they will not go back to the somewhat antiquated policy of remonstrance, which will do the very reverse of what they intended.’<sup>1</sup>

When, however, we compare the shape taken by the European trade policy since 1870 with that of the preceding period, we must not forget that, in spite of all the retrograde movement in the direction of highly protective duties, there remain a number of valuable assets, handed down from the more liberal period, which make it still appear a great advance on the state of affairs before 1860. Among these are: the practical abolition of what was at one time the

<sup>1</sup> See Supplement to the *Chamber of Commerce Journal*, of March 10th, 1891, p. 30.

chief concern of tariffs—prohibitions of imports—and the surrender, in principle, of differential treatment of different countries, *i.e.* differential duties—a principle which was not to be departed from except in the extreme case of a tariff war, or as between any country and its colonies. In spite of the numerous attacks which it experienced—mostly at the hands of the Protectionists, but, in England to a great extent, at those of the Free Traders as well—the system of the most favoured nation clause, too, remained, on the whole, almost undisturbed by the reaction in the trade policy of the period. Its great importance and significance, which for a time seemed to have fallen into the background, have again come clearly to the front during the frequent remodelling of European policy of late years. It has in many directions hindered and stemmed the Protective reaction of the last twenty years, and forms, indeed, the corner stone of the new reconstruction, by treaties, of the trade policy of Central Europe.

Among the undisputed assets of the earlier period may also be mentioned the system of most favoured nation clauses, and of equal national treatment in personal respects—that is, apart from the tariff; namely, rights granted by civilised states towards each other, in regard to carrying on business in other countries, patents, acquisition of property, and other matters belonging to the sphere of international private law.<sup>1</sup> These mutually guaranteed rights have, however, become the common property of all civilised countries, and their renewal in the commercial treaties was a matter of course.

<sup>1</sup> As regards navigation, on the other hand, the equal national treatment has been broken through to some extent, either avowedly, as in France, or virtually through state subventions of home steamship lines.



But, in the treaties which England (and other states of the older civilisation) made with countries and nations outside of Europe during this period, these rights had often to be won, and constitute their chief content and importance. They stand, therefore, on the whole, on the stage of European commercial treaties made before 1860.

The characteristic feature of the commercial treaties of the sixties, as has been abundantly shown, was the combination of most favoured nation treaties and tariff treaties, as it appeared first in the Cobden treaty of 1860. In the period under discussion, the lapse of this treaty was of special importance and significance, since on it was built the whole fabric of the liberal and moderately protective policy of Europe during the sixties, and, with it, that policy stood and fell. No sooner was one mesh in the net of treaties torn, than the whole gave way at once. Of all this network, nothing remained to England but the most favoured nation clause, which connected her as before—but only in a passive sense—with the trade policy of other nations. In relation to all the countries which took the first place in her import and export trade—the United States, Russia, France, Germany, and Italy—she possessed, in the eighties, nothing more than simply these most favoured nation treaties, and had therefore to stand by and look on at the further growth of Protection all round. As regards those countries with which she had had in the past only most favoured nation treaties, no opportunity ever presented itself for the protests and friendly representations flouted by Lord Salisbury, as these treaties, for the most part, had not been denounced. So it was with Germany, Russia, and, above all, the United States, whose high protective

policy, inaugurated by the M'Kinley Bill of 1890, must have been a heavy blow to the exports of some of her most important industries.

As to the seriousness of this M'Kinley tariff and its probable consequences on industry, public opinion in England, indeed, was divided. The extreme Free Traders—obviously that they might not be held responsible for it—did what they could to pooh-pooh its importance;<sup>1</sup> the Protectionists, on the other hand, did their best to paint it in the blackest colours. It is still too soon to say which is right: the truth lies probably between the two.<sup>2</sup>

<sup>1</sup> See Gladstone's speech at Dundee, October, 29th, 1890, in which he treats the M'Kinley Tariff with quite frivolous contempt and sarcasm.

<sup>2</sup> Compare an instructive and obviously well-informed article of the official *Board of Trade Journal*, of December, 1890 (Vol. IX., p. 715). Though exhibiting very much the same tendency to underestimate the significance of the M'Kinley Tariff, it had, all the same, to acknowledge it. It showed that the export of British and Irish products to the United States in 1889 amounted in value to nearly one-eighth of the total exports; the United States being the second largest customer for home products after India, as well as a good customer for re-exported foreign and colonial articles (1889, £13.6 millions, out of a total of £66.6 millions). Of this export of British products only about one half, however, was affected by the raised duties, *i.e.* about £15 millions out of £248 millions, or about one-sixteenth of the whole. Assuming, further, that some of the new duties could not be protective, since there was no possible competition in the United States in regard to them, the amount affected was still less. The industries most hardly hit were the following:

(a) The tinsplate industry, where, out of a total export of 430,000 tons, the exports to the United States in 1889 amounted to 336,000 tons (£4.6 millions). By the M'Kinley tariff the specific duty was raised from about 34.6 per cent. *ad val.* to about 76.25 per cent.

(b) The manufacture of cutlery, specially the pen-knife industry of Sheffield, although, in this case, there was no justification for panic.

(c) The woollen industry. Out of a total export of woollen and worsted goods, including raw wool and yarns, of about £28 millions, the United States, in 1889, took close on £6 millions, fully £5 millions of this consisting of

So was it too with regard to the important events which occupied the stage of European trade policy in the years 1891-1892: events which followed on the lapse of numerous commercial treaties, and led to a new and entire reconstruction of them. Here, too, the first commercial power in Europe, and in the world, has had to stand by idly looking on, her criticisms not always taken in very good part.

The latest development of European trade policy has moved like the *strophe* and *antistrophe* of Greek tragedy: on the one hand, the high Protection of France after the American model, on the other, the new commercial treaties of mid-European countries, with tariff-provisions for twelve years, and with numerous, if slight, reductions of duties, after the model of the commercial treaties of the sixties. England—and especially the ‘Trade and Treaties Committee,’ instituted to watch and control this development, under the chairmanship of the President of the Board of Trade, Mundella—occupied the position of chorus in ancient tragedy, equally moved by the joy or sorrow of either party, accompanying the action of either side

manufactures. Every branch of this trade had undergone a rise in duties; in the case of manufactures, from about 67 per cent. to  $91\frac{1}{2}$  per cent. *ad val.*: in the case of raw material, from  $34\frac{1}{2}$  per cent. to  $40\frac{1}{2}$  per cent. The new tariff might therefore well be called a ‘heavy blow at Yorkshire,’ but this too must not be exaggerated.

(*d*) The same was true of yarns and manufactures of flax, hemp, and jute. Here the United States, in 1889, took £4.4 millions out of £9.8 millions. These trades depended greatly on the United States market, though not, perhaps, so much as did the tinplate industry. On the whole, according to the article, the apprehension excited by the tariff was exaggerated. Its provisions affected only a very small (*sic*) portion of the trade of the United Kingdom, and many of the duties which were in intention protective would never have that effect. Later experience seems to have confirmed the opinion here expressed.

with their commonplaces, but not influencing it in any way.

Thus England—in spite of numerous protests like those to which the Trade and Treaties Committee gave expression in its reports—has had to put up with the raising of the duties, under the new French tariff, which gravely menaced important branches of her exports.<sup>1</sup> She has, however, obtained her full share in the tariff reductions of the new mid-European commercial treaties. Although these, of course, were made, in the first instance, exclusively to meet the necessities of the states concerned, a large number of them were of advantage to English industry as well, owing to its great diversity.<sup>2</sup> By the most favoured nation clause, therefore, England has been brought into the new network of tariff treaties which was spread—this time by Germany—over the greater part of Europe for the ensuing twelve years.

Only in three cases, and these cases where her commercial treaties had expired, *i.e.* in Portugal, Spain, and Roumania, did England take any direct part in the treaty negotiations of this later period. On June 22nd, 1891, Portugal denounced, along with her other commercial treaties, those with England of 1842 and 1882, and, on July 25th, declared herself ready to negotiate for a new commercial treaty.<sup>3</sup> At the end of 1891, the Government laid before the Cortes a new tariff,<sup>4</sup> con-

<sup>1</sup> See 1st, 3rd and 7th *Reports of the Trade and Treaties Committee*, C. 6286 and 6349 of 1891, and C. 6641 of 1892.

<sup>2</sup> For details, see the 9th *Report of the Trade and Treaties Committee* [C. 6648] of 1892. Also, blue books, Commercial, Nos. 3 and 6 (1892); *Correspondence respecting Commercial Treaties and Tariffs*.

<sup>3</sup> Commercial, No. 3 (1892), pp. 246 and 249.

<sup>4</sup> Commercial, No. 6 (1892), p. 267.

taining a general rise of import duties, except in the case of raw materials, but imposing only single, not double (maximum and minimum) rates. It represented, therefore, a protective reform, and was, indeed, expressly established on social considerations, in the interests of the workers.<sup>1</sup> In the beginning of 1892, the Foreign Minister declared, in the Portuguese Chamber, that he would conclude no new commercial treaties containing a most favoured nation clause, but only such as contained special exclusive privileges.<sup>2</sup> On February 1st, the tariff bill was put in force provisionally. Thus, as regards England also, Portugal reiterated her willingness to negotiate for a new treaty.

Spain denounced the commercial Convention with England in January 27th, 1891, and, at the same time, declared herself ready for further negotiations, but on the basis of a new highly protective tariff. The Convention with England expired on June 30th, 1892. The other commercial treaties, however, on which the previous conventional tariff of Spain rested, had already expired on January 31st, the date on which the new raised tariff came into force. England enjoyed, nevertheless, from February 1st till June 30th the tariffs of the Spanish treaties with France and Germany, and of other treaties which had expired but were extended to the latter date.<sup>3</sup> In the new negotiations, Spain expected concessions from England on wine and raisins. With regard to wine, she asked that the first class be extended up to 33 degrees: with regard to raisins, the same reduction as on currants in 1890.

<sup>1</sup> Report of the Portuguese Minister of Finance, Commercial, No. 6 (1892), p. 269.

<sup>2</sup> *Ibid.*, p. 274.

<sup>3</sup> *Ibid.*, p. 340.

Spain, too, declared that she would make only special treaties without a most favoured nation clause.<sup>1</sup>

But since no new treaties on this basis came into force till July 1st, Spain, by a royal decree of June 29th, 1892, guaranteed to a number of states, which were ready to admit her to most favoured nation treatment—among these being England—the rates contained in the second column of the new tariff (*i.e.* the new Minimum tariff). This tariff, of course, shows important rises as compared with the earlier conventional one.<sup>2</sup>

It is interesting to note how these smaller countries, which are just entering the rank of industrial states, and whose commercial policy, therefore, comes limping after that of the older industrial nations, on arriving at this second stage, which the others, except France, have already quitted, and adopting an independent protective policy of their own, seek to emancipate themselves even from the most favoured nation system.

This is true as regards Roumania also. But her negotiations with England are particularly interesting for another reason.<sup>3</sup> On June 23rd, 1890, she denounced the Anglo-Roumanian treaty, and was at first disinclined to conclude another most favoured nation treaty. Later on, however, she declared herself willing to go the length of guaranteeing the utmost tariff facilities to England, but claimed in return a security by treaty that the latter, during the term of the treaty, would introduce no duties on Roumanian grain. The English Government refused, on the ground that this would

<sup>1</sup> Report of the Portuguese Minister of Finance, Commercial, No. 6 (1892), pp. 303, 328, 357.

<sup>2</sup> Cf. *Board of Trade Journal*, July, 1892, Vol. XIII., No. 72, p. 41.

<sup>3</sup> Commercial, No. 3, p. 249.

raise very important questions of fiscal policy:<sup>1</sup> that such a guarantee was unnecessary, owing to England's well-known trade policy: and that England could not grant it, because she objected on principle to bind her tariff by treaty. In consequence of this refusal, Roumania declined to conclude a new treaty, or to continue the existing one; and, from July 11th, 1891, onwards, the clauses of the new general tariff on English goods entering Roumania, which contained on the whole considerably higher rates, came into force.<sup>2</sup>

The remarkable position taken up by the English Government in this matter admits of only two explanations. Either it was a new and emphatic demonstration of the doctrinairism and slavery to principles by which it was then, as ever, dominated; or it was an indication—and this seems to be the more probable—that Salisbury actually wished to keep open the possibility of introducing duties on grain into England. On the other hand, the attitude of Roumania was in itself an indication of the impression which the Protective and Fair Trade movement in England—which will be discussed later—had made abroad.<sup>3</sup>

## B. THE SUGAR CONVENTIONS.<sup>4</sup>

International negotiations regarding drawbacks and export bounties on refined sugar go as far back as the

<sup>1</sup> Characteristically, the English expression is always 'Fiscal policy.'

<sup>2</sup> On the anticipated effect of these higher rates on the Anglo-Roumanian trade, see the 4th *Report of the Trade and Treaties Committee*, *ibid.*, p. 278.

<sup>3</sup> See below, Chap. III.

<sup>4</sup> The material for the following statement I have found chiefly in a collection of brochures and newspaper articles, which Professor Foxwell of Cambridge

year 1862.<sup>1</sup> At that time, France, Belgium, and Holland admitted that their drawbacks involved a bounty on export, but each of their governments declared itself unable to abolish these bounties so long as they were given by the other exporting countries. At the instigation of Belgium and France, conferences were held in Paris and London, in 1863 and 1864, between Great Britain, France, Holland, and Belgium. These led to the Sugar Convention of 1864.<sup>2</sup> The Convention aimed at the suppression of the bounties by determining the exact percentage of refined sugar that could be obtained from the various classes of raw sugar: by this means, the drawbacks could be arranged so as to correspond exactly with the duty or tax paid on the raw material used in process of refining. For this purpose, the existing English division of raw sugar into four classes was generally adopted, each class consisting of several quantities with distinct numbers, according to the Dutch standard of colour. The yield of refined sugar to be obtained from each class was fixed provisionally. In the Declaration signed at Paris which followed, on November 20th, 1866, the yield was definitely determined according to the results of practical experiments, made for the Convention, and at very great expense, at Cologne in 1866. These resulted in giving the first two classes distinctly higher relative figures, the last two distinctly lower ones. The contracting parties bound themselves to bring their drawbacks into a relation to

kindly placed at my disposal from his library. I have purposely availed myself throughout of English sources only.

<sup>1</sup>On these earlier events, see chiefly the Blue Book of 4th August, 1880, *Report of the Select Committee on Sugar Industries*. Also Webster, *The Trade of the World*, p. 18.

<sup>2</sup>Hertslet, XII., p. 199.



the raw sugar duties (or taxes, as the case might be) which should correspond to these normal numbers. They also reserved to themselves, in Article XIX., the right, in case the other states would not join in the Convention but continued to give bounties, to come to an understanding as to the surtax to be imposed on the importation of refined sugar from the said countries.

While the Convention of 1864 undoubtedly effected a great improvement, it was not a complete settlement. It seems that the refining process adopted at Cologne was very defective. The principle of assessment according to colour was in itself objectionable as regards cane sugar, as it was apt to lead to artificial colouring. Raw sugar, again, of different origin, might have the same colour but different strength. Above all, colour was no sufficient criterion for judging beet sugar, the latest development of which could not then be foreseen. Further, the most important provision of the Convention—viz: the establishment of a co-relation between duties and yields—was not carried out in France, in spite of various proclamations. A Bill, finally laid before the National Assembly in 1871, encountered the opposition both of the French sugar fabricants and of the English refiners, because it perpetuated the system of assessment by colour, which, in the meantime, had proved itself untrustworthy as regards the growing beet-sugar industry.

At the same time, the British refiners, whose position had been much aggravated by a considerable increase of the French duty, made strong representations to their Government in favour of the establishment of refining in bond, as the only system which would effectually abolish bounties, and expressed their willingness to pay any cost of applying it. In

1862, indeed, an English Parliamentary Commission had reported against this system, but, since then, circumstances had completely changed through the progress in technique and the absorption of the many little refineries by a few large ones.

In consequence of this, England invited the other three treaty powers to a further conference in 1872, and laid this system before them. It was, however, opposed, and the conference ended without having arrived at any agreement.

At another conference in 1873, England again took up the case of refining in bond, and again in vain. She, therefore, refused her assent to the recommendations of this conference, and likewise declined to send delegates to a further conference proposed to be held in 1874. Nay more, in the same year, she entirely abolished her own sugar duties, so that the instituting of sugar refining in bond became unnecessary in her case. On the English side, therefore, the Gordian knot was cut, but not untied.

Meanwhile, in place of the Bill of 1871, the introduction of refining in bond was passed by a large majority in the French Assembly of March, 1874, to come into force in July, 1875—the date of the expiry of the Convention of 1864, the provisions of which were thus finally evaded. In May, 1875, therefore, a new conference met in Brussels, and agreed to establishing refining in bond in France and Holland, stipulating for certain improvements in the existing system in Belgium. These resolutions were ratified by the French and Belgian legislatures, but were rejected by the Dutch. In consequence, France, from this time onwards, established the system of saccharimetry, and refused her support to a new conference on the basis of refining in

bond. On the condition that no method for the abolition of bounties should be excluded from discussion, a new conference assembled in Paris in July, 1876. The system of saccharimetry proposed by France was rejected as inefficacious, and the conference eventually suspended its sittings without coming to an agreement, resolving to invite Germany, Austria, and Italy to join in the negotiations when resumed. By this invitation, the French delegates raised the question, for the first time, of the bounty given by Austria on the export of raw sugar.

The conference reassembled in February, 1877: Germany, Austria, and Italy having declined to send delegates. After long discussion, a new Convention was agreed on, providing that sugar factories and refineries in France and the Netherlands should work under bond, as the French factories were already doing. Belgium was to make certain modifications in her system, and reduce her duties by one half. Measures of defence were to be taken, in event of countries outside the convention giving bounties. This convention was accepted by France and Belgium: Holland, however, in consequence of a change of Ministry, refused to proceed further in the matter.

The British Government which, after its one-sided abolition of the sugar duties, had no practical means left to work towards an international removal of bounties on export, made various attempts during the following year to open negotiations with the other states, and instituted, in 1879, a Parliamentary Commission to inquire into the matter. The Report was issued in August, 1880, making the following statement as to the effects of foreign sugar bounties on English industries.<sup>1</sup>

<sup>1</sup> See also James L. Ohlson, *The British Sugar Industries and Foreign Export Bounties*, London, 1879.

Loaf sugar refining was formerly a considerable industry in Great Britain. In 1864, there were about 30 loaf sugar refineries, converting in round numbers 200,000 tons of raw into 140,000 tons of loaf sugar *per annum*, and employing £600,000 floating and £600,000 dead capital. From 1864, there was a gradual decline in the trade, till the year 1875, when it became practically extinct. A year later, owing to a partial failure of the beetroot crop of France, one sugar house (Martineau) again commenced work, and has continued work since that time, but not to its full capacity. In 1878-79, two new refineries began to produce loaf sugar on a small scale, in expectation of a change in the French system: of these, one was again entirely closed by 1879. Along with this, there has been a continuous increase in the import of loaf sugar from foreign countries, principally from France and Holland.

No deeper reason is, the Report says, to be found for this course of events. So far as technical skill and energy, or natural advantages of production are concerned, and with the assistance of cheap coal, the British refining industry would have been, to say the least of it, capable of competing successfully with foreign refineries, were they not artificially supported by the export bounties. It is to these bounties, mainly if not altogether, that the state to which the English loaf sugar industry has been reduced is owing. On the other hand, in England, in proportion as this industry has declined, another industry, not then pursued anywhere on the Continent, has increased, namely, moist sugar refining. This is evidenced by the enormous increase of imports of raw sugar for refining purposes. An extension of the continental bounty system to this

industry would wipe it out, just as it has done in the loaf sugar industry.

The next point considered was the effect of bounties on the production of cane sugar in the British Colonies. The capital there invested amounted, on Giffen's estimate, to between £4,000,000 and £5,000,000: on the detailed calculation of Sir John Lubbock, himself a planter, to £30,000,000. The number of persons employed was 250,000, and the amount paid yearly in wages, £6,000,000. The situation of this industry was declared by many witnesses before the Commission to be very grave and critical. Not only, they said, had the West Indies not participated in the benefit naturally to be expected from the enormous increase in the consumption of sugar by the mother country, but its production had, in the last few years, been at a standstill. Only the prospect of a speedy removal of the present evils had maintained it to its present extent: if these continued, there would be a general abandonment of sugar cultivation. And yet the employment of the population, and the revenue of the West Indian colonies depended on it, and these colonies would, if properly developed (*i.e.* if prices corresponded!), by themselves be in a position to meet the demand of the United Kingdom. The present condition of things, it was asserted, had been produced by the unfair competition between bounty-fed beet sugar, chiefly from Austria, and cane sugar, in its principal market, Great Britain. By this competition, prices were forced to such a low level that cane sugar could, practically, be no longer produced, and beet sugar only by help of the bounty. It was the beet sugar that now determined prices: the consumer was therefore dependent upon good or bad beet crops. Concurrently with this fall in

prices—which, according to Giffen's calculation, was from 23s. 5d. per cwt. to 20s. 3d.—the consumption of sugar almost doubled between 1861 and 1879. The Report of the Commission, however, turns the causal connection the wrong way about when it describes this increase of consumption as cause, and the enormous increase in the growing of beet sugar and the consequent fall in price, as effect.

The Report continues that the cheapening of sugar due to the bounties is, in reality, no advantage to the consumer. Not only does it drive the natural production out of competition, but, after the break down of the bounty system, which is to be expected some time or other, the prices will rise all the higher if, in the meantime, the natural sources of supply have been stopped. Further, out of an import of 900,000 tons, only a third, or 330,000 tons, comes from the countries giving the bounties, and, only to that extent, does the profit obtained by the British consumer come out of the pockets of foreign countries. Moreover, the negotiations of the last eighteen years have shown that the British Government—whether Liberal or Conservative—has always adhered to this policy of procuring the abolition of bounties, whatever effect that abolition might have on the interests of the consumer.

The only certain mode of altogether abolishing bounties, it continues, where there are still customs and excise duties on sugar, is the manufacturing and refining of both raw and refined sugar under excise supervision. For this the French refineries declared themselves willing at the time, on the condition, however, that the contracting countries engaged to levy a uniform countervailing duty on sugar coming from countries which had not joined the Convention,

and in which there was still an excise on sugar. The Report expresses itself as favourable in principle, to this regulation, pointing to Article XIX. in the Sugar Convention of 1864, which the British Government had accepted without demur. Objection is taken to an express recommendation of the same, only for the reason that the representative of the Foreign Office had declared, before the Commission, that such a measure would be a breach of the most favoured nation clause in England's commercial treaties with the countries concerned. The Government is, therefore, recommended, on the renewal of these treaties, to provide for an adequate alteration of them.

On this Report, the British Government made a new attempt to settle the matter by calling another sugar conference. The invitation was declined by Austria and Belgium. France, in the early part of 1881, laid down the condition that, first of all, there should be an understanding as to the advisability, in principle, of a countervailing duty. To this, however, the British Government answered that it was the wish of England to get foreign goods as cheap as possible, whatever the reason of the cheapness might be, and that, consequently, it was disinclined, as a matter of principle, to impose a duty on products favoured by export bounties. During the negotiations as to a new commercial treaty with France that followed, British sugar refiners emphatically demanded that there should be no new treaty which did not regulate the sugar question, and that England, in any case, should take the opportunity of securing to herself complete freedom with regard to the most favoured nation clause, in the event of the imposition of a countervailing duty. The Foreign Office gave the matter over to the Board

of Trade, whose President, Mr. Chamberlain, and Secretary, Sir Robert Giffen, were the principal opponents of the countervailing duty; and, with the breakdown of the tariff negotiations with France, the opportunity of settling the question was lost.

In the meantime, the English sugar interests, *i.e.* the West Indian producers and the British refiners, had organised a lively agitation in connection with the work of the Parliamentary Commission. This agitation is of quite peculiar interest on account of the discussions on the principle of Free Trade to which it gave rise. On May 28th, 1880, there was a great meeting of producers, merchants, manufacturers, and working men, in the Mansion House, London, under the presidency of the Lord Mayor.<sup>1</sup> The meeting declared, by a unanimous resolution, that, in its opinion, Free Trade in British markets could continue, and the lasting interests of the consumer be assured, only if all producers, foreign and British alike, were put on an equal and unsubsidised competitive footing; and demanded that, inasmuch as the diplomatic negotiations of eighteen years had not been able to attain this, Parliament should immediately impose a tax on the bounty-fed sugar 'to counter-vail the bounty.' On September 28th, of the same year, a National Anti-Bounty League was founded in London, composed of leading merchants and manufacturers in the city, as well as delegates of numerous Trade Unions,<sup>2</sup>

<sup>1</sup> See *Foreign Export Bounties and Free Trade in Sugar*: report of a meeting, etc., London, 1880.

<sup>2</sup> There were representatives of Coopers, Coppersmiths, the Sugar Operatives Association, the London Trades Council, Labourers in the East India, West India and London Docks, Shipwrights, Watermen, Lightermen, Warehousemen, Charcoal Burners, Hoop Benders, Carters, etc.



for the purpose of 'establishing Free Trade in national markets,' through the abolition of bounties by all states, or through neutralising the same by countervailing duties.<sup>1</sup> The movement took a wider range. In the same month, six large public meetings took place—at Greenock, Glasgow, Paisley, Liverpool, Birkenhead, and Leeds. These were followed by others in the spring of 1881, particularly by a great meeting of 4,000 workers in the East End of London on March 29th, which declared itself in favour of the introduction of a countervailing duty.<sup>2</sup> When, then, in April, it became known that the resumption of international negotiations had broken down, on the opposition of the British Government to countervailing duties, a deputation of Trade Councils and Trade Unions from London, Glasgow, Greenock, Liverpool, Bristol, Leeds, Hull, Birmingham, and Plymouth, appeared, on May 28th, before the Prime Minister, Gladstone, with representations to the above effect, but without obtaining from him anything more than a platonic sympathy.<sup>3</sup> On the collapse of the Anglo-French Treaty negotiations, the movement came to nothing.

In this agitation, as has been said, theoretical discussion on the essential nature of Free Trade played a great part, and that is the reason why I have gone so much into the question here. The state of matters was clearly this: that the British refiners and the West Indian planters wished to have Protection, by means of

<sup>1</sup> See *The Sugar Cane*, 1st Nov., 1880.

<sup>2</sup> See *The Export Bounty Question: Great Meeting in London*; reprinted from *The Sugar Cane*, May, 1881.

<sup>3</sup> *The Foreign Export Bounties: Deputation to Mr. Gladstone*; reprinted from *The Sugar Cane*, June, 1881.

the countervailing duty, against the overwhelming competition of the beet sugar manufacturers and refiners on the Continent. But they were sharp enough to see that they dared not demand openly protective duties, and they exerted themselves, therefore, with great perspicacity to bring their demands into conformity with the English Free Trade theory. They were successful in so far that they actually divided even the convinced free traders on the question. This brings out, in a very characteristic way, how hazy the great mass of the people were as to the essential nature of the idol they worshipped, and how each of them, when it came to his own door, thought of what best suited his own interests. And, in particular, the contradiction which existed between the Free Trade theory of the Manchester school and that of its author, Adam Smith, and even of Cobden himself, was brought into sharp relief.

The kernel of the Manchester doctrine is expressed by the narrow business principle, 'buy in the cheapest and sell in the dearest market.' But Cobden, in his agitation for the Repeal of the Corn Laws in 1844, said expressly, in a speech: 'In the first place, we want Free Trade in corn, because we think it just; we ask for the abolition of all restriction upon that article, exclusively, simply because we believe that, if we obtain that, we shall get rid of all other monopolies without any trouble. We do not seek Free Trade in corn primarily for the purpose of purchasing it at a cheaper money rate; we require it at the natural price of the world's market, whether it becomes dearer with a Free Trade . . . or whether it is cheaper, it matters not to us, provided the people of this country have it at its natural price, and every source of supply is freely

opened, as nature and nature's God intended it to be.'<sup>1</sup> In agreement with this, Gladstone declared, in 1879, to the executive committee of those working for the abolition of foreign sugar bounties, that he could not welcome a cheap price which was only gained by the hidden bounties of a foreign state, and which had the effect of injuring a legitimate branch of home industry. This, too, had been the standpoint of the British Government for the past eighteen years. In opposition to this, the statistician, Giffen, the economists, Fawcett and Bonnamy Price, as well as the President of the Board of Trade, Mr. Chamberlain, declared that the sugar bounties were a present which the countries in question gave to the British consumer; that the prevention of them consequently could not be to the consumers' interest; and Giffen consequently recommended as the most practical way of fighting the bounties—reduction of wages.

The difference of opinion became very acute over the relation, in principle, between countervailing duties and Free Trade. The strict free traders maintained that the two were irreconcilable, and that a countervailing duty might be demanded, with as much right, against foreign import duties as against foreign export bounties; that it would mean in effect nothing else than a return to Protection. It was urged, by the other side, that a foreign import duty favoured the particular foreign industry in its own market, while an export duty favoured it in the British market, and that, therefore, a countervailing duty would only serve to take away this unfair advantage, *i.e.* to restore Free Trade to the British market. The countervailing duty,

<sup>1</sup>Speeches on Free Trade: cheap edition, Macmillan and Co., London, 1903, p. 105.

according to the oxymoron of an orator in the meeting of March 29th, 1881, was nothing else than 'protection of Free Trade.' It was pointed out, not without reason, that the principle of such a duty had been applied in the customs duties levied on foreign spirits, where a surtax of 5d. per gallon had been put on the excise on British spirits, and that Cobden had agreed to this in the treaty with France.<sup>1</sup> So, too, when foreign malt paid 24s. per quarter, English only 21s. 8½d.; foreign chicory, 13s. 3d. per cwt., as against an excise of 12s. 1d. So, too, in the differential tax on imported cigars as compared with the home license. Equality, in the natural conditions of production, it was said, was neither possible nor desirable; but to equalise artificial conditions occasioned by taxes or fiscal regulations of one sort or another, was in accordance with the true principle of Free Trade as held by Adam Smith and Cobden.

The latter argument, of course, is quite correct, but the distinction based on it, between foreign export bounties and protective duties, is artificial and untenable. It is clearly incorrect to say that the bounty favours the industry only on the British market, the protective duty only on the home market. Experience has shown, chiefly, of course, of late years, that protective duties may act in favour of an industry, highly developed in itself, precisely as export bounties do, inasmuch as the profit realised in the home trade makes it possible to sell abroad under cost price. This gives rise—just as in the case of foreign export bounties—to an 'unfair' and 'unnatural' competition with British industry, both in its home and in neutral markets. From the standpoint of the English Free Trade theory, it was only logical to reject the counter-

<sup>1</sup> See above, p. 22.

vailing duty. The demand for it was, in fact, nothing else than a masked protective movement.

This movement disappeared from the surface for a time after the fiasco of 1881, and the problem of the sugar bounties remained dormant in England for a number of years, till the activity of the Royal Commission, instituted by the new Conservative Government in 1886, to inquire into the Depression of Trade and Industry, gave a new opportunity for raising the question. This Commission examined, as experts on the state of the sugar industry, Mr. George Martineau, Mr. James Duncan, Mr. T. O. Easton, and Mr. Thomas Neill of London, Liverpool, and Greenock.<sup>1</sup> From their evidence, it appeared that the position of the British sugar interests had not improved since 1881, but rather become worse. In some countries, indeed, the bounties had decreased owing to a change in the inland tax system: in others, however, they had increased or been newly introduced, as *e.g.* in Russia and the United States, and in France, after 1884, in the case of moist refined sugar also. In Germany, in particular, the disguised bounties given to beet sugar had led to great over production, and to a further heavy fall in prices, from 24s. or 25s. per cwt. in 1884, to 16s. in 1885. The first result of this had been to force the West Indian sugar producers into making the technical improvements and economies which were necessary if they were to remain in competition at all with beet sugar; but their representatives declared, before the Commission, that, in this direction, no more could possibly be done, and that, in any case, the growth and development of which their production was otherwise

<sup>1</sup> Also the West Indian planters, Sir George H. Chambers and Mr. John E. Tinne.

capable, had become impossible.<sup>1</sup> Still more did the refiners complain. In abundant beet harvests, bounties on raw beet sugar had the effect just described on the cane sugar producers: in bad beet harvests, however, the price of cane sugar flew up. But in refined sugar, whether the raw sugar price was high or low, the effect of the bounties was that the refiners were always undersold by Continental competition. In consequence of the extension of the bounty system to refined soft sugar, in Greenock, where this was the only sugar treated, four out of thirteen refineries were shut down, and eight were working 25 per cent. under their full capacity. In London, too, the largest refinery was shut, and only four remained working. The labourers, thus deprived of their living, could only keep body and soul together, during this time of universal depression, by casual labour at the docks, or by selling toys in the streets of London.

<sup>1</sup> The following figures show the extent of the absolute and relative displacement of cane-sugar by beet-sugar in the British market :

British Import from	1872	1886
Countries producing Cane Sugar,	12,000,000 cwts.	9,500,000 cwts.
„ Beet Sugar,	3,500,000 „	15,500,000 „
	15,500,000 cwts.	25,000,000 cwts.

Imports of Cane Sugar from	1872	1887
British West Indies,	3,500,000 cwts.	2,000,000 cwts.
Foreign West Indies,	3,000,000 „	200,000 „
East Indies, -	1,200,000 „	3,600,000 „ (1886)

See T. H. Farrer, *The Sugar Convention*, Cobden Club publ., 1889, p. 60.

Already, in the composition of the Commission, account had been taken of the interests of the British sugar industry, and especially of the West Indian sugar producers, Sir Nevile Lubbock being one of the Commissioners. Sir Nevile was Chairman of the West Indian Committee, and one of the oldest and most zealous champions of the Anti-Bounty movement. He led in a good deal of the cross examination of the experts, and frequently, by clever questioning, secured the answer he wanted. The Commission—with which we shall have to deal more fully later on<sup>1</sup>—issued two reports. The Minority Report, signed by Lubbock, gave full emphasis to the grievances of the sugar interests, and recommended the imposition of a countervailing duty of 2s. 4d. per cwt. on all foreign sugar, raw and refined: while the Majority Report did not go into the position of the sugar industry at all.

As result of this Commission, the agitation for the introduction of a countervailing duty began afresh, and was so far successful that it won over the Conservative Government of the day to its interests. The Prime Minister, Lord Salisbury, had shown his sympathy with the movement in 1881, but it was Baron Henry de Worms who had given special attention to the question of sugar bounties, and who now succeeded in arranging a new conference in London in 1887. At this conference, most of the sugar producing or sugar refining countries were represented—namely, Germany, Austria-Hungary, Spain, Italy, Russia, Sweden, Denmark, Egypt, and Brazil, in addition to the four treaty states. The negotiations were too prolonged to be entered on here; we need give

<sup>1</sup> See below, Chap. III.

only a brief summary of the results. They show, what past experience made evident at the very beginning, that it is harder to reconcile fourteen different opinions than four. The final result—the Sugar Convention of August 30th, 1888—was signed by delegates from Great Britain, Germany, Austria-Hungary, Belgium, Spain, the Netherlands, and Russia. Austria signed only under the condition that the adherence of all countries, of any importance as producers or consumers of sugar, were secured at the moment of the Convention coming into operation. The French Government declared its agreement in principle, but made its adherence conditional on the acceptance of the Convention by all the countries producing raw or refined sugar. Brazil also reserved its right to formal adhesion till after the final adoption by the signatory powers; Denmark took exception to Article VII. on the ground that the terms of it would not be in agreement with the obligations undertaken in its existing treaties; and Sweden did not wish to depart from the attitude of reserve which it had hitherto observed.

The chief items of the Convention were as follows:—The High Contracting Parties that tax sugar engage to place the manufacturing and refining of sugar in bond (Art. II.). The British Government agrees not to impose differential duties on cane or beet sugar imported from countries, provinces beyond the seas, colonies, or foreign possessions, taking part in the Convention. It is agreed, moreover, that sugar imported into the United Kingdom from countries, provinces, colonies, and foreign possessions taking part in the Convention, shall not be subject to duties which shall not equally apply to similar sugar of national origin or manufacture (Art. IV.). A per-



manent International Commission is to be established, charged with watching the execution of the provisions of the Convention. From the date of the Convention coming into force (September 1st, 1891), all sugar from any country, etc., maintaining the system of open or disguised bounties on the manufacture or exportation of sugar, shall be excluded from the territories of the High Contracting Parties (Art. VII.).

This Convention differs considerably from the original sketch of Baron de Worms, which was used as the basis of negotiation. It appears, in its most important items, as the outcome of the peculiar position in which England found herself placed. Only on very hard conditions did it grant England the desired abolition of the bounties, although, according to prevalent opinion, this was much more to the interests of the other states than to her own. The last mentioned clause of the Convention—the boycotting of sugar from countries which did not join in the Convention—was specially serious for the great mass of her sugar consumers. It had already become practically impossible to enforce it, from the fact that not even the states which took part in the Conference had been brought to accept the Convention unconditionally. Besides, such an important factor in commercial policy as the United States had not been taken into account—to say nothing of the difficulties arising from the most favoured nation clause which Denmark, with some reason, assigned as the cause of her non-adherence. The history of the formulation of the clause is of interest. During the negotiations, it was first suggested by the Spanish delegates in December, 1887, and was supported, in April, 1888, by Germany, Austria, and Russia. Simultaneously, in the course of the agitation in England for the

abolition of the bounties, a similar demand was made by the working classes; and, in September, the Baron de Worms was able to state that he had received Resolutions from Trade Unions representing 423,883 working men, in favour of such a prohibitive clause. Whether the movement originated among the working men themselves, unconnected with any secret negotiations, or whether, as has been maintained, the Government had its finger in the pie, is uncertain: in any case, the growth of the protective principle is evident. Baron de Worms, however, went so far as to assert, in a speech on February 6th, 1889, that, though countervailing duties were incompatible with the principle of Free Trade, the total prohibition of the import of bounty fed sugar was not.<sup>1</sup>

The publication of this Convention caused a great sensation, and aroused much opposition, more especially, of course, among the strict free traders. Their organisation, the Cobden Club, started an agitation on a large scale, after the model of the Anti Corn Law agitation, against the Convention and the Bill brought in by the Government. It collected special funds for the purpose, and displayed great zeal and activity in the way of interpellations in Parliament, lectures, and pamphlets. At the head of the agitation stood Sir T. H. Farrer, formerly Secretary to the Board of Trade, and the battle of words was chiefly carried on between him and Mr. George Martineau, Secretary of the British Sugar Refiners' Association.<sup>2</sup>

<sup>1</sup> Cf. Farrer, p. 96.

<sup>2</sup> Cf. T. H. Farrer, *The Sugar Convention*. Also another Cobden Club publication, *The Sugar Convention and Bill*, London, 1889; and Martineau, *Free Trade in Sugar: a Reply to Sir T. H. Farrer*, London, 1889.

The arguments put forward on both sides were the same as before. A new note, however, was struck, on the side of the opponents of countervailing duties (or of prohibition), in the prominence given to the interests of the British jam, marmalade, confectionery, and biscuit industries. It was said that, in consequence of the cheap sugar which the bounty system secured to them, these industries had reached a high degree of prosperity, and represented far wider interests than the British sugar refining—forgetting that, according to the original dictum of Free Trade, an industry rising on artificial conditions of production like this, has really no justification for its existence! The answer on the other side was, that the prosperity of these industries was the result of the abolition of the British sugar duties in 1874, and of the entire absence of any taxation on sugar. As a fact, this is clearly the reason why the export bounties given by the other countries accrued so largely to the advantage of the English market. It is noteworthy, also, that the well-known marmalade firm of James Keiller & Son, Dundee, was on the side of the Anti-Bounty movement.<sup>1</sup>

The best argument, and one used with effect by the Cobden Club, was the weakness of the Convention on the two points already mentioned—the boycotting clause, and the want of unanimity among the Conference states. In vain did Baron de Worms, in speech after speech, try to save his unfortunate handiwork. The prospects of the Bill were so bad that the Government withdrew it in 1889, and, up till now, has not ventured to bring in another.

<sup>1</sup>Cf. Martineau, p. 56. Mathieson, *The Sugar Convention from a Confectioner's Standpoint*. Cobden Club publication, p. 23.

In tracing the development of this whole question, we have encountered three different views among British politicians, economists, and the general public.

The first was that the sugar bounties of foreign countries were hurtful to England, and demanded their suppression at any cost, even, if necessary, by means of countervailing duties. This was the view taken by those interested in British sugar, *e.g.* Martineau, Lubbock, etc., and by the whole Anti-Bounty agitation; but it was also that of the British Government of 1864 and 1888.

The second also looked upon the sugar bounties as hurtful, but objected to countervailing duties on theoretic or other grounds. This was the view of the Government of 1881, and of the many convinced free traders, including the Cobden Club, in 1888.

From the third point of view, the bounties were considered a good thing, a present from foreign tax payers to British sugar consumers. The feeling here, therefore, was against their abolition, on the ground that it would put an end to cheap sugar in England. This was the view taken in 1881 and 1888 by the extreme free traders, such as John Bright, Fawcett, Giffen, Chamberlain, Bonamy Price, Medley, and Farrer.<sup>1</sup>

<sup>1</sup>The gist of what Farrer says is, shortly, as follows: He maintains that the great development in the production of beet sugar is to be attributed, not so much to bounties as, in a much greater degree, to numerous other factors (page 61). When, however, he mentions, in the first rank of these factors, the development in technical methods, he is evidently mistaking the causal sequence. For it is well known that the direct cause of this rapid development was the continental system of duties and bounties, and that there would scarcely have been any such development but for this stimulus. For the rest, however, there is much truth in what he says, and his allusion to the increase in the import of cane sugar from the West Indies during this period is of no small importance (page 75). But Farrer is not logical: considering the little significance he attached to the bounties, one would expect

C. INDEPENDENT TARIFF ALTERATIONS.<sup>1</sup>

There are few independent tariff alterations to record during this period, and, even of these, the greater number are only independent in form; in reality, they were nearly all made in connection with some commercial treaty, as in the case of the tariff reform of 1860. The English Government, it is true, always undertook, in its treaties, simply 'to ask' from Parliament a corresponding alteration of the tariff, but this was, of course, a mere form, adopted in conformity with the parliamentary constitution of England and the disinclination of the Free Trade school to bind the tariff by treaties—for, should Parliament refuse to accede to the 'request,' or, later, go back on the change, the treaty, of course, thereby became void.

I. The first and most important of the measures which concern us here was, however, carried out independently. It was the abolition (already referred to in the previous chapter) of the Sugar Duties of 1874, after considerable reductions had been made in 1870 and 1873. The chief reason for their abolition was the inadequacy of the previous system of classified duties on raw sugar, and the difficulties which accompanied the question of drawbacks. The classified duties on raw sugar operated, practically, as protective duties in favour of the West Indian sugar producers, and were of such a character as to check progress in technical

to find him consenting to their abolition as harmless, and not objecting on the ground that it would raise the price of sugar to any considerable extent. The question of the competition between cane and beet sugar has been exhaustively treated in the work of Paasche, *Zuckerindustrie und Zuckerhandel der Welt*, Jena, 1891.

<sup>1</sup> See Dowell, as also the yearly reports of the Commissioners of Customs.

methods and give rise to an artificial deterioration in the produce. The duties on refined sugar, again, were protective as regards the British refiners, who were left entirely at the mercy of the bounty-fed competition of the Continent when these were removed.<sup>1</sup>

II. Secondly must be mentioned the change which was twice made in the wine duties, in connection with the treaty negotiations with Spain and Portugal, in 1876 and 1886. On the first occasion, the two existing classes of alcoholic content were run together, the lowest duty of 1s. being extended to wines up to 26 degrees; wines containing less than 42 degrees paying thenceforth 2s. 6d., and 3d. extra for every additional degree; since the Convention with Austria of 1869, wines in bottle and cask stood on an equal footing. In 1886, by Act of Parliament 49 and 50 Vict. c. 41, the first class was extended to 30 degrees; wines from 30 degrees up to 42 degrees paying, as before, 2s. 6d., and 3d. per gallon extra for every additional degree.

III. In 1872, the duty on raw coffee was reduced from 3d. to 1½d. per lb. When Goschen was Chancellor of the Exchequer, a considerable reduction, from 6d. to 4d., was made in 1890 in the duty on tea; the duty on currants was reduced from 7s. to 2s. per cwt. in connection with the treaty with Greece of 1890: and, finally, in the same year, was abolished the duty on gold and silver plate, which had really been imposed to counterbalance the internal tax levied for the testing and stamping of gold and silver goods manufactured in the

<sup>1</sup>Dowell, Vol. IV., p. 20. Leone Levi, p. 253. Martin, *The Sugar Question in Relation to Free Trade and Protection*, London, 1848. John Fairrie, *The Classified Scale of Sugar Duties Explained and Defended*, London, 1863. R. J. Cruickshanks, *The Sugar Duties*, London, 1863. In particular, J. Benjamin Smith, *Free Trade in Sugar*, London, 1871.

country. The abolition of this, as practically a protective duty, had long been demanded by India in the interests of her silver industry, but always obstinately refused by the English Government.<sup>1</sup> On the one side, India, in the interests of the English cotton industry, was compelled to abolish her cotton duties;<sup>2</sup> on the other, this legitimate request was denied her—a selfishness which betrayed little of the Free Trade spirit, and raised much bad blood in India. On April 18th, 1890, the House of Commons finally passed the abolition of this duty.<sup>3</sup> On the other hand, Goschen, in 1888, again introduced a higher duty on wines in bottle, but gave this up six months later, and imposed only a higher duty on sparkling wines.<sup>4</sup>

All these changes are simply logical extensions of the English Free Trade system. An exception to this system, or at any rate to the traditional rule of levying duties only on goods which could not be produced at home, is found in the case of tobacco, spirits, and beer. The duty on raw tobacco was even increased by 4d. in 1878.<sup>5</sup> As this, however, led to a distinct falling off in the consumption, the former duty was restored in 1887. In spite of this, the share of the tobacco consumers in the

<sup>1</sup> Parliamentary papers, *East India* (Plate duties), No. 404 of 1888, and No. 194 of 1889.

<sup>2</sup> See under, Part II., Chap. II., II.

<sup>3</sup> *Report of the Commissioners on the Customs*, London, 1891 [C.—6538], p. 14.

<sup>4</sup> The first general increase in the duty on wine in bottles was made expressly with the secondary object of encouraging the bottling trade, and had thus a distinct appearance of Protection. In the case of sparkling wine, this does not apply as it had to be bottled at the place of production. See T. H. Farrer, *Mr. Goschen's Finance*, 1887-90, London, 1891, p. 41.

<sup>5</sup> It amounted on an average from 400 per cent. to 600 per cent. of the value. Cf. Wagner, *Finanzwissenschaft*, p. 318.

total burden of taxation is still disproportionately large; and here, even more than in the case of tea and coffee, the lack of discrimination with regard to quality (which would be put right by *ad valorem* duties) has had the bad effect of laying the heavier end of the burden on the consumer of the cheaper qualities. Thus the social aspect has been neglected. The inequality has, indeed, been somewhat modified by the higher duties on manufactured tobacco, especially cigars, but these again are only specific, not *ad valorem*.

#### D. PROHIBITIONS OF THE IMPORT OF CATTLE AND THE MERCANDISE MARKS ACT.

A measure which, under some circumstances, might be of great importance in trade policy, and must, therefore, at any rate be touched upon here, is the Prohibition, on sanitary grounds, of the import of Cattle, (with the object of preventing the introduction of infectious diseases) and the Cattle Diseases Acts in general.

During the whole of the period under consideration, there was no lack of such regulations in England. The import of live cattle from certain countries was several times totally prohibited, or restricted to particular ports, where they had to be slaughtered immediately. These prohibitions were issued against the Continent, specially Germany, and, later, against the United States. The opinion is widely held that England, in contradiction with the Free Trade principle which she publicly professed, made use of this measure in order to provide a certain amount of indirect or concealed Protection for her agriculture against foreign competition—a Protection which she was



unwilling to give by direct duties.<sup>1</sup> In the material at my disposal, I have found but little that would enable me to decide this question and to confirm this opinion. In the first place, attention must be drawn to the fact that these veterinary and police regulations are never touched on in current commercial literature and discussion in England. In the large number of smaller publications on the subject of Free Trade and Protection which I have examined, I have found no mention of them by one side or the other. This might, of course, admit of being interpreted as a conspiracy of silence upon this delicate point. But even in such blue books, commission reports, protocols, etc., on the Cattle Diseases Acts, as I have been able to procure<sup>2</sup>—of course, by no means complete—I have found little to confirm such a view.

It is true that, on various occasions (1864 and 1878) it was urged by cattle importers that the sanitary restrictions on the import were unfair, falling much more heavily on the trade in foreign than on that in home-

<sup>1</sup> See Lotz, *Die Ideen der deutschen Handelspolitik (Handelspolitik der Kulturstaaten*, Vol. II.), p. 179: 'A well-known English economist (Mill?) has pointed out the remarkable coincidence that, when the price of cattle was low, an epidemic among foreign cattle was regularly proclaimed and the sanitary prohibitions enforced.' Further, Peez, *Handelspolitik der Kulturstaaten*, Vol. I., p. 176: 'When towards the end of the seventies, the Americans invaded the English market, the latter was closed to live cattle, in order to save at least the most valuable part of the home agriculture, namely, cattle breeding.' See also Réus and Endt, *Die Handelspolitik der Niederlande*, *ibid.*, Vol. I., p. 265.

<sup>2</sup> *Report from Select Committee on the operation of the Acts for the Prevention of Infectious Diseases in Cattle, etc.*, with Minutes of Evidence, 1850 (159). *Importation Bills*, with Minutes of Evidence, 1864 (431 and 432). *Report on the Contagious Diseases (Animals) Bill*, with Minutes of Evidence, 1878 (42). Return: *Contagious Diseases (Animals) Act*, 1878 (Great Britain), 1880 (314. Sess. 2).

bred cattle, and equal treatment was demanded. It was also asserted that these restrictions and, particularly, this unequal treatment obstructed and reduced the import of foreign cattle, and raised the price of meat. But there is no reason to conclude from this that the Government adopted these regulations with any such intention, or that the measures were regarded in this way by the agrarian interests. The discussions, indeed, were taken up entirely with the sanitary aims of the individual regulations and their results. In particular, I have found it impossible, from the material at my disposal, to draw any conclusion as to how far the Government acted in good faith in the view it took from time to time with regard to the existence of cattle disease in other countries.<sup>1</sup>

Under these circumstances, it has seemed to me unnecessary to go more closely into the details and history of these Cattle Diseases Acts. I shall, therefore, mention only the more important ones. These are:—the two laws of 1848 (11 and 12 Vict. c. 105 and 107); Cattle Diseases (Animals) Acts of 1869, 1876, 1878 (41 and 42 Vict. c. 74), and 1884 (47 and 48 Vict. c. 13 and 47), with additions in 1886, 1890, and 1892. It is certainly remarkable that, of these, it should just happen to be the law of 1878 which increased the stringency, and in February, 1879, was brought into force against American cattle.<sup>2</sup> The possibility of such a connection as I mentioned above cannot be denied. I can only say, however, with strict regard to truth, that there was no proof of it in the material before me.

<sup>1</sup> See as regards the Netherlands, Réus and Endt, *loc. cit.*

<sup>2</sup> Cf. Paasche, 'Die Entwicklung der britischen Landwirtschaft unter dem Druck ausländischer Konkurrenz' (*Jahrbücher für Nat. und Stat.*, 1892, Part I.).

Finally, mention must be made, in this connection, of the Merchandise Marks Act of 1887,<sup>1</sup> with an addition, 1891. As result of this Act, all goods imported into England had to carry a distinct stamp of the country of origin, or of the country in which they were manufactured; were not allowed to bear counterfeit English trade marks; and, in case of infringement, were to be ruthlessly confiscated. This Act had for object to do away with the glaring and deep-rooted abuse by which articles, generally of inferior quality, manufactured abroad—more especially in Germany—were stamped with English trade marks, either at the place of origin or in England, and thereafter sold as English goods in England, or abroad as goods of English manufacture. This Act also has been described as a protective measure by which England sought to guard herself against the too powerful competition of the Continent, especially of Germany, and it became a theoretical bone of contention between the Free Traders and Fair Traders in England.

The Fair Traders considered it a breach of the principle of Free Trade, or, at any rate, the recognition of a principle—namely, Protection against unfair competition in the home market—which was applicable in other cases also, especially against the foreign sugar bounties.<sup>2</sup> The Free Traders, on the other hand, interpreted Protection against fraudulent transactions as entirely in conformity with the principle of Free Trade, and maintained that there was no resemblance between it and that other form of unfair competition displayed in the sugar bounties.<sup>3</sup>

To my mind, however, a distinction must here be

<sup>1</sup> 50 and 51 Vict. c. 28.   <sup>2</sup> See, e.g. Martineau, *Free Trade in Sugar*, p. 37.

<sup>3</sup> See Farrer, *The Sugar Convention*, p. 97.

made. In so far as the Act really checked only the import of goods with false English trade marks, it cannot be described as protective in the ordinary sense of the word. Where, however, it checked goods which had entered unstamped, and were sold by English merchants along with English goods, or by themselves as English goods, the same justification does not hold. A measure which simply aimed at protecting the consumer against fraudulent manipulation would have taken steps against the home merchants rather than against the foreign goods. It would seem, in this instance, as if a certain amount of Protection for the home producer had been intended at the same time. To this extent, the Act—and particularly its vigorous enforcement, to the great disturbance of trade—cannot now be described as consistent with the spirit of Free Trade.

That this Act, like the Cattle Diseases Acts, should be accompanied by a secondary and protective effect, however unintentional, was only to be expected. But if any such expectation influenced the Government in framing the Act, it has certainly, in contrast with the Cattle Diseases Acts, been completely disappointed. On the contrary, the words 'made in Germany' have not prevented the most patriotic of Englishmen from buying, now as before, the goods thus stamped. And, abroad, the real place of origin of many superior goods, previously obtained from England, has become known for the first time to foreigners, and a direct trade has been established outside of England. Her commission business has, therefore, suffered rather than gained by the Act.<sup>1</sup>

<sup>1</sup> Particulars regarding these Acts are contained in the blue books, *Report from Committee on Merchandise Marks Act (1862)*, *Amendment Bill, 1887*, and *Merchandise Marks, Report of Committee, 1890*.

## CHAPTER III.

### THE DEVELOPMENT OF BRITISH TRADE FROM 1860 TO 1890.

#### A. TOTAL FOREIGN TRADE OF THE UNITED KINGDOM.

FOR a clearer understanding of how the total foreign trade of the United Kingdom developed, during this period, under the influence of the Free Trade policy—disregarding for the present its geographical divisions, which will be discussed later—a few general remarks must be made, by way of preface, on the nature of the material at our disposal.

The figures which official statistics offer as regards this total foreign trade are here, as elsewhere, figures of value; *i.e.* they give the value of the imports, exports, and re-exports in pounds sterling. Now all statistics of value, owing to the way in which they are obtained, are peculiarly open to inaccuracies and errors, and this, of course, is particularly the case the less the trade of a country is checked, and at the same time controlled by custom house restrictions.<sup>1</sup>

<sup>1</sup> Compare Rawson W. Rawson, *Synopsis of the Tariffs and Trade of the British Empire*, London, 1888; and *Sequel to Synopsis*, 1889 (cited here as I. and II.). Also Giffen, *On the Use of Import and Export Statistics*, Royal Statistical Society's Journal, June, 1882; and Bourne, *Trade, Population, and Food*, London, 1880.

Indeed, in the case of England, the statistics of import and export rest on the declarations of the importers and exporters themselves—in regard to exports, since 1798; in regard to imports, only since 1870. From 1697 to 1854 the statistics of import gave only the ‘official value’; from 1854 to 1870, the ‘real value,’ calculated on special lists drawn up by agents employed for the purpose, and checked by ordinary trade price-lists. The result is that the import figures before 1854 cannot be used for purposes of comparison; and, in all probability, a considerable share in the huge rise of the import figures of the years which followed 1870 may be ascribed to the change in that year. Even figures before 1870 are not altogether comparable—a point which, strangely enough, has not been mentioned by any of the statisticians just named.

Since 1870, however, all statistics of import and export are based on the ‘declared value’ given by the merchants concerned, and checked by the customs authorities, and depend for their credibility on the accuracy of these returns. But this accuracy can be guaranteed only in the case of articles which are still dutiable. The others are open to all mistakes possible from carelessness, error, and intention.<sup>1</sup> That in the mass of transactions, as Rawson thinks,<sup>2</sup> these mistakes cancel each other, is an altogether arbitrary assumption.

Another source of error—though this concerns trade with individual countries rather than the total foreign trade—is to be found in the inaccurate returns of the place of origin and destination of the imported and exported goods. As a rule, only the last or first seaports

<sup>1</sup> Of course false returns are punishable, and the Custom House authorities try to check the declarations even in the case of non-dutiable goods.

<sup>2</sup> Rawson, *loc. cit.*, p. 41.

are given, not the original place of origin or final destination. Thus a large part of the British trade with the German Empire appears, in statistics, under Holland; with Austria-Hungary and Russia, under Germany; with Switzerland in general, under the countries that possess seaports; while, on the other hand, the statistics of British trade with the German Empire contain a portion of the trade with Austria, Russia, Switzerland, Roumania, etc., and even (by way of Hamburg and Bremen) with countries outside of Europe.<sup>1</sup> Error may arise also from the fact that the destination of goods is frequently altered after declaration has been made. Lastly, the returns under the category 're-exports' (*i.e.* exports of foreign and colonial products) are often too low, owing to the custom, prevalent at any rate previous to the Merchandise Marks Act, of warehousing foreign or colonial goods, specially silks and woollens, along with British products in London, selling them there, and declaring them on export as goods of British origin.<sup>2</sup>

Under these circumstances, competent judges generally have a very low opinion of the value of such statistics. Sir Charles Dilke, speaking from his experience in the treaty negotiations with France, asserts for a fact that 'no figures of trade ever came within 20 per cent. of the truth,' and that 'it is impossible to trace one and the same operation of trade, carried on through a port of import and a port of export, by any resemblance in the statistics of the two countries concerned.'<sup>3</sup>

<sup>1</sup> Cf. Diezmann, 'Der englische Aussenhandel seit 1880': *Jahrbücher für Nat. und Stat.*, III., Vol. III., Part. 3, 1892, p. 423.

<sup>2</sup> Cf. Lloyd and Edgcome, *The Fair Trade Position Explained*, p. 88.

<sup>3</sup> *Problems of Greater Britain*, 4th edition, London, p. 554. In the course of the commercial treaty negotiations which he conducted with France, a test

In contrast with this, however, Diezmann, a short time ago, in comparing English trade statistics with those of the United States, found, on the whole, a complete and, to a certain extent, an almost ideal correspondence in the two returns, which points, he says, to 'great truthfulness on the part of the Anglo-Saxon wholesale merchants.'

