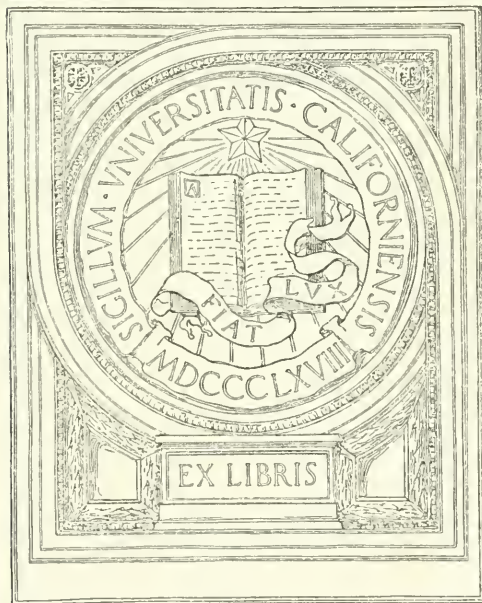


ECONOMIC AND FISCAL  
FACTS AND FALLACIES

SIR GUILFORD MOLESWORTH, K.C.I.E.

UNIVERSITY OF CALIFORNIA  
LOS ANGELES



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ECONOMIC AND  
FISCAL FACTS AND FALLACIES



*Fiscal Questions*

# ECONOMIC AND FISCAL FACTS AND FALLACIES

BY

SIR GUILFORD MOLESWORTH, K.C.I.E.

AUTHOR OF

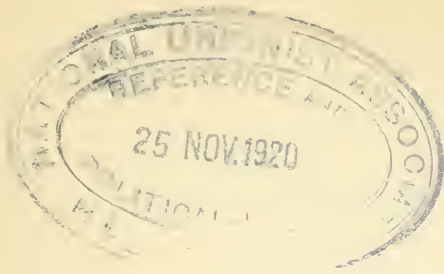
'THE BRITISH JUGERNATH' 'IMPERIALISM AND FREE-TRADE'  
'THE INCOME TAX' 'OUR EMPIRE UNDER PROTECTION AND FREE-TRADE'  
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'Nine legislators out of ten, and ninety-nine voters out of a hundred, when discussing this or that measure, think only of the immediate results to be achieved—do not think at all of the indirect results.'

HERBERT SPENCER, *Principles of Ethics*.

'There are two consequences in history—an immediate one, which is at once recognised—and one in the distance, which is not at first perceived. These consequences often contradict each other—the former are the results of our own limited wisdom—the latter, those of the wisdom that endures.'

CHATEAUBRIAND, *Memoirs*.

ABRILLAS TO VIRI  
ZILLOHA ZOLTA  
YRABLI

AF  
2046  
1732

## PREFACE

THE primary object in publishing this work is to present, in a more connected form, the views which I have advanced from time to time in various books, pamphlets, speeches, and letters to the public journals, on economic and fiscal questions, during a period extending over more than a quarter of a century.

Another object is to expose the manner in which the followers of the 'Manchester School' of economics have misused and misapplied the valuable truths of political economy; to protest against the elevation of their fiscal tenets to a species of religion, the doctrines of which are not even to be questioned; and to dispute their extravagant claims to infallibility, indicated by such expressions as *Free Trade, the International Law of the Almighty* (Cobden); *The economic conditions under which we live and move and have our being* (Asquith); or *The eternal truths of the Economic Law* (Birrell).

Those who question these sacred doctrines are treated with scant courtesy. They are denounced as 'men of little or no education,' on a parallel with squarers of the

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circle, or with those who maintain that the earth is flat. Bright has stigmatised them as 'simpletons without memory and logic, beyond the reach of argument.' Their writings are said to be full of economic heresies. Hard unpalatable facts are met by rhetorical flourishes as to what Adam Smith or Cobden has said, or by the dogmatic assertion that 'we must not tamper with that policy under which we have acquired our commercial and industrial supremacy.' If facts confront the cherished doctrine, so much the worse for facts.

My unpretending booklet, 'Our Empire under Protection and Free Trade,' published in 1902, contained a number of damaging facts which have never been refuted. Instead of refutation it elicited from the *Daily News* the following lofty but inconclusive criticism :

It is difficult to argue with a writer who clings in this way to doctrines which belong to the dark ages of economic science. We can only recommend the author to devote a little study to the 'Wealth of Nations' and to the writings of Frederick Bastiat.

In reply I pleaded that I had not only studied those writings, but that, in 'The British Jugernath' (published twenty-six years ago), I had actually quoted freely from them in support of my opinions. In thirteen different pages of that work I had quoted the 'Wealth of Nations,' and in four pages I had quoted Bastiat.

I suggested, moreover, that the *Daily News* reviewer

could scarcely have studied the works he recommended to my notice. Otherwise he could not have overlooked those passages in which Adam Smith prophesied the ruin which has befallen some of our industries if the free importation of foreign manufactures were permitted, and in which he advocated the imposition of countervailing import duties for the encouragement of home industries, when foreign nations impose import duties on our produce.

I pointed out that Mill, like Adam Smith, had also advocated countervailing import duties as the only mode in which a country could be saved from loss.

The *Daily News* reviewer could not deny the existence of the passages to which I had referred, but endeavoured to gloss them over as not inconsistent with Free Trade principles. He admitted that 'it is well known that Mr. Mill has occasionally granted more to his opponents than his disciples approve ; but to claim his authority on that ground on behalf of your correspondent's book, which is full of economic heresies, would be absurd.'<sup>1</sup>

Although I have carefully studied the writings of the various schools of economics with reference to the fiscal question, I must disclaim all pretension to pose as an economist, or even as an authority on economics. I have, in this work, carefully avoided the obtrusion of my

<sup>1</sup> This correspondence, which is a characteristic specimen of the arguments of the 'Manchester School,' is given in detail in Appendix No. I, and a summary of the principal facts contained in 'Our Empire under Protection and Free Trade' is given in Appendix II.

individual opinions on economic questions, and have left economists to speak for themselves.

I submit their evidence to the verdict of the public.

The misnomer 'Free Trade' which is very generally applied to our present fiscal policy, is not the Free Trade of Adam Smith; neither is it the 'Libre Echange' of the French economists. It is not Free Exchange in any sense of the word. It is a one-sided arrangement, taxing British rate-payers for the maintenance of our markets, into which the foreign producer is free to enter. Practically it amounts to a bounty for the foreigner, which places our countrymen in a disadvantageous position when competing with him.

Free Trade principles, so called, are based upon the assumption that import duties, *in nearly all important cases, are borne almost exclusively by the consumer, and that the taxed commodities will cost more money to the consumer by the full amount of the tax.*<sup>1</sup>

These assumptions are absolutely contradicted by experience and by facts, of which I have given numerous examples in the following pages, but more especially in Chapters XIX, XX, XXI, XXII, and XXVIII.

In conclusion, I would venture to strongly press upon my fellow-countrymen the fact that those who so vehemently and confidently insist upon the infallibility of our present fiscal policy, are absolutely opposed by the

<sup>1</sup> 'Fiscal Policy of International Trade,' Professor Alfred Marshall, 1908.



persistent practice and prolonged experience of nearly every civilised nation in the world. Amongst these are the United States, France, and Germany, and over them Englishmen have no right to claim superiority, either intellectual or commercial.

GUILFORD L. MOLESWORTH.

THE MANOR HOUSE,  
BEXLEY, KENT,  
*September 1909.*



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# ECONOMIC AND FISCAL FACTS AND FALLACIES

## CHAPTER I

### PRESENT STATE OF ECONOMICS

POLITICAL economy, as at present understood and practised by politicians, has been aptly likened to a game of football with the industrial and commercial prosperity of the country—a game in which those great interests are represented by the ball, the treatment of which receives no consideration whatever.

The misuse of political economy recalls to the mind the pathetic cry of Madame Roland : ‘ O liberty, liberty ! How many crimes are committed in thy name ! ’ And it suggests the parallel of ‘ O political economy, how many blunders are committed in thy name ! ’

Political economy, like mathematics, is ‘ a good servant but a bad master.’ It is good as a guide, but bad as an autocrat.

Two of the most eminent and practical statesmen in the world, Napoleon and Bismarck, distrusted the despotism of economists.

It was a saying of Napoleon that ‘ if an Empire were

made of adamant, the economists would grind it to powder.' He regarded economics as a collection of technical rules and dogmas, devised by ingenious theorists, and men of the closet, assuming to conduct the commercial and practical affairs of the State.

Bismarck described the German Free Trade economists as people who pore all day long over books and papers, but who are perfectly unacquainted with practical life. In a speech in the German Reichstag in April, 1879, he said :

We refuse to remain the sole dupes of an honourable conviction. Through the widely-opened door of our imports we have become the 'dumping' place of foreign surplus production, and this, in my opinion, has prevented the continual development of our industry, and the strengthening of our economical conditions. . . . The abstract doctrines of science influence me not at all ; I form my verdict on the teaching of experience. . . . Since we lowered our tariffs we have, in my opinion, been a prey to consumption. We have been bleeding to death. . . . We must now decide what we shall do to infuse fresh blood into the German economical body, to brace it with the power of a regular circulation.

Can we altogether discount the verdict of these great statesmen ? Are they right, or are they wrong ? If they are right, does the fault lie with economics, or with the economists, or with both ?

Certainly the valuable science, or art, of political economy has been discredited and dragged through the mire, and has acquired an unenviable, though undeserved reputation—not so much from the differences and mistakes of its principal exponents, as from the arrogant

and overbearing dogmatism of the followers of the various schools or systems of economics, and more particularly of the Ricardo-Mill, or 'Manchester' school.

This has been caused by an undue attachment to systems—by an attempt to attain a scientific precision beyond that of which the nature of the subject-matter admits ; by a proneness to generalise too hastily, and to lay down infallible and universal laws which are subject to perpetual disturbance from causes beyond the sphere of political economy ; and also by a reluctance to submit abstract reasoning to the correction of facts. Such infirmities, as Professor Rickards has observed, 'have given colour to the impression that political economists care more for systems than for facts, and are conversant with abstractions, rather than with the realities of life.'<sup>1</sup>

Professor Fawcett has remarked that political economy is more talked about than any other science, and its principles more frequently applied in the discussions of ordinary life, but no science has, perhaps, been more imperfectly understood. There is no science that presents so many difficulties in its practical application as political economy.<sup>2</sup>

Again, Professor Sidgwick rightly says :

It is very rarely that the practical economic questions which are presented to the statesman can be unhesitatingly decided by abstract reasoning from elementary principles. For the right solution of them, full and exact knowledge of the facts of the particular case is commonly required, and

<sup>1</sup> Rickards' *Lectures*, p. 13.

<sup>2</sup> Fawcett, *Manual of Political Economy*.

the difficulty of ascertaining these facts is often such as to prevent the attainment of positive conclusions by any strictly scientific procedure.<sup>1</sup>

Political economy, to use the words of Cliffe Leslie, 'is not a body of natural laws in the true sense, or of universal and immutable truths; but an assemblage of speculations and doctrines, which are the result of a particular history, coloured even by the history and character of the chief writers.'<sup>2</sup>

It is, according to Mill, not a mere collection of laws by which men are to be governed in the affairs of life, but a collection of truths or laws of abstract science, intended for the information of practical men.

Stephen Colwell, the American economist, has said :

Those who have attempted to apply these unsettled principles to the actual affairs of nations, have been unsuccessful, both because the principles to be applied were uncertain, and because, even if they were ever so clear, the parties making the attempt had not the requisite practical knowledge to make their application.<sup>3</sup>

Mill has remarked that :

One of the difficulties of modern times—the separation of theory from practice—of the studies of the closet from the outward business of the world—has given a wrong bias to the ideas and feelings both of the student and of the man of business. There is almost always room for a modest doubt as to our practical conclusions.<sup>4</sup>

<sup>1</sup> Sidgwick, *Political Economy*, p. 8.

<sup>2</sup> *Fortnightly Review*, Nov. 1870.

<sup>3</sup> Colwell, *Preliminary Review*.

<sup>4</sup> *Some Unsettled Questions of Political Economy*, p. 156.



Cossa, the Italian economist, has also warned his disciples :

It is needful to hold ourselves aloof equally from the so-called doctrinaires, who refuse the assistance of practice, and from the empiricists who obstinately close their eyes to the light of theory. The pure science gives guiding principles which practice brings into conformity with innumerable varieties of individual cases.<sup>1</sup>

In fact, political economy, even if it be a science (a matter in dispute amongst economists), is not one of the 'exact sciences,' and the application of the inexact laws of economics is fraught with overwhelming difficulties.

Even the application of the *exact* science of mathematics to engineering problems is so uncertain as to have given rise to the saying that 'Theory and practice never agree'; but this saying involves a fallacy. The apparently paradoxical results are in reality due to faulty application of the theory, and to the neglect of numerous factors which, although apparently insignificant, may modify, neutralise, or reverse the theoretical tendency, and very seriously affect the results.

If this be the case in the application of the *exact* science to engineering problems, in which the factors involved are probably the characteristics of such well-known materials as iron, steel, timber, &c., *a fortiori* must the difficulty be increased in the application of the *inexact* science of economics to social problems, in which the influencing factors are much more recondite, such as human follies, blunders, interests, passions, and greed ;

<sup>1</sup> Cossa, *Guido allo studio dell'economia politico*.

yet, how common it is to find the newly fledged politician, fresh from the crammer's hands, rushing in 'where angels fear to tread,' glibly quoting axioms of political economy, and dogmatically applying them, with unbounded confidence, to the most intricate and complex questions—branding as unorthodox all who express opinions adverse to those which he may hold, and accusing them of violating 'the immutable economic law.'

Unfortunately this dogmatic pedantry is not confined to one class, but prevails largely, especially amongst the adherents of the Manchester school, who have elevated Free Trade into the position of a revealed religion, inspired by Cobden, whose pet phrase was, '*Free Trade, the International law of the Almighty*'; and even in the present day we have a Cabinet Minister guilty of the folly of alluding to it as '*the eternal truth of the Economic law.*'<sup>1</sup>

Mr. Asquith says :

You can call it a fetish if you like; you can call anything a fetish; but with us it is a conviction, not based upon abstract argument, but upon solid experience of the economic conditions *under which we live and move and have our being.*<sup>2</sup>

<sup>1</sup> 'In the region of economics they could not do what they liked. There was no eternal truth about the House of Lords; there was no eternal truth about Church Establishment; but there was an eternal truth about the Economic Law. Economic Law cared nothing whatever for Mr. Austen Chamberlain, it did not care a snap of the fingers for Mr. Chaplin or Mr. Bonar Law, and what was more, it did not care anything for the declared opinions of the people of England, even at the polls. If they went wrong, the Economic Law would not be altered; it would remain just the same, even though every man and every woman—if she had a vote—exercised their vote the same way. Economic Law pursued its own course regardless of consequences.' (Speech of Mr. Birrell, March 6, 1909.)

<sup>2</sup> *Imperial Conference Debate*, p. 90.

## CHAPTER II

### DIFFERENCES OF ECONOMISTS

THE claim to infallibility or immutability is absurd, when we consider that the leading exponents, even of the same school or system, are not agreed on the first principles of economics—whether it is an art or a science, whether the *a priori* or *a posteriori* is the proper mode of determining its laws, whether the inductive or deductive method should be adopted for arriving at the truth; what is the scope of political economy?, what is wealth?, and other disputed points. Steuart defines economy as ‘the art of providing for all the wants of a family with prudence and economy.’ Professor Sidgwick says that from the time of Adam Smith to that of Senior and Mill, the conception of political economy as an art of national and social production has never been definitely discarded.

Senior defines economy, if it be a science, as a science which states the laws regarding the production and distribution of wealth; but, if it be an art, the art which points out the institutions and habits most conducive to the production of wealth.

Bastiat has adopted a species of hybrid philosophy, which attempts to treat art as a science, and to have a deductive art. Ricardo treats political economy as an abstract science, and most of the adherents of the Ricardo-

Mill school regard it as a science. Some, like Cossa, separate the pure from the applied science. Adam Smith's method, though combining throughout a vein of unsound *a priori* speculation, was in a large measure inductive.<sup>1</sup>

Mill asserted that the *a priori* is not only a legitimate method of philosophical investigation, but that it is the only mode.

Ricardo reasoned entirely from principles of nature, and discarded induction, even for the verification of his deduced conclusions.

Say, the French economist, has pointed out that Ricardo and McCulloch had fallen into error, and that instead of first observing the nature of things, namely the way in which things really happen, classifying observations, and educing general principles from them, they began by laying down abstract generalities, which they called axioms, and which they taught were absolutely self-evident.

Mill says :

The conclusions of Political Economy are only true in the abstract. That which is true in the abstract is always true in the concrete, *with proper allowances*. The difficulty of appreciating the disturbing causes constitutes the only uncertainty in political economy.

Some contend that the object of political economy is to establish certain general abstract propositions or laws, whilst others insist that it is intended to provide practical rules for the guidance of statesmen and men of business.

<sup>1</sup> Cliffe Leslie.

Whately suggests that the title 'Science of exchanges' should be substituted for that of 'Wealth of nations.'

Many economists contend that exchangeability constitutes wealth. Ricardo rejects 'exchangeability,' and adopts labour as the cause and measure of value.

Adam Smith speaks of the annual produce of the land and labour of society, as the real wealth of the land. The physiocrats define wealth as the products of the earth which are brought into commerce and exchanged. Mill considers credit a form of wealth; J. B. Say designated rights of action, credit, drafts, copyright, professional skill as forms of wealth. Many economists erroneously attribute to the mercantile system the doctrine that the precious metals are the only form of wealth.

De Quesnay defines wealth as that which has value both in use and in exchange.

Malthus defines it as 'those natural objects which are necessary, useful, or agreeable to men.'

Jevons considers that value depends entirely upon utility. Sismondi contends that the pursuit of wealth or riches should not be the aim of political economy, but rather the well-being of all classes of a community.

Roscher defines capital as every product laid by for the purposes of further production.

#### WANT OF FINALITY

McCulloch, speaking of economists generally, has said:

We believe ourselves to be initiated, and yet we are but upon the threshold. . . . Notwithstanding the pretension so

frequently put forward by politicians and economists, some of the most interesting portions of the science which they profess are still very imperfectly understood; and the important art of applying them to the affairs of mankind so as to produce the greatest amount of permanent good, has made but little progress and is hardly advanced beyond infancy.<sup>1</sup>

Again, to quote List :

Whilst some boldly declare that the science of political economy is complete, and that there is nothing more to be added, those who read with eyes of philosophers and statesmen maintain that the science has yet to be created.

Again Mill says :

Political economy, properly so called, has grown up almost from infancy since the time of Adam Smith; and the philosophy of society, from which practically that eminent thinker never separated his more peculiar theories, though still in a very early stage of progress, has advanced many steps beyond the point at which he left it.<sup>2</sup>

In fact, political economy in Great Britain for the last three-quarters of a century has been lulled into a sense of false security, and has made no progress. It has 'learned nothing and forgotten nothing.' McCulloch has observed that the differences which have existed, amongst the most eminent economists, have generated a disposition to distrust its best-established conclusions; and theories of political economy, which once commanded almost universal consent, are overthrown and superseded by new theories.

<sup>1</sup> McCulloch, *Principles of Political Economy*, 1849.

<sup>2</sup> Mill, *Political Economy*, Preface.

Macleod writes :

Nothing can be more astonishing than the differences of doctrine, and the antagonism of economists on almost every point in the science, so as to create a widely spread impression that there is no such intelligible science at all as economics.<sup>1</sup>

Senior writes :

When we read the most eminent of writers on political economy, we find them chiefly engaged on controversy. Instead of being able to use the words of his fellow-labourers, every economist begins by demolition, and erects an edifice, resting perhaps in a great measure on the same foundation, but differing from all that has preceded it in form and arrangement.

Professor Rickards, who succeeded Senior at Oxford, remarked :

A considerable misconception exists which repels many from entering upon the study, and induces many more to regard it with aversion and contempt.<sup>2</sup>

Sir James Steuart has said :

Systems are no more than a chain of contingent consequences, drawn from a few fundamental maxims. Such systems are mere conceits ; they mislead the understanding, and efface the path to truth. An induction is formed, from whence a conclusion called a principle is drawn ; but this is no sooner done than the author extends its influence far beyond the limits of the ideas present to his understanding when he made his deduction.

<sup>1</sup> *History of Economics*, Preface.

<sup>2</sup> Rickards' *Lectures*.



Stephen Colwell remarked :

The discordant views of writers, and their want of agreement, early attracted the attention of leading writers, and scarcely a volume or tract appeared on this topic in which some effort was not made to harmonise repugnant positions, or settle the meaning of terms.<sup>1</sup>

List, insisting on the value of the national and historical method, as opposed to the bottomless cosmopolitanism, 'offers a means of placing theory in accord with practice, and makes political economy comprehensible to every educated mind, by which previously, owing to its scholastic bombast, its contradictions, and its utterly false terminology, the sound sense of mankind had been bewildered.'

A careful study of the writings of economists, and especially of those of the adherents to the 'Manchester' school, discloses an absence of practical experience in business matters, together with the prevalence of much confusion of thought, and a want of clear discrimination. Amongst others may be noted the lack of discrimination

(1) Between politics and political economy.

(2) Between the acts of statesmen and the doctrines of a system.

(3) Between the direct and the indirect action of any measure.

(4) Between Protection and Prohibition.

(5) Between Free Trade and one-sided free import.

(6) Between precious metals as money and as a measure of value.

<sup>1</sup> *Preliminary Essay.*



(7) Between hoarded money and money in circulation.

(8) Between metallic money and money of credit.

(9) Between national and international money.

(10) Between coins and token money.

(11) Between prices as affected by currency and by production.

(12) Between trade depressions from monetary crises and from other causes.

(13) Between balance of precious metals, and balance of supply and demand.

## CHAPTER III

### REVOLT FROM ORTHODOXY

#### APPARENT FINALITY

ABOUT the middle of the nineteenth century the science of political economy in Great Britain appeared to have emerged from a state of chaos, doubt, and uncertainty, and to have assumed such a state of finality and certainty that its conclusions were not to be questioned.

Two causes appear to have contributed to this result.

First, shortly before the adoption of the policy of Free Trade in the forties, an extraordinary tide of prosperity set in throughout the whole of the civilised world, due to numerous inventions and improvements in arts, sciences, and industries, and especially in railways, steam navigation, and telegraphs, which made such rapid progress during the second quarter of the nineteenth century, and culminated in the great gold discoveries of California and Australia during the fifties. Foreign nations shared this prosperity with ourselves, but the credit of it was unfairly claimed as the result of our Free Trade policy; and this idea became so thoroughly ingrained into the British mind, that it was accepted as a satisfying proof of the soundness of that abstract

reasoning of political economy by which the expediency of Free Trade had been inferred.<sup>1</sup>

Secondly, the British public had been so carried away by the brilliant writings, sound logic, and masterly exposition of John Stuart Mill, that they accepted his extraordinary assertion that 'there is nothing in the laws of wealth which remains for the present or any future writer to clear up.' 'It is not surprising,' to use the words of Professor Sidgwick, 'that the younger generation, to whom his treatise became the chief, if not the sole, source of economic knowledge, should be equally confident, and that it should become the fashion to point to political economy as unique amongst moral sciences for the clearness and certainty of its method, and the admitted trustworthiness of its conclusions,' and to accept its teachings as infallible and immutable.

#### REVOLT FROM ORTHODOXY

Towards the end of the third quarter of the nineteenth century, however, serious doubts arose as to the success or wisdom of the Free Trade policy. Practical men of business perceived that the prophecies of its authors had not been fulfilled, that other nations had not only declined to follow our lead, but were making greater relative progress in prosperity; that our agriculture had been ruined; that many of our industries were languishing; that we were losing that commercial and industrial supremacy which we had gained under a policy of strict protection; that our capital was being lost—and this

<sup>1</sup> Sidgwick, *Political Economy*, p. 1.

tended to shake their faith in the political economy on which that policy had been based.

Mill constantly contradicted himself, and is contradicted by economists, not only equally able but more reliable than himself; and his writings have been roughly handled by the 'Third School of Economics,' and also by the modern German school, who repudiate the British orthodox school, and scornfully term it 'Manchesterthum.'

Professor Bonamy Price accused Mill of introducing utter confusion into the topic of wages.

Cossa denounced Mill's 'ardent concessions to Socialism, and his narrow, philosophic utilitarianism,' and, referring to Thornton's book on labour, said 'it made a great impression on Mill, and induced him to abandon his theory of the wages fund, which has also been opposed by Lange, by the American economist Walker, and by Brentano.'<sup>1</sup>

Professor Cairnes, although a great admirer of Mill, is constrained to say :

But in spite of the great authority attaching to any doctrine propounded by Mr. Mill, and enhanced as it is, by the general concurrence of economists, I am compelled to dissent from it. It seems to me that the conception of cost which it suggests is radically unsound, confounding things, in their own nature distinct, and even antithetical, and setting in essentially false light the incidents of production and exchange. Further I think it will appear that it leads to practical errors of a serious kind, not merely with regard to value, but also with regard to some other important doctrines of the science.<sup>2</sup>

<sup>1</sup> Cossa, *Guide to the Study of Political Economy*, p. 180.

<sup>2</sup> Cairnes, *Some Leading Principles of Political Economy*, p. 48.

Professor Cook says :

Mill, however, is said to have abandoned the see-saw theory in his latest and yet unpublished essays.<sup>1</sup>

Macleod, writing on the question of rent, says :

This does not exhaust the absurdity of the Ricardo-Mill theory of rent, . . . but in fact Mill himself has completely overthrown his theory of rent.<sup>2</sup>

Mill knew absolutely nothing of mercantile law ; he never had the least knowledge of practical business. Every page of his work is full of the most glaring ignorance and blunders, and there is scarcely a single point in which he does not contradict himself. . . . The works of Smith, Ricardo, Say and Mill are simple anarchy, and like those of the 'economists' are not general. They are totally repugnant to the fundamental principles of natural philosophy, and are not conformable to nature.<sup>3</sup>

Jevons goes so far as to say :

The only hope of attaining a true system of economics is to fling aside once and for ever the mazy and preposterous assumptions of the Ricardian school.<sup>4</sup>

And again, with regard to the Ricardo-Mill system, he says :

That able but wrong-headed man, David Ricardo, shunted the car of economic science on a wrong line—a line, however, on which it was further urged towards confusion by his equally able and wrong-headed admirer, John Stuart Mill.

<sup>1</sup> Joseph Cook, *Labour*.

<sup>2</sup> Macleod's *Economics*, p. 116.

<sup>3</sup> Macleod's *History of Economics*, pp. 123, 135.

<sup>4</sup> *Theory of Political Economy*, Preface, p. xlix.

Such strictures appear to be somewhat too sweeping, but they show the reaction against the claims of the Ricardo-Mill school to infallibility, and Macleod has rightly urged that :

If, instead of welcoming inquiry and criticism, the admirers of a great author accept his writings as authoritative, both in their excellencies and their defects, the most serious injury is done to truth. . . . In science and philosophy nothing must be held sacred. I protest against deference for any man—whether John Stuart Mill, or Adam Smith, or Aristotle—being allowed to check inquiry.

Anyone who has carefully studied the writings of Mill cannot fail to be struck with the manner in which he allows his 'political bias,' and his narrow, philosophical utilitarianism, to affect his opinion, and warp his better judgment ; and, when this is the case, he is apt to fall into inconsistencies and illogical reasoning.

## CHAPTER IV

### TRUE POLITICAL ECONOMY

THE foregoing consideration of the uncertain condition of our orthodox economics suggests the question : Where is economic truth to be found? In the 'Mercantile' or the 'Physiocratic' schools? In Adam Smith's 'Wealth of Nations'? In Sismondi's writings? In the Third School of economics? In the modern German or in the American systems?

The answer to such a question must be that there is much truth and much error in all systems, but the greater the claim to dogmatic infallibility, the greater the error; and the greater the reaction from the mistakes and follies of some previous school or system, the greater the probability of fallacy from the tendency to run to a vicious extent into the opposite extreme.

The true political economy has yet to be reconstructed, but it must be based on a fusion of existing systems, eliminating that which is bad or extreme, and adopting that which is good, since it must be borne in mind that political economy, whether a science or an art, must necessarily be an imperfect instrument, and consequently one of compromise.

An analogy may be drawn from the organ, which, being an imperfect instrument, if tuned to theoretical

unison, produces discord, so that compromise is needed, leaving some of the fifths somewhat flat, and others somewhat sharp, the octaves alone being tuned to perfect unison of theory.

Political economy, to be of real value, must avoid all extremes and excesses, whether they be of state interference or of '*laisser faire et laisser passer*'; whether they be inductive or deductive; whether they be cosmopolitan or national; whether they be of restricted free import or duties amounting to a prohibition; whether they be of the doctrinaire or of the empiricist.

Roscher, one of the modern German school of economists, thus sums up the object of his work on political economy :

Our endeavour has been not to write a practical book, but to train our readers to be practical. To this end we have sought to describe the laws of nature which man cannot control, but, at most, only utilise. We call the attention of the reader to the different points of view, from which every economic fact must be observed, to do justice to every claim. We would like to accustom the reader, when he is examining the most insignificant politico-economic fact, never to lose sight of the whole, not only of political economy, but of National life. We are very strongly of opinion that only he can form a correct judgment, and defend his views against all objections on such questions as to how, where and when, certain liens and charges, monopolies, privileges, services, &c. should be abolished, who fully understands why they were once imposed or introduced. Especially we do not desire to impress a certain number of rules of action on those who have confided themselves to our guidance, after having first demonstrated their excellence. Our highest ambition is to put



our readers in a way to discover such rules of direction for themselves, after they have conscientiously weighed all the facts, untrammelled by any earthly authority whatever.

It is the nature of extremes to meet. Freedom becomes the excuse for tyranny ; liberty, the handmaid of slavery ; fraternity, the watchword of discord. Despotism masquerades under the garb of democracy ; political economy is the cloak of political extravagance.

In order to arrive at a right understanding of the actual condition of political economy, it is necessary to review briefly the different systems, and their influence on each other.

## CHAPTER V

### THE MERCANTILE SYSTEM

THE mercantile system was not defined in writing, nor was it a theory devised by authors. It was simply acted upon in practice, until the time of Sir James Steuart, who deduced it from English practice.<sup>1</sup>

By the publication of 'An Enquiry into the Principles of Political Economy' in 1767, Steuart endeavoured to gather up the floating threads of various opinions prevalent amongst those who have been termed adherents of the Mercantile School of Economics. It was a work of great merit, modest and moderate in its views, and its value has been recognised by modern economists.

Professor Sidgwick says of Steuart:

Had he but seen through the fallacies of the mercantile school, he would have been deservedly regarded as the father of English political economy.

His system was decidedly altruistic, and involved the paternal care of the State. It was national in its tendency, as opposed to the 'universal' system, and it laid stress on the balance of supply and demand.

He has defined the object of political economy to be, first, to adapt the different operations of economics to the

<sup>1</sup> List, p. 271.

special manners, habits, and customs of the people ; and afterwards to model these circumstances so as to be able to introduce a new set of more useful institutions.

He assumes the importance of manufactures, and their influence on agriculture, commerce, and navigation, and he dwells on the need of granting privileges for establishing manufactures.<sup>1</sup>

Economy, as defined by him, is ‘ the art of providing for all the wants of a family with prudence and frugality. What economy is to a family, political economy is to a State ; but the statesman is not master to establish what form of economy he pleases.’

Adam Smith also uses a similar parallel : ‘ What is prudence in the conduct of every private family, can scarce be folly in a great kingdom ’ ; but he overlooks the fact that no sensible father of a family would tolerate his doctrine of ‘ *laisser faire et laisser passer*,’ and leave his family without any restraints on their greed, selfishness, evil passions, or follies.

Stephen Colwell, the American economist, writes :

Whatever the errors and absurdities of the mercantile system, as practised by the statesmen of England, during the past two centuries, they bear no comparison with the errors and absurdities which the future historian of political economy will find in the theory, now in vogue, as developed by authors and professors of political economy. Both of these systems exaggerate the importance of commerce, and make it a direct agent in the production of wealth. They forget that commerce is the handmaid of industry. The mercantile system has this advantage over the modern school, that it employs commercial restrictions as a mode of protecting and

<sup>1</sup> Sidgwick, p. 15.

stimulating industry ; whilst the latter asks no favour for man or for industry. It simply demands Free Trade, and expects all other blessings to flow from the operation of merchants unrestrained in trade, free to do whatever the spirit of gain may dictate.<sup>1</sup>

Under the broad principles of the mercantile system, involving the paternal care of the State, we attained our great commercial and industrial supremacy, but under the '*laissez faire et laissez passer*' policy of the Ricardo-Mill school we have lost it.

The mercantile system has been unfairly prejudiced, in the eyes of political economists, by ascribing to it absurd doctrines respecting the valuation of the precious metals, and the balance of trade. This has not only given a false impression of the system, but has also induced exponents of other systems to rush into the opposite extreme to a vicious extent.

#### FALLACIES ATTRIBUTED TO THE MERCANTILE SYSTEM

Professor Sidgwick, who is perhaps the most modest, moderate, and able of modern British economists, has remarked :

A whole series of economic writers since Adam Smith's time have attributed to the advocates of the mercantile system the absurd delusion that wealth consists solely of precious metals. It is only due to our ancestors to say that the charge, in the broad way in which it is ordinarily stated, is a manifest exaggeration of a polemical inference of Adam Smith.<sup>2</sup>

<sup>1</sup> Colwell, *Preliminary Essay*.

<sup>2</sup> Sidgwick, *Pol. Econ.*, p. 16.

The writer who has had the greatest influence in promulgating this false impression is John Stuart Mill, who wrote :

While this system prevailed it was assumed either expressly or tacitly, in the whole policy of nations, that wealth consisted solely of money or the precious metals, which when not already in the state of money are capable of being directly converted into it. According to the doctrines then prevalent whatever tended to heap up money or bullion in a country added to its wealth. Whatever sent the precious metals out of a country impoverished it.<sup>1</sup>

This inaccuracy has evidently arisen from a confusion in Mill's mind between money hoarded, and money in circulation.

Sir James Steuart absolutely contradicts this absurd delusion in the following words :

The quantity of coin in any country is no sufficient rule for judging the state of foreign trade, because money may be acquired and expended by operations nowise mercantile. . . . In short, a nation may resemble a trading man who may be immensely rich with very little specie in his possession.<sup>2</sup>

Paper money is but a species of credit, no more than a measure by which credit is reckoned. Credit is the basis of all contracts between men.

Steuart also speaks of 'symbolical money,' in the shape of 'bank notes, transfer in bank stock, amounts, bonds, mortgages, alienation of domain,' &c.

Again he says :

<sup>1</sup> Mill's *Political Economy*, p. 2.

<sup>2</sup> Steuart, *Principles of Pol. Econ.*, Bk. ii. cap. xxx.

Money, of what I call of account, is no more than an arbitrary scale of equal parts, invented for measuring the respective value of things vendible.

Friedrich List has stated that :

The Mercantile system has been falsely reproached for considering the precious metals the sole constituents of wealth :

and he pointed out that 'this objection cannot be truly alleged of Colbert's administration, or of the British Mercantile school.'<sup>1</sup>

Cliffe Leslie has shown that :

It is a modern error to ascribe to the Mercantile school the notion that money is the only wealth. What that school really taught was that money was, in Locke's words, the most solid and substantial part of the movable wealth of a country ; that it had more extensive utility than any other kind of wealth, on account of its universal exchangeability, abroad as well as at home, and that a considerable stock of precious metals in the Treasury of the State or within its reach was requisite as a provision for foreign wars.<sup>2</sup>

Other writers of the Mercantile school have repudiated the doctrine. Berkley contended that there is no greater error than to measure the wealth of a nation by its gold and silver. Sir W. Petty also considers the export of money useful ; and Sir Dudley North described money as a commodity of the same nature as other commodities ; its quantity varying with commercial conditions. When it is scarce, prices fall ; and when abundant they rise ;

<sup>1</sup> List, iii. 19.

<sup>2</sup> Cliffe Leslie, *Fortnightly Review*, July 1875.

and he thought it a mistake to impose duties on the export of money.<sup>1</sup>

Again Roscher of the modern German school writes :

The caricature of the Mercantilists, drawn by the tradition of more recent text-books, is only of the inferior among them. The most distinguished of them, Bolero for instance, approximate more closely to the science of the present day than is usually supposed.<sup>2</sup>

Cossa says :

The conclusion at which the supporters of this [the mercantile] system arrived, and which they stated more or less explicitly, was that the economic well-being of a State is in proportion to the quantity of money which *circulates* in it. . . .

From the principle stated above, it followed, as a logical consequence, that the *fundamental canon* of political economy should be to preserve and to increase, as far as possible, the quantity of money *actually in circulation*.

The historical investigations of certain writers of merit have shown that these were the ideas in which the mercantilists agreed. With some rare exceptions they did not profess the strange error attributed to them, that wealth consists of money and of money alone. Many centuries before, this absurdity had received an allegoric confutation in the fable of King Midas, and a scientific confutation in Aristotle's 'Politics.' There is another incorrect statement which has been made by later critics. They say that these writers are distinguished from the theorists of antiquity, and from the physiocrats of the eighteenth century, by the small esteem they entertained for agricultural industry, which they thought should be neglected in comparison with manufactures and commerce.

<sup>1</sup> Cossa, p. 131.

<sup>2</sup> Roscher, ii. p. 398.

On the contrary, we find in the writings of the sixteenth and seventeenth centuries many passages showing the opposite opinion.<sup>1</sup>

### THE BALANCE OF TRADE

With regard to the absurd doctrine ascribed to the Mercantile school, that a balance of trade must always be made up by cash balance, Sir James Steuart remarked :

What we mean by a balance of trade is not bringing the fluid [specie or bullion] to a level ; but either accumulating or raising it, in some countries by means of national industry and frugality, which is the right balance ; or depressing it in others by national luxury and dissipation, which is the wrong one.<sup>2</sup> . . . Hitherto the question has only been about the balance of moveable wealth, but the introduction of this, together with a taste for superfluity, has the effect of melting down solid property into what I call symbolical money.<sup>3</sup> The balance of work and demand promotes the foreign and domestic interests of a nation equally, the first by advancing her power and superiority abroad, the last by keeping everyone employed. It is necessary to keep the price of articles of export at a standard proportioned to the possibility of furnishing it ; neither higher in times of demand, or low in times of diminution.<sup>4</sup>

Again, speaking of the balance of trade, he says :

The more circulation of wealth there is in a country, the more this object becomes important. If the balance of supply

<sup>1</sup> Cossa's *Study of Political Economy*, cap. iii. p. 120.

<sup>2</sup> Steuart, cap. xxix.

<sup>3</sup> Bk. ii. cap. xxvi.

<sup>4</sup> Steuart, p. 494.



and demand be disturbed, either the industrious starve each other, or a part of their work lies on hand, or their profits rise and consolidate, or part of the demand made is not answered by them.<sup>1</sup>

<sup>1</sup> Stuart, p. 490. See also chap. xv., 'The Balance of Trade.'



## CHAPTER VI

### THE PHYSIOCRATS AND ADAM SMITH

#### THE PHYSIOCRATS

THE Physiocratic school first acquired a systematic form in France under de Quesnay, whose works were collected in 1758 under the title of 'Physiography or the Government most advantageous to mankind.'

De Quesnay may be said to be the first who conceived the idea of universal Free Trade extended to all mankind.

The physiocrats' doctrine was based on a society composed of individuals, all having the same natural rights under a 'Social Contract,' on the principles enunciated in the 'Contrat Social' of Jean Jacques Rousseau. They declared that the soil alone yields a net income; consequently agriculture is the only source of wealth. All taxes were to be imposed on land; and manufacturers, being an unproductive class, were to have no protection from the State. They held that commerce only transfers wealth; and that the exertions of the manufacturer, merchant, and professional man, though useful, are sterile. They considered that those labours only are truly productive which add to the quantity of materials useful to men, and that wealth consists of

the excess of agricultural products beyond their cost of production.

Individualism and complete freedom of trade was assumed to be the basis on which wealth and progress depend. State interference was to be deprecated, and the statesman who attempted to promote manufactures, to increase shipping, to encourage external trade, and protect it by naval power, was an enemy to progress. The doctrine of *laissez faire et laissez passer* was all important.

The Physiocratic school never exerted any influence outside France; and it would have passed away had it not been rescued from oblivion by the able writings of Adam Smith.