In any case, it is sufficiently clear, from what has been said that careful use must be made of these figures of total British foreign trade, and that implicit reliance must not be placed on them.<sup>1</sup>

In addition to these various sources of error, which apply not only to the value statistics, but also to the statistics of quantity and weight of the separate goods, there is another most important consideration as regards the figures of value; namely, that they give no true representation of the volume of the import and export trades, if, in the interval, any considerable change of price has taken place. For example, the statistics of value may show a decrease of exports although the volume of the same may have increased, and *vice versa*. Now, in actual fact, as is well known, a very considerable and general change of value took place during this period in the more important goods, namely a heavy

was made in 1881 in a publication of the English Board of Trade, which placed the English and French returns of the import and export trade between the two countries side by side. The differences, especially in the case of French imports into England, were so great that it was impossible to explain them by technical differences in the technique of statistics. Cf. parliamentary paper, 1881, *Return Showing the Trade between the United Kingdom and France in the years 1861-1879*. Another example equally negative in its results, is given by Rawson in the trade of the various British colonies as given by the statistics of the individual colonies, *loc. cit.*, p. 41.

<sup>1</sup>We are therefore warranted, as regards our purpose, in rounding the official figures up to thousands or even hundreds of thousands.



fall in prices in the markets of the world and in England. This fact, therefore, must be borne in mind in what follows.

The extent of the fall has been variously estimated according to the different methods used. We shall take Rawson's calculation, which is preferable to that of Giffen, Bourne, etc., on account of its greater simplicity and more general applicability.<sup>1</sup>

Year.	Imports.	Exports.	Average.	Year.	Imports.	Exports.	Average.
1858	100	100	100	1873	106	115	110
1859	106	108	107	1874	104	107	105
1860	112	108	110	1875	105	98	101
1861	110	100	105	1876	95	84	89
1862	113	101	107	1877	95	84	89
1863	120	117	118	1877	93	81	87
1864	130	123	126	1879	92	77	84
1865	120	120	120	1880	92	79	85
1866	119	121	120	1881	92	80	86
1867	111	108	109	1882	90	79	84
1868	114	104	109	1883	89	74	81
1869	110	105	107	1884	87	71	79
1870	109	103	106	1885	85	66	75
1871	108	105	106	1886	77	65	71
1872	106	115	110				

According to this table, English import prices fell, between 1857 and 1886, from 100 to 77; export prices (including re-exports) from 100 to 65; *i.e.* an average fall on the total trade from 100 to 71.<sup>2</sup> The fall in the nine most important classes of imported food-stuffs amounted, on an average,

<sup>1</sup> Cf. Rawson, *loc. cit.*, I., Chap. I. : *Methods of Ascertaining Volume of Trade and Changes in Aggregates of Value*. Also, Wasserrab, *Preise und Krisen*, Stuttgart, 1889.

<sup>2</sup> Table A, Rawson, II., page 16.

to 33.1 per cent.; in the fourteen most important classes of imported raw materials, to 34.8 per cent.; and in the nine most important classes of exported goods of British origin, to 28 per cent.<sup>1</sup> By far the greater part of these latter exports, however, consisted of manufactures; prices, therefore, did not fall so much here as in the case of food stuffs and raw material, which made up the greater part of the import trade, nor as in the case of the total export, which includes, besides the export of British products, re-exports of foreign and colonial products, chiefly food stuffs and raw material.

After these general introductory remarks, we may turn to examine the statistics given in Table I. in Appendix.

First it must be remarked that, in any comparison of English commercial statistics with those of other countries, the ordinary distinction of 'general' and 'special' trade cannot be applied in its usual sense. The import of goods into a country possessing a sea board, may, as is well known, take four different forms :

- (A) In transit only, without transhipment;
- (B) In transit only, for transhipment;
- (C) For import into the country, or put in bonded warehouses; part only being re-exported;
- (D) For re-export.

Of the imports under (A), there are no statistics anywhere. The returns of most countries lump imports under (B), (C), and (D) together as 'general imports,' and distinguish from these the imports under (C), minus the re-export (D), as 'special imports.' In the same way, the exports under (B) and (D) are reckoned along with the exports of goods manufactured

<sup>1</sup> Table A, Rawson, II., pp. 54, 55.

in the country (*i.e.* with the 'special export'), and the whole is classified as 'general exports.' British statistics of import, on the other hand, embrace only (C) and (D), drawing no distinction between them, and do not therefore correspond either to the 'general' or to the 'special' import of other countries. The statistics of export, again, embrace, besides the export of British products, only the exports which come under (D), but distinguishing between the two, so that here there is a 'special' export, as in the case of other countries.<sup>1</sup>

On the other hand, in Great Britain—and this applies also to the colony of Victoria—transshipments are not included under the total trade as they are in most other countries. Diezmann holds that, in all probability, no sharp dividing line can be drawn between goods which are objects of British trade, and those which are entered as merely for transshipment.<sup>2</sup> By 'transshipment trade,' in British classification, is obviously meant the transit of goods intended from the very beginning for that purpose, and declared accordingly. These are either transhipped directly under custom house supervision, or, when this is not possible, stored, in order to escape all custom house formalities, in lighters under bond or in duty-free warehouses in the docks (thus in any case under bond), till such time as they are put on board another ship. Only that part of these transshipments which contains dutiable goods is discriminated by the British statistics, and placed under 'transshipment trade' according to value and quantity. But this forms a very small part of the whole transshipment trade.

<sup>1</sup> See Giffen in the parliamentary paper of 1881 already mentioned: No. 405, p. 2; also Rawson, I., p. 43.

<sup>2</sup> *Op. cit.*, p. 423.

Turning from this category (which is contained in the last column of our Table) to consider the remaining total trade, we find that it has experienced a very marked increase and expansion during the period. From an average of £308,000,000 during the years 1855-1859, it rose, during the years 1885-9, to £666,000,000, and even touched £749,000,000 in 1890. It has, therefore, considerably more than doubled itself. This expansion is most marked in the case of imports: namely, from £169,000,000 to £379,000,000 (in 1890, £421,000,000), and in about the same proportion in the case of re-exports of foreign and colonial products, namely from £23,000,000 to £61,000,000 (in 1890, £65,000,000). It is less marked in the case of the exports of British products, rising from £116,000,000 to £226,000,000 (in 1890, £263,000,000). That the increase was not only absolute but relative, is seen when we take into consideration the increase of population at the time (see columns 2, 4, and 8 of the Table). Here the imports rose from £6 os. 3d. per head between 1885 and 1859, to £10 4s. 10d. between 1885 and 1889 (£11 4s. 7d. in 1890 and £11 10s. 5d. in 1891). The exports of British products rose from £4 2s. 4d. to £6 2s. 0d. (in 1890, £7 os. 8d., in 1891, £6 10s. 10d.). Lastly, the total foreign trade (excluding transshipments) rose from £10 19s. 2d. to £17 19s. 9d. (in 1890, £19 19s. 10d.; in 1891, £19 14s. 0d.). These are quite exceptionally high figures per head of population, and the increase is also exceptional.

But this increase was not uniform and uninterrupted: both in the absolute and in the relative figures there were periodical fluctuations.

The absolute figures, in column 7, show a specially large increase in the years 1871-3, followed

by a fall, and, indeed, a considerable one, in 1878-9. The year 1880 marks the beginning of another rise, continuing till 1884, followed again by a considerable fall in 1885 and 1886, and by a new rise in the following years, specially marked in 1889 and 1890.

A comparison of columns 1 and 6 shows that the increase in the years 1871-3 represented a fairly equal rise, both in imports and exports. While, however, there was a great fall in the exports from 1874 onwards, the imports remained for the time stationary, no fall taking place till 1877-9, and even then a comparatively small one as compared with the exports. Moreover, in the case of the exports, the decrease during the years 1874-9 was mainly due to a fall in the export of British products, the re-export of foreign and colonial goods remaining fairly stationary during that time (compare columns 3 and 5). The increase, again, in the period from 1880 to 1884 was caused by the steady rise of both imports and exports (including special exports and re-exports). The recurring fall from 1884 to 1886 shows a fairly parallel movement both as regards imports and exports, this time, however, more marked in the case of imports; while the fall in exports was again chiefly in British made goods. From 1887 on, import and export figures again rise in very much the same ratio. From 1888, there is a sharp rise in imports, but a slight fall in 1890, while, in exports, the rise at first continues, particularly, as before, in the export of British made goods. In 1891, however, there is an important rise in the imports (£14,000,000); exports falling at the same time by a still greater amount (£19,000,000) (*i.e.* special exports by £16,000,000, re-exports by £3,000,000).

A consideration of the relative figures per head of population gives the same result, the growth of population being very steady. These, too, clearly show the periods of rise and fall distinguished above, both as regards the total trade (column 8) and the import and special export trades (columns 2 and 4). Special attention should be given to the latter.

As we gather from the often-quoted investigations of the Royal Commission of 1885-6, as well as from other sources, such as newspapers and pamphlets, the period from 1871 to 1873 was a time of great prosperity for the whole English nation. With 1875, however, a general trade depression set in, which lasted—with an interval of partial prosperity from 1880 to 1883—till the year 1886. In 1887, followed another period of prosperity, which in turn had given place, by 1891, to a second depression that still continued in 1892.

These great periodical fluctuations in the progress of British industry and commerce are seen very clearly in the statistics of foreign trade given in our tables, and show how greatly England depends upon her foreign trade. It is also of special interest to follow, in figures, the connection which exists between depression or prosperity and the state of the exports, particularly the export of British made goods: periods of depression showing regularly a decrease, those of prosperity, an increase, in this trade. We see here the marked dependence of English industry on the export of English goods, and find in it an argument of peculiar weight against the Free Trade doctrine: 'take care of the imports and the exports will take care of themselves.'

Another specially important and remarkable phenomenon of the same sort found in English statistics of

foreign trade during this period, is the exceptionally large increase in the excess of imports (the so-called 'unfavourable balance of trade') from 1875 onwards. The balance amounted (Table I., column 9) on the average of the years

1855-1859,	to	£30,000,000
1860-1874,	„	56,000,000
1875-1879,	„	118,000,000
and, in 1877,	to as much as	142,000,000

It fell again, on the average of the years

1880-1884, -	to	£109,000,000
1885-1889, -	„	92,000,000
in 1890, -	„	92,000,000
in 1891, however, it rose again	„	126,000,000

These fluctuations of the excess of imports are worth remarking, in relation to the Free Trade doctrine of the Balance of Trade, viz :—that a so-called 'unfavourable balance' is, particularly when very great, a measure of the prosperity and progress of a nation, and its increase, therefore, nothing but profitable and desirable. England has always been quoted as the stock example of this. But we find little corroboration of it when we notice, as in this case, the greatest excess of imports precisely in the periods of industrial and commercial depression.

Of course, the opposite doctrine of protective mercantilism, viz. :—that a great excess of imports, and an increase in the same, are bound to be economically hurtful—is as little justified by these statistics. The ratio of the excess of imports in the years 1880-1883, on the one side, and in 1884-1886, and in 1886-1887, on the other, does not bear this out.

Our figures seem to me rather to bring out, with convincing clearness, that the way in which the excess of imports and its increase come about, makes all the difference: whether, for example, it is caused by a rapid rise in the imports, the exports meanwhile rising more slowly or remaining stationary, or by a fall in the exports, the imports meanwhile remaining stationary or falling less rapidly, or, finally, by a simultaneous rise in the imports and fall in the exports. This last, for instance, was the way in which the great difference of 1877 arose.

I have, however, no intention of discussing the principles of the Balance of Trade at this stage,<sup>1</sup> and need not go into the British statistics of the import and export of the precious metals.<sup>2</sup>

So far we have been concerned only with the values of the total imports and exports, not with quantities and volume. When, however, we consider the changes of price mentioned above, relying on Rawson's figures, the matter assumes a different aspect.

It is impossible, indeed, to get direct figures of the total trade as regards quantity, for want of a common unit of measurement. But it may be inferred, from Rawson's Tables of Prices quoted above, how great a part of the commercial prosperity in the middle of the sixties, and, to a lesser extent, of the years 1870 to 1872, was due, not to increase of quantity, but to rise in price; and, conversely, to what extent the depression of trade from 1876, and again from 1884, was due, not

<sup>1</sup> See below, p. 206.

<sup>2</sup> They may be found in the blue book, *Comparative Trade Statistics*, 1891, Table No. 25.



merely to a decrease in quantity, but also to a fall in price—specially as regards exports.

As regards total volume, however, statistics are available in the official returns of the tonnage of ships entered or cleared, with cargoes from or for abroad. The figures are given in Table A.

TABLE A.

(From the "Statistical Abstract for the U.K.," No. 20, 35, 38.)

Year.	Ships Entered. Register Tons.	Ships Cleared. Register Tons.	Year.	Ships Entered. Register Tons.	Ships Cleared. Register Tons.
1860	10,055,000	10,783,000	1876	21,026,000	21,511,000
1861	10,605,000	11,320,000	1877	22,132,000	21,195,000
1862	10,741,000	11,710,000	1878	21,318,000	21,582,000
1863	11,137,000	11,888,000	1879	21,099,000	22,849,000
1864	11,302,000	12,173,000	1880	23,993,000	25,686,000
1865	12,159,000	12,827,000	1881	23,225,000	26,337,000
1866	13,277,000	14,010,000	1882	24,815,000	27,699,000
1867	13,341,000	14,847,000	1883	26,310,000	29,373,000
1868	13,852,000	15,473,000	1884	24,697,000	29,273,000
1869	14,487,000	15,917,000	1885	25,664,000	29,318,000
1870	14,911,000	16,714,000	1886	24,683,000	29,108,000
1871	16,455,000	19,047,000	1887	26,000,000	30,171,000
1872	17,906,000	19,248,000	1888	27,077,000	31,664,000
1873	18,795,000	19,139,000	1889	28,518,000	33,049,000
1874	19,081,000	19,753,000	1890	28,979,000	33,857,000
1875	19,040,000	20,414,000			

This table shows a strong, almost unbroken, rise during this period, mainly attributable to the great increase in the import and export of bulky and heavy goods of relatively small value, such as corn and wood on the one side, and coal on the other. Hence Rawson, in order to eliminate this element, and to obtain a true average relation between volume and value of imports

and exports, and, further, to obtain index numbers determining the fluctuations of prices, drew up tables of export in which coal was given separately. These also show a rise for the period—smaller, indeed, but hardly less steady and unbroken.

Thus we frequently find, as characteristic of English trade during the above-mentioned periods of depression, undiminished or rising volume accompanied by falling prices.

In this connection, we may compare the Table in the blue book, *Comparative Trade Statistics*, 1891, No. 4, p. 10, which shows the development of British shipping engaged in the foreign trade just described, *i.e.* the tonnage figures (distinguishing foreign and British) of vessels, loaded and in ballast, entering or clearing British harbours, from or for abroad. Here, too, we find a similar almost unbroken increase, both absolute and relative (absolute increase from 10 (entering) and 11 (clearing) million tons on an average of the years 1855-1859, to 33 and 34 million tons respectively on an average of the years 1885-1889, and to 37 million tons in 1890; relative increase per head of population, from 0.38 and 0.39 tons respectively per head in 1855-1859 to 0.89 and 0.91 in 1885-1889).

The increasing share of British, as compared with foreign vessels, in this shipping trade, is remarkable. From 59.3 and 58.3 per cent. respectively between the years 1855 and 1859, it rose, almost without a break, to 73.1 and 73.2 per cent. between 1885 and 1889. Only in the five years from 1870-1874—a period of great prosperity as to foreign trade—do we find an absolute increase accompanied by a small relative decline, more in the case of in-coming than of out-going vessels.

For the rest, the British merchant marine, in the period under consideration, has itself steadily taken over the carrying of British foreign trade—at first to the extent of little over a half, to-day about two-thirds. The development of English shipping is, therefore, marked by none of the fluctuations or periodical rises and falls that characterise the expansion of foreign trade (reckoned in value), but shows a steady, almost uninterrupted increase. This is due to the fact, already pointed out, that the volume of foreign trade, on which exclusively these shipping statistics are based, increased steadily during the whole period.

It is a somewhat different question, of course, as to the earnings of this shipping trade, and the position of British ship-owning. These are dependent on the changes in value of foreign trade. Further, the Coasting Trade between the British ports themselves, is of great importance in this regard. We cannot here go into details as to the development of this trade. Suffice it to say:—(a) that, throughout the period, it shows a steady, though, on the whole, a slower and smaller increase than foreign shipping: (b) that foreign vessels have, naturally, a very small share in it compared with British; (1855-1859, 0.05 million tons out of 15.61 and 15.68 million tons (entering and clearing); 1885-1889, 0.10 million tons out of 27.93 and 25.90 million tons); (c) that during the later period (particularly in 1875-1879, as regards entering vessels), the foreign share has increased rather more rapidly than the British.<sup>1</sup> It remains only to draw attention to the relative importance of this trade, as compared with the foreign shipping trade, and the change that has taken place in it. The total coasting

<sup>1</sup> See Table No. 5 in the blue book, *Comparative Trade Statistics*, 1891, p. 11.

trade (British and foreign vessels) amounted, in quinquennial averages, to the following :

	ENTERED.		CLEARED.	
	Million Tons.	No. of Tons per Head of the Population.	Million Tons.	No. of Tons per Head of the Population.
1855-59,	15.61	0.55	15.68	0.56
1860-64,	17.36	0.59	17.39	0.59
1865-69,	18.19	0.60	18.16	0.60
1870-74,	19.59	0.61	18.62	0.58
1875-79,	24.48	0.73	22.00	0.66
1880-84,	26.29	0.75	23.79	0.67
1885-89,	27.93	0.75	25.90	0.70

A comparison of this table with that just referred to in the *Comparative Trade Statistics*, gives the astonishing fact that the coasting trade of the United Kingdom, up till the five years, 1870-1874 inclusive, was considerably larger than its foreign shipping trade. It was not till afterwards that the latter took the lead which it so rapidly increased.

A portion of the British shipping trade, not contained in the statistics given, must also be remembered, viz. : —that part which is conducted entirely between foreign countries, where the ships engaged do not enter the home ports for years at a time. This portion is by no means insignificant.

From this, again, must be distinguished the development of British ship-building. This is a branch of home production, influenced strongly of course by the trend of foreign commerce and shipping, but still indirectly, and not necessarily in the same direction. We cannot, therefore, enter on it here.

We have given, in the foregoing, a general survey of the development of the total trade and of shipping; we must now consider in detail the categories and articles under which the separate parts of this total trade, Imports, Special Exports, and Re-exports, are classified, and the changes which these have undergone during the period.

#### I. *IMPORTS.*

A division of imports into manufactured articles, partly manufactured articles, raw materials, and food stuffs, is given in the following Table B laid before the Royal Commission of 1885-6, by the Secretary of the Board of Trade, Sir Robert Giffen. It comes down to the year 1884 only, and is, unfortunately, not carried any further in the blue book, *Comparative Trade Statistics*, of 1891. With the means at my disposal, I have been unable to complete it. (See Table B, p. 126.)

A table of percentage growth, with similar classification and separation of the principal articles into classes, is given by Rawson (vol. ii., pages 40 and 41). For want of space this cannot, however, be reproduced here. It is, besides, less useful on account of its different method of classification.

Table B, however, is in the highest degree suggestive. Special attention must be called to the considerable relative decrease in raw material during this period, accompanied by a fairly large absolute increase. On an average of the years 1855-1859, raw materials amount to fully one-half of the total; in 1880-1884 hardly one-third (see columns 3 and 5). The fluctuations of the absolute figures are also of great interest. In 1864-1866, these figures were very high and fell sharply in 1867; in 1871-1874, they were again

TABLE B.

(From *First Report on Depression of Trade and Industry*, 1886, p. 130).

Years.	1 Manufactured Articles.	2 Partly Manufactured Articles.	3 Raw Materials.	4 Food-stuffs.	5 Total (inclusive of Non-classified Articles).
Average of 1855-59	Millions. £10	Millions. £14	Millions. £83	Millions. £62	Millions. £169
1860	13	16	99	82	210
1861	17	16	96	88	217
1862	19	17	95	94	226
1863	21	18	123	87	249
1864	22	20	145	87	275
Average of 1860-64	18	17	112	88	235
1865	23	20	140	87	271
1866	27	20	149	98	295
1867	28	20	119	108	275
1868	29	22	130	112	295
1869	30	22	128	115	295
Average of 1865-69	27	21	133	104	286
1870	35	22	135	110	303
1871	33	22	145	131	331
1872	36	27	145	146	355
1873	39	28	148	155	371
1874	43	30	143	153	370
Average of 1870-74	37	26	143	139	346
1875	45	27	135	164	374
1876	47	29	132	165	375
1877	50	31	128	184	394
1878	50	25	119	173	369
1879	47	23	116	176	363
Average of 1875-79	48	27	126	172	375
1880	54	29	138	189	411
1881	53	26	136	182	397
1882	55	29	145	183	413
1883	56	29	145	196	427
1884	56	27	141	166	390
Average of 1880-84	55	28	141	183	408

high, from which time onward till 1879, and particularly in that year, they fell greatly; since then they have again risen. We find, therefore, that the import figures of raw materials are, as a rule, high in years of all-round commercial and industrial prosperity, low in those of depression.

Equally remarkable is the small absolute increase, accompanied at the same time by a relative decrease, in the import of partly manufactured articles, showing, at any rate from 1870 onwards, the same periodical fluctuations, on the whole, as occur in the import of raw materials.

In contradistinction to this, stands the large absolute and relative increase in the import of wholly manufactured articles and of food-stuffs; in the former case from, roughly, 1-16th in 1855-1859, to over 1-8th in 1880-1884; in the latter case, from 1-10th to close upon  $\frac{1}{2}$ . In both cases the increase is steady, with only trifling fluctuations.

It is interesting in this connection to note the Special Imports in the different groups. This is found by subtracting the figures of Re-exports (*i.e.* export of foreign and colonial goods) from the gross imports in Table B (see below Table D). This gives the following quinquennial averages. (See Table of Special Imports, p. 128.)

Here the decrease in raw materials is much more striking, since all the other classes, particularly the wholly manufactured articles, show a steady increase. This means that, of the raw materials imported, a distinctly lower percentage is worked up in the country, an increasing proportion being sent out again (especially during the period 1875-9!), while, on the other hand, foreign manufactures are retained and consumed to an increasing extent.

## SPECIAL IMPORTS.

Years.	Wholly Manufactured Articles, in Millions of £.	Partly Manufactured Articles, in Millions of £.	Raw Materials, in Millions of £.	Food-stuffs, in Millions of £.	Total (inclusive of Non-classified Articles), in Millions of £.
1855-59	9	12	69	56	146
1860-64	16	15	83	79	193
1865-69	25	18	100	93	237
1870-74	33	22	112	123	291
1875-79	43	24	96	155	320
1880-84	48	24	105	167	344

Table B cannot, as has been said, be brought up to date, but a similar set of figures for the year 1890 alone shows at least the final results.<sup>1</sup> They are as follows :

	Manufactured.	Partly Manufactured.	Raw Materials.	Food-stuffs.	Total.
Gross Imports,	58	36	159	167	421
Special Imports,	51	30	122	153	356

A further distinction is here made between 'natural' and 'manufactured' food-stuffs; under the former come £88,000,000 and £80,000,000 respectively; under the latter, £78,000,000 and £73,000,000.

Any closer study of the classification of the separate import categories as here distinguished, of their movements, and of the percentage relationship between them, would lead us too far. (See on this Rawson's table given above, and the yearly Statistical Abstract: *De-*

<sup>1</sup>J. Edgcome in *The British Traders' Vademecum*, 1892, pp. 22, 23, taken from official statistics.



*clared Value of Principal and Other Articles imported into the United Kingdom.)*

So far all the statistics of import given have been statistics of value. If now we turn to the movement of prices, we find that the relative and absolute decrease noticed in the import of raw material is partly the result of a decrease in quantity but partly also of a fall in prices; further, that the increase in the import of food-stuffs, considered as quantities, is really much larger, as prices here have fallen very greatly; lastly, that the increase in the import of manufactured articles represents a corresponding increase in quantity, there being no corresponding rise in prices in this case. The same result may be reached directly by consulting the quantities of the single articles in the *Statistical Abstract*. The blue book, *Comparative Trade Statistics* of 1891, again, contains tables (p. 12) giving side by side, in quinquennial averages, the statistics of quantity and value for the most important articles of import as follows :

1. RAW COTTON.    2. RAW WOOL.    3. WHEAT.

	Million Cwts.	£ Millions.	Million Lbs.	£ Millions.	Million Cwts.	£ Millions.
1855-59,	9.2	28.2	118.7	8.4	16.0	9.9
1860-64,	8.4	48.0	167.2	11.6	28.8	16.3
1865-69,	11.0	61.5	236.3	15.3	29.8	17.9
1870-74,	13.6	53.6	307.0	18.1	39.6	23.9
1875-79,	12.8	38.3	392.4	23.3	52.0	28.7
1880-84,	15.3	44.6	481.3	25.5	57.6	29.5
1885-89,	15.4	40.1	599.6	24.4	56.1	21.6

	4. RAW SUGAR (Unrefined).		5. TEA.		6. WOOD (Sawn Fir).	
	Million Cwts.	£ Millions.	Million Lbs.	£ Millions.	Million Loads.	£ Millions.
1855-59,	8.3	12.0	76.9	5.2	—	—
1860-64,	10.1	12.2	112.3	8.6	1.8	5.3
1865-69,	10.8	12.1	136.6	10.8	2.2	6.2
1870-74,	13.4	16.1	164.5	11.5	2.9	8.4
1875-79,	16.2	17.8	191.9	12.6	3.4	9.4
1880-84,	19.1	19.1	212.7	11.2	3.7	9.5
1885-89,	17.8	12.1	221.9	10.4	4.0	9.2

## 2. SPECIAL EXPORTS.

Table C gives the absolute figures of the Special Exports between 1855 and 1884. (See p. 131.)

The percentages represented by these same tables are given in quinquennial averages by Rawson (II. p. 50) :

Years.	Manufactured. Per Cent.	Partly Manufactured. Per Cent.	Raw Materials. Per Cent.	Food-stuffs. Per Cent.	Total.
1855-59	74.2	17.2	3.4	5.2	100
1860-64	75.3	15.9	4.4	4.4	100
1865-69	76.0	16.7	4.0	3.3	100
1870-74	74.8	15.8	5.6	3.8	100
1875-79	76.0	14.0	5.5	4.5	100
1880-84	76.7	13.0	6.0	4.3	100
Average,	75.5	15.4	4.8	4.3	100

If we take this latter table first, we find in it statistical confirmation of the well-known fact that wholly manufactured articles constitute by far the

TABLE C.

(From *First Report on Depression of Trade and Industry, 1886, p. 132*.)

Years.	1 Manufactured.	2 Partly Manufactured.	3 Raw Materials.	4 Food-stuffs.	5 Total (including Non-classified Articles).
Average 1855-59	Millions. £86	Millions. £20	Millions. £4	Millions. £6	Millions. £116
1860	102	23	5	6	136
1861	92	21	6	6	125
1862	93	19	5	6	124
1863	110	24	6	6	147
1864	123	25	6	6	160
Average 1860-64	104	22	6	6	138
1865	128	25	6	6	166
1866	146	28	7	7	189
1867	136	31	7	6	181
1868	133	32	8	6	179
1869	143	32	8	6	190
Average 1865-66	137	30	7	6	181
1870	150	32	8	8	200
1871	165	36	10	11	223
1872	190	43	14	9	256
1873	188	41	16	10	255
1874	180	35	15	9	240
Average 1870-74	175	37	13	9	235
1875	169	32	13	9	223
1876	151	29	12	9	201
1877	152	27	11	9	199
1878	146	27	10	9	193
1879	144	26	11	9	192
Average 1875-79	152	28	11	9	202
1880	169	29	14	10	223
1881	179	30	14	10	234
1882	184	31	14	11	242
1883	183	30	14	10	240
1884	177	29	15	10	233
Average 1880-84	178	30	14	10	234

greater part of England's special exports—amounting on an average, to over two-thirds of the total. We see also that the proportion increased not inconsiderably during the whole of this period (up till 1884). The export of raw materials, principally by reason of coal exports, also increased very greatly; on the other hand, the exports of partially manufactured articles showed a proportionate decrease, while the export of food-stuffs also fell, though in a lesser degree.

The absolute figures (Table C), especially those of the export of wholly manufactured articles, show again very characteristic fluctuations; namely, in the case of special exports, the general coincidence already established, of rising exports with years of general industrial prosperity, and falling exports with years of depression. Thus the quinquennial average of the years 1875-1879 shows a heavy absolute fall as compared with that of the years 1870-4, the figures coming to the same level again in 1880-1884. Similar fluctuations, though not so strongly marked, occur in the export of partly manufactured articles and of raw materials; in the export of food stuffs, however, there is no trace of them. These figures, then, indicate very clearly the dependence of English industry and commerce on the export of wholly and partly manufactured articles and raw materials.

The absolute figures for 1890 (taken from the same sources) are :

Manufactured Articles,	£189 millions.
Partly Manufactured Articles,	37 "
Raw Materials,	27 "
Foodstuffs,	10 "
	—
Total,	£263 "

These show:—another marked increase in wholly manufactured articles, not, however, reaching the figures of 1872; a smaller increase in partly manufactured articles, again reaching the average of 1870-4; and, above all, an exceptional rise in raw material to about double the average of the years 1870-4 and 1880-4. The great change thus caused in the relation of the single classes to one another is witnessed in the following percentages:

Manufactured Articles,	71.8 per cent.
Partly Manufactured Articles,	14.1 „
Raw Materials,	10.3 „
Foodstuffs,	3.8 „
	<hr/>
	100 „

The following, according to Rawson, are the nine chief articles of special export, arranged by percentages in order of importance, on an average calculation of 21 years (within 1854-86):

1. Cotton (Piece Goods),	25.5 per cent.
2. Metals: Iron and Steel,	10.7 „
3. Woollen Fabrics,	9.0 „
4. Cotton Yarn,	6.4 „
5. Linen Manufactures,	3.7 „
6. Coal, Cinders, etc.,	3.2 „
7. Other Metals,	2.5 „
8. Woollen Yarn,	2.1 „
9. Linen Yarn, -	0.9 „
	<hr/>
	64.0 „

Sixty-four per cent., therefore, of the special export is made up of these nine classes—a proof how greatly it consists of articles in common consumption.

When we turn to the movement of prices, we find its influence here also in the fluctuations of the value

statistics, the higher figures in the first half of the seventies being due not altogether to increased quantities, but also to higher prices; the lower ones of the following period, again, only in part to the falling off in quantities, and, for the rest, to a fall in prices. This is shown by the tables of quantities in the *Statistical Abstract*, especially by the tables compiled in the blue book, *Comparative Trade Statistics* of 1891 (p. 15), which place side by side the statistics of quantities and value of the most important articles of special export.

	1. COTTON YARN.		2. COTTON PIECE GOODS (Plain).		3. COTTON PIECE GOODS (Printed).	
	Quantity. Million Lbs.	Value. Millions Sterling.	Quantity. Million Yards.	Value. Millions Sterling.	Quantity. Million Yards.	Value. Millions Sterling.
1855-59,	183.2	8.6	1.4	18.2	0.8	14.3
1860-64,	123.7	8.5	1.3	21.7	0.7	15.0
1865-69,	150.9	13.5	1.8	31.5	0.9	19.4
1870-74,	205.5	15.4	2.4	34.2	1.0	20.6
1875-79,	232.4	12.6	2.6	31.0	1.0	18.9
1880-84,	248.9	13.0	3.1	34.3	1.4	21.0
1885-89,	251.9	11.6	3.4	32.4	1.4	18.4

	4. IRON (Pig and Puddled).		5. IRON, Railroad of all sorts.		6. LINEN PIECE GOODS (Plain).	
	Quantity. 1000 Tons.	Value. Millions Sterling.	Quantity. 1000 Tons.	Value. Millions Sterling.	Quantity. Million Yards.	Value. Millions Sterling.
1855-59,	350	1.2	472	3.9	122.1	3.7
1860-64,	422	1.2	417	3.1	149.3	4.7
1865-69,	575	1.7	597	4.9	210.9	6.8
1870-74,	1012	4.6	911	9.4	205.5	6.4
1875-79,	977	2.9	472	3.8	158.0	4.7
1880-84,	1541	4.3	830	5.5	156.7	4.6
1885-89,	1078	2.5	915	4.4	153.8	3.8

## 7. WOOLLEN AND WORSTED STUFFS.

## 8. COAL.

	Quantity. Million Yards	Value. Millions Sterling.	Quantity. Million Tons.	Value. Millions Sterling.
1855-59, -	124.1	5.3	6.0	2.8
1860-64, -	146.6	7.6	7.8	3.5
1865-69, -	227.0	13.4	9.9	4.8
1870-74, -	286.4	15.8	12.3	8.9
1875-79, -	209.5	8.5	15.1	7.8
1880-84, -	193.4	7.6	20.1	9.1
1885-89, -	190.6	7.1	24.2	10.6

## 3. RE-EXPORTS.

The figures are given in Table D. (See p. 136.)

These show a fairly steady and gradual increase, with none of the periodical fluctuations that mark the imports and special exports; only in 1876-8 do we find a similar retrograde movement for which raw materials are chiefly responsible.

Further, it must be noticed that the proportion of manufactured articles has, relatively to the others, increased steadily, being  $\frac{1}{21}$  in 1860-4,  $\frac{1}{3}$  in 1880-4.

The figures for 1890 are appended to the table by Edgecome.

There is nothing to add in this connection as to the effect of price movements; in re-exports, there are no comparative statistics of quantity and value, as in the case of imports and special exports.

From the consideration of re-exports, we pass naturally to Transshipments, the growth of which during the last 30 years is shown in column 10 of Table I. in Appendix.

TABLE D.

(From *First Report on Depression of Trade and Industry, 1886*, p. 131.)

Years.	1 Manufactured.	2 Partly Manufactured.	3 Raw Materials.	4 Food-stuffs.	5 Total (including Non-classified Articles).
Average	Millions. £1	Millions. £2	Millions. £14	Millions. £6	Millions. £23
<b>1855-59</b>					
1860	2	3	18	6	29
1861	1	2	23	8	35
1862	2	2	29	9	42
1863	2	2	36	10	50
1864	2	3	37	10	52
Average					
<b>1860-64</b>	2	2	29	9	42
1865	2	3	37	11	53
1866	2	3	35	10	50
1867	2	3	30	10	45
1868	2	3	31	12	48
1869	2	3	31	11	47
Average					
<b>1865-69</b>	2	3	33	11	49
1870	3	3	26	12	44
1871	4	3	36	17	61
1872	4	4	34	16	58
1873	4	4	30	17	56
1874	4	5	31	18	58
Average					
<b>1870-74</b>	4	4	31	16	55
1875	4	4	33	17	58
1876	4	4	30	18	56
1877	5	3	28	17	54
1878	5	3	27	17	52
1879	6	3	31	17	57
Average					
<b>1875-79</b>	5	3	30	17	55
1880	7	4	34	18	63
1881	7	4	36	16	63
1882	7	5	37	16	65
1883	7	4	38	16	65
1884	7	4	36	15	63
Average					
<b>1880-84</b>	7	4	36	16	64
1890	7	6	37	14	65



Here, too, we find a marked progress and increase till the year 1873, when a retrograde movement set in. This latter was broken by a short interval between 1880-3, from which time the decrease has been even more rapid up to the present date. The transhipment trade, therefore, did not take part in the last upward movement of the total trade from the low level of 1886. While the progress of the total trade represents a broken, but, on the whole, a rising line, the transhipment trade, in the second half of the same period, shows a distinct decline. We have here statistical evidence of an important general phenomenon in the course of British trade of late years, namely, the retrograde movement of the *entrepôt* trade. It is true that this trade does not consist only of transshipments; it includes the re-export of foreign and colonial goods, and this, as we have seen, moves almost parallel with the total trade; *i.e.* it has risen over the whole period, though at a slower rate, and with fewer fluctuations. But this rise is chiefly due to the re-export of a single article, namely, raw colonial wool; while, in many important departments, a marked and lasting downward movement set in in the second half of the period. On the various causes of this phenomenon—the general trend and organisation of the world's trade, the opening of the Suez Canal, and the growth of Continental commerce and shipping—it is impossible to enter.<sup>1</sup>

As regards classification, the official statistics, as we have said, mention only the dutiable goods—spirituous liquors, tea, and tobacco—according to quantity

<sup>1</sup> On this point (based on the Reports and other publications of the Royal Commission on Depression of Trade and Industry) see Nasse, 'Ein Blick auf die kommerzielle und industrielle Lage Englands,' in the *Jahrbücher für Nat. und Stat.*, XIV., 1887, p. 101.

and value; the others, and by far the greater number (in 1891, £7.3 millions, out of £9.9 millions) are simply lumped together, and cannot, therefore, be estimated.

#### B. TRADE WITH INDIVIDUAL COUNTRIES AND WITH THE COLONIES

We now turn to the consideration of British trade with the most important separate foreign countries and with the British colonies, taking, in the first instance, the total imports and exports, exclusive of transhipments. The figures of the total trade are given in Table II. A-C of Appendix, which show imports and exports, distinguishing again between re-exports and special exports. The percentage figures for this total trade, imports and exports together, are given in Table III. of Appendix.<sup>1</sup>

The latter figures, which we shall consider first, show the relative importance of the separate countries as regards English trade. On an average of the years 1861-5, we get the following in order of importance :

	Per Cent.
1. India,	13.9
2. United States,	10.8
3. France,	10.6
4. Germany,	8.7
5. Holland,	5.1
6. Australasia,	4.9
7. Russia and Egypt, each	4.5
8. China,	3.3
9. British North America,	3.0
10. British West Indies,	2.6
11. Turkey and Belgium, each	2.5

<sup>1</sup> For want of space, only the quinquennial averages are given in the Appendix. For the figures of individual years, see the relative *Statistical Abstracts*.

	Per Cent.
12. Italy and Brazil, each,	2.3
13. Cape Colony,	1.1
On an average of 1886-90, however,	
1. United States,	18.8
2. India,	9.6
3. France,	9.2
4. Germany,	7.8
5. Australasia,	7.4
6. Holland,	6.1
7. Russia and Belgium, each	4.2
8. British North America,	2.9
9. China and Cape Colony, each	1.8
10. Brazil,	1.7
11. Italy, Turkey, Egypt, each	1.6
12. West Indies,	0.9

A comparison of these two sets of figures brings out some interesting changes, both in the order and in the shares of the various countries. Specially notable is the rise in importance of the United States, which far outstrips the other countries; and the decline in importance of India—explained by the fact that, during the former period, she held an extraordinary but temporary position, owing to the great imports of cotton during the War of Secession.

An average of the whole period, 1860-1890, gives the following as the six most important countries, each doing above 5 per cent. of the total British trade :

United States,	15.8 per cent.
France,	10.4 „
India, -	9.9 „
Germany, -	8.4 „
Australasia,	6.1 „
Holland,	5.6 <sup>1</sup> „

<sup>1</sup>Another interesting comparison, which gives in part quite a different picture, is the extent to which the different countries purchased from England

The explanation of these changes between the two periods, 1861-5 and 1886-90, is found on investigating the absolute figures of British trade (Imports, Special Exports, and Re-exports) with the particular countries (see Table II. A-C in Appendix). On the whole, these speak for themselves and need no detailed explanation. Only a few points may be brought out in what follows.

To begin with foreign countries (Table II. A), let us

in proportion to their respective populations. The consumption of British goods in the most important foreign countries and British possessions per head of population was, in the year 1890, on Edgcome's calculation, as follows :

A. In Foreign Countries.			B. In the British Possessions.		
Europe :	£.	S. D.	Asia:	£	S. D.
Holland,	2	1 5	Hong Kong, -	11	8 4
Belgium,	1	16 8	Ceylon and Straits		
Denmark,	1	4 4	Settlements, -	1	3 3
Norway and Sweden,	0	15 0	Mauritius,	0	16 11
Greece, -	0	13 6	India, -	0	3 1
France, -	0	8 8			
German Empire,	0	8 3	Australasia :		
Spain and Portugal,	0	6 7	Western Australia,	10	1 9
Italy,	0	5 5	New South Wales,	6	9 4
Roumania,	0	4 11	Victoria,	6	4 7
Russia,	0	1 3	South Australia,	6	3 8
Austria,	0	0 8	New Zealand,	5	5 9
			Queensland,	5	0 8
			Tasmania,	4	4 0
Other Foreign Parts :			Total,	5	19 8
Argentina,	2	8 1			
Brazil,	0	10 8	Cape Colony and Natal,	4	11 9
United States,	0	10 3	West Indies, - -	2	11 5
Egypt,	0	9 11	Canada and Newfound-		
Mexico,	0	3 0	land,	1	8 9
Japan,	0	2 1			

See also the same statistics for ten years, 1880-1889 (in the Colonies for 1861-1890) in the *Year-Book of Commerce* for 1892, issued by Mr. K. B. Murray, London, 1891, pp. 46, 47. The changes during these ten years are very interesting. It would, however, take us too far out of our course to discuss them here.

see, in the first place, whether we can find, in these figures, any result of the trade policy adopted by them—*i.e.* the almost universal protective reaction since the seventies. Such a result can be traced; and more clearly, as will be readily understood, in the case of the special exports to the countries in question than in that of the re-export of foreign and colonial products.

We find it in the decline of British special (and total) exports to Russia of 1882, and, later, from 1885 onwards. (They have, however, begun to recover in the last three years.) We find a similar decline in British special exports to the German Empire, along with an accompanying rise in the re-exports from 1876-1880; in the special exports and re-exports to France after 1883; in the special exports to Austria for a few years following 1878, and to Italy for a short time after 1878; and, lastly, and to no small degree, in the special exports to the United States after 1875 and 1883. On the other hand, no particular results of the trade policy adopted by Spain, Portugal, Greece, and Roumania are to be gathered from the English figures.

On the whole, the results of the various phases of international trade policy, so far as these results can be gathered from statistics, are surprisingly small. They are, in any case, very insignificant in comparison with other phenomena and movements with which we are familiar, and which do not directly depend on trade policy but on other deeper causes, economic, technical, educational, and political.

Among these may be mentioned, *e.g.* the great increase in the imports from Russia in 1866-70, in 1871-5, and in 1886-90—mostly owing to specially good harvests in Russia; the remarkable increase of re-exports to the German Empire as against the decrease in

special exports to, and the distinct increase of imports from, that country; the marked increase in imports from, as compared with the decrease in exports to, the Netherlands. It is well to remember, however, the caution given at the beginning of Section I. of this chapter, as to the origin and destination of imports and exports: one may suspect a still greater decrease of exports to and increase of imports from Germany. Belgium, on the other hand, exhibits, all through, a curiously parallel and uniform increase in imports and exports. The decrease of re-exports to France, as compared with Germany, is striking, but is, perhaps, to be attributed to her trade policy—namely, the more unfavourable treatment of these products by France.<sup>1</sup>

Worthy of note is the considerable increase of trade, both in the two classes of exports and, particularly, in imports, with the Northern countries, Norway, Sweden, and Denmark. Note also the stability of exports and imports to and from Turkey, and the great decrease, specially in imports and, to a lesser degree, in exports, in the trade with Egypt. This Egyptian decrease, which began 1871-1875, is evidently in great part accounted for by the opening of the Suez Canal in 1869. The comparatively large increase in exports to Argentina since 1881, and specially in 1886-1890, has evidently some connection with the financial operations between England and that country, which ended so disastrously for the English money market; while the colossal rise in imports from the United States is well known to be chiefly the result of the import of corn. In this case, it is true, exports also show a sharp rise, comparatively uniform with that of the imports though broken, but this is, characteristi-

<sup>1</sup> See above, p. 54.

cally, more marked in re-exports than in exports of British products.<sup>1</sup>

But, it must be remembered that, all this time, we have been dealing with value statistics, and it is consequently necessary to inquire how far the statistics of quantity coincide with these.

When we apply the same method of investigation to the more important of the Colonies (Table II. B in Appendix), we find very much the same thing.

In North America, particularly Canada, we find, as results of the trade policy, a not inconsiderable decrease from 1882; it is the same with Australasia in 1878 and 1879, and in 1886-1890, as compared with 1881-1885. But these results, if they may be called so, are very trifling. Other and stronger forces show themselves at work, specially in the case of India and the West Indies. In the case of India, as we have said, the extraordinary high figures of import in 1861-1865 were due chiefly to temporary and exceptional imports of cotton, to cover the deficiency in American cotton during the War of Secession. Again, in 1881-5, we find fairly high import figures in consequence of a great development in the import of corn from India. On the other hand, too, the export figures show an exceptionally large increase. Considering that India is Free Trade, this may perhaps justify the general conclusion that, although British exports to strongly protected countries have only fallen slightly, if at all, in consequence of that protective policy, yet they have been prevented from increasing, at any rate to the extent that they otherwise would have done. And this, in face

	1861-65	1866-70	1871-75	1876-80	1881-85	1886-90
<sup>1</sup> Special Exports,	15.3	24.9	31.7	19.8	26.9	29.5
Re-exports,	3.7	2.6	4.0	4.4	8.3	12.3

of the large general increase of British trade—including special exports—may well be taken as the chief result of foreign protective policy.

In the trade with the British West Indies and Guiana, however, we find an unusually large decrease in imports, accompanying fairly steady exports—chiefly owing to the supplanting of West Indian cane sugar on the English market by continental beet sugar—a result, one would say, of the negative trade policy adopted by the mother country towards these colonies.

Lastly, note may be taken of the rapid and—if we disregard the last period—astonishingly uniform growth of the exports and imports to and from the Cape and Natal.

Equally marked is the correspondence between total exports and imports in the trade with Australia, with British North America, and, at present, with India; in the case of foreign countries, with Belgium, Austria-Hungary, Portugal, Greece; up till a short time ago, also with Brazil; quite recently with China; and, to a fairly large extent, with Germany.

Other countries show great differences. Trade with the United States particularly shows a large balance of imports, as does also that with Russia, the Netherlands (at present), France, Spain, Sweden, Norway, Denmark, Egypt, and at one time China. On the other hand, that with Germany at one time showed a large balance of exports—now, however, much reduced; so too with Holland (where the balance is now the other way), Italy, and, at present, Turkey and Argentina; formerly also with India.

All this—taken together, of course, with the movements of the precious metals and the transit trade—



affords rich material for the doctrine of the Balance of Trade, especially the doctrine of the 'circuitous trade' and the indirect exchange.<sup>1</sup> Diezmann's latest researches on this question give the following result:<sup>2</sup>

The countries trading with Great Britain may be put into four large groups: Europe (outside the British Possessions), the United States, British Colonies and Possessions, Other Countries. During the last ten years—the period to which Diezmann's researches are limited—the distribution of England's trade over these groups, and particularly the proportion between her import and export trades with each of them, has undergone a remarkable change. The percentage proportion of British exports to imports (exclusive of re-exports), was as follows:

	GOODS ALONE.		Including Precious Metals.	
	Average,	1880-85.	1886-90.	1880-85.
	Per Cent.	Per Cent.	Per Cent.	Per Cent.
Europe,	77.30	68.31	77.54	68.91
United States,	37.49	47.87	38.65	46.71
British Possessions,	93.29	99.01	97.43	104.19
Other Countries outside } of Europe, - }	89.35	124.25	89.83	116.24

Diezmann finds, in this, statistical evidence of the gradual emancipation of the European continent (especially Germany) from the mediation of England in its commerce with countries outside of Europe;

<sup>1</sup> Cf. Goschen, *Theory of the Foreign Exchanges*, p. 31. Farrer, *Free Trade versus Fair Trade*, p. 51. On the other side, Lloyd and Edgcome, *The Fair Trade Position Explained*, 1884, p. 98, and Edgcome, *The British Traders' Vademecum*, 1892, p. 13.

<sup>2</sup> *Op. cit.*, p. 424.

*i.e.* chiefly in its imports from these countries. As, however, continental countries do not always possess the goods specially wanted in return, particularly the cotton goods suitable for the East Indies, China, etc., it comes about, under the institution of sterling exchange, that England pays a part of the goods directly demanded from the continent with her goods, home made or colonial, and is indemnified, in return, by continental goods. In the same way, England probably pays for the surplus of imports from South America, East Indies, China, and Japan, into the United States, over the American exports to these countries.

A still more interesting result is obtained—witnessing to great changes in the movement of the world's trade—when we take the same groups in Table II. A-C, and compare 1861-5 with the latest period. The figures are as follows :

COUNTRIES.		Average 1861-65. £ Millions.	Average 1886-90. £ Millions.
Export to	} Europe (excluding Turkey, Persia, Bulgaria, Montenegro, <sup>1</sup>	86.9	111.9
Import from		67.1	170.8
Export to	} The United States,	19.0	41.8
Import from		27.2	87.4
Export to	} The British Colonies and Pos- sessions,	50.5	88.3
Import from		72.8	89.2
Export to	} Other Countries,	34.4	56.5
Import from		79.5	42.2

<sup>1</sup> Having no means of discriminating Turkey in Asia, it has seemed to me more accurate to exclude Turkey altogether, along with the small states of the Balkan Peninsula which are not to be found in the table. These omissions account for the difference between Diezmann's percentages for 1886-90 and my own.

This gives the following percentage proportion of British exports to imports (goods alone) :

	1861-65.	1886-90.
	Per Cent.	Per Cent.
Europe (excluding Turkey, etc.), -	129.5	65.5
United States,	69.8	47.8
British Possessions,	69.4	99.0
Other Countries,	43.4	133.9

These figures show the same movement—extending back to a much earlier date—and to a much greater degree. Particularly striking is the change that has taken place in the trade with Europe and that with Other Countries. In the case of Europe, the former very 'favourable' or active balance of trade has given way to a passive one, while, in the case of Other Countries, the opposite movement has taken place. Hence, as regards imports into England, Europe has increased immensely in importance, while the other extra-European countries (including Turkey, etc.) have increased immensely as regards exports from England. The trade with the United States and the British Colonies has undergone much smaller changes and in an opposite direction. In the case of the Colonies, the present close correspondence between imports and exports must be noticed.

For the year 1890, Edgcome (*ibid.*, p. 13) has compiled the following comprehensive table from the Board of Trade Returns :

## BRITISH TRADE IN 1890 WITH

A. FOREIGN COUNTRIES.	Import from	Export to	Excess of Imports.	Excess of Exports.
In Million £				
Russia,	23.8	8.8	15.0	...
Norway and Sweden,	11.9	7.0	4.9	...
Denmark and Possessions,	7.7	3.0	4.7	...
German Empire,	26.1	30.5	...	4.4
Holland and Possessions,	27.1	18.1	9.0	...
Belgium, -	17.4	13.6	3.8	..
France and Possessions,	45.8	25.2	20.6	...
Portugal,	3.1	2.8	0.3	...
Spain,	14.4	10.2	4.2	...
Italy, -	3.1	8.5	...	5.4
Austria-Hungary,	1.7	1.7	...	...
Greece,	2.0	1.2	0.8	...
Roumania,	4.4	1.4	3.0	...
Turkey,	4.8	7.3	...	2.5
Europe (and Possessions), Total,	193.3	139.3	54.0	...
United States, -	97.3	46.3	51.0	...
Mexico, Central America, Hayti,	2.6	5.9	...	3.3
San Domingo, New Granada,				
Venezuela, Ecuador,				
Brazil, Uruguay, Argentina,				
Chili, Peru,	13.3	23.0	...	9.7
Continent of America, Total,	113.2	75.2	38.0	...
Egypt and Morocco,	9.1	4.3	4.8	...
China and Japan,	5.8	11.0	...	5.2
West Coast of Africa,	1.1	1.7	...	0.6
Other Countries,	2.0	2.2	...	0.2
Remaining Foreign Countries, } Total, }	18.0	19.2	...	1.2
Total of Foreign Countries,	324.5	233.7	90.8	...

## BRITISH TRADE IN 1890 WITH

B. BRITISH POSSESSIONS.	Import from	Export to	Excess of Imports.	Excess of Exports.
In Million £				
British India, Straits Settlements, and Ceylon, )	41.3	39.2	2.1	...
Australasia,	29.3	25.5	3.8	...
North American Colonies,	12.4	8.3	4.1	...
Cape of Good Hope,	6.1	9.8	...	3.7
Hong Kong,	1.2	2.8	...	1.6
West Indian Islands,	2.7	3.9	...	1.2
Other Possessions,	3.2	5.0	...	1.8
Total of British Possessions,	96.2	94.5	1.7	...
Grand Total,	420.7	328.2	92.5	...

In this connection, the movement of the re-exports of foreign and colonial products, taken by countries, and the changes which have taken place in it, are very interesting. They are shown in the following table, taken from Rawson (II., p. 66) :

FOREIGN COUNTRIES.	1856.	1872.	1886.
	Per Cent.	Per Cent.	Per Cent.
Russia,	7.5	4.9	3.5
Norway and Sweden,	1.9	2.5	2.1
Germany,	19.8	19.8	18.9
Holland,	10.4	13.9	12.1
Belgium,	9.9	11.3	9.1
France,	17.2	18.9	11.9
United States,	2.9	8.8	19.0
Other Foreign Countries,	15.9	11.2	11.7
Total,	85.5	91.3	88.3
British Possessions,	14.5	8.7	11.7
Total,	100.0	100.0	100.0

The movement of the re-exports during the last ten years, however, is seen in Diezmann's grouping, as follows :<sup>1</sup>

	1880-85. Per Cent.	1886-90. Per Cent.
Europe,	70.63	63.68
United States, -	12.87	19.77
British Possessions,	11.37	11.47
Other Countries,	5.13	5.07
	100	100

Europe's share in this distribution has sunk almost uninterruptedly from 73.46 per cent. in 1880 to 61.88 per cent. in 1890; that of the United States, on the contrary, has risen correspondingly from 11.20 per cent. to 22.05 per cent.

This is perhaps a suitable opportunity for considering the subject of transit (transshipment) according to place of origin and destination, and the changes which have taken place in this also. Rawson gives the following tables (value figures as in the other cases) :<sup>2</sup>

I. TRANSHIPMENT FROM	1872 Per Cent.	1886 Per Cent.
France,	38.7	28.6
Germany,	17.1	15.3
Holland,	12.1	4.8
Belgium,	8.7	5.4
China, -	4.1	7.9
United States,	3.0	8.6
British India,	1.4	9.1
Other Countries, -	14.9	20.3
	100	100

<sup>1</sup> P. 429.<sup>2</sup> II., p. 67.

## 2. TRANSHIPMENT TO

	1872	1886
	Per Cent.	Per Cent.
United States,	28.8	32.5
Australasia,	8.7	8.5
German Empire, -	6.0	4.8
Chili,	5.5	2.6
Brazil,	5.5	1.9
China,	5.4	6.2
British India,	4.6	8.3
France,	4.2	2.2
Argentine Republic,	3.9	1.5
New Granada,	3.4	2.4
British North America,	3.4	2.0
Belgium,	2.6	1.0
Holland,	2.6	7.4
	100	100

The first set of figures shows a large relative decrease in the transshipments from France, Holland, and Belgium, as well as to a smaller extent, in those from Germany; conversely, a large increase from British India, the United States, and China. The second set shows an increase in transshipments to the United States, China, British India, and Holland; on the other hand, a decrease to Germany, France, Belgium, British North America, and Central and South America.

The figures for the most important countries in 1891 are shown in Table on p. 152.<sup>1</sup>

It is worth noting how far the exports from France, as well as the imports and exports of the United States, still go by England.

<sup>1</sup> *Statistical Abstract for the United Kingdom*, 1892.

IMPORTS AND EXPORTS TRANSHIPPED.		1000 £.
From	} German Empire, -	782
To		649
From	} Holland,	475
To		566
From	} Belgium,	276
To		137
From	} France,	3,765
To		66
From	} British India,	869
To		996
From	} China (including Hong Kong),	593
To		396
From	} Australasia,	Not specially mentioned
To		925
From	} United States,	1,003
To		3,752

Finally, Diezmann's grouping shows, as result of the change of the last ten years, a remarkable fall in the transhipments, both from and to the continent of Europe. This fall, however, being, as already mentioned, chiefly due to circumstances of shipping, we have here, obviously, the consequences of the latest development on the continent of direct shipping lines. In part of these transhipments, British trade is not concerned.<sup>1</sup>

For the task which lies before us in Part II., the part which British Colonies and Possessions play in English trade as a whole, as compared with the total trade of the mother country with foreign states, is of special importance. This large grouping of British foreign trade (excluding transit trade) is given in percentages

<sup>1</sup> Cf. Nasse, p. 107.



of the total trade in Table III., and, in absolute figures for import and export, in Table II. C. (See Appendix).

If we omit the first abnormally high period of 1861—due to the export of raw cotton from India—we see a marked, if not unbroken increase, in the relative figures up till 1886, when there is a slight decline :

1866-70,	23.0 per cent.
1871-75,	22.7 „
1876-80,	24.6 „
1881-85,	26.3 „
1886-90,	25.8 „

On the whole, an examination of Table II. C shows an astonishing parallelism in the trade of Great Britain with foreign countries and with the Colonies. The Colonial trade, indeed, has not only maintained but even increased its share in the great expansion of the total trade during the last thirty years. This increase, as the following Table shows, is on the side of the imports. (See Table, p. 154.)<sup>1</sup>

In connection with the commercial and political movement to be discussed further on, the question has been much raised of late, as to whether trade with foreign countries or with the Colonies shows the greater increase, vitality, and significance. It is generally answered in favour of foreign countries by free traders; in favour of the Colonies by protectionists and fair traders. The statistics given above do not give us much help in deciding one way or the other.

If, on the protectionist side, the distinctly larger im-

<sup>1</sup>The table is taken from Rawson, *Analysis of the Maritime Trade of the United Kingdom, 1869 to 1889: with reference especially to its distribution among British and Foreign Countries*: reprinted from *Imperial Federation*, London, 1890.

Year.	Colonial Proportion of Total Import.	Colonial Proportion of Total Export.	Year.	Colonial Proportion of Total Import.	Colonial Proportion of Total Export.
	Per Cent.	Per Cent.		Per Cent.	Per Cent.
1869	23.7	20.9	1880	22.2	27.0
1870	21.3	20.8	1881	22.9	28.0
1871	21.9	18.5	1882	22.0	29.5
1872	22.1	20.0	1883	22.8	28.6
1873	21.6	21.7	1884	24.3	28.6
1874	22.0	24.8	1885	22.5	30.0
1875	22.3	25.1	1886	22.8	29.6
1876	24.8	26.0	1887	22.7	28.2
1877	22.2	28.0	1888	22.1	29.7
1878	21.1	28.0	1889	22.5	28.0
1879	21.4	25.5			

portation of British products into the Colonies per head of population is dwelt upon,<sup>1</sup> Rawson rightly calls attention to the fact that the flow of British capital into the Colonies has greatly contributed towards it. He gives the following calculation for Australasia. During the 20 years, 1869-88, the total exports from the United Kingdom to Australasia amounted roughly to £422,000,000; the total imports from Australasia, to £424,000,000—a remarkable correspondence in the Balance of Trade. During this period, however, the whole, or very nearly the whole, of Australasia's present debt to England, of £170,000,000, was incurred; namely 40 per cent. of the exports and 20 per cent. of the whole trade, an average of £8½ millions per annum.

<sup>1</sup> See the figures given above, p. 140. The consumption of British products per head of population has already considerably declined in the Australasian colonies named since 1870, as shown by the table in the *Year-Book of Commerce*, p. 47.

1869	1870	1875	1880	1885	1890
£10.60	£7.83	£8.54	£6.00	£7.21	£5.88

Over against that, stands a direct importation, during this whole period, of precious metals into England, to the amount of £95,000,000, or an average of £4 $\frac{2}{3}$  millions per annum, of which about half represents interest on these loans. On Rawson's calculation, the population of Australasia received during these 20 years an annual loan from England of between £2 5s. and £2 16s. per head. He thinks it clear, then, that, both in this case and in that of other countries similarly indebted to the London money market, (as *e.g.* Argentina, Uruguay, etc.) the large amount of their consumption of British goods depends, for the most part, on the means which England herself holds out to them.<sup>1</sup> The significance of such a connection as regards the doctrine of the Balance of Trade and the balance of payment, can be only suggested here.

It is interesting, further, to note the proportion in which English imports and exports are distributed between foreign countries and the Colonies, under the categories of wholly manufactured articles, partly manufactured articles, raw materials, and food stuffs. The following are the figures for 1890:<sup>2</sup>

## I. IMPORTS FROM

	Foreign Countries. Millions.	British Possessions. Millions.
Manufactures,	£56.815	£1.408
Partly Manufactured,	26.451	9.488
Raw Materials,	104.657	54.711
Food-stuffs—Natural,	65.582	22.949
Manufactured,	71.016	7.613

<sup>1</sup> Rawson, *Maritime Trade*, etc., pp. 5, 23.

<sup>2</sup> Edgcome's tables, p. 22. Cf. for the years 1888-90 the table in the *Year-Book of the Imperial Institute*, London, 1892, pp. 4-109.

## 2. RE-EXPORTS TO

	Foreign Countries. Millions.	British Possessions. Millions.
Manufactures, -	4.610	2.818
Partly Manufactured,	5.270	0.538
Raw Materials,	36.715	0.837
Food-stuffs—Natural,	7.240	1.135
Manufactured,	3.743	1.815

## 3. SPECIAL EXPORTS TO

Manufactures, -	116.294	72.948
Partly Manufactured,	31.363	6.151
Raw Materials,	23.483	3.412
Food-stuffs,	5.020	4.858

Special Exports of wholly manufactured articles are further divided into the following chief groups :

Cotton Goods,	34.491	27.599
Iron and Steel Goods,	15.666	9.065
Woollen and Worsted Goods, -	15.701	4.717
Machinery,	12.316	4.095
Linen and Jute Goods,	7.220	1.158
Apparel, Haberdashery, and Millinery,	1.532	5.616
Alkali and Chemical Products,	4.218	0.578
Railway Waggon, etc., -	2.001	1.028
Hardware and Cutlery,	1.599	1.165
Leather Goods (Boots and Shoes),	0.565	1.682
Earthenware, etc.,	1.548	0.691
Silk Goods,	1.549	0.681
Mixed Goods, -	17.888	14.873
	<hr/>	<hr/>
	£116.294	£72.948

Special Exports of partly manufactured articles  
are divided as follows :

	Foreign Countries. Millions.	British Possessions. Millions.
Cotton Yarn,	£9.313	£3.028
Iron and Steel, -	4.996	1.336
Wool and Yarns,	5.785	0.102
Mixed Goods,	11.269	1.685
	£31.363	£6.151

These figures show that two of the large English export industries, Apparel, Haberdashery and Millinery, and Leather Goods (boots and shoes), have a much larger market in the Colonies than in foreign countries, and that others have nearly as large a market, especially wholly manufactured cotton goods.<sup>1</sup>

Among the imports, again, may be noted the following :

A. PARTLY MANUFACTURED.

Leather,	£0.980	£2.431
Tin,	0.143	2.404
Wood, Sawn,	8.805	2.957

B. RAW MATERIALS.

Cotton,	37.956	4.801
Dye-stuffs,	2.236	2.516
Hides,	1.485	1.030
Jute,	0.003	4.919
Oil,	2.058	1.007
Seed,	4.918	2.590
Silver Ore,	1.291	1.346
Skins and Furs,	1.445	2.062
Wood,	4.433	1.655
Wool,	3.671	24.331

<sup>1</sup>Of these, however, the most important class, plain piece goods, have a larger market in the British possessions (£18,790,000 against £15,537,000).

## C. FOOD-STUFFS.

	Foreign Countries. Millions.	British Possessions. Millions.
Beef,	9.199	2.017
Cheese, -	2.996	1.980
Coffee,	2.683	1.321
Wheat,	18.389	5.194
Mutton (Fresh),	1.613	1.834
Sugar,	16.677	1.583
Tea, -	2.809	7.110
Wine,	5.813	0.073

With the exception of Wine, these are groups of articles the import of which from the Colonies amounted to over a million sterling. The figures tell us at the same time which articles are more largely imported from the Colonies than from foreign countries:—wool, jute, leather, tin, tea, skins and furs.

This, then, is the position which the trade with the British Possessions occupies, as a whole, in the total trade of the mother country. The relative importance of the separate colonies, or groups of colonies, and of the separate foreign countries has already been examined. In the case of the colonies alone, the results reached gave us the following order of importance (expressed in percentages of the total British trade on an average of the years 1886-90):<sup>1</sup>

1. India,	9.6 per cent.
2. Australia and New Zealand,	7.4 „
3. British North America,	2.9 „
4. Cape Colony and Natal, -	1.8 „
5. West Indies and Guiana,	0.9 „
6. Other possessions,	3.2 „
	25.8 „

<sup>1</sup> Cf. above, p. 138, and Table III.

If, in conclusion, we seek once more to answer the question, what material this account of the development of English trade from 1860 to 1890 gives us for a final judgment on English trade policy, we find that the answer given in England herself has differed according to the standpoint taken.

The free traders have claimed, as result of the Free Trade policy, the total movement of trade which has shown on the whole a strong upward tendency, and specially the periods of great prosperity, explaining the periods of depression by other causes outside the sphere of trade policy. Their opponents, on the other hand, have made Free Trade answerable for the periods of depression, and attributed those of prosperity to other causes. Our discussion must already have shown that both conceptions are false, and rest on an exaggerated estimate of what a trade policy can do.

To settle this question, it is evidently of great importance to examine whether the rapid growth which took place, though with breaks, in English foreign trade, is a phenomenon peculiar to England alone; to what extent the trade of the other advanced states developed during the same time; and whether this latter does not show an equal or even greater increase.

This has been done more than once by English statisticians, more especially, as regards our period (1860-90) by the moderate free trader, Mr. Kenric B. Murray, Secretary of the London Chamber of Commerce, in his *Year-Book of Commerce*. In the issue for 1892, p. 41, we find the following table:<sup>1</sup>

<sup>1</sup> Cf. Edgcome's Tables A and B, relating to another period, in *The Fair Trade Position Explained*, p. 41 (in note, p. 161).

COUNTRIES.	POPULATION.			TOTAL TRADE.		
	1860.	1890.	Increase.	1860.	1890.	Increase.
			Per Cent.			Per Cent.
United Kingdom, -	28,778,000	37,464,000	30.18	£375,952,000	£748,944,000	99.7
Russia, -	67,081,000	112,934,000	68.3	47,669,000 <sup>4</sup>	(1889) 119,797,000 <sup>4</sup>	151.3
Sweden, -	3,860,000	4,774,000	23.6	9,216,000	(1889) 37,442,000	306.2
Norway, -	1,600,000	1,990,000	24.3	...	18,875,000	...
Denmark, -	1,608,000	2,298,000	42.9	11,431,000 <sup>5</sup>	(1889) 28,536,000 <sup>5</sup>	149.6
Holland, -	3,309,000	4,549,000	37.4	45,444,000 <sup>4</sup>	(1889) 193,390,000 <sup>4</sup>	325.5
Belgium, -	4,782,000	6,094,000	27.4	72,056,000	(1889) 244,795,000	239.7
Germany, <sup>1</sup> -	36,544,000	49,420,000	35.2	...	527,684,000	...
France, -	37,386,000	38,450,000	2.8	176,976,000 <sup>4</sup>	325,734,000 <sup>4</sup>	84.5
Italy, -	21,777,000	30,947,000	42.1	51,904,000 <sup>4</sup>	87,693,000 <sup>4</sup>	68.7
Switzerland, -	2,507,000	2,934,000	17.0	...	108,648,000	...
Spain, -	15,674,000	17,550,000	11.1	25,176,000	(1889) 69,456,000	175.9
Portugal, -	3,923,000	4,708,000	20.0	...	17,177,000	...
Austria-Hungary, <sup>2</sup> -	32,533,000	41,171,000	26.5	47,350,000 <sup>4</sup>	(1889) 112,945,000 <sup>4</sup>	138.5
Greece, <sup>3</sup> -	1,325,000	2,187,000	65.1	4,147,000	(1889) 11,124,000	168.2

<sup>1</sup> 1860 excluding Alsace-Lorraine. <sup>2</sup> 1860 including Venetia. <sup>3</sup> 1860 excluding the Ionian Islands.

<sup>4</sup> Special Imports and Exports only.

<sup>5</sup> Including Precious Metals.



The first thing to notice is that, in the case of most of the other countries, the figures of total trade are those of 1889, while the English figures are brought down to the particularly high year of 1890. Thus the same table in the *Year-Book of Commerce*, 1890, where the figures of the year 1888 are given for all coun-

## A. TOTAL TRADE OF THE MOST IMPORTANT EUROPEAN COUNTRIES.

	1841-45.	1861-65.	1876-80.
	Millions.	Millions.	Millions.
Great Britain,	£116	£438	£641
France,	73	267	385
Austria,	22	78	190
Belgium,	18	87	183
Russia,	23	53	167
Holland (Special Trade),	23	52	111
Italy,	—	67	97
Spain,	—	27	36
Norway and Sweden,	—	22	31

## B. PERCENTAGE INCREASE.

FROM 1841-45 TO 1876-80.		FROM 1861-65 TO 1876-80.	
Belgium,	917 per cent.	Russia,	215 per cent.
Austria,	765 "	Austria,	144 "
Russia,	626 "	Holland,	114 "
Great Britain,	453 "	Belgium,	111 "
France,	429 "	Great Britain,	46 "
Holland,	382 "	Italy,	46 "
		France,	44 "
		Norway and Sweden,	41 "
		Spain,	34 "

Note the small increase since 1861-65 as compared with that since 1841-45.

tries, shows the following percentage of increase for the total trade :

United Kingdom,		82.8 per cent.
Russia,		147.5    „
Sweden,		264.2    „
Denmark,		98.3    „
Holland,		332.6    „
Belgium,		181.8    „
France,	-	66.2    „
Italy,		59.1    „
Spain,		133.9    „
Austria-Hungary,	-	122.1    „
Greece,	-	201.3    „

Further, in comparing absolute figures, it must always be remembered that, in the case of the most important among the other countries, these represent special trade only.

We see, then, from this table, that the increase in foreign trade during the period is a phenomenon by no means peculiar to England, and that, so far as percentages are concerned, she has been considerably surpassed by quite a number of countries which had not at that time Free Trade in the English sense of the word. The absolute figures must, of course, always be borne in mind, but these very figures show a much greater increase in the countries which come next to England, (with the exception of France), particularly Holland, Belgium, Russia, and Austria. In this connection, it is of the greatest interest to compare the increase of this total trade with population. Unfortunately, the table gives no basis of comparison with the country which comes nearest to England in absolute figures, and which is now recognised as her most dangerous rival, namely Germany.

An investigation dealing specially with this point, though only over a short period, has been undertaken by the well-known statistician to the Board of Trade, Giffen.<sup>1</sup> His special aim is to trace the development of English trade as compared with that of Germany, France, and the United States; and, in the conviction that direct comparisons of simple figures of total trade, like the above, are susceptible to numerous errors, he adopts another method. Taking the figures of other countries with which each of these four carries on trade, (in some cases including the three others), he arranges them in certain groups, and, on an average of the years 1875-7 and 1884-5, calculates the amount of trade, both absolutely and in percentages, of the total imports and exports. This gives for imports :

## AVERAGE.

COUNTRIES.	1875	1884	1875	1884	1875	1884	1875	1884	1875	1884
	to	to	to	to	to	to	to	to	to	to
	1877	1885	1877	1885	1877	1885	1877	1885	1877	1885
	Total Imports. Millions Sterling.		Imports from England. Per Cent.		Imports from the German Empire. Per Cent.		Imports from France. Per Cent.		Imports from the United States. Per Cent.	
European Countries, <sup>2</sup>	594	656	19	18	15	17	12	10	5	6
Egypt, -	5	7	56	47	—	1	19	14	1	1
United States, Argentina, } Uruguay, Chili, }	118	165	27	27	7	11	12	11	6	7
China, -	22	22	28	28	—	—	—	—	1	4
Japan, -	7	6	53	43	4	7	10	5	7	9
British Possessions,	153	194	56	55	0.2	0.5	1.1	1.2	9	8.3

<sup>1</sup> Blue Book, *Foreign Trade (Statistical Tables relating to the Progress of the Foreign Trade of the United Kingdom and of other Countries in recent years)*, 1888. [C.—5297.]

<sup>2</sup> Not including Austria-Hungary and Switzerland.

This table shows a relative increase of imports from the German Empire into the other European countries, as against a relative decrease of imports from England; the same in the case of Egypt, Japan, the British Possessions, and particularly America, where England's share remains stationary. Her share has, therefore, decreased relatively all round, except as regards America. The share of the United States has risen relatively almost all round, while that of France—except as regards the British possessions—has fallen.

But this is only a relative comparison. The absolute figures of those imports give another aspect, showing the following increase and decrease :

IMPORTS TO	From Great Britain.	From German Empire.	From France.	From United States.
	£	£	£	£
European Countries, -	+ 6,448,000	+ 17,177,000	- 5,346,000	+ 8,512,000
Egypt, -	+ 664,000	...	+ 49,000	+ 40,000
American Countries, -	+ 12,606,000	+ 8,814,000	+ 4,212,000	+ 1,440,000
China, -	- 59,000	...	...	+ 571,000
Japan, -	- 1,131,000	+ 143,000	- 423,000	+ 77,000
British Possessions,	+ 20,606,000	+ 622,000	+ 599,000	+ 2,327,000
Total,	+ 39,134,000	+ 26,756,000	- 909,000	+ 12,967,000

Here we have an absolute increase in the English share, which is higher than that of any of the other three countries; but this is, characteristically, due to the increase of English imports into the British colonies. British imports into European countries have increased much less than German.

The corresponding tables for the shares of England, Germany, France, and the United States, in the total export from the above groups, are as follows :

## EXPORT TO

FROM	Great Britain.	German Empire.	France.	United States				
	AVERAGE PER CENT. OF TOTAL EXPORT.							
	1875 to 1877.	1884 to 1885.	1875 to 1877.	1884 to 1885.	1875 to 1877.	1884 to 1885.	1875 to 1877.	1884 to 1885.
European Countries,	23	22	17	20	14	15	3	4
Egypt, -	73	64	...	...	11	9	...	...
American Countries,	52	50	8	8	8	9	5	6
China, - - -	42	35	...	...	...	...	10	14
Japan, -	10	9	...	1	...	20	40	42
British Possessions,	49	43	0.2	0.4	3.8	4.9	6.4	7.9

These groups, therefore, show a percentage decrease in the English share, and an almost general increase in the other shares. The absolute figures give the following increases and decreases :

EXPORTS FROM	To Great Britain.	To German Empire.	To France.	To United States.
	£	£	£	£
European Countries,	+ 1,710,000	+ 14,068,000	+ 9,130,000	+ 4,998,000
Egypt,	- 2,412,000	+ 5,000	- 475,000	- 14,000
American Countries,	+ 15,098,000	+ 3,576,000	+ 4,088,000	+ 916,000
China, - - -	- 3,003,000	...	...	+ 199,000
Japan, -	+ 16,000	+ 102,000	+ 1,408,000	+ 588,000
British Possessions, -	+ 6,467,000	+ 489,000	+ 3,369,000	+ 5,197,000
<b>Total,</b>	<b>+ 17,876,000</b>	<b>+ 18,240,000</b>	<b>+ 17,520,000</b>	<b>+ 11,884,000</b>

Here, too, there is, absolutely, a smaller increase in the English share than in the German.

In my opinion, these calculations of Giffen show much more than he is ready to admit, viz. the relatively

greater growth of German trade, particularly in Europe. Moreover, these groups do not include (the European countries of) Switzerland and Austria-Hungary, with which Germany carries on so large a trade. In the German statistics of 1889, Austria occupied the third place as regards imports and exports, with 13.1 per cent. and 10.5 per cent. respectively. In the English statistics, trade with Austria in 1889 only amounted to 0.5 per cent. of the total, and Switzerland was not included at all. Owing to the omission of these two countries, therefore, the above comparison is highly unfavourable to Germany.

For the period 1870-89, we have Edgcome's tables (*British Traders' Vademecum, 1892, p. 52*) as follows :

INCREASE PER CENT. 1870-1889.

COUNTRIES.	Imports.	Exports.
German Empire, -	27	44
Norway, Sweden, Denmark, -	125	85
Holland and Belgium,	109	127
France,	33	20
Spain, Portugal, Italy, Austria, Greece,	45	48
Continental Europe (foregoing countries),	44	52
United States,	71	89
Great Britain, { Trade with abroad, -	39	19
	50	65
Total Trade,	41	29

This table is of special interest because it separates imports and exports, and shows with comparative clear-

ness the value to England, at this time, of the increase of trade with her possessions.

The following table shows the important part which England takes in supplying the various countries as compared with Russia, Germany, France, Belgium, and the United States.<sup>1</sup> (See Table, p. 168.)

In any case, the foregoing statistics, taken in connection with the above table, show that England was by no means the only country whose foreign trade greatly increased during the period from 1860 to 1890; that most of the other states made a distinctly more rapid advance. England's foreign trade still maintains, even now, the first place in the world's commerce, but her percentage share is distinctly less, and shows a slow but steady decline.<sup>2</sup>

How is this to be explained? Is it the consequence of her Free Trade system, as the opponents of that system maintain? No—in my opinion, we find in it rather the expression of a great economic process of development, namely, the rise of other countries into industrial states. At the beginning of the period France was the only other country which had reached this stage; since then, the others have gradually followed. This is the explanation of the very high relative increase among the later of them, and of the insignificant relative increase in the case of France. (This last, it is true, may also be attributed to her extreme protective policy, to the very small increase of her population, and to the loss of Alsace-Lorraine.) The exceptionally large

<sup>1</sup> Murray, *Year-Book of Commerce*, 1890, p. xiv., and 1892, p. xii.

<sup>2</sup> In 1876, England's share in the total world's trade amounted to 23 per cent., in 1885, to only 19 per cent. See Neumann-Spallart, *Übersichten der Weltwirtschaft*, 1883-4, Stuttgart, 1887, p. 553.

Consumption of British, Russian, German, French, Belgian, and North American Products per head of Population in the following Countries in 1888 and 1889:

COUNTRIES.	BRITISH.		RUSSIAN.		GERMAN.	
	1888 £	1889 £	1888 £	1889 £	1888 £	1889 £
Russia, -	0.06	0.06	...	...	0.08	0.09
Denmark, -	1.20	1.10	0.62	0.50	1.58	1.47
German Empire, -	0.39	0.39	0.38	0.38	...	...
Holland, -	2.42	2.22	1.18	1.00	3.04	2.73
Belgium, -	1.29	1.25	0.52	0.39	1.43	1.12
Great Britain, -	...	...	0.74	0.66	0.64	0.83
France, -	0.38	0.43	0.13	0.09	0.27	0.27
Italy, -	0.25	0.22	0.08	0.09	0.13	0.16
Spain, -	0.24	0.29	...	...	...	...
United States, -	0.60	0.74	...	...	0.23	0.31
Mexico, -	0.13	0.16	...	...	...	...
Argentina, -	3.56	2.62	...	...	...	...

COUNTRIES.	FRENCH.		BELGIAN.		AMERICAN.	
	1888 £	1889 £	1888 £	1889 £	1888 £	1889 £
Russia, -	0.004	0.006	...	...	0.03	0.02
Denmark, -	...	...	0.11	0.18	...	...
German Empire, -	0.28	0.28	0.17	0.21	0.24	0.28
Holland, -	0.27	0.38	1.55	1.90	0.74	0.68
Belgium, -	3.18	3.89	...	...	0.86	0.76
Great Britain, -	0.92	1.08	0.27	0.31	1.99	2.05
France, -	...	...	0.36	0.37	0.20	0.24
Italy, -	0.16	0.19	0.03	0.06	0.08	0.08
Spain, -	0.39	0.34	0.05	0.05	0.17	0.14
United States, -	0.20	0.21	0.04	0.03	...	...
Mexico, -	0.10	0.10	...	...	0.17	0.19
Argentina, -	1.39	1.07	0.22	0.52	0.32	0.54



increase in the case of Belgium and Holland is to be put, in great part, to the credit of their transit trade.

This great world-movement might, indeed, have been accelerated or retarded by the trade policy of various countries; it could never have been entirely stopped by any trade policy. Free Trade, then, has not attained the object originally aimed at, of making England the workshop of the world, and of keeping her so—because it was not attainable. It has, however, not only given free course to this inevitable movement, but has hastened it, as the Free Trade party has itself confessed. 'It cannot be gainsaid,' says Yeats, 'that foreign states have been quickened into industrial activity by the Free Trade policy of England. They have rushed to our markets and the best and readiest sale in the world for their produce. They have taught our language in their schools, trained their young merchants and manufacturers to look to England as their field of industrial operations. They have established themselves in our midst, competed at home with our manufacturing pre-eminence, and with our commercial supremacy abroad. Instead of an equitable reciprocity, they have made it a national aim to effect the conquest of the industrial and commercial supremacy of the United Kingdom. So far from fair trade intercourse, they have protected their manufactures, they have brought in aid every Government encouragement, every light of science, and have built technical schools expressly to produce industrial experts in order to render themselves independent of England. The effects are seen in English Trade Returns.'<sup>1</sup>

Even the periodical fluctuations, coinciding with periods of general prosperity or depression in English

<sup>1</sup> *Recent and Existing Commerce*, London, 1887, p. 152.

industry, which we have met in the course of English foreign trade, we meet—as Neumann-Spallart and others have shown—in the course of the total world trade, as well as in all the advanced States which take part in that trade: they have not emerged in England alone. They cannot, therefore, be the result of England's commercial policy. They are rather the result of deeper and more general forces at work in the world.<sup>1</sup> Political events, movements in the money market, changes in the standard of value, technical discoveries and improvements, particularly in the means of transit, have all played their part. Not less important, in recent times, as Tooke convincingly showed for England in the first half of the century, has been the state of the harvest in the most important grain-producing and consuming countries. Finally, among causes of fluctuations, may be mentioned the general relation of production and consumption in the economy of the world as well as in that of single States, and the want of plan in our whole present economic system.<sup>2</sup>

The total result, therefore, of our inquiry into the effects of Free Trade on the development of English commerce during the period from 1860 to 1890, leads to no positive conclusion.

But foreign trade is only a portion of any country's economic life. The industrial condition of a nation cannot be decided by this alone. The home trade—internal production and consumption for home uses—is of much greater importance. True, foreign trade is more essential to England than to any other nation, but, for this very reason, the esoteric forces have been

<sup>1</sup> See Neumann-Spallart, *ibid.*, p. 41, etc., and p. 81, etc. See also Wasserrab, *Preise und Krisen*, pp. 45 and 63, etc., and other writings on trade crises.

<sup>2</sup> See Neumann-Spallart, *ibid.*, p. 547.

too much neglected, as compared with the exoteric. For a final judgment, therefore, as to the effects of Free Trade on England, it would be necessary to go deeper. We should require to investigate how the producing and consuming power of the English people has developed since the introduction of Free Trade: what increase the national income shows in relation to population and what changes have taken place in its distribution: and, beyond this again, whether these changes were really caused by Free Trade or by other factors, either incident to, or independent of it. It would be necessary to inquire whether any branches of production, and if so which, have been directly prejudiced by the introduction of Free Trade, or by rigid adherence to it: what other branches, again, have been most encouraged, and to which classes of them it has been specially advantageous—if only to movable capital which has found a paying investment abroad in the production of those goods that have a free market in England: in particular, what have been the conditions of the working classes during this time—not only in the higher paid grades—and what share Free Trade may claim in their improvement. Finally, it would be necessary to ascertain how Free Trade had worked, in all the above respects, in the different parts of the country—in England, Scotland, and Ireland—and whether, perhaps, it was not in some way connected with the depopulation which has since set in in Ireland.

To answer all these questions would carry us far beyond the task we have undertaken, and could not even be attempted for want of preliminary studies.

The attempt, it is true, has often been made, but always from a confessedly partizan standpoint—gener-

ally that of Free Trade;<sup>1</sup> so that the evidence has been discredited from the very start. Protectionist criticism of the case for Free Trade as usually presented, has shown the worthlessness of many of the arguments continually used by that party, viz.—the so-called ‘Tests of Prosperity,’<sup>2</sup> such as increase in the income tax assessments, decrease of convictions and of pauperism, etc.; but the positive assertions of the Protectionists must be examined in an equally critical spirit. In any case, an exhaustive, impartial, and scientific answer seems to me at present impossible. The necessary material for it is altogether lacking. It is a well-known, and often-deplored fact, that the official statistics of civilised States collect their material almost solely from foreign trade; from internal trade, from home production that does not appear among the exports (with the exception of agriculture), and from the consumption of home made goods—they gather next to nothing. We have, therefore, to fall back upon private statistics and estimates, and these require a thorough-going inquiry into the circumstances of each particular case.

The Royal Commission held in England in 1886, to inquire into the Depression of Trade and Industry, has, it is true, collected much valuable material for the answering of these questions; but even this, as is universally acknowledged in England, is very defective and unsatisfactory. Moreover, it has been already fully utilised (except in the case of agriculture) in Nasse’s classic article, ‘Ein Blick auf die kommer-

<sup>1</sup>The best and most detailed inquiry of this kind is Jeans’ *England’s Supremacy: Its Sources, Economics, and Dangers*, London, 1885.

<sup>2</sup>See Lloyd and Edgcome, *The Fair Traders’ Position Explained*, p. 52, etc.; Edgcome, *British Traders’ Vademecum*, p. 44, etc., and *The Minority Report of the Commission on the Depression of Trade and Industry*, p. xlix.

zielle und industrielle Lage Englands,'<sup>1</sup> to which one need only refer. The material at my disposal was not sufficient to enable me to continue the inquiry up to the present day, and to describe the present state of English economic life; and to give it in full, fragmentary as it is, would take up too much space. The satisfactory fulfilment of the larger task just suggested, will, however, in my opinion, be impossible, until the development of the most important branches of English industry, since the introduction of Free Trade, has been studied in a number of monographs, with special regard to the influence of both English and foreign trade policy on that development.<sup>2</sup> All we can do is, in the following chapter, to give some account of what has been thought on these questions, in England itself, during this period.

Here I shall dwell in detail only on a single well-known phase of England's economic development in the period under discussion—namely, the continuous displacement of agriculture by other branches of economic production in England; and this, not because of its economic importance and its connection with the trade policy of the United Kingdom, but for another reason—namely, the increasing significance of the fact as regards the food supply of the country.<sup>3</sup> According

<sup>1</sup> *Jahrbücher für Nationalökonomie und Statistik*, NF., Vol. XIV., pp. 97-161. See, too, Philippovich, 'Final Conclusion of the Commission on Depression of Trade and Industry,' *ibid.*, p. 446, etc., and 'Zur gegenwärtigen Lage der britischen Volkswirtschaft,' *Preuss. Jahrbücher*, 1887.

<sup>2</sup> This has lately been attempted, as regards English agriculture, in the treatise by Paasche, entitled, 'Die Entwicklung der britischen Landwirtschaft unter dem Druck ausländischer Konkurrenz,' in the *Jahrbücher für Nationalökonomie und Statistik*, III., F., Bd. III., 1892, Part I.

<sup>3</sup> See Parkin, *Imperial Federation, the Problem of National Unity*, London, 1892, p. 103, etc.

to an estimate, on the accession of Queen Victoria (1837), one-third of the whole working population was composed of agricultural labourers, and one-third of industrial workers: to-day, the agricultural labourers number only one-eighth, and industrial workers as much as three-quarters. According to the official census figures, the number of persons employed in agriculture has decreased 32.1 per cent. from 1861 to 1881: the number of persons employed in industry increased 22.9 per cent., while those employed in commerce have risen 57.1 per cent.<sup>1</sup> The figures are:

	1861	1871	1881
Agriculture,	2,010,454	1,657,138	1,383,184
Industry,	5,184,201	5,940,028	6,373,367
Commerce,	613,710	815,424	980,128
Total Working Population,	9,668,104	10,593,466	11,187,564 <sup>2</sup>

The percentage proportion of urban to rural population has undergone the following changes during the same period:

	1861 Per Cent.	1871 Per Cent.	1881 Per Cent.	1891 Per Cent.
Urban Population,	62.3	64.8	66.6	71.7
Rural Population,	37.7	35.2	33.4	28.3 <sup>3</sup>

During this period, the arable land considerably decreased and gave place to grazing and pasture,<sup>4</sup> particularly in the case of wheat. England, accordingly,

<sup>1</sup> See *The Financial Reform Almanack*, 1892, p. 20.

<sup>2</sup> In this connection the striking and little known, but obviously important fact, must not escape notice, that, in the same period, the 'indefinite and non-productive' population has grown much more rapidly than the producing classes, increasing from 10,398,120 in 1861 to 12,118,100 in 1871, and 14,786,875 in 1881.

<sup>3</sup> *Ibid.*, p. 18.

<sup>4</sup> See Paasche, *op. cit.*, p. 39.

has become dependent to an increasing degree for her principal food crop, on foreign countries and British Colonies. In the last ten years, two-thirds of the wheat sold in England have come from abroad.<sup>1</sup>

This preponderance of the foreign share in England's wheat supply, has developed mainly since 1870, as the following Table shows:<sup>2</sup>

YEARS.	Estimated Home Production (Deducting Seed).	Nett Import (Deducting Re-export).	Home Supply per Head.	Foreign Supply per Head.
	Qrs.	Qrs.	Bushels.	Bushels.
1870-71, -	13,048,000	8,009,000	3.33	2.05
1875-76, -	9,033,000	13,860,000	2.19	3.36
1880-81, -	8,504,000	16,182,000	1.95	3.72
1885-86, -	7,255,000	15,052,000	1.58	3.28
1890-91,	8,826,000	18,819,000	1.86	3.96

In the meat supply, also, the foreign share is continually on the increase, while that of the home supply is decreasing absolutely and relatively as the following figures show:<sup>3</sup>

	Home Supply. Meat of every kind per Head of Population. Lbs.	Foreign Supply. Lbs.
1870,	91.97	9.45
1875,	91.78	17.68
1880,	80.40	33.69
1885,	83.91	28.61
1890,	83.45	41.04

According to Paasche, more than 36 per cent. of beef at the present time comes from abroad, and 25 per cent.

<sup>1</sup> See Fuchs, *Der englische Getreidehandel*, p. 24.

<sup>2</sup> Murray, *Year-Book of Commerce for 1892*, p. 137.

<sup>3</sup> *Ibid.*, p. 139.

of mutton and lamb: while, as regards pork, bacon, and hams, more foreign than home products are consumed. It is the same in the case of dairy produce.<sup>1</sup>

Another set of figures gives the following percentage of foreign supply:<sup>2</sup>

	1877 Per Cent.	1889 Per Cent.	1890 Per Cent.
Wheat,	50	65	67
Barley, -	20	34	32
Oats, - -	16	22	18
Meat, - - -	21	31	33

That, further, England is entirely dependent, not only for tea and coffee, but for sugar, on foreign supplies, is notorious. The same is true of the raw material for her most important industries—in particular, the cotton industry. The memorable cotton famine of 1865 has abundantly illustrated what the consequence of a sudden break in the foreign supply might be. Even as regards home-grown raw material, the same tendency has, to a certain extent, set in. This is particularly the case in home-grown wool, as is seen in the following Table:<sup>3</sup>

	Home Production. Million Lbs.	Home Consumption. <sup>4</sup> Million Lbs.
1860, -	140	249
1870,	150	315
1880, -	149	370
1890,	138	428

If the Australian wool supply were cut off for three or four weeks, it would mean the shutting down of

<sup>1</sup> Murray, *Year-Book of Commerce for 1892*, pp. 30 and 31.

<sup>2</sup> *Ibid.*, p. 143.

<sup>3</sup> *Ibid.*, p. 101.

<sup>4</sup> Home production and import, deducting the export of home and foreign wool.



hundreds or thousands of mills, and a widespread paralysis of industry.<sup>1</sup>

But much more serious is the dependence upon abroad for food stuffs, particularly for wheat, which exists to an extent unknown in any other country. All the other great grain-importing industrial States would, in case of need, *i.e.* if the supply were cut off, be able to maintain themselves for a long time; England, on the contrary, could hold out but a very short time, as the modern development of international trade has led to a steady curtailing of reserve stocks. 'Never in the history of the human race,' as Parkin very rightly says,<sup>2</sup> 'has any great nation lived under such artificial conditions as do British people at the end'—and, we may add, as consequence—'of this period of extraordinary industrial development.' This unique condition of England in the present is, however, of the greatest importance—and this is the reason why we have gone more fully into it—in connection with the political and commercial problem of the British Empire, which we shall deal with in Part II.

<sup>1</sup> Parkin, p. 107.

<sup>2</sup> *Ibid.*, p. 104.

## CHAPTER IV.

### TENDENCIES OF TRADE POLICY IN ENGLAND SINCE THE INTRODUCTION OF FREE TRADE.

#### A. THE FREE TRADE SCHOOL.

THE so-called English Free Trade system, although, in its origin, connected with the development of economic theory which had preceded it, was, as we have seen, worked out in its details, not according to a pre-conceived plan, but gradually and step by step, according to the concrete necessities of English industrial life at the time of its introduction. Not till afterwards did it receive its theoretical backbone, in the doctrine of the Free Trade, or 'Manchester' school. The familiar principles of this Free Trade theory are as follows.

It starts from a political basis—cosmopolitanism—the object of which is, not so much the highest development of the nation and the national character, as the greatest possible levelling down of national barriers.

According to it, the main problem of economic activity is how to procure in the cheapest possible way the greatest amount of material goods—specially the necessaries of life and the raw materials for industry—

on the principle of 'buying in the cheapest and selling in the dearest market.'

But this end is only to be reached by an international division of labour, which means that every country, by preference if not exclusively, makes that for which it is specially fitted by its natural resources and natural conditions, and which it is therefore able to offer to the home consumer at a cheaper price than any other country, after adding cost of carriage: that, on the other hand, it gives up making those foreign goods which can be delivered on its own markets more cheaply, or better at the price, and imports these, paying for them with such goods as it can itself supply cheaper or better to the foreign market. Bound up with this theory, too, is the doctrine of the 'harmony of interests,' according to which it is impossible that one country can develop at the expense of another, or that the progress or advantage of one is not, at the same time, the interest of all.

Now since England, in her natural resources—particularly in her abundance of coal and iron in close proximity to the sea and water ways, and in her industrially trained population—possessed in a peculiar degree the 'natural conditions' for precisely the highest forms of economic activity in factory industry, this doctrine, in the mouth of an Englishman, was, obviously, not in the least anti-national, but quite comprehensible—particularly from the standpoint of the English manufacturer. It is this that betrays its practical origin, and at the same time explains how a people with so strong a national feeling as the English, could allow themselves to be converted to such a doctrine in its cosmopolitan dress. Since, to them, the world and the sphere of British interests were one, world-citizenship of this kind was easily acceptable.

To attain these ends of economic activity, Free Trade, then, is necessary, *i.e.* the institution of the freest possible exchange of goods between all countries, and, above all, the abolition and avoidance of duties on foreign goods also manufactured at home, by which their production in the home country would receive an artificial support. In this case, the natural conditions of production would alone be decisive, and, at any given time, the country with the most favourable natural conditions would be victorious in any department of production. It is, then, simply a short way of proclaiming the right of the stronger in the economic sphere—and the stronger at that time, in almost all the spheres of economic activity, was unquestionably England.

To the rule that no duties should be laid on goods produced, or capable of being produced, in the home country, there is, it is true, an exception. Where the home-made articles are themselves taxed, a compensatory duty, exactly corresponding to this tax, is laid on similar articles imported from abroad. This certainly is in harmony with the principle that *natural* conditions of production should be allowed free play and should be the decisive thing in the competition of nations—though, strictly speaking, it is only the case where the production of the article is not subject to a similar tax in the foreign country, or where, if so, a drawback is given. But a wider principle is contained in this exception, *viz.* : the placing of producers in the different countries on an equal footing in regard to the *artificial* conditions of production which are created, not only by taxation, but by every State interference with industry. On this principle, however, a countervailing duty might equally well be demanded, not only in regard to special

taxes, as, for example, those to which the agricultural producer as such is subject, but also to counterbalance the restrictions, which, say, the factory legislation of a country lays on certain branches of its production. But in this way the protective duties thrown out on the one side might be, to all intents and purposes, brought in again on the other. Here, then, there is a serious gap in the Free Trade theory. This, as we have already seen in the question of sugar bounties, and of the countervailing duties to be imposed against them, has given rise to great confusion, even among its own adherents.

The fiscal duties, it may be added, raised on goods not produced at home, and therefore not competing, are altogether in contradiction to the very name of the system, as well as to the end it has in view—the international division of labour.

Again, to attain this end, mutual Free Trade would, of course, be necessary. Accordingly it was first looked upon as Britain's special task to convert the other countries to its system. To do so, was to its own highest interests specially in regard to industry, as it would thereby make a double gain. It would secure free import into other countries for its own superior industrial products and hinder the industrial development of other countries. To accomplish this, then, by all means in its power, particularly by commercial treaties, was its chief concern; but, after Peel's time, the conception was also held—even by Cobden himself—that one-sided Free Trade was better than none, and that, even if other countries would not co-operate, England ought to introduce it on her own account. This, it was urged, was to her own interest, for the reason that protective duties were bound to injure

chiefly the protective country itself and its industry, by raising the cost of living and making competition more difficult. Free Trade even on the English side alone would thus be sufficient; all that was necessary was to ensure the largest possible amount of imports (by which was meant, particularly, food stuffs and raw materials): then, since goods could only be paid for by goods, this, of itself, would lead to a corresponding export of British products: 'Take care of the imports and the exports will take care of themselves.' The strict Free Trade theory, therefore, rejected Commercial, and, above all, Tariff Treaties. The majority of the Free Trade School were, as we saw, against the treaty concluded by Cobden himself, and this attitude of hostility to treaties dominated the Government and its trade policy during the sixties, and even in the seventies.

It was in this connection that the artificial distinction was drawn between 'producers' and 'consumers,' and the interest of the latter continually emphasised and pushed to the front. But this served simply to conceal the fact, that it was the interests of the manufacturers, *i.e.* the producers in the narrower sense of the word, which were promoted by Free Trade; and these interests were at one with those of the masses—meaning by that the consumers—only in the attempt to cheapen living. It should be remembered, too, that there existed at the time of its introduction, a complete harmony of interests between capitalists and manufacturers; for the capital of the nation that was not invested in national commerce, was chiefly sunk in home industry. Since then this relation has altered. England's rapidly increasing capital has found wider opportunities of investment in foreign countries and in the Colonies,

and this has to a great extent contributed to the creation of a fairly successful competing industry abroad. To the extent that the English manufacturer suffers from this, his interest is contrary to that of the English capitalist. The same may be said of the growth of the British carrying trade for foreign countries, most of which scarcely touches home ports. Here the earnings flow in the main only into the hands of the undertaking merchant, *i.e.* the capitalist.

Finally, the Free Trade School entered on the sphere of colonial policy, and advocated the complete abandoning of the Colonies, denying their value to the Mother Country, on the ground that they only involved cost and brought no advantages. It revealed here in the clearest way its narrow peddling policy, whose only question always is, 'What will it cost and what will it fetch,' and for which nothing has any value but what is tangible.

The organisation connected with this Free Trade School is now the famous Cobden Club, founded in 1866, a year after Cobden's death, to encourage 'the growth and diffusion of those economic and political principles with which Cobden's name is associated.'<sup>1</sup>

Its numbers in 1891 amounted to 1182, 348 of whom were foreigners and colonials—the two being characteristically placed on the same footing.<sup>2</sup> Its chief work consists in publishing and circulating books and pamphlets suitable for the above purpose.<sup>3</sup> It stands,

<sup>1</sup> Another organisation of a different kind whose programme contains 'Complete Freedom of Trade' (freedom also from revenue duties) is the Financial Reform Association, founded in Liverpool in 1848, with a monthly journal, *The Financial Reformer*.

<sup>2</sup> See the *Cobden Club List of Members and Committee Reports* (of 1889 and 1890), London, 1891.

<sup>3</sup> By its agency 2,068,594 books and 14,190,000 pamphlets were distributed between July, 1866, and February 1st, 1891 (*ibid.*, p. 188).

besides, unceasingly on guard, and, so soon as any danger threatens the sacred cause of Free Trade, it sounds the call to arms against the unbelievers. We have witnessed the latest example of this in the case of the Sugar Convention of 1888.

But the position occupied by this organisation in public opinion to-day, and its influence on political life in England, have no longer the same importance as twenty-five years ago. At that time it held great sway, and the doctrines of the Free Trade School—specially its hatred of commercial treaties—dominated, as we saw, even the trade policy of the Government during the sixties and in the earlier years of the seventies. All this is changed. The Cobden Club has, in the last fifteen years, gradually ceased to affect English trade policy, and equally ceased to affect public opinion. The extreme advocates of orthodox Free Trade are now hardly ever taken seriously, and the whole doctrine has been subjected to the severest criticism from all quarters. And even although, undoubtedly, the great majority of the English population are still, at the present day, free traders, that is, are unwilling for the present to make any change in the principle of their trade policy, it is nevertheless equally certain that they have departed from the theories of the Cobden Club.

The reasons for this change are manifold. In the first instance, of course, the relation of the Cobden Club to the great political parties has had something to do with it. In political ideals it more nearly approaches the Liberal, or rather the Radical Party, so that any chance of influencing the Government policy under the cabinets of Beaconsfield and Salisbury (1874 to 1879, and 1885 to 1892) was out of the question. It is improbable that this influence will be felt again to



anything like its former extent. For the whole political ideal of Cobden and John Bright has now been proved impracticable. Peace among nations is no nearer realisation than is Free Trade among nations. On the contrary, the question of nationality has now, owing to continental wars and the political changes which followed, assumed more importance than ever; and, with the threatening of England's supremacy which has followed, both in political and economic spheres, the colourless cosmopolitanism of the Cobden Club has lost all its attraction for the English people.

But above all, the Free Trade School has lost ground by its complete fiasco with regard to the labour question. The far-reaching State interference in the sphere of factory legislation, and the restrictions imposed on the freedom of individual bargaining by the growth of trade-unionism, have made irreparable breaches in the edifice of the Manchester School.

Events, too, have falsified the predictions of the Free Trade School in the spheres of trade and colonial policy. Not one of the other countries has followed England's example and introduced Free Trade in the English interpretation of the word; and the first period of moderate protective policy has already, in most countries, been replaced by a second period of higher protective duties and of a frankly national trade policy. Thus the aim of the English Free Trade system, viz.: to secure and maintain an industrial monopoly for England, has not been attained; on the contrary, her industrial hegemony is broken; she has an ever deadlier battle to wage with the large industrial States that have meanwhile grown up, both in the old and the new world; and her commercial ascendancy has begun gradually to crumble away. On the other hand, the Colonies

have not separated themselves from the Mother Country, and have, while remaining united with it, developed an importance such as had never been foreseen. In consequence of this, important opposing tendencies have made themselves felt during this period in the spheres of trade and colonial policy, and have contributed not a little to shake and undermine the old orthodox doctrine of Free Trade. These will be discussed more fully further on.

But a result of this development has been a remarkable expansion and change in the Free Trade doctrine itself on one point. Originally, its object had been general Free Trade among all nations, and it had advocated one-sided Free Trade on the part of England, not as her final policy, but solely on the ground that it was more to her advantage than to her loss. This, too, was the chief point at which, in the course of events, those of its disciples, who were wholly in favour of Free Trade, but not of one-sided Free Trade, parted company with it. But recently, in spite of this, its standpoint has again altered. Universal Free Trade is no longer put forward as England's proper aim, but rather as her gravest danger. Were the other great industrial States, especially the United States and Germany, to go over to Free Trade, the export industries of these countries would be set free from the burdens and disadvantages, in the form of raised costs of production, imposed on them by their protective policy, and would then become doubly dangerous rivals to England.<sup>1</sup>

<sup>1</sup> See in particular G. W. Medley, *Fair Trade Unmasked*, Cobden Club Publ., London, 1887, p. 22, etc. 'Universal Free Trade though it would incalculably benefit the world at large might not be that unmixed national blessing to us which it is presumed by many it would be. Under universal Free Trade we should lose the one enormous advantage we now possess: that

No stronger proof can be given of the changed position which England occupies to-day in the world's industry, than this;—that the organisation which bears Cobden's name and the motto, 'Free Trade, Peace, Goodwill among Nations,' no longer aims at, but rather fears, universal Free Trade.

Before inquiring more closely into these opposing tendencies of trade policy, we must glance at the literature of the Free Trade School during this period.

It consists chiefly in the numerous publications of the Cobden Club, the great majority of which, however, are of no scientific value or importance.

An exception to these is the little book often quoted, entitled, *Commercial Treaties, Free Trade, and Internationalism*, by a Disciple of Cobden, London, 1870, which takes up a different standpoint regarding commercial treaties from that of the Radical Free Trade doctrine described; also Farrer, *Free Trade versus Fair Trade* (4th edition, 1887) a very suggestive and well-informed book, but lacking in strict scientific treatment, as is evident in the confused arrangement.

No such reproach can be urged against two larger works, which have no direct connection with the Cobden Club, but which represent the same views:—Fawcett's *Free Trade and Protection*, London, 1878, and Jeans' *England's Supremacy: its Sources, Economics, and*

none of our products are loaded with duties on the raw material thereof as those of our competitors are now. . . . Lastly, and this is the most serious consideration of all, if universal Free Trade prevailed it is certain that articles would be manufactured where production could be most cheaply carried on (!). If so, we have to ask ourselves, Is Great Britain the cheapest place for the production of iron and steel, or of ships, or of cotton goods, or of woollen goods, or of machinery?' See also Jeans, *England's Supremacy: its Sources, Economics, and Dangers*, London, 1885, p. 97.

*Dangers*, London, 1885. Bastable's two works, *The Theory of International Trade*, Dublin, 1887, and *The Commerce of Nations*, London, 1892, and Hervey, *The Trade Policy of Imperial Federation*, London, 1892, also contain a new exposition of the theory of trade policy in its strict Free Trade interpretation.

Among the Free Trade literature, but in opposition to the orthodox Free Trade doctrine, must finally be mentioned Webster's excellent work, *The Trade of the World: Our Present System of Commerce Examined*, London, 1880, which is unfortunately out of date as regards the descriptive parts, and Samuel Smith's brochure, *Free Trade versus Reciprocity*, Liverpool, 1881.

#### B. MOVEMENTS IN THE DIRECTION OF RECIPROCITY, PROTECTION, AND FAIR TRADE.

The history of the various currents of trade policy in England during this period warrant the general observation, that times of economic depression are wont to give rise to demands for and a leaning in the direction of Protection—with this difference, that in England these demands have never succeeded in bringing about an alteration of the actual trade policy of the country, and that the dread of the branded and hated name of 'Protection,' has caused them to take a peculiarly modified form.

The reaction against the Free Trade system started in 1868, when, for the first time since the ten years of unprecedented prosperity which the apostles of Free Trade claimed for themselves, a period of general industrial depression and stagnation set in, throwing

many workers out of employment. It was in autumn of this year that the opposition to England's one-sided Free Trade began and a demand was made for reciprocity, *i.e.* for the introduction of mutual Free Trade or the forcing of other countries, especially France, to accept it, by means of retaliatory duties. In Manchester, the same city from which the Free Trade movement had started on its victorious course, the 'Revivers (of Trade) Association' was formed. Several brochures appeared, written by Roberts, 'a Manchester Man,' and others,<sup>1</sup> and various Chambers of Commerce over the United Kingdom expressed themselves to the same effect. The followers of this movement for reciprocity were able to appeal to the authority of Adam Smith, the Father of the Free Trade doctrine, who had declared that 'there might be good policy in retaliation duties when there was a probability that they would secure the repeal of the high duties or prohibitions complained of':<sup>2</sup> and could show that he gave no countenance to the new form of the doctrine, that Free Trade, even when one-sided and adopted without respect to the action of other countries, necessarily benefited the country which introduced it, while protective duties injured the protected country only and benefited all the rest. In 1870, the complaints with regard to the unfavourable condition of trade, and the increase of pauperism, found expression in two proposals in the House of Commons; one for State assistance to emigration, the other for the establishment of a Parliamentary Committee to inquire into the commercial treaties with

<sup>1</sup> See John Noble, *Free Trade, Reciprocity, and the Revivers*, London, 1869.

<sup>2</sup> See Webster, *ibid.*, pp. 48 and 49, and *Commercial Treaties, Free Trade*, etc., p. 24 etc., *Wealth of Nations*, M'Culloch's edition, p. 364.

a view to reciprocity. But with the rapid and extraordinary revival of trade and industry, from 1870 to 1873, the complaints died down and the movement for reciprocity disappeared.

From 1874 to 1879, however, another period of depression set in, and along with it a new reaction against the Free Trade system, which this time was to last much longer.<sup>1</sup> On this occasion it was the rapid increase of the surplus, *i.e.* the excess of imports over exports, or the so-called unfavourable balance of trade, which first gave rise to renewed public discussion of trade questions. In 1877, several letters appeared in *The Economist* and in *The Times*, from W. Rathbone and Lord Bateman, which dealt with the question, 'How does England pay for her surplus imports?' and which threw doubt on the soundness of the existing system of free imports. But any such doubt was held at the time as a form of sacrilege, and those who expressed it were, in John Bright's words, 'fools and lunatics.'

In 1879, Lord Bateman raised the question in the House of Lords, and demanded reciprocity in international trade, to which Lord Beaconsfield replied, 'Reciprocity is dead.' But the serious depression of trade from 1879 to 1880 swelled the number of dissatisfied Free Traders, and now for the first time the cry arose for a closer union of the Colonies and the Mother Country. This, also, was a reaction against the Free Trade doctrine which saw, in the gradual separation of all the Colonies from England, the natural development of the future.

Into this inflammable material, there fell like a spark the concrete question of the sugar bounties and the

<sup>1</sup> See the weekly publication, *Fair Trade*, Vol. I., No. I., 1885.

agitation for their abolition by means of a countervailing duty, which we have fully described in Chapter II. It led to a revision of the theoretical foundations of the English Free Trade system; brought division and dissension into the ranks of the free traders themselves—to say nothing of the advent of a fairly strong directly protective movement—and put forward, as the motto for all those discontented with the existing ‘one-sided’ Free Trade, the conception and the catch-word, ‘Fair Trade.’ This meant placing home and foreign producers on an equal footing, with regard to the *artificial* conditions of production, caused by such things as export bounties, protective duties and indirect taxation; while in regard to the *natural* differences in the conditions of production, nothing was to be altered. It is this latter principle which distinguishes Fair Trade from Protection—for the policy of Protection is precisely to level down these natural differences. The Fair Trade principle then demands free trade in the relations between home and foreign industry, where such free trade is mutual, *i.e.* adopted also by the foreign country: when, however, the latter imposes protective duties, or grants bounties, corresponding duties may be raised in the home country, to counterbalance the advantage which the foreign producer thereby enjoys.<sup>1</sup>

As we have seen, the agitation for the removal of sugar bounties by a countervailing duty came, at that time, to nothing. But before this, a second and stronger agitation had taken place, against the renewal

<sup>1</sup> Protection against artificial advantages of production is, of course, at bottom protective policy; but the introduction of a specific name for it, in contradistinction to Protection in the wider sense, must be acknowledged to be, at any rate, as justifiable as the description of the ruling English system as ‘Free Trade,’ in spite of the fiscal duties which are quite as capable of limiting the freedom of trade as any other duties.

of the Anglo-French Commercial Treaty.<sup>1</sup> France, as mentioned above, had denounced it in January, 1879, in order to negotiate for another treaty on the basis of her new and strongly protective general tariff. The clauses of the projected conventional tariff, which she was willing to concede, contained everywhere an appreciable rise on the preceding rates, and at the same time a conversion of all *ad valorem* into specific duties.

This caused great excitement in all the English industries engaged in trade with France, and gave the occasion for an agitation against the conclusion of a new treaty. An inquiry was made as to the effects of the Cobden Treaty on the commerce of the two countries, and it was found that the exports from France into England had increased to a much larger extent than those from England into France,<sup>2</sup> more especially in such competing industries as textiles. In the numerous exhaustive reports and representations which the various Chambers of Commerce of the United Kingdom submitted to the Tariff Commission, and to the English representative in Paris, Sir Charles Dilke,<sup>3</sup> it was pointed out that the previous treaty had been more advantageous to France than to England, and that it had been concluded on these unequal terms only in the expectation that France would in time go over entirely to Free Trade. Solely for this reason, it was said, had England granted free entry to French goods, and put up for so long with the duties in France, which so greatly hampered English imports into that country.

<sup>1</sup> See above, p. 49, etc.

<sup>2</sup> See Table II.A (in Appendix).

<sup>3</sup> See Blue Book, Commercial, No. 38 (1881): Representations from the Chambers of Commerce and other Commercial Associations relative to the proposed commercial Treaty with France and the French Tariff.



By reason of the heavy fall in prices that had taken place in the meantime, these duties, in so far as they were *ad valorem*, had become for the time being a much heavier burden on English industry than they had been at the time of the conclusion of the treaty.<sup>1</sup> Under them, it was complained, French industries had meanwhile developed to such an extent that they were no longer in need of their former protection, much less of a higher one. Energetic protests were therefore raised by most of the industries in question (*i.e.* by their representatives, the Chambers of Commerce) against the intended rise in the French duties, and, instead, a reduction of these was asked for. Only a few declared themselves content to maintain the *status quo*. In the same way, the conversion of *ad valorem* into specific duties was universally protested against by the textile industry, on the ground that the duties would fall, relatively, more heavily on the coarser qualities of English staples.

In May, 1881, a committee was formed, namely, 'The Anglo-French Treaty Committee,' to watch the negotiations for commercial treaties. Attempts were made by the British negotiators to influence the French Government. They had, however, nothing to offer, and were not in a position to threaten retaliatory measures. France, therefore, remained firm in her demands, and, as consequence, the Chambers of Commerce in a body, and numerous other industrial corporations, declared, in the summer of 1881, that, unless more favourable terms than the existing ones could be obtained, the British Government would be better to conclude no new commercial tariff treaty with France, but only a most favoured nation one.

<sup>1</sup> See above, p. 51.

As, however, the effect in such a case was bound to be equally hurtful to British industry, this declaration could only mean that England would not again concede to France free import for her products over a number of years unless she herself received more favourable terms from France than heretofore. England, it was openly said, should win back her 'freedom in commercial policy,' *i.e.* the power of eventually introducing retaliatory duties.

This whole-hearted opposition of the manufacturers to the new commercial treaty on the basis proposed by France, had the result that the English Government positively refused to proceed, and, as France would not give way, negotiations broke down. No new treaty with tariff provisions was made. The first and negative task of the Anglo-French Treaty Committee was thus fulfilled: no positive one—such as the remodeling of the trade policy or the introduction of repressive measures against France—had as yet been attempted in the wide circles concerned. But, in this movement, a number of prominent manufacturers, who had already fought separately against the current trade policy, were drawn together from both parties: thus, from the alliance which had come into existence for purposes of agitation, there arose a permanent organisation, whose aim was to unite all those discontented with the prevailing system. In May 31st, 1881, a private conference assembled in London, representing all shades of opinion, and embracing merchants, bankers, ship-owners, and manufacturers of iron, steel, cotton, silk, wool, and worsted. These declared that the lasting industrial depression, and the growing disinclination of foreign countries to admit English products on fair and equal terms such as foreign goods enjoyed in England,

urgently called for public attention; that it was necessary, by means of brochures and pamphlets, to enlighten wider circles as to the effects of this one-sided Free Trade, and at the same time to determine how far the resources of the British Empire could be developed, and England be made independent of other countries with hostile tariffs.<sup>1</sup> The organisation called into existence for this purpose took the name of 'The National Fair Trade League,' and came before the public in July, 1881, with a programme, which advocated the following policy.

' I. That there be no Renewal of Commercial Treaties, unless terminable at a year's notice, so that no entanglements of this kind may stand in the way of our adopting such a fiscal policy as the interests of the Empire—and the action of foreign nations—may render needful.

II. Imports of Raw Materials for Home Industries Free, from every quarter, in order that we may compete successfully in the sale of our manufactures.

III. Adequate Import Duties to be Levied upon the Manufactures of Foreign States refusing to receive our manufactures in fair exchange, to be removed in the case of any nation agreeing to take British manufactures duty free.

IV. A very Moderate Duty to be Levied upon all Articles of Food from Foreign Countries, the same being admitted free from all parts of our own Empire, prepared to take our manufactures in reasonably free interchange.

1. To Develop the Resources of our own Empire, and to determine the flow of British capital, skill,

<sup>1</sup>See *Fair Trade*.

and industry henceforth into our own dominions, instead of into Foreign Protective States, where it becomes a force commercially hostile to us.

2. Thus to transfer the great food-growing industries which we employ, from Protective Foreign Nations, who refuse to give us their custom in return, to our own Colonies and Dependencies, where our goods will be taken, if not "duty free," yet subject only to revenue duties almost unavoidable in newly-settled countries, and probably not equal to one-third the protective duties levied by the United States, Spain, Russia, etc.

The National Fair-Trade League confidently advocates this Programme . . . . as a Great National Policy which, while stimulating trade at home, and promoting the prosperity of all classes, would bind together more closely, by the ties of a common interest, the mother country and her scattered populations, strengthening the foundations and consolidating the power and greatness of the Empire.'

The new league came but little to the front in the first few years of its existence. It was no sooner founded than a period of revival and prosperity of trade set in, which lasted for several years, and stifled once more in industrial circles the complaints as to the effects of Free Trade. On the other hand, there began, during this period (after 1881), the colossal import of grain from the United States and India, and the consequent heavy fall in its price, which ended in a serious crisis for English agriculture. From this new quarter the movement obtained fresh and by no means insignificant support. This growing agitation for the protection of agriculture attached itself to the Fair Trade League.

In 1883, the manufacturer, Mr. W. Farrer Ecroyd, M.P. for Preston, brought the Fair Trade question in a somewhat modified form before Parliament. In an amendment which he proposed on April 26th, to the 'Customs and Inland Revenue Bill,' he stated that, in consideration of the increasing damage inflicted on English industry by foreign tariffs, and the corresponding necessity of developing more quickly the resources of the colonies and India, it was desirable (1) to free England as quickly as possible from the restrictions of commercial treaties; (2) to take the duties off tea, cocoa, coffee, and dried fruits from British possessions; (3) to impose specific duties, in no case more than 10 per cent. *ad valorem*, on these products and on wheat, flour, and sugar, from foreign countries; (4) to lay an import duty on foreign manufactures, with the intimation that this would be withdrawn the moment a foreign country admitted English manufactures duty free.