#### ADAM SMITH

Adam Smith has been generally considered to have been the father of political economy, and Jean Baptiste Say, his exponent, has declared that before Smith there was no political economy; but there can be no doubt that the political discourses of Hume (of the Mercantile school) were evidently of greater use to him than any other book that had appeared prior to his lectures. Much of his work has been based on the ideas and principles of the physiocrats, especially that of Free Trade, and the doctrine of *laissez faire et laissez passer*. In fact, it has been said that the Physiocratic school has disappeared, because all that was valuable in it was absorbed by Adam Smith, who has added much of his own that is extremely useful.

There can be no doubt about his abilities as a writer,

nor of the great value of his work ; but it is to be regretted that his prejudices against the supposed fallacies of the mercantile system should have led him into the opposite extreme. A blending of that which was good in both systems, and avoidance of that which was faulty, would have rendered his work still more valuable. It is, moreover, tainted by the revolutionary doctrines of Jean Jacques Bousseau.

Adam Smith's great work, 'An Enquiry into the Nature and Causes of the Wealth of Nations,' still carries great weight with the professors of orthodox British economy of the Ricardo-Mill school, who consider his opinions infallible, and brand as heretics those who would depart a hair's breadth from their letter.

List says that before Adam Smith there was only one system. His labours have rendered possible the construction of a science of political economy. He has furnished for that purpose more material than those who have preceded or succeeded him.<sup>1</sup>

His notions are such as might be propounded if there were no nations, no national interests, no wars, no national passions.

J. B. Say has described his work as 'an unmethodical assemblage of the soundest principles of political economy, supported by highly luminous illustrations of highly ingenious researches in statistics, blended with instructive reflections. It is not, however, a complete treatise of either science, but an irregular mass of curious and original speculations'; and Louis Say thinks that although Adam Smith contributed much to the science of the

<sup>1</sup> List, p. 280.

advancement of wealth of nations, yet his false theory and his vicious nomenclature have given rise to all the difficulties at present experienced.<sup>1</sup>

It is manifestly unfair to Adam Smith that his followers should insist on the infallibility of his conclusions, which have been based upon a state of society and upon conditions which have been entirely revolutionised since his time. For example, in dealing with the limitation of the labour market, he argues from the difficulties of transport that 'a broad wheeled waggon, attended by two men, and drawn by eight horses, in about six weeks' time carries and brings back between London and Edinburgh near four tons weight of goods'<sup>2</sup>—rather a contrast to the present state of transport by railway.

Again he advocates the free import of corn, on the ground that the difficulties of transport would be so great that the quantity imported would be so small that the farmer would have nothing to fear from the freest importation.

Unfortunately for his conclusions, the invention of railways, steam navigation, and harvesting by machinery have overcome the difficulties of transport, and have enabled the foreign importer to pour in two thousand times the amount which Adam Smith had named as the maximum that could possibly be imported. It is no fault of Adam Smith that he should have failed to foresee the revolution in the conditions of transport, from inventions which did not exist, and which were not even dreamed of in his day ; but it *is* a fault in his followers to

<sup>1</sup> *Etudes sur la Richesse des Nations*. Preface.

<sup>2</sup> *Wealth of Nations*, Bk. i. cap. iii.

insist upon the immutability of conclusions which have been based on assumptions that have been entirely vitiated by the progress of civilisation.

It must also be remembered that, in Adam Smith's time, manufactures were comparatively few and of small importance and agriculture was the mainstay of Great Britain.

'Adam Smith,' says Colwell, 'was a College professor, and so have been most of the writers of his day. The life of a professor may be favourable to intellectual study, but it is certainly not an adequate preparation for statesmanship. The great reputation of Smith has made economists in general to range themselves under his wing; and from that position many have not hesitated to cut, carve, and apply the caustic, until there is scarcely a passage in the whole work which some one of his friends has not detached from his system, and branded as wrong and absurd.'<sup>1</sup>

Mill speaks of the 'Wealth of Nations' as 'in many parts obsolete, and in all imperfect.'<sup>2</sup>

This, however, appears to be a strong assertion, which does not make sufficient allowance for the altered conditions of society.

With all its imperfections it will be handed down to posterity, and appreciated as a most valuable contribution to economics, so long as it is not regarded as a fetish, the sanctity of which is not to be questioned; and so long as proper allowance is made for the changes in conditions that existed in its author's day.

<sup>1</sup> Colwell, *Preliminary Essay*.

<sup>2</sup> Mill, *Political Economy*, Preface.

## CHAPTER VII

### ADAM SMITH AND AGRICULTURE

ADAM SMITH held a very different view, from that which has become the fashion in England, of the value of agricultural interests, and the place of the landlord with regard to those interests. As his views of the subject are not so generally known as they deserve to be, it may be useful to quote a few of them :

1. The neglect of cultivation and improvement, the fall in the real price of any part of the rude produce of the land . . . tend to lower the real rent of land, to reduce the real wealth of the landlord, to diminish his power of purchasing either the labour, or the produce of the labour of the people.

2. The whole annual produce of the land and labour of every country constitutes a revenue to three different orders of people—to

1st. Those who live by rent.

2nd. Those who live by wages.

3rd. Those who live by profit.

The interest of the *first* of these three great orders is strictly and *inseparably connected with the general interests of the society*. Whatever either promotes or obstructs the one, necessarily promotes or obstructs the other.

3. The interest of this third order has not the same connection, with the general interest of the society, as that of the other two. Merchants and master-manufacturers are, in this



order, the two classes of people who commonly employ the largest capitals.

4. The proposal of any new law or regulation of commerce which comes from this order, ought always to be listened to with great precaution, and *ought never to be adopted till after having been long and carefully examined, not only with the most scrupulous, but with the most suspicious attention.* It comes from an order of men whose interest is never exactly the same with that of the public; who have generally an interest to deceive, and even to oppress, the public, and who, accordingly, have on many occasions both *deceived and oppressed it.*<sup>1</sup>

If England, as a nation, had paid attention to these warnings of Adam Smith, she would have escaped the difficulties in which she now finds herself involved. If she had recognised the truth that the interests of the landlord are '*inseparably connected with the general interests of society*'—if she had not listened to the specious arguments of the third order (master-manufacturers like Bright and Cobden), who, as Adam Smith says, have an interest to '*deceive and oppress the public*'—we should not now have to mourn the ruin of agriculture in Great Britain and Ireland. Adam Smith, instead of holding up the landlords to opprobrium, fully recognised their value to the community; and, speaking of the order of merchants and manufacturers, he says:

Their superiority over the country gentleman is not so much in their knowledge of the *public* interest, as in their having a better knowledge of *their own* interest, than he has of his. It is by this superior knowledge of their own interest that they have frequently imposed upon his generosity, and

<sup>1</sup> *Wealth of Nations*, Bk. i. cap. xi.



persuaded him to give up his own interest, and that of the public, from a very simple but honest conviction that their interest, and not his, was the interest of the public.<sup>1</sup>

Whatever may have been the ostensible object of the Anti-Corn Law League, or of many of its well-meaning dupes, the mainspring of its action was political. It was actuated by a desire to strike a blow at landed interests. There has been a persistent effort during the past century for party purposes to destroy the agricultural interests of Great Britain, and to ruin the influence of the land-owners. The attempt has been only too successful, and has culminated in the mischievous Budget of 1909.

Landlords have been vilified, unjust burdens have been laid upon land, the sanctity of property in land denied; and iniquitous land Acts have been passed.

John Bright made no secret of his animosity to land-owners, whom he has described as 'squanderers and absorbers of national wealth.' Speaking in London on December 19, 1848, he exulted in the fact that :

The contemned class of manufacturers and traders has assumed a very different position, and the great proprietors of the soil now find that there are other men and interests to be consulted in this Kingdom, besides those of whom they have taken such great care, through the legislation which they have controlled.

That Adam Smith laid great stress upon the importance of agriculture, and upon the inseparable interest of agricultural and manufacturing industries, may be seen by the following passages from the 'Wealth of Nations':

<sup>1</sup> *Wealth of Nations*, Bk. i. cap. xi.

The greatest and most important branch of the commerce of every nation is that which is carried on between the inhabitants of the town and those of the country . . . whatever tends to diminish in any country the number of artificers and manufacturers, tends to diminish the home market,—the most important of all markets for the rude produce of the land,—and thereby still further to discourage agriculture.<sup>1</sup>

That he considered agriculture of far greater importance than manufacture, or than foreign or carrying trade, is shown by the following opinions deduced from his writings :

The object of political economy is to increase the wealth and power of a nation.

The riches and power of a country are in proportion to its produce.

Industries or the produce of the land and labour are the real wealth of the country.

Agriculture is the most advantageous employment of capital.

No equal capital puts into motion a greater quantity of productive labour than that of the farmer.

No equal quantity of productive labour employed in manufactures can ever occasion so great a reproduction.

Cultivated land is more advantageous than pasture.

Capital employed on foreign trade is less advantageously employed for society than on home trade.

Carrying trade is less advantageous than either foreign or home trade.

The neglect of cultivation and improvement of land tends to reduce the real wealth of the landlord, and to

<sup>1</sup> *Wealth of Nations*, Bk. iv. cap. ix.

diminish his power of purchasing either the produce or the labour of the people.

Capital employed in the carrying trade is altogether withdrawn from supporting the productive labour of a country to support that of some foreign countries.<sup>1</sup>

It is evident therefore that Adam Smith places such great value upon agriculture, and so little on foreign or carrying trade, that he would have been the first to have opposed our present fiscal policy if he could have anticipated that it would have involved the ruin of agriculture.

The evidence given before the Royal Commission of 1897, on the Depression of Agriculture, shows that the best feeling existed between landlords and tenants. They were strongly opposed to any interference, or any tribunal to fix or regulate rents. There was a general feeling that rents should be determined by the supply and demand, and that they could best make their own bargains.<sup>2</sup>

The following article from an American newspaper will give some idea of the state of agriculture in Great Britain about the year 1885, nearly forty years after the repeal of the Corn Laws :

#### BRITISH AGRICULTURAL DEPRESSION

It was announced a day or two ago that a Texan cattle-dealer had contracted to deliver to a firm of London butchers 3000 frozen carcasses of beef at Galveston, for shipment to the English metropolis, every fortnight, at the price of six cents a pound. This, it is intimated, is but the beginning of an extensive trade in frozen meats between this country and

<sup>1</sup> See *Wealth of Nations*, Bk. ii. cap. v.

<sup>2</sup> *Report of the Royal Commission on Agriculture in 1897*, p. 113.

England. The news will not be welcome to the British farmer. He has already suffered enough from the frozen meat trade with New Zealand, Australia, and the Argentine Republic—the opening up of a new and extensive source of supply, which will no doubt be followed by the establishment of a similar commerce with Mexico, which will further reduce the price of English-fed beef. The farmer is also being driven out of the wheat market by the Indian, the Russian and the American. The prices of all kinds of agricultural produce are declining. ‘American competition,’ we are told by so conservative an authority as the *London Times*, ‘has at last ruined the skilled and indefatigable dairy farmers of Cheshire—prices having fallen 15 to 20 shillings (British) per hundredweight (112 pounds)—bringing down the market to figures at which it will not be remunerative to continue the business. . . . The farmers are dismayed at the outlook. . . . If dairying goes, every resource of our agricultural classes will collapse.’ The same journal adds: ‘In the butter trade also it appears that the price of first quality for July was 87 shillings per hundredweight, whereas the average for ten years ago that month was 106 shillings.’ The price of all kinds of cattle has decreased from 30 to 40 per cent. Sheep are sold at about half the price they fetched ten years ago. The *Mark Lane Express* of September 28, speaking of the Wilton fair, one of the principal for sheep in the South of England, says: ‘Trade was wretchedly dull; lambs had to be sold for three or four shillings less money. For cattle there was scarcely any trade, and few sales were effected. All kinds of cereals have declined about 25 per cent.’ The *Spectator* says that agriculture is, if not profitless, the least profitable business that a resident of England can pursue. A writer in the *Times* says that peasant proprietors purchasing now at eighteen years’ rental cannot make more than 2 per cent. on their investment. The Rev. George Brooks, a Congregationalist clergyman, writing in the *Pall Mall*

*Gazette*, says: 'The present condition of Scottish agriculture may be described in one word—ruined.' . . . The Rev. Mr. Brooks, already quoted, says, describing the condition of Haddingtonshire (called sometimes the garden of Scotland): 'Farms by the score are degenerating through neglect into their original wild state. In one part of the country it is possible to go ten miles, as the crow flies, without finding a farmer. . . . The shopkeepers are being ruined with the farmers.' Another writer says there are some good Scotch landlords who let farms which brought them \$5000 twenty years ago for \$3000 now. The London *World* refers to a Lanarkshire nobleman who last year 'with a rent-roll of \$350,000 has received only \$20,000 net!' Duleep Singh, the Indian notability, has 13,000 acres of the 17,000 acres which he owns in Suffolk 'on his hands.' He speculated on farming a portion himself, and the speculation proved disastrous.<sup>1</sup>

<sup>1</sup> *Chicago Tribune*, Nov. 4, 1885.

## CHAPTER VIII

### LAND NATIONALISATION

THOSE who advocate the nationalisation of land under a system of small holdings, as a remedy for the present evils from which agriculture suffers, little realise the difficulty of farming profitably under our system of unlimited free import, nor can they see that such a course would in reality aggravate the evils it proposes to remedy.

It is beyond the scope of this work to argue either for, or against, the advantages of a system of peasant proprietors; but it may be remarked that, even though such a system might be suited to the sober, thrifty, population of some parts of the Continent, it may not be equally adapted to the improvident lower classes of Ireland and England, and that there may be something in the common-sense view taken by M. Lavergne that 'cultivation spontaneously finds out the organisation that suits it best.'

In Great Britain, and in Ireland especially, landlordism seems best suited to the improvident character of agriculturalists, because it provides capital to improve property in times of prosperity, and to help the tenants to tide over their difficulties in bad seasons; moreover there can be no doubt that under the stress of foreign competition farming is not remunerative, unless on a large scale

and with the aid of the latest improvements in agricultural machinery, which require capital.

But, be this as it may, peasant proprietorship has proved to be a failure in Ireland, and is rapidly becoming extinct. In England the success of it may be gathered from the following description by Mr. Bear, a well-known authority on agricultural matters :

The yeomen and small tenant farmers, men of little capital, have almost disappeared, and the process of improving them off the face of the agricultural world is still progressing to the bitter end. Homestead after homestead has been deserted, and farm has been added to farm : a very unpleasing result of the inexorable principle—the survival of the fittest—by means of which even the cultivators of the soil are selected ; but a result which not the laws of nature but the bungling arrangements of human legislators have rendered inevitable.<sup>1</sup>

The Royal Commission on Agriculture estimated the loss caused by the ruin of agriculture at £1,000,000,000, and Palgrave in 1905 estimated it at £1,700,000,000.

Writers on this subject state that under peasant proprietorship labour was so ill-directed that it required six men to provide food for ten, and the consolidation of holdings was recommended by all practical men.

Even Mr. Hyndman, the well-known Socialist, said :

Peasant proprietorship is being brought forward as a remedy for the ills of this country. On this point, looking across the Channel, and seeing the condition of the French and other peasant proprietors all over Europe, we are thoroughly of one mind that no benefit whatever can accrue by such extension of private property.

<sup>1</sup> *Fortnightly Review*, Sept. 1873.



The only possible way of a return to the land is by placing agriculturalists in a position of equality, in competition with the foreign agriculturalists, by a moderate and well-considered system of import duties on foreign agricultural produce.



## CHAPTER IX

### ADAM SMITH AND COBDENISM

SENIOR complains that :

The 'Wealth of Nations' contains scarcely a definition. Most of the French writers—and indeed some of our own—have not only neglected definitions, but have expressly reprobated their use; and the English work which has attracted the most attention during the present century—Mr. Ricardo's 'Principles of Political Economy'—is deformed by the use of words so unexplained, and yet so remote from ordinary usage, and from that of the writers on the same subject, and frequently so inconsistent, as to perplex every reader, and not infrequently to have misled the eminent writer himself.<sup>1</sup>

It is, therefore, not surprising that some members of the Manchester school should have failed to discriminate between moderate import duties and 'restraints.'

In the chapters devoted to the advocacy of Free Trade, the whole argument is based on freedom from 'restraints,' which are defined by him to be restraining either by 'monopolies,' by 'absolute prohibitions,' or by high 'duties that amount to a prohibition.' There is not a word in the chapter to indicate that the Free Trade he advocates involves the removal of all import duties.

A careful study of the chapter, in which Adam Smith

<sup>1</sup> Senior, *Pol. Econ.*, p. 5.

approved of the free import of corn, clearly proves this. For he prophesied the ruin which has befallen our manufacturers, if the import of foreign manufactured goods were permitted ; and even his approval of the free import of corn rested upon an assumption which experience has proved to be absolutely false.

This chapter<sup>1</sup> deals with 'restraints.' The first portion of it is devoted to an argument against '*monopolies, absolute prohibitions, or high duties amounting to a prohibition.*' There is not a word in it which favours the free importation of manufactured articles, nor is the argument adverse to moderate duties. After a discussion of monopolies, &c., Adam Smith proceeds to show that, owing to the difficulties of transport, the import of agricultural produce was not exposed to the same danger as that of manufactured articles, which 'of the finer kind especially are more easily transported from one country to another than corn or cattle.' Then he proceeds :

In manufactures a very small advantage will enable foreigners to undersell our own workmen, even in the Home Market. It will require a very great one to enable them to do so in the rude produce of the soil. *If the free importation of foreign manufactures were permitted several of the home manufactures would probably suffer and some of them perhaps go to ruin altogether, and a considerable part of the stock and industry, at present employed in them, would be forced to find out some other employment. But the freest importation of the rude produce of the soil could have no such effect upon the agriculture of the country.*<sup>2</sup>

<sup>1</sup> Bk. iv. cap. ii.

<sup>2</sup> Ibid.

He then proceeds to explain the reason of this as follows :

If the importation of foreign cattle, for example, were made ever so free, so few could be imported that the grazing trade of Great Britain could be but little affected by it.

Then he goes on to dilate upon the difficulties and expense of transport ; and takes up the question of the import of salted provisions as follows :

The freest importation of salt provisions, in the same manner, could have as little effect upon the interests of the graziers of Great Britain as that of live cattle. . . .

Then he discusses the question of the free import of corn :

Even the free importation of foreign corn could very little affect the interests of the farmers of Great Britain. Corn is a much more bulky commodity than butcher's meat. A pound of wheat at 1*d.* is as dear as a pound of butcher's meat at 4*d.* The small quantity of foreign corn imported, even in times of the greatest scarcity, may satisfy our farmers that they can have nothing to fear from the freest importation. The average quantity imported, one year with another, amounts only, according to the very well-informed author of 'Tracts on the Corn Trade,' to 23,728 quarters of all kinds of grain, and does not exceed the five-hundredth and seventy-one part of the annual consumption.

Then he dwells upon the compensatory action of a bounty on the export of corn, and adds :

If there were no bounty, as less corn would be exported, so it is probable that, one year with another, less would be imported than at present.

It is evident, therefore, that the free import of corn was advocated by Adam Smith on the false assumption that the annual average import would not exceed 23,728 quarters (about 100,000 cwt.) under the freest import ; whereas the actual import of corn and flour now exceeds 200,000,000 cwt., or 2000 times the amount which he thought would ' very little affect the farming interest.'

He is opposed to the Cobdenite policy, for he advocates retaliatory taxation thus :

The case in which it will generally be advantageous to lay some burden upon foreign, for the encouragement of domestic industry, is when some tax is imposed at home upon the produce of the latter.

In this case it seems reasonable that an equal tax should be imposed upon the like produce of the former. . . .

The case in which it may sometimes be a matter of deliberation how far it is proper to continue the free importation of certain foreign goods is when some foreign nation restrains by high duties or prohibitions the importation of some of our manufactures into their country.<sup>1</sup>

Mill also advises a similar policy :

The only mode in which a country can save itself from being a loser by the revenue duties imposed by other countries on its commodities is to impose corresponding revenue duties on theirs.<sup>2</sup>

And though Adam Smith disapproved of the Navigation Laws, as a violation of the principles of Free Trade, he was forced to admit that ' they are as wise,

<sup>1</sup> *Wealth of Nations*, Bk. iv. cap. ii.