The proposal was naturally rejected; but the depression, which again made itself felt in the following years, caused the Fair Trade movement, in the middle of the eighties, to assume larger proportions. The change of government, and the fall of the Liberal cabinet, contributed not a little to this. For, although the Fair Trade League was originally founded by members of the two great parties, yet it was recognised that there was but little chance of the Liberal party doing anything towards the realisation of its demands. This might be much more readily expected from the Conservative party, owing to its traditions and character.

The Prime Minister, Lord Salisbury, had indeed already spoken on several occasions on behalf of Fair Trade. Great hopes were based on this when he came into power. And these he shortly confirmed, by

instituting a Royal Commission to inquire into the causes of industrial and commercial depression. The result of its work is to be found in five folio volumes. These contain a plenitude of valuable material, but it is, nevertheless, as we have said before, by no means sufficient to enable us to pass a decisive judgment on the condition of all the different branches of English trade and industry, and the effect on them of Free Trade. This Commission issued two Reports: a majority and a minority Report—the majority Report being Free Trade. In the opinion of Philippovich, the minority Report takes more account of the facts brought to light in the course of the negotiations: in any case, it shows great penetration in its judgment and great decision in its views.<sup>1</sup>

Both Reports agreed in stating that trade and industry were in a depressed state—that they showed a diminution, in some cases an entire absence, of profits, and a corresponding decrease in the employment of labour; although neither the amount of trade nor the amount of capital invested in it had decreased, but only the value of the latter. The depression, they said, had begun with the year 1875 and had continued—with a partial break from 1880 to 1883—uniformly from that time. It was at its worst in agriculture and mining. The number of unemployed in some trades, such as shipbuilding, had risen to 50 per cent., and the condition of the workers had in general become worse, owing to the scarcity of employment, although wages on the whole had maintained the level reached at the beginning of 1870.

The two Reports were also fairly at one in regard to

<sup>1</sup> See Philippovich in the *Jahrbücher für Nationalökonomie und Statistik*, N. F. xiv., 1887, p. 466, etc.

the causes of the depression. Among these they indicated;—the over production that had taken place in many departments, the long continuing fall in prices, the protective duties and export bounties of foreign countries, the competition of the countries thus encouraged in English and neutral markets, the burden of English labour legislation, the cheaper cost of transport abroad, and the better preparatory, technical, and commercial training there. In the Minority Report, indeed, the depression was much more seriously dealt with and more thoroughly proved, and, among the causes of the same, the protective policy of other countries was put down as first and most important. In the proposed means of remedy, however, there was a radical difference of opinion between the two Reports, especially in regard to the future trade policy and the method of meeting foreign tariffs. While the Majority Report did not desire any change in the current policy, and consequently only touched on this point, the proposals of the Minority Report rested throughout on the basis of the Fair Trade policy.

Although this Report was attacked by the Free Traders, particularly in the various writings of the Cobden Club, on the score of the incompleteness of the inquiry, and of the material used, it nevertheless gave a great impetus to the Fair Trade movement, and for this the extreme Free Trade party had in some measure themselves to blame. For they had so long accustomed public opinion to ascribe all favourable changes in the course of trade to the Free Trade system, as the only, or, at any rate, the first cause, that this, naturally, was made primarily responsible for the depression of trade and industry which had set in, and which was officially stated to have reached such dimen-

sions. The climax of this movement was marked by the Congress of the Conservative Associations, held at Oxford, in the autumn of 1887. It was attended by about a thousand delegates, all of whom, with the exception of twelve, were unanimous on a resolution in favour of Fair Trade.

But, under the existing circumstances, this political success proved itself a misfortune for the Fair Trade League; for the Conservatives had combined with the Liberal Unionists, the majority of whom—especially Salisbury's Unionist colleagues in the Ministry—were convinced Free Traders. In consequence, nothing remained for Salisbury but to disown the movement emphatically, however much he may have sympathised in his heart with the resolutions of the Oxford meeting. In the same year, a sudden and marked prosperity in trade and industry took the place of the former long depression, as if the mere inquiry into the circumstances had been sufficient to cure them. This prosperity was attributed by the Fair Traders to the grant of £20,000,000 for new ships, which gave a lively impetus to all the industries connected with shipbuilding; to the construction of the great Manchester Canal, which gave work to many unemployed; and lastly to the rise of electrical industries, which were only, at this comparatively late date, starting in England.

Whatever the cause of it may have been, the change again militated, in conjunction with the Pyrrhic-like victory at Oxford, against the movement, and Fair Trade sank back to its former place as quickly as it had shot up. But not for long. The upward tendency of trade lasted only a short time. By 1891, the monthly statements began to show a great decline in exports. This decline continued throughout



the year. Complaints as to the depression began again, and Fair Trade came to the front once more. The principal cause alleged for the decline was the M'Kinley Tariff, which, as we have seen, pressed heavily on a section of English industry.<sup>1</sup> There were rumours, besides, of a similar raising of the protective duties in France and other countries, threatening certain branches of English export with heavy loss, if not extinction.

This state of affairs led the interested parties to reiterate the arguments of 1881, that England's complete helplessness in regard to the measures of trade policy adopted by other countries, rested primarily on the fact, that, by Free Trade, she had completely lost her bargaining power: that the whole responsibility for the losses suffered by home industries rested on this policy: and that the only means of protection was to have recourse to fighting or retaliatory duties.

A number of Chambers of Commerce spoke to the same effect, in their Reports to the 'Trade and Treaties Committee,' in 1891, and at the end of 1890. Thus the Bedford Chamber of Commerce, whose textile industries were severely threatened by the proposed new French tariff, on December 19th, 1890, and again on January 28th, 1891, prayed for an increase in the duties on wine and spirits from France. The Chambers of Commerce of Morley and Leeds followed its example on January 5th, as did others.<sup>2</sup>

There can be no doubt, however, that there is exceedingly little prospect of the English Government

<sup>1</sup> According to Reuter, Dec. 7th, 1892, the imports up till that date from Great Britain into the United States amounted to \$156.3 millions, a decrease of \$38.4 millions as compared with the corresponding period of 1891.

<sup>2</sup> See *Board of Trade Journal*, 1890 and 1891.

accepting these proposals.<sup>1</sup> The Fair Trade policy, although it gives itself out as non-political, is yet aware that, as matters stand in England, one of the two great parties must take it up, and include it in its programme. And of this there is little hope. The Liberals and Radicals who are now at the helm will never do it, as the great majority of them are, as they have always been, Free Traders. The Conservatives, again, who will probably soon take their place, cannot do it, so long as they owe their majority simply to their alliance with the Unionists. Lord Salisbury, who formerly made no secret of his sympathy with Fair Trade principles, and of his feeling against Free Trade, has been skirting with great circumspection the rocks of commercial policy in the last few years before going out of power. While continually asserting that 'the country' or the 'commercial world' in England had declared for Free Trade, and had resolved firmly to adhere to it, he made no personal statement on the subject, but let the shady side of the position to which England had come by her one-sidedness suggest itself to anyone who cared to read. In two of his latest speeches—made, it is true, in view of the impending elections—he pronounced decidedly for Free Trade, emphasising the blessings which it had brought to the country. Not till shortly before the elections, when he had given up his cause for lost, did he speak out his true mind in a speech at Hastings.

But a much more important question than the position which the Conservative or Liberal parties are taking in the matter of trade policy, is the attitude of the great working class, who practically hold

<sup>1</sup> It may be as well to draw attention to the fact that the author is writing in 1892 (Translator).

the elections in their hands. Here a distinction must be drawn between old and new Trades Unions and between skilled and unskilled labour. The former grew up in the doctrines of the Free Trade School. The opposition which the Manchester School once raised against factory legislation has been forgotten and obliterated by the change which has since taken place among the Liberals and Free Traders in this regard, and by the many concessions which the trades unions have latterly obtained from liberal employers. It is these skilled labourers who have benefited by the past development and settlement of the labour question, and whose position has been so much improved within the last half century. It has so long been dinned into them that this improvement is due above all to Free Trade, that they have come in the end to believe it, and have lost all power of judging how far other circumstances have contributed to the prosperity of trade and industry; and that, in the first instance, they are indebted to their organisation for any increased share they actually enjoy in it. It is these skilled workmen, who have been able to consume an increasing amount of the cheap bread, cheap sugar, and the other cheap means of subsistence and enjoyment which Free Trade has secured. They have had money enough for this, as they have been able as a rule to prevent, by their organisation, any lowering of wages corresponding to the fall in the prices of food. Whenever they were unsuccessful—whenever a long-continued depression in trade has made itself felt—they, too, have begun to turn away from Free Trade. Take, for example, the agitation of the workers in sugar refineries, described above, and the similar agitation which lately took place in the industries most hardly hit by the M'Kinley Tariff.

Thus the symptoms that the principles of Fair Trade are spreading even among the skilled labourers, are more numerous of late years.

But unskilled labour, as represented by the new Trade Unions, or rather by their leaders (for they alone count in this connection) stands to-day, in regard to the question of trade policy, at the Social Democratic standpoint which Karl Marx adopted in his speech at Brussels in 1848.<sup>1</sup> To it, as John Burns expressly stated to me in the course of a long conversation, Free Trade or Protection involves no question of principle, but only of expediency. Both are, for it, simply forms of capitalist production and exploitation, and will disappear along with them. Till then, these labouring classes adopt no principle one way or the other, as regards the question of trade policy. They are for Free Trade so long as this seems to further their interests; they will adopt Protection or Fair Trade, without dogmatic or theoretic scruples, should they at any time see any advantage in it. Up till now this has not been the case, but it may occur at any moment. Under existing industrial conditions, due to England's Free Trade system, the first demand on their programme, for shorter hours and higher wages, is in any case impossible of realisation.

Of special importance is the fact that, at this juncture, an independent Labour party, quite distinct from the two or three other parties, has made its appearance. If the labourers emancipate themselves politically from the lead of the Liberal and Radical parties, it is all the more likely that they will also discard the opinions of those parties on trade policy.

If, then, at the moment, there are no great prospects

<sup>1</sup> See above, p. 11.

of a change in English trade policy in the direction of Fair Trade, there are many indications of such a change—more, indeed, than we on the Continent are apt to think.<sup>1</sup>

One side, at any rate, of the policy advocated by the Fair Trade League, which has not yet been touched on has, of late years, made great strides in public favour. It is the one most likely, should present circumstances continue, to be recognised and adopted, and consists in proposals which aim at a closer commercial union of England and her Colonies, namely, a Zollverein of the British Empire. The question is so important and complicated, that it claims a separate treatment in connection with Imperial Federation. This, however, can only be done at the end of our inquiry, after we know something about the trade policy of the Colonies and of the Empire.

The literature of the Fair Trade movement is very voluminous. In the periods of depression, particularly, there appeared innumerable brochures written from this standpoint. The Fair Trade League (afterwards Club) sent out leaflets after the style of the Cobden Club. In the following list will be found the most important Fair Trade publications. Though they may not rise above the character of controversial and agitation literature,

<sup>1</sup>Quite lately, in consequence of another fall in the prices of corn, the movement for the protection of agriculture has again become active. A largely attended agricultural congress, held in London, in St. James's Hall, on December 7th, 1892, in the course of vigorous attacks on Free Trade, which were received with great applause, passed a resolution by a large majority (about 600 as against 200 votes) in favour of duties on corn, and on 'competing products' in general. The landowners were, it is true, in the majority, as compared with the farmers and labourers. See *Standard*, Dec. 8th, 1892; and the *Socialpol. Centralbl.*, Dec. 26th, 1892. (II. *Jahrg.*, No. 13).

they are still, on the whole, at a higher level than the publications of the Cobden Club :

*The Fair Trade Position Explained*: Three letters by Sampson S. Lloyd, with notes and tables by James Edgcome. London, 1884. Published by the National Fair Trade League.

*The British Traders' Vademecum*: Edited by J. Edgcome. London, 1892.

Richard Gill, *Free Trade: an Inquiry into the Nature of its Operation*. Edinburgh and London, 1887.

Gibson S. Rigg, *The Commercial Federation of the British Empire*. Manchester, 1888.

J. Buckingham Pope, *The Curse of Cobden*. Edinburgh and London, 1887.

E. Brandram Jones, *Political Economy of Agriculture*. London, 1887.

G. L. M., *The British Jugernath*. London, 1885.

Rob. Boyd, *British Industries and Agriculture at Stake: A Working Man's Question*. Manchester, 1888.

The weekly paper, *Fair Trade*, published by the Fair Trade League from 1885 to 1891, and very ably edited, contains specially valuable material.

In the foreground of the discussion, both in protectionist and Free Trade literature, stands, naturally, the question of the Balance of Trade. In the less important publications of both sides, particularly in some of those issued by the Cobden Club, there are assertions which can only be pronounced inconceivably foolish, if we remember that we have to thank English literature for the classic work on the balance of international payments—Goschen's *Theory of the Foreign Exchanges*. We can not,

of course, enter on these excrescences here, but the Free Trade and the Protectionist doctrines of the Balance of Trade, as found in the better writings on both sides, may be, at any rate, shortly characterised and contrasted.

The Free Trade doctrine says: Imports can only be paid for by exports. But capital invested abroad acts like exports; that is, interest due to the home country is paid in the form of imports, against which there need be no corresponding export. In addition, there must be a surplus of imports into England, in consequence of the earnings of direct shipping, of English banks in international remittance, and of the English merchant marine in the international carrying trade. The amount of the surplus is, therefore, a measure, on the one hand, of the amount of these earnings, on the other, of the amount of the indebtedness of foreign countries to the home country,<sup>1</sup> and, consequently, of the prosperity of the nation. Thus, the greater the balance, the better.

The Protectionist doctrine, on the other hand, says:— These causes are not sufficient to explain the extraordinary amount of the surplus of imports in the case of England. This must, therefore, at any rate in part, be paid for out of the national capital. The British nation has now for some time been living not only on its income but on its capital. Even if the Free Trade argument were correct, and the reasons it advances, especially the indebtedness of foreign countries to England, sufficient

<sup>1</sup> It is, as a rule, entirely neglected that England, too, has no inconsiderable amount of interest to pay to the possessors of British Consols abroad, as well as large money remittances, owing to the stream of English travellers on the continent.

to explain this surplus, the further question arises, as to whether English investments of capital abroad are, economically speaking, altogether advantageous. They most certainly are not, if a competing industry is thereby supported abroad. In this case, they serve simply the interests of the possessors of moveable capital, and of the mercantile classes, not those of the home producers and their workers.

Of these two sets of arguments, the Free Trade is unfortunate as regards its form. It contains an idea true in itself, but inadequately expressed. Interest from foreign countries is not paid by imports of goods into the creditor country, but, as a rule at least, by bills of exchange on these imports. This is more than a mere formal distinction. The Free Trade way of stating the matter gives rise to the impression that interest obligations, or liabilities of all sorts, directly influence the amount of the import of goods. This is not the case. The indirect influence which they may, but do not necessarily, exert through the medium of the course of exchange, takes place, if at all, not immediately but after some time.<sup>1</sup> Conversely, just as little need an increase in the import of goods—from other causes—be the sign of increased indebtedness on the part of the exporting foreign country to the importing home country. In other words, the causes of the import of goods have to do, in the first instance and normally, with circumstances connected with the goods themselves, not with the relations of international credit. Hence increasing imports do not necessarily find a counter-

<sup>1</sup> It is, therefore, particularly misleading to take simply the balance of trade for one year; as, on the one hand, the imports of goods for one year are often not paid till the following, and, on the other, the results of international obligations may not be perceptible in the exchange of goods till a later year.



balance in increasing liabilities towards the importing country due to other causes. The Free Trade doctrine, consequently, although generally correct, is not unconditionally applicable even to England, where its assumptions are most nearly true. In its case, too, there is the possibility that, at least at times, specially large surpluses would have to be paid out of the national capital; as, for example, if, one year, exceptionally large imports of grain were necessary on account of bad home harvests, and caused a sudden and large increase in the import figures. Here the cause of the surplus import would obviously be the short crop in England, not an increase of the indebtedness of foreign countries. The sudden heavy surplus of imports could not, therefore, be counterbalanced by an increase of that indebtedness.

The real point then, is not merely, as said above,<sup>1</sup>—how there comes to be a surplus of imports or an increase of that surplus—whether *e.g.* the cause lies on the side of imports, or of exports, or of both—but also how imports and exports are themselves made up, and what articles on the side of imports may have caused the rise, or, on the side of exports, the fall.

If such a possibility—that the surplus must, partially at any rate, be paid out of the national capital—does not come to light in the statistics of the precious metals—these showing rather a distinct balance in favour of England—it is owing to this, that securities are to a very great extent the means of international payment at the present time, and of these there are no statistics.<sup>2</sup> So long as we are unable to follow the movement of these,

<sup>1</sup> See above, p. 119.

<sup>2</sup> See on this W. E. Smith, *The Recent Depression of Trade*, London, 1880, p. 37.

no general statement can be made as to how the surplus of imports is paid. It depends much more, in the individual case, on how that surplus comes about.

But the protectionist objection to the investment of capital abroad is also worthy of attention, as circumstances are in England, and claims a closer examination. Is it, for example, really advantageous, from the economic point of view, when a well-known English politician, formerly a cotton spinner in England, invests his whole fortune in spinning mills in Saxony, and becomes an active competitor on continental and other markets with the home industry?

In any case, it may be said, with truth, that the rapid industrial growth of the Continent and the United States, which has overthrown England's industrial hegemony, has been, to a great extent, made possible and even promoted by English capital.

It is impossible, as I have already said, within the limits of this work to discuss fully and scientifically the theory of the Balance of Trade: it would involve going back to the ultimate questions of economics. Such an investigation, however, is, in my opinion, very desirable, as economic science is still too much dominated by the Free Trade doctrine.<sup>1</sup>

<sup>1</sup> Since writing this, an article entitled 'Handelsbilanz,' has been contributed by Scheel to the *Handwörterbuch der Staatswissenschaften*, against which this criticism cannot be urged. He recognises that a permanent excess points, in the case of a disproportionately large surplus of imports, to industrial unproductiveness (see on this the statistics given above in Note 2, p. 174): in the case of too large a balance of exports, to an excess of debt to foreign countries; and he goes on to emphasise very appropriately that, in comparing exchange of goods with other countries, the composition of the import on the one hand and of the export on the other, and the movement of the value figures of each of the two, are of more importance than their balance.

*PART II.*

THE TRADE POLICY OF THE COLONIES AND OF  
THE EMPIRE.



## CHAPTER I.

### GENERAL SURVEY.

#### A. HISTORICAL DEVELOPMENT OF THE TRADE POLICY OF THE MOTHER COUNTRY TOWARDS THE COLONIES.<sup>1</sup>

ENGLAND'S trade policy towards the colonies is only intelligible as a part of her entire colonial policy. This latter has, in the course of centuries, passed through the most varied stages. We may, however, distinguish two main periods—the period before and the period after the secession of the United States of North America. We shall give close attention to the second of these periods only, touching upon the first merely in

<sup>1</sup>Literature: M'Culloch, *Dictionary of Commerce and Commercial Navigation*, London, 1844; article, 'Colonies and Colony Trade.' Levi, *History of British Commerce*, p. 252. Lewis, *On the Government of Dependencies* (1841), new edition with historical introduction, by C. P. Lucas, Oxford, 1891. J. E. Thorold Rogers, *The Colonial Question* (Cobden Club Essays, second series, 1871-72). J. S. Cotton and E. J. Payne, *Colonies and Dependencies*, London, 1883 (The English Citizen Series, 13). Arthur Mills, *Colonial Constitutions*, London, 1891. Francis P. Labillière, *Growth of Constitutional Self-Government in the Empire*, in *Fifty Years of Progress* (Jubilee number of the periodical *Imperial Federation*, of June, 1886). Th. H. Ward, *The Reign of Queen Victoria*, London, 1887, Vol. I., p. 403, etc. C. P. Lucas, *Introduction to a Historical Geography of the British Colonies*, Oxford, 1887. *The Colonial Office List for 1892*, London. *The Colonial Year-Book for 1892*, London.

so far as it contains the germs of later growth. During this period, the policy of the mother country towards her colonies, like that of other European powers with over-sea possessions, had all the characteristics of the so-called 'colonial system'—*i.e.* restriction of the trade and production of the colonies in favour of the mother country, Great Britain thus having a monopoly in the production and consumption of her colonies.

This system began, in 1650—after the first English settlers in North America had, for some time, enjoyed complete freedom of direct trade with other countries—with a law confining the import and export trade of the colonies to British ships, or ships built in the colonies, and was afterwards extended by the famous Navigation Acts of 1651 and 1660.<sup>1</sup> These enacted that certain products of the colonies, afterwards known simply as 'enumerated articles,' were not to be exported directly from the colonies to any foreign country, but first brought to England and there unladen (the words of the Article are, 'laid upon the shore') before they could be forwarded to their final destination. These enumerated articles were originally sugar, molasses, ginger, tobacco, fustic, and cotton. The list was subsequently enlarged by the addition of coffee, hides and skins, iron, corn and timber, etc.

In 1739, this part of the monopoly system was so far relaxed, that sugars were permitted to be carried directly from the British plantations to any port or place southward of Cape Finisterre.

Besides compelling the colonies to sell their products exclusively in British markets, even though these were destined for other countries, it was next thought advisable, in 1663, to oblige them to buy such foreign

<sup>1</sup>See M'Culloch, *loc. cit.*, p. 318.

articles as they might stand in need of entirely from England, even if the articles originated in other European countries. And, as in the case of all colonies, their industrial efforts were restricted to the most necessary and indispensable handicrafts. In the words of Lord Chatham, 'The British colonists of North America had no right to manufacture even a nail for a horse shoe.' The West Indian Islands were forbidden to refine their own sugar, and the distillation of spirits from sugar was only occasionally allowed.

But, though the colonial system was as strict and oppressive in the English colonies as in those of any other country, in regard to imports, exports, and the home industrial production of the colonies, yet English settlers enjoyed, from the beginning, a far-reaching civil and political freedom peculiar to them. The political rights and liberties guaranteed to the Englishman at home, were also assured to him in the colonies. Indeed, apart from this single restriction of the colonial system, they enjoyed at that time an almost entire freedom and independence in their own internal affairs. They had a constitution for the most part modelled on that of the home country; they regulated their taxation and other local matters, and were only restricted by the mother country in regard to trade—a restriction which was of course all the more felt in contrast with their freedom in other ways.<sup>1</sup>

England's attempt to interfere in their freedom of internal taxation led to the loss of the thirteen United States of North America. In spite of this, however, she still retained a great colonial empire in that continent, and the loss has been made good, in the course

<sup>1</sup>Lewis, *loc. cit.*, pp. 154, 159. Scherer, *Geschichte des Welthandels*, Leipzig, 1853, Vol. II. p. 495.

of this century, by the colonies in Australia and South Africa. But the lesson which the loss of the United States taught, has never since been forgotten by the mother country. Thus Canada, whither the royalists from the seceding North American colonies had betaken themselves, and which had been governed up till 1774 as a conquered province, received a free constitution. From 1774 to 1791, it was administered by a Governor aided by a Council appointed by the Crown, under the name of the Province of Quebec. In 1791, it was divided into the Provinces of Upper and Lower Canada, each of which received a constitution, with an appointed Legislative Council and an elected House of Assembly.

On the other hand, the loss of the thirteen North American States deprived the old colonial system of its greatest and most important sphere of action, and so dealt it its death blow.

In consequence of the retaliatory measures taken, first by the seceded colonies and then by various European States, the principle of the Navigation Act, so far as shipping was concerned, was broken through by means of Reciprocity Treaties, and gradually abandoned. In place of the prohibition of direct trade between the colonies and foreign countries, there arose a system of reciprocal differential duties in the mother country and in the colonies. Colonial products paid lower duties in the mother country than similar products coming from abroad. The products of foreign countries, again, had to pay duties in the colonies, when those of the mother country were allowed free entry, and higher duties when the latter were taxed for revenue purposes.

This system of reciprocal differential duties lasted, in principle, till 1846. With the first Free Trade reforms however, duties were also reduced in the colonies, and



the differential tariff in their favour diminished. The most important of the differential duties granted to the colonies were those on grain, timber, and sugar—the two first in favour of Canada, the latter in favour of the West Indies.

The differential treatment of colonial grain began in 1825, when a fixed duty of 5s. per qr. was imposed—without reference to the home price—on wheat coming from British North America. It found expression, also, when the sliding scale was introduced. Thus, when the home price was 65s., the duty on colonial wheat was only 6d., while that on foreign wheat, at the same price, was 10s.; when the home price was under 65s., however, the colonial duty remained constant at 5s. But, in 1843, after the sliding scale for foreign grain had been substantially reduced, the duty on Canadian wheat was brought down to 1s.<sup>1</sup>

The differential duties on timber and sugar were specially marked. Sugar, if of foreign origin, paid the prohibitive duty of 63s. per cwt., if from the British colonies, only 24s.; while, in the case of timber, there was a duty of 25s. per load on foreign, and a shilling per load on colonial.<sup>2</sup>

Towards the end of this period (1844), in return for these advantages, the following restrictions, in favour of the mother country, were laid on the trade of the colonies.<sup>3</sup> The import and export trade with foreign countries (excluding the produce of the fisheries), was confined, as before, to certain enumerated 'free ports' in the colonies—not to be confounded with 'free ports' in the modern sense. The import of certain articles of foreign origin, *i.e.* produced or manufactured neither

<sup>1</sup> See M'Culloch, *Dictionary*, edition of 1844, pp. 396 and 397.

<sup>2</sup> *Ibid.*, p. 322.

<sup>3</sup> *Ibid.*, p. 339.

in the United Kingdom, nor in any British possession, was entirely prohibited :<sup>1</sup> the import of others was burdened by certain imperial duties, fixed by the mother country, the most important being :

Wheat Flour,	2s. per barrel (196 lbs.).
Fish (dried or salted),	2s. per cwt.
Fish (pickled),	4s. per barrel.
Meat,	- 3s. per cwt.
Cheese,	5s. „
Coffee, -	5s. „
Cocoa, -	1s. „
Molasses, - -	3s. „
Unrefined Sugar,	5s. „
Tea (except direct from China),	1d. per lb.
Spirits, - - -	6d.-1s. per gall.

Further, *ad valorem* duties of 20 per cent. on refined sugar, the produce of, and refined in, foreign countries; 15 per cent. on glass and silk manufactures; 7 per cent. on wine, cotton, linen, woollen, leather, and paper manufactures, hardware, clocks, manufactured tobacco, etc.; finally, 4 per cent. on all non-enumerated articles, except a number of specially mentioned exemptions.<sup>2</sup>

Where, then, in any British possession, any duty was chargeable by colonial law upon the products and manufactures of the United Kingdom, as well as on similar foreign articles—as was at that time already the case—this imperial duty was added as a differential duty against foreign countries.

<sup>1</sup> Namely, arms and ammunition, base or counterfeit coin, books the import of which into the United Kingdom was forbidden. Further, the import into the colonies of South America and the West Indies of foreign coffee, sugar, molasses, and rum, except for the purpose of re-exportation, was prohibited.

<sup>2</sup> See M'Culloch's list, *ibid.*, p. 340.

This system of reciprocal differential duties was, however, sapped in 1846, when, with the abolition of the Corn Laws, the differential duty on Canadian wheat lapsed. Two years after, in accordance with the ruling policy and doctrine of Free Trade, the mother country renounced the differential duties granted by the colonies in her favour. Those granted by her to the colonies partially remained, although considerably reduced in amount, particularly in the case of sugar and timber.

This abandonment of differential duties on one side only is closely connected with the further development that took place in the political constitution of the most important English colonies of the time.

The two Provinces of Upper and Lower Canada had enjoyed, since 1791, constitutional government, each with two legislative bodies—a legislative Council of nominees and an elected House of Assembly. But the executive powers, in both provinces, lay in the hands of a Governor and his own Council, neither of them being responsible to the legislative bodies: and, however unpopular and corrupt they might be, they could only be dismissed from office by the British Government. The organisation, however, through which the mother country exercised supervision over the colonies was, after 1815, the Colonial Office, at that time a part of the War Office. The Secretary of State, who was at the head of it, changed with the political parties, and sometimes did not even know the name of the colonies whose destiny lay in his hands.<sup>1</sup>

In the long run, this system was bound to call out irritation and opposition from the Canadian provinces, then fast rising in importance. When Queen Victoria came to the throne in 1837, an insurrection broke out;

<sup>1</sup> See Cotton and Payne, p. 104; Lewis, p. 160.

martial law was proclaimed, and the events of half a century before threatened to repeat themselves. The outbreak, it is true, was suppressed, but in order to allay the prevailing excitement and to avoid the loss of these colonies also, the Liberal statesmen, who then ruled England, took the radical step of fully meeting the wishes of the colony relative to its political constitution.

The substance of these wishes was the granting of Responsible Government, *i.e.* a parliamentary Government after the model of the mother country, whereby the members of the Executive Council must possess the confidence of the majority in Parliament, and be taken in ordinary course from their ranks. This form of constitution was first recognised in a letter of the Secretary of State for the Colonies, Lord John Russell, October 16th, 1839,<sup>1</sup> and subsequently proclaimed in the Union Act of 1840 (3 and 4 Vict., c. 35). By this Act, the two Canadian provinces were again united under a single Governor, with an Executive Council and a double legislature, consisting of a Legislative Council, appointed for life, and a House of Assembly, elected for four years. The Executive Council was nominated by the Governor, but its members remained in office only so long as they enjoyed the confidence of the majority in each of the two legislative bodies.<sup>2</sup>

This grant of 'Responsible Government' is the beginning of a new era in England's colonial policy, and the principal event in her modern colonial history. It meant at the same time the gradual concession of the most far-reaching self-government to the British colonies

<sup>1</sup> See Mills, *ibid.*, p. 4.

<sup>2</sup> Next after Canada to receive this constitution were Nova Scotia and New Brunswick in 1848, and Prince Edward Island in 1857.

and their parliaments. The expressions, 'Responsible Government,' and 'Self-Government,' were from that time used as synonymous.

The mother country now retained control only of the foreign policy of the colony, under which head came also the conclusion of commercial treaties. In internal affairs, Canada received, along with her parliamentary constitution, full independence as regards legislation, administration, finance, and finally—since 1849—trade. Thus the abolition of the restrictions on colonial trade, just described, as well as of the differential duties which the mother country had formerly enjoyed in Canada, was simply an expression of the change in the political constitution.

At first sight, it seems astonishing that such a political change could be carried so far. No doubt, the root of the matter lay in the widespread freedom and independence, which England's other North American colonies had enjoyed, even before their Declaration of Independence; but the principle which distinguished this new colonial constitution, that was to serve as a type for England's remaining colonies, was the freedom which it granted to them in the sphere of trade—a sphere in which the seceding colonies had been subjected to the severest restrictions. This wide application of the principle of self-government had certainly not been recommended by Lord Durham, who had been sent on a special mission to Canada in 1838, and on whose Report, mainly, the concession of responsible government was granted. On the contrary, he had raised four points on which the mother country should reserve control over the colonies, viz.:—change of constitution; direction of the foreign policy; direction of the trade policy of the colony towards the mother

country, other colonies, and foreign states; and disposal of the state domains. Of these four points, however, the two last were, in the course of events, entirely given up; the first was partially given up, and only the second was retained in its entirety. This policy is, doubtless, to be explained by the influence of the Free Trade school in England, and the special application of its principles to the colonial question. In the first place, it was in harmony with the doctrine of the Manchester School, viz. that England should introduce Free Trade whether her example was followed or not, and that duties on English goods in other countries ultimately injured, not England, but those countries themselves. Then, again, in flat contradiction to previous opinion, the Manchester School held that the possession of colonies brought more burden than advantage to the mother country; that their importance to the trade of the mother country would be the same, even if, politically, they were entirely independent; that their breaking away was inevitable, and therefore not to be deplored but rather aimed at. Thus the concession of this far-reaching self-government was granted, doubtless, with the intention of preparing the way for a future peaceful break with the colonies. Could the future course of events have been foreseen, there would probably have been no hesitation in accepting Lord Durham's reservations as a whole.<sup>1</sup> In all probability, also, the Reform Bill of 1832, and the political rights which it assured to the middle classes in England, strongly influenced this course of events in the colonies.<sup>2</sup>

The principle, first carried out as regards Canada in

<sup>1</sup> See Bastable, *Commerce of Nations*, p. 107.

<sup>2</sup> See Payne, *ibid.*, p. 111.

1848 and 1849, of allowing the Colony to direct her own trade policy, and of abolishing imperial duties (*i.e.* differential duties in favour of the mother country), was made general in 1854 by the law 16 and 17 Vict., c. 107. The regulations which still remain for the colonies are, for the most part, of a formal nature. The only other detail of importance is the equal treatment granted by this Act to British, colonial, and foreign shipping—the consequence of the abolition of the Navigation Acts, which had meanwhile taken place both in England and Canada. The law of 1854 expressly declares all colonial legislation, at variance with it, invalid.<sup>1</sup>

In the same year, 1854, the differential duty on colonial sugar entering England lapsed. The duty on colonial timber had, a few years previously, in 1851, fallen to 6s. 6d., while the duty on foreign timber was brought down to 7s. 6d. At this figure it remained until the third great Free Trade reform of 1860, when the system of differential treatment of the colonies was finally given up. A few years later, between 1862 and 1865, in the tariff treaties between England and the German Zollverein and Belgium, the reintroduction of differential duties between the mother country and the colonies (as well as between the colonies themselves) was expressly prohibited—a decision which found extension of itself, through the most favoured nation clauses, to all other countries standing in similar treaty relations with England.

In the meantime, the 'Responsible Government' granted to Canada, had been extended to all the other colonies which had attained to any importance, and where there was a preponderating white, *i.e.* English, population. Indeed, it was extended to any colony, so

<sup>1</sup> See M'Culloch, *Dictionary*, edition of 1854, p. 359, etc.

soon as it was in a position to defray its own expenses, and thus to become financially independent. The preliminary stage, in these cases also, consisted in the granting of a constitutional government, with an elected House of Assembly. New South Wales, for example, received such a constitution in 1842, by the law 5 and 6 Vict., c. 76; Victoria, South Australia, and Tasmania, in 1850. But New Zealand received Responsible Government in 1854, New South Wales in 1854-55, Newfoundland and Victoria in 1855, South Australia and Tasmania in 1856, and Queensland in 1859. To complete the list of independent colonies, Cape Colony was added in 1870, and Western Australia in 1890.

A further important step in the constitutional history of the British colonies was the federation, in 1867, of the North American provinces, Ontario, Quebec (formerly Lower and Upper Canada), Nova Scotia, and New Brunswick, into the Dominion of Canada, *i.e.* into a colony with a federal constitution, and with Responsible Government both in the confederated state and in the separate states composing it. The 'British North America Act' (30 Vict., c. 3) looked forward to the subsequent inclusion of the remaining North American colonies, and provided that, in this event, the Dominion should guarantee them tariff privileges. Accordingly, there followed, in 1870, the inclusion, into the Dominion, of Manitoba, the North West Territories, and Rupert's Land; in 1871, British Columbia, and in 1873, Prince Edward Island. Newfoundland alone remained outside.

A similar development was anticipated for the Australasian colonies, when the concession of responsible government was granted them; but the way to it was not opened up till much later, when the Federal Council



of Australasia was created, to which, however, New South Wales and New Zealand did not adhere. The latest attempts to set up an Australian Federation (1890 and 1891) will be treated more fully later on.

The necessary presupposition of this concession of responsible self-government was, as we have already said, in all cases, that the majority of the population should belong to the white race, *i.e.* to the British nation. Only in this, did the concession of a constitution on the English model find its rationale. The West Indian colonies, for example, in spite of having received constitutional government at a very early date, were not eligible for Responsible Government, as, in their case, the white race was in a minority, and was only represented by a class of employers who had formerly been slave owners. We even find a reaction there after the emancipation of the negroes; in Jamaica, for instance, in 1866, after the rising of the blacks in 1865, the representative constitution was withdrawn. The same thing happened in most of the other West Indian colonies; only the Bahamas and the Barbadoes retained their original representative constitution, without, however, Responsible Government. Thus the emancipation of the negroes led to a diminution of the freedom of the white colonists. So long as the planters alone possessed political rights, the representative government worked quite well: but, when the negroes also acquired the right to vote, and preferred, naturally, to return representatives of their own race, the legislatures came into collision with the Government.<sup>1</sup>

To all these self-governing colonies the mother

<sup>1</sup> See *Colonial Office List*, 1892, p. 124; Lucas (Lewis), p. xxxii.; Payne, pp. 111 and 138.

country has now granted complete freedom to frame their own trade and fiscal policy, including also the right to levy duties on imports from Britain herself. Only the right to conclude commercial treaties on their behalf, or, as the case may be, to allow them to participate in her own commercial treaties, has been reserved by the mother country. In addition to this she has, in one direction, restricted the trade and fiscal policy of the colonies—namely in laying down the principle, that no differential duties whatever are to be levied, either in favour of the mother country or of any other colonies.

On one occasion, it is true, the English Government departed from this principle, when, in 1854, on behalf of Canada, it concluded a Reciprocity Treaty with the United States, whereby reciprocal free import of raw materials was allowed into both States. But this treaty, to which we must return later, was not renewed on expiry, and the Government of the mother country afterwards strenuously opposed the strong tendencies, visible in Canada and the West Indies, towards a Reciprocity Treaty and a Tariff Union, and thereby completely frustrated any such plan.<sup>1</sup>

Only one special exception to this principle was recognised at the time, namely, the so-called 'limitrophe' relation, where two or more colonies bordered on one another. Here special mutual tariff privileges were allowed, even against the provisions of the commercial treaties of 1862 and 1865. This exception applied to South Africa, and in particular to the various Australasian colonies. To the latter was entrusted the power of uniting in a Zollverein, with the

<sup>1</sup>See the Parliamentary Paper: *Customs Duties (Canada and the West Indies)*, 1856, No. 431.

abolition of all internal duties—a power of which, as we shall see later, they are at present about to make use.

On the other hand, the self-governing colonies received the right, without reserve, to impose duties on the goods of the mother country. At first this had, of course, but little importance, since the duties were only insignificant revenue taxes. But matters were soon changed. The self-governing colonies, with Canada at their head, began to enter on a national protective policy which they applied against England, as well as against foreign countries. Indeed, in many cases, it was principally directed against the mother country and her industries.

Great Britain, after a first fruitless effort, as we shall see when we come to Canada, let this development run its course undisturbed. It thus offered to the world the remarkable spectacle of a country, anxious to convert all other nations to Free Trade, and yet unable to introduce it in its own colonies.

Before describing this change of policy in the most important self-governing colonies, we must cast a glance over the present political and commercial constitutions of the various British colonies and possessions—including those which have not arrived at responsible government—as these embody the final results of the evolutionary movement described.

#### B. THE PRESENT POLITICAL AND COMMERCIAL CONSTITUTION OF THE BRITISH COLONIES.

In official terminology, a distinction is made, politically, between three classes of colonies:—colonies with responsible government, Crown Colonies proper with-

out any constitutional government, and, midway between them, colonies with representative but no responsible government. In ordinary speech, the two latter are often classed together as Crown Colonies.<sup>1</sup>

To the first class, whose genesis we have described, belong the whole of the North American colonies united into the Dominion of Canada, Newfoundland, the colonies on the Australian mainland, Tasmania, New Zealand, and finally the Cape. Here the Crown, *i.e.* the British Parliament, represented by the Governor, has simply a veto on the legislation of the colonial Parliament; and this is, moreover, only employed on exceptional occasions, when imperial interests are concerned. Beyond that, the British Parliament—still called the ‘Imperial Parliament’—retains, theoretically, a subsidiary legislative power over these colonies, which however would only be used in case of need, and to which it is very questionable if these colonies would submit. The Colonial Office in England has no control over any of the colonial officials, with the exception of the Governor chosen by it; but the government is, in fact, not carried on by the Governor but through the Council nominated by him, which is responsible to the Colonial Parliament and which is, consequently, drawn from a majority of its members. The function of the Colonial Office is limited, as regards these colonies, chiefly to the maintenance of a regular exchange of Notes between the Cabinet of the Home Country and the Governor.<sup>2</sup>

In antithesis to this is the second class, the Crown

<sup>1</sup> See Dilke, *Problems*, p. 242. *Colonial Office List*, p. 300. Also Parliamentary Papers, *Colonial Executives, Representative Assemblies and Electorates*, 1889, No. 70, and *Colonies (Representative Assemblies)*, 1890, No. 194.

<sup>2</sup> Payne, p. 133.

Colonies proper. Here the Colonial Office in England has complete control of the whole legislation and administration. There are, besides, numerous differences of detail. Administrative power is vested in the Governor, either alone, or in co-operation with a nominated Executive Council, but never in co-operation with any legislative body. On the other hand, where the minister, in the exercise of legislative power, is bound to work along with one or two legislative bodies, one of which, at least, is wholly or partially elective; where all the authority of the Crown consists in a veto, which however in this case is used; and where all the officials are under the control of the Colonial Office—we have an example of the third class, though this is often, in ordinary speech, counted among the Crown Colonies. And rightly. For, in reality, the executive power is here placed in the hands of persons chosen by the Colonial Secretary. To this third group belong the West Indies, in so far as they have retained, wholly or partially, their old representative constitution. To the second group belong all other colonies, in particular the coaling stations and small possessions held for military purposes and for the protection of British trade.

If we consider the geographical and economic nature of these various colonies, we find another division based on political considerations which remarkably coincides with the usual distinctions. The Self-Governing Colonies, for the most part, lie in the temperate zone, and are agricultural and industrial countries, with a preponderating European population. The Crown Colonies, in the wider sense of the word, where they are not mere coaling stations and naval bases, are simply settlements in tropical regions, with a minority

of the European race, and a preponderance of coloured population: and we have already pointed out the significance of this distinction for the development of a political constitution.

In addition to these component parts of the British Empire, generally known as Colonies, there is one other which occupies a position entirely peculiar—namely, the Indian Empire. Its political relation to England is, in many ways, from the point of view of theory, an anomalous one.<sup>1</sup> We cannot enter into particulars here, but the fundamental principles of its constitution are the following. The control of the mother country over it is not exercised by the Colonial Office, but through a department of its own, the India Office. At its head is the Secretary of State for India, responsible, in the first instance, solely to the British Parliament, and assisted by a Council of fifteen members, who must have had experience of Indian affairs. The Secretary is not, however, bound by their vote. Local government and administration in India itself are exercised by the Viceroy, nominated by the English Prime Minister, who, although the representative of the King or Emperor of India, is nevertheless subordinate to the Secretary of State for India and enjoys, therefore, only a delegated and local authority. He is assisted by two Councils, through which he is bound in all cases to act—an Executive Council of six members, composed solely of Englishmen, and a Legislative Council composed of the preceding, together with from six to twelve additional members, five of whom are Indians. The legislation with regard to local affairs is altogether in his hands, while the Budget is annually submitted direct to the English House of

<sup>1</sup>See Cotton, p. 36, etc.

Commons, to which also certain subjects are specially reserved. Beyond this, Parliament also, at times, interferes directly in local Indian legislation.<sup>1</sup> On the whole, therefore, it may be said, that India is actually distinguished from the Crown Colonies only by its size,<sup>2</sup> and by its dependence on a distinct Government Office. For our purpose, then, we may reckon it among the Crown Colonies.

Corresponding to the various political constitutions of the different colonies, are their trade policies, with which alone we are concerned here. In this regard, too, the only division worth considering is that into Self-Governing and Crown colonies. The former have developed a commercial and tariff policy of their own, uninfluenced by and independent of the mother country—except for the limitations mentioned. This has, for the most part, taken quite another course from that of the home country, inasmuch as, in most of the self-governing colonies, protective tariffs have developed out of the earlier revenue taxes. In the Crown Colonies, on the other hand, the mother country has the actual determining of the tariff policy, and this policy, consequently, is, in principle, on the same lines as that of Great Britain. The duties imposed are simply revenue duties, though some of them have lately been raised in order to cover the growing expenses of the colonies concerned, and though, in most of the colonies, the duties are levied on a much greater number of articles, in some cases even on all articles not specially enumerated. Where duties were being raised, not for revenue, but, explicitly, for protective purposes, the mother country has, to some extent, as for example in India, used the influence which she has constitu-

<sup>1</sup> Cf. Dilke, p. 242, and Chap. II.

<sup>2</sup> Cf. Cotton, p. 2.

tionally to bring about an alteration. For the rest, as Rawson points out,<sup>1</sup> it is impossible, without exact knowledge of the concrete circumstances of each individual colony, to say how far these revenue duties really indicate the protection of particular interests; whether, on the whole, the high duty on manufactured goods is imposed on fiscal or protective grounds. A common form of favouring particular interests is the exemption of certain goods from the general tariff provisions; as, for example, the free entry of machinery into the West Indies for the making of colonial products.

On the whole, we are justified in regarding the tariffs in the crown colonies as based on the fiscal principle. Their chief aim is to raise government revenue. Even in the self-governing colonies, this is one of the main objects; though here other forces too come into play. The importance of duties, indeed, for the defraying of public expenses is much greater in the colonies than in the mother country.<sup>2</sup> In newly settled and thinly populated countries, like most of the British colonies (with the exception of India), indirect taxation is the most convenient, if not the sole source of government revenue; and the most certain and most productive of indirect taxes are Customs Duties, as they are the most easily raised and least felt by the people.<sup>3</sup>

<sup>1</sup> *Tariffs and Trade of the British Empire*, Vol. I., p. 16.

<sup>2</sup> See Rawson's Table, Vol. I., p. 61. Amount of duties per head in 1885:

United Kingdom,	£0 10 11	Queensland,	£3 0 7
New South Wales,	1 15 11	New Zealand,	2 8 10
South Australia,	1 16 4	West Australia,	3 16 2
Cape Colony,	0 17 1	Tasmania,	2 1 3
Victoria,	2 1 1	Canada,	0 18 3

<sup>3</sup> See Rawson, I., 22.



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In their details, the tariffs of the various British colonies exhibit a perfect chaos, in which it is vain to seek for a unifying principle. This is due to their unsystematic and accidental development, and to exceptionally complex and varied economic circumstances. A full and comprehensive treatment of these is not only impossible but unnecessary within the compass of this book. It is quite sufficient for our purpose to limit ourselves to the two most important groups of colonies : (1) the Self-Governing Colonies, and (2) India. For the rest, the reader must be referred to Rawson's important work. It is, however, only a description—written from the standpoint of 1885, and consequently already somewhat out of date—of the present commercial constitution of the British Empire, and does not give its historical development.

## CHAPTER II.

### THE MOST IMPORTANT COLONIES IN DETAIL.

#### A. THE SELF-GOVERNING COLONIES.

##### CANADA.<sup>1</sup>

THE independent trade policy of Canada, *i.e.* of the Provinces of Quebec and Ontario, begins with the year 1849, after the removal of the differential duties which the products of the mother country had previously enjoyed. Their abolition was partly the result, as we have said, of the Free Trade opinions which had conquered in the mother country, and partly an expression of compensation given by the mother country to make up for the removal, in 1846, of a great number of her differential duties in favour of Canada, particularly those on grain. In direct contrast to this, Canada's trade policy took the form of applying the higher duties in force against foreign goods to goods of British and colonial origin as well. Thus, for example, hardware paid from that time the foreign rate of 12 per cent., where it had formerly paid 5 per cent.

<sup>1</sup>Literature : The English Parliamentary Papers, *North America*, No. 10, 1862 (*Despatch of Lord Lyons respecting the Reciprocity Treaty*); *Customs Duties (Canada)*, 1864, No. 400. *Canada*, C. 2305 and 2369, 1879; and C. 5179, 1887.

This duty, like the rest, was at first purely for revenue, but the importance of all such duties had become very much greater with the gift of Responsible Government, *i.e.* of financial independence.

By the removal of differential duties in Canada, a step was made, theoretically, in the direction of Free Trade, but it did not affect the height of the tariff. A practical step, however, was taken two years later, in 1850, in the removal of duties on wheat and maize, although at the same time the duty on manufactured goods was raised from an average of  $12\frac{1}{2}$  per cent. to 15 per cent. *ad valorem*. But although the mother country, as a further consequence of the Self-Government she had granted, extended to Canada also the full and free power from that time to determine her own tariff policy, she made at first a noteworthy effort to bring about a Free Trade development in Canadian trade policy. The power to regulate the external trade of the Colonies by concluding commercial treaties on their behalf was the only authority Great Britain retained over them. Canada at that time was suffering from the restrictions which the United States had laid on the import of her agricultural produce, and the mother country used her influence to prevent retaliatory measures on the part of the Canadian Government, and to bring about a friendly termination of the struggle. For this purpose, she concluded, in 1854, on behalf of the Provinces of Canada, New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland, the so-called 'Reciprocity Treaty' with the United States, which stipulated for mutual free entry of all raw materials. This treaty reflects great honour on the statesmanship of the British Plenipotentiaries, for, owing to the peculiar commercial

relations between Canada and the United States, it was much more advantageous to Canada than to the States.<sup>1</sup> Canada's export into the United States consisted chiefly of raw materials (specially agricultural products), for which she imported manufactures in return. But the duties on manufactures were untouched by the treaty, and, consequently, a much greater proportion of products entered the United States duty free than entered Canada.<sup>2</sup> Further, Canada was even permitted to raise her duties on United States manufactures. This she did very soon after the conclusion of the Treaty.

In 1858, the import duties on the principal manufactures were raised from 15 per cent. to 20 per cent., and 25 per cent. *Ad valorem* duties of 20 per cent. were imposed on the most important textiles, ironmongery, hardware, earthenware, and unwrought leather, while leather goods and clothing were burdened with *ad valorem* duties of 25 per cent. A year later, in 1859, while these rates were left unchanged, the system of *ad valorem* duties was extended from manufactures to all other articles except whisky. All non-enumerated articles now paid *ad valorem* duties of 20 per cent.; spirits (except whisky), 100 per cent.; and articles of luxury, such as wine, tobacco, and cigars, from 30 per cent. to 40 per cent.; tea, sugar, and molasses, 15 per cent. and 30 per cent.; partly manu-

<sup>1</sup> See, in particular, the Report of the Commission of Delegates at Washington in regard to the Reciprocity Treaty in the Parliamentary Paper, North America, No. 10, 1862.

<sup>2</sup> The value of Canadian products which paid duties on entering the United States was, in 1856, \$136,370; that of American products entering Canada, \$7,981,284; in 1860, \$174,259 and \$4,425,001 respectively. See the table, *ibid.*, p. 7. The duties levied on the Canadian side amounted annually to an average of \$100,000; those on the American side to \$40,000.

factured articles, 10 per cent. and 15 per cent. But alongside of this, there was a long list of free goods, including, in particular, the necessaries of life and raw materials.<sup>1</sup>

Against this new Tariff Law of 1859, the Committee for Trade of the Privy Council in England raised a vigorous protest, through the Secretary of State for the Colonies—chiefly in consequence of a Memorial from the Sheffield Chamber of Commerce. Although the Committee declared its unwillingness to refuse its assent, in view of the financial needs of Canada, it nevertheless expressed to the Canadian Government its lively concern over the adoption of a commercial policy which departed so widely from that of England. To this criticism, on the part of one of the mouthpieces of the English Government, Galt, the Finance Minister of Canada, made answer in an exhaustive Report. He first protested sharply against the idea that the mother country could refuse assent to the tariff of a Self-Governing colony, simply because it did not express the views of the British Government. 'Self-Government,' he said, 'would be utterly annihilated if views of the Imperial Government were to be preferred to those of the people of Canada. It is, therefore, the duty of the present Government distinctly to affirm the right of the Canadian Legislature to adjust the taxation of the people in the way they deem best, even if it should unfortunately happen to meet the disapproval of the Imperial Ministry. Her Majesty cannot be advised to disallow such acts unless Her advisers are prepared

<sup>1</sup> See the Parliamentary Paper, *Customs Duties* (Canada): Correspondence between the Colonial Office and the Authorities in Canada on the subject of the Removal or Reduction of the Duties charged on British Goods entering Canada, 1864, No. 400.

to assume the administration of the affairs of the Colony irrespective of the views of its inhabitants.'

Galt then proceeded to defend and justify in detail his Tariff Law of 1859, as well as that of the year before. The occasion of it, he declared, was the bad financial condition of Canada. The commercial crisis of 1857, and the poor harvests of 1857 and 1858, had caused a great decrease of imports and a corresponding falling off in the duties, which were the principal source of Government revenue. Besides that, he said, there was a general depression of trade and industry, which made it necessary for the Government to pay the interest on indirect debts, *i.e.* on the railway loans for which it had given a guarantee; while, on the other hand, the outlays for the payment of interest on the direct debt had continued to rise, owing to the great canal building just finished. Thus a deficit had emerged, which required to be met by a permanent raising of the Government revenue; but this was possible, according to prevalent opinion, only by raising the duties.

The general introduction of *ad valorem*, in place of the previous specific duties, had, according to the statements of the Minister, the object of favouring Canada's trade with foreign countries by sea, as against her land trade with the United States. The former specific duties had, in his view, turned Canada's trade in tea, sugar, etc., altogether in the direction of the American markets, and had destroyed the valuable trade previously carried on from the St. Lawrence to the Lower Provinces and the West Indies. The introduction of the *ad valorem* duties was calculated to have the opposite effect, in that these duties were raised in Canada on an altogether peculiar system, namely, not according to the value of the goods at the place of import, but

according to their value at the place where they were bought. In this way, of course, the *ad valorem* duties tended to cancel the advantages which the overland route through the United States offered, and to favour direct import from other countries by sea, thus fostering primarily trade and shipping with the mother country. But it was a measure the tendency of which it was difficult to reconcile with the existing Reciprocity Treaty with the United States.

On the other hand, Galt, on bringing in his first raised tariff in 1858, had spoken emphatically against a protective policy.<sup>1</sup> It was true, he said, that, alongside of agriculture and the timber industry, a certain amount of factory industry had begun to grow up, owing to the raising of the duties after 1850, from 12½ per cent. to 15 per cent.; and that it had come successfully through the commercial crisis. This secondary effect of the duties imposed and increased on financial grounds, was welcome, but it was quite out of place to introduce high duties for the special purpose of encouraging a hot-house industry. This was class legislation, and would have no prospect of prosperity or stability. A frankly protective policy would, he said, be impossible in Canada, on account of the extent of her boundaries.

On the last point, it is true, Galt, in 1859, spoke in a different tone, but for the rest he still took the same ground. The financial necessities, in the first instance, and the endeavour to equalise the distribution of public burdens, in the second, had, in his view, necessitated the new tariff. If it had had the secondary effect of causing a number of articles hitherto imported to be manufactured at home, the Government

<sup>1</sup> *Ibid.*, p. 13.

could only look on this result with satisfaction. It did not, however, contemplate, that the moderate duties of 20 per cent. would give rise to an important industrial development. At most, they would simply lead to the rise of industries principally requiring unskilled labour, and to the production of manufactures which had hitherto been imported from the United States, but which could be equally well manufactured in Canada, if protected, at the start, by a duty of 20 per cent. against American competition. This could not be a matter of regret to the Canadian Government. In every country, the object of the people should be to apply their labour and capital in as many directions as possible, and thus to avoid dependence on any one single basis of existence. The early beginnings of even the lower grades of manufacture were always beset with difficulties, and required a protective duty, with which they could later dispense, when the necessary efficiency in skilled labour had been acquired. In addition to this, a country which itself produced the coarser manufactures, was in a better position to import the finer and more expensive ones. A large part of Canada, he continued, was unable to grow corn for export, and it was therefore a matter of congratulation if, by the introduction of revenue duties, work could be made for those of the labouring classes who were now turning to the United States.<sup>1</sup>

We see, then, that the earliest protective duties in favour of industry in the colonies are, in the first instance, the unintentional consequence of revenue duties, but that, so soon as this effect is observed, it is hailed with satisfaction, and gladly accepted, on the very same grounds that have everywhere led to the ' Infant Indus-

<sup>1</sup> *Ibid.*, pp. 15 and 35.



try' duties in the older States. In particular, we are struck with the stress laid, from the very first, on economic independence—'the national commercial policy,' as it was afterwards called. This was only natural in the case of the colonies which had been granted Responsible Government, when we remember the feeling displayed towards them by the mother country at the time, and the frankness with which their complete separation and political independence sooner or later was anticipated. The natural consequence was, of course, that these colonies, in view of such an event, gradually formed the idea of becoming as independent of England as possible, in the economic sphere also, by building up an industry of their own.<sup>1</sup> In just such a case as this, the apostles of Free Trade themselves, Adam Smith and J. Stuart Mill, had justified and recommended Protection, or 'Infant Industry Duties.' An additional influence, which was of special importance for Canada at this time, was the proximity and example of the United States, with which there existed a natural rivalry, and whose economic (and, particularly, industrial) position was regarded as ideal by the Canadian people. The United States had, however, even before the War of Secession, continuously pursued the policy of cultivating, by means of a considerable amount of Protection, several important branches of industry, especially the cotton, woollen, and iron industries. In consequence of this, the industrial workers, who emigrated from England in great numbers, betook themselves rather to the United States, where they found more lucrative employment than in Canada; and this,

<sup>1</sup> See M. H. Hervey, 'The Latest Phase of Imperial Federation' (*Asiatic Quarterly Review*, January, 1891), p. 14. See also *Britannic Confederation*, p. 140.

naturally, inspired the Canadians with the wish to follow the American example.

The Government of the mother country could not say very much in answer to the assertions of the Canadian Minister of Finance. The English industries themselves had grown up under a strong protective system; and, when an elaborate report by the English Board of Trade, in the main, confirmed Galt's statements, it became reconciled to the change of tariff policy found necessary by the Canadian Government. As the political constitution of these colonies stood, there was, indeed, nothing else to be done. Thus, we see, even at this early date, the weak and deplorable position to which the Mother Country had brought herself in her relations to these independent colonies.

On the other side, the raising of the Canadian duties on manufactured and partly manufactured articles, and the introduction of *ad valorem* duties on colonial goods—aimed directly against the United States and their trade with Western Canada—naturally aroused lively opposition in the States. Their imports into Canada fell steadily, while they were hindered by the Treaty from taking retaliatory measures. Under these circumstances, there could be no more talk of reciprocity, and as Canada, quite naturally, would not agree to extend free entry to manufactures as well, and to enter into a complete commercial union with the United States, the treaty was denounced by the latter in 1865 and was not renewed. Such a course was, moreover, no longer possible, according to the terms of the English commercial treaties of 1862 and 1865, with Belgium and the Zollverein.

The increase that had taken place in the duties in 1858 and 1859 had had the secondary effect of stimu-

lating industrial expansion in Canada, and this had been considerably strengthened by the effects of the Civil War of 1861-1865 on the industry of the United States. When, then, in 1867, the Dominion of Canada was formed out of the Provinces of Quebec, Ontario, New Brunswick, and Nova Scotia, with a common tariff, it was natural that this tariff should be an amalgamation, *i.e.* an average, of the former different provincial tariffs. The formation of this common tariff was much facilitated by the fact, already mentioned, that reciprocal Free Trade still existed in regard to raw materials and the necessaries of life; that is, in regard to the great mass of the natural products of the various provinces. Equally favourable treatment was granted by the Dominion, in the law of 1868, to the other North American colonies, which still remained outside of it, in order to pave the way for their future adhesion.

But the two colonies then added to Quebec and Ontario, namely New Brunswick and Nova Scotia, had had lower duties—indeed, purely revenue duties—and it was through them that the agricultural interest once more gained ascendancy. Thus, in the new Federal Tariff, the previous Canadian duties of 20 per cent. *ad valorem* on all non-enumerated goods (especially wholly manufactured articles) were reduced to 15 per cent.<sup>1</sup>

From 1867 to 1873, a period of business prosperity set in in Canada, shown also in the flourishing state of the Government finances; in 1870 to 1871 there was a surplus of nearly 4 million dollars; in 1871 to 1872, of 3 million dollars.<sup>2</sup> But

<sup>1</sup> See the Tariff in the Parliamentary Paper of 1881, No. 333, Part II. Rates of Duty (Foreign and Colonial) on British Manufactures or Produce.

<sup>2</sup> See the Parliamentary Paper, *Canada* [C.—2305]: Despatch from the Governor-General of Canada respecting the new customs tariffs, 1879, p. 3.

in 1873, a severe depression began both in the industrial and in the financial sphere. The crisis which occurred in the United States spread to Canada. Agriculture and the timber industries suffered severely under the high tariff rates, which the United States enforced against them after the war and the denouncing of the Commercial Treaty; and the young manufacturing industry demanded protection against the 'slaughter system' employed by the 'Rings' of American manufacturers, whereby they undersold and speedily brought to a standstill every undertaking similar to their own that grew up in Canada.<sup>1</sup> On the other hand, there was a growing desire in Canada, consequent on the great increase in population, for the creation of an important national industry; and the example of the stringent protective policy adopted in the neighbouring Union after the war, influenced her strongly in this direction.

There was, besides, the bad condition of the finances. In spite of a slight raising of the duties to  $17\frac{1}{2}$  per cent. after 1873, this became daily more serious: the revenue from indirect taxation, in consequence of the general economic depression, decreased considerably, while the expenditure for interest and repayment of the public debt had been largely increased by the building of the great Canadian Pacific Railway. Thus, from 1875-1876 onwards, there were regular deficits, which could only be met by raising the duties, unless the whole system of taxation were to be changed—a course for which neither the Government nor the people showed any inclination. But, while the Liberal Party that had been in power since 1873 wished, in increasing the duties, to confine themselves simply to covering these deficits, the Conservative Party, which had been

<sup>1</sup> See *ibid.*, p. 4, and Marquis of Lorne, in *Imperial Federation*, 1885, p. 51.

ousted by them in 1873, led by Sir John Macdonald, the founder of the Canadian Federation, now came forward with the explicitly protective programme of a 'national commercial policy.' The election of 1878 turned on the question of 'Revenue Duties' or 'Protective Duties,' which was hotly discussed over the whole country; and there was no lack of appeal to the arguments of Mill on the one hand, and Bastiat on the other. The struggle ended with the complete rout of the comparatively free trade Liberal Reform Party, and a brilliant and unexpected victory for the protectionist Conservative party.

The new Government, thereupon, immediately began in 1879 to remodel the tariff on frankly protective lines. The duties on manufactures were raised from an average of  $17\frac{1}{2}$  per cent. to an average of 30 per cent., and many formerly free articles were now subjected to duties. The non-enumerated articles were henceforth to pay 20 per cent., but the list of the enumerated articles was very greatly increased, while that of duty free articles was considerably diminished.<sup>1</sup> In many cases, particularly manufactures, the former double duties customary in the United States, *i.e.* *ad valorem* and specific duties side by side, were introduced. These had been already in force in New Brunswick with regard to sugar, even before the federation. Thus, according to the new tariff, various yarns paid 15 per cent. to 25 per cent. *ad valorem*, and, in addition, cotton and woollen yarns paid specific duties per lb. Various textiles paid 30 per cent.; iron, 8s. 4d. per ton, and iron manufactures up to 35 per cent.; earthenware, glass, and leather manufactures from 15 per cent. to 30 per cent.

<sup>1</sup> See the Tariff in the Parliamentary Paper, *Canada* [C.—2369], 1879.

Chief among the formerly free, but now taxed, articles were:—coal (50 cents per ton), cattle, meat, corn, flour, fruits and vegetables, salt, hops, lard, timber, etc.; in short, the greater number of products of home agriculture, forestry, and mining (*i.e.* of indigenous production), as well as of those grown in the United States. It had, however, been provided by the new tariff law that these, by the simple decree of the Governor, could, at any moment, be declared duty free as regards the United States, so soon as the latter should grant reciprocity and allow the same articles to enter free of duty from Canada. Moreover, salt from the United Kingdom, as well as from the other British possessions, was allowed to come in free as compared with a former duty of 8 and 12 cents per hundred lbs. A further important privilege was also granted to the United Kingdom. In determining the value of all goods subject to *ad valorem* duties, the cost of transport to the port of shipment, and the shipping charges, were to be added to the actual selling or market price in the exporting country—except in the case of goods from Great Britain and Ireland. It is a point worth emphasising that the British Crown raised no objection to these provisions, but accepted them without demur, although they embodied the principle of differential treatment.

Apart from this open and direct favouring of the mother country, the new tariff was, on the assurance of the Finance Minister, Tilly, arranged in such a way as to give actual privileges to the United Kingdom and to the other Colonies, as against the United States. The aim of the tariff was expressly stated to be:—to cause a decrease in the imports from the United States and to establish active trade relations with the

West Indies: to increase in many of its branches—at any rate not to decrease—trade with the mother country: but all this only so far as it did not interfere with the main object—the creation of an extensive and diversified home industry. The Minister of Finance sought to prove, in a separate memorandum, that the most important of the increased duties affected primarily the United States and much less, if at all, the mother country.<sup>1</sup>

It is, besides, noteworthy that, in the case of all dutiable goods which enjoyed a drawback or export premium in the country of export, the amount of this drawback was to be included in the value which paid duty: *i.e.* added to the declared value. Thus the price on which duty was to be paid was not the price at which the goods were sold in foreign countries, but the market price at which they were sold, without drawback or bounty, for home consumption in the country where they were produced. This provision was specially aimed at sugar and the export bounties given by various States. As, however, England had neither sugar duties nor bounties, the duty (25 per cent. to 30 per cent. *ad valorem*) on British refined sugar was substantially less than that on sugar from the United States, which gave a drawback on the average of 2½ cents per lb.

In this way, Canada introduced a system of Protection, in place of the former revenue duties, which had only incidentally and partially had a protective effect. In the following years this system was rapidly extended. Scarcely a year passed without further changes, mostly increases in the existing duties, or additions to the number of dutiable articles. By 1884, between 600 and 700

<sup>1</sup> See the Parliamentary Paper, *Canada* [C.—2305], 1879, p. 19, etc.

articles were specially enumerated in the Canadian tariff: in 1885 about a hundred more were added.<sup>1</sup>

But it soon became evident that the object aimed at, of hitting the United States more severely than the Mother Country by those protective duties, had not been attained. Till the year 1885, the import of duty free goods from Great Britain increased, and that of dutiable goods decreased; at the same time the dutiable goods from the United States increased 20 per cent., while those free of duty, on the other hand, decreased by almost the same amount. The natural conclusion from this is that British imports into Canada were more obstructed by the duties than those of the United States. Such a conclusion would, however, need some further corroboration, as this phenomenon might also have been brought about by other forces than simply the Canadian duties.

To enter in detail into these further increases in the duties, is not possible here, nor do I intend to try. But one other important change made in 1887 must be more clearly stated, and, here again, I have been able to obtain interesting official data.<sup>2</sup> These deal with the very considerable raising of the duties on iron. After the previous 'national economic policy' had given rise to numerous smaller industries, and, in particular, to a national cotton and woollen industry, the next thing was to call into existence, by means of a consistent protective policy, a national iron industry. It was not, according to the Budget speech of the then Finance Minister, Sir Charles Tupper, a depression which had led to an extension of the protective system.

<sup>1</sup> See Bastable, p. 110.

<sup>2</sup> See the Blue Book, *Canada*, 'Correspondence respecting the Canadian Tariff' [C.—5179], 1887.



On the contrary, according to him, trade and industry were then in an exceedingly flourishing condition, thanks to the national economic policy, which had attained the greatest success in the most various fields. He had, however, to admit, that, in the case of this artificially encouraged cotton and woollen industry, there had already been, to some extent, a serious overproduction, and that, in consequence, the Government was under the necessity of creating new markets, by extending and developing foreign trade.<sup>1</sup>

Further, he continued, it was appropriate to extend this successful policy to a sphere which had hitherto been quite neglected, and which was more important than all the others, namely, that of Iron—a sphere in which Canada, in virtue of her natural resources, was in a position to establish a great national industry. According to him, Canada possessed in a high degree the natural conditions for such an industry—ores, coal, and other heating materials. In Ontario and Quebec, in particular, she had an abundant supply of wood for charcoal smelting. And all these were in close proximity to each other and connected by waterways with the centres of industry and trade. Finally, there was much superfluous labour power waiting employment. In the consumption of iron per head, Canada stood third among all countries, immediately after Great Britain and the United States. The other industrial countries had, he said—some of them under much less favourable natural conditions—developed a great iron industry by means of a systematic protective policy, the last and most splendid instance being Canada's neighbour, the United States. Its example, which

<sup>1</sup> Unfortunately only the summary of this Budget speech is contained in the Blue Book mentioned.

had in general served as model for the Canadian protective policy, was, therefore, particularly valuable in this special question of iron duties. For, he continued, owing to the influence which the high wages of labour in the United States exerted over wages in Canada, the growth of a home iron industry, in spite of these natural resources, was possible only under the protection of duties which approximated, at least, to those of the United States.

The raised duties proposed by the Government did not come up to those existing in the United States. They amounted to \$4 for pig iron (as against the previous duty of \$2 in Canada and \$6 in the United States); and this proportion, namely two-thirds of the American duties, was used as the standard for the other branches of the iron industry, so far as they seemed likely to thrive in Canada. On the other hand, in the case of sheet iron, hoop iron, and fine steel, the revenue duty of  $12\frac{1}{2}$  per cent. was retained, as it was not expected that these would be manufactured in Canada for some considerable time.

To encourage the development of a national iron industry, anthracite coal, which Canada did not herself produce, was, from that time, to be admitted free. For a time, too, in the interest of the general industrial development of the country, railway rails were allowed free entry, although it was hoped, that, by the successful encouragement of a national iron industry, Canada would later be in a position to manufacture these also.

But this important raising of the iron duties, and the removal of the duty on anthracite coal, were only a part of the tariff reform of 1887: a large number of less important rises and additions were made. The

total changes proposed by the Government numbered again about 120, and most of these were accepted. Among the raised duties were:—the duty on cigars and cigarettes, and the duty on potatoes and vegetables (about 20 per cent. to 25 per cent.). On the other hand, the duty on watch components was reduced from 20 per cent. to 10 per cent. in order to encourage the home manufacture of watch cases. Further, all cotton yarns, finer than number 40, for working up in home fabrics, were admitted free: as also steel of the value of  $2\frac{1}{2}$  cents per lb. and upwards, for the manufacture of skates, and steel for the making of files if imported by file manufacturers for use in their factories.

We see from these examples in what a detailed, complete, and systematic way the protection of national industries was carried out.

The raising of the iron duties caused great excitement, and called forth lively protests from the iron industry of the mother country. These protests were sent to the Colonial Office with a demand that it should interfere. To this demand the Colonial Office could not, of course, respond, owing to the constitution of the Self-Governing Colonies. It contented itself with forwarding to the Canadian Government the protests and memoranda of the various English Chambers of Commerce. To this the Canadian Finance Minister answered in a Memorandum,<sup>1</sup> in which it was pointed out that, in calculating the details of new iron duties, there was again a distinct preference in favour of the iron industry of the mother country as against that of the United States. In the Report, the interesting fact came out, that British iron and steel goods had, to an

<sup>1</sup> *Ibid.*, p. 38.

increasing extent, been driven out of the Canadian market by foreign goods, principally, indeed, by the highly protected iron industry of the United States. In 1868, the Canadian import of iron goods, divided into four classes, and embracing the higher kinds of iron and steel manufactures employing skilled labour, had amounted to 58 per cent. from Great Britain, and only 42 per cent. from the United States. In the ten years, however, from 1877 to 1886 only 30 per cent. had come from Great Britain, as against 70 per cent. from the United States.

In these circumstances, the diminution of this preponderantly foreign, not British, import, through the growth of a home Canadian iron industry, was represented as altogether in the interests of the Empire. It was emphasised, that the new duties amounted to only two-thirds of the American ones, and that British iron and steel goods, to the value of several million dollars yearly, would have, as before, entirely free admission. Of the dutiable iron goods imported during 1886, 50 per cent. came from the United Kingdom, and 50 per cent. from other countries: of the duty free goods, on the other hand, 86 per cent. came from the former and only 14 per cent. from the latter. Under the new tariff, it was calculated that, supposing the iron imports remained the same as in the former year, of those which paid a duty of  $12\frac{1}{2}$  per cent. or less, Great Britain would send 93 per cent., the other countries 7 per cent.: of those which paid  $12\frac{1}{2}$  to 25 per cent., Great Britain would send 62 per cent., other countries, 38 per cent.: of those which paid over 25 per cent. the former would send only 43 per cent., the latter 57 per cent. The highest of the new rates would, therefore, be imposed on those articles the great majority of which

was imported from foreign countries, while most of the goods imported from the United Kingdom would be duty free as before, or burdened with low or moderate rates.

Finally, the Minister called to mind that Canada had spent over \$100,000,000 on the completion of the Canadian Pacific Railway, which was of the highest service to the interests of the Empire; and that Canada hoped, by increasing her industrial independence of foreign countries and by utilising her own economic forces, to attain to a flourishing condition and become a source of power and greatness to the British Empire.

The latest turn which the Canadian trade policy of 1890 and 1891 has taken, as against the United States on the one hand, and the Mother Country on the other, will be more appropriately discussed in the last chapter.

#### AUSTRALASIA.<sup>1</sup>

All the Self-Governing Colonies of Australasia, namely, the continent of Australia and the adjoining islands, *i.e.* New South Wales, Victoria, Queensland, South Australia, Western Australia, Tasmania, and New Zealand—with the single exception up till quite lately of New South Wales—have adopted a more or less strong protective policy. The colony which began first, and has gone furthest, is Victoria; and in this it offers

<sup>1</sup> British Parliamentary Papers dealing with the genesis of Canadian trade policy give at least some kind of fragmentary information, which permits of being put together into a tolerably complete picture; but those which deal with the other independent colonies give nothing but bare tariff outlines. Moreover, as I could not collect the material on the spot, I have only been able to avail myself of the meagre accounts given in previous literature on the subject.

an interesting contrast to its neighbour, New South Wales, which alone, up till quite lately, remained Free Trade.

While Canada's trade policy, as we saw, was, from the first, regulated by her relations with the neighbouring United States and by the trade policy of the latter, the Australasian colonies were able to frame theirs in complete independence, according to their needs and as they thought best: it is all the more significant, then, that their policy has become in principle so like that of Canada. There was, moreover, at the start a further difference. Canada, during the period of self-government, had never had complete Free Trade: this was not the case with the Australasian Colonies. In most of them—with the exception of Western Australia, where there was a general *ad valorem* duty of 7 per cent., and New Zealand, which had a few single specific duties besides—there were till 1860-1861 only revenue duties on beer, spirits and sugar, all other goods being entirely free.<sup>1</sup> It was at first, then, purely owing to revenue needs that a general change was made in the following ten years; and that from 1870, we find everywhere *ad valorem* duties of 5 per cent. to 10 per cent. Victoria, which had prided herself on her Free Trade in the first period of Responsible Government, changed her trade policy in 1865, and raised a certain number of *ad valorem* duties of 5 per cent. and 10 per cent., while a fairly large number of goods still remained duty free. New South Wales raised a general *ad valorem* duty of 5 per cent., as did South Australia; and Queensland, a similar one of 7½

<sup>1</sup> For details, see the collection of the tariffs of the various colonies in 1875 and 1880; Parliamentary Paper, 'Rates of Duty on British Manufactures or Produce,' 1881, 333, II.; also Bastable, p. 111; Farrer, *Free Trade versus Fair Trade*, p. 61.

per cent.; while Western Australia retained the level of 7 per cent., and Tasmania introduced modified specific duties on most goods. Up till 1875 these general, and, in part, revenue duties were increased in most of the colonies: Victoria raised her *ad valorem* duties to 10 per cent., in many cases to 20 per cent; South Australia and Western Australia to 10 per cent.; Tasmania and New Zealand raised their specific duties, the latter replacing them in part by *ad valorem* duties of 10 per cent. On the other hand, Queensland alone lowered her general *ad valorem* duties from  $7\frac{1}{2}$  per cent. to 5 per cent., and New South Wales took off altogether her general *ad valorem* duty of 5 per cent. and introduced in place of it a few moderate specific duties.<sup>1</sup>

There is no doubt that all these duties were originally revenue duties; but, as they were for the most part raised on manufactured articles, they were bound gradually, as in the case of Canada, to have the secondary effect of protective duties, so soon as the lower grade industries, that required no skilled labour, began to develop. Thus, what was at first an unintentional secondary effect, soon became a secondary object, and finally, here too, the chief aim of the tariff policy.

This transition from revenue duties to a frankly protective policy took place first in Victoria in 1877. The tariff of January 18th, 1878, was openly protective. Where specific duties—some of them fairly large—were not levied (for example, on boots and shoes), *ad valorem*

<sup>1</sup>The tariff of Victoria, New South Wales, New Zealand, and Tasmania is distinguished from the other Australasian tariffs, and from that of Canada, in that those articles not expressly enumerated and indicated in it as dutiable are free, while, in the case of the other countries mentioned, all non-enumerated articles pay a definite rate or general admission duty.

duties of 20 per cent. were imposed on most manufactured articles.<sup>1</sup> In addition, there was a complicated system of drawbacks. In 1880, we find increased rates. The various yarns (cotton, wool, linen, flax, and silk) were raised from 4s. 6d. per cwt.—the duty of 1875—to 11s. 3d.: while linen and cotton piece goods were free as before, silk piece goods paid 10 per cent., and woollen piece goods were partially free, some paying, however, 15 per cent., as against 10 per cent. in 1878; further, most of the *ad valorem* duties of 20 per cent. were raised to 25 per cent., and those of 10 per cent. to 15 per cent. or 20 per cent.

In the other colonies, too, we find further rises in 1880. In Western Australia, the 'general entrance tax' became 12 per cent. *ad valorem*; in New Zealand, 15 per cent., in addition to raised specific duties. In Tasmania, *ad valorem* duties of 10 per cent. and 12½ per cent. took the place of various specific duties. South Australia made only a few rises and several reductions, while Queensland retained her low rates of 5 per cent. all over.

The ten years between 1880 and 1890 brought further increases, the details of which cannot be entered into here.<sup>2</sup> In Queensland, even, the general impost was raised, in 1875, from 5 per cent. to 7½ per cent., and again, in 1880, to 15 per cent., on all non-enumerated goods. In 1885, South Australia changed her tariff after the model of New Zealand, and, in 1887, after the model of the protective tariff of Victoria. It now has, besides specific duties, numerous *ad valorem* duties of

<sup>1</sup> See the tariff in the Parliamentary Paper of 1879 [C.—2335].

<sup>2</sup> See the most recent collection of colonial tariffs in the Parliamentary Paper, *Colonies, General* [C.—6402], 1891. See also the latest alterations in the *Board of Trade Journal of 1891-1892*.



15, 20, and 25 per cent. : so also has Western Australia. The tariff of New Zealand, since 1888, and that of Tasmania, since 1889, have *ad valorem* duties of 20 per cent. : so also has Western Australia. The tariff of Victoria, too, during this period (by the end of 1889) has been raised : under the present tariff, woollen goods and manufactures pay 25 per cent. and 30 per cent. *ad valorem* : there are besides numerous *ad valorem* duties on manufactures of 25 per cent. and even of 30 and 35 per cent.

But, in Victoria, there are a great many, and these very important, articles of import, which come in entirely free : for example, a great number of metals and metal goods, all yarns, and, generally speaking, all non-enumerated goods. In this, as was said, the tariffs of Victoria, New South Wales, Tasmania, and New Zealand, differ in principle from those of Western Australia, South Australia, and Queensland, which impose *ad valorem* duties of  $12\frac{1}{2}$  per cent., 10 per cent., and 15 per cent. respectively, on all non-enumerated goods.<sup>1</sup> Still, this is, of course, only a purely formal distinction, for everything depends on how many and what articles are enumerated, both in the list of dutiable and in that of free goods—and the free list is fairly large in these latter colonies. In New Zealand, the Commissioner of Customs is expressly empowered to admit free, at his own discretion, any manufactured articles and raw materials adapted solely for the making up of goods in the colonies. Generally speaking, it is characteristic of colonial Protection, in Australia, as in Canada—in imitation again of the United States—that a great many manufactures which serve as raw material for new

<sup>1</sup>See Rawson, whose entire classification of tariffs is based on these external distinctions.

branches of manufacture—particularly machinery—enter free of duty.<sup>1</sup>

In Queensland, there are export duties on cedar wood of 2s. per hundred feet; in Victoria, £3 per ton on scrap iron; and in Western Australia, 5s. per ton on sandal wood, £2 per ton on mother-of-pearl, and 13s. per ton on guano (as royalty).

To fill up these barren outlines of tariff history, and to show the reasons of the alterations which took place, I have, unfortunately, been unable to avail myself of any other sources of information than Sir Charles Dilke's *Problems of Greater Britain*.<sup>2</sup>

According to Dilke, the Australian colonies adopted their protective policy after mature consideration, and in the deliberate conviction that it was, on the whole, conducive to the prosperity of each new country, in spite of the loss incurred, in individual cases, by the rise of prices, *i.e.* by the greater expenditure to the consumer. Its object was to create a home industry, and, in particular, to maintain and, where possible, to raise the high rate of wages prevailing in the colonies as compared with European countries, as had been done in the United States, *i.e.* Protection against the cheap labour of Europe. That the desire for the growth of home industries should gain ground in these colonies is only a common and natural phenomenon, and it was strengthened and encouraged by the political attitude which the mother country had for a long time adopted towards them.

This protective conviction is strongest in Victoria—

<sup>1</sup> See Rawson, I., 16.

<sup>2</sup> See, in particular, Part VI., Chap. III., of the popular edition, p. 547, etc.; also under headings of the separate colonies.

so much so that the few in that colony who take the Free Trade side use arguments of the most purely protectionist type. And yet these Victorian protectionists have found the same practical difficulties in their way as have the protectionists of France: the manufactured article of one trade is the raw material of another; the protection given to the former is, therefore, prejudicial to the latter. Foreign stuffs are imported on a large scale and made into clothing in Victoria; the duty on woollen goods not having been sufficient to promote a rapid growth of the woollen industry, but the duty upon clothing being sufficient to protect the local clothing manufactories. Consequently, the recent increase of the duties upon woollen goods called forth the liveliest protest on the part of the clothing trade. We see that already, with the stronger growth of Protection, the same circumstances have developed as in European countries.

Indeed, we find, even in Victoria, an agrarian protective party which, in 1889, demanded the raising of the stock tax and of the duty on oats and barley.

The Gillies-Deakin Cabinet opposed these demands, but on political grounds, namely, the new obstacles which would be laid in the way of the proposed political federation of the Australian colonies. Now, the Government of Victoria is an enthusiastic advocate of the idea of federation, and consequently came forward on its behalf against the raising of duties which would hit New South Wales very heavily: standing out, indeed, for inter-colonial Free Trade with protective duties against other countries—*i.e.* for a gradual abolition of protective duties against the other Australian colonies. Thus the election of 1889 was

fought chiefly over the question, 'Australian or Victorian Protection,' and it ended in a signal victory for the Government. These rises, accordingly, were not carried out; but, instead of them, a number of very considerable increases were made in the duties protective of industry; without, in the first instance, setting aside the protective duties against the other colonies, which would have to come by way of reciprocity.

We shall return to this question. It may be mentioned in passing, however, that Victoria's advocacy of inter-colonial Free Trade has laid her open to the suspicion, on the part of the other colonies, of being influenced less by the ideal motive of federation than by the purely selfish consideration that her industries, which first grew up owing to protective duties, now have a great interest in finding a free market in the other colonies—just as England, when she went over to Free Trade, was greatly interested in converting other countries to the same, but for her own sake, not for theirs.<sup>1</sup>

While Victoria's principal aim in building up her protective policy was the fostering of a home industry against the industrial states in other parts of the world (particularly against the industries of the mother country), and the protection of 'national labour' against the cheap labour of Europe, the object of the protective movement in South Australia seems to have been primarily Protection or 'Retaliation' against Victoria herself. The Victorian tariff affected not only European goods, but also the products of the neighbouring colonies; and her protected industries have proved more dangerous to the industrial beginnings of the other colonies than have those of foreign countries. Through

<sup>1</sup>See Dilke, p. 138.

her protective policy, Victoria has arrived at this position:—that she can meet not only her own demand in the commoner and coarser fabrics, but can export the same to the other Australian colonies, while she herself has burdened their chief articles of export with considerable duties.

In strong contrast to this, New South Wales has given up her general *ad valorem* duties,<sup>1</sup> and, until lately, employed a system of low specific duties which may be described, in a general way, as Free Trade on the model of the mother country, although, in reality, a few of her duties were protective in their effects. In 1891, however, the protective party won the general election, or, to put it more accurately, neither the Protectionist nor the Free Trade party had an absolute majority: the decision rested with the Labour party. Consequently, in the spring of 1892, a change was made to a protective policy. The causes which led to this were primarily financial difficulties. There was a deficit in the State finances, which, in face of the decided dislike of the people to direct taxation, could only be met by raising the duties: further, there was the growth of urban population, and the increasing difficulty of procuring employment: and, lastly, the competition, in the markets of New South Wales, between the Victorian industries that had grown up under Protection and her own industries that had risen without it owing to the natural resources of the country. Here, too, was manifest the attempt, universal in Australia, to maintain a high rate of wages, and the fear that, without Protection, the standard of the Australian workers might be pressed down to the European level. The protective party in New South Wales pointed to the

<sup>1</sup> Dilke, p. 167.

dependence of the Colony, in regard to the necessary means of subsistence, on the farmers of other colonies, in spite of the large amount of unemployed labour at home and the abundance of productive arable land. On the other hand, the raising of wool employed but little labour. As the wool-producing squatters and importers were, naturally, disciples of the current Free Trade policy, the protective movement showed itself first in the manufacturing and artisan classes: it spread subsequently to other classes in the country, and, particularly, round the stretch bordering on the River Murray, or 'Riverina,' the boundary between the two States, where retaliation duties were demanded against Victoria. The example of the latter, as well as the evidence of its economic development under its protective system—especially the surpluses in its government revenues—was the chief factor in spreading the conviction, even in New South Wales, that the same trade policy would contribute to the development of its natural resources, and to the profitable employment of its population.

New Zealand, too, was not converted to an explicit protective system till later, when, through the protection given by the duties intended for revenue, industries had been called into existence which would not, according to the general conviction, otherwise have arisen, and which were now of advantage to the colony. In Dilke's opinion, these industries, like those of Victoria, are no longer in need of any Protection: on the contrary, they are in a position to sell at lower prices (taking freight into consideration) than the competing European industries. But this is as little admitted by the interested parties here as it is in Victoria, and there is a strong tendency to further raise the tariff rates.

The best proof of the growth of the protective movement in Australasia is the circumstance that Queensland, too, has gone over to a protective policy, at first moderate, afterwards more decided; although here, also, agriculture still predominates, and the production of wool (besides gold mining, sugar planting, and stock raising) is the chief industry of the country. Here, as in Victoria, according to Dilke, both political parties are protective for the same reason as finally led to the conversion of New South Wales; namely, the idea that the magnificent territories of Australia, teeming with the elements of every kind of wealth, were 'intended by nature for other purposes than a sheep-walk, like an Asiatic steppe.'

As we have seen, this endeavour after a more thorough development of the natural resources of the country, by means of a national economic policy, has not taken one common form, embracing the various Australian colonies: it has come about by the separate action of the individual colonies, sometimes directed, not only against countries outside, but also against each other, to the detriment of their own interests. Thus, between these very colonies which had, politically, the same origin and which are, economically and nationally, one, there arose a tariff war to which, in more than one instance, the present height of the duties must be to some extent ascribed. This raises the question how such a state of affairs has come about: and why, from the very beginning, the Australasian, like the British North American colonies, did not grant to each other reciprocal tariff preferences, which might have led in time to political federation and a common tariff.

The answer to this question is to be found in the interesting material presented by the English Parliamentary papers. These papers are, at the same time, very characteristic of the trade policy pursued by the mother country towards the colonies at the time when Cobdenism was at its height.<sup>1</sup>

The Australian colonies, indeed, both wished and tried to follow the example of the North American colonies. But the difficulties which the British Government laid in their way defeated the attempt; and, in the meantime, the isolated course taken by the trade policy of the individual colonies has created an economic conflict of interests which makes a difficult task to-day of what would have been very easy twenty-five years ago.

While the charters of the North American provinces, at the time they received Responsible Government, expressly allowed the granting of reciprocal tariff preferences, those of the Australian colonies of New South Wales, Victoria, and Queensland contained an explicit prohibition against imposing differential duties of any sort. At the end of 1866, the Executive Council of New South Wales recommended that the Imperial Parliament should be invited to pass a measure for repealing the provision in question, and allowing tariff preferences, or mutual Free Trade, between the different Australian colonies. The request was not answered till 1868, when it was decidedly refused. But the approval of the mother country was held out in the event of the colonies uniting in a formal Customs Union.

New South Wales had wished for this change, among

<sup>1</sup>See Parliamentary Paper, *Correspondence with the Australian Colonies with reference to Proposals for Inter-Colonial Tariff Arrangements*, 1872 [C.—576]; *Further Correspondence*, etc., 1873 [C.—703].



other grounds, on account of its trade with Victoria : and, more especially, in the interests of the vine and tobacco growers of Albury, who, divided from Victoria only by the Murray River, had their best market in that colony. It had, in the meantime, hit upon another method of, partially at least, attaining that object by concluding, in 1867, an agreement with Victoria concerning border duties. Under this agreement, all goods entering either colony across the boundary, the River Murray, were to pay no import duties, and the balance which, otherwise, would have been due to New South Wales, if duties had been collected at the existing rates, was compounded for by Victoria by an annual sum of £60,000.

This agreement remained in force for five years. Negotiations for its renewal broke down owing to the raising of the claim on the part of New South Wales to £100,000. Victoria would not give more than £60,000, and asked for a mutual determination of the actual surplus by customs officials on both sides. To this, New South Wales would not agree. This arrangement had been approved by the Government of the mother country.

The desire for the removal of these inter-colonial duties, not only between Victoria and New South Wales, but between these two and all the other colonies, *i.e.* for inter-colonial Free Trade, became more pronounced in the second half of the sixties, after general *ad valorem* duties had been everywhere introduced. In June, 1870, on the initiative of the Tasmanian Government, a Conference of delegates from Tasmania, New South Wales, Victoria, and South Australia, met in Melbourne to discuss the establishment of a Customs Union for the Australasian colonies. All

the delegates were favourably disposed to such a step; but the agreement as to a common tariff fell through owing to the opposition between New South Wales and Victoria. The former 'stipulated for Free Trade principles, while the latter declined to relinquish her existing tariff,' which was in many respects already of 'a decidedly protective character,' and which she wished to see adopted as the common tariff. On the failure of this plan, the delegates unanimously adopted a Resolution asserting the rights of the Australian colonies to 'enter into arrangements with each other for the reciprocal admission of their respective products and manufactures duty free on such terms as may be mutually agreed upon,' and requiring the repeal of the legal provisions which forbade differential duties. This Resolution was also adhered to by the colonies not represented at the Conference, New Zealand and Queensland; and, in conformity with it, measures under the name of 'The Inter-colonial Free Trade Act,' or 'The Colonial Reciprocity Bill,' were brought in and adopted by most of the colonies, only waiting on the assent of the Queen.

This assent did not, and could not, follow, as these measures came into collision with the constitution; and, on July 13th, 1871, the Secretary of State for the Colonies, Lord Kimberley, sent a Circular Letter to the Governors in which he indicated that it was quite impossible to grant the wishes of the colonies. In his opinion—a very questionable opinion, as we have seen—Article VII. of the Commercial Treaty with the Zollverein would not stand in the way of reciprocal tariff preferences between the British colonies; such preferences were, however, inconsistent with the principles of Free Trade and therefore inexpedient, although the

British Government was always ready to welcome a Customs Union of the Australasian colonies.

Following on this Circular Letter, a second colonial Conference took place at Melbourne in September, 1871, attended by delegates from New South Wales, Tasmania, South Australia, Queensland, and Victoria, at which the following motions were unanimously carried :

That the Australian Colonies claim the right to conclude Reciprocal Treaties regarding the import of their respective products and manufactures :

That no further commercial treaty shall be concluded by the Imperial Government with any foreign country which infringes this right in any way.

That any interference of the Imperial Government in Inter-Colonial trade policy shall finally and entirely cease, and that all Imperial Legislative enactments, limiting the exercise of this right, shall be done away with.

A further memorandum which gave expression, in its third clause, to the wish that the connection between the colonies and the mother country should long continue, was not adopted by the delegates of Victoria on account of this clause. (!)

In reply to the Circular Letter of the Secretary of State, detailed memoranda were issued by the Ministers of the various colonies. Of these the most elaborate and important is that of the Colonial Treasurer of New Zealand, Mr. Julius Vogel. He emphasises that what the Australasian Colonies were demanding had been granted to the North American Colonies from the very first, and had there led to the tariff union which the English Government wished to see in Australasia. In the Australasian Colonies, on the other hand, the absence of such reciprocal arrangements had brought

about the existing circumstances of mutual tariff war which had destroyed the prospect of a Customs Union. It had, he said, aggravated and strengthened the protective tendency, inasmuch as it was partly the effect of the protective tariffs of some of the colonies which had forced others to change their original Free Trade policy into one of Protection.

The Memorandum states, moreover, that the practical result to the mother country, as to foreign countries, is the same whether Free Trade is established between the individual colonies by a Customs Union or by reciprocity treaties; it mentions further the idea of a tariff union embracing the whole Empire, with internal Free Trade, and emphasises the fact that the treaty with the German Zollverein would equally stand in the way of this.

The Colonial Treasurer admits that much may be said against the discretion allowed the Colonies as to fixing their own tariffs in the original Constitutions granted them. But seeing that England had allowed this, she must, to be logical, go further, and grant them complete freedom of trade policy towards other countries, and liberty to conclude reciprocity and commercial treaties. If she would not do this, if she persisted in regulating the treaty relations of the independent colonies towards other countries and among themselves, she must grant them a corresponding constitutional voice in matters affecting the Empire, *i.e.* she must apply, in some shape, to the Empire that Federation which, as between the Colonies themselves, she constantly recommended.

The other Ministers expressed themselves to the same effect, though with less emphasis: even the Governors of the colonies, convinced Free Traders as they were,

held it for the most part advisable that the Government of the mother country should accede to these wishes of the Australasian Colonies, 'even at the cost of a bit of economic theory.'

This was not, however, done. In another Circular Letter of April 19th, 1872, Lord Kimberley again refused the colonial demands, and gave in detail his reasons for doing so. The idea of a Customs Union of the whole Empire, he put aside as Utopian, and he tried to make clear the difference in principle between a Customs Union of the colonies and the conclusion of reciprocity agreements between them. The mother country, indeed, could not hinder such a Union from adopting a protective policy to outside countries, but there was nothing in the Union itself, as there would be in the reciprocity agreements, inconsistent with the maintenance of the existing rule against differential duties.

The case of the North American colonies, he continued, could not be quoted as a complete precedent; and he tried to explain this from their peculiar circumstances, namely, the political federation that was then in prospect—as if the same object were not desired by Australia, and could not be attained in the same way.

He laid great stress on the fact, that to grant the wishes of the colonies might tend materially to affect the relations between them and the mother country.

The wiseacre conclusion was, that all these complications would be avoided if the colonies would adopt the Free Trade policy of the mother country.

To the often-repeated retort of the Colonies, that the refusal of their claims would be more likely to injure the relations between them and the mother country than would differential duties, no answer was given.

The attitude of the British Government, and the Circular Letters of the British Secretary of State, show quite clearly the want of system in the English colonial policy and its utter lack of understanding, at the time when Manchesterism flourished. The freedom previously granted to the North American colonies, before Manchesterism dominated British trade policy, was now looked upon as a false step, and was denied to the Australasian Colonies in similar circumstances, for no better reason than the stiffest doctrinarianism. The Government made no use of the argument which would have been of real importance, namely, that such reciprocal tariff preferences were inconsistent with the clauses of the commercial treaty with the German Zollverein: it preferred, in an absurd way, to take its stand on the prohibition of differential duties, as a matter of Free Trade principle, and on the purely formal distinction between a Customs Union of the Colonies and mutual tariff preferences.

In face of such barren doctrinarianism, one is almost driven to assume that the Government thus strongly advised a Customs Union, not because it wished it, but because it recognised that this was a form of union which the Colonies at the time would not accept.

#### CAPE COLONY.

Cape Colony also has considerably raised its duties in the period under consideration, and at the present date has revenue duties which, if not explicitly protective, are yet high enough to be partially so. As was mentioned, Responsible Government was granted to this Colony in 1872, and the previous general *ad valorem* duty of  $7\frac{1}{2}$  per cent. was first raised to 10 per cent., then, in 1884,

to  $11\frac{1}{2}$  per cent., and, as regards many articles, to 15 per cent. This last duty was, however, soon reduced again to 12 per cent., and in some cases even to 10 per cent. In the latest tariff, that of 1889, a number of enumerated articles pay specific duties, but all non-enumerated pay 12 per cent. *ad valorem*.<sup>1</sup>

Since July 1st, 1889, Cape Colony has been united with the Orange Free State by a Tariff Union which gave internal Free Trade, and adopted the duties of the Cape against outside countries. According to the resolutions of the Conference of 1888, Natal was also to adhere, but refused on the ground that it was unwilling to accept the high duties of the Cape. The law which established this tariff union was approved by the British Government, but was not at first promulgated on account of differences of opinion between the Foreign and the Colonial Office, as to whether this step were compatible with England's Most Favoured Nation Treaties. The Foreign Office and the Board of Trade finally adopted the reading of the Colonial Office, that such a tariff union between two neighbouring States was not inconsistent with the principle of these treaties; that inland and sea boundaries were to be distinguished in this respect; and that, in regard to the former, special privileges could be conceded in accordance with the already mentioned 'limitrophe principle,' without coming under the Most Favoured Nation Clause—certainly a very disputable interpretation, and one which had never before been advocated in similar cases by the British Government.<sup>2</sup> No protest is, however, known to have been raised against it by other States which have Most Favoured Nation Treaties with England.

<sup>1</sup> See *Return of Colonial Tariffs*, 1891 [C. 6402], p. 22.

<sup>2</sup> See Dilke, *ibid.*, p. 297.

## B. INDIA AND THE CROWN COLONIES.

India is the only British Colony of any great importance in which the mother country has applied, and carried out, her own trade policy. But this was not done by any means altogether smoothly and without friction; neither was it from pure doctrinaire or theoretic considerations; nor even in the interests of India, but rather in those of home industry. It is 'King Cotton'—the industry of Lancashire—whose interests have been most to the front.

The point of most importance in the alteration of the Indian tariff on the English model, was the gradual abolition of cotton duties in India. These were found burdensome by the Lancashire cotton industry. In consequence of cheap labour, and cheap raw material, there arose an important home cotton industry in India, which, in the coarser yarns and fabrics, offered a very appreciable competition to English industry and seriously diminished English imports into India. It was said of the Conservative Party, that, in order to keep the votes of the North of England, it had pledged itself to come forward in the interests of the Lancashire industry.

From 1871, when an *ad valorem* duty of  $7\frac{1}{2}$  per cent. was levied on most goods imported, the duties were continually curtailed, and, after the Customs Tariff Act of 1875, which limited the Indian tariff to 65 articles, a resolution of the English House of Commons, on August 30th, 1877, declared that the cotton duties in India, to the extent to which they existed, were, in their nature, protective; they were therefore in contradiction with the sound principles of trade policy, and should



be abolished as soon as the condition of Indian finances permitted.

In obedience to this demand of Parliament, and to obviously strong pressure on the part of the Secretary of State for India, the Governor-General, or Viceroy of India, undertook, although the state of Indian finance by no means warranted it, to reduce still further the number of articles taxed, bringing them down to 35. The abolitions affected chiefly railway materials, the duty introduced in 1875 on foreign raw cotton, and some of the duties on cotton manufactures, viz. :—the existing duty of 5 per cent. on all cotton fabrics made from yarn not finer than number 30, as well as from yarn not finer than number 32 in the case of mule twist, and number 20 in that of water twist.

This partial abolition of the cotton duties was carried through by the Governor-General, in opposition to the majority of his Cabinet or Executive Council. It was done in virtue of his constitutional right to issue Decrees without the consent, and against the opinion of his Council, in events of great weight and importance where the good of the country was concerned. The opposition of the majority of the Cabinet to the measure, was partly due to the unsatisfactory state of the finances at the moment; partly to protective motives, as they were unwilling to withdraw the Protection hitherto granted to the young Indian cotton industry, which was beginning to suffer from depression in consequence of over production; and partly because they saw in it a measure dictated, not by the interests of India, but by those of the English cotton industry. Even in the Council of India in London, by which the Secretary of State for India is assisted, and which is solely deliberative in its function, opinion was so divided

that there were seven votes for, and seven against, the step taken by the Viceroy. It was only the casting vote of the Secretary of State which decided the matter in his favour.<sup>1</sup>

The direct protection of cotton goods and cotton yarns hitherto made for the most part in India herself, was thereby removed: and this was done, not on the ground of theory, but solely in the interest of the mother country which was suffering heavily at the time from industrial and commercial depression, and in open opposition to public feeling in India. So long, however, as all the cotton duties were not taken off, there still remained a kind of indirect protection; as, owing to the duties which still remained on them, the finer cotton goods, up till now imported from the mother country, might be ousted by the coarser piece goods manufactured by India herself. Hence, in 1882, the remaining cotton duties on fine cotton yarns and fabrics were removed. India's present tariff is the same as that of the mother country, *i.e.* purely Free Trade, with simple revenue duties that do not have protection even as a secondary effect. Only seven articles are now taxed: malt liquors, spirits, wine, weapons, ammunition, salt, and opium—the last two for the protection of the Government monopoly.<sup>2</sup>

India has, besides, export duties on paddy and rice, which bring in considerable sums, but are nothing more than revenue duties.

It is neither necessary, nor possible, to dwell here upon the numerous very complicated tariffs of the Crown

<sup>1</sup> See Parliamentary Papers, 241, 1879; 188, 1879; 69, 1879; 392, 1879. Also Dilke, p. 407.

<sup>2</sup> See Rawson, I., p. 7.

Colonies. With the exception of the relations between the mother country and the West Indies—the hapless child of the Empire—which have already been discussed in another connection, they offer no features of special interest as regards trade policy. A few brief remarks may therefore suffice.<sup>1</sup>

In two of them, Hong Kong and the Straits Settlements, no duties at all are levied; in the former there are not even statistics of import and export.

A number of them, like India and the mother country, have only a few purely revenue duties; most of them, and among these the West Indies, have, on the contrary, a general *ad valorem* duty on all articles not burdened with specific duties, nor expressly declared free. This general *ad valorem* duty differs very considerably in the different colonies, varying from 4 per cent. to 20 per cent. (in the Bahamas.)<sup>2</sup> But even in cases where the duty is as high as in the independent protective colonies, it is purely for revenue purposes, since the economic or climatic conditions of the Crown Colonies exclude the possibility of cultivating any home industry worth mentioning, in competition with the industrial States of the temperate zone. I refer to coaling stations, naval bases, and free ports, or to colonies in the tropical zone.

<sup>1</sup> For further details, see Rawson, *ibid.*

<sup>2</sup> See Rawson, I., pp. 9-13.

## CHAPTER III.

### THE DEVELOPMENT OF TRADE IN THE MOST IMPORTANT COLONIES FROM 1860 TO 1890.

#### A. GENERAL TRADE OF THE COLONIES.<sup>1</sup>

THE commercial importance of the chief British Colonies, compared with the mother country, is seen in the following Table.<sup>2</sup>

The total import and export trade of the British Empire amounted in 1885 to £1,046,342,000, distributed as under :

		Per Cent.
1. United Kingdom,	£642,372,000	61.4
2. India,	167,160,000	16.0
3. New South Wales,	40,007,000	3.8
4. Canada,	39,991,000	3.8
5. Straits Settlements,	35,559,000	3.4
6. Victoria, -	33,596,000	3.2
7. New Zealand,	14,300,000	1.3
8. Queensland,	11,666,000	1.1
9. Cape of Good Hope,	11,216,000	1.1
10. South Australia,	10,706,000	1.0

<sup>1</sup> The only sources of which I have been able to avail myself for the following discussion are British, most important being the annual *Statistical Abstracts for the Colonial and other Possessions of the United Kingdom*. Two new and comprehensive statistical works:—*The Year-Book of the Imperial Institute*, first issue, London, 1892, and Coghlan, *A Statistical Account of the Seven Colonies of Australasia*, Sydney, 1892, I did not come across until the book was in print, and could only use them here and there to give additional completeness.

<sup>2</sup> From Rawson, II., 124.

The shares of the other colonies amount to less than 1 per cent., and, even of the three remaining self-governing colonies, Tasmania stands 15th, with 0.3 per cent.; Western Australia, 21st, with 0.1 per cent.; and Newfoundland, 18th, with 0.2 per cent. Numbers 22 to 41 have, therefore, less than 0.1 per cent.

We see, then, that, with the exception of India, the foreign trade of the British Colonies and Possessions is not very important, compared with that of the mother country.

Let us examine the development of foreign trade in the nine most important of these, and in the two other independent colonies, between 1860 and 1890. The result is shown in the Table A.<sup>1</sup> (See p. 278.)

This Table shows a somewhat different order in the position of South Australia, Queensland, and New Zealand. In some ways there is a very considerable increase in the figures of foreign trade, especially in the case of India, New South Wales, and the Straits Settlements; there is a still greater increase in Cape Colony, South Australia, New Zealand, and Queensland. In the case of the four latter States, this is partly explained by the fact, that the initial figures are very small, as, at the beginning of this period, these countries were still at a rudimentary stage of their economic development. In the case of the former States, there is little doubt that the rapid growth of their trade is connected with their Free Trade policy. In contrast with these, Victoria shows a distinctly smaller growth, and Canada a sharp decline, between 1870 and 1880, which is barely made up in the following years. One might perhaps be justified in looking upon this as the result of the strongly protective trade policy of these two States. But that it is not

<sup>1</sup> Taken from the *Statistical Abstracts*.

TABLE A.

COUNTRIES.	1860 Million £.	1870 Million £.	1880 Million £.	1890 Million £.
1. India :				
Import,	40.6	46.9	52.8	85.6
Export,	28.9	53.5	69.2	105.3
Total,	69.5	100.4	122.0	190.9
2. New South Wales :				
Import,	7.5	7.2	14.2	22.6
Export, -	5.1	5.8	15.7	21.0
Total,	12.6	13.0	29.9	43.6
3. Canada :				
Import,	...	26.5	14.9	23.1
Export,	...	18.7	18.3	19.9
Total,	...	45.2	33.2	43.0
4. Straits Settlements :				
Import, -	...	10.3	13.7	21.5
Export, -	...	8.7	12.9	21.3
Total, -	...	19.0	26.6	42.8
5. Victoria :				
Import,	15.1	12.4	14.6	22.9
Export,	13.0	12.4	15.9	13.3
Total,	28.1	24.8	30.5	36.2
6. Cape Colony :				
Import,	2.7	2.5	8.0	10.1
Export,	2.1	2.6	7.9	10.3
Total,	4.8	5.1	15.9	20.4
7. South Australia :				
Import,	1.6	2.0	5.6	8.2
Export,	1.8	2.4	5.5	8.3
Total,	3.4	4.4	11.1	16.5
8. New Zealand :				
Import,	1.5	4.6	6.1	6.2
Export,	0.6	4.8	6.3	9.8
Total,	2.1	9.4	12.4	16.0
9. Queensland :				
Import,	0.7	1.5	3.1	5.0
Export,	0.5	2.0	3.4	8.5
Total, -	1.2	3.5	6.5	13.5
10. Tasmania :				
Import,	1.1	0.8	1.4	1.9
Export,	1.0	0.7	1.5	1.5
Total,	2.1	1.5	2.9	3.4
11. Western Australia :				
Import,	...	0.2	0.4	0.9
Export,	...	0.2	0.5	0.7
Total, - -	...	0.4	0.9	1.6

the *necessary* result of such a policy, we see at once from a glance at South Australia, New Zealand, Queensland, and particularly Cape Colony. These show a great increase of trade, at the very time when they had gone over to a protective trade policy.

The treatment which we have given is not, however, sufficient to explain adequately the relation between the trade policy and the actual trade of the colonies mentioned. It is necessary to go further, and to compare, in this instance too, the movement of trade with the movement of population, *i.e.* to ascertain the relative, as well as the absolute, increase or decrease.

Table B shows the movement of population in these colonies. (See p. 280.)

From this Table we get the following approximately correct statement of the relative course of trade in the colonies concerned. The years taken for population and for trade statistics are not always co-incident, but the errors rising from this are not likely to be of much importance.<sup>1</sup> (See p. 281.)

<sup>1</sup> Slightly different, and certainly more exact, is Coghlan's table (*ibid.*, p. 49); but for the Australasian colonies alone, and for the years 1881 and 1890.

	1881			1890		
	£	s.	d.	£	s.	d.
New South Wales,	44	11	7	40	10	7
Victoria, -	37	17	9	32	7	7
Queensland,	34	4	2	35	1	3
South Australia,	35	9	10	54	6	1
Western Australia,	30	14	11	32	15	5
Tasmania, -	25	11	3	23	10	11
New Zealand,	27	8	6	25	17	6
Australasia (total),	36	14	8	35	10	3

TABLE B.<sup>1</sup>

COUNTRIES.	POPULATION.					Area in Square Miles.
	1850	1861	1871	1881	1890	
India, <sup>2</sup> - - -	...	...	191,018,412	198,790,853	220,490,980	944,489
Straits Settlements, -	...	282,831	308,097	423,384	506,673	1,472
New South Wales, -	265,503	358,278	503,981	751,468	1,121,732	310,700
Victoria, - - -	76,162	541,800	731,528	862,346	1,140,405	87,884
South Australia, -	63,039	126,830	185,626	279,865	329,911	903,690
Western Australia, -	5,886	15,691	25,353	29,708	46,290	1,060,000
Tasmania, - - -	...	89,977	101,785	115,705	145,290	26,215
New Zealand, - -	26,707	98,971	256,393	489,933	625,662	104,458
Queensland, - -	28,887	34,885	120,104	213,525	422,776	668,497
Dominion of Canada, -	...	...	3,686,096	4,324,810	5,029,411	3,406,542
Cape of Good Hope, -	285,279	267,096	582,582	720,984	1,525,739	221,311

<sup>1</sup> From the *Statistical Abstracts*.<sup>2</sup> No figures of population before 1871.



Total foreign trade per head of population :<sup>1</sup>

COUNTRIES.	1860.	1870.	1880.	1890.
	£	£	£	£
India,	...	0.5	0.6	0.9
Straits Settlements,	...	63.3	66.5	85.6
New South Wales, -	36.0	26.0	39.8	39.6
Victoria,	52.0	33.1	35.4	31.7
Canada, -	...	12.2	7.7	8.8
Cape Colony,	18.4	8.8	22.0	13.6
South Australia, -	28.3	24.4	41.1	51.5
New Zealand,	21.4	36.1	25.8	26.6
Queensland, -	35.3	29.1	32.5	33.7

This Table is very instructive in many ways. In the first place, the low figures for India are striking. These are easily explained by the great density of its population. On the other hand, the extraordinarily high

<sup>1</sup> See above, page 116 and Table I. (in the Appendix). It must be noted, however, that the trade statistics of the colonies include the movement of the precious metals, while those of the United Kingdom do not. If these are taken into account, we get for 1890 the following interesting comparison between the absolute and relative amount (per head) of the total trade of the most important colonies, and that of England and the other important countries of the world.

	Total Trade. Including Precious Metals. Millions Sterling.	Trade per Head.
United Kingdom,	797.7	£21 3 11
France,	439.8	11 10 10
Germany, -	539.2	11 1 11
Belgium,	254.0	41 13 8
Cape Colony,	20.4	13 7 7
Canada, -	44.9	9 6 2
United States,	355.9	5 13 8
Australasia, -	75.2	20 2 4

(Coghlan, *ibid.*, p. 50). Only the foreign trade of Australasia has been taken into account here, *i.e.* not including the trade between the various Australasian Colonies; hence the lower relative figures.

figures of the Straits Settlements are accounted for by the fact that this colony is only a commercial *entrepôt* with preponderating transit trade. The figures, again, of the Australian colonies are very high, compared with those of the mother country, while the Canadian figures, and those of Cape Colony more nearly approximate to hers.

The change in the figures, and in the relative positions of these colonies, is most interesting. Obviously it is connected, to a certain extent, with their trade policy, as it shows how far the individual colonies have become dependent on foreign trade for the satisfaction of the demand of their increasing population, and how far they have been able to meet it by their own production. It shows, plainly too, how, in the protective colonies, the so-called national economic policy, which aimed at being as independent as possible of foreign countries, has attained its object. Thus Victoria shows over the whole period a very marked decrease as the result of her strong Protection. The same was the case in Canada, in the ten years from 1870 to 1880, while, in the last decade, there is again an increase in foreign trade, showing that the protective duties have not been so effective in this period. So too in New Zealand. Cape Colony also shows a sharp decrease within the last decade, during which it has gone over to a more protective system. On the other hand, South Australia and Queensland show a rapid increase from 1870, specially marked in the case of the former. This is to be accounted for by the fact, that the protective trade policy has not here attained its object, and has failed to satisfy the increasing demand by home production, particularly home manufactures. In New South Wales, on the other

hand, we find a sharp decline between 1860 and 1870—the very time when this colony had general *ad valorem* duties; and an increase again between 1870 and 1880, since when there has been hardly any alteration except, perhaps, a slight decline.

In all this, it has been assumed that the question at issue was simply that of meeting the demand of a growing population, while the demand of each person remained constant. Now in the case of colonies just beginning to develop and flourish—and that such is the case here is universally acknowledged, and is never questioned—it is only to be expected that a rise in prosperity will bring an increase in the demand per head of population. If, then, in any colony, the amount of foreign trade per head declines, while at the same time its whole industrial life is flourishing, the only conclusion is, that a greater part of its demand is being supplied by home industry without recourse to foreign trade. Thus, from the slight decrease in the figures for New South Wales between 1880 and 1890, it must be concluded—and experience confirms this—that here, too, under Free Trade, and thanks to the natural advantages of the colony, a considerable home industry has developed.

The fairly large decrease between 1860 and 1870, which we see in all the Australasian Colonies (with one exception) and in Cape Colony, is, probably, to be explained by the course of economic development generally followed by colonies in the temperate zone: first a time of great excess of imports, when the colony only produces the products indigenous to it: then a time when ordinary trades and industries arise, leading to a diminution of the imports and exports: finally, in consequence of rising prosperity, a renewed increase, the course of

development now varying according as a Free Trade or protective policy is adopted. In any case, the introduction during this period of general *ad valorem* duties into these colonies, also had an influence on the figures of their foreign trade.

An important consideration for the trade policy of the separate colonies, whether it be taken as cause, or as effect, is, undoubtedly, the relation (seen in Table B) which population and its increase bear to area—a point which, in my opinion, has been too much neglected in pronouncing judgment on the trade policy of different countries. A larger population requires for its maintenance a greater diversity of employment and of economic activities, and especially the cultivation of a home industry as varied as possible. For this purpose a protective policy is, in the first instance, necessary, and this, in turn, gives rise to an increase in the population. The rate at which population increases in proportion to area, will, in the end, give a measure of the economic development. For the end of all economic activity is, after all, the richest possible life of the greatest possible number on a given soil. In particular cases, it is often hard to say which is the cause and which the effect. In the Australasian colonies, particularly in those where gold was formerly found in great abundance, the influx of a rapidly increasing population was undoubtedly the cause, as for instance in the case of Victoria. A glance at its area and its population, as compared with New South Wales, shows why, apart from the natural resources of the two colonies, about which we have yet to speak, the former became so early protectionist, and with what result, and why the latter could remain so long Free Trade.

Up till now we have only examined the course of development in ten-yearly periods: we must now, at any rate as regards the most important of the colonies, follow the annual course of foreign trade and discuss its principal branches, in order to see how far the conclusions we have just reached are confirmed.<sup>1</sup>

INDIA. The chief article of export from India, since 1863, has been raw cotton, and the great increase of the Indian exports during 1864 to 1866 is due, in the first instance, to this branch of the export trade. But this unusually large export of cotton was occasioned by the American Civil War, and to the necessity of making good, on the English market, the deficiency of American cotton, caused by the closing of the ports of the Southern States. The specially large export of those three years, temporary though it was, was for the most part paid in cash, *i.e.* by a corresponding increase in the import of precious metals into India. In the years 1868 to 1872, the export of raw cotton is also fairly high, if not so high as in the three years mentioned. It then falls again, and remains, with various fluctuations, up to the present time at a somewhat low figure (1891, £16,502,775).<sup>2</sup>

During the period in question, the second most important article of Indian export reckoned by value—before 1863, the most important—has been opium. It shows over the whole period a trifling increase and little fluctuation, the export being on the whole stable (1891,

<sup>1</sup> See *Statistical Abstract of the Colonial and other Possessions of the United Kingdom*; tables of export and total trade (including precious metals) of the most important British Colonies and Possessions in the years 1860-1890. As these tables cannot be reproduced here for want of space, only the most important points are mentioned.

<sup>2</sup> The year in the Indian statistics ends in March 31st; 1890-91 is, therefore, more correct than 1891.

£9,261,815). The export of rice and paddy is of considerable importance; it has perceptibly risen since 1879 (1891, £12,878,069), as has also the export of seeds, especially since 1884 (1891, £9,352,951). The export of raw jute has likewise increased very greatly during the last 15 years, and has almost trebled (1891, £7,602,010). The export of tea shows a steady, continuous increase (1891, £5,504,285). Lastly, one more article rose rapidly to importance during this period (after 1877, indeed), namely, wheat, the export of which rose to an exceptional height from 1881 to 1882 (from £3,277,942 to £8,869,562), and reached its high watermark (in value, not quantity) in 1884, with the figure £8,895,811. Since then, however, it has not been able to maintain that high figure (1891, £6,047,201).<sup>1</sup> There is a large increase also in hides and skins, rising from £2,944,933 in 1876, to £4,695,931 in 1891.