<sup>2</sup> John Stuart Mill, *Principles of Political Economy*, Bk. v. cap. iv.

however, as if they had all been dictated by the most deliberate wisdom. . . . As defence however is of much more importance than opulence, the Act of Navigation is perhaps the wisest of all the commercial regulations of England.'<sup>1</sup>

<sup>1</sup> *Wealth of Nations*, Bk. iv. cap. ii.

## CHAPTER X

SISMONDI, RICARDO, AND MILL

### SISMONDI

SISMONDI, historian and economist, was at first a decided follower of Adam Smith, and, in 1802, he published his work 'De la Richesse commerciale'; but he found that a greater authority than Adam Smith has told us that 'he that maketh haste to be rich shall not be innocent,' and in his historical research he became convinced that the pursuit of riches had not been followed by the greatest welfare to all classes, and should not, therefore, be considered the great aim and end of political economy. He termed the school of Adam Smith 'Chrematists' (from *ὁ χρηματιστής*, a money-maker or money-grubber), and he urged that the proper aim of political economy was that by which the general happiness and welfare of all classes can be secured. He thought that the ruinous pursuit of riches had degraded political economy into the position of a handmaid to greed; that increased production is not necessarily a sign of increased national welfare, but the real measure of national welfare is to be found in the means of comfortable livelihood, which industry affords to all the classes of the community.

He traces from the lessons of history the causes of

the decay of nations—how a nation that has surrendered its rule to the commercial classes cannot fail to incur ruin in the long run, if that rule be continued; for it is to the interest of these classes to import largely, and to favour the introduction of foreign produce, although the result must be to depress and ultimately extinguish home industries. The home market will be destroyed, the agricultural population (the mainstay of the nation) must gradually be ruined, and, amidst a constant increase of exports and imports, and growth of commercial wealth, the nation would be destroyed.

This view of Sismondi, written as a warning and handwriting on the wall nearly a hundred years ago, is being fulfilled in Great Britain in the present day.<sup>1</sup>

Sismondi further went on to show how the ruin of Rome and Greece was due to causes similar to those from which Great Britain now suffers—the great increase of direct taxation, the purchasing of food abroad, the destruction of agriculture, unbounded luxury side by side with abject poverty, abundant wealth coupled with destitution.

#### RICARDO

Ricardo, a shrewd, successful stockbroker of Jewish origin, published his work 'On the Principles of Political Economy and Taxation' in 1817.

It was professedly based on the principles inculcated by Adam Smith, and his clear, incisive writing and attractive logic gained for him many admirers and

<sup>1</sup> See chap. xxxiii.

followers, who were carried away by the daring and brilliancy of his deductions ; but his arbitrary and absolute assumptions, his false and inaccurate logic, his confusion of ideas, and his erroneous application of unsound opinions and economic truths, render him dangerous as a leader of thought.

Bentham, on reading his work, wrote to Ricardo, telling him that it was all founded on a confusion of cost and value ; Senior denounced him as the most unsound writer who ever attained philosophical eminence ; and Malthus prophesied that the main part of the Ricardian scheme would not stand. Probably his work would have sunk into oblivion had it not found an able expositor in the person of J. S. Mill, who, as Cliffe Leslie remarked, ' so qualified and amended the doctrines of Ricardo that the latter could scarcely have recognised them.'

Macleod writes :

The whole structure of Ricardo's work is laid in ruins because it is contrary to facts, to experience, and to the fundamental laws of natural philosophy.

His work, however, found great favour amongst the manufacturing classes, as affording them support in their antagonism to the landowners.

#### JOHN STUART MILL

No writer on economics has exercised so great an influence on contemporary thought as Mill. Equally brilliant with Ricardo, but more logical, he exercised such a sway over his followers that it appeared as if the truths of the science were permanently settled and not to be



questioned. He derived much of his inspiration from Jean Baptiste Say, the eminent French economist, with whom he lived for some time in Paris when a young man.

His 'Principles of Political Economy,' published in 1848, were intended to be similar in object and conception to those of Adam Smith, as expressed in the 'Wealth of Nations,' but adapted to the more extended and improved ideas of the age; and although differing in many respects from that work, the book is full of valuable matter. Together with the 'Wealth of Nations' it may be said to form the basis of the text-books and teaching of the orthodox school of British economics (the Ricardo-Mill system), which has degenerated into the 'Manchester' school.

Mill was a powerful writer, a profound logician and philosopher, but not a practical statesman. He knew nothing of mercantile law, and was subject to mistakes,<sup>1</sup> but he was modest and always open to correction. Cossa speaks of his 'narrow philosophic utilitarianism' and 'his ardent concessions to socialism, more apparent than real,'<sup>2</sup> but those who differ most from his conclusions and his application of abstract truths must admit the immense value of his contributions to the study of economics, and it is to be regretted that his followers have in many cases prejudiced his doctrines and arguments, and impaired their utility by pushing their application to extreme limits, and by insisting on their applicability to all circumstances, irrespective of modifying conditions.

<sup>1</sup> Macleod's *History of Political Economy*, p. 123.

<sup>2</sup> Cossa's *Political Economy*, p. 179.

## CHAPTER XI

### THE MODERN GERMAN SCHOOL

FRIEDRICH LIST is unquestionably the father of the modern German school of economics, which is certainly gaining ground, and has found the most distinguished disciples in Germany.

List advocated the national and historical method as opposed to the cosmopolitan policy of Adam Smith, which, although it has been adopted in Great Britain for more than sixty years, has failed to commend itself in practice to any other civilised nation of importance ; and even in England is becoming more and more discredited by practical men of business.

List was originally a believer in the popular theory of Free Trade ; but the favourable effects of Napoleon's continental system, and the destructive results of its abolition, seemed to him so directly contrary to what he had previously observed, that in endeavouring to ascertain the cause of that contradiction, the idea occurred to him that the theory might be quite true, but *only in case all nations would reciprocally follow the principles of Free Trade*. This led him to consider the nature of nationality, and he perceived that the popular theory took no notice of nations, but only of the entire human

race on the one hand, and single individuals on the other.<sup>1</sup> He was led to see that it was necessary to discriminate between political and cosmopolitical economy ; between the theory of values and the theory of productive powers ; between manufacturing and agricultural power. He urged, as most important, the co-operation of material and productive powers ; that agriculture and manufacture mutually depend upon one another, and the closer the agriculturalist and manufacturer are placed together, the less they are liable to interference in the exchange of their products.

He saw that the prosperity of nations was not, as Say believes, in proportion to their amassed wealth, but in proportion to the development of their powers of production,<sup>2</sup> and he agreed with Alexander Hamilton, that a nation is able by protective import duties to build up manufacturing industries which would produce the domestic article as cheaply, or more cheaply, than the imported article.

He considered that the arguments of Adam Smith and J. B. Say depended on the assumption of universal peace and universal association, and he believed an economic theory to be untenable upon such a hypothesis. He insists that nation intervenes between man and mankind ; that each nation has its own language, literature, history, habits, laws, and institutions, its distinct territory and personality, with all the rights and duties involved. He protests against abstract theory which ignores nationalities and national interests. He

<sup>1</sup> List, *Political Economy*, xxxix-xl.

<sup>2</sup> *Ibid.* p. 117.

does not pretend to have furnished the world with a panacea, but his system offers a mode of reconciling theory with practice and renders political economy accessible to every cultivated mind.<sup>1</sup>

Roscher has developed the historical method originated by List. His fundamental aims are to represent what nations have thought and written, what they have striven for, what they have attained, and why they have attained it ; he strives to show that a nation is not merely the mass of individuals now living, and that the observation of contemporary facts only is insufficient. Lessons must be learned from the past, and especially from those taught by the development or decay of ancient nations. He thinks that the principal task of the economist is to show how, out of that which was once reasonable and beneficial, the unwise and inexpedient has often gradually arisen.

<sup>1</sup> Professor Matile, Preface to List.

## CHAPTER XII

### THE AMERICAN SCHOOL

THE American school of political economy was founded by Alexander Hamilton, the greatest statesman of the United States of America, and was afterwards influenced by List, Carey, Stephen Colwell, and other able economists.

Hamilton held the opinion that the Free Trade policy of Adam Smith was only possible in practice if adopted by all nations. He laid much stress upon the development of manufacturing industries, and urged a system of moderate protective imports. He expressed the opinion that home competition would prevent anything approaching to monopoly, and that, with the development of domestic manufacture, the home product would be cheaper than the foreign article, for which it would be the substitute. There can be no doubt that Carey was greatly influenced by the views of Hamilton and List, and in 1859 he published his 'Principles of Social Science.' He exposed many of the sources of confusion manifest in the writings of some of the adherents and exponents of the Ricardo-Mill school, especially on the question of exchange and value. He held that wealth increases in proportion to social progress, whilst exchange value diminishes, and that the value of an article is not fixed by its cost of production in the past, but by the cost

necessary for its production under the existing conditions of improvement due to increased knowledge and science. He held that the Ricardo-Mill theory of rent was a speculative fancy, contradicted by all experience, and that the interests of capital and labour were inseparable; that the producer and consumer should be in close connexion, and that the products of a country should not be exported to foreign countries in exchange for their products, 'thus serving to enrich, as by manure, a foreign soil.' He was a strong advocate for giving priority to the home market; and though originally, like List, the supporter of Free Trade policy, he became an ardent advocate for moderate protection, as the co-ordinating power which must intervene to prevent private advantage from working public mischief.

The attitude of the American school of economics towards fiscal policy may perhaps be gathered from the words of the Republican manifesto of 1906:

The true American policy taxes foreign products, and encourages home industries. It puts the burden of revenue on foreign goods. It secures the American market for American producers. It upholds the American standard of wages for the American working-man.

The Democratic manifesto also proclaims that 'in the United States, as elsewhere, protection protects labour.'

The value attached to the home market by American economists is indicated by the following quotations:

A bushel of corn is worth as much in Illinois or Iowa, as in the neighbourhood of Paris or of London. The sole

reason why it sells for only a fourth or fifth as much is that the farmer is burdened with the cost of sending it to market. Bring the market to him by opening the great coal and ore deposits of Indiana, Illinois, Missouri and Michigan, and then not only will he be relieved of the necessity for looking to distant markets, but it will be impossible for him to supply them because the price at home will be on a level with that abroad.<sup>1</sup>

With what reason, and with what justice does one say that an impost or tax on imported iron or nails, cloth or cutlery, creates a monopoly? A great many of our countrymen were previously employed in making these articles. In what sense is a monopoly accorded to any or the whole of them together? Do we not know that not only will each of them sell as his own interest prompts, and increase his product so fast and so far as he can do so with profit, but that anyone else who will, may embark in the business whenever he shall see fit.<sup>2</sup>

The purchasing power of a people, who have duly mingled manufactures with agriculture, is tenfold that of a purely agricultural community. They purchase of each other. . . . The strength and wealth of a country should be measured by the quantity and value of its own productions which it *consumes*, and not by what it sends abroad.<sup>3</sup>

Is it *natural* that any nation should keep its farms in one Continent and its workshops in another?

Is it *natural* that cotton on its way from the grower to the weaver should go half-way round the globe and back again?

Is it *natural* that a large part of the race should be employed in carrying bulky articles—raw materials, and coarse goods,—from some countries to others in the same climate, and of the same general capacity?

<sup>1</sup> Carey, *Principles of Social Science*.

<sup>2</sup> Horace Greely, *Essays on Political Economy*, 1869.

<sup>3</sup> Stephen Colwell, *Report to the Secretary to the Treasury*, 1866.

Is it *natural* that a country with millions of tons of iron on the surface of her soil and square miles of coal not far below it should send thousands of miles for railroad iron ?

Protection is the *natural* resistance to an *unnatural* state of things.<sup>1</sup>

<sup>1</sup> Robert E. Thompson, *Social Science*, p. 271.



## CHAPTER XIII

### THE ACTION OF CURRENCY

It is not difficult to understand how economists came to ascribe to the mercantile system the absurd doctrine that the precious metals are the only source of wealth.

If we except Mill, Jevons, Macleod, Sidgwick, Foxwell, and a few others, it may be said that the modern British economists, as a class, possess no practical experience in the complex questions of currency.

They have found that a certain line of action has been taken in the past with regard to precious metals, but they have not grasped the reasons for such action. They have failed to discriminate between money as merchandise and money as a measure of value, to distinguish between hoarding and bank reserves, or to understand the effects of a contraction or an expansion in the supply of currency. Professor Bonamy Price has described the chaos regarding money in the minds of modern economists as follows :

It may almost be said that every man contradicts every other man about money ; what it is, and what it is not ; what it can do, and what it cannot do. In no other subject which occupies the thoughts of men does anything approaching the same disorder exist.

It is quite possible that some individuals may have held the absurd doctrines ascribed to the mercantile system and that politicians and ministers of the past may have acted foolishly ; but probably in the majority of cases of apparently abnormal action with regard to the precious metals, such action may have been dictated by sound reason, such as either an avoidance of a depletion of bank reserves, or of a drain of specie from the country, or of a monetary crisis, or a panic, or by the resumption of specie payment, or from the need of metallic money for war purposes. It must be borne in mind that metallic money measured by itself cannot vary in value ; but, as merchandise, it will appreciate or depreciate like other merchandise, or, in other words, its purchasing power will vary with a plentiful or a scanty supply. Mill says :

That an increase in the quantity of money raises prices, and a diminution lowers them, is the most elementary proposition in the theory of currency ; and without it we should have no key to any of the others.<sup>1</sup>

Alexander Baring, the eminent financier, in commenting on the difficulties caused by a contraction of the currency in 1819, remarked :

An alteration in the value of currency is what few, even the wisest, generally perceive. They talk of an alteration in the price of bread, and provisions, never reflecting that the alteration is not in the value of those articles, but in that of the currency in which they are paid.

‘Everyone,’ as Alison has remarked, ‘can understand and appreciate the difference of the big and the little loaf, of

<sup>1</sup> J. S. Mill, *Political Economy*.

cheap or dear bread ; but very few can be brought to understand, or take any lasting interest in, the far more important influence of a plentiful or contracted currency on prices, or the connection between free trade in the lending of money and the danger to the borrowers from its establishment. In the next place, on this very account, the whole monetary system is one which is never selected as a *cheval de bataille* by the democratic leaders. As it does not afford the means of arousing the masses, it is not one to tempt individual ambition.<sup>1</sup>

That species of *hoarding* which impoverishes a country has been graphically described in the following extract from the Report of the United States Congressional Silver Commission, as the consequence of a contraction of currency caused by the demonetisation of silver :

The peculiar effect of a contraction in the volume of currency is to give profit to the owner of unemployed money through the appreciation of its purchasing power by the mere lapse of time. Falling prices rob labour of its employment, and precipitate a conflict between it and capital. Money is withdrawn from circulation, and *hoarded* in consequence of falling prices, neither paying wages nor serving to exchange the fruits of industry, nor performing the true functions of money.

As Moreton Frewen has justly remarked :

People of little education are accounting for low price on the hypothesis of over-production ; but it is hardly necessary to point out that, while over-production in any particular trade is frequent, and quickly adjusts itself, general over-production is impossible. . . . As gold gets scarce, it seems to get cheaper ; that is, the bank rate falls ; but this is not a

<sup>1</sup> *Autobiography of Sir A. Alison*, vol. ii. p. 304.

mark of the real cheapness of abundance ; it is only a symptom that, because trade and enterprise are collapsing, no one can profitably employ capital, and therefore money is a mere drug. It is a sign, not of excessive supply, but of absence of demand ; similarly, it is often stated that gold cannot be dear, because the bank reserves of gold are increasing ; but this, too, is not necessarily a sign of abundance : it merely shows that the conditions of trade are such that, because the currency is contracting, gold is lying idle in the reserves.<sup>1</sup>

<sup>1</sup> Moreton Frewen, 'Gold Scarcity,' *Nineteenth Century*, Oct. 1885.

## CHAPTER XIV

### THE BANK ACTS OF 1819 AND 1844

#### THE ACT OF 1819

IN 1819 the Bank Restriction Act for the resumption of specie payment by the Bank of England was passed ; and with it began a series of embarrassments—national, social, financial, and political—which have imprinted lasting effects on the fortunes of Great Britain.

The directors of the Bank of England protested against the passing of this Act, urging that the sudden resumption of specie payment was utterly impracticable, and would be entirely inefficient, if not ruinous. They also stated that they felt they had no right whatever to invest themselves with the responsibility of countenancing a measure in which the whole community is so deeply involved, and possibly compromise the universal interests of the Empire in all the relations of agriculture, manufactures, commerce, and revenue, by a seeming acquiescence or declared approbation, on the part of the directors of the Bank of England.<sup>1</sup>

The bankers and merchants of the City of London also sent a petition to the House of Commons, expressing the opinion that the measures in contemplation, with

<sup>1</sup> *Parl. Debates*, xl. 601.

reference to the resumption of cash payments by the Bank, would, 'in their opinion, result in a forced, precipitate, and highly injurious *contraction of the currency,*' which would 'tend greatly to increase the pressure of the taxes, to lower the value of all landed and commercial property, seriously to affect and embarrass both public and private credit, to embarrass and reduce all the operations of agriculture, manufactures, and commerce, and to throw out of employment a great proportion of the industrious and labouring classes of the community.'<sup>1</sup>

Notwithstanding these strong remonstrances the Bill was passed requiring the Bank of England to resume at no distant period cash payment, thereby rendering the currency dependent on the retention of gold, the very thing which under the circumstances of the country could not be retained.

The circulation of the country rested entirely on that of the Bank of England. The predictions of the merchants and bankers of London were soon fulfilled.

The disaster, thus predicted, has been described in Alison's 'History' as follows:—

The effects of this extraordinary piece of legislation were soon apparent. The industry of the nation was speedily congealed, as a flowing stream is by the severity of an Arctic winter. The alarm became universal—as widespread as confidence and activity had recently been. The country bankers, who had advanced largely on the stocks of goods imported, refused to continue their support to their customers, and they were forced to bring their stock into the market. Prices,

<sup>1</sup> Alison's *Continuation*, i. 368.

in consequence, fell rapidly—that of cotton, in particular, sank in three months to half its former level. . . . The effects of this sudden and prodigious contraction of the currency were soon apparent, and they rendered the next three years a period of ceaseless distress and suffering in the British Islands. . . . The effect upon prices was not less immediate or appalling. They sunk in general within six months to half their former amount, and remained at that low level for the next three years. . . . Distress was universal in the latter months of 1819, and that distrust and discouragement was felt in all branches of industry, which is at once the forerunner and the cause of disaster.<sup>1</sup>

So little was the vital importance of the subject understood, that, on the expiration of the Bank Restriction Act in 1833, it was renewed with some modifications, but without any serious opposition. The charter was renewed for twenty-one years, with power to break it off in ten years. Bank of England notes were to be made legal tender everywhere, except at the Bank itself and at branch banks.<sup>2</sup>

Again Alison, commenting on the results of this Act, wrote :

On, however, the tempest came, and fearful was its violence. With the steady 'contraction of the currency' by the Bank of England which began in July 1836, prices fell during the whole of the ensuing winter, and in the spring of 1837 the panic was universal. Many bankruptcies took place, though fewer in Glasgow than might have been expected from the severity of the pressure, owing to the amount of solid wealth which had been made in the preceding five years.

<sup>1</sup> Alison's *History of Europe, Continuation*, vol. ii. p. 398.

<sup>2</sup> *Ibid.* v. p. 396.



But as prices of all sorts of manufactured produce had sunk nearly a half, the manufacturers were under the necessity of lowering wages; and this soon induced strikes in nearly all the branches of skilled industry.

The crisis of 1825 was due to a drain of gold to South America in consequence of the revolution. In December 1820 the bullion in the Bank of England had fallen to £1,024,000, whilst the notes in circulation amounted to £25,709,000. The result of this was that a number of private banks failed, and narrowly escaped bankruptcy. It was only the accidental discovery of an old box full of notes that enabled the Bank of England to stave off ruin, by the hazardous experiment of an enormous issue of paper, when there was no specie to sustain it; but the Funds fell from 96 to 76, and other securities were reduced to half their former value.

#### THE ACT OF 1844

The Bank Charter Act of 1844 was passed to prevent, as far as possible, the recurrence of such crises as those which had previously caused distress.

Notes amounting to £14,000,000 were to be issued on securities, and the remainder exclusively on the foundation of bullion. No new bank was to issue notes, but all existing banks might issue notes on condition that they should not exceed their present issue. The Bank of England was bound to buy all the gold brought in, at a trifle below the price then current. The limit on securities was £9,000,000 in private banks, and £14,000,000 in the Bank of England.