Among the Indian exports, a few manufactures also have, particularly during the second period, reached a high and increasing degree of importance. Chief among these are cotton goods, which rose from £1,380,577 in 1876, to £2,870,197 in 1891: and cotton yarns, which amounted in 1876 to £324,376; in 1880 to £1,163,946; in 1885, to £2,506,617; and in 1891, to £6,599,889. Cotton yarns have, therefore, since 1885, far exceeded the export of cotton manufactures. The increase has been specially large since 1887.

Lastly, jute manufactures amounted in 1876 to

<sup>1</sup> The statistics of quantity which, here too, show the influence of fluctuations in price, are as follows:

1881,		7,444,375 cwts.
1882, -	-	19,901,005 ,,
1884,		21,001,412 ,,
1887, -		22,263,624 ,,
1891,		14,332,555 ,,

£489,181, in 1880 to £1,098,434, and in 1891 to £2,481,976.

We are unable, however, to ascertain from these statistics how far this export is made up of home made goods and how far of re-exports of English manufactures. We might conclude from the fact that the great increase of exports begins after 1879, and after 1882, *i.e.* after the lowering and abolishing of the Indian cotton duties,<sup>1</sup> that, in the case of cotton goods, it was, to a great extent at least, made up or re-exports.

These, then, are the factors which account for the rise of the Indian export since 1881 and 1882.

What are the imports by which these exports are paid? India's imports which, at the beginning of the period (1860 to 1862), had been larger than her exports, have, since that time, more or less regularly fallen behind. Although the statistics given here include the import and export of the precious metals, the two columns of figures only occasionally approximate; the difference is often very considerable. The rise of exports in 1881, however, was accompanied by a considerable rise in the imports.

First among the imports, stand cotton goods and cotton yarns, and it is in these two that the rise has been most marked since 1881. Cotton goods rise from

<sup>1</sup>The *Imperial Institute Year-Book* (p. 383) gives statistics for the export of Indian-made cotton manufactures for the last five years, as follows:

In tens of Rupees.	1886-87.	1887-88.	1888-89.	1889-90.	1890-91.
Twist and yarn,	3,336,861	4,077,386	5,207,100	5,748,782	6,543,364
Manufactures (Piece Goods, etc.),	945,644	1,150,542	1,167,464	1,005,011	1,159,275

The re-exports of cotton goods during the same years amounted to

	1,490,700	1,648,312	1,705,167	1,728,358	1,710,493
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According to the same authority (p.402) India's total re-exports for the same years amounted to

	3,519,665	4,101,440	4,335,437	4,295,808	4,233,529
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£16,915,511 in 1880 to £27,241,987 in 1891: the import of cotton yarns also rises considerably from 1880 to 1881, and has since then remained tolerably stable—£2,745,306 in 1880, £3,699,177 in 1881, and £3,768,362 in 1891. No doubt the reduction of the duties in the year 1878-1879, and their total abolition in 1882, contributed greatly to this large increase in the import of cotton goods after 1881. But the smallness of the rise and the occasional declines in the import of yarns, is worthy of note, as expressing the increasing output of yarn from the Indian mills.

Other imports which have increased markedly within the last ten years are:—machinery and mill work (*i.e.* principally machinery for cotton spinning and weaving), which amounted in 1891 to £2,063,863; iron (which amounted in 1891 to £2,562,307); railway plant and rolling stock for the Indian railways that were being built in quick succession at this time, particularly in the wheat districts, and which amounted in 1891 to £2,001,853; woollen goods, which increased from £927,876 in 1880 to £1,818,213 in 1891; and sugar, which rose from £1,068,788 in 1880 to £3,399,886 in 1891. But India's rising exports during this period, particularly in the last ten years, have been paid to an increasing and extraordinary extent by imports of precious metals. These were as follows:

1876,	£5,300,722	(£2,200,236)
1880,	11,655,396	( 2,035,148)
1886,	15,477,801	( 1,108,238)
1887,	11,053,319	( 1,720,516)
1888,	13,825,856	( 1,604,624)
1889,	13,844,960	( 1,784,347)
1890,	17,459,501	( 1,906,322)
and 1891,	21,934,488	( 2,123,179)



The figures in brackets give the corresponding precious metal exports.

The value of these statistics with reference to the doctrine of the Balance of Trade, and the influence which the currency question has had upon the trade of India, cannot be discussed here.

NEW SOUTH WALES. Here we find that raw Wool—just as in India raw cotton—takes the first place in the exports, and determines their amount and their fluctuations.

At the beginning, it is true, in the first half of the period we are dealing with, the annual export of Gold from the colony (dust and bars as well as coin), was as great as, if not greater than, the value of the wool export. Thus the increase in the exports of 1862, and again between 1864 and 1866, was principally an increase in the export of gold.<sup>1</sup> From 1871 onwards, however, the increase was principally due to wool, and wool alone caused the great increase in the exports in the second half of the period, from 1877 on, and the later fluctuations. The value of the wool export of 1891 was £11,312,980 out of a total export of £25,940,022. Yet, just within the last few years, since 1887, the export of gold in its coined form has again become important (in 1891, £3,589,826) while that in dust and bars has become very insignificant (in 1891, £143,068). Besides wool and gold, the only considerable exports, particularly since 1881, are Coal and Coke, amounting in 1891 to £1,313,861, and Tin

<sup>1</sup> The following are the figures :

	Coined.	Dust and Bars,
1864,	£2,647,516	£304,955
1865,	2,325,844	441,006
1866,	2,815,437	531,983

Ingots, also to the value of over a million in 1882 and 1883: the latter have, however, since then fallen to £344,890 in 1891.

If we compare the exports with the imports we find, especially in the first half of the period, a remarkable parallelism, and frequently a great approximation between the two, the imports, however, regularly exceeding the exports. This is also the case in the second half: still, the movement here from year to year is less parallel, and the difference often striking. In later years a great approximation and coincidence is apparent. These imports are distributed over a large number of manufactures.

First among these, in the earlier half of the period, come Linens, Drapery, and Haberdashery (in 1860, £1,089,705); then manufactured Leather, Hardware, Ironmongery, etc., and Refined Sugar, Tea, and Wool. After 1864, too, we find a considerable import of precious metals, mostly in bullion, particularly from the years 1864 to 1868, and again in 1871 and 1872 (£2,283,629 and £1,142,488). When compared with the exports, this shows in an interesting way, the role which New South Wales plays in the international precious metal trade.

In the second half of the period, the import of Drapery (general) stands at the top; it rose in 1882 to £4,087,172, and fell again in 1890 to £2,385,309. Other important imports which are, on the whole, on the increase are:—Apparel and Slops, especially since 1884 (in 1891, £1,562,687); Hardware, which has gone back since 1883; Iron and Steel, particularly since 1882 (in 1891, £1,441,588); Manufactured Leather (boots and shoes) (in 1891, £640,298); Machinery (in 1891, £544,328); Timber, Sugar, and Tea. And, as before, the import

of Bullion is perceptibly on the increase (in 1891, £2,376,410).

Partly in consequence of its Free Trade policy, New South Wales was in a position to develop a certain amount of transit trade. To say nothing of the precious metals, this comes out, in the detailed trade statistics, in the exports of Drapery and Apparel, Hardware, Unrefined Sugar, Tea, and Tobacco, as well as in the import of raw Wool. We shall return to it later.<sup>1</sup>

VICTORIA. This Colony, again, tells another story. Here we find that, during the first half of the period, by far and away the largest export is Bullion. In 1860, it amounted to £8,624,860 out of a total export of £12,962,000, but for a long time this export has steadily declined, as under :

1870,	£6,119,782
1876,	2,103,591
1880,	967,924
1888,	166,877
1890,	516,438
1891,	- - 423,709

On the other hand, the export of Coined Gold reached high figures in the second half of the period :

1881,	£3,090,999
1883,	3,956,173
1890,	2,223,065
1891,	2,217,734

<sup>1</sup> According to the *Imperial Institute Year-Book*, it amounts annually to about £3 million on the average. Tin, wool, and copper are imported into Sydney from Queensland, Tasmania, and New Zealand for transshipment to Europe, and in return European manufactures are exported to these colonies.

In the first half of the period, the second most important article of export was Raw Wool. In 1860, it amounted to £2,025,066, and rose steadily till, in the second half, it had become the chief export. It amounted in

1880	to	112,486,206 lbs.,	in value	£6,417,466
1890	„	132,149,207 „	„	5,933,699
1891	„	164,805,907 „	„	7,165,062 <sup>1</sup>

The other exports are not important. Among them may be mentioned Cattle, Tea (re-export), and, since the eighties, also Wheat—specially from 1880 to 1882, and in 1884, when it amounted to £1,429,715: in the following years, the figure was much lower (in 1890, £114,357), but in 1891 it was again £907,636. Of manufactured articles, the *Statistical Abstract* mentions only Flour and Biscuits, Butter, Cheese, Boots and Shoes.<sup>2</sup> In the case of the last item, the export has steadily and seriously decreased (in 1879, £128,217; in 1890, £37,047; and in 1891, £47,197).

Butter and Cheese rose till 1884 (£145,545), since when they have fallen (in 1890, £66,396, rising again in 1891 to £234,265). In Flour and Biscuits, on the other hand, throughout the second half of the period, we find a marked rise, from £40,064 in 1876 to £451,543 in 1887: then a heavy fall in the two following years,

<sup>1</sup> A large part of this is, however, a re-export of wool, grown in the neighbouring pasture lands of New South Wales, and shipped from Melbourne to Europe. According to the table in the *Imperial Institute Year-Book*, p. 572, the export of foreign wool amounted in 1890 to £811,751. This figure has, however, been considered too low (*ibid.*, p. 574).

<sup>2</sup> The *Imperial Institute Year-Book* (p. 572) adds refined sugar; 1890, £126,468, of which, however, nearly three-quarters are re-exports.

but in the last two years again a rise (in 1890, £393,125; in 1891, £488,347). The growth is still greater if we take quantities, viz.:

1876	1,900 tons
1887	39,147 "
1888	42,736 "
1890	35,703 "
1891	48,572 "

In spite of her protective policy, Victoria has almost as great a transit trade as New South Wales, inasmuch as she re-exports goods of all kinds to New South Wales, Tasmania, and New Zealand, and ships the raw materials (principally wool) of these colonies to Europe.<sup>1</sup>

Looking next at the Imports, we find here much less of a parallelism between them and the Exports; there are very irregular fluctuations and leaps, imports and exports alternatively standing higher; finally, in the last years, the difference between the two is very great.

The marked decrease, in the first half of the period, in the most important manufactured articles of import is worth noticing. It was probably connected with the growth of the protective tariff in Victoria. The decrease was specially striking immediately after 1886, when the first duties on Haberdashery and Drapery were introduced; the figures for 1865 are £1,136,086, falling to £674,524 in 1866, and to £274,862 in 1867. There was a similar fall in Boots and Shoes, from £632,448 to £358,083, and in Hardware and Ironmongery, from

<sup>1</sup> Victoria's re-exports amounted in 1890 to £2,974,401, of which £1,127,642 came from Great Britain; £1,175,454 from the British possessions; and £671,305 from foreign countries (*Imperial Institute Year-Book*, p. 574).

£358,762, in 1865, to £259,661 in 1866, and to £97,405 in 1867.

Machinery shows a temporary increase from 1865 to 1866, followed again by a decrease. We find, on the other hand, a marked increase, from the same years onward, in the import of Cotton Goods which remained duty free, and in Live Stock, Sugar, Silk, and Silk Goods. It was not, however, large enough to counter-balance the decrease in the earlier years; hence, in face of the falling off and reduction in the imports, the exports from 1866 had to be paid, to a considerable extent, by precious metals. In 1866 and 1867, they were paid mostly in coin; in the following years, in bullion; the proportion in 1870 was £1,507,068 of bullion, and £487,710 of coin.

But, in the second half of the period, the imports of Precious Metals are smaller. In 1891, the amount of bullion imported was £716,510, of coin, £362,940. The import of Boots and Shoes, again, decreased considerably, falling to £9,530 in 1887; it has risen, however, since then to £153,433 in 1891. Haberdashery, Hardware, and Ironmongery, on the other hand, increased slowly during this period.

For the rest we find, at any rate in the first few years after the protective tariff of 1878, a not inconsiderable decrease in most of the articles of import—specially in Cotton Piece Goods, Iron and Steel, Leather and Leather Goods, Machinery, Spirits, Woollen Goods, and Timber; then a fall in the total imports between 1878 and 1880, followed again by a marked increase, which was broken, only temporarily for a year or two, by a further rise in the tariff, and which was specially high in the years 1888 to 1890. The principal increases were as follows :

	1880	1889	1890	1891
	£	£	£	£
Coal, - -	306,966	753,048	745,589	837,810
Cotton Piece Goods,	637,616	892,566	905,615	900,241
Iron and Steel, -	465,826	1,002,840	986,514	1,046,703
Leather and Leather Goods, -	136,550	223,820	193,693	161,000
Live Stock, Sheep,	344,880	441,157	1,005,666	728,599
Machinery, -	60,488	443,789	345,927	256,794
Spirits, -	335,687	500,417	487,941	466,427
Sugar, -	1,039,065	992,761	1,208,797	1,051,838
Timber, -	261,805	1,390,036	1,288,982	897,264
Wool, -	2,977,264	3,595,449	3,190,298	3,372,154
Woollen Goods, -	645,543	969,412	785,961	903,657

The decrease which took place in most of the articles from 1889 to 1890 was, doubtless, the result of the important rises made in the tariff at the end of 1889.

The variations in the chief articles of import during the two halves of the period are highly characteristic. In the first half, they are mainly wholly manufactured articles, and, after the decrease in these, precious metals; in the second half, they are mainly raw materials or articles of consumption.

First in importance comes raw Wool, then Timber, Sugar, Live Stock (specially Sheep), Iron, Steel, and Coal: in short, partly, articles demanded by an industrial country which had passed the purely agricultural stage, partly, articles for re-export, as already mentioned, specially Wool.

The latest course of development in Victoria's foreign trade (just in the last few years) stands in remarkable contrast to that of India and New South Wales. While,

in these countries, the rise in the exports of Cotton, Wool, and Grain has called out a rise in imports, in Victoria, on the other hand, a rise has taken place in the imports without any such inducement in the form of exports. It would seem, then, as if the increased power of consumption to which this points, had to do with home and not foreign trade. In this connection, the great difference between imports and exports in the last few years, and the large balance of imports—when we remember that the movements of the precious metals are included, and that Victoria is rather in debt to other countries than the reverse—present a problem of special difficulty in the theory of the Balance of Trade.

IV. CANADA. It is not possible to discuss Canada's trade except during the second half of the period, as the Dominion did not attain its present dimensions till 1873. Here the import—consideration of which is most important for our purpose—shows fluctuations that are to all appearance directly connected with the trade policy. It had begun to decrease by 1878, but specially in 1879; rose till 1883; fell again in 1884, 1885, and 1886; in 1887 it rose; in 1888, after the tariff of 1887, it fell again, but rose considerably in 1889 and 1890. The same result is given when we examine the most important items in detail.

At the head of the import list over the whole period stand Iron and Steel goods, which amounted, in 1876, to £2,520,696, in 1890, to £3,385,778, and, in 1891, to £3,445,060. Between these years, there were various fluctuations: first, a decrease from 1876 to 1879, *i.e.* even before the tariff of 1879 could have had any effect;



from 1880, a marked increase till 1883 (£4,088,451), followed by a decrease in 1884; in 1887, an increase again, with a decrease in 1888, and another rise in 1889, 1890, and 1891, in spite of the duties on iron of 1887.

The connection of these fluctuations with the tariffs is, however, best seen if we look at the individual classes of the iron and steel industry. Hardware and goods not specially enumerated show, in 1880 and 1881, a considerable decrease—a result, in all probability, of the tariff of 1879; then an increase till 1887 (£1,097,474); in 1888, again, an important decrease (£867,585); but, in the following years, an increase. On the other hand, pig iron, which was the chief matter of consideration in the raising of the tariff of 1887, shows no falling off since that year, but, on the contrary, a considerable increase.

The next most important articles of import are Woollen and Cotton goods. The former show a similar movement:—a decrease in 1879 and 1880, followed by an increase, and an important one, though temporarily broken in 1884 and 1888, up till 1890, when they amounted to £2,169,057. In 1891, however, they were down to £1,963,360. In the case of Cotton goods, it is different. Here there was first a slight decrease in 1878 and 1879, then a fairly important rise, in 1882, to £2,145,159. From that time (1883), there was a lasting and marked decrease till 1891, when the import fell to £816,312. This is, undoubtedly, evidence of the growth during this time of the home cotton industry, which had increased to such an extent as to be able to oust the cotton goods produced abroad. A proof that this was the real reason of the decline, may be seen from the import figures of raw cotton, which increased corre-

spondingly during the same period. They are as follows :

1876,	5,527,428 lbs.,	Value	£137,705
1880,	13,237,168 "	"	311,671
1883,	28,777,071 "	"	624,520
1886,	31,506,045 "	"	618,217
1889,	35,793,067 "	"	742,412
1890,	33,456,015 "	"	727,243
1891,	35,643,056 "	"	740,380 <sup>1</sup>

Further—and this, too, seems a proof of increasing home industry—the import of Coal and Coke shows a marked increase, the figures being :

	Tons.	Value.
1876,	793,960	£ 691,728
1890,	2,821,068	1,762,887
1891,	3,162,158	1,982,513

The import for 1888, amounting to 3,487,831 tons, or £1,856,719 in value, was specially high after the abolition of the duty on anthracite coal in 1887.

On the other hand, an equally important article of import at the beginning of the period, namely, Wheat, which amounted to 5,858,136 bushels or £1,268,763 in 1876, had decreased greatly, both in quantity and value, by the end of the period. The amount in 1891 was 2,571,493 bushels, and the value, £543,236. The fall in value was due to the serious decline in wheat prices; that in quantity, obviously to the policy of exclusion which Canada was pursuing against the United States, there having been, as we saw, a long standing and important mutual trade in wheat.

<sup>1</sup> A comparison of weights and values shows in a striking way the changes of price.

Taking Leather goods, the great decline in boots and shoes in 1880 and 1881 may be noted. This was succeeded by a rise up till 1890, trifling in relation to the increase of population, and momentarily interrupted in 1885. In 1890, the position of 1876 was again reached, so that we may see in these figures an expression of the growth of a corresponding home industry.<sup>1</sup> As regards the other Leather imports, however, we find a great increase up till 1883 (£379,720): then a sharp decline (£256,236), followed by fluctuating figures, and, finally, in 1890 and 1891 a great falling off (£143,965).

The import of Linen goods shows a steady, although interrupted, advance, from £168,645 in 1876, to £295,038 in 1891. Silk, Satin, and Velvet goods rose from £272,044 in 1876, to £584,371 in 1890. Woollen goods, which constitute one of the most important articles of import over the whole period, show £1,744,019 in 1876; £2,169,057 in 1890; £1,963,360 in 1891.

Here, too, years of decline come immediately after the most important tariff changes, particularly in 1880 (£1,284,569), 1884, and 1888, and the increase over the whole period, in relation to increase of population, may be described as quite trifling and unsatisfactory.

Lastly, under the larger imports, must be mentioned Sugar, which shows, on the whole, an increase over the period, rising from 1,048,197 cwts. in 1876 (£956,418 in value) to 2,129,370 cwts. in 1891 (£1,053,765 in value).

Turning now to the Exports, we find that, during the whole period, with the exception of the year 1880, these are considerably lower than the imports, and show a certain correspondence with them in their fluctuations.

<sup>1</sup> 1876.	1880.	1886.	1890.	1891.
£58,906	£22,469	£45,473	£58,975	£52,481

In the years 1881 to 1883, during which the imports rose so high, they too were at their highest: up till and including 1886, they sank along with the imports, only to rise with them again, on the whole, till 1890.

By far the most important of these exports is that of Timber. Here the fluctuations are most marked. From £3,732,247 in 1876, the import figures rise to £4,324,778 in the following year. In 1878 and, particularly, in 1879, they sink, to rise again, from 1880, up to the considerable figure of £4,748,513 in 1883: in 1885, they again sink till 1888, only to rise again in 1889 and, particularly, in 1890, without, however, again reaching the high figure of 1883. The figure for 1891 is £4,310,491.<sup>1</sup>

Next in importance at the end of the period comes the export of Cheese, which shows over the whole time a marked and almost unbroken upward movement (1876, £843,751; 1891, £2,144,022), and this in spite of falling prices: thus the increase in quantity is even greater than it appears.

Then comes the export of Live Stock, specially horses and horned cattle. In the latter case, the huge increase must, of course, be attributed also to the rise in prices, as the following comparison shows:

1876,	Heads, 25,898	Value, £134,468
1891,	„ 117,765	„ 1,803,035

Another article of export of some importance is Grain. This export reached its highest point, during

<sup>1</sup>To what extent changes in the prices of timber are responsible for these fluctuations cannot be investigated here. The official figures in the *Statistical Abstract* give quantities and values side by side, but no general standard for all the different kinds. The changes partially cancel each other over the various kinds.

the period, at the beginning of the eighties, but has since then declined in almost all categories.<sup>1</sup> In consequence of the heavy fall in prices, a decline has taken place in the values, even where the quantities have not, or not correspondingly, fallen off. The movements are as follows :

BARLEY AND RYE.		
	In Millions of Bushels.	In Millions Sterling.
1876,	- 10.2	1.5
1880,	8.2	1.1
1886,	8.7	1.2
1891,	5.3	0.6
WHEAT.		
1876,	9.2	2.2
1880,	12.2	2.8
1886,	- 5.7	1.1
1891,	4.5	0.8
MAIZE.		
1876,	2.0	0.3
1880,	- 4.5	0.4
1886,	- 2.7	0.3
1891,	3.5	0.4

If we look at the total export statistics, we see that the high figures from 1881 to 1884 are due, essentially, to the increase in the export of Timber and Grain. These high figures have called out and made possible a corresponding increase in the imports during the same period.

<sup>1</sup> It consists, besides, to a great extent—in the case of wheat almost altogether—of re-exports of products of the United States. See below, p. 246, note.

The various kinds of Fish and preserved Lobsters are also important exports. The Coal export rose considerably during the whole period, from 284,279 tons (£208,856 in value), in 1876, to 903,791 tons (£633,179 in value) in 1891.

The imports and exports of the Precious Metals are relatively unimportant, the export for 1891 being £308,436, the import, £49,492.

In the *Statistical Abstract*, three kinds of Manufactures are mentioned among the exports, though the amounts they represent are not large—Leather, Extract of Hemlock Bark, and Sewing Machines. Taken together, these show, on the whole, a considerable decrease during this period, as follows:—Leather goods—1876, £230,412; 1880, £75,459; 1891, £196,764: Hemlock Bark Extract—1876, £79,012; 1891, £38,461: Sewing Machines—1876, £65,237; 1891, £6,105.

It is not, however, specified whether these are home manufactures or not.<sup>1</sup>

Although the statistics go further back, it will be sufficient, in the case of the remaining colonies, at least as regards the separate branches of foreign trade, to consider the development of the last fifteen years only, everything before that date being at a rudimentary stage.

CAPE COLONY. Here, imports and exports show, on the whole, a close parallelism of value, and follow very much the same course. Among the exports, Dia-

<sup>1</sup>The *Imperial Institute Year-Book* gives, p. 256, the following figures of the most important Canadian re-exports in 1891. Timber \$1,248,910; cheese, \$925,439; maize, \$1,803,339; wheat, \$2,519,650. On the other hand, p. 259 gives the most important exports of home products, where wheat, in 1891, figures at \$1,583,084. The manufactures above mentioned are not given.

monds have stood at the top of the list for the last fifteen years. The great increase in these is the principal explanation of the growth in the total exports. In 1876, the figures were £1,513,107; in 1880, £3,367,897; in 1891, £4,174,208.

Then comes Raw Wool, where there is a decrease, but only in value, the quantity having more than doubled :

1876,	34,861,339 lbs.	£2,278,942
1880,	42,467,962 „	2,156,609
1891,	75,520,701 „	2,264,498

Other exports which should be mentioned are : Copper Ore, Ostrich Feathers, and Angora Hair, which show fluctuations over the whole period. The remaining exports are unimportant.

The imports are very much more numerous and varied, and no one category stands out from the others. The most important are Apparel and Slops (in 1891, £469,890), Cotton Manufactures, (£613,352); Haberdashery and Millinery (£878,331); Hardware, Cutlery, and Ironmongery (£590,401); Leather and Leather manufactures (£429,614); Machinery (£193,521); and Woollen manufactures (£303,449). Taken together, these show a striking correspondence—a large increase till 1882, a heavy fall in 1883 to 1886, in which years accordingly the figures of total export also fall very considerably; after that again, particularly in 1889 and 1890, a marked increase, followed, in 1891, by another decrease. The import of Specie is at times very marked, as in 1888 and 1889.

NEW ZEALAND. Here, at first, the imports regularly exceeded the exports. Since 1882, however, they have shown a remarkable decline, particularly of late years, while, on the other hand, there has

been a great rise in the exports, which now far exceed the imports. The chief export of the last fifteen years has been Wool, which shows only a trifling increase in value, but a great increase in quantity (1891, 106,187,114 lbs.; in value, £4,129,686); and, lately, Frozen Meat (rising from £19,339 in 1882, to £1,194,724 in 1891); Wheat, in 1883, 4,897,540 bushels, in value, £1,067,309; in 1891, 1,454,973 bushels, in value, £277,876; and Uncoined Gold, in which there has been some decrease (in 1876, £1,268,559; in 1890, £751,360; in 1891, however, £1,007,172). The export of Flax also has greatly increased in the last few years. The increase in Flax and in Frozen Meat chiefly account for the rise in the total exports of the last few years.

In imports, the most important articles are the same as those of Cape Colony. We find, however, specially in Drapery and Hardware, a marked decrease towards the beginning and middle of the later part of the period, due, in part at least, to the raisings of the tariff, particularly after 1888.

QUEENSLAND. Here we find at first a fairly parallel growth of imports and exports: then, from 1881 to 1882, a growing increase of imports: in the years after that again, a falling off, but a marked increase after 1888. The decline in 1886 and in 1889-1890 appears to be an effect of the tariffs of 1885 and 1888. The increase in exports is accounted for chiefly by Gold in bars and dust (in 1891, £2,507,991). In the second half of the period, from 1883, the export of Wool has considerably increased (in 1891, £3,453,548), particularly if we take not only the value, but the quantities. Of late, the export of Sugar has very considerably increased (in 1891, £632,267).



As usual, among the principal imports are :

	1890	1891
Apparel and Slops,	£209,369	£297,425
Hardware and Ironmongery,	116,061	104,802
Iron and Steel,	280,406	406,448
Machinery, -	133,420	131,966
Linen and Drapery,	230,167	257,885

But, as a whole, these show a considerable falling off since 1888, the effect obviously of the tariff of that year. An important item—in 1890, indeed, the most important—is Flour, (£410,191); in 1891, (£353,744). On the other hand, Wool does not appear among the chief articles of import.

**SOUTH AUSTRALIA.** In South Australia, the imports and exports during the whole period, with a few exceptions, show a parallelism such as is witnessed in no other of the colonies. In the first half, however, the exports, to a small extent, regularly preponderate; in the second half, this is not so marked. Both show notable increases in 1882. But, in this case, the decline of imports, and the partial decline of exports which follows, do not coincide with the transition to a protective system after the Victorian model (1887).

The chief articles of export are Wool (in 1891, £2,166,125); Wheat (£1,259,379); Flour (£647,255); Bullion and Specie (£560,582). But, at the end of the period, none of the items, with the exception of the last named, shows any increase as compared with the beginning: on the contrary, in many of the intervening years, there is a not inconsiderable decrease; so that the increase in total exports of the last three years must be due to numerous smaller items, not mentioned in detail in the condensed figures of the *Statistical Abstract*.

Among the imports may be mentioned :

	1890	1891
Drapery, Piece Goods, Cloths,		
Rugs, etc.,	£758,091	£856,690
Wool,	580,489	627,361
Coal, Coke, etc.,	250,729	401,638
Sugar,	329,191	339,988
Apparel and Slops,	231,921	248,947
Wood,	263,380	339,563
Precious Metals,	217,113	381,618

With the exception of the latter, these, taken together, show in 1890 quite an important decrease, as compared with earlier years in the middle of the period. This decrease does not date from 1887; it was at its worst previous to that, in 1884 to 1886, so that, to some extent, the influence of the tariff of 1885 may be suspected.

A comparison of progress made in the neighbouring colonies of New South Wales and Victoria is of special interest for the question of trade policy. This comparison, based in a superficial way on the figures of foreign trade only, is a favourite example of English free trade writers, when illustrating the general theoretical advantages of Free Trade, or, as may be, the disadvantages of Protection. It is the peculiar merit of Sir Charles Dilke that, although he is himself a Free Trader, he has clearly emphasised the fallacy of such a superficial method, and pointed the way to an impartial and just comparison.<sup>1</sup>

The comparison, as he asserts, is misleading, in the first place, because New South Wales has abundant

<sup>1</sup> *Problems of Greater Britain*, pp. 168, 551, etc.

and cheap coal within its boundaries, while in Victoria there has been no substantial output of coal of any kind:<sup>1</sup> in the second, because of the overwhelming superiority of New South Wales in size. In consequence of these two important advantages on the part of the latter, the rivalry between the two colonies, which stand for the moment upon a fairly equal footing, is bound to end in favour of New South Wales. Hence although the population of New South Wales has lately increased more rapidly than that of Victoria, has overtaken it, and, since the last Census, even exceeded it; and although the figures of foreign trade and shipping of New South Wales in 1890 are considerably larger than those of Victoria, this does not warrant any conclusion as to the value of the trade policy of the colonies concerned. In Dilke's opinion, a really impartial comparison shows that neither Protection nor Free Trade has much affected the neck and neck race between the two colonies. In neither case can it be shown that either of them has suffered from the trade policy which it has adopted. Both colonies have passed through times of depression and times of prosperity. In Victoria, under the shield and by the help of protective duties, home industries have grown up to a considerable extent. This is shown in the import of Beer and Spirits, which is larger in New South Wales than in Victoria, because more of both are produced in the latter. It is the same with Boots and Shoes. But, in New South Wales, also, thanks to the abundance of cheap

<sup>1</sup> In 1890 the value of the coal production in New South Wales amounted to £23,891,629, in Victoria to £53,655; on the other hand, Victoria has a much larger gold production (1890, £2,354,244, against £460,285); but the total production of minerals per head of population in New South Wales is more than double that of Victoria (1890, £4 10s. 10d. against £2 2s. 10d.). See Coghlan, pp. 130, 156, 164.

coal, numerous industries have arisen without the aid of Protection. On the whole, however, it can be said that Victoria imports less of certain goods and manufactures them herself, while New South Wales imports them. Nevertheless, Victoria stands extraordinarily high on the list of the countries that import goods from Great Britain: the consumption per head of these goods is particularly large,<sup>1</sup> and almost equal to that of New South Wales. Dilke is brought then, by the example of Victoria, to the conclusion that a protective system is by no means so dangerous or so disturbing to the economic condition of a country as it has hitherto been considered (*i.e.* by the English Free Traders), and that protective duties, such as those of Victoria up till 1889, and the existing ones in South Australia and New Zealand, are not sufficient to affect the great mass of trade, although the new increased duties in Victoria and those levied in Canada might, he thinks, do so. Duties to the amount of 20 per cent. would alter and shift individual imports rather than affect the total sum, which, on the whole, would remain unaltered.

Consider further what he says, in another place, with regard to Victoria.<sup>2</sup> The commanding position which it obtained at first through the gold discoveries, it has managed to keep; and, although gold mining has long ago sunk to an unimportant point, and the production of wool has not grown so quickly as in the other Australian colonies, it possesses immense capital and a great number of various resources. In particular, home industry is flourishing under the protective system, so that there is already a considerable export of manufactures. According to Dilke, Victoria now manu-

<sup>1</sup> See above, p. 140.

<sup>2</sup> *Op. cit.*, p. 113.

factures or makes up almost all the articles of everyday use which she requires, and, in spite of the protective duties of all the other Australasian Colonies, save New South Wales, exports such articles to these States. Among these are cheap wearing Apparel of all kinds, including Shirts, Boots and Shoes, Soap and Candles, Common Machinery and Metal goods, while the goods of high luxury are of course still imported. These 'people's goods' are now manufactured on such a scale, and at such rates, that the trade concerned in their production would not, he thinks, suffer by the complete removal of Protection, although the manufacturers do not admit this. Besides, Victoria has an increasing re-export trade, and stands, as has been said, very high among the markets for goods manufactured in the United Kingdom. Melbourne is the most important city on the whole continent, and will, if it continues to grow as before, soon embrace half the population of the entire colony. The capital of the colony is so great that the western half of New South Wales, and the greater part of Queensland have been utilised by Victorian capitalists. A large share of the Riverina in New South Wales, and many of the sugar plantations in Queensland, belong to them. In addition to all this, there is great prosperity in agriculture, which, in Dilke's opinion, rests chiefly on her good land legislation as compared with that of New South Wales. Thus she not only produces enough grain for her own consumption, but exports a considerable amount of wheat, and has beaten New South Wales in the manufacture of goods.

On the other hand, apart from the constant stream of labour to the other colonies, which is the natural result of the Victorian capitalists' undertakings, there is of late a notable decrease of population in Victoria among

people of the best working age, as against a movement in the other direction in New South Wales; and this seems to point to a passing of the surplus labour out of Victoria into New South Wales. Still, as Dilke rightly remarks, 'no very weighty argument for or against Free Trade can be founded on this, when the difference of area and the natural resources of the two colonies are taken into consideration.'

I am rather inclined to believe that one may go further in this regard than the Free Trader, Dilke, with all his laudable impartiality, has gone, and venture to say that, without her protective policy, Victoria could not have so long maintained, and so successfully developed, the economic prosperity based at first on her gold discoveries, in face of the rivalry of a country so favoured by nature as New South Wales. On the other hand, I should say that the giving up of her protective policy against the other Australasian colonies, and the establishment of inter-colonial Free Trade, as advocated by the present Cabinet and by a section of the Victorian Protectionists, would now be the best and most appropriate trade policy for Victoria. Already she is suffering from the usual consequences of a protective policy that has been pursued too far, namely, over production in home industries, and consequent forcing down of prices; and she must, therefore, either cease to bolster up these industries or find an outlet for them in other countries, specially in the other colonies. But, in the meantime, under the protection of their raised tariffs, competing home industries have grown up in these colonies too, and New South Wales, for the very purpose of competing more actively with Victoria, is on the point of going over to Protection. Thus, partly by her own example, Victoria has created a state of

affairs which makes it very difficult for her to carry out the trade policy which now seems advisable and necessary for her. To this, however, we shall return in the last chapter.<sup>1</sup>

The chief object in the protective policy of the independent colonies is the general development of a larger home industry than would otherwise have arisen of itself without this support. According to Dilke's account, this has already been reached, to a great extent, by Victoria and the other Australasian colonies, although it only shows in a few instances in the import figures. In Victoria, too, a fairly large export of the products of home industry has grown up, which, it is true, is not so large in separate articles as to be found in the figures of the *Statistical Abstract*.

The statistics given in the *Year Book of the Imperial Institute*, and the official figures given by Coghlan, of the industries of the Australasian colonies, show also how small the beginnings still are, according to European ideas, but how rapidly they are expanding. In 1890, the number of employees in Works and Manufactories was as follows :

New South Wales,	46,135
Victoria, -	58,175
South Australia,	13,183
Tasmania,	2,204
New Zealand,	25,759

The capital value of the plant in New South Wales was £4,526,821; in Victoria, £6,604,332.<sup>2</sup>

<sup>1</sup> On the economic development of South Australia compared with that of Victoria, see *Board of Trade Journal*, xii., p. 277 (March, 1892).

<sup>2</sup> Coghlan, p. 195.

The gradual growth, in New South Wales only, during the last ten years, is shown in the following table :

	Number of Industries.	Number of Workers.
1880,	2,779	28,259
1882,	3,158	33,889
1884,	3,419	38,794
1886,	3,541	43,527
1888,	3,106	45,564
1890,	2,583	46,135

Detailed figures for the years 1886 to 1890 are given for the following groups of industries :—Boiling Down Establishments, Boot Factories, Brick Yards, Breweries, Distilleries, Flour Mills, Saw Mills, Soap and Candle Manufactories, Sugar Mills and Refineries, Tobacco Factories, and Woollen Mills. Of these, the most important are :

	No. of Industries.	No. of Workers.
	1890	1890
Boot Factories,	60	2806
Brick Works, -	190	2018
Flour Mills,	- 346	3788
Sugar Factories,	31	1621 <sup>1</sup>

In Victoria, the total number of establishments at the end of 1890 was 3,289. The detailed figures for the following industries are :

	No. of Industries.	No. of Workers.
	1891	1891
Flour Mills,	104	800
Breweries,	68	1185
Woollen Mills,	7	791
Tanneries, Wool-washing Establishments, etc.,	132	1635
Brick Yards and Potteries,	233	3119
Soap and Candle Works, Distilleries, Tobacco Factories, -	13	776 <sup>2</sup>

<sup>1</sup> *Imperial Institute Year-Book*, p. 536.

<sup>2</sup> *Ibid.*, p. 581.



To these may be added 174 establishments for Printing and Stationery; 340 Machine and Tool shops; 297, Coachbuilding; 131, Furniture; 292, Clothing; 52, Chemical Products.<sup>1</sup>

In New Zealand, we find the following figures for 1886:<sup>2</sup>

	No. of Industries.	No. of Workers.
Printing Establishments,	135	2107
Coach Building,	89	664
Furniture Manufactories,	75	707
Woollen Mills,	6	867
Boot Factories,	42	1654
Clothing Factories, -	11	1269
Meat Freezing and Preserving,	44	838
Tanning and Wool-scouring, etc.,	97	1093
Saw Mills,	268	5042
Brick Works, -	126	598
Iron and Brass Foundries,	58	1750

The extent and progress of the industrial growth is best seen in the distribution of population between town and country:<sup>3</sup>

Year.	Victoria.		New South Wales.	
	Urban.	Country.	Urban.	Country.
	Per Cent.	Per Cent.	Per Cent.	Per Cent.
1861,	25.89	74.11	26.70	73.30
1871,	28.87	71.13	26.73	73.27
1881,	32.81	67.19	29.40	70.60
1891,	43.09	56.91	33.88	66.12

<sup>1</sup>See *Colonial Office List*, 1892, p. 231.

<sup>2</sup>*Imperial Institute Year-Book*, p. 703.

<sup>3</sup>*Ibid.*, p. 495.

To what extent have home industries been founded in Canada—the colony which led the way in trade policy?

The answer is given in comprehensive official data,<sup>1</sup> which show very clearly its steady rate of progress. The number of industrial establishments in the entire Dominion in April, 1891, amounted to 75,765, *i.e.* an increase since 1881 of 25,842 or almost 52 per cent.: the number of workers in 1891 was 367,491, *i.e.* an increase of 112,561 since 1881, or 44 per cent. The comparison cannot be carried further back than 1871, except for the four provinces, Ontario, Quebec, Nova Scotia, and New Brunswick, which then formed the Confederation. In these, the increase during the twenty years between 1871 and 1891 was 72 per cent., of which 20 per cent. belong to the years 1871 to 1881, and 52 per cent. to the last 10 years. In the 20 years the workers employed in factories have increased 81.3 per cent., of which 44 per cent. belong to the last ten years.

Of the total number of establishments, those manufacturing animal and vegetable food stuffs (including the making of Flour, Baking and Confectionery products, Pickles, Preserved Fruits, Meat, Cheese, and Butter) amounted, in 1881, to 4702, with 21,146 workers; in 1891, to 11,910, with 51,585 workers.

The establishments for the manufacture of Textiles and Clothing Stuffs (including Cotton and Wool Spinning, Boot and Shoe factories, Tailors and Clothiers) amounted, in 1881, to 10,163, with 60,617 workers, and, in 1891, to 17,650, with 80,662 employees, *i.e.* an increase of 73 per cent. in the establishments, and only

<sup>1</sup> See excerpt from 'Census Bulletin,' No. 8, of 11th May, 1892 (in *Board of Trade Journal*, xiii., p. 30, of July, 1892).

33 per cent. in the workers. In the Paper industry, including Printing Offices, the increase in establishments in the last 10 years is 48 per cent.; in the workers, 53 per cent.; and in the making of machines and tools, about 30 per cent. in both.

The growth of Canada's home industry in the last twenty years has thus been very considerable, and the greater part of this growth has taken place in the last ten years, *i.e.* during the period of Protection.

This agrees with Dilke's statements.<sup>1</sup> He grants that, in Canada, industry has undoubtedly grown up under Protection, and has got hold of the larger part of the home market: that it is beginning to make for export, as in the case of wood furniture where it is competing with Austria in far-off markets. In consequence of the limited outlet which Canada herself offers to the industry that has thus rushed up, an over production has already set in, and the necessity arisen of opening up wider markets. For this reason, Dilke holds the appropriate trade policy for the future to be Free Trade. This would, however, involve the destruction of a great part of the existing industries, owing to the competition of the neighbouring United States.

Under the protective system, since 1878, the country in general has made great strides. In particular, it has built the great Canadian Pacific Railway; and its wealth has, according to Dilke, increased rapidly since the Federation, and still more rapidly since adopting a system of Protection.

The figures for Canada, it is true, are not to be compared with those of Australia. The area of Canada is as large as that of Australia, its population is greater, its railway mileage greater—or, in proportion to popula-

<sup>1</sup> *Ibid.*, pp. 65, 93, 559.

tion, as great. But the total foreign trade, absolutely considered, is only as large as that of New South Wales, *i.e.* of a single one of the Australian colonies, while, in relation to population, it is very much smaller. The state revenue and state expenses, as well as the state debts are much less, the latter being only one-third of that of Australia. But, if Canada's economic life has not advanced with such gigantic strides as that of the various Australian colonies, the reason for this must be sought, not in her trade policy, but in the natural conditions of the country.

It will surely be admitted that the 'National Economic Policy' of the independent colonies has, in general, attained its end, *viz.*:—to further and hasten the economic development of these countries. The question that remains is whether the cost of this policy has not been too great.

In Canada, the prevailing opinion is that the protective system has not raised the average prices of most goods; and Dilke at any rate would seem to conclude, from the very fact of this statement being put forward without direct and clear contradiction, that, in any case, there has been no great rise of prices.

But the level of prices is after all but a relative matter, and only derives its importance in connection with the level of wealth, *i.e.* of the income of the individual. Now, it is a generally acknowledged fact that the total wealth and total income of the colonies concerned have risen very considerably, even in relation to population, during this period.<sup>1</sup> The next question then is, as to the distribution of this total income.

<sup>1</sup> Coghlan, p. 311, gives for Australasia the following estimate of the increase of private wealth (excluding state lands and public works): in 1838, £26

In regard to this, the Australian colonies pride themselves on taking the first place among all countries in equality of distribution. The influence which the protective policy of these countries has had on the wages of labour is, therefore, of special importance.

It is Dilke, again, who, in an impartial way, controverts the popular Free Trade statements.<sup>1</sup> They amount to this that, in protected countries, the higher wages, when the higher prices of most goods are taken into account, (*i.e.* the buying power of money), mean, in the long run, a smaller rather than a larger income. This Dilke grants as regards the United States—except in Chicago and California—but emphasises that wages in Australasia and South Africa are twice as high as in England, and for shorter hours: that purchasing power is, on the whole, equal, except in regard to rent: while, as regards rent, the difference is chiefly caused by men with a higher standard of comfort insisting upon the vastly superior standard of life that prevails in the colonies.<sup>2</sup>

Of Canada, too, he says, in another place,<sup>3</sup> that the wages have improved in the last few years; that they are high, even if not quite up to the level of the general colonial standard; while the hours of labour are shorter than in England, and the necessaries of life lower in price, with the exception of house rents. If Dilke will not subscribe to the contention of the colonial

millions; 1863, £181 millions; 1890, £1169 millions. The latter figure works out at £309 per head against £246.1 in Great Britain, £221.6 in France, and £132.5 in Germany (Mulhall's *Dictionary of Statistics*).

<sup>1</sup> *Problems*, p. 561.

<sup>2</sup> See on this the chapter on 'Food Supply and Cost of Living' in Coghlan p. 319, which fully confirms this.

<sup>3</sup> P. 70.

protectionists that protective duties raise wages, he is forced to admit that, here in any case, they do not reduce them, even when the purchasing power of money is taken into account. In the same way, he points out, against a Cobden Club free trader of the deepest dye (Sir Lyon Playfair), who had said that labour disturbances and strikes were much less frequent and acute in Free Trade England than in the United States with its policy of Protection, that this is by no means the case in the protectionist colonies; that, on the contrary, they have been serious in the Free Trade colony of New South Wales. He upsets, also, the fallacious comparison made by Sir Lyon Playfair between New South Wales and Victoria, in his statement that wages are higher in free trade New South Wales than in Victoria; the fact being that, according to Dilke's statement, they are, on the average, for most classes of labour, about the same, and only higher for some forms of unskilled labour.<sup>1</sup> Finally, against Playfair's attempt to prove that 'Protection leads slowly, but surely, to Socialism, and tends even to Communism,' he emphasises that Protection in Canada and Victoria, where it has been long tried, has had a 'decidedly conservative effect,' and that 'no country in the whole world has less leaning towards Revolutionary Socialism or towards Communism than has the protectionist colony of Victoria.'

<sup>1</sup>See also the English Parliamentary paper, *Hours of Adult Labour* (Colonies), 1892, No. 115.

B. TRADE BETWEEN THE COLONIES AND BETWEEN GREAT  
BRITAIN AND THE COLONIES.

On an earlier occasion, we have examined the share which the colonial trade has in the trade of the United Kingdom; taking up the trade of the colonies in question, we have now to consider what proportion is done with the mother country, what with the other colonies, and what with foreign countries.

The following Table A<sup>1</sup> shows the total foreign trade (imports and exports), in percentages, for the year 1885 :

TABLE A.

COUNTRIES.	Great Britain. %	British Colonies. %	Foreign Countries. %
India,	52.9	16.4	30.7
Straits Settlements,	20.4	23.2	56.4
New South Wales,	48.1	40.8	19.1
Queensland, -	37.5	61.0	1.5
Victoria,	50.0	38.3	11.7
South Australia,	57.0	38.0	5.0
Western Australia,	51.9	45.2	2.9
Tasmania,	27.7	71.8	0.5
New Zealand, -	70.9	20.9	8.2
Cape Colony,	86.8	6.8	6.4
Canada, -	43.4	3.3	53.3
Newfoundland,	34.0	24.6	41.4

<sup>1</sup> Taken from Rawson, I., Table No. VIIIa, pp. 72, 73.

Table B gives a comprehensive picture of the development from 1870 to 1890 :

TABLE B.

(From Edgcome, *The British Traders' Vademecum*, 1892, p. 55.)

## 1. INDIA.

COUNTRIES.	Imports from			Exports to		
	1870. Million £	1880. Million £	1890. Million £	1870. Million £	1880. Million £	1890. Million £
Great Britain, -	27.1	38.5	65.1	27.6	27.8	39.6
British Possessions, -	14.4	8.4	9.8	16.8	18.5	22.9
Rest of Europe and Possessions, America, -	1.0	1.7	4.1	5.4	9.9	24.8
Rest of the World,	0.1	0.5	1.9	1.6	3.6	4.6
	4.3	3.7	4.7	2.1	9.4	13.4
Total,	46.9	52.8	85.6	53.5	69.2	105.3

## 2. STRAITS SETTLEMENTS.

Great Britain, -	2.5	3.6	3.9	1.7	2.2	4.1
British Possessions, -	2.5	4.2	4.8	1.7	1.9	3.4
Rest of Europe and Possessions, America, -	2.7	3.0	5.6	2.2	4.9	6.3
Rest of the World,	0.4	0.1	0.3	0.8	1.1	1.4
	2.2	2.8	6.9	2.3	2.8	6.1
Total,	10.3	13.7	21.5	8.7	12.9	21.3

## 3. NEW SOUTH WALES.

Great Britain, -	3.2	6.5	8.6	2.5	7.5	6.6
British Possessions, -	3.3	6.4	11.5	3.0	7.7	11.9
Rest of Europe and Possessions, America, -	0.1	0.3	1.0	0.1	0.2	0.9
Rest of the World,	0.2	0.4	0.9	...	0.2	1.3
	0.4	0.6	0.6	0.2	0.1	0.3
Total,	7.2	14.2	22.6	5.8	15.7	21.0



## 4. VICTORIA.

COUNTRIES.	Imports from			Exports to		
	1870. Million £	1880. Million £	1890. Million £	1870. Million £	1880. Million £	1890. Million £
Great Britain, -	6.2	5.9	9.6	6.2	9.2	6.9
British Possessions, -	4.8	7.3	9.8	4.9	6.5	4.8
Rest of Europe and Possessions,	0.5	0.5	2.0	0.4	0.1	1.4
America, -	0.4	0.4	1.1	0.4	0.1	0.2
Rest of the World,	0.5	0.5	0.4	0.5	...	...
Total,	12.4	14.6	22.9	12.4	15.9	13.3

## 5. SOUTH AUSTRALIA.

Great Britain,	1.2	3.0	2.5	1.1	3.7	4.3
British Possessions, -	0.7	2.3	5.1	1.3	1.7	3.8
Rest of Europe and Possessions,	...	0.1	0.1	...	...	0.1
America,	...	0.1	0.2	...	...	...
Rest of the World,	0.1	0.1	0.3	...	0.1	0.1
Total,	2.0	5.6	8.2	2.4	5.5	8.3

## 6. NEW ZEALAND.

Great Britain,	2.7	3.5	4.2	2.5	4.8	7.4
British Possessions,	1.7	2.2	1.2	2.2	1.3	1.6
America,	0.1	0.2	0.4	...	0.1	0.6
Rest of the World,	0.1	0.2	0.4	0.1	0.1	0.2
Total,	4.6	6.1	6.2	4.8	6.3	9.8

## 7. QUEENSLAND.

Great Britain,	0.4	0.8	2.1	0.7	0.8	2.4
British Possessions, -	1.1	2.0	2.5	1.3	2.4	4.2
Rest of Europe and Possessions,	...	...	...	...	...	...
America,	...	...	0.1	...	...	...
Rest of the World,	...	...	...	...	...	...
Total,	1.5	3.1	5.0	2.0	3.4	8.5

<sup>1</sup> The amounts for 1880 and 1890 contain also the frontier trade,

## 8. CAPE OF GOOD HOPE.

COUNTRIES.	Imports from			Exports to		
	1870. Million £	1880. Million £	1890. Million £	1870. Million £	1880. Million £	1890. Million £
Great Britain, -	2.0	6.2	8.5	2.1	7.5	9.7
British Possessions, -	0.2	1.1	0.6	0.2	0.1	0.2
Rest of Europe and Possessions,	0.1	0.1	0.3	...	0.1	0.1
America,	...	0.3	0.3	0.2	0.2	0.1
Rest of the World,	0.2	0.3	0.4	0.1	...	0.2
Total,	2.5	8.0	10.1	2.6	7.9	10.3

## 9. CANADA.

Great Britain,	14.3	7.2	8.9	8.1	9.6	9.9
British Possessions, -	0.7	0.4	0.4	1.0	0.8	0.7
Rest of Europe and Possessions,	1.0	0.8	2.2	0.4	0.7	0.5
America,	9.9	6.1	10.7	8.8	6.9	8.3
Rest of the World,	0.6	0.4	0.9	0.4	0.3	0.5
Total,	26.5	14.9	23.1	18.7	18.3	19.9

## 10. NEWFOUNDLAND.

Great Britain, -	0.6	0.5	0.3	0.4	0.4	0.4
British Possessions, -	0.3	0.4	0.2	0.2	0.2	0.6
Rest of Europe and Possessions,	0.1	0.1	0.4	0.4	0.2	...
America,	0.3	0.4	0.2	0.1	0.1	0.3
Rest of the World,	0.1	...	0.2	0.3	0.3	...
Total,	1.4	1.4	1.3	1.4	1.2	1.3

This Table gives us the following facts :

The share of Great Britain in India's imports has risen, not only absolutely but also relatively : in India's exports, on the other hand, it has undergone a considerable relative decrease, while the share of European countries and of the rest of the world has extraordinarily increased. The growth of the direct export of Indian products, particularly of Indian cotton, to

the Continent (mostly to Belgium and Germany) is a prominent feature.

In New South Wales, the share of the mother country in the import and export trade has not kept pace with that of other British Possessions, which, at the end of the period, far exceeds it.

In Victoria, the share of the mother country in the imports, at the end of the period, is about equal to that of the other British Possessions, but has not increased in the same proportion. In exports her share, as before, greatly preponderates. The share of the other European countries has risen considerably both in imports and exports.

In South Australia, the mother country's share of the imports has been far exceeded by that of the other British Possessions: as regards exports, their share has increased to a slighter extent.

In New Zealand, on the contrary, the share of the mother country, both in the imports and the exports, is much the larger, and has increased to a much greater extent. The share of the other colonies has even partially decreased.

In Queensland, the share of the mother country has increased relatively more than that of the other Possessions, but, in the case of exports, it is still exceeded by theirs.

In Cape Colony, on the other hand, the share of the mother country has steadily increased over the whole period.

In Canada, at the beginning (1872-73), the imports from the mother country were very high, and came to more than half of the total import. In 1880, they were, absolutely, very much down, but, relatively, hardly at all. In 1890, they were, absolutely, higher again, but, relatively, considerably lower. In the middle period, 1880, imports from all other quarters had fallen: in 1890,

with the exception of imports from the British Possessions, they had risen absolutely and relatively, particularly those from other European countries and from America. As regards exports, the mother country's share has risen both absolutely and relatively, while America's has fallen in both respects.

The Tables in No. 22 of the *Statistical Abstract* give the details of the growth of trade in the various colonies with individual countries. Space will not permit of these being printed here in full. The reader may be simply referred to them for the movements in Canada's import and export trade with Great Britain on the one hand, and with the United States on the other.

Particular notice ought, however, to be taken of the extent and the increase of inter-Australasian trade: in several of the colonies, it considerably exceeds the trade with the mother country. If we divide the external and inter-colonial trade of Australasia, we get the following figures:<sup>1</sup>

I. TRADE OF THE VARIOUS AUSTRALASIAN COLONIES  
with Countries outside of Australasia.

	1881	1890
New South Wales, -	£20,683,445	£22,394,480
Victoria,	22,284,452	23,630,372
Queensland, -	2,793,705	4,951,666
South Australia,	6,739,837	8,833,742
Western Australia, - -	566,445	995,988
Tasmania, -	958,939	1,067,075
New Zealand,	10,527,855	13,350,404
Australasia, -	64,554,678	75,223,727

<sup>1</sup> Coghlan, pp. 41, 47.

## 2. INTER-AUSTRALASIAN TRADE.

	1881	1890
New South Wales,	£13,211,372	£22,266,461
Victoria, -	10,686,172	12,589,865
Queensland,	4,810,286	8,669,546
South Australia,	3,089,466	8,462,023
Western Australia,	341,156	550,272
Tasmania,	2,027,781	2,317,429
New Zealand, -	2,990,056	2,721,841
Australasia, -	37,156,289	57,577,437

The inter-Australasian trade has, therefore, increased to a much greater degree than the external trade: chiefly, indeed, in New South Wales—probably in connection with its Free Trade policy.

In relation to population, also, it has increased more rapidly than the total trade of Australasia, as the following Table shows:<sup>1</sup>

Year.	Total Trade.		Inter-Australasian Trade.	
	£	Per Head.	£	Per Head.
1861	51,001,071	£40 5 5	15,939,789	£12 11 9
1871	69,093,778	35 1 5	29,364,762	15 5 1
1881	101,710,967	36 12 3	37,156,289	13 8 4
1890	132,801,164	35 10 3	57,577,437	15 7 11

Thus, while the total trade resulting from the colossal increase of population already mentioned, was not able

<sup>1</sup> Coghlan, pp. 30, 46.

to maintain its abnormally high relative level at the time of the great gold discoveries—in value, of course, not in quantity—inter-Australasian trade, nevertheless, has steadily increased even per head of population.

*The Imperial Institute Year-Book* gives another grouping. It distinguishes the trade of the most important Australasian colonies, with Great Britain, with the remaining Australasian colonies taken together, with the other British colonies, and with foreign countries, in the single years from 1881 to 1890.<sup>1</sup> The figures show in the clearest way to what a large extent, in almost all the Australasian colonies—with the exception of Victoria and New Zealand—the trade with the mother country has lost in importance during the last ten years, as against that with the other Australasian colonies, and even, in some cases, as against that with foreign countries.

The Tables of the *Statistical Abstract*, again, show the trade relations of the various Australasian colonies with individual countries and with the other colonies. From them we see that there is a particularly large trade between New South Wales and Victoria, and, again, between each of these two colonies and the rest, while that of the remaining colonies with each other is smaller. The total inter-Australasian trade of New South Wales is, however, as already pointed out, very much larger than that of Victoria, probably in consequence of its former Free Trade policy; and the exports of Victoria to the other Australasian colonies show a decided decrease in the last few years. In South Australia, the imports from Great Britain are less than those from New South Wales alone. In Tasmania, the imports from and exports to Great Britain are less than those from and to

<sup>1</sup> See *Imperial Institute Year-Book*, pp. 520, 569, 603, 632, 694.

Victoria. In Queensland, the exports to the mother country are less than to New South Wales alone: the imports from Great Britain are at any rate less than those from the other Australasian colonies collectively. On the other hand, in New Zealand there is a great preponderance of direct trade with the mother country.

It is to be noted, however, that a great part of this inter-Australasian trade is obviously transit trade (particularly in New South Wales), both in exports (such as wool, gold, and cattle) and in imports, particularly manufactured goods from Great Britain: so that the imports of the various Australasian colonies from Great Britain might be quite differently represented if indirect trade were taken into account.<sup>1</sup>

Finally, to guard against attaching too much importance to these figures, attention must be drawn to the considerable divergence between the statistics of the individual colonies in regard to their mutual trade; and we must repeat what was said before, in a general way, as to the merely relative utility of all trade statistics.<sup>2</sup>

To go into the similar growth of trade for each individual Crown Colony, would take us too far, but it is interesting to have at least a concise summary. The absolute and the relative growth, for all the colonies together, is given in the following Table.<sup>3</sup> (See p. 328.)

According to this, the total imports and the total exports of the British Possessions have increased to a large and fairly equal extent since 1870, the imports by 69.1

<sup>1</sup> See Rawson, I., p. 49, note; Coghlan, p. 47.

<sup>2</sup> See, e.g. in the *Statistical Abstract* the figures, from both sides, of the trade between Victoria and New South Wales.

<sup>3</sup> From Edgcome, p. 58.

Total Imports into the British Possessions from			Total Exports from the British Possessions to			
	1870. Million £.	1880 Million £.	1890 Million £.	1870 Million £.	1880 Million £.	1890 Million £.
The British Empire, Foreign Countries,	101.1 28.3	125.1 28.1	178.6 51.6	97.4 29.3	129.7 45.4	160.5 77.6
Total,	129.4	153.2	230.2	126.7	175.1	238.1

## PERCENTAGE OF INCREASE.

Total Imports into the British Possessions from			Total Exports from the British Possessions to			
	1870 per Cent.	1880 per Cent.	1890 per Cent.	1870 per Cent.	1880 per Cent.	1890 per Cent.
The British Empire, Foreign Countries,	... ...	23.8 ...	42.9 84.8	... ...	33.3 55.3	23.9 70.1
Total,	...	18.4	50.7	...	38.2	36.2

per cent., the exports by 74.4 per cent. But, while the increase of the exports is divided fairly equally between the two decades, the imports in the second ten years are very much greater than in the first, *i.e.* the imports and exports approximate very closely both in 1870 and 1890, but diverge considerably in 1880. Further, as concerns the distribution, the increase in the exports to foreign countries in both decades, and in the imports from foreign countries in the second decade, is much larger than the increase to or from the British Empire. This was only to be expected, as the colonies naturally, in



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the early stage of their development, carried on trade, in the first instance, with the mother country, and only gradually established relations with other countries. In connection with this development, the difference between imports and exports is worth remarking. At the end of the period, the imports from foreign countries did not amount to one-third of the imports from the British Empire; the exports to foreign countries, on the other hand, were at least one-half of those to countries within the Empire.

## CHAPTER IV. )

### THE MOVEMENTS FOR IMPERIAL FEDERATION AND COMMERCIAL UNION.<sup>1</sup>

WE have seen, in the preceding chapters, how England has granted to her larger colonies, in anticipation of their breaking away from her at some future date, both political independence and entire liberty to inaugurate commercial policies of their own. We have seen,

<sup>1</sup> The literature on these questions, especially in pamphlets and periodicals, is very large, and is steadily increasing. The account given here—outside of information obtained by word of mouth—rests principally on the following: Dilke, *Problems of Greater Britain*, Part VII. ; Webster, *Trade of the World*, Chap. XII. ; J. A. Froude, *Oceana, or England and her Colonies*, London, 1886 ; Marquis of Lorne, *Imperial Federation*, London, 1885 ; Sir George Ferguson Bowen, *Thirty Years' of Colonial Government*, edited by Stanley Lane Poole, Vol. II., London, 1889, with an Appendix on Imperial Federation ; J. Castell Hopkins, *Canada and the Empire*, Toronto, 1890 ; Arch. M'Gonn, *A Federal Parliament for the British People*, Toronto, 1890 ; Howard Vincent, *Inter-British Trade and its Influence on the Unity of the Empire*, 1891 ; Earl of Dunraven, *Commercial Union within the Empire* (Nineteenth Century, March, 1891) ; Hervey, *The Latest Phase of Imperial Federation*, 1891 ; and *The Trade Policy of Imperial Federation*, London, 1892 ; but, above all, the journal, *Imperial Federation*, published by the Imperial Federation League, London, of the years 1890, 1891, and 1892. Owing to its late publication, G. R. Parkin, *Imperial Federation, the Problem of National Unity*, London, 1892, could only be incidentally consulted, as also *Britannic Confederation*, a series of papers by Sir J. Colomb, E. A. Freeman, etc., London, 1892.

too, how, apart from her first feeble attempt, she has done nothing, and been able to do nothing to prevent them from going over to a decidedly protectionist policy.

On the other hand, public opinion in England on the question of the political importance of the colonies, and whether or not they ought to be kept annexed to the mother country, has, in the period we are dealing with—the last 30 years—undergone a slow, almost imperceptible, but complete change. This first found expression on July 29th, 1884, when a number of eminent statesmen and politicians of both, or, rather, of the three, parties—radical, liberal, and conservative—assembled for the purpose of founding a society which should aim not merely at maintaining, but at drawing closer, the political ties between Britain and the colonies.<sup>1</sup> The resolutions passed at this first meeting were to the effect that, in order to secure the permanent unity of the Empire, some form of federation, by the creation of an Imperial Constitution,<sup>2</sup> was essential, and that, for the purpose of influencing public opinion both in the United Kingdom and the Colonies, and of showing the inestimable advantages which would accrue to the whole Empire from the adoption of such a system of organisation, a society should be formed of men of all parties to recommend and support the principles of Federation. The society, which was formally established at a further meeting on November 10th, took the name of the 'Imperial Federation League.' At this meeting,

<sup>1</sup> See *Imperial Federation, Report of the Conference held July, 29th, 1884.*

<sup>2</sup> *I.e.* Imperial Federation in place of the former colonial connection; equal political rights for the separate parts of the British Empire in place of the former (now only very slight) dependence of the colonies on the mother country.

two fundamental principles were laid down with regard to the society, namely :

(1) 'That any scheme of Imperial Federation should combine on an equitable basis the resources of the Empire for the maintenance of common interests, and adequately provide for an organised defence of common rights.'

(2) 'That no scheme of Federation should interfere with the existing rights of Local Parliaments as regards local affairs.'

The former is merely a general statement ; the latter, however, indicates a definite and actual limitation.

That the foundation of this new society was really the result of a change in the general way of looking at the colonial question, may be seen from the unanimous applause with which it was greeted by the largest and most important section of the English press. It is evident from this that a remarkable reaction had taken place in public opinion on this subject. A few years ago, such a step would have been impossible, and would have incurred universal censure and even ridicule.<sup>1</sup>

The reasons for this reaction are numerous and complicated.

In the first place, the Manchester doctrine which, as we have already remarked, advocated the abandoning of the colonies, had practically become bankrupt. It had first been given up by the new Liberalism, in regard to the labour question. In the sphere of trade policy, again, it had done little to justify itself. The other countries, far from fulfilling its prophecies by following the example of England and adopting Free Trade, had shut up their markets by means of an

<sup>1</sup> See the leading articles in the *Times*, *Standard*, *Pall Mall Gazette*, *Globe*, etc.

increased protective policy. No wonder, then, that the doctrine of this School on colonial policy also began to awaken doubts.

In the next place, the effect of the huge expansion in the means of communication became now, for the first time, universally perceptible. By overcoming the difficulties of space and time, which had separated the mother country and her colonies, it had broken down the barriers between them, and brought them closer together than had ever been imagined possible.

No less important was the enormous development of the independent colonies—Australasia in particular, but also Canada—during this period. On the one hand, it awakened, in the mother country, a feeling of just pride in the children who were reflecting such honour on her name, and who were following so closely in her footsteps in political and social matters: and on the other, the more real bond of common material interests was thereby formed, as the colonies offered a splendid field for the surplus capital of the mother country. In this way, the commercial world at home was roused to a lively interest in the welfare of the colonies, and in the political connection with them.

The fact that the great majority of the independent colonies themselves did not desire the final separation to which the Manchester theory had condemned them, had not less influence in bringing about this reaction in public opinion. In possession of the most complete Self-Government, which showed itself in this instance a conservative force, they wished for no change in a relationship that only brought them advantage; their development was furthered by the abundant capital of the mother country, while they enjoyed her political

and military protection without any *quid pro quo*. Hence they took every opportunity of expressing their attachment to the home country and their loyalty to the Queen, and these deliverances could not fail to find an echo in England.

The foreign policy adopted by the Disraeli Cabinet in the second half of the seventies (1874 to 1879) had also contributed to rouse England again to a kind of imperial policy. Finally, to the labours of the Royal Colonial Institute, founded in 1868, is due a large share in re-awakening and keeping up the interest in colonial affairs.

Thus, from many different quarters, the way was prepared for a reaction. The opinion that the colonies ought to be retained by England, was fairly general: less widespread, however, was the conviction, which animated the founders of the Imperial Federation League, that, for this purpose, an alteration of the existing political relation and a closer political union between them and the mother country was necessary. The majority held it quite possible simply to preserve the existing relations, believing that they exhibited already a sufficient amount of federation. Much then, still, remained to be done to make the conviction of the necessity of a closer union general.

The newly-founded society, was at that time, therefore, in the right in laying down, as its first task, the general moulding of public opinion to this view, without putting forward concrete proposals with regard to the form which the proposed federation was to take. In this way it was able to combine very heterogeneous elements. But this was only a makeshift for the time being. It was clear from the outset that these

gaps in the programme would sooner or later have to be filled: that, from assertions as to the necessity of an imperial federation, it would be necessary to pass to concrete proposals, unless mere empty words were to take the place of practical action.

In the first instance, however, the society confined itself to criticising the existing state of things, and laying stress on the necessity of reform in the direction of imperial federation. Two points, in particular, were described as abnormal.

I. The first was that none of the large colonies had any constitutionally recognised voice in the affairs of the Empire; that the foreign policy, not only for the United Kingdom but also for the whole Empire, was made in Great Britain; that the colonies, therefore, had to take on themselves all the consequences of this policy, even, it might be, a war, without being able in any way to influence its course.

Only on the conclusion of commercial treaties, had the English Government, as we saw, departed in the eighties from its former practice, and in most cases reserved to the independent provinces, as well as to India and Natal, the right to adhere or not as they pleased. It had, moreover, several times summoned representatives of the independent colonies, but these were given simply an advisory function.

II. The second—representing the other side—was that the people of the United Kingdom had not only to bear the whole cost of the naval, military, diplomatic, and consular services all over the world, the protection and advantages of which, in war and peace, were shared equally by their colonial fellow subjects, but also all the expenses of any war undertaken solely in the interests of any of the colonies.

The first point served as a handle for the agitation in the colonies; the second, in the United Kingdom. In particular, the proposal to make the colonies bear their proper share in the cost of the maintenance of the Empire, was one which specially recommended itself to the British taxpayer, and wakened a growing sympathy with the idea of imperial federation.

The request that the colonies should share in the cost of the fleet, etc., was bound up with the first point; for the revolt of the United States had, at least, taught the lesson that taxation of the colonies without representation—at any rate as regards the foreign policy of the Empire—was not practicable.

It was the question, then, of the defence of the Empire, and the share of the colonies in that defence, which was put in the foreground of the agitation for imperial federation. A beginning had already been made in this direction. In 1867, on the formation of the Dominion, it was agreed that England should gradually withdraw her troops, and that Canada should herself provide a territorial army for the defence of the country. The same arrangement was made when Self-Government was conferred on Cape Colony in 1870. In 1879, a Royal Commission was appointed, under the Chairmanship of the Earl of Carnarvon, to enquire into the question; the result of which was that the Australasian colonies undertook at least the land defence of the harbours, by troops raised and maintained by themselves. Thus, at the present time, the Australian Colonies and New Zealand maintain a total force of 40,000 men, divided over the separate colonies, each colony having its own territorial troops. Canada, on the other hand, has about 36,000 men under a uniform organisation, with an excellent training-school for



officers.<sup>1</sup> The action of the self-governing colonies, in taking over the support of their land forces, brought considerable relief to the British taxpayer,<sup>2</sup> but there still remained the large and ever-increasing expense for the British fleet and the numerous coaling stations, and these fell on the British taxpayer alone.

The general aim, then, of the Imperial Federation League was, in the first place, to carry out these principles by the establishment of a constitutional federation, whose sole object should be the defence of the Empire, *i.e.* of a 'Kriegsverein,' as Lord Salisbury called it—using a German word not used in Germany. On the other hand, the form of union generally opposed to it, namely, the Zollverein, or Tariff Union of all parts of the British Empire—either as demanded, at the beginning of the eighties, by the new Fair Trade party on the basis of a differential treatment of the constituent States, or as demanded by individual free traders on the basis of Free Trade among the British Possessions—was at first rejected, at any rate by the central organisation in the United Kingdom. The programme, therefore, was political federation first and foremost, without commercial federation: the latter might follow, but was not at first looked upon as essential.

With this intention, the new society at once began its propagandism by means of a journal published in London, called *Imperial Federation*, and by establishing branches in the independent colonies. In doing so, however, it made a principle of avoiding any official

<sup>1</sup> Dilke, *Problems*, p. 649.

<sup>2</sup> In 1854, £250,000 was granted by the mother country to the Australian Colonies for military purposes. In 1884 no grant was made. In Canada the grant in 1854 was over £400,000, in 1884 only £100,000 for the garrison at Halifax (*Fifty Years' Progress*, p. viii.; *Imperial Federation*, June, 1886, p. 168).

declaration of definite plans for the political federation which it held to be necessary. All the more numerous were the private schemes proposed from all quarters. The London Chamber of Commerce, which had, chiefly in the person of its Secretary, Mr. K. B. Murray, ranged itself immediately and with great decision on the side of the new movement, offered, in the beginning of 1886, a Prize Competition for the best outline of a workable and effective plan for Imperial Federation. It had already, in April, 1885, presented an Address to the Colonial Secretary emphasising the importance, from a commercial point of view also, of an Imperial Federation, and had demanded from the Government that the colonies should be sounded on the question. The judges in the competition were—J. A. Froude, author of *Oceana*; Professor J. R. Seeley, author of *The Expansion of England*; and the statistician, Sir Rawson W. Rawson. Of the 106 essays sent in, one was awarded the prize, and five others were recommended for publication by the Chamber of Commerce. It would be out of place, however, to enter more closely into these, as they touch only slightly on the trade policy side of the question.<sup>1</sup>

In the summer of the same year, the London Chamber of Commerce held, for the first time, in the Exhibition Buildings of the Colonial and Indian Exhibition, a Congress of the Chambers of Commerce of the whole Empire.<sup>2</sup> The Congress was well attended, and did much, as did the Exhibition itself, to bring the mother

<sup>1</sup>See *England and Her Colonies*, the five best essays on Imperial Federation submitted to the London Chamber of Commerce for their Prize Competition, London, 1887.

<sup>2</sup>See *Annual Report of the London Chamber of Commerce for 1886*, London, 1887, pp. 1, 317.

country and the colonies into closer contact, and to strengthen interest in the colonies, especially in regard to commercial relations.

In the Queen's Speech of same year, reference was made to England's growing interests in the colonies, and to the general desire to unite them more closely with the mother country, and the Government was instructed to provide the means for an interchange of opinion on the subject with the Colonial Governments. The new Conservative Government, from the start more favourable to the colonies than Gladstone's had been, hastened to act on this suggestion; and, in November, 1886, a Circular was issued by the Colonial Secretary, Mr. Edward Stanhope, to the Governors of the independent and of the Crown Colonies, with the request that they would send delegates to a Conference, to be held in London, for the discussion of the questions which appeared most urgent at the time.<sup>1</sup>

The idea of calling together this Colonial Conference has been claimed by the Imperial Federation League: the success, however, so far as it was concerned, was very doubtful, as, in Stanhope's circular of invitation, all discussion of the question of Political Federation was expressly excluded from the programme, and New South Wales made this a condition of its taking part in the Conference. On the other hand, Stanhope laid down, as the first and most important subject of debate, the defence of the British Empire and of floating trade in case of war: and, as the second, the promoting of the commercial and social relations between the mother country and the colonies, by the development of postal and telegraphic communication within the Empire on a

<sup>1</sup>See Blue Book, *Proceedings of the Colonial Conference*, 1887, Vol. I. (C. 5091), p. vii.

uniform plan such as had hitherto been conspicuous by its absence.

The invitation was everywhere very well received, and all the self-governing, as well as the most important of the Crown Colonies, sent their foremost statesmen, ministers, or ex-ministers, as delegates. The Conference met on April 4th, 1887, in London, and sat till May 9th.

The chief place in their deliberations and resolutions—which, however, were only of a consultative and not of a binding character—was taken by the question of the defence of the Empire. The different sides of the subject were discussed in detail. It was ascertained how much the colonies already contributed to the costs of Imperial defence, through the organisation of their own land defences or their voluntary contributions, and an inquiry was made as to how far this share could be increased without changing the principle of subsidies, *i.e.* without replacing this system by a 'Kriegsverein.' In this connection, an increase was recommended in the subsidies of the Crown Colonies, for the maintenance of certain coaling stations; and, on the proposal of the Australasian colonies, it was decided that the squadron stationed in Australasian waters should be strengthened by a number of ships which were to be reserved for this service only, and to be paid for by these colonies. A motion to this effect was to be laid before the Australian Parliaments without delay.<sup>1</sup>

The further question of postal and telegraphic communication was discussed, as well as various points dealing with international relations, inter-colonial commercial, marine, and process law, securities, trade marks and patent rights; and, lastly, the question of

<sup>1</sup> The proposal was accepted and carried into effect.

the sugar bounties, as to which experts from London, Liverpool, and the West Indies were examined, among others, Mr. Nevile Lubbock and Mr. Ernest Tinne.<sup>1</sup>

The question of Imperial Federation was anxiously kept out of the discussion by the President, Sir H. T. Holland, the new Secretary of State for the Colonies. All the same, he could not prevent the question of a Commercial Union of the British Empire from being fully discussed towards the end of the proceedings, since it formed part of the instructions of various delegates, particularly of those from the Cape. Indeed, it came up partly as the financial side of the question of imperial defence, partly, without any such connection, from reasons of pure trade policy. Sir Samuel Griffith, Prime Minister of Queensland, in the sitting of May 3rd, recognising that the time for an Imperial Zollverein without any internal duties had not yet arrived, pled, in a strong invective against the English Free Trade doctrine, for a closer commercial union of the British Empire—a tariff union of such a nature that, in all parts of the Empire, either goods of British origin should pay a lighter duty than heretofore, the current tariff being retained only for foreigners, or that the foreigner should pay a higher duty than heretofore, while the current tariff should be imposed on British goods alone. That is to say, although retaining the main features of the prevailing tariff system, preferences should be given to the different parts of the British Empire, as against foreign countries, by differential duties.

He was followed by the well-known leader of the Africander party in Cape Colony, Jan Hendrick Hofmeyr, who put forward a concrete plan to the same effect.

<sup>1</sup> See *Proceedings*, I., p. 384, and above, p. 93.

This took in at once the question of imperial defence, and offered a practical solution of it; thus securing the two ends, the union of the Empire and the creation of a revenue to be devoted to its general defence.

In a masterly speech, he first drew attention to the various cases which had occurred of late, where their connection with England had entailed direct commercial loss on British colonies, as they were thereby prevented from concluding advantageous reciprocity treaties with foreign powers, while the mother country granted them no favours over and above those conceded to foreign countries. As the best confirmation, he pointed to the proposal which the Agent-General for New Zealand was to put later in the day: that the Australasian colonies should be allowed, as Canada had been, to conclude differential Customs Treaties of their own with foreign countries. Alike in refusing or conceding this liberty, he rightly saw a great danger for the cohesion and the unity of the Empire.<sup>1</sup>

On the other hand, he showed as pertinently that the British Fleet was insufficient for the defence of the Empire in case of war, and for the protection of the enormous British trade; and that the increase which would be absolutely necessary could not possibly be made, in the long run, simply from the subsidies granted from time to time by the colonies. The subsidies would practically develop into a tax, and, sooner or later, the principle of representation of the colonies in imperial matters would be asserted, (*i.e.* some form or other of political imperial federation), but this would present 'tremendous difficulties.'

As a simple means of meeting this two-fold problem, he recommended the scheme now known by his

<sup>1</sup> *Ibid.*, p. 464.

name, as one which would promote a closer fiscal union between the various parts of the Empire; would produce revenue for imperial purposes; and would, at the same time, leave the various fiscal tariffs of the different parts of the Empire untouched. He proposed levying, in all parts of the British Empire, independently of the duties payable under existing tariffs, an average rate of 2 per cent. all round on all imports from foreign countries, the proceeds to be devoted to the general defence of the Empire. With this view, he reckoned the total imports into the United Kingdom in 1885 from foreign countries at £286,000,000, and those into the colonies at £66,000,000, *i.e.* a total of £352,000,000, which would give a revenue of not less than £7,000,000, assuming that the amount of trade did not alter in consequence of the duty.

Hofmeyr then ran through, one after another, the various difficulties which he saw might be urged against his project, and sought to refute them. We shall return to this later when summing up the whole movement.

This scheme of an Imperial Supplementary Duty, as it is best described, was received very sympathetically by the majority of the deputies, and both by Free Traders and Protectionists. It was, however, emphasised by the one side that a duty of 2 per cent. was too small for the two purposes which it was intended to fulfil, and that at least a duty of 5 per cent. would be necessary. Most of the speakers were quite clear on this point, that, to carry out the plan which they would all, with the exception of the Agent-General of Tasmania, gladly welcome, was not to be thought of until a complete change had taken place in the views which still prevailed on trade policy in

England. But the delegates of New South Wales, conformably to their instructions, declined to take part in the debate, on account of the close connection in which the proposal stood to the question of Imperial Federation.

On the other hand, the proposal of the Agent-General of New Zealand, Sir Francis Dillon Bell,<sup>1</sup> (discussed in connection therewith) that the Australian colonies should receive the privilege of being allowed to negotiate and conclude commercial treaties of their own with foreign Powers, under the sanction and supervision of the mother country, met with as overwhelming an opposition; since the general recognition of this principle—which, it is true, had already been applied in a few individual cases—was looked on as a step towards the dissolution of the Empire.

There is no doubt that the Colonial Conference of 1887 forms an important turning point in the history of English colonial policy, and marks the beginning of a new development. The most prominent ministers of state in the English colonies had there come together for serious interchange of opinions on weighty matters of common interest. Steadfast adherence to the mother country was taken as the natural basis of the deliberations, and all the participants were at one in the wish, not only to retain the existing relations, but to draw them closer in many ways; and although the subject of Imperial Federation, theoretically, was excluded from the debate, the whole course of the Conference was a splendid demonstration in its favour. If the delegates, in this case, were without authority, and if no resolutions immediately binding on the colonies were passed, yet,

<sup>1</sup> *Proceedings*, I., p. 475.



the fact that unanimity on important points had been reached was of great value, and a strong and widely felt stimulus was given by the discussions.

Hofmeyr's project, too, attracted great attention, and forced the subject of the commercial union of the British Empire more to the front than had hitherto been the case. This was helped by the fact that, at the end of 1886, the Minority Report on the Depression of Trade and Industry had advocated the same principle, of course in an essentially different and much more far-reaching shape.<sup>1</sup> It had recommended that Great Britain should levy a duty of 10 per cent. *ad valorem* on a number of goods coming from foreign countries, similar to those produced in the colonies: while the colonies should make corresponding reductions in their duties on goods imported from England.

As was to be expected, Hofmeyr's scheme, like that of the Minority Report, met with sturdy opposition. This opposition existed, to some extent, in the Colonies themselves, but its headquarters were among the strong free traders in the United Kingdom. The Cobden Club mobilised itself against these projects and the Imperial Federation League hastened to take up a hostile attitude towards them. This action of the League, indeed, did not save it from the suspicion of the radical Free Traders, while, on the other hand, it thereby alienated some of its staunchest supporters. Its own special work—agitation for political federation—was making but little progress, if it were not, indeed, losing ground; since the League still held to the easier course of refraining from drawing up and discussing any concrete plan for the political union it wished to

<sup>1</sup> See *Final Report of the Royal Commission on the Depression of Trade and Industry*, London, 1886 [C.—4893], p. lxvii.

create, and thus shirked the numerous difficulties which attended any attempt to turn its theory into practice.

But this method gradually failed of its effect: the interest which had been at first awakened, began to flag for lack of sufficient support. There had been enough of words: what was wanted now was action. Instead, however, the League contented itself, at a meeting on November 15th, 1889—after expressly discountenancing the aspiration after a Zollverein or tariff union, as ‘by no means a practical proposal towards the consolidation of the Empire’—with recommending the regular holding of Conferences similar to that of 1887, except that the question of Imperial Federation should not be excluded, as it had previously been. The President, Lord Rosebery, indeed, maintained that there already existed a form of Imperial Federation, inaugurated by the Conference of 1887. The League had meanwhile, then, considerably lowered its pretensions.<sup>1</sup>

Even in the colonies, the movement for political federation did not make any considerable advance during this time. In the greater number of them, indeed, the most prominent statesmen and politicians had spoken decidedly in its favour, but it became apparent in many ways that, on this point, they were not in agreement with public opinion in their colonies—particularly in Australasia.<sup>2</sup> Here the chief interest centred in a movement for the partial federation of all the Australasian colonies, and it was not easy to see whether, when this was accomplished, it would be a help or a hindrance to a general imperial federation. In Canada, on

<sup>1</sup> See the report of the Assembly issued by the League: also Dilke, *Problems*, p. 627.

<sup>2</sup> *Ibid.*, p. 636.

the other hand, the League made notable strides, but in this case the movement, unlike that in the mother country, was predominantly commercial and protectionist, and most of its adherents demanded that any imperial federation should, at least, carry out Hofmeyr's scheme, which had been received with great sympathy in the Dominion.

There was a matter of internal British policy, which, in some of the colonies, had a great deal to do with limiting the influence of the League. The Irish Question during these years dominated the political world, not only in Great Britain, but, to a certain extent, in the colonies. The President of the League was in favour of Home Rule, and this weakened the position of the League in Victoria, where the prevailing sentiments were 'anti-Irish,' while the fact that the majority of the Committee of the League were Conservatives, and, accordingly, opponents of Home Rule, had a similar effect in New South Wales and Queensland, where there existed 'a terror of the word Imperial.'<sup>1</sup>

Such was the state of affairs when, at the end of 1890 and the beginning of 1891, the coincidence of several important events demonstrated the palpable impossibility of maintaining the *status quo*, and gave a lively impetus to the political and commercial forces within the British Empire.<sup>2</sup>

In the first place, there arose more than one dispute between the different colonies with one another, with the mother country, and with foreign states, all of which

<sup>1</sup>Dilke, p. 634.

<sup>2</sup>For what follows, see *Imperial Federation*, the journal of the Imperial Federation League, 1891, *passim*; also the article, 'The Past Year,' in the January issue, 1892.

had to be settled by the English Government. The first was the dispute between Canada and the United States as to fishing in the Behring Sea, which reached a very acute stage at the beginning of 1891. Then came the quarrels to which the fishing interests of Newfoundland gave occasion. This last-mentioned colony, which had obstinately refused to join the Dominion of Canada, had received, as we have seen, the right to negotiate independently for a trade Convention with the United States relative to the fisheries. The British Government, however, kept to itself, as always in these cases, the right to ratify any Convention that might be agreed on, and here came out the radical weakness of the arrangement: it had worked well in the earlier years for the simple reason that no difficulties had been raised against it. In this case, however, Canada protested against the Convention, as leaving out of account the obligations which Newfoundland had undertaken towards her, and, in consequence of this well-founded protest, England refused her assent. This roused great excitement and bitter feeling in Newfoundland against the mother country, as well as against Canada.

Further, there was the quarrel of the same colony with France, on the score of certain fishing rights on the coast of Newfoundland, which had belonged to that country since the Peace of Utrecht. On this the British Government came to an understanding with France, on March 11th, 1891, under which certain matters of dispute were to be submitted to a Court of Arbitration, and the *modus vivendi*, arranged the year before, to be preserved in the interval. The Parliament of Newfoundland refused obstinately to recognise this agreement, and to give the legal sanction necessary for

carrying out the *modus vivendi*. There was, therefore, no other course open to the British Government to enable it to carry out its obligations to France, than to lay before the Imperial Parliament a Bill for this purpose, to be afterwards forced on the colony. This measure, as formerly shown, was quite constitutional, even as regards the self-governing colonies, but it was a last resort: no recourse had been made to it for some time, and its effects on the independent colonies might be incalculable. On the second reading of the Bill, however, the Prime Minister of Newfoundland, along with other delegates, appeared in the House of Lords, and declared his willingness to accept arbitration, and to bring in the necessary legislation in the colonial Parliament. The Bill nevertheless passed its third reading in the House of Lords, but time was allowed to the Colonial Government to arrange for the necessary legislation before it should come before the House of Commons. In this way the difficulty was got over, but this headstrong colony had already prepared another stumbling-block for the Government of the mother country.

In Newfoundland, indignation had turned wholly against Canada, who had prevented Great Britain from sanctioning the Convention agreed on between Newfoundland and the United States, and had refused the request of the former to fit out a cruiser to assist her in enforcing the Bait Laws against the French.

In revenge, Canadian ships were entirely prohibited from purchasing bait and bait fish (including frozen herring) in Newfoundland for the purpose of trade or of fishing, while licenses were granted free of charge to the boats and fishermen of the United States.

Canada's answer to this was to withdraw the privilege of free entry for Newfoundland fish into the Dominion, and to limit the privileges, formerly given to the products of Newfoundland, of being warehoused duty free when in transit to the West Indies and other countries. Newfoundland, in turn, retorted by putting additional duties on Canadian goods, principally flour, pork, tobacco, creosote, and other agricultural products.<sup>1</sup>

In this way a tariff war in *optima forma* had broken out, and it was again the thankless task of the mother country to put an end to it. But in this case she had no constitutional means of doing so, as the British Parliament had no longer any veto or any right of sanction over the independent tariff legislation of the colonies.

The case of Newfoundland was of importance theoretically. Of much greater importance practically, was the internal crisis of the same year, 1891. The Dominion had been seriously threatened by the M'Kinley Tariff in 1890, and that section of the Liberal party which inclined towards the United States, and considered that the future of Canada lay in a union with them, pressed for the conclusion of a commercial treaty on a basis of complete reciprocity, *i.e.* mutual Free Trade, or, in other words, a Zollverein between the United States and Canada. That such a tariff union would offer great advantages to Canada in economic respects, was not to be denied, since it would afford a large outlet for her agricultural products. On the other hand, young industries already started under the protective policy of the Conservative Government would, of course, have to be entirely sacrificed.

The Prime Minister, and leader of the Conservatives,

<sup>1</sup> *Imperial Federation*, January issue, 1892, p. 2; also *Frankfurter Zeitung*, Dec. 14, 1891, No. 348.

Sir John Macdonald, recognised perfectly that such a tariff union with the United States would necessarily lead to political annexation, *i.e.* separation from the mother country: a tariff union with the United States, with Free Trade between the two countries and Protection against the outside world, would necessarily turn out in the interests of the United States, and against those of Great Britain. It would mean that Canada, in tariff respects, treated foreign goods more favourably than those of the mother country. But whether Great Britain would sanction this seemed doubtful. Although, for the moment, she allowed the colonies complete freedom to impose duties against herself, none of them had up till then attempted an unfavourable differential treatment of her, and many attempts had recently been made to show that the existing constitution of the Empire and of the colonies prevented it. Consequently, Sir John Macdonald, a strong opponent of annexation by the States and an enthusiastic adherent of the movement for Imperial Federation, offered an active opposition to the movement for a Zollverein. On February 2nd, 1891, the Dominion House of Commons was dissolved, and there began a very lively election struggle, on the issue of which depended nothing less than the political future of Canada—its continued connection with the British Empire or its ultimate annexation to the United States. In the course of this, prominent Canadian politicians, adherents of the Liberal Party, were deeply compromised by political intrigues, to secure the annexation of Canada. According to Macdonald, the clauses in the M'Kinley Tariff which specially threatened Canada were partly due to the treacherous advice of those Canadian politicians, who hoped thereby to force the Dominion into the Union.

The embittered struggle, which was followed in England with the greatest tension and anxiety—for nothing less than the future of the British Empire was at stake—ended with a victory for the Conservative Party, led by Macdonald, which, if not brilliant, was at least decisive. But the fatigues of the electoral campaign had undermined his health, and Macdonald paid for the success with his life.

His death, on June 6th, 1891, was a heavy loss to England as well as to Canada. He had been Prime Minister from 1867 to 1873, and again from 1878 to the time of his death. The Federation of 1867 and its systematic development thereafter, the building of the Canadian Pacific Railway, and the whole brilliant expansion of Canada were chiefly his work. According to general opinion, he was one of the foremost statesmen of the British Empire. But the apprehension that his work might not be carried on after his death has proved unfounded. The position of the Conservative Ministry since then has become still stronger, and has withstood even the severe ordeal that followed shortly after, on the occasion of the great bribery scandal in the Canadian government. In this affair officials of both parties were involved. The leaders of the Conservative Party, however, were untouched by it, and the Government remained as strong as before.<sup>1</sup> The negotiations for a commercial treaty with the United States were formally adjourned, and the crisis may be regarded as settled for some considerable time to come. We shall see, however, that the majority of the Canadian people made this decision in favour of the mother country in the definite expectation

<sup>1</sup> See leading article in *Morning Post*, Oct. 13, 1891, and Vormeng's article in the *Deutsches Wochenblatt*, 1891, No. 32.



of entering on a new trade relation with and of receiving trade preferences from her.

To these two important events in Newfoundland and Canada, succeeded a third in the same year, 1891 :—the convening of a Federal Convention of accredited representatives from all the Australasian colonies, in Sydney, to consult as to a Federation for Australasia.

As far back as 1885, we have already said, the organisation of a Federal Council for the Australasian Colonies had been created by 48 and 49 Vict., c. 60, with certain common powers, but embracing at that time only Victoria, Queensland, Tasmania, Western Australia, and Fiji. In 1890, a Conference of delegates from Australia (in the limited sense) and New Zealand, had met in Melbourne to consider a Federal union, and had resolved that, in the following year, a Convention of accredited delegates should take place, for the purpose of finally agreeing on a Constitution.<sup>1</sup> This was opened on March 2nd, 1891, at Sydney, and was concluded on April 9th, after accepting the draft Constitution with a few changes. According to this draft, the Constitution of the individual colonies—to be thereafter called 'States'—should remain unchanged, so far as not limited by the Federal Government. The Federal Constitution is, therefore, formed on the model of the United States, in contrast with the more centralised Dominion of Canada. As regards trade policy, the delegates united on the basis of internal Free Trade between the States and Protection against outside.<sup>2</sup>

<sup>1</sup> See official Record of the Proceedings and Debates of the Australasian Federation Conference at Melbourne, 1890.

<sup>2</sup> For fuller information on the deliberations, see *Imperial Federation*, 1891, VI., Nos. 64, 65.

The general expectation seemed to be that a Federal Constitution, for Australia, at any rate, would become an accomplished fact. This, again, raised the question whether it should be within the British Empire or outside it.

The Federal Constitution adopted by the Convention certainly assumed the former, and some of the delegates had spoken with decision for a general Federation of the Empire. But this Constitution had still to be adopted by the Parliaments of the individual colonies; and, in Great Britain at any rate, opinion was very much divided as to whether the realisation of the Australian Federation would draw closer or loosen the bond between those colonies and the mother country.

All these events, occurring, singularly enough, in the course of a single year, thrust the question, alike of the political and of the commercial federation of the British Empire, into the foreground of public interest and public discussion, and gave a new and lively impetus to the agitation already begun in that direction.

The first result was that the Imperial Federation League was shaken out of the inactivity, or quiet activity, of previous years, into publicly adopting new measures, and, indeed, into taking a step, which was really outside the scope of its programme, viz. political without commercial federation. On November 27th, 1890, the Executive Committee of the League, on the proposal of Mr. Howard Vincent, and the Canadian delegate, General Lawrie, had resolved that, when the existing commercial treaties were renewed, they would work to secure the abolition of that form of the most favoured nation clause which forbade

preferential duties between individual portions of the British Empire. Clauses of this kind were, as we have shown, expressly contained in the commercial treaties with Belgium and the Zollverein of 1862 and 1865, and extended, through the general most favoured nation clause, to all other States which had the usual most favoured nation treaties with Great Britain. More than ten years previously (in 1881), the attempt had been made, on the initiative of the Canadian Government, to procure from Belgium and Germany the abolition of these clauses, but without success. When, then, the Imperial Federation League took up this question, it did so for the sake of its Canadian branch, influenced by the theoretical argument that this putting of the colonies on the same footing as foreign countries was in contradiction to the idea of Imperial Federation. But the treaty obligations in question could be of practical importance only if the idea of a tariff union of the Empire were realised, or if commercial reciprocity treaties between individual colonies—say, for example, between Canada and the West Indies, or between Canada and Australia—should be concluded. The first of those schemes was not in the programme of the League; the second was not approved of, on account of the prejudice which would accrue to the mother country under a differential system.

As we have seen, in actual international usage, an exception had been made to the application of these treaty clauses; namely, where States with common tariff boundaries wished to give each other mutual tariff privileges—on the so-called ‘limitrophe principle.’ Thus, without prejudice to such clauses, the Cape had entered into a Zollverein with the Orange Free State; there was a similar arrangement between British India

and Portuguese India: the doctrine was also applied to Australia, and, in a wider reading, to Australasia (that is, including New Zealand and the other neighbouring islands).

On 23rd January, a deputation of the League made representations for the abolition to the Trade and Treaties Committee appointed by the Board of Trade. Its President, Mundella, however, disputed the harmfulness of these treaty provisions, which, he said, made tariff preferences within the Empire by no means impossible; and, two months later, Sir Michael Hicks-Beach, then President of the Board of Trade, on a question of Mr. Howard Vincent, explained, in the House of Commons, that the treaty provisions bound only the mother country, not the colonies as among themselves, or as against foreign states. This is a reading which only the treaty of 1862 allows: that of 1865 expressly forbids it; and the British Government itself, up till that time, had not accepted it, the proof being, as we have shown, that it had in several cases prevented individual colonies from making commercial treaties or conventions of this sort on that very ground.

The more important question which lay slumbering in the background of all this, namely, the Commercial Union of the British Empire, had been shortly before wakened into life, at a meeting of the City of London Branch of the Imperial Federation League on 14th January, 1891, by the former Prime Minister of Cape Colony, Sir Gordon Sprigg. In the course of his speech, which advocated a commercial union of the British Empire, and proposed that a conference of the colonies should be called to consider the question, he maintained energetically that Free Trade was not con-

sidered by any of the colonies as a fetish; that, on the question of tariff policy, the colonies would be guided not by abstract principles and academic opinion, but by practical considerations, and by regard to existing circumstances. The speech made a great sensation, and aroused active discussion in the press. The Conservative *Morning Post* referred to it sympathetically, and declared that the difficulty of the scheme was not insurmountable. The *Times*, the barometer of public opinion in England, made the notable confession that economic text-books (that is Free Trade text-books) were getting somewhat outworn even in England, and that people were coming round to the view that 'Free Trade was made for man and not man for Free Trade:' that it might be, as a matter of principle, quite right to accept the economic disadvantages in a customs union in exchange for a serious political gain.

A month later, the same question came up for discussion in both houses, on motions of the Earl of Dunraven and Mr. Howard Vincent. On February 12th, the former proposed, in the House of Lords, that a Conference of representatives from the colonial governments should be called, to discuss the advancement of trade within the Empire, and the formation of a fund for certain purposes of imperial defence. It was, therefore, Hofmeyr's twofold scheme that Dunraven took up, adding, however, a third item;—retaliatory duties against foreign protective states. Salisbury's answer, though graciously worded, was a decided rejection of the proposal, and dealt somewhat ironically with the whole question of imperial federation—which he had, on an earlier occasion, laid down as the future of the British Empire. Without disputing Dunraven's commercial standpoint, he pointed out the insuperable difficulties

which, in his opinion, stood in the way of such a Conference, and declared its convening inopportune. Dunraven, thereupon, withdrew his motion.

Mr. Howard Vincent's motion, of February 17th, in the lower House, met with no better fate. It started in the same way, recommending a Conference to discuss the question of inter-British trade, but without mixing this up with the question of imperial defence. In defending his motion, Mr. Howard Vincent also pointed to the utterances of Hofmeyr and other delegates at the Conference of 1887, and to the growth of trade between England and her colonies. He was supported by Mr. James Lowther, one of the leaders of the Fair Trade movement.

On the other side, came forward Sir Lyon Playfair, as spokesman for the Free Traders and the Cobden Club, and Goschen, the Chancellor of the Exchequer, as speaking for the Government, although Goschen, on other occasions, had shown himself by no means a radical Free Trader.<sup>1</sup> The latter dwelt with emphasis on the change that had taken place in English public opinion as to the colonies, and avowed himself in principle favourable to a closer union of the British Empire. But he insisted that the question should be kept separate from that of 'Protection or Free Trade?' and not 'prejudiced by any suspicions that its champions had got a kind of sneaking desire to promote Protection.' He pointed out, however, even more effectually than the Prime Minister, the great political difficulties which stood in the way of carrying out any such plan as was here advocated, and expressed his conviction that a Customs Union, with inter-British Free Trade, might certainly be acceptable to the mother country,

<sup>1</sup> See above, p. 103, Note 4.

but not a Commercial Union, in which the trade advantages that the colonies could offer to the mother country were so slight. It was very desirable, he declared, that the colonies should bear a larger share in the cost of maintaining the British fleet; but, to invite a conference of representatives to discuss this matter was, he held, inopportune before they had come to an understanding on the first principles upon which any arrangement could be come to. On this, the proposer asked leave to withdraw, but was not permitted, and the motion was negatived without a division.

This decisive rejection, on the part of the Government, of the project of a commercial union of the British Empire, now led to a split within the Imperial Federation League. Mr. Howard Vincent, and other members who had adopted his plan, continued their activity in this direction outside of and independent of the League (without, however, leaving it), by founding, immediately after their failure in the lower House, a new association called the United Empire Trade League. The leaders, and the organ of the Imperial Federation League, saw, however, in this failure, a gratifying confirmation of their original view that the way to imperial federation lay, not through commercial federation, but directly through the creation of a league for Imperial Defence.<sup>1</sup>

To this end they managed to make capital out of the events in Newfoundland and Canada, and fell back on the previous plan of petitioning the Prime Minister to convene a second Conference of the same kind as that of 1887—*i.e.* of a purely consultative character—to discuss the question of imperial federation with special reference

<sup>1</sup> See the article, 'Ministerial Utterances,' in *Imperial Federation*, March, 1891, p. 50.

to imperial defence. Salisbury announced his readiness to hear them, and received a deputation on 17th June.<sup>1</sup> In answering, the Prime Minister acknowledged that the task which the League put before itself meant 'nothing more nor less than the future of the British Empire.' But he again dwelt on the impossibility of summoning a conference so long as there were no definite plans to lay before it, pointing out that this had not been the case as regards the very successful conference called by the same Government in 1887.

Continuing, he censured, with biting sarcasm, 'the extravagant modesty' of the League, in having hitherto refrained from laying down concrete plans for carrying out their policy, and in priding themselves on having no cut and dried scheme; and he pointed out, in the words he had used at the opening of the Conference of 1887, the twofold task which it had to take up in creating a united Empire—a federation like Germany or the United States—namely, the establishment of a 'Kriegsverein' and a 'Zollverein.' The former seemed to him the more pressing of the two, but even here there were difficulties, the solution of which was not a matter of vague sentiment but one for hard thinking and close examination.

To these challenges of Salisbury, the organ of the League, not unreasonably, made reply that it was precisely the business of a leading statesman to formulate a scheme for the solution of a problem which, he admitted to be so pressing and important; but the League, notwithstanding, followed the call of the Prime Minister, and immediately arranged for the meeting of a Commission to consider a scheme.

<sup>1</sup> See *Imperial Federation*, 1891, July number, pp. 147 and 160; *Fair Trade*, 1891, June 26th, Vol. II., No. 298, p. 452.



Meanwhile, the newly formed United Empire Trade League had not been idle. The programme with which it came before the public was, indeed, if possible, more vague and wordy than that of the Imperial Federation League. By indefinite and general expressions, it sought to conceal from the public that its end could only be attained by preferential treatment, *i.e.* in contradiction to the Free Trade doctrine; and thus it was equally successful in winning over people to its side who would have refused their assent to a more concretely worded programme. At any rate, a number of free traders are said to have become members of the new League. Still the leaders should be looked at rather as adherents of the Fair Trade movement, on whose programme, from the very beginning, tariff preferences between the mother country and the colonies found a place. In contradistinction to the entirely general and vague character of their first publications,<sup>1</sup> however, the new association immediately attacked a very concrete and practical question which its leaders had already raised in the Imperial Federation League, namely, that of the most favoured nation clause in the commercial treaties of 1862 and 1865.

On 30th April, Mr. Howard Vincent, in the House of Commons, called the attention of the Government to a unanimous resolution passed by the Manchester Chamber of Commerce, on April 28th, that in future no commercial treaties should be made or renewed which forbade tariff preferences between the United Kingdom and the Colonies; and, on 18th June, a day after receiving the deputation of the Imperial Federation League, the Prime Minister, accompanied by the Secretary of State for the Colonies, the President of the

<sup>1</sup> See United Empire Trade League Publications, Nos. 1-7.

Board of Trade, and the Under Secretary for Foreign Affairs, received, with all ceremony, a deputation of the United Empire Trade League on the same subject. Salisbury's answer to these delegates was not less skilful and diplomatic than that of the day before.<sup>1</sup>

With astonishing frankness and decision, he recognised the propriety of their objection, from the point of theory, to these treaties, describing them as 'unlucky,' and declaring that he was unable to understand what could have moved the Government (of Lord Palmerston) to accept these clauses; but he pointed out, on the other hand, that single clauses alone could not be denounced,<sup>2</sup> and that the treaties as a whole were very valuable to British trade, especially at a time when the current of Protection was running so high. It seemed to him, therefore, a serious thing to denounce these treaties on account of their objectionable clauses. Still, he promised that the Government would embrace every opportunity that offered to get rid of them.

But he went on to expose, as unsparingly as in the case of the Imperial Federation League, the weak points of this association, particularly the indefiniteness of its programme. He forcibly impressed on it the necessity of showing its colours, *i.e.* of giving up opportunist tacking between Free Trade and Protection, or Fair Trade, and advised it rather to acknowledge openly and confess that, in opposition to the ruling Free Trade doctrine, it was in favour of differential duties, and

<sup>1</sup> See *Imperial Federation and Fair Trade, ibid.*

<sup>2</sup> According to Article XXV. of the treaty with Belgium, this was possible: 'The High Contracting Parties reserve to themselves the right to introduce into the Treaty, by common consent, any modifications which may not be at variance with its spirit or principles, and the utility of which may be shown by experience,' Hertslet, XI., p. 72.

mutual tariff preferences between the mother country and the Colonies, with all the consequences which these involved for the United Kingdom. The basis of such a commercial union would, however, he imagined, have to be preferential duties on corn, meat, and wool, *i.e.* the reintroduction in Great Britain of duties on these articles against foreign countries, and this would mean, in all probability, at least a temporary rise in the price of such raw material and food stuffs. 'On these matters public opinion must be formed before any Government can act. No Government can impose its own opinion on the people of this country in these matters. You are invited, and it is the duty of those who feel themselves to be the leaders of such a movement, and the apostles of such a doctrine, to go forth and fight for it, and, when they have convinced the people of this country, their battle will be won.'<sup>1</sup>

This hint of the Prime Minister did not fail of its effect: Mr. Howard Vincent, the leader of the movement, began at once to agitate, not in England but in Canada, where his efforts were sure of most sympathy. But there he took so decided a stand for preferential duties, and against Free Trade, that in England, too, his future line of action was clearly marked out. On the tour which he made through the Dominion a short time after his audience with Lord Salisbury, he found nearly everywhere a sympathetic, in many cases an enthusiastic, reception and appreciation. It was in Canada that the idea of such a Commercial Union with the mother country had rooted itself most strongly: in that country, Imperial Federation had, as we have seen, essentially that meaning. This had also been the

<sup>1</sup> *Imperial Federation Journal*, 1891, p. 155.

object of Sir John Macdonald, and, after the issue of the last election, Commercial Union was the question which came specially to the front. Canada was unwilling to have sacrificed to the mother country the advantages of a commercial treaty or tariff union with the United States for nothing; she expected to obtain from the mother country in return a privileged outlet for her staple articles of export (*i.e.* it was hoped that England would impose duties on similar goods coming from abroad) or at any rate the abolition of the most favoured nation clauses which stood in the way.

Thus the objects of the United Empire Trade League were fully identified with the wishes of a great part of the Canadian people. But how far Mr. Howard Vincent was right in speaking of a general disposition on the part of the mother country to meet those wishes, and of a reaction against Free Trade in England, remained to be seen.

His Canadian tour soon led to a practical result. In September, the Canadian Government proposed to the Dominion Parliament an Address to the Queen, begging for the denouncing of the clauses already mentioned in the English commercial treaties of 1862 and 1865, which hindered Canada from coming to an agreement on tariff preferences either with the mother country or with foreign states, particularly with the United States, and which were incompatible with the constitution of the Dominion of 1867, and with the independence then granted it of determining its own trade policy.<sup>1</sup> The Address was unanimously adopted in both houses of the Federal Parliament, as the freedom of trade policy which it demanded was equally the basis of the trade policy

<sup>1</sup> See *Imperial Federation*, October and November, 1891, pp. 231 and 247; *Fair Trade*, September 25th, 1891, pp. 601 and 603.

advocated by the Liberal Party in the Dominion. But this, as the debate showed, was not the purpose for which the existing Government proposed the Address. Its aim was tariff preferences on the part of the mother country, and these were asked by the majority of the Canadian people as a return for abstaining from a reciprocity treaty with the United States. Thus England was placed in an unpleasant dilemma. If she refused Canada's request, the political results were not to be foreseen; if she granted it—apart from the difficulties which she herself would have to encounter—she thereby handed over to the Dominion a two-edged sword that might be turned against herself.

There is no doubt, however, that, in the meantime, the idea of a Commercial Union of the British Empire, with preferential duties, had greatly gained ground even in the United Kingdom, all the more that it was put so generally and vaguely. The number also of those who earnestly embraced it, and did not shrink from the consequences of such a trade policy, was, undoubtedly, steadily on the increase. To this there greatly contributed the increasing obstruction offered to the sale of English goods in foreign countries by the protective policy of these countries, particularly by the M'Kinley tariff, the effects of which were gradually making themselves felt. On account of this, the desire to obtain an offset, in a privileged market in the Colonies, grew stronger. The old Fair Trade League, which had become the Fair Trade Club, did more in the United Kingdom to carry on this agitation than did the newly-founded association. It could boast, indeed, of having put this forward on its programme as far back as 1881, and now,

supported by the events of 1891, it roused itself to new activity.

Even the London Chamber of Commerce, although most of its members were free traders, had spoken in favour of the project of a Commercial Union with the Colonies. Its energetic Secretary, Mr. K. B. Murray, although a free trader, was firmly convinced of the necessity of this course for the United Kingdom. The final end he had in view was, of course, a Zollverein of the whole British Empire with internal Free Trade, to which foreign states might also be allowed to adhere on granting similar freedom of trade—the proposal which Webster had put forward in 1880. But, as this did not appear to be immediately practicable, he maintained that an intermediate stage of a Commercial Union, with preferential duties, was expedient and necessary. Mainly on his initiative, the London Chamber of Commerce sent out invitations for a second congress of the Chambers of Commerce of the British Empire, to meet in London in the summer of 1892. The invitations were everywhere accepted, and the Congress set down, as the first point on its programme, the discussion of Commercial Union. At the annual meeting of the Chambers of Commerce of Great Britain and Ireland, in Dublin, September 1st and 2nd, the London Chamber and that of the South of Scotland proposed a resolution to take measures for securing ‘closer commercial union between the Mother Country and the Colonies,’ and this proposal was unanimously adopted after a highly interesting debate. The speech of the Chairman of the Committee of the London Chamber of Commerce, Sir Albert Rollit, was of special significance.<sup>1</sup>

He denied the accusation that protective tendencies

<sup>1</sup> *Imperial Federation*, October, 1891, p. 234.

were veiled under these efforts after a commercial union of the British Empire. The distinction between Protection and Commercial Union was, he maintained, that the former looked only to the interests of classes, the latter to that of the Empire and the community. He then advocated the abolition of the clauses in the treaties of 1862 and 1865. The Colonies, he said, in regard to commercial treaties, should not be regarded as foreign states, but essentially as part of the British Empire. Himself an avowed free trader, he advocated the policy of securing in the Colonies the open markets for manufactures which England was no longer able to find in foreign countries, even if this involved sacrificing to a certain extent the policy of Free Trade. It was a sacrifice which might have to be borne by the consumer, though this was a matter of dispute, but it must, he said, be clearly understood that the days were over when the chief object of existence was free competition and cheapness. 'That was the doctrine of a school of very high authority, the school that gave us Free Trade, but men are giving their thoughts to wider aspects, and they no longer believe that produce by competition—enabling some men scarcely to live, with no leisure, and under such conditions that life is hardly worth living—is the highest objective of social existence (applause). The feeling is growing in the minds of the people that the object of national existence is not the accumulation of wealth, but the wider one of the welfare of mankind' (renewed applause).

Finally, in the last days of November, the National Union of Conservative and Constitutional Associations, the same body which had passed a resolution in favour of Fair Trade at Oxford in 1887,<sup>1</sup> spoke out, with only

<sup>1</sup> See above, p. 200.

five dissentient voices, on behalf of the trade policy put forward by the United Empire Trade League, although Salisbury had, only the day before, emphasised in a speech the great blessings of Free Trade for England. Here, then, a remarkable division of opinion showed itself between the Conservative party and its leader, which might be a fateful one way or the other at the impending elections.

The year 1892 also has seen events of great consequence, leading to a remarkable development in these questions. In February, Mr. James Lowther and Mr. Howard Vincent, in the debate on the Address, proposed an amendment demanding, in accordance with the prayer of the Canadian Parliament, the denouncing of those clauses in the commercial treaties which stood in the way of preferential duties within the Empire. The amendment was lost, after a strong speech against it by the representative of the Government, Sir Michael Hicks-Beach, President of the Board of Trade.<sup>1</sup>

Of special importance are various new movements in Canada, which show what a burning question the Commercial Union of the British Empire has become. On March 22nd, the Finance Minister of the Dominion, Mr. Forster, made a memorable speech. He first announced the complete breakdown of the negotiations, at Washington, as to a new reciprocity treaty with the United States, owing to the demand, on the part of the United States, for an extension of the treaty to manufactures, and for the concluding of a formal tariff union, *i.e.* discrimination against England by Canada. Forster pointed to the importance of England as an outlet for Canadian goods, and to the greater importance which she was bound to have owing to Canada's being debarred

<sup>1</sup> *Imperial Federation*, March, 1892, p. 67.



from the United States market; and promised a reduction of the Canadian duties in return for tariff privileges.<sup>1</sup> A short time after, on 7th April, a motion brought forward in the Canadian Parliament by the Opposition, that Canada should demand complete liberty from the mother country to negotiate her own commercial treaties, was lost.<sup>2</sup>

Meanwhile, on April 2nd, the answer of the British Government to the Canadian Address of the preceding year was communicated, and was laid before the Canadian Parliament on April 22nd.<sup>3</sup>

It refused Canada's demand for the denouncing of the clauses, giving as reason that the abolition of these clauses would in no way secure to Canada the freedom of external trade policy which she appeared to demand; namely, the freedom to impose discriminating duties of all sorts. No such general right had, it said, ever been granted to the self-governing colonies. Further, the clauses concerned could not be separately denounced; while the treaties of which they formed a part were of the greatest importance, not only for England but also for Canada and the other colonies, to which the most favoured nation relations were extended, and which consequently benefited similarly by the tariff reductions of the new Central European commercial treaties.

Scarcely eight days after this refusal had been laid before the Canadian Federal Parliament, a new and more energetic step was taken in the desired direction. On April 28th, a resolution was passed, in which Canada declared that, if the English Parliament would admit Canadian products to the markets of the United Kingdom upon more favourable terms than the pro-

<sup>1</sup> *Ibid.*, May, 1892, p. 112.

<sup>2</sup> *Ibid.*, p. 102.

*Ibid.*, June, 1892, p. 135.

ducts from foreign countries, she was prepared to allow a substantial reduction of her duties on British manufactures.<sup>1</sup> Thus was refuted the often-repeated assertion that the Colonies were never ready to offer a *quid pro quo* for tariff privileges.

This important resolution of the Canadian Parliament was greeted, on the whole, in a very sympathetic manner by the *Times*, in a leader that caused much comment: in the course of the article, however, it was said that if the colonies, as a whole, were prepared to enter into a Customs Union with the mother country on mutually advantageous terms there would be a strong body of public opinion in favour of meeting the offer if possible, even at the cost of some departure from the rigorous doctrines of Free Trade.<sup>2</sup>

On May 27th again, the Earl of Dunraven drew the attention of the House of Lords to this resolution of the Canadian Parliament, and, in an able speech, urgently advised the trade policy suggested by Canada, with all the consequences it would involve for England, *i.e.* in particular, the introduction of a moderate duty on foreign grain. Lord Balfour, as representing the Government, decidedly refused, in this case too, to go into proposals of such a nature.<sup>3</sup>

Meanwhile, even in the headquarters of the Imperial Federation League in London, a leaning towards a commercial union with the colonies had become apparent. The Special Committee of the City branch of the League, appointed to investigate the question, issued its report in March, in the shape of a resolution 'that any scheme of Imperial Federation should embrace a Commercial Union, as necessary to its strength and

<sup>1</sup> *Ibid.*, p. 125.

<sup>2</sup> *Ibid.*, p. 127.

<sup>3</sup> *Ibid.*, July, p. 154.

permanence, and that such a Union should be based, as nearly as practicable, upon Free Trade throughout the Empire.' This resolution was unanimously adopted on May 23rd, at the annual meeting of the branch.<sup>1</sup>

A few days before, on May 18th, the Prime Minister, Lord Salisbury, in the speech already alluded to at Hastings, spoke out, with a decision which he had not previously shown, against orthodox Free Trade, and its 'Rabbis,' and in favour of retaliatory duties—not, it is true, on grain and raw material, which he still pronounced impossible, but on the other articles of import from foreign protective countries—in order to furnish England again with a weapon, at a time when all Europe was re-modelling its commercial treaties.<sup>2</sup>

At the end of the following month, the Congress of Chambers of Commerce of the British Empire, anxiously awaited by all circles interested in this question, met in London. It suffered, from the beginning, by the impending parliamentary elections, which completely occupied public attention in England, and prevented a great many prominent politicians from taking part in the proceedings.

The first point on the *agenda* was the Commercial Union of the British Empire.<sup>3</sup> The debate on this question took up three days, and was extremely interesting; the old battle between Free Trade and Protection was again fought out, partly with new weapons, by the English and colonial speakers.

The sharpest attacks on British Free Trade came from the Canadian delegates, but there were also some warm supporters of it among the colonial speakers. The

<sup>1</sup> *Ibid.*, June, p. 131.

<sup>2</sup> See *Standard* of 19th May, 1892.

<sup>3</sup> See the detailed report on the negotiations in the *Supplement to the Chamber of Commerce Journal*, July 14th, 1892.

most notable speeches were that of the Canadian ex-Finance minister, Sir Charles Tupper, now High Commissioner for Canada in London, who spoke in favour of a differential tariff system within the Empire, on the basis of the existing tariffs, and that of G. W. Medley, a member of the Cobden Club, who spoke against Sir Charles Tupper's proposal, and in favour of Free Trade even in the colonies. In the other speeches, the whole complexity and divergence of commercial interests and aims inside the great empire which lie between those two extremes became clearly evident, but into these it is, unfortunately, impossible to enter.

When the vote was taken, at the Chambers of Commerce Congress, Tupper's amendment for the creation of a commercial union, with a slight differential duty against foreign countries and without Free Trade inside, was lost—as was to be expected from the composition of the Congress in which, naturally, England was most strongly represented—by 79 to 34 voting by head, and 55 to 33 voting by Chambers. But, of these, 88 votes, 42 were given by Chambers of the United Kingdom alone; of these, 35 voted against and 7 for; of the 22 Canadian Chambers, 19 voted for and 3 against; of the remaining colonial Chambers (Australasia, the Crown Colonies, and India) 7 voted for and 20 against.<sup>1</sup> Medley's resolution, against differential duties as based upon Protection and for general Free Trade, was then adopted by 47 Chamber votes to 34. As regards Nevile Lubbock's resolution in favour of a Commercial Union with internal Free Trade (and, eventually, differential duties against outside), the Congress came to no decision; as Tupper proposed, for the words 'on the basis of Free Trade within the British Empire,' to substitute

<sup>1</sup> *Imperial Federation*, August, 1892, p. 170.