The total issue of notes was fixed at about £31,000,000,



or little more than half of what it had been at the close of the war, namely £58,771,000. This measure forced the Bank of England to purchase all gold that might be offered; and if there should be any drain of gold from foreign wars or deficiency of harvest, the Bank would be forced to issue a corresponding amount of notes; and if bullion were drained away by any cause the necessary result would be a violent contraction of the currency and a destruction of credit. The whole currency, whether based on security or bullion, was convertible at the pleasure of the holder. The credit of every person in the kingdom would thus depend solely on the retention of gold by the Bank of England.

The Bank Act has on several occasions been either suspended or on the verge of suspension; and in 1858 Mr. Gladstone stated in the House of Commons:

The Act cannot stand as it is. I cannot consent that the law shall be suspended at intervals to meet these constantly recurring crises: the Bank Act damaged in 1847 was utterly shattered in 1857.

During the seven years, 1883-90, the Bank of France only changed its rate of discount seven times, whilst the Bank of England changed it sixty-two times, the variation in France amounting to 2 per cent., whilst those in England have amounted to 4 per cent. Mr. Goschen, in the House of Commons, in April 1893, said:

I feel a kind of shame that on the occasion of two or three millions of gold being taken from this country to Brazil, or any other country, it should immediately have the effect of causing a monetary alarm throughout the country.

Then came the Baring failure, and our weakness was shown by having to call France to our aid. The currency of France has weathered, without difficulty, storms to which the Baring failure was mere child's play; for example, the Franco-Prussian war, the Communist struggle, the war indemnity, and the failures of the Panama Canal, of the metal ring, and of the Comptoir d'Escompte. In contrast to this, Mr. Goschen at Leeds, expressing his opinion on the gravity of the situation from the Baring failure, and the inadequacy of our gold reserves, said :

You risked the supremacy of English credit, the transfer of the business of this country to other European countries. I cannot exaggerate the immediate danger to which this country was exposed. . . . You have escaped from a catastrophe which would have affected every town, every industry—to use a common phrase, you have escaped by the skin of your teeth.

## CHAPTER XV

### THE BALANCE OF TRADE

THE excess of our imports over exports (usually termed Balance of Trade) has increased under our Free Trade policy to an alarming extent. In 1856, or ten years after the adoption of our Free Trade policy, the adverse balance was, in round numbers, about £33,000,000. In 1866 it amounted to £56,000,000; in 1876 to £118,000,000; in 1886 to £81,000,000; in 1896 to £145,000,000; in 1906 to £147,000,000; and in 1907 to £127,000,000.

Of course, the difference in the values of exports and imports does not accurately represent the actual difference between expenditure and production; some allowance must be made for freights and other contingencies, but the adverse balance is so enormous that it is impossible to arrive at any other conclusion than that we are, as a nation, spending far more than we produce.

One ugly feature of the case is, that our bill for imported food, drink, and tobacco—all consumable articles—amounts to £247,000,000, or more than one-third of our total imports.

In 1880, Stephen Bourne, a well-known statistician and an unswerving Free Trader, wrote :

Even now when these words are being written the trade

returns which are being published show the increase of an adverse balance, and that the food imports very nearly swallow up the whole value of the produce of manufactures we export.<sup>1</sup>

These facts destroy the cherished doctrines of Free Traders, namely, that we are prosperous under our Free Trade policy, and that our imports are always paid for by a corresponding value of exports. Many opponents of Fiscal Reform have therefore attempted, but failed, to explain them away.

The most notable of these attempts was made by Mr. (now Sir Robert) Giffen in a paper read at a meeting of the Royal Statistical Society, April, 1882, in which he endeavoured to establish a theory of invisible exports, but his paper was very roughly handled in discussion, his theory of invisible exports completely demolished, the assumptions by which it was supported were refuted, his estimates of freight were shown by practical shipowners to be greatly exaggerated. Mr. David MacIver, for example, said :

The large profits, which those who understand the business sometimes succeed in making, tempt others into the field, the performance of whose vessels certainly does not yield a profit of  $12\frac{1}{2}$  per cent., but in too many instances, no profit at all. Mr. Giffen takes about  $12\frac{1}{2}$  per cent. as the all-round profit of shipowning ; but I have no hesitation in saying that if he puts it at half that sum, he would be very considerably over the mark.

Mr. Glover, another shipowner, said that Mr. Giffen exaggerated the value of freight as a matter of international exchangeable value.

<sup>1</sup> Stephen Bourne, *Trade, Population, and Food*, 1880.

In the face of such skilled testimony, Mr. Giffen was constrained to admit that the figures on which he relied were absolutely incorrect.

Stephen Bourne, in discussion, pointed out the remarkable fact that of late years the balance of trade had fluctuated from time to time, but 'whenever we heard our trade was good, then it was found that our excess of imports was diminishing.'

It only requires the extreme instance of the United States to prove the absurdity of the contention that imports are paid for by exports.

In 1907 our imports from the United States					
amounted to	..	..	..	..	£133,683,631
Our exports to	..	..	..	..	58,052,574
Showing an excess of imports	..	..	..	..	75,631,057
Our net exports of bullion and specie to	..	..	..	..	5,738,502
Making a total adverse balance of	..	..	..	..	81,369,559

It is a manifest absurdity to suppose that, on an export of £58,000,000 to the United States, the freight and other contingencies should amount to anything like £81,000,000.<sup>1</sup>

It has been urged that if it were true that such an enormous and continuous unbalanced expenditure existed, Great Britain must have been ruined long ago, but yet its wealth, as shown by the income tax, has increased. The explanation is simple. We have been living to a great extent on the interest of those investments which we have made in foreign countries at the time when we

<sup>1</sup> Supposing that our whole trade with the United States was done in British owned ships, which is far from being the case, the freight charges would not amount to a small fraction of £81,000,000.

were prospering and building up our trade and commerce, and before we had lost our industrial and commercial superiority. These investments have been estimated at about £1,250,000,000.

Our great leakage of capital has been proved in evidence given before the different Royal Commissions on the depression of trade, industries, and agriculture of 1879, 1895, and 1903, and we have known that since then there has been an enormous transfer of Bonds and other securities from England to foreign parts. In 1870 the greater part of the American Debt was held in England, whereas in 1881 only 10 per cent. of it was held in the whole of Europe. It is notorious that during the last few years capital has been leaving England. Sir Joseph Lawrence, in a pamphlet on the depreciation of British securities, has computed from the figures in the report of the Inland Revenue Commissioners, that the increase in the investments abroad of British capital for the year 1906 alone amounted to £156,000,000. This has been corroborated independently by Lord Rothschild, who, in an interview published in the *Daily News* of October 9, 1907, computed the increase at £150,000,000.

The condition of Great Britain in this respect is somewhat on a parallel with that of a man who, from the profits of a prosperous business, has been enabled to make large investments, but who keeps no account either of the receipts from his investments, or from the profit or loss in his business; one who gauges his wealth by his bank balance, and who now employs an incompetent manager to carry on his business.

It is quite conceivable that his *apparent* wealth, as

represented by his balance at the bank, may increase largely whilst he himself is on the high road to ruin.

A few figures will serve to illustrate this.

Assuming the initial amount of his investments is £100,000, bearing interest at 5 per cent., and that from mismanagement it diminishes at the rate of £10,000 a year, that his business is carried on at a loss of £1,000 a year, and that his domestic expenditure amounts to £1,000 a year. The following figures, based on these data, show that in six years his bank balance has more than quadrupled, although his capital has diminished by 60 per cent. After the sixth year his bank balance decreases, and finally disappears in the thirteenth year, and his capital is exhausted in the tenth year.

Year.	Capital.	Interest on Capital 5 per cent.	Expenses and Losses.	Payments into Bank.	Bank Balance.
	£	£	£	£	£
—	100,000				2,000
1st	90,000	4,500	2,000	2,500	4,500
2nd	80,000	4,000	2,000	2,000	6,500
3rd	70,000	3,500	2,000	1,500	8,000
4th	60,000	3,000	2,000	1,000	9,000
5th	50,000	2,500	2,000	500	9,500
6th	40,000	2,000	2,000	nil	9,500
7th	30,000	1,500	2,000	— 500	9,000
8th	20,000	1,000	2,000	— 1,000	8,000
9th	10,000	500	2,000	— 1,500	6,500
10th	nil	nil	2,000	— 2,000	4,500
11th	„	„	2,000	— 2,000	2,500
12th	„	„	2,000	— 2,000	500



Now we know that influences similar to those indicated above have been in active operation in Great Britain. As a nation we keep no account of our investments abroad, or of profits and losses of our industries. The Board of Trade Returns throw no light upon these points. We gauge our *apparent* wealth by the extravagance and luxury that prevail, and the bettered condition of the people. The enormous leakage of our capital cannot be denied ; and it is notorious that many of our industries have been carried on at a loss. We have entrusted the management of our affairs to one who, when the great loss of our capital was brought to his notice, had the effrontery to say that it was a benefit to the country. Our expenditure has been lavish, our Imperial taxation for the last twenty years has increased by 75 per cent., and our local taxation has more than doubled, and is increasing at a rate that threatens ruin if it is not checked.

The figures given above indicate that, under the conditions assumed, the apparent wealth increases up to a culminating point, after which it decreases slowly at first, and then rapidly.

Whether we have reached or passed that culminating point, it is impossible to say. Our National accounts give no information, but the violent contrast between wealth and poverty, and the great increase of unemployment, throw a lurid light on the subject.

The condition of Great Britain appears to be rapidly approaching that of Greece and Rome during the period immediately preceding the decline and fall of those nations.

Finlay describes the condition of Greece about that time as follows :



The rural districts in the eighth century were reduced to a state of desolation, and the towns were flourishing in wealth. Agriculture was at the lowest ebb, and trade in a prosperous condition.<sup>1</sup>

Sismondi also says :

It was at this very time, when industry was declining, that the towns of the provinces arrived at their highest degree of opulence. Adrian excited the emulation of their rich citizens, and he extended to the furthest extremities of the Empire, the luxury of monuments and decorations. . . .<sup>2</sup>

<sup>1</sup> Finlay, p. 544.

<sup>2</sup> Sismondi, *Chute de l'Empire Romaine*, i. 50.

## CHAPTER XVI

### THE REAL OBJECT OF FREE TRADE

LIST believed that Free Trade might with advantage be adopted by a nation which has arrived at a high state of progress and wealth, such as that which England enjoyed at the time of the publication of his 'National System of Political Economy,' in 1841 ; and he noted the impossibility of nations competing with her under *absolute international Free Trade*.

There can be no doubt that, if Great Britain had adopted Free Trade policy and all other nations had followed her example, her continued progress and prosperity would have been assured, for she would then have maintained the monopoly of her manufactures in all the markets of the world.

In one of the early debates in the House of Lords on the subject of Free Trade, Lord Goderich, afterwards Lord Ripon and father of the late Marquis of Ripon, said :

Other nations knew, as well as the Noble Lords opposite and those who acted with him, that what we meant by Free Trade was nothing more nor less than, by means of the great advantage we enjoyed, *to get the monopoly of all these markets for our manufactures, and to prevent them one and all from ever becoming manufacturing nations*. The policy that France

acted upon was that of encouraging its native manufactures ; and it was a wise policy, because, if it were freely to admit our manufactures, it would speedily be reduced to an agricultural nation, and therefore a poor nation, as all must be that depend exclusively upon agriculture.

Albert Leffingwell, an intelligent American, wrote in the same strain regarding the United States :

If, during the last fifty years, America had permitted a system of unrestricted trade with all the world, she would never have reached the development of her manufactures which has rendered her independent, but would to-day be little more than a huge agricultural colony, exchanging the produce of her fields for the manufactures and fabrics of Europe. Under a system of Protection America has been able to develop her boundless resources—to encourage the growth of her manufacturing industries, until to-day she is not only independent, and able to supply her own needs, but she exports to foreign nations, and has begun to compete with England for the trade of the world.<sup>1</sup>

Unfortunately for the success of the somewhat selfish policy of Great Britain, other nations took the bait offered by us, but were not foolish enough to swallow the hook. They accepted the offer of free import into our markets, but refused admission into theirs ; and the large purchases of those articles which we might have produced at home went, to use Carey's expression, ' to enrich as by manure the foreign soil ' and to furnish them with the means of competing successfully with us even in our own home markets.

Evidently the object of Free Trade, as expounded by Lord Goderich, has been the key of our policy in the past ;

<sup>1</sup> *Contemporary Review*, July 1880.

*to prevent foreign nations from developing their manufactures.* Often have we pursued that policy, which the United States has lately adopted towards us, of dumping low-priced surplus products into Great Britain to destroy our manufacturing industries. 'How frequently,' Roscher says, 'it has happened that England by keeping down her prices for a time has strangled foreign rivals.'<sup>1</sup>

In 1815 Brougham said :

It was well worth our while to incur loss in the exportation of English manufactures in order to stifle in the cradle the foreign manufactures.

In 1846, when the United States were endeavouring to develop the manufacture of iron rails, the price under the tariff was \$50 a ton ; but when the tariff was foolishly removed, the British manufacturers swamped the market of the United States with rails at \$40 per ton ; and then, having ruined the struggling industry, raised the price to \$75.

Considering that the object of making the offer of Free Trade to the world was to prevent all other countries from becoming manufacturing nations, the magnanimity, claimed by Cobden for this offer, is not very apparent.

John Hayes, of Cambridge, Mass., U.S.A., said :

England stands forth not so much as the great exemplar, but as the great propagandist of Free Trade.

To engraft this policy upon other nations is the paramount idea of British statesmanship. It governs all her diplomacy, is never lost sight of in her legislation, and is avowed by all her Ministers. All English literature is tinged by the political

<sup>1</sup> Roscher, vol. ii. p. 437.

philosophy inspired by this idea. Her press reiterates day by day its platitudes concerning the unselfishness of British commerce, not to affect opinion in England, which is always fixed in the direction of interest, but to create opinion outside of England. . . . No influence which can contribute to the spread of this religion is despised, no accessible organ which can affect opinion abroad remains unsubsidised.<sup>1</sup>

The Cobden Club, which has been the great propagandist of this religion, in contributing to the spread of Free Trade doctrines, includes a large majority of foreigners whose interest it is to keep our markets open to their imports, and who for interested motives are naturally desirous to maintain our Free Trade policy.

<sup>1</sup> Stebbins' *Manual*, p. 162.

## CHAPTER XVII

### WHAT IS FREE TRADE ?

THE Professors of Economics, who signed the Manifesto in favour of Free Trade in 1903, were requested, by a large number of influential gentlemen, to explain definitely '*What is Free Trade?*' Of these fourteen professors, thirteen either vouchsafed no reply, or gave vague answers, or referred in general terms to their own writings or to those of others. The only one who gave a definite reply has stated that Free Trade, in the only passage in the Manifesto in which the word occurred, is '*the policy pursued by this country with regard to foreign trade for the last sixty years.*'

Now this policy has been that of *one-sided and unlimited free import of those articles which compete with our industries, and the taxation of those which do not compete with them*—a policy which bears about the same resemblance to the Free Trade of Adam Smith as a scarecrow bears to a human being. It is a simple parody of it.

It has already been shown (in Chapter IX) that the Free Trade of Adam Smith involved the removal of *restraints*, but was not opposed to a system of moderate import duties. In fact he was opposed to the free import of manufactured goods; and he only advocated the free

import of corn on the mistaken assumption that the difficulties and cost of transport would act as a natural protection, and prevent its import in such large quantities as to injure the farming interests.

There can be no doubt that his Free Trade was not inconsistent with moderate import duties.

The Free Trade proposed by Sir Robert Peel was :

To remove all *prohibitions*, and reduce all duties of a prohibitory character to a moderate scale.

To reduce import duties on raw materials imported for manufacture to 5 per cent.

To reduce import duties on partly manufactured articles to 12 per cent.

To reduce import duties on wholly manufactured articles to 20 per cent.

This accords with the ideal Free Trade of Bastiat, the great admirer and exponent of Cobden in France :

I desire to see public opinion led to sanction a law conceived nearly in these terms :—Articles of primary necessity to pay a duty *ad valorem* of five per cent. ; articles of convenience ten per cent. ; articles of luxury fifteen to twenty per cent.<sup>1</sup>

Mr. Huskisson also spoke of his hope to see accomplished ‘Free Trade in corn, under a proper and due protection.’<sup>2</sup>

McCulloch took this very sensible view of the character of Free Trade :

It is frequently said that Customs duties, though advantageous in some respects, are inconsistent with, and opposed

<sup>1</sup> *Sophismes Economiques*, F. Bastiat, 1842.

<sup>2</sup> Huskisson's *Speeches*, ii. 387.

to the grand principle of Free Trade, and should therefore be unconditionally rejected ; but a cuckoo cry of this sort deserves little attention. Freedom consists in the absence of whatever is partial, oppressive or unjust. Trade is quite as free, when there are duties on exports and imports, as when there are none provided. These duties are moderate and press equally on all parties and involve no preference. All fair and free competition of horses in a race is not affected by all being made to carry the same weight. . . .'

List says :

A good system of Protection does not imply any monopoly in the manufactures of a country ; it only furnishes a guarantee against losses to those who devote their capital, their talent, and their exertions, to new branches of industry. There is no monopoly, because internal competition comes in the place of foreign competition, and every individual has the privilege of taking his share in the advantages offered by the country to its citizens.

Even Adam Smith, though disapproving of monopolies and prohibitions, admitted that by such means a manufacture may sometimes be acquired sooner than it could have been otherwise ; and after a time may be made at home as cheap, or cheaper than, in the foreign country.

J. B. Say contested this, but Ricardo corrected him by asking :

How can they permanently support the market price of foreign goods above the natural price, when every one of their fellow citizens is free to enter into the trade ?

Say had the candour to admit the correction in the following words :

Ricardo is right in disputing my position ; in fact, when a



Government prohibits foreign products, the profits made in the interior upon its production do not rise above the common rate of profits.

McCulloch also says :

The advantage derived from a monopoly is really very inconsiderable. Competition being always free amongst the home producers, the exclusion of any particular species of foreign manufactured goods cannot elevate the profits of those who produce similar articles at home above the common level. It has never been contended that businesses deepest entrenched behind ramparts of prohibitions and restrictions have greater advantages than those which are exposed to the freest competition.

Although Adam Smith considered that Free Trade was right in the abstract, he was evidently aware of its impracticability, for he wrote :

To expect that freedom of trade should ever be entirely restored in Great Britain, is as absurd as to expect that an Oceana or Utopia should ever be established in it.<sup>1</sup>

It may be perhaps laid down as a general axiom—subject of course to modifying influences—that when an article is one of home production, i.e., one that is, or can be, produced at home—a moderate tariff stimulates production and does not raise the price—the duty being paid by the foreign producer or his agent. But when an article is not of home production, such as tea, coffee, cocoa, tobacco, wines, &c., the burden of the tariff increases the price, and the tax falls upon the consumer.

Now the practical effect of our present fiscal policy

<sup>1</sup> Bk. iv. chap. ii.

is that we admit free of duty those articles which compete with our industries, and tax those which do not. We remit that tax which should be paid by the foreigner, whilst we exact that which falls on our own subjects.

Mr. Deakin said, at the Imperial Conference of 1907 :

What is called a 'tax' on food would be more appropriately referred to as a 'duty'; and in our experience a duty is not of necessity a tax; it need not raise prices. We have illustrations within our own country, in which we have imposed duties of a definitely protectionist character, which have not had the effect of raising prices in our community.

Every argument of the Free Trader is based upon the misuse, not upon the proper use, of Protection. Every so-called triumphant exposure of the evils of Protection has been simply an exposure of the evils caused by Protection carried beyond its legitimate limits, the evils of a *prohibitive*, as distinguished from a *protective*, policy. Free Trade advocates appear to be unable to discriminate between the use and the misuse of a principle. In their abhorrence of the misuse, they would sweep it away altogether. They are as unreasonable as the individual who, discovering that excessive food will cause indigestion, should insist that no food whatever ought to be taken. The application of the principles of economics is often full of difficulty, and the dogmatist makes serious mistakes in applying them. For example, it is often contended that 'It is unjust to tax *all* for the benefit of *one* class'—with this every sensible man will agree; but when it is urged that 'therefore protection in any shape is wrong,' the application of the pure principle is erroneous, and the Tariff Reformer may fairly contend that it is just and

expedient to tax *all* for the benefit of *all*, holding as he does that employment both of Home and Colonial labour, and the development of Home and Colonial produce and industries, is for the benefit of the community at large; and consequently that Protection if carried out only to the extent necessary to secure this, and no further, is just and expedient. All extremes are bad, whether they be of unlimited competition or of absence of all competition. Unlimited competition defeats its own purpose by crushing out weaker industries, diminishing the supply, causing monopolies, and often enabling the successful competitor to raise prices as soon as the rival industry has been extinguished. There seems to be little doubt that the political economist of the future will hold up Great Britain as a warning and an example of ruin caused by the misapplication of the principles of political economy.

The common argument of the opponent of Tariff Reform that Protection 'blunts invention,' 'destroys the stimulus to action,' or 'injures the quality of manufacture,' is demolished by experience, and by the stern logic of facts. No one in his senses can say that such has been the effect of Protection in the United States.

A few quotations from the utterances of some of our fellow-countrymen, at the time the development of manufactures in the United States was beginning to tell on our market, will serve to show the falsity of such arguments.

The edged-tool trade is well sustained, and we hear less of the effect of American competition. That this competition is severe, however, is a fact that cannot be ignored. The

ascendancy of the Protectionist party in the States continues to act most favourably for the manufacturing interests there, and it is no wonder that under such benignant auspices the enterprise in this direction is swelling to colossal proportions.<sup>1</sup>

Sheffield cutlery and tools had been previously pre-eminent in the world, but now the United States have surpassed us in quality, in ingenuity, and in fitness of design.

A leading manufacturer expressed himself startled and alarmed at what he saw at the Paris Exhibition, as the proofs of successful rivalry on the part of the Americans in branches of his own trade.<sup>2</sup>

Manufactures have been created and fostered by a system of protection, which, through enhanced prices paid by the consumer, must have been very costly to the nation, but of the result of which there is reason to be proud, since it has made them to be, to a great extent, independent of other nations for their supply.<sup>3</sup>

The worsted manufacture of the United States is of comparatively recent origin, but it has made very rapid progress during the past ten or twelve years, the high tariff having greatly stimulated its development.<sup>4</sup>

America is not only supplying her own country with goods but exporting her manufactures to such an extent that she has become a very powerful rival to England.<sup>5</sup>

<sup>1</sup> Ryland's *Trade Circular*, March 4, 1871.

<sup>2</sup> Lecture at the Colonial Institution, November 1878.

<sup>3</sup> *Report on the Philadelphia Exhibition* by P. Graham, Vice-President of the Society of Arts.

<sup>4</sup> *Report on Philadelphia Exhibition* by Mr. Mitchell, member of the Bradford Chamber of Commerce.

<sup>5</sup> Mr. Mundella, November 1874.

There is no time to be lost, if we mean to hold our own in the hardware trade.<sup>1</sup>

For years Sheffield has supplied not only our own country, but nearly the whole world. The monopoly remains with us no longer. It would be foolish not to recognise the fact that at Philadelphia Great Britain was in the face of a powerful rival in manufacture.<sup>2</sup>

<sup>1</sup> Mr. Anderson's *Report on the Philadelphia Exhibition*.

<sup>2</sup> B. McHardy.

## CHAPTER XVIII

### THE MANIFESTO OF THE PROFESSORS

WHEN Mr. Chamberlain rudely awakened British economists from their slumbers by his famous speech at Birmingham, on May 15, 1903, there was a great outcry. The sacred doctrine of Free Trade was so assured that even an inquiry into our fiscal policy was not to be entertained for a moment. Fourteen professors of economics rushed into the breach to prejudice public opinion and stifle inquiry by a manifesto. Professor Foxwell, however, courageously declined to join them.

The very basis of their manifesto rests on the false assumption that the incidence of import duties, in nearly all important cases, falls *almost exclusively on the consumer*, and that the taxed commodities will cost more to the consumer by *the full amount of the tax*. These assumptions have been repeated by Professor Marshall in his 'Memorandum on the Fiscal Policy of International Trading,' but the framer of that document appears to have a dim idea that facts do not altogether support these assumptions, so he has qualified it by the proviso 'unless the effect of the import duty is overborne by *other causes operating at the same time in the other direction*.' Such causes, however, are so numerous as to form the rule and not the exception. For it has been proved in experience, by a

vast array of facts, that the assumptions of the professors are not fulfilled in a very large majority of cases owing to the fact that the indirect action of import duties sets in motion causes which operate in the reverse direction of the abstract tendency.

Admitting that, in the abstract, import duties tend to an increase of prices, yet, as Macleod has justly pointed out, there may be other circumstances which may aggravate, neutralise, or overpower and seemingly reverse the general theory.

The great mistake made by the professors is that they have failed to recognise the fact that import duties, in their indirect action, may and do bring into play forces which entirely change the conditions of the problem. In their application of the theory they have neglected important factors which seriously affect the results.

Bastiat, the French economist, discriminating between a bad and a good economist, says :

The one takes account of the visible effects, the other takes account both of the effects which are seen, and also of those which it is necessary to foresee. Now this difference is enormous, for it almost always happens that when the immediate consequence is favourable the ultimate consequences are fatal, and the converse. Hence it follows that the bad economist pursues a small present good, which will be followed by a great evil to come, whilst the true economist pursues a great good to come, at the risk of a small present evil.<sup>1</sup>

The professors appear to have fallen into the error against which Bastiat has warned his readers. They

<sup>1</sup> *Essays on Political Economy*, F. Bastiat, p. 49.

have not taken into account the effects which it is necessary to foresee.

If their theory had been supplemented by experience, or if they had been students of history, they might have seen that in a large majority of cases the import duties are paid by the foreign importer or his agent, and *do not fall upon the consumer*; and also that the price of the article taxed, instead of rising, often actually falls under the imposition of a duty.

An explanation of the causes of this apparent paradox, as well as numerous instances illustrating it, is given in the following chapters.



## CHAPTER XIX

### WHO PAYS THE DUTY ?

THE late Mr. A. Williamson, a shrewd practical man of business, being convinced from actual experience as a merchant both in Calcutta and in Glasgow of the falsity of the Cobdenite assumption that the import duty falls upon the consumer, challenged the Cobden Club to make this a test question ; and when the challenge was declined, he issued a circular to a large number of the principal exporters in this country. He sent to the author the following account of his proceedings and the result of his circular :

*' Who pays the Duty ?*

*' The Consumer or the Foreign Producer ?*

*' The Cobden Club maintains that all duties, of whatsoever kind, are paid by the consumer. When I asked it to give instances in the cases of such commodities as a country can internally produce, where the duty had been added to market prices, the only reply I received was—*

A duty of say 5s. on foreign corn would increase by 5s. the price of the foreign corn in the British market. The price of British corn in our market would thereby rise to the extent of 5s. The increase in both cases would come out of

the pockets of the consumers. The 5s. on foreign corn would go into the Imperial Exchequers. The 5s. on British corn would go into the pockets of the agriculturists at first, and ultimately into the pockets of the landlord.

‘As mere dogmatic assertion was not what I had asked for in order to settle once and for all a question of such far-reaching importance to British industries I challenged it to issue a short circular to our chief exporters asking them what had been their experience. This challenge it declined on the ground that—

The Cobden Club has no authority to put any such question as is suggested ; it is quite open to you to do so yourself, if you deem fit.

‘I thereupon submitted the following question to a large number of exporting houses in London, Birmingham, Manchester, Oldham, Stockport, Salford, Coventry, Macclesfield, Huddersfield, Congleton, Walsall, Edinburgh, Glasgow, &c.—

In your experience when a foreign country has imposed, or added to, a duty on an import, which had to *encounter the competition of a home product*, have you obtained in the markets of that country an advance in price, to recoup you for the duty, or increase in the duty, you had to pay ?

with the result that I obtained 530 replies in the negative and only one from an American cycle exporter in the affirmative, evidently meant as a joke as he appended the remark: ‘You Britishers are the biggest fools in the world ; why don’t you put on tariffs?’ The following is a list of the industries with the number of replies received from each—

‘Cotton 103, Silk 31, Woollen 5, Carpets 5, Iron and Steel 58, Brass 30, Gold, Silver and Electro-plate 34, Hardware 26, Gunmakers 16, Cycles 34, Engineers 18, Glass 7, India-rubber 4, Leather 5, Brewers 11, Merchants 30, miscellaneous 114—total 531.

‘In the face of such conclusive evidence as this how can the Cobden Club still contend that there never was a duty that was not, by its amount, added to the market price? Fortunately recent revelations as to the curious constitution of the club show it is no longer the power for mischief it has been in the past. From a list of its members supplied by its secretary at the end of last year we find it now consists of—

242 foreigners, honorary members, domiciled abroad.

59 honorary members, many of them foreigners domiciled in England.

174 members.

‘A. WILLIAMSON.’

‘Bramling House, near Dover,  
‘29th July, 1903.

The above proves conclusively that the burden has been borne, not by the consumer, but by the foreign producer or his agent.

Again, the manager of the Barrow Steel Company stated in evidence before the Royal Commission on the Depression of Trade that his company paid £160,000 duty to the United States in one year, 1884.

Mr. Porter, a correspondent of the *New York Tribune*, wrote in a letter from Bradford, that the general opinion of the Bradford manufacturers was that the tariff duties came more largely out of the producer than the consumer, and that one of the most prominent of them had said :

The truth is, the higher the foreign tariff, the lower we must make our goods. We are obliged to sell our goods in France for the same price as we did before they enacted their higher tariff; and the Bradford manufacturer is paying the duty, not the French consumer of the goods. I know from practical experience what I am talking about.<sup>1</sup>

Bismarck, in a confidential circular to the Prussian Ambassadors, the year before the adoption of the present protective policy of Germany in 1879, clearly defined his opinion regarding the actual payer of the import duty :

By the fact that foreign countries always show the greatest concern, if another country desires to increase its duties, it can be seen that such Customs duties are, to a very large extent, *borne by the foreign producer, and not by the consumer*. If the home consumer should really have to bear the weight of increased duties, such an increase would leave the foreign producer indifferent. Under a system of protective tariff, the Empire will therefore derive part of its income from foreign countries.<sup>2</sup>

Dexter Hawkins, a well-known New York lawyer, has stated that, when attending a meeting of the hardware trade at Sheffield, an eminent manufacturer told him that the English manufacturer was paying *at least* one-half of the tariff on all goods he exported to America, and that they must break down the tariff at whatever cost, or it would build up American rivals to the extent at least of supplying entirely their own home market; and then England would have to pay the whole tariff, or lose the market. Hawkins also mentioned that another English

<sup>1</sup> Stebbins' *Manual*, p. 491.

<sup>2</sup> *Modern Germany*, J. Ellis Barker.

manufacturer, lobbying at Washington against the United States tariff, confessed to a Free Trade Congressman that the Protective duties in the long run came almost wholly out of the foreign producer, adding:

If they only came out of the domestic consumer, the foreign manufacturer would not care a button about the tariff laws.

## CHAPTER XX

### FALL OF PRICES UNDER IMPORT DUTIES

IN a very large number of cases the imposition of import duties has been followed by a fall of prices, numerous examples of which are given in the following chapters.

To shallow thinkers such a result appears impossible, but a little consideration will serve to explain the apparent paradox.

1. Before the import duty comes into force, there is a rush on the part of the foreign producer, or his agent, to send in as much produce as possible so as to escape the duty. This naturally has a tendency to depress prices, and the fall is rendered permanent by development and competition in the home market.
2. The home manufacturers, being protected from wholesale dumping of surplus goods, are in a position to carry on their industry on a more satisfactory footing than before.
3. The foreign producer must sell his surplus produce, and the import duty is generally borne by him.
4. The revenue brought in from the import duties— if the import duty be general and not partial—

saves direct taxation, and the home producer is thus enabled to produce at lower rates than when heavily taxed.

5. A foreign monopoly which has maintained high prices is often killed by an import duty.

The philosophy of the whole matter has been explained by that great American statesman, Alexander Hamilton, in his famous report of 1791, as Secretary of the Treasury :

But, though it were true that the immediate and certain effect of a tariff was an increase of price, it is universally true that the contrary is the ultimate effect, with every successful manufacture. When a domestic manufacture has attained to perfection, and has engaged in the prosecution of it a competent number of persons, it can be afforded, and accordingly seldom or never fails, to be sold cheaper, in process of time, than the foreign article for which it is a substitute. The internal competition which takes place soon does away with everything like monopoly, and by degrees reduces the price of the article to the minimum of a reasonable profit on the capital employed. This accords with the reason of the thing, and with experience.

The following explanation has also been given by Albert Leffingwell, an intelligent American, in an article published in the *Contemporary Review* of July 1880 :

We all recognise that a protective tariff forces us to pay, for many articles, slightly more than they would probably cost us under a system of Free Trade. We know, too, that, at present, our manufactured products, whether of metal, cotton, or wool, cost us, in general, more to make at home than



they would cost us if imported freely from abroad. We know we are not buying in the 'cheapest market,' but we believe that, on the whole, it is best to impose upon ourselves the voluntary tax for the great end, not of enriching monopolists, but of promoting the best interests of the nation. We hope one day to become, not only the greatest of agricultural peoples, but the chief manufacturing nation of the world. To expect the sympathy of English statesmen or manufacturers with this aim is idle; but they may at least understand its existence, and credit the people that holds it with common-sense. The average American is neither a knave nor a fool; to fanciful theories, whose value is but problematical, he prefers the solid assurance of experience and fact.

Again, David Syme, of Australian experience, writes :

When a duty is imposed on a foreign commodity, which the importing country has facilities for producing at home, in ordinary cases the duty falls, in the first instance, on the consumer, but when the duty has the effect of increasing competition, the tendency is to a reduction in price, and therefore to the ultimate benefit of the consumers. As the duty equalises the conditions of production between the local and foreign producers, it enables an entirely new class of competitors to enter the field, namely, the local producers; and as the circle of competition becomes extended, the rivalry among producers becomes keener, and prices become lower; for competition invariably leads to this when it is genuine, and not a monopoly in disguise, as is often the case. . . . If the revenue from duty fail altogether, owing to the local article taking the place of the imported, and duty-paying commodity, a threefold benefit will be secured. The consumer will gain by a reduction in the price of commodities; the public will gain by increased employment of labour and capital; and, lastly, the State will gain by increased revenue from the additional



number of revenue-producing population, supported by the new industry.<sup>1</sup>

An excellent illustration in confirmation of the above has been afforded by the development of the tin-plate industry in the United States of America.

<sup>1</sup> *Fortnightly Review*, April 1873.

## CHAPTER XXI

### THE TIN-PLATE INDUSTRY

It is a fundamental axiom of Free Traders that a policy of Protection must entail ruin to the industries of that country which may adopt it. When the McKinley Bill was passed, Lord Goschen hoped that 'the Americans would see that they had made a great mistake in passing it,' and Sir Lyon Playfair said :

If the Americans are right in principle, and if they be successful in practice, the whole policy of the United Kingdom is founded on a gigantic error, and must lead to our ruin as a commercial nation.

The measure on which Mr. McKinley laid the greatest stress, in putting forward his Bill, was the development of the tin-plate industry. In reply to his opponents he said :

They insist that we cannot make tin-plates : so they said about plate-glass, and cutlery, and pottery.

Before the passing of the McKinley Bill, there was an import duty of one cent per lb. on tin-plates ; but this was insufficient to keep the Welsh manufacturers' combine from swamping the struggling industry in the United States. In 1891 (the year of the McKinley Act) the Welsh Tin-plate Association had raised the price of

tin-plates from 2·9 c. to 3·5 c. per lb., with the duty added. The import duty, therefore, was increased to 2·2 c.; and this, according to the theory of Free Traders, ought to have raised the price to 4·7 c.; but, on the contrary, the price fell to 2·9 c. in 1894, and thereafter it fell steadily, year by year, until, in 1898, it touched the low price of 2·2 c. per lb.

The great development of the canning trade and the consequent demand, however, caused a rise in the price of tin-plates, and this tendency was increased by the great coal strike, and also by a strike of the tin-plate operatives, who obtained a substantial increase of wages; so that in 1898 the price rose to 3·2 c., but it has since fallen to 2·8 c. in 1906, as against 3·5 c. in 1891.

In the ten years succeeding 1891, the yearly import of foreign plates to the United States fell from 327,000 to 52,000 tons, whilst the domestic production increased from 1000 to 400,000 tons.

The United States census of 1900 shows an increase of 104% in the number of fruit and vegetable canning establishments in ten years; 73% increase of wages in the industry; 101% increase in the cost of fruit and vegetables canned; and 89% increase in the value of the completed product.

Now, to sum up the results:

(1) The tin-plate industry has been successfully developed, and the Welsh monopoly destroyed.

(2) Capital has been largely attracted to the United States.

(3) Revenue has been increased by the import duty.

(4) Increased employment has been afforded.

(5) Wages of the tin-plate operatives increased.

(6) Cost of tin-plates considerably reduced.

(7) A saving of nearly \$2,000,000 yearly, compared with the cost when the consumer was dependent on foreign supplies.

(8) The payment which formerly went to the foreigner for tin-plates, now circulates, through the wage-earners, amongst retail traders, and gives additional employment to industries allied to the tin-plate industry, such as chemical works, iron works, mining, &c.

(9) The canning establishments have increased.

(10) More employment has been afforded in canning.

(11) More fruit and vegetables have been canned.

(12) An export trade of tin-plates has sprung up in the United States.

McKinley estimated that if the tin-plates consumed were made in the United States, it would give employment to 23,000 men, but the benefit would not stop there; the additional labour in mining the coal and ores, the lead, the tin, the lumber for boxes, and the sulphuric acid, would furnish labour to 50,000 workmen, and bring support to 100,000 people.

A rebate of 99 per cent. of the import duty is allowed on the re-export of tin-plates in a manufactured form. This has proved to be the salvation of the Welsh tin-plate industry, as much of its export is returned by oil companies, in the shape of cans filled with oil. Other produce is in like manner exported from the United States in cans on which the rebate is allowed.

## CHAPTER XXII

### EXAMPLES OF FALL IN PRICES

THE following cases afford a few instances proving that the imposition of a tariff does not necessarily raise the price.

M. Thiers, in his speech of January 22, 1870, stated that a tariff on linen and cotton thread had reduced the price of a kilogramme of linen thread from 7 to  $3\frac{1}{2}$  francs, and that the price of cotton thread had been reduced in greater proportion. In introducing the tariff M. Thiers said :

It is urged that all the protection accorded to industries constitute monopolies ; and, to enrich a few monopolies, we burden the whole country. It is true there is a monopoly, but it is not in France—it is in England. I say this little monopoly which you accord to French industry destroys the monopoly of foreign industry.

Under the high protective tariff in the United States between the years 1860 and 1883, cotton hosiery was reduced to nearly one-half the prices of 1860.

In 1867 a protection duty was imposed on wool. In 1872 there were in the United States 143 looms producing 1,500,000 yards of Brussels tapestry. In 1880 there were 1070 looms producing 16,950,000 yards. The

price fell from \$2.30 in 1872, to \$1.50 in 1880, and to 93 c. in 1890.

Mr. Wycoff, United States Census agent, stated that the average decline in the value of silk goods was not less than 25%, probably as much as 30% in fifteen years.

Salt under a tariff fell in price from \$1.80 in 1866, to 74 c. in 1882.

Mr. T. Dudley, formerly United States Consul at Liverpool, gave the following rates of fall under the protective tariff between 1861 and 1883: Cotton goods 25%, woollen goods, carpets, &c., 25%, silk 35% to 40%, crockery 37%. In 1860 the duty on crockery was 24%; the tariff imposed a duty of 40%, which was afterwards raised to 55% *ad valorem*; and now many kinds of crockery are sold in the United States at lower rates than in England.<sup>1</sup>

The manufacture of steel rails in the United States commenced in 1867; at that date steel rails cost \$150 per ton. The duty was changed to \$28 per ton, and in 1872 the price had fallen to \$112. In 1874 it fell to \$49, in 1876 to \$39, and in 1885 to \$27.

Sir Lyon Playfair has endeavoured to account for the great fall in the price of steel rails, by attributing it to improvements in manufacture; but although this might account for some slight reduction, the Bessemer process, and other great improvements in the manufacture of steel rails, were in full operation long before the date of the McKinley Tariff; and Sir Lowthian Bell, the great authority on iron manufacture, has said:

<sup>1</sup> *Our Empire under Protection and Free Trade*, pp. 85-94.

I do not mean<sup>5</sup> to say that considerable economies in the manufacture of steel rails have not been introduced in recent years, by the use of more powerful machinery, &c., but not of a character to affect the price of iron, which, as I have already observed, was the chief factor in regulating the markets. It was the want of demand which caused the fall in the price of iron and steel, added to by the increase of make in foreign countries.

Instances of a similar character to the above might be multiplied to an indefinite extent. It is evident that in all these cases the tax has not fallen upon the consumer, but on the foreign producer. The taxed article has, in many cases, been reduced in price, whilst at the same time the State has received large additions to its revenue from the tariff.

The report of the committee authorised by the Senate to investigate the result of the McKinley Act has stated that in twenty-eight months the retail prices of 214 articles of common consumption declined 64%, and that wages advanced 75%.

The following is a list of prices of fifty-six articles in common use in the United States at five different periods—1857, 1889, 1890 (the year of the McKinley Act), 1891, and 1906. The prices in 1857 were practically the same as those in 1860 (the year before the passing of the Morill Protective Act).

The prices of 1857, 1889, 1890, and 1891 were given in the *American Economist* of October 2, 1891, and they show that the fall of prices was immediate after the passing of the McKinley Act; and the prices in 1906, laid before the House of Representatives of the U. S. A.,

May 21, 1908, by the Hon. Joseph Fordney, show that the fall has been permanent.

Articles.	1857.	Oct. 1889.	Oct. 1890.	Sept. 1891.	1906.
	\$	\$	\$	\$	\$
Axe .. .. .	1.49	0.95	0.92	0.88	0.90
Binding Twine, lb.	—	0.14 $\frac{1}{4}$	0.14 $\frac{1}{2}$	0.11	—
Blankets, pair ..	6.83 $\frac{1}{3}$	4.23	3.09 $\frac{1}{4}$	3.70	3.70
Blue Shirting, yard	0.17 $\frac{3}{4}$	0.11 $\frac{1}{4}$	0.11	0.09 $\frac{1}{2}$	0.09
Boots .. .. .	4.76	3.27	3.07	2.78 $\frac{3}{4}$	2.56
Calico, yard .. ..	0.14 $\frac{1}{2}$	0.07 $\frac{1}{3}$	0.06 $\frac{3}{4}$	0.06	0.06
Carpets, yard ..	1.30 $\frac{3}{4}$	0.77 $\frac{3}{4}$	0.72 $\frac{1}{4}$	0.66 $\frac{1}{2}$	0.50
Cotton Gloves ..	0.34 $\frac{3}{4}$	0.24 $\frac{3}{4}$	0.22 $\frac{2}{3}$	0.19 $\frac{1}{2}$	0.20
Cotton Hosiery ..	0.47	0.25 $\frac{3}{4}$	0.25 $\frac{1}{2}$	0.20 $\frac{1}{2}$	0.25
Cotton Knit Goods	0.98	0.52 $\frac{1}{4}$	0.46 $\frac{1}{4}$	0.41 $\frac{1}{2}$	0.40
Cotton Threadspool	0.09 $\frac{1}{3}$	0.05	0.04 $\frac{3}{4}$	0.04 $\frac{1}{4}$	0.05
Crowbar, lb. . . .	0.11 $\frac{1}{2}$	0.07 $\frac{1}{2}$	0.06 $\frac{3}{4}$	0.06 $\frac{1}{4}$	0.06
Drawing Chains, pair .. .. .	1.28 $\frac{1}{2}$	0.71 $\frac{1}{4}$	0.65 $\frac{1}{2}$	0.58 $\frac{1}{2}$	0.58
File .. .. .	0.42	0.27 $\frac{1}{4}$	0.24	0.20 $\frac{1}{4}$	0.20
Fork, 3-tined ..	0.99 $\frac{1}{4}$	0.56 $\frac{3}{4}$	0.52 $\frac{1}{4}$	0.46 $\frac{1}{4}$	0.46
Flannel, yard . .	0.70	0.39 $\frac{3}{4}$	0.37 $\frac{3}{4}$	0.34 $\frac{3}{4}$	0.34
Fruit Cans, per doz.	3.00	0.72	0.65	0.54 $\frac{1}{2}$	0.60
Gingham, yard ..	0.22 $\frac{2}{3}$	0.10 $\frac{3}{4}$	0.10 $\frac{1}{4}$	0.08 $\frac{3}{4}$	0.09
Hand Saw .. ..	2.43 $\frac{1}{2}$	1.62 $\frac{1}{4}$	0.53	1.39	1.39
Hoe .. .. .	0.85	0.48 $\frac{1}{4}$	0.43	0.37 $\frac{1}{2}$	0.37
Hemp Rope, lb. . .	0.21	0.14	0.14 $\frac{3}{4}$	0.11 $\frac{1}{2}$	0.11
Linen, yard .. ..	0.83	0.48 $\frac{1}{2}$	0.47	0.42 $\frac{1}{2}$	0.42
Mowing Machine ..	112.15	56.98	52.60	47.10	45.00
Nails, Wire, lb. . .	—	0.05	0.04 $\frac{1}{2}$	0.03 $\frac{3}{4}$	0.03
Nails, Iron, lb. . .	0.08 $\frac{1}{4}$	0.03 $\frac{3}{4}$	0.03 $\frac{1}{2}$	0.03	—
Oilcloth, yard ..	0.84	0.38	0.35 $\frac{1}{4}$	0.31	0.31



## EXAMPLES OF FALL IN PRICES

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Articles.	1857.	Oct. 1889.	Oct. 1890.	Sept. 1891.	1906.
	\$	\$	\$	\$	\$
Overalls .. ..	1·20 $\frac{1}{4}$	0·83 $\frac{3}{4}$	0·79 $\frac{1}{4}$	0·70 $\frac{1}{2}$	0·71
Pearl Buttons, doz.	0·22 $\frac{1}{4}$	0·11 $\frac{1}{4}$	0·11 $\frac{3}{4}$	0·13 $\frac{3}{4}$	0·14
Pins, Paper .. ..	0·11 $\frac{1}{2}$	0·06 $\frac{3}{4}$	0·06 $\frac{1}{2}$	0·05 $\frac{3}{4}$	0·06
Plough .. .. .	20·12 $\frac{1}{2}$	14·37 $\frac{1}{2}$	13·93 $\frac{1}{4}$	12·90	12·00
Rake, Horse .. ..	41·25	22·56 $\frac{3}{4}$	21·24 $\frac{1}{2}$	19·40 $\frac{3}{4}$	19·41
Reaper and Binder	247·85	142·36	129·85	115·95	116·00
Rubber Boots ..	4·83 $\frac{1}{3}$	3·10 $\frac{3}{4}$	3·00	2·73 $\frac{3}{4}$	2·74
Salt, lb. .. .. .	2·30	1·75	1·65	1·38	1·38
Shoes .. .. .	5·84	3·45	3·15	3·06	3·50
Sheeting, yard ..	0·12 $\frac{3}{4}$	0·08	0·07 $\frac{3}{4}$	0·06 $\frac{3}{4}$	0·06
Shovel .. .. .	1·47	0·97 $\frac{3}{4}$	0·93 $\frac{3}{4}$	0·80 $\frac{1}{4}$	0·80
Spade .. .. .	1·44 $\frac{1}{3}$	0·96 $\frac{3}{4}$	0·95 $\frac{3}{4}$	0·84	0·84
Starch, lb. .. ..	0·13 $\frac{1}{2}$	0·09 $\frac{3}{4}$	0·09 $\frac{3}{4}$	0·99 $\frac{1}{2}$	0·10
Straw Hat, good ..	1·75	1·28	1·25	1·10	1·10
Straw Hat, common	0·44	0·31	0·28	0·23 $\frac{1}{4}$	0·23
Sugar, lb., granu- lated .. .. .	0·19 $\frac{1}{4}$	0·09 $\frac{3}{4}$	0·09 $\frac{1}{2}$	0·05 $\frac{1}{2}$	0·05
Sugar, lb., brown..	0·16 $\frac{1}{4}$	0·08 $\frac{1}{2}$	0·08	0·04 $\frac{1}{2}$	0·04
Sugar Bowl .. ..	0·61	0·38 $\frac{1}{2}$	0·37 $\frac{1}{2}$	0·32 $\frac{1}{4}$	0·32
Scythe .. .. .	1·22	0·85 $\frac{1}{2}$	0·74 $\frac{1}{2}$	0·68 $\frac{3}{4}$	0·68
Tin Dipper .. ..	0·25	0·12 $\frac{1}{4}$	0·11 $\frac{1}{3}$	0·10 $\frac{1}{4}$	0·10
Tin Milk Pail.. ..	0·75 $\frac{1}{2}$	0·46 $\frac{3}{4}$	0·43 $\frac{1}{4}$	0·39 $\frac{3}{4}$	0·39
Tin Milk Pan .. ..	0·37 $\frac{1}{2}$	0·18 $\frac{1}{2}$	0·17 $\frac{1}{2}$	0·15 $\frac{1}{2}$	0·15
Ticking, yard ..	0·35 $\frac{1}{2}$	0·20	0·18 $\frac{3}{4}$	0·17	0·17
Waggon .. .. .	130·00	95·00	90·00	75·00	75·00
Washboard .. ..	0·41	0·24 $\frac{1}{2}$	0·24	0·22 $\frac{3}{4}$	0·22
Washtub .. .. .	1·20	0·70 $\frac{1}{2}$	0·65	0·65	0·65
Wheelbarrow .. ..	2·23	1·65	1·60	1·40	1·40
Wooden Pails .. ..	0·45	0·24 $\frac{1}{2}$	0·22	0·20 $\frac{1}{2}$	0·20
Woollen Clothing ..	24·00	16·75	14·50	14·25	10·00

From an official estimate prepared for the use of the Senate of the United States it appears that :

The price of barley, protected in 1890, has declined 30%, giving additional employment to 40,000 persons.

The price of beet sugar, protected in 1897, declined 20%, giving additional employment to 5000 persons.

The price of carpets, protected in 1861, fell 10%, with additional employment to 6600 persons.

The price of lace curtains, protected in 1897, fell 10%, giving additional employment to 3000 persons.

The price of gypsum, protected in 1897, fell 33%, giving additional employment to 3700 persons.

The price of wire nails, protected in 1883, fell 25%, with increased employment to 8000 persons.

The price of steel rails, protected in 1870, fell 80%, with increased employment to 18,000 persons.

The price of watches, protected in 1870, fell 10% to 50%, with increased employment to 1880 persons.

The price of silk, protected in 1861, fell from 5% to 25%, with increased employment to 77,000 persons.

Wages paid to operatives employed in the manufacture of silk have risen from \$297,000 in 1850 to \$25,276,000 in 1905.

The number of operatives employed in silk manufacture in Great Britain has diminished from 130,723 in 1851 to 39,035 in 1901.

Examples of the fall in the price of wheat under import duties have also been given in Chapter XXVIII.

## CHAPTER XXIII

### THE CORN LAWS

THE aims, objects, and working of the Corn Laws appear to have been entirely misunderstood, especially during the agitation which preceded their repeal in 1846. The distress and depression of trade, which were really due to financial crises, have been erroneously attributed to their action, and the highest prices which wheat has ever reached have been under Free Import.

The aim of the Corn Laws was to diminish our dependence on foreign supplies, to prevent the ruin of our agricultural industry, and, at the same time, to throw upon the shoulders of the foreign producer a fair share of the taxation of the country into which he might import his surplus produce.

It has been generally assumed that the object of the Corn Laws has been to keep up the price of corn ; if so, they have signally failed in that object. That the Corn Laws could not keep the price up to the limit of allowed importation has been amply proved by the fact that although the Act of 1815 imposed a limitation of 80s. per quarter, the price fell, until in 1821 it was as low as 56s. ; again, the Act of 1822 fixed the limit at 70s., but the price fell in 1835 to 39s. 4*d.*, and the average price of wheat in the last three years of the Corn Laws (the ' Hungry

Forties ') was lower than the average of the thirty years succeeding the repeal.

Equally impossible is it that Free Import should keep down the prices, as has been shown by the fact that, after repealing the Corn Laws in 1765, the price of wheat rose from an average of 33s. 3d. to 48s. 4d. in the eight years succeeding the repeal. It is also shown by the excessive prices during the war with France under *Free Import*, and also in the time of the Crimean War under absolute Free Trade in 1855, the price of wheat was higher than it had been at any time under the Corn Laws since the year 1818.

Whatever may have been the object of some of those who advocated the maintenance of the Corn Laws, there can be no doubt that the object of the Select Committees of 1813 and 1814, upon whose recommendation the Corn Laws were reimposed, was to lessen that dependence on foreign supplies which had been the cause of the excessive prices that prevailed in the first quarter of the nineteenth century.

The report of 1813 is extremely interesting. It commences by stating that foreign corn to the value of £58,634,135 had been imported in the last twenty years, and the average price for the last four years had been 105s. 5d. During this period not only was the import of wheat free, but sums amounting to £2,826,497 had been paid for bounties on the import of foreign corn. The report goes on to say :

So great a degree of dependence on foreign countries for sufficient supply of food, and so great an advance in the price of wheat, as is hereby proved, require the interposition of

Parliament without further delay. . . . Under this impression, and with a view of ascertaining what measures it would become your Committee to propose, as best calculated to induce our own people to raise a sufficient supply for themselves, from their own soil, and at the same time *to reduce the prices of corn*, they have examined into the means which the United Kingdom possesses of growing more corn and into those laws which from time to time have been made for regulating the corn trade.

Then follows the result of this examination, which is summed up as follows :

Upon the whole it appears to your Committee to be a fair and practical inference to draw from this inquiry into the means which these countries [Great Britain and Ireland] possess of growing an additional quantity of corn, that they are able to produce as much more corn, in addition to that which they already grow, as could relieve them from the necessity of continuing in any degree dependent for supplies on foreign countries.

Next the Committee takes a general review of the laws for regulating the Corn Trade, and sums up as follows :

This review of the Corn Laws shows that so long as a system of restraining importation, and encouraging exportation, was pursued, Great Britain not only supplied herself, but exported a considerable quantity of corn, and also that *the prices were steady and moderate* . . . that since the system was abandoned, that is from 1765 to the present time, Great Britain has not only not supplied itself, but has imported vast quantities from foreign countries, and also that the price has been progressively advancing from an average of 33s. 3d. the quarter of wheat for sixty-eight years under the old system to an average of 83s. 11d. for the last nine years under the new system. . . . For many years previous to the establishment

of this system [the Continental system which put an end to the commercial intercourse of those nations on which Great Britain had become dependent for corn supplies] the trade in grain between this country and the Continent was virtually a Free Trade; the laws for regulating and restraining it being wholly inoperative in consequence of the high prices. But none of those advantages were the result which those who advocate the principle of Free Trade assumed to belong to it; for the imports of grain, as well as the price of it, went on gradually increasing.

The recommendation of the Committee runs as follows :

In respect to the proper remedy to be applied, considerable light is thrown upon the subject by the strong coincidence of plenty and low prices, with a system of restricted importation, and of scanty supply and high prices with the contrary system. This forcibly points out the expediency of recurring to the principles of those laws which were so beneficial in practice, from the time of their commencement in 1670, till their abandonment in 1765.

The Committee of 1814 endorsed the views of the Committee of 1813 in the following terms :

They are convinced that a reliance on foreign importation to a large amount, is neither salutary nor safe for this country to look to as a permanent system; and that many of the sacrifices and privations to which the people have been obliged to submit during the late long and arduous contest, would have been materially alleviated if their means of subsistence had been less dependent on foreign growth.

Lord Derby, in a speech in the House of Lords in May 1846, clearly defined the objects of the Corn Laws :

The object of this, and of every other Corn Law, is,



I take it to be, to place this country in a state of virtual independence of foreign countries for its supply of food. If your lordships will forgive me for referring to it, I will quote a passage from a letter from Mr. Huskisson, which puts the whole question, in a few words, in the clearest light. . . . We have forgotten the circumstances of that time, but generally we seem not to remember, in dealing with this question, the evil which, prior to 1815, this country was subjected to from its dependence for its supply of corn from foreign countries.

The extract from Mr. Huskisson's letter runs as follows :

Let the bread we eat be the produce of corn grown amongst ourselves, and I for one care not how cheap it is, the cheaper the better. It is cheap now, because it is altogether owing to a sufficiency of corn of our own growing, but, in order to ensure a continuance of that cheapness, and that sufficiency, we must ensure to our own growers that protection against foreign imports which has produced this blessing, and by which alone they can be permanently maintained. The history of the last 170 years clearly proves on the one hand the cheapness, produced by foreign imports, is a sure fore-runner of scarcity, and on the other hand a steady home supply is the only safe foundation of steady and moderate prices.

In 1827 and 1828 Mr. Huskisson maintained the doctrine he held in 1815, that England ought not to depend too largely or too frequently on other countries for its supply of corn ; that nothing could be more dangerous to this country than a reliance on foreign corn, and that he desired the restoration of the Corn Law to what it was in 1773.<sup>1</sup>

<sup>1</sup> Huskisson's *Speeches*, vol. iii. p. 174.

It is true that three years afterwards, in consequence of a monetary crisis, which depressed our trade and industries and threw a large proportion of the working classes out of employment, Mr. Huskisson had to declare that he could not uphold the Corn Laws *in the present state of the country*, for it was necessary to give all the relief possible to consumers who had little or no money to purchase not only bread but all other articles such as meat, the consumption of which he said had diminished by one-third in Birmingham.

The crisis had nothing whatever to do with the Corn Laws. It was simply a monetary crisis arising from those causes which will be described under the head of the 'Hungry Forties.' (See Chapter XXVI.)



## CHAPTER XXIV

### OPERATION OF THE CORN LAWS

THE Committee of 1814 recommended that 'while protecting British agriculture, Parliament should, consistently with this first object, afford the greatest facility and inducement for the import of foreign corn whenever from adverse seasons the stock of our own growth should be found inadequate to the consumption of the United Kingdom.'

This provision is of course needed to give the proper elasticity to any system of Corn Laws. It had always been in force under such an arrangement, and, to use the words of the Committee of 1813, under such an arrangement 'prices were steady and moderate.'

The Cobden Club, in order to discredit the Corn Laws, has brought forward an array of Acts which appears formidable at first sight. It is not so, however, when it is considered that this array extends over a period of nearly 200 years, that it averages only one Act in about one and a half years, and that probably one emergency may entail several Acts; for separate needs are met by separate Acts. For example, one emergency may possibly require the following Acts:

- (1) An Act to ascertain the price of corn.

(2) An Act to permit importation at low rates.

(3) An Act to restrain exportation.

(4) An Act to repeal No. 2 when the emergency is ended.

(5) An Act to repeal No. 3 when the emergency is ended.

(6) An Act to authorise the King to permit changes in exportation and importation.

(7) An Act to allow flour to be substituted for wheat.

So that it is quite possible to have six or seven Acts for one emergency.

With regard to the statement of the Committee of 1813 that the trade in grain was *virtually a Free Trade*; the laws for regulating and restraining it being wholly inoperative in consequence of the high prices, the Cobden Club has endeavoured to discredit it by the argument that during the fourteen years following 1873 the yearly price was only above 48s. in four of those years, so that, 'during the greater part of this period, the heavy protective duties were fully operative.'

An examination of the annual average reports shows this argument to be absolutely incorrect, for the prices were so high or so close to the margin of Free Import as to amount *virtually*, though not nominally, to Free Import, and for this reason the Committee used the word 'virtually.'

Not only did the Corn Laws of 1773 fail to protect the British farmer from the enormous influx of foreign corn, but the import, under those inoperative laws, was actually far larger than even under unrestricted free import after the Corn Laws had been repealed.

Before the repeal of the Corn Laws in 1765, the import of foreign wheat was insignificant ; but, as soon as the floodgates of unlimited free import were opened, the rush was so great that the attempt to stem it by inadequate Corn Laws entirely failed. This is evident from the following table, which has been compiled from 'Parliamentary Debates,' Volume XXVII :

ANNUAL AVERAGE OF IMPORTS OF FOREIGN WHEAT AND FLOUR AT DIFFERENT PERIODS.

Period.	Average Annual Import. Quarters.	
1755-64	14,954	Under Corn Laws.
1765-73	100,707	
1774-83	205,242	Inoperative Corn Laws.
1784-93	189,042	
1794-1803	655,324	
1804-12	508,403	

It is evident, therefore, that the Corn Laws were inoperative, in those years, and that they failed to restrain the flood of foreign wheat. Not only in the fourteen years but also in the forty years succeeding 1773 there was virtual free trade in corn, and not only was the imported corn absolutely free during the greater part of this period, but sums amounting to £2,826,947 were paid for bounties on the import of foreign corn ; and yet, under this free import, wheat rose to 126s. 6d.—a famine price which the

advocates of Free Trade have unfairly ascribed to the protection afforded by the Corn Laws.

Although it cannot be doubted that the high prices that prevailed during the French wars were due to the free import of wheat, and the consequent dependence of Great Britain on foreign supplies, it is by no means the intention of this work to ascribe all the changes of prices which have taken place entirely to the influence of the Corn Laws, or to their repeal. Other influences have been at work, and the price of wheat, as has already been stated, is regulated by the laws of supply and demand, by the general conditions of exchange, currency and production, by facilities of transport, by improvement in agricultural processes, and by harvesting and other machinery.

Even Mill has admitted :

So rapid has been the extension of improved processes of agriculture, that the average price of corn had become decidedly lower, even before the Repeal of the Corn Laws.<sup>1</sup>

Neither is it the intention of this work to show that the Corn Laws were perfect in their action, or that they were judiciously worked so as to give them proper elasticity ; for it does not appear that Mr. Huskisson availed himself of the provisions stipulated by the Committee of 1814 (as a necessary condition of administering the Corn Laws), that every possible facility should be given by Parliament to the *import of foreign corn in times of scarcity* of the home crops.

The only valid complaint that can be made against the Corn Laws is, not that they kept up the price of wheat—

<sup>1</sup> Mill, *Political Economy*, I. xiii.

for in that respect they failed signally—but that, administered as they were without the requisite elasticity, and in connexion with our faulty currency legislation, the price of wheat was unsteady and uncertain to an extent that was injurious to agriculturists and to those connected with them in trade.

But whatever may have been the defects or difficulties entailed by the Corn Laws, they sink into insignificance when compared with the mischief that has been done by the policy of free import, which has ruined our agriculture and exposed us to the danger of a food famine in case of war.

When the repeal of the Corn Laws was urged in 1841 McCulloch advised the imposition of an import duty of 5s. to 7s. per quarter, which he said would cover the excess of taxation on land. If his advice had been followed it would have placed us on more level terms with the foreign producer. In proposing the import duty of 5s. per quarter, McCulloch remarked that ‘any one who will compare the amount of poor rate, county rates, and such like burdens paid by the *land*, with that paid by *other sorts of property*, will be satisfied that the former is charged far beyond its fair proportion.’ Since that time those rates and taxes have increased enormously.

The advocates of Free Trade, however, contended that there was no danger to the farming interests from the repeal of the Corn Laws, because the cost of transport, of so bulky an article as wheat, constituted a natural protection.

McCulloch, in a pamphlet published in 1841,<sup>1</sup> stated

<sup>1</sup> P. 16, 3rd ed.

that the cost of importing wheat from Dantzic, including freight and all charges for lightering, landing, insurance, waste, &c., would exceed 13s. per quarter, but Mr. Wilson put it at 18s.<sup>1</sup>

This natural protection, however, has now completely vanished. Steam navigation, and improved machinery for loading and discharging grain, have very greatly reduced the cost, wastage, and other charges, so that the total freight and charges of all kinds, from Dantzic to our ports, have now fallen to about 3s. per quarter, which is less than the cost of bringing wheat by railway from the Midland counties to London.

Even from the Black Sea, and from the Atlantic ports of the United States, the freight and charges on wheat have now been reduced to about 4s. 3d. per quarter.

<sup>1</sup> Wilson's *Tract on the Corn Laws*, p. 68.

## CHAPTER XXV

### THE BIG AND LITTLE LOAF

ONE fiction which has greatly influenced the maintenance of our Free Trade policy, by deluding ignorant electors, is the sham of 'the big and little loaf.' This has been usually accompanied by the representation of two loaves, one very large and the other very small, carried on poles in election times. The intention of this has been to lead the uneducated masses to believe that they represent the relative size of the taxed and the untaxed loaf.

The *Daily News* has encouraged this delusion by issuing a poster of which the annexed is a photograph.

A careful measurement of the loaves on this poster proves the relative proportions of the two loaves represented to be as 100 to 700, whereas the actual proportion (even assuming that the import duty proposed by Mr. Chamberlain would not be paid by the foreigner) would be as 100 to 104.

The dotted lines round the 'Zollverein loaf' have been added by the author of this work to the poster, to show the true proportion of the 'Zollverein loaf' to the Free Trade loaf.

The inaccurate character of this poster was pointed out to the editor of the *Daily News*, and he was challenged to disprove the accuracy of the contention that it was



unfair, and that if he could not do so he should withdraw the poster, which was misleading the working classes.

The editor, in reply, intimated that humour is on the side of the 'Free Traders'; and as it had been admitted that the size of the loaf would be reduced by 4 per cent., 'our poster represents this fact in a way that everybody can see it with his own eyes.' To this it was replied that if it be humour to exaggerate that which should be 4 per cent. into 600 per cent., and to parade this inaccuracy before the eyes of the ignorant masses, to endeavour to persuade them that this would be the result of Mr. Chamberlain's proposal, then Tariff Reformers might be thankful that the humour *was* all on the side of the Free Traders.

Certainly, if the *Daily News* had accurately represented the true proportion of the two loaves, nobody could have 'seen the difference with his own eyes.'

In fact, a fortnight later, Mr. Chamberlain demolished the value of the poster by producing two loaves made in the proper proportion, and challenging his audience to say which was taxed and which untaxed.

A fair representation of the relative sizes is shown in the accompanying diagram, deduced from careful calculations and accurately drawn to scale.

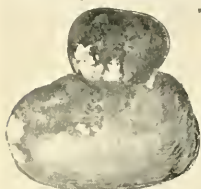
The black line at the top of the taxed loaf shows the actual difference between the loaves, even supposing that the import duty were not paid by the foreigner or his agent.

For facility of calculation, a square quartern loaf has been assumed, retail price 6*d.*, and wheat at 2*9s.* a quarter.



The 'Daily News' Poster

*Which will you have?*



FREE TRADE LOAF



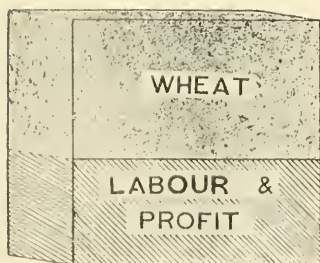
ZOLLVEREIN LOAF

READ THE  
**DAILY NEWS**

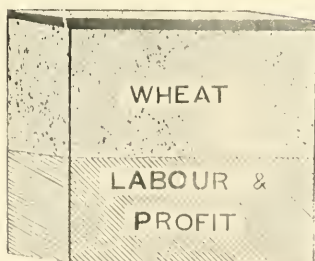
*London's Best*

SOLD BY ALL NEWSDEALERS AND RAILWAY BOOKSTALLS

Diagram showing the relative size of the Taxed and Untaxed Loaf



UNTAXED



TAXED

[To face p. 124



The cost of wheat in the loaf has been separated from that of those other items which make up the total price.

These items are :

- (a) The cost of grinding.
- (b) The miller's profit.
- (c) The middleman's profit.
- (d) The cost of baking.
- (e) The baker's profit.
- (f) The cost of distribution.

None of these items vary with changes in the price of wheat.

In order to test the divergence from the standard weight that existed in actual practice, ten half-quartern threepenny loaves were purchased in Newcastle from ten different shops and weighed. Of these ten loaves two were  $6\frac{1}{4}$  per cent. below full weight of 2 lbs., one was  $9\frac{1}{2}$ , five were  $12\frac{1}{2}$ , one was  $16\frac{1}{3}$ , and one was 21 per cent. below full weight. Compared with these variations, the small percentage of 4 per cent. suggested by Mr. Chamberlain is insignificant.

In only five, of the thirty years succeeding the repeal of the Corn Laws, has the average price of the household loaf been lower than it was in 1845 (the year before the repeal); the price of a quartern loaf was then  $7\frac{1}{2}d.$

At a meeting of the Liverpool Association of Master Bakers in July 1909, the Chairman stated that, in Ormskirk, the bakers were getting  $6d.$  and  $7d.$  for a loaf weighing  $3\frac{1}{2}$  lbs.—a price equivalent to nearly  $7d.$  and  $8d.$  for the quartern loaf.

## CHAPTER XXVI

### THE ' HUNGRY FORTIES '

THE distress in the early forties, which imparted such strength to the Anti-Corn Law agitation, and induced Sir Robert Peel to consent to the repeal of the Corn Laws, had nothing to do with those Laws, for bread was cheaper than it had been. It was not a bread famine, but a money famine. It was not caused by dear bread, but by want of money to purchase it. The price of bread, during the years 1841-5 inclusive, was lower than it had been during the century up to that date, with the exception of 1834-5; and the year before the repeal of the Corn Laws it was lower than during twenty-four out of the thirty years succeeding the repeal. In 1855 and 1856, under absolute Free Trade, the price of bread was higher than it had been at any time under the Corn Laws since their introduction in 1815. In 1867 the price of the 4-lb. household loaf in London was  $2\frac{3}{4}d.$  higher than the price in 1845, the year before the repeal of the Corn Laws. The real cause of the distress has been described in Alison's 'History of Europe.' Briefly, it was caused by the action of the President of the United States, who required all purchases of public land, and all payments to Government, to be made in specie. This caused a drain on the gold reserves of the Bank of

England, which only escaped insolvency by borrowing £2,000,000 in gold from the principal bankers of Paris. The Bank of England, in self-defence, was forced into measures which contracted the currency, thus setting up a monetary crisis which caused bankruptcies and a general depression of all industries. This was, of course, followed by want of employment, reduction of wages, and distress. It was due to our faulty Bank Acts, by which the whole currency of the Bank of England was made dependent on the retention of gold. Under this system gold could only be retained by strangling industries, by starving the country, and by lowering the prices of every species of industry.<sup>1</sup>

Sir Robert Peel, weakly yielding to the pressure of political agitation based on a false assumption, was driven to repeal the Corn Laws.

Crises of a similar character have occurred, causing depression and distress, which have been wrongly ascribed to the action of the Corn Laws, and notably in the case which has been previously mentioned, when Mr. Huskisson found a difficulty in upholding the Corn Laws in 1830. A similar crisis also occurred under our Free Trade policy in the case of the Baring failure.

<sup>1</sup> See chaps. xiii. and xiv.

## CHAPTER XXVII

### TWO CENTURIES OF WHEAT PRICES

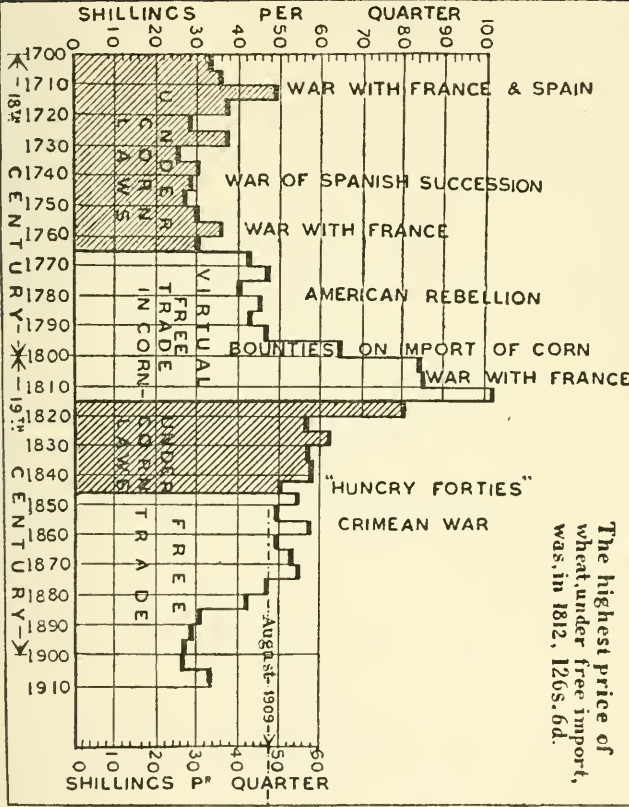
THE accompanying diagram gives the average price of wheat during the eighteenth and nineteenth centuries, under different conditions of Corn Laws. It shows :

1st.—That from 1700 to 1765, under stringent Corn Laws, the price of wheat was maintained low and steady, at an average of 33s. 3*d.* per quarter, in spite of the severe struggles in which England was then engaged—notably the rebellion and civil war of 1745, the Continental war of 1748, and the seven years' war of 1756–63.

2nd.—In 1765 these Corn Laws were repealed. The importation of wheat was absolutely free from 1765 to 1773, and for the greater portion of the period from 1773 to 1815 the laws for restraining the importation of wheat were wholly inoperative, and subsequently even bounties amounting, in 1796–1803, to nearly £3,000,000 were paid on foreign imports of corn. The dependence of England on foreign supplies had become so great that the price of wheat advanced, and when war put a stop to the foreign supplies it rose to famine rates. In 1812 it was as high as 126s. 6*d.* per quarter.

3rd.—In 1814 matters had become so serious that it was necessary to re-enact stringent Corn Laws, under

PRICES OF WHEAT UNDER PROTECTION & FREE-TRADE



The highest price of wheat, under free import, was, in 1812, 126s. 6d.

which the price of wheat fell from 102s. 6d., the average of the five years 1810 to 1814, to 50s. 9d. for the three years, 1843-5, preceding their repeal.

4th.—In 1846 the Corn Laws were repealed; and although the improved processes of agriculture, the inventions of science, the immense extension of railways and steam navigation, largely reduced the cost of producing wheat and bringing it to market, yet the average price of wheat for the thirty years 1846-75 was actually 2s. 2d. per quarter higher than that of the three years preceding the repeal of the Corn Laws. The price of wheat fell to 26s. 11d. in 1900, but our dependence on foreign wheat is so great that, should we embark on a war against strong maritime Powers, the price of wheat would probably rise to famine rates, as in 1812. The danger of dependence on foreign supplies has been shown by the fact that during the Crimean war, even though we had complete command of the seas, the average price of wheat under Free Trade rose to 74s. 8d. per quarter, which was the *highest price touched since 1818*.

The price of wheat has again risen to 42s. 9d. (July 1909), and is higher than it was in 1835 under the Corn Laws.

*If it were true that the duties on corn were paid by the consumers, it would inevitably follow that, on their removal, the price must fall by that amount; but, far from this, we find that, for the twenty-five years following their abolition, the price averaged 52s. 8d., or 2s. 3d. higher than during 1843-5, inclusive, when subject to a duty of 20s. per quarter! And why was this? Our farmers, protected by the duties, had increased their yearly wheat*



productions from fourteen million in 1815, to twenty-two million quarters in the early forties;<sup>1</sup> while from 1852 to 1876 it only averaged, per annum, 13,286,852 quarters, in the face of a rapidly increasing population—a reduction of 8,713,146, which, our colonies and foreign countries being only in part able to replace, left a shorter supply available for consumption. This naturally led to an advance in price; incontestably proving that so far from the corn duties having raised the price of bread, it would, had they never existed, have been dearer. The loss of revenue had thereafter to be made up by direct taxation, which, instead of being paid by the foreigner, was wholly levied from our own people.

As a question of fact, the price per quarter of wheat had never been so high since 1818 as it was in 1855, during the Crimean war. Though we had then absolute command of the sea, it rose to 74s. 8d. per quarter. With our home production reduced to six and a half million against fourteen million quarters in 1855, and our own population so much increased, one shudders to think, were we at war with a great naval power, where its price would now be.

It is only when the duty is prohibitive, or nearly so, that it affects the price of wheat, which is generally determined by the prices prevailing in the various markets of the world.

<sup>1</sup> See Sir Robert Peel's speech in House of Commons, *Annual Register*, 1842, p. 38.

TABLE SHOWING HOW THE CORN DUTIES WERE PAID BY  
THE IMPORTERS, NOT BY THE CONSUMERS

(A. Williamson)

Years.	Duties Charged.	Average Market Prices.
1816-22	Not permitted to be imported when the price was under 80s. .. ..	68s. 11d.
1823-28	Limit reduced to 70s. .. ..	59s. 11d.
1829-42	34s. 8d., when the price was 51s. and under, falling 1s. for every 1s. it rose (In 1834 the price was 46s. 2d.; in 1835 39s. 4d.; in 1836, 48s. 6d., when the duty was 34s. 8d.)	54s. 11d.
1843-45	20s. when the price was 51s. and under; falling 1s. for every 1s. it rose .. .. .	50s. 5d.
1846	Corn Laws repealed and finally abolished on 1st February, 1849 .. ..	—
1846-47	Irish famine, when the price averaged 62s. 3d.; in 1848 it had fallen to 50s. 6d. .. .. .	—
1850-74	Average market-price of wheat, 52s. 8d. —2s. 3d. higher than in 1843-5, when the duty was 20s. .. .. .	—

## CHAPTER XXVIII

### TARIFFS AND WHEAT PRICES

MANY of those who are not satisfied with our present fiscal policy object to giving their adhesion to the movement in favour of tariff reform, on the ground that they disapprove of the taxation of food.

This is an objection which a careful study of facts would at once remove. It is based on the mistaken assumption that a tax on foodstuffs must increase their price. Experience has proved that this is not the case. The price of corn is generally regulated by the laws of supply and demand, and by the general conditions of exchange, currency, transport and production. Tariffs, in their direct action, have but little influence on prices, unless they are excessive or prohibitory. Under a well-regulated system of moderate import duties, there is an action tending to the equalisation of prices in different countries, and this is maintained by constant telegraphic communication of brokers with the principal markets of the world. A few examples will suffice to show that, not only is the duty paid by the foreigner, but, in some cases, the consumer gains, by a reduction in the price of foodstuffs under an import duty.

The Committee of the Belgian House of Representatives, in their Report of 1886, stated that, on several

occasions on which duties were imposed on wheat, the price thereafter fell ; and, when the duty was abolished, it rose, except in one instance.

Again, in a Consular Report, dated May 14, 1883, Sir E. Malet wrote :

Eight years' experience has shown that the higher duties introduced in 1879 had been attended with the most successful results, fiscally ; but they had failed as protective duties—that is, they failed to raise the price of wheat. Prices had fallen instead of rising.

Again, Mr. Vansittart, Consul at Wurtemberg, reported in 1888 :

Since the addition of the duties, all kinds of grain were cheaper than ever.

In 1888 the duty on wheat in Italy was raised from 1 franc per quintal to 4 francs, and practically the price of bread remained unchanged, the tendency being rather to a fall than a rise, although large quantities of foreign wheat were imported into Italy. Similar results ensued in Germany in 1892, when the duty was raised, and the price of wheat fell 9 per cent. Also in France in 1895, when the duty was raised, the price of bread fell 7 per cent.

Again, when the duty of 1s. a quarter was imposed in Great Britain in 1902, the price of imported wheat fell slightly, and it was only after this useful tax had been wantonly flung away by Mr. Ritchie's economic pedantry that the price of wheat rose. A valuable source of revenue was thus foolishly sacrificed, and the burden of taxation, which had been borne by the foreigner, was transferred

to the British taxpayer without a single compensating advantage.

In all these cases it is evident that the burden of taxation fell upon the foreign producer, not upon the consumer. In the colony of Victoria, in 1888, under an import duty of 9s. 8d. per quarter on wheat, bread was cheaper than in New South Wales, which admitted wheat duty free; the reason being that the Victorian farmer was protected from the influx of foreign surplus, and consequently was able not only to grow wheat with confidence, but, owing to the reduction of other taxation, caused by the revenue derived from foreign imports, he was in a position to grow wheat at a cheaper rate. The internal competition was thereby stimulated to an extent which tended to a fall, rather than a rise, in prices.

Of course, if the duty be so heavy as to be prohibitive, the price will rise in times of scarcity, as was the case when a duty of 12s. 6d. was imposed in France, when the 'outside level' of prices was as low as 27s. or 28s. The price of wheat in France has lately been lower than in England. Few people realise the fact that wheat is only one of the many factors which make up the retail price of bread.

## CHAPTER XXIX

### COST OF LIVING

It has been generally assumed by Cobdenite writers that the price of food has greatly diminished under the influence of our Free Trade policy, but a comparison of the prices in the 'Hungry Forties' with those at present prevailing proves