'on the basis of freer trade,' and so managed to give an appearance of unity to the various contradictory interests. In this non-committal form, the resolution was unanimously adopted.

If the result of this voting cannot, when one considers the composition of the Congress, be represented as so conclusive a defeat of Tupper's plans as the free traders triumphantly claim, it shows, all the same, how far these plans are from realisation at the present time.

For the rest, the Congress occupied itself with boards of labour conciliation and arbitration, the codification of commercial law over the whole Empire, Merchandise Marks Act, bills of lading, commercial education, emigration and colonisation, monetary union, the introduction of penny postage for the Empire, light railways, the abolition of light dues, and the conclusion of treaties with aboriginal races—but none of these received nearly so much attention as the first question. One point—uniform legislation for the protection of labour over the Empire—was not discussed at all. On July 1st, the deliberations came to an end.

Owing to the great interest taken in the elections, the resolutions of the Congress, like its whole proceedings, did not excite so much public attention in England as, in all probability, they would otherwise have done.

These elections have, as is well known, issued in a victory of the Liberal and Radical parties under Gladstone. By this change of government, the prospects of realising the form of commercial union of the British Empire, put forward by the United Empire Trade League and by Canada, have fallen still lower. On the other hand, one of the surest proofs of the deep-rooted and permanent change in the public attitude toward the colonial question, which has come about in a little over

ten years, is that the fear has been expressed, and in no transitory manner, that this change of government may mean a return to the earlier Manchester Colonial policy. Against the possibility of any such return may be put the fact that Lord Rosebery, the former President of the Imperial Federation League, is Secretary of State for Foreign Affairs in the new Cabinet, and the prospects of the League, as regards realising its programme, have thereby not inconsiderably risen. For the present, however, it is true that the prominent question of political life in England is not Imperial Federation but Home Rule.

But, quite recently, the League has come again to the front, chiefly owing to the fact that it has at last deserted its former style of propagandism, and entered upon concrete proposals. The Special Committee which it instituted in 1891, after the audience with Lord Salisbury, has issued its Report in November, 1892. In it is proposed the creation of a Council of the Empire, to consist of representatives of the mother country, the self-governing colonies, and the Crown Colonies (the latter represented by the Ministers for the Colonies and India); this Council to have a constitutional say in all questions of foreign policy affecting the whole Empire, and to regulate the questions of imperial defence, protection of the trade of the Empire, and participation of the Colonies in its burdens. And it is recommended that a new Colonial Conference should be called at the earliest opportunity specially to discuss this last question.<sup>1</sup>

These proposals have been received with astonishingly unanimous approval by all shades of opinion in the British press.

<sup>1</sup> *Imperial Federation*, December, 1892.

But, in order to arrive at a proper judgment with regard to the prospects of these attempts at political and commercial unity, it is necessary to examine their practicability, and to consider the forces which work for and against them.

In the first place, as regards the movement for *political* federation, the new plan worked out by the Special Committee of the Imperial Federation League will occupy the chief place in future discussion. In spite of the favourable reception which it has found in England, it may be said, with perfect confidence, that the plan will, if prosecuted further, deprive the League of many of its hitherto Platonic adherents. For a great number of these only joined the movement in the general conviction that England must keep her colonies, and that, for this purpose, an alteration in the existing constitution—a conversion of the present loose tie into a closer one—was necessary.

As already shown, the question, in such a purely political federation, is how to induce the colonies to share, on a constitutional principle, in the expenses of the defence of the Empire and its trade; and how, in return, to grant them a share in determining the foreign policy of the Empire by some kind of organisation of which their representatives should form a part. This raises the great difficulty of the proper constitution of such a body—to say nothing of the fact that the idea of thus granting the colonies a voice in the foreign policy of the mother country is by no means sure of a sympathetic reception in Great Britain. In particular, the consideration must be faced that such an organisation could not be limited simply to the independent colonies which England has gradually come to consider as political and social equals, but would have to embrace

the Crown Colonies and India, these having as great an interest in the protection of the great trade routes and the support of the coaling stations.

Much more serious is the difficulty that, in the larger independent colonies, the majority do not wish any such purely political federation, knowing that it would impose upon them new and heavy burdens and give them in exchange very problematical political rights; further that, in regard to political relations, they are quite content with the present state of affairs. And this is only natural. For they have all the advantages with only very inappreciable burdens. In their internal policy, they possess, practically, complete freedom and independence: they enjoy, for almost nothing, the military protection of the mother country and the prestige of belonging to the British Empire. They obtain capital from the mother country at a price and a rate of interest lower than they could ever obtain under any other circumstances. Any difficulties which arise, they turn over to the mother country. They proceed, as a London journal rightly remarked at the time of the Newfoundland question, on the convenient principle of being let alone when things go well with them, and helped when things go badly. And, if at any time they should be involved in a war by the foreign policy of the mother country in which they have no voice, they have always the possibility of utilising the occasion and declaring themselves independent.

Weighty, indeed, must be the advantages which would induce them to abandon this pleasant position. Purely political privileges, such as a voice in the foreign policy of the mother country, would scarcely be sufficient; but a trade policy which granted tariff preferences for their products in the



market of the mother country, would almost certainly be so.

This question, then, of trade policy is not to be separated from the purely political problem, and it is most improbable that the political federation, aimed at by the Imperial Federation League, will come about unaccompanied by a commercial union. The latter is, however, quite possible without the former, even though, in all probability, it would finally lead to it.

In passing judgment on the question of the *commercial* union of the British Empire,<sup>1</sup> we must begin by examining the present commercial constitution of that Empire, as we have become familiar with it in what has gone before, and may here shortly recapitulate. We shall distinguish between the United Kingdom, the Self-Governing Colonies, the Crown Colonies, and India.

The United Kingdom has import duties (purely revenue duties) on eleven articles, of which only four are to any considerable extent products of other portions of the British Empire, viz. Tea (from India and Ceylon), Coffee (from Ceylon, the West Indies, etc.), Wine (for some time back from the Cape, and, to a rapidly increasing extent of late years from Australia), Tobacco (from India, the West Indies, Natal, and, to a slight extent, Australia). The trade of the United

<sup>1</sup> See, in addition to the literature mentioned at the beginning of the chapter (particularly Howard Vincent, Dunraven, and Hervey) 'Commercial Union with the Colonies, pro and con,' in *Chamber of Commerce Journal*, August, 1891; Gibson S. Rigg, *Commercial Federation of the British Empire*, 1888; Farrer, *Free Trade versus Fair Trade*, Part I. Of later date: Earl Grey, *The Commercial Policy of the British Colonies and the M'Kinley Tariff*, London, 1892; Parkin, *Imperial Federation*, Chap. XII.; J. Shield Nicholson, *Tariffs and International Commerce*; Maurice H. Hervey, *Alternative Measures* in 'Britannic Confederation,' pp. 93, 123.

Kingdom (imports and exports) with the other parts of the Empire amounts to about 25 per cent. of its total trade (1890, 25.8 per cent.).

The Self-Governing Colonies are quite independent and unrestricted as regards their tariff policy. They have—with the sole exception, up till 1892, of New South Wales—since the end of the seventies laid high protective duties on most of the manufactures of the mother country, and raise in this way the larger part of their revenues. The trade of the three groups, Canada, Australasia, and South Africa, with the United Kingdom, amounts respectively to 3 per cent., 7 per cent., and 2 per cent. of the total British trade.

The Crown Colonies, too, nominally determine their own tariffs, but the mother country exercises control over them through the Governor. They have, for the most part, revenue duties, some of which are fairly high. They raise also a large part of their revenue by taxing the imports from the mother country, the trade with which amounts to  $2\frac{1}{2}$  per cent. of the total British trade.

Lastly, India is governed by the Parliament of the home country. Its tariff embraces seven items, which do not much affect the manufactures of the United Kingdom. Its trade with the latter amounts to  $10\frac{1}{2}$  per cent. (including the Straits Settlements).

The problem of a Commercial Union so far as the political possibility of carrying it into effect is concerned, is, therefore, a problem for the mother country and the self-governing colonies; and, on the tariff policy of these, the mother country has no longer any influence. Three different proposals have been put forward for the solution of this problem.

I. The first is that of a Zollverein<sup>1</sup> in the proper sense; *i.e.* complete Free Trade within the British Empire, and a common tariff against foreign countries. Here the further question arises whether this common Imperial tariff should be Free Trade in the British sense (*i.e.* limited to a few large duties for revenue purposes) or protective in the interests of the colonies.

The first alternative, Free Trade over the whole Empire with a Free Trade tariff against outsiders—a so-called 'Free Trade Zollverein'—would naturally be gladly accepted in the United Kingdom, as it would involve no disadvantages other than a curtailing of the revenue duties, while it would give a great impetus to the export to the colonies.<sup>2</sup> The second alternative would have to overcome a very strong opposition in the United Kingdom: namely, all the forces which stand in the way of a change in English tariff policy and a break with its present Free Trade system—of which we have still to speak in another connection. There is no need to go more closely into this; these two forms of union with internal Free Trade—the second as well as the first—are, at any rate at the present time, quite impracticable. Both on financial and commercial grounds, the self-governing colonies would never enter into such a union. The duties raised in most of them, as we have seen, are, on one side, protective duties whose purpose is precisely to foster the young home industry of the colonies against the competi-

<sup>1</sup>In England, the word Zollverein is used in a wider sense as equivalent to Commercial Union. It is, therefore, applied to the three forms under discussion.

<sup>2</sup>The advantages and the prospects of such a scheme are exhaustively examined by Webster, Chap. XII.

tion of the mother country and of India; but they are, at the same time, quite as much revenue duties, since the state revenues of these colonies depend mainly on their import duties—and the greater part of their imports comes from the United Kingdom. The abolition of these duties would, therefore, involve both the sacrifice of various industries, and the complete overturning of the financial system. Now there is in the colonies, according to general opinion, a deeply rooted dislike of the direct taxation which would have to take the place of these indirect duties. Thus there can be no question, in the meantime at any rate, of such a Zollverein.

II. The second form of Commercial Union is that put forward at the Conference of 1887, by Hofmeyr, and known by his name. In this case, too, the proposal is that a common imperial tariff and imperial duty should be imposed, but only in the form of a supplementary duty of so much per cent. on the already existing duties against foreign countries (or a corresponding reduction of the existing duties on goods originating in the British Empire). This plan has the advantage of greater simplicity, and of not interfering with the existing customs and tariff systems, which would be changed only so far as foreign countries and the Empire were differentially treated. The United Kingdom would, therefore, retain its revenue duties untouched, and the colonies their protective duties, raising them only against outside or lowering them inside, *i.e.* to the constituent parts of the Empire. The first method, the raising of the already high English revenue duties on the articles of luxury of the great mass of the people, would, in the first instance, evoke much opposition. The second method would find much easier acceptance in England,

while, conversely, the colonies would rather see their duties raised than lowered. As the question is simply one of ways and means, it is not outside the bounds of possibility that the second of these forms might be adopted in England, the first, in the Colonies, and the difficulty thus avoided. But differential duties (even if for revenue only) are, of course, in flat contradiction to the Free Trade doctrine. Still, this theoretical consideration, which the system would have to fight in the United Kingdom, would not, in the present state of public opinion as regards radical Free Trade, be beyond attack, and is, in any case, unimportant as compared with another weak point; that, in consequence of the very different tariff systems which obtain in the different parts of the Empire, the effects would be very unequal. The United Kingdom would enjoy in the protective colonies a fairly important advantage for about one-eighth of its total export trade, for which it would be able to offer but little in return; namely, only tariff preferences on wine, spirits, tobacco, tea, coffee, and dried fruits. The wine production of Australia and the Cape would, it is true, be thereby stimulated; China tea would be driven out by Indian and Ceylon tea, and the dried fruits from the Mediterranean countries by those from the South African and southern Australasian colonies, if the difference were high enough.

But to the Australian and African colonies, these advantages would be comparatively insignificant, as they, in no case, affect their staple articles of export; and Canada, the province which above all will need some inducement to accept such a scheme, would receive nothing in the way of equivalent for the tariff privileges which she would have to guarantee to the

mother country. It seems, then, quite out of the question that she would enter into any such arrangement, and, for the other colonies too, it would be a most unequal bargain. Hofmeyr himself quite recognised this, and consequently—a fact which is generally ignored—had already declared, at the Conference, that it would be necessary to guarantee to the colonies tariff preferences on their most important articles of export to the mother country.

III. We come now to the third and most important form of commercial union. The principal exports of the colonies are :—Grain, Meat, and Timber from Canada; Grain, Meat, and Wool from Australia; and Wool from Cape Colony. These are articles which England has given up taxing since the introduction of Free Trade. On this scheme, to give tariff preferences to the colonies, England would have to re-introduce duties sufficient to differentiate against foreign countries; and, in this case too, as in that of the second plan, differential duties would be added to the existing revenue duties so far as these affected products similar to those coming from the colonies. In return, the colonies would have to guarantee differential treatment to British goods as regards their most important industrial duties, either by lowering their tariff towards Great Britain or by raising it against the foreigner.

This plan is really the only one which would be accepted by the great self-governing colonies, and it is already in many places very popular, particularly in Cape Colony and Canada. In Canada, as already shown, there is a desire to obtain, by such an arrangement, an offset against a commercial union with the United States, and, under the existing economic conditions of the country, this is only natural.

Like every form of commercial union within the British Empire, this scheme would, of course, have to be extended to India and the Crown colonies, and it would certainly be most favourable to India. She would participate in the preference given to colonial wheat, and in the differential duties on materials of industry, specially cotton, without having to give anything in return, as her own tariff is very trifling.

The great difficulty, however, lies in the United Kingdom. For, in the first place, this is a decidedly protective policy, not from the standpoint of England, but from that of the Empire. It demands from the mother country a revolution of her trade policy and the return to protection—to a national trade policy in the imperial sense. Now, in principle, after the development of the last ten years, this reaction in itself seems no longer impossible; the theoretical objections against it have, for the most part, lost their earlier force; the belief in Free Trade as the source of every blessing has been everywhere shattered. For the rest, on this plan also, a tariff union of the British Empire, with complete internal Free Trade, would need to be, and could quite well be, the final aim of the movement. The proposed scheme, then, would deal with the transition period.

But the chief thing about the project is not so much its essentially protective character as that it threatens an important raw material of the United Kingdom, Wool, and the chief foodstuff of the British people, Wheat, with a rise in price. At this point, then, there emerges, between the advocates and the opponents of the plan, the old dispute as to the effects of duties on price. By most of them, the decision is given in the usual one-sided way; one party maintaining that the result must be an increase in price, the other that it need not.

Only a very few admit that no decided opinion can be given beforehand; that, in regard to the article concerned, it depends on the relation of supply and demand in the world's market at the time whether the price rises, and to what extent, *i.e.* whether the duty is wholly or partially paid by the home country or by the foreigner.

Now, in this connection, there is this distinction between Wool and Wheat;—that about four-fifths the amount of Wool consumed in the United Kingdom is supplied by other parts of the Empire, and not more than one-fifth by foreign countries, while, as regards wheat, the converse is the case. Further, of late years a revolution has taken place in the relation of supply and demand in the world's market, which is of great importance for this question. While, then, it is disputable whether, in the case of Wool, the carrying through of such a plan would involve a rise in the price (to say nothing of whether it might not perhaps be dispensed with, and the system introduced without the duty on wool, as in the programme of the Fair Trade party), in the case of Corn, at any rate, a rise must be reckoned with, at least till such time as the production of grain within the Empire has so expanded as by itself to meet the demand. For this is the object of the advocates of this policy—that the British Empire should be economically independent of all the rest of the world. Their starting point is the contention that all goods that are objects of demand are produced, in sufficient amount and quality, within the British Empire, or might be by such an imperial trade policy, and that the British Empire, more than any other country or Empire, might fulfil the conditions of a self-sufficient commercial state. It is not possible to examine in detail the accuracy of this contention; it may, however, be taken for



granted, even in the case of corn. For, however much, in view of the calculations of Sering and Wolf, we may have to revise our opinions as to the physical possibility of extending grain production in Canada and India, it must be remembered that, under such a differential duty, the production of corn in the United Kingdom itself might receive a powerful stimulus.

But the adoption of this economic innovation would take years to accomplish, and, during all that time, a rise in the price of corn would have to be reckoned with.

This has been taken into account by one section of those who advocate the plan. They point out that a simultaneous reduction of the high duties on tea, tobacco, and coffee—articles which have become quite as much necessaries of life among the great masses as grain—would more than outweigh a rise in the price of bread. This is, of course, quite probable, but it is questionable if it is an argument that will appeal to the people. There is this to be said that, if Dunraven's proposition,<sup>1</sup> of combining the first and second forms of organisation, were carried out, and a portion of the differential duties applied to general purposes of imperial defence, the burden of the British taxpayer would be lightened.

Of less weight is the objection that the shipping trade which England carries on between foreign countries would be prejudiced by such a commercial organisation. It has been caught in an irresistible backward movement, in consequence of a general development in the world's trade; but, on the other hand, it is to-day quite as steady in duty-burdened articles, such as coffee, tea, and tobacco, as in the others. The transshipment

<sup>1</sup> *Nineteenth Century*, p. 520.

trade and her own carrying trade would not in any case be affected.

The advantages which the colonies would offer to English industry in return are certainly not very great, when relatively and not absolutely considered. It is of little use raising the already existing high protective duties against foreign countries by 5 per cent. or 10 per cent. Even if those against the mother country are reduced by as much, this, of course, is an advantage only so long as the duties, even at that level, are not prohibitive. The colonies, therefore, in any case, would have to go, and indeed would go, so far in their concessions as to give English products a real advantage as compared with foreign countries.

There is no doubt that the colonies would have, under this scheme, the larger and more immediate economic advantages; the mother country, in return, would even have to make certain sacrifices. But the economic and political issues in this question are—as we saw—not to be separated, and circumstances may quite well arise which will make it necessary for the United Kingdom to purchase the political advantages of such a union with economic sacrifices. This is the view taken by the most advanced English thinkers.

On political grounds, England needs, now more than ever, to retain her great colonial empire. But, owing to the numerous and active centrifugal forces of to-day, this can only be done by a closer union. Such a union England must try to secure at any cost.

For the rest, these political considerations are, in part at least and indirectly, of economic importance as well. We have seen at the end of Part I., to what an extent England is dependent, not only for her industry but also for the food supply of

her people, on foreign trade, and on the undisturbed continuation of the same in time of war. The safeguarding of this immense British trade, and especially the transport of grain, would be altogether impossible without the possession of all her naval bases and coaling stations in the different colonies. There is, besides, to be taken into account the safety of the yet more rapidly increasing colonial trade, the protection of which still rests wholly on the mother country with the exception of the small subsidy, lately contributed by Australia, to the fitting out of a squadron for Australian waters.<sup>1</sup> The protection of the whole enormous trade of the British Empire is—and on this all experts agree—very far from adequate. To make it so, immense additional expenditure would be necessary, and this, if the present constitution of the Empire continues, would again fall solely on the home country, although the colonies, to a considerable extent, would share in the benefit. How great an advantage it would be if the supplies of grain came, wholly or preponderantly, from other parts of the Empire, and if England were almost independent of foreign countries for the food supply of her people,<sup>2</sup> is evident, when we consider that to-day the greater part of the British grain supply comes from Russia and the United States, *i.e.* from the countries with which England has most political friction. And how war can quite suddenly cut off the supplies from a foreign country, has been clearly proved by the stoppage of the cotton export from the American States during the War of Secession—and this was not a war in which England

<sup>1</sup> See Admiral Sir John Colomb, *A Survey of Existing Conditions*, in 'Britannic Confederation,' p. 13; Parkin, *ibid.*, p. 110.

<sup>2</sup> *Ibid.*, p. 112.

herself was involved. In the same way, there is no doubt that any new continental war in which Russia was involved, would have the most momentous effects on England's economic life.

But these are considerations which weigh little with the crowd. The hatred of duties on corn, and of the possible enhancement of the price of bread, is so deeply rooted and engrained in the English people that no political party, and no English statesman, dare put this eventuality before the masses. Only the Fair Trade Club has had the courage, at the last parliamentary election, to put forward candidates of its own on this economic platform—with what success I do not know. This much is certain, that the outcome of the elections is very unfavourable to the execution of these plans. The new foreign minister, Lord Rosebery, is as decided an opponent of Commercial Union as he is a zealous advocate of Imperial Federation, and Mr. Gladstone is as much disinclined to the one as to the other. But it is doubtful whether his party will this time be long in power. In any case, it is worth remarking that, in spite of the change of government, public discussion is more and more occupied with these questions—and precisely, indeed, with the question of Commercial Union.

It remains to be seen whether time will raise up to England a statesman who possesses clear-sightedness, courage, energy, and tact enough to bring this question to a happy issue—a question which is of so much importance for the future of England, as well for her position among nations as for her trade. But it must be soon, or it will be for ever too late.

## CONCLUSION.

THE discussion of the problems of the political and commercial policy of the British World-Empire, has brought us back again to the trade policy of the United Kingdom. Let us now, in conclusion, try to form a final judgment, not on the adoption of Free Trade by England, but rather on her adherence to it during the last thirty years, both in relation to foreign countries and to the colonies.

Looking at this trade policy in the light of the present position of affairs, it would seem, at first sight, to have been brilliantly justified by the latest course of events. England has held firmly, and without wavering, to her Free Trade policy : she has, notwithstanding, thanks to the most favoured nation treatment everywhere assured to her, received a share in the results of the Mid-European treaties of the last few years. She has of her own accord relinquished control over her most important colonies : but in spite of this they have, up till now, remained within the British Empire, and show more strongly than ever a tendency so to remain. It might appear, then, to a casual observer that the trade and colonial policy of the Manchester School had brilliantly vindicated itself in every respect.

But a twofold question suggests itself. First, are these the necessary results of this policy, or are they

perhaps accidental, arising from other causes, and not, therefore, to be credited to it? Might not things have turned out—and been bound to turn out—quite differently, if the *vis inertiae* had not here been so important a force? Second, are the circumstances of to-day, even if they may be rightly claimed as the result of that trade policy—which, to my mind, does not seem to be the case—really so brilliant? It will, I believe, be difficult to answer this question in the affirmative. It makes all the difference whether a nation of the commercial importance of England, accidentally as it were, and not by her own doing, receives a share in the favours which other states grant—primarily of course, in their own interest—or whether she herself dictates to other countries those tariff reductions which best suit her own interests. England has not been able to prevent her largest customers, France and the United States, from adopting a high protective policy most hurtful to her. And to what a see-saw her imperial policy has been reduced, has just been thoroughly discussed.

And yet, in my opinion, England had it very much in her own power to reach quite other results, and to turn the whole international trade policy of the period into another channel. A timely recourse on her part to Retaliation, combined with a policy of differential duties in the colonies against foreign countries, would not, I believe, have had the moral effect often asseverated, of strengthening those countries in their extreme protective policy.<sup>1</sup> It would probably have had the very practical effect of forcing them to give up or moderate their tariffs, and the strong protectionist reaction of the last twelve years would not have been allowed to go so far.

<sup>1</sup> See Nasse, p. 120.

If England is now to some extent beginning to see this, and if the protective and other tendencies directed against Free Trade are increasing, is this to be taken as a reason for other countries, particularly the continental states, holding fast to their strong protective policy? If it is simply a question of theory, Free Trade or Protection, yes; if, however, it is a question of which trade policy at present best answers to the needs of any one particular state, certainly not. For the reactions in England, as Engels has rightly pointed out,<sup>1</sup> prove rather that the high Protection of continental countries has attained its original object of overthrowing England's industrial hegemony, and has thus become superfluous. If the English Free Trade school now, as we saw, fears nothing so much as a transition to Free Trade, or to a moderate protective policy, on the part of England's great industrial rivals, obviously no trade policy they could adopt would better serve their purpose. In view of what has been said, they would not, of course, go so far as to imitate England's radical Free Trade; but they would be able to reduce their high protective policy to the lowest point, and to revert to a moderate Free Trade secured by tariff treaties, such as existed under the commercial treaties of the sixties.

To have properly recognised this need of the times, and to have led the way to this reform, is, to-day, the merit of Germany, as author of the new Mid-European treaties. If the beginning is small, it is still a beginning, and has pointed the way which European trade policy in the near future must follow.

But, in the sphere of colonial policy, too, Germany, it is to be hoped, will one day be in a position to draw the proper lessons from England's experience, and to apply

<sup>1</sup> Preface to Marx's *Discourse on Free Trade*, p. 22.

them to a great German colonial possession. The first thing is to hinder the carrying out of the scheme of a British Imperial Tariff Union with differential duties against foreign countries, as this, naturally, would be a great misfortune to Germany; the next, to hold fast unconditionally to the clauses referred to in the tariff treaties with Belgium and the Zollverein; the third, to zealously cultivate trade relations with the British colonies, and so to create great interests in them which would be hostile to any such scheme.

A last lesson may, perhaps, be learned from the consideration of British trade policy during this period; that questions of trade policy by themselves have not the primary importance they are generally assumed to have, and that, to-day, they fall relatively into the background as compared with the great problem of the national organisation of production and of labour.



## APPENDIX.

TABLE I.

Import, Export, and Transit-Trade of the United Kingdom in the years 1860-91, with Quinquennial Averages, both absolute and per head of population; put together from the *Statistical Abstracts for the United Kingdom*, and Table No. 3 in the Blue Book, *Comparative Trade Statistics, 1854-90*, London, 1891. [C.—6394.]

Year.	1		2		3		4		5		6		7		8		9		10	
	Imports.				Exports of British Products.				Re-Exports of Foreign and Colonial Products.		Total Exports.		Total Imports and Exports.		Balance of Imports.		Trans-shipment.			
	Million £.	Per Head. £ s. d.	Million £.	Per Head. £ s. d.	Million £.	Per Head. £ s. d.	Million £.	Per Head. £ s. d.	Million £.	Per Head. £ s. d.	Million £.	Per Head. £ s. d.	Million £.	Per Head. £ s. d.	Million £.	Per Head. £ s. d.	Million £.	Per Head. £ s. d.	Million £.	Per Head. £ s. d.
Average 1855-59	169	6 0 3	116	4 2 4	23	4 2 4	139	308	42	180	415	10 19 2	30	4.8						
1860	210	7 7 0	136	4 14 7	29	4 14 7	165	375	53	219	490	13 0 7	46	5.1						
1861	217	7 10 2	125	4 6 5	35	4 6 5	160	377	50	239	534	13 0 5	58	4.4						
1862	226	7 14 7	124	4 5 7	42	4 5 7	166	392	45	226	501	13 8 5	60	4.7						
1863	249	8 9 5	147	5 0 0	50	5 0 0	197	446	48	228	522	15 3 5	52	5.3						
1864	275	9 5 7	160	5 8 4	52	5 8 4	213	487	47	237	532	16 9 0	62	6.0						
Average 1860-64	235	8 1 2	138	4 14 8	42	4 14 8	180	415	42	180	415	14 4 3	56	5.1						
1865	271	9 1 7	166	5 11 1	53	5 11 1	219	490	53	219	490	16 8 2	52	6.5						
1866	295	9 16 4	189	6 5 7	50	6 5 7	239	534	50	239	534	17 15 2	56	7.7						
1867	275	9 1 5	181	5 19 4	45	5 19 4	226	501	45	226	501	16 10 3	49	6.7						
1868	295	9 12 10	179	5 17 4	48	5 17 4	228	522	48	228	522	17 1 3	67	7.3						
1869	295	9 11 2	190	6 2 7	47	6 2 7	237	532	47	237	532	17 4 6	58	8.1						
Average 1865-69	286	9 8 2	181	5 19 0	49	5 19 0	230	516	49	230	516	16 19 1	56	7.3						

1870	303	9	14	4	200	6	7	11	44	244	547	17	10	10	59	10.9
1871	331	10	10	1	223	7	1	7	61	284	615	19	10	1	47	11.4
1872	355	11	2	10	256	8	1	0	58	315	669	21	0	6	40	13.9
1873	371	11	10	9	255	7	18	7	56	311	682	21	4	1	60	13.8
1874	370	11	7	9	240	7	7	5	58	298	668	20	10	11	72	11.4
Average																
1870-74	346	10	17	2	235	7	7	3	55	290	636	19	19	3	56	12.3
1875	374	11	7	9	223	6	16	1	58	282	655	19	19	3	92	12.1
1876	375	11	6	0	201	6	0	10	56	252*	632	19	0	8	118	10.8
1877	394	11	14	11	199	5	18	6	54	257	647	19	5	3	142	10.8
1878	369	10	17	3	193	5	13	8	52	245	614	18	1	11	123	11.2
1879	363	10	11	8	192	5	11	8	57	249	612	17	16	8	114	11.0
Average																
1875-79	375	11	3	5	202	6	0	0	55	257	632	18	16	6	118	11.5
1880	411	11	17	7	223	6	8	10	63	286	697	20	3	0	125	12.5
1881	397	11	7	4	234	6	14	0	63	297	694	19	17	5	100	12.6
1882	413	11	14	7	242	6	17	2	65	307	720	20	8	10	106	12.0
1883	427	12	0	10	240	6	15	4	65	305	732	20	13	3	121	11.7
1884	390	10	18	5	233	6	10	6	63	296	686	19	4	1	94	11.9
Average																
1880-84	408	11	11	0	234	6	12	9	64	298	706	20	0	1	109	12.1
1885	371	10	6	1	213	5	18	4	58	271	642	17	16	10	99	11.0
1886	350	9	12	9	213	5	17	2	56	269	619	17	0	11	81	10.7
1887	362	9	18	0	222	6	1	4	59	281	643	17	11	9	81	10.0
1888	388	10	10	4	234	6	7	3	64	299	686	18	12	3	89	10.9
1889	427	11	10	2	249	6	14	0	67	316	743	20	0	0	112	10.2
Average																
1885-89	379	10	4	10	226	6	2	0	61	287	666	17	19	9	92	10.6
1890	421	11	4	7	263	7	0	8	65	328	749	19	19	10	92	9.8
1891	435	11	10	5	247	6	10	10	62	309	744	19	14	0	126	9.9

TABLE II. (A-C)

Imports and Exports (Special Export and Re-Export) of Great Britain from and to the most important foreign countries and the British Colonies, 1860-90, in millions sterling; put together from the *Statistical Abstracts for the U.K.* and Farrer Tables V. and VI. in *Free Trade versus Fair Trade, 1887*.

A.  Quin- quennial Averages.	RUSSIA.				GERMAN EMPIRE.			
	Exports.			Imports.	Exports.			Imports.
	Foreign and Colonial Products	British Products	Total Export.		Foreign and Colonial Products	British Products	Total Export.	
1861-65	2.7	2.5	5.2	14.5	8.6	14.5	23.1	15.1
1866-70	3.2	5.0	8.2	19.9	9.0	20.4	29.5	18.0
1871-75	3.0	7.8	10.8	22.2	10.6	26.9	37.5	20.0
1876-80	2.7	6.5	9.2	17.9	10.4	18.9	29.3	23.4
1881-85	2.6	5.2	7.9	18.0	11.9	18.0	29.9	24.8
1886-90	2.8	4.9	7.7	21.3	11.5	17.0	28.6	25.2
	NETHERLANDS.				BELGIUM.			
1861-65	5.9	6.7	12.7	9.7	3.2	2.2	5.5	5.5
1866-70	6.1	10.2	16.2	12.2	4.6	3.5	8.1	8.9
1871-75	7.6	14.9	22.5	13.9	7.0	6.3	13.3	13.9
1876-80	6.2	9.9	16.1	21.2	6.7	5.5	12.2	12.2
1881-85	6.9	9.4	16.3	24.9	6.4	8.0	14.4	14.6
1886-90	6.6	8.9	15.5	25.9	6.0	7.1	13.1	15.9
	FRANCE.				AUSTRIA HUNGARY.			
1861-65	13.5	8.8	22.3	24.1	0.4	0.8	1.2	0.6
1866-70	12.2	11.5	23.7	35.1	0.2	1.2	1.4	1.6
1871-75	12.8	16.9	29.7	41.6	0.4	1.3	1.7	1.0
1876-80	12.0	15.2	27.2	42.6	0.3	0.8	1.1	1.4
1881-85	11.0	16.7	27.8	38.2	0.4	0.8	1.2	1.9
1886-90	7.7	14.7	22.4	40.7	0.4	1.0	1.4	1.9
	SPAIN.				PORTUGAL.			
1861-65	0.8	2.9	3.7	4.8	0.4	2.0	2.4	2.2
1866-70	0.7	2.2	2.9	6.1	0.3	1.8	2.1	2.6
1871-75	0.8	3.6	4.4	9.1	0.4	2.5	2.9	4.2
1876-80	0.7	3.4	4.1	9.6	0.5	2.1	2.6	3.4
1881-85	0.9	3.6	4.5	10.6	0.4	1.9	2.3	3.3
1886-90	0.7	3.8	4.5	10.9	0.4	2.2	2.6	2.9

TABLE II.—Continued.

Quinquennial Averages.	ITALY.				NORWAY AND SWEDEN.			
	Exports.			Imports.	Exports.			Imports.
	Foreign and Colonial Products	British Products	Total Export.		Foreign and Colonial Products	British Products	Total Export.	
1861-65	1.1	5.7	6.8	2.9	0.7	1.3	2.0	4.5
1866-70	1.0	5.4	6.4	3.7	1.0	1.6	2.6	6.7
1871-75	1.3	6.7	8.0	4.2	1.6	4.1	5.7	9.5
1876-80	1.1	5.7	6.8	3.6	1.8	3.4	5.2	9.9
1881-85	1.0	6.7	7.7	3.3	1.5	3.6	5.1	11.0
1886-90	0.8	6.9	7.7	3.1	1.6	3.9	5.5	11.2
	DENMARK.				GREECE.			
1861-65	0.2	1.0	1.2	1.7	0.06	0.5	0.6	0.9
1866-70	0.3	1.5	1.8	2.5	0.07	0.9	1.0	1.2
1871-75	0.3	2.3	2.6	3.6	0.1	0.9	1.1	1.8
1876-80	0.4	1.8	2.2	4.5	0.1	0.9	1.0	1.9
1881-85	0.3	2.1	2.4	5.2	0.1	1.1	1.2	2.0
1886-90	0.3	2.1	2.4	6.6	0.09	1.0	1.1	1.8
	ROUMANIA.				TURKEY.			
1861-65	0.04	0.2	0.2	0.6	0.3	5.8	6.1	5.0
1866-70	0.06	0.5	0.6	0.9	0.3	7.2	7.5	6.0
1871-75	0.08	1.0	1.1	0.9	0.5	6.8	7.3	6.2
1876-80	0.08	0.8	0.9	1.1	0.5	6.6	7.1	5.3
1881-85	0.07	1.0	1.1	3.4	0.6	6.5	7.1	4.9
1886-90	0.06	1.1	1.2	3.4	0.6	5.9	6.5	4.4
	EGYPT.				CHINA.			
1861-65	0.1	4.2	4.3	15.7	0.08	2.8	2.9	11.5
1866-70	0.1	7.7	7.8	15.9	0.1	5.9	6.0	10.0
1871-75	0.09	5.4	5.5	13.7	0.2	5.6	5.7	12.4
1876-80	0.07	2.4	2.5	9.4	0.3	4.5	4.8	12.9
1881-85	0.1	3.1	3.2	9.1	0.3	4.8	5.1	9.9
1886-90	0.09	3.0	3.1	7.9	0.2	5.8	6.1	6.4

TABLE II.—Continued.

Quinquennial Averages.	UNITED STATES.				BRAZIL.			
	Exports.			Imports.	Exports.			Imports.
	Foreign and Colonial Products	British Products	Total Export.		Foreign and Colonial Products	British Products	Total Export.	
1861-65	3.7	15.3	19.0	27.2	0.1	4.8	5.0	5.1
1866-70	2.6	24.9	27.6	44.7	0.1	6.1	6.3	6.8
1871-75	4.0	31.7	35.7	66.2	0.3	7.2	7.5	7.6
1876-80	4.4	19.8	24.2	88.3	0.4	5.9	6.3	5.3
1881-85	8.3	26.9	35.2	92.7	0.4	6.4	6.7	5.5
1886-90	12.3	29.5	41.8	87.4	0.3	6.4	6.7	4.7
	CHILI.				ARGENTINA.			
1861-65	0.03	1.4	1.4	2.9	0.02	1.5	1.5	1.2
1866-70	0.06	2.2	2.3	3.8	0.06	2.4	2.5	1.3
1871-75	0.1	2.7	2.8	4.6	0.08	3.1	3.2	1.8
1876-80	0.1	1.5	1.6	3.3	0.08	2.1	2.2	1.2
1881-85	0.1	2.2	2.4	2.9	0.09	4.6	4.7	1.2
1886-90	0.1	2.4	2.6	2.9	0.1	7.6	7.8	2.5
B.	BRITISH NORTH AMERICA.				BRITISH W. INDIES & GUIANA.			
1861-65	0.7	4.6	5.3	7.7	0.4	3.2	3.6	7.8
1866-70	0.8	5.9	6.7	7.3	0.3	2.7	2.9	6.1
1871-75	0.9	9.0	9.9	10.4	0.3	3.1	3.5	6.7
1876-80	0.7	6.9	7.6	11.3	0.3	2.8	3.1	6.8
1881-85	1.0	8.6	9.6	11.1	0.3	2.9	3.2	5.2
1886-90	1.1	7.8	8.9	11.0	0.3	2.9	3.2	3.1
	AUSTRALIA & NEW ZEALAND.				BRITISH INDIA.			
1861-65	0.9	12.1	13.0	8.3	0.7	17.9	18.6	38.8
1866-70	0.9	11.7	12.6	12.6	0.9	20.0	20.9	30.2
1871-75	1.5	16.0	17.5	17.3	1.1	21.2	22.4	31.1
1876-80	1.7	18.0	19.8	22.5	1.4	24.6	25.9	28.7
1881-85	2.8	24.0	26.8	25.9	1.6	30.0	31.6	35.5
1886-90	2.7	22.7	25.4	25.3	1.4	31.8	33.2	32.5

TABLE II.—*Continued.*

CAPE COLONY AND NATAL.				
Quinquennial Averages.	Exports.			Imports.
	Foreign and Colonial Products.	British Products.	Total Export.	
1860-65	0.09	1.9	2.0	1.8
1866-70	0.07	1.7	1.8	2.7
1871-75	0.3	3.9	4.2	3.9
1876-80	0.5	5.2	5.7	4.6
1881-85	0.5	5.4	5.9	5.6
1886-90	0.5	6.5	7.0	5.5

## TOTAL OF FOREIGN COUNTRIES.

C.				
1861-65	42.9	97.4	140.3	173.8
1866-70	43.1	137.2	180.4	225.7
1871-75	53.1	175.2	228.3	280.2
1876-80	50.8	133.9	184.7	297.8
1881-85	55.7	151.0	206.7	305.6
1886-90	55.1	155.2	210.2	300.4

## TOTAL OF BRITISH POSSESSIONS.

1861-65	3.6	47.0	50.5	72.8
1866-70	3.6	50.7	54.3	67.0
1871-75	5.1	64.3	69.4	80.0
1876-80	5.7	67.5	73.2	84.6
1881-85	7.3	81.3	88.6	94.0
1886-90	7.2	81.2	88.3	89.2

TABLE III.

Total Trade (Import and Export) of Great Britain with the most important Foreign Countries and the British Colonies from 1860-69 in Percentages; calculated from the *Statistical Abstracts for the United Kingdom*, and Farrer, *ibid.*, Table VII.

## QUINQUENNIAL AVERAGES—PER CENT.

FOREIGN COUNTRIES.	1861-65.	1866-70.	1871-75.	1876-80.	1881-85.	1886-90.
Russia,	4.5	5.3	5.0	4.2	3.7	4.2
Germany,	8.7	9.0	8.8	8.2	7.9	7.8
Holland,	5.1	5.4	5.5	5.8	5.9	6.1
Belgium,	2.5	3.2	4.1	3.8	4.2	4.2
France,	10.6	11.2	10.8	10.9	9.5	9.2
Italy,	2.3	1.9	1.8	1.6	1.6	1.6
Turkey,	2.5	2.6	2.1	1.9	1.7	1.6
Egypt,	4.5	4.5	2.9	1.9	1.8	1.6
United States,	10.8	13.7	15.5	17.6	18.4	18.8
Brazil,	2.3	2.5	2.3	1.8	1.8	1.7
China,	3.3	3.0	2.8	2.8	2.2	1.8
Other Foreign Countries,	14.7	13.5	14.6	14.1	15.1	15.7
Total Foreign Countries,	71.7	77.0	77.3	75.4	73.7	74.2
BRITISH POSSESSIONS.						
British North America,	3.0	2.7	3.1	2.9	3.0	2.9
British West India and Guiana, -	2.6	1.7	1.5	1.5	1.2	0.9
Australia and New Zealand,	4.9	4.8	5.3	6.6	7.6	7.4
India, -	13.9	9.7	8.1	8.5	9.7	9.6
Cape Colony and Natal,	1.1	0.9	1.2	1.6	1.6	1.8
Other British Possessions,	3.6	3.2	3.5	3.5	3.2	3.2
Total British Possessions,	28.3	23.0	22.7	24.6	26.3	25.8
Total,	100	100	100	100	100	100



TABLE IV.

Imports, Exports, and Total Trade (including Precious Metals) of the most important British Colonies and Possessions in the years 1860-90; from the *Statistical Abstracts for the Colonial and other Possessions of the United Kingdom.*

Year.	INDIA. <sup>1</sup>			NEW SOUTH WALES. <sup>2</sup>			DOMINION OF CANADA.		
	Imports Million £.	Exports Million £.	Total Million £.	Imports Million £.	Exports Million £.	Total Million £.	Imports Million £.	Exports Million £.	Total Million £.
1860	40.6	28.9	69.5	7.5	5.1	12.6	...	...	...
1861	34.2	34.1	68.3	6.4	5.6	12.0	...	...	...
1862	37.3	37.0	74.3	9.3	7.1	16.4	...	...	...
1863	43.1	49.0	92.1	8.3	6.9	15.2	...	...	...
1864	50.1	66.9	117.0	9.8	8.1	17.9	...	...	...
1865	49.5	69.5	119.0	9.9	8.2	18.1	...	...	...
1866	56.1	67.6	123.7	8.9	8.5	17.4	...	...	...
1867	42.3	44.3	86.6	6.6	6.9	13.5	...	...	...
1868	47.5	52.4	99.9	8.0	7.2	15.2	...	...	...
1869	51.1	54.4	105.5	7.7	7.6	15.3	...	...	...
1870	46.9	53.5	100.4	7.2	5.8	13.0	...	...	...
1871	38.8	57.5	96.3	9.0	7.8	16.8	...	...	...
1872	42.6	64.5	107.1	8.6	8.0	16.6	23.2	17.2	40.4
1873	35.8	56.5	92.3	10.5	9.3	19.8	26.7	18.7	45.4
1874	39.6	56.9	96.5	10.8	8.9	19.7	26.7	18.6	45.3
1875	44.4	58.0	102.4	12.3	9.4	21.7	25.6	16.2	41.8
1876	44.2	60.3	104.5	12.0	9.0	21.0	19.4	16.9	36.3
1877	48.9	65.0	113.9	14.6	13.1	27.7	20.7	15.8	36.5
1878	58.8	67.4	126.2	15.1	13.1	28.2	19.4	16.5	35.9
1879	44.8	64.9	109.7	14.5	13.1	27.6	17.1	14.9	32.0
1880	52.8	69.2	122.0	14.2	15.7	29.9	18.0	18.3	36.3
1881	62.1	76.0	138.1	17.6	16.3	33.9	21.9	20.5	42.4
1882	60.4	83.1	143.5	21.5	17.7	39.2	24.9	21.3	46.2
1883	65.5	84.5	150.0	21.5	20.3	41.8	27.5	20.4	47.9
1884	68.1	89.2	157.3	23.2	18.6	41.8	24.2	19.0	43.2
1885	69.6	85.2	154.8	23.7	16.7	40.4	22.7	18.6	41.3
1886	71.1	85.0	156.1	21.3	15.7	37.0	21.4	17.5	38.9
1887	72.8	90.2	163.0	19.2	18.5	37.7	23.2	18.4	41.6
1888	78.8	92.1	170.9	21.2	20.9	42.1	22.8	18.5	41.3
1889	83.3	98.8	182.1	22.9	23.3	46.2	23.7	18.3	42.0
1890	86.6	105.4	192.0	22.6	22.0	44.6	25.0	19.8	44.8
1891	93.9	102.3	196.2	25.4	25.9	51.3	24.6	20.2	44.8

<sup>1</sup> Only Imports and Exports by sea.<sup>2</sup> Since 1880 including Overland Trade.

TABLE IV.—Continued.

Year.	VICTORIA.			CAPE COLONY.			NEW ZEALAND.		
	Imports Million £.	Exports Million £.	Total Million £.	Imports Million £.	Exports Million £.	Total Million £.	Imports Million £.	Exports Million £.	Total Million £.
1860	15.1	13.0	28.1	2.7	2.1	4.8	1.5	0.6	2.1
1861	13.5	13.8	27.3	2.6	2.0	4.6	2.5	1.4	3.9
1862	13.5	13.0	26.5	2.8	2.0	4.8	4.6	2.4	7.0
1863	14.1	13.6	27.7	2.3	2.2	4.5	7.0	3.5	10.5
1864	15.0	13.9	28.9	2.5	2.6	5.1	7.0	3.4	10.4
1865	13.2	13.1	26.3	2.1	2.3	4.4	5.6	3.7	9.3
1866	14.8	12.9	27.7	1.9	2.6	4.5	5.9	4.5	10.4
1867	11.7	12.7	24.4	2.4	2.5	4.9	5.3	4.6	9.9
1868	13.3	15.6	28.9	2.0	2.3	4.3	5.0	4.4	9.4
1869	13.9	13.5	27.4	2.0	2.3	4.3	5.0	4.2	9.2
1870	12.4	12.5	24.9	2.5	2.6	5.1	4.6	4.8	9.4
1871	12.3	14.5	26.8	3.1	3.6	6.7	4.1	5.3	9.4
1872	13.7	13.9	27.6	6.2	4.8	11.0	5.1	5.2	10.3
1873	16.5	15.3	31.8	5.4	4.0	9.4	6.5	5.6	12.1
1874	16.9	15.4	32.3	5.7	4.5	10.2	8.1	5.2	13.3
1875	16.7	14.8	31.5	5.7	4.4	10.1	8.0	5.8	13.8
1876	15.7	14.2	29.9	5.8	5.1	10.9	6.9	5.7	12.6
1877	16.4	15.1	31.5	5.4	5.4	10.8	7.0	6.3	13.3
1878	16.2	14.9	31.1	6.6	5.7	12.3	8.7	6.0	14.7
1879	15.0	12.4	27.4	7.7	6.6	14.3	8.4	5.7	14.1
1880	14.5	15.9	30.4	8.1	7.8	15.9	6.2	6.3	12.5
1881	16.7	16.2	32.9	9.8	8.6	18.4	7.4	6.1	13.5
1882	18.7	16.2	34.9	9.7	8.6	18.3	8.6	6.6	15.2
1883	17.7	16.4	34.1	6.7	7.6	14.3	8.0	7.1	15.1
1884	19.2	16.0	35.2	5.3	7.0	12.3	7.7	7.1	14.8
1885	18.0	15.5	33.5	5.0	6.2	11.2	7.5	6.8	14.3
1886	18.5	11.8	30.3	4.0	7.3	11.3	6.7	6.7	13.4
1887	19.0	11.3	30.3	5.8	7.9	13.7	6.2	6.9	13.1
1888	24.0	13.8	37.8	7.0	9.0	16.0	5.9	7.7	13.6
1889	24.4	12.7	37.1	10.8	9.5	20.3	6.3	9.3	15.6
1890	22.9	13.3	36.2	10.1	10.0	20.1	6.3	9.8	16.1
1891	21.7	16.0	37.7	8.6	11.1	19.7	6.5	9.6	16.1

TABLE IV.—Continued.

Year.	QUEENSLAND.			SOUTH AUSTRALIA.		
	Imports Million £	Exports Million £.	Total Million £.	Imports Million £.	Exports Million £.	Total Million £.
1860	0.7	0.5	1.2	1.6	1.8	3.4
1861	1.0	0.7	1.7	2.0	2.0	4.0
1862	1.3	0.8	2.1	1.8	2.1	3.9
1863	1.7	0.9	2.6	2.0	2.3	4.3
1864	2.3	1.2	3.5	2.4	3.3	5.7
1865	2.5	1.1	3.6	2.9	3.1	6.0
1866	2.5	1.4	3.9	2.8	2.8	5.6
1867	1.7	2.2	3.9	2.5	3.2	5.7
1868	1.9	2.1	4.0	2.2	2.8	5.0
1869	1.7	2.1	3.8	2.7	3.0	5.7
1870	1.5	2.0	3.5	2.0	2.4	4.4
1871	1.5	2.4	3.9	2.1	3.6	5.7
1872	2.2	2.6	4.8	2.8	3.7	6.5
1873	2.7	3.1	5.8	3.8	4.6	8.4
1874	2.8	3.7	6.5	4.0	4.4	8.4
1875	3.2	3.6	6.8	4.2	4.8	9.0
1876	3.1	3.9	7.0	4.6	4.8	9.4
1877	4.1	4.0	8.1	4.6	4.6	9.2
1878	3.4	3.2	6.6	5.7	5.3	11.0
1879	3.1	3.4	6.5	5.0	4.8	9.8
1880	3.1	3.4	6.5	5.6	5.6	11.2
1881	4.1	3.5	7.6	5.2	4.4	9.6
1882	6.3	3.5	9.8	6.7	5.3	12.0
1883	6.2	5.3	11.5	6.3	4.9	11.2
1884	6.4	4.7	11.1	5.7	6.6	12.3
1885	6.4	5.2	11.6	5.3	5.4	10.7
1886	6.1	4.9	11.0	4.8	4.5	9.3
1887	5.8	6.4	12.2	5.1	5.3	10.4
1888	6.6	6.1	12.7	5.4	7.0	12.4
1889	6.0	7.7	13.7	6.8	7.2	14.0
1890	5.1	8.5	13.6	8.3	8.8	17.1
1891	5.1	8.3	13.4	9.9	10.5	20.4

TABLE V.

Trade of the most important Australasian Colonies (Imports and Exports including precious metals) with the United Kingdom, with the other Australasian Colonies, with other British Colonies, and with other countries, from 1881-90: taken from the *Imperial Institute Year-Book*, pp. 520, 569, 603, 632, and 694.

## I. NEW SOUTH WALES.

## IMPORTS.

Year.	United Kingdom.	Australasian Colonies.	Other British Colonies.	Other Countries.	Total.
1881	£8,987,000	£6,230,000	£581,000	£1,789,000	£17,587,000
1882	11,156,000	7,290,000	821,000	2,201,000	21,468,000
1883	10,624,000	8,054,000	704,000	2,140,000	21,523,000
1884	11,423,000	8,507,000	1,012,000	2,219,000	23,161,000
1885	11,885,000	8,595,000	819,000	2,438,000	23,737,000
1886	10,446,000	8,082,000	625,000	2,160,000	21,313,000
1887	7,998,000	9,016,000	549,000	1,606,000	19,171,000
1888	9,213,000	9,085,000	736,000	2,194,000	21,229,000
1889	8,736,000	10,647,000	815,000	2,664,000	22,863,000
1890	8,628,000	10,982,000	663,000	2,342,000	22,615,000

## EXPORTS.

1881	£7,561,000	£6,981,000	£466,000	£1,299,000	£16,308,000
1882	7,310,000	8,426,000	735,000	1,207,000	17,677,000
1883	9,884,000	7,943,000	843,000	1,592,000	20,262,000
1884	7,684,000	8,708,000	829,000	1,356,000	18,577,000
1885	7,293,000	6,936,000	565,000	1,956,000	16,750,000
1886	6,027,000	7,706,000	518,000	1,467,000	15,718,000
1887	6,966,000	8,993,000	526,000	2,037,000	18,522,000
1888	8,477,000	9,615,000	417,000	2,412,000	20,920,000
1889	8,965,000	10,741,000	575,000	3,014,000	23,295,000
1890	6,623,000	11,285,000	674,000	3,463,000	22,046,000

TABLE V.—Continued.

## 2. VICTORIA.

## IMPORTS.

Year.	United Kingdom.	Australasian Colonies.	Other British Colonies.	Other Countries.	Total.
1881	£7,518,000	£5,950,000	£1,415,000	£2,836,000	£16,718,000
1882	8,980,000	5,914,000	1,730,000	2,123,000	18,748,000
1883	8,710,000	5,659,000	1,357,000	2,018,000	17,744,000
1884	9,149,000	6,476,000	1,423,000	2,154,000	19,202,000
1885	8,947,000	5,652,000	1,152,000	2,293,000	18,045,000
1886	8,852,000	6,254,000	934,000	2,490,000	18,530,000
1887	8,290,000	7,327,000	1,055,000	2,350,000	19,022,000
1888	10,852,000	8,484,000	1,434,000	3,202,000	23,972,000
1889	11,415,000	8,540,000	1,279,000	3,169,000	24,403,000
1890	9,607,000	8,458,000	1,388,000	3,500,000	22,954,000

## EXPORTS.

1881	£7,784,000	£4,736,000	£3,061,000	£670,000	£16,252,000
1882	7,763,000	5,226,000	2,529,000	675,000	16,193,000
1883	7,371,000	5,745,000	2,172,000	1,111,000	16,399,000
1884	7,745,000	5,827,000	1,037,000	1,441,000	16,050,000
1885	8,159,000	5,633,000	846,000	913,000	15,552,000
1886	6,566,000	4,109,000	433,000	687,000	11,795,000
1887	5,476,000	4,496,000	572,000	806,000	11,351,000
1888	8,050,000	4,307,000	434,000	1,063,000	13,854,000
1889	7,036,000	4,022,000	544,000	1,132,000	12,735,000
1890	6,850,000	4,049,000	833,000	1,534,000	13,266,000

## 3. SOUTH AUSTRALIA.

## IMPORTS.

1881	£2,819,000	£1,692,000	£455,000	£257,000	£5,224,000
1882	3,466,000	2,263,000	542,000	436,000	6,708,000
1883	3,492,000	1,826,000	574,000	418,000	6,310,000
1884	2,983,000	1,846,000	464,000	457,000	5,749,000
1885	2,781,000	1,834,000	250,000	424,000	5,289,000
1886	1,974,000	2,395,000	168,000	316,000	4,853,000
1887	1,978,000	2,657,000	234,000	247,000	5,096,000
1888	2,377,000	2,435,000	300,000	302,000	5,414,000
1889	2,008,000	4,046,000	339,000	411,000	6,804,000
1890	2,483,000	4,804,000	315,000	660,000	8,263,000

TABLE V.—Continued.

## 3. SOUTH AUSTRALIA.

## EXPORTS.

Year.	United Kingdom.	Australasian Colonies.	Other British Colonies.	Other Countries.	Total.
1881	£2,589,000	£1,263,000	£485,000	£71,000	£4,408,000
1882	3,000,000	1,836,000	405,000	118,000	5,360,000
1883	2,522,000	1,804,000	486,000	72,000	4,883,000
1884	4,082,000	1,866,000	531,000	145,000	6,624,000
1885	3,331,000	1,662,000	324,000	100,000	5,417,000
1886	2,553,000	1,571,000	156,000	208,000	4,489,000
1887	2,930,000	1,974,000	221,000	206,000	5,331,000
1888	3,799,000	2,572,000	172,000	441,000	6,984,000
1889	3,412,000	3,284,000	224,000	339,000	7,259,000
1890	4,297,000	3,532,000	720,000	278,000	8,827,000

## 4. QUEENSLAND.

## IMPORTS.

1881	£1,307,000	£2,570,000	£102,000	£84,000	£4,064,000
1882	2,053,000	4,014,000	107,000	144,000	6,318,000
1883	2,771,000	3,223,000	136,000	103,000	6,233,000
1884	2,521,000	3,525,000	130,000	206,000	6,382,000
1885	2,751,000	3,359,000	141,000	170,000	6,422,000
1886	2,692,000	3,081,000	111,000	219,000	6,103,000
1887	2,297,000	3,182,000	132,000	210,000	5,822,000
1888	3,121,000	3,072,000	167,000	286,000	6,647,000
1889	2,863,000	2,718,000	173,000	299,000	6,052,000
1890	2,120,000	2,565,000	167,000	214,000	5,067,000

## EXPORTS.

1881	£1,160,000	£2,239,000	£131,000	£10,000	£3,540,000
1882	1,290,000	2,110,000	120,000	13,000	3,534,000
1883	1,930,000	3,227,000	99,000	20,000	5,277,000
1884	1,715,000	2,858,000	87,000	13,000	4,674,000
1885	1,618,000	3,505,000	104,000	16,000	5,243,000
1886	1,289,000	3,500,000	129,000	16,000	4,934,000
1887	2,002,000	4,350,000	80,000	22,000	6,454,000
1888	1,986,000	4,070,000	57,000	13,000	6,126,000
1889	2,498,000	5,168,000	59,000	11,000	7,736,000
1890	2,366,000	6,105,000	69,000	15,000	8,554,000

TABLE V.—*Continued.*

## 5. NEW ZEALAND.

## IMPORTS.

Year.	United Kingdom.	Australasian Colonies.	Other British Colonies.	Other Countries.	Total.
1881	£4,530,000	£1,953,000	£364,000	£610,000	£7,457,000
1882	5,553,000	1,864,000	445,000	747,000	8,609,000
1883	5,242,000	1,576,000	474,000	682,000	7,974,000
1884	4,934,000	1,636,000	336,000	758,000	7,664,000
1885	5,227,000	1,255,000	275,000	722,000	7,480,000
1886	4,481,000	1,317,000	247,000	713,000	6,759,000
1887	4,173,000	1,030,000	221,000	821,000	6,245,000
1888	3,726,000	1,218,000	273,000	724,000	5,942,000
1889	4,126,000	1,107,000	345,000	718,000	6,297,000
1890	4,221,000	1,087,000	374,000	577,000	6,260,000

## EXPORTS.

1881	£4,476,000	£1,037,000	£55,000	£493,000	£6,061,000
1882	4,709,000	1,342,000	48,000	559,000	6,658,000
1883	5,347,000	1,110,000	62,000	577,000	7,096,000
1884	5,158,000	1,591,000	21,000	321,000	7,092,000
1885	4,907,000	1,350,000	7,000	555,000	6,820,000
1886	4,587,000	1,706,000	6,000	373,000	6,673,000
1887	4,847,000	1,458,000	9,000	551,000	6,866,000
1888	5,708,000	1,563,000	17,000	478,000	7,767,000
1889	6,600,000	2,146,000	20,000	573,000	9,339,000
1890	7,401,000	1,634,000	64,000	711,000	9,812,000

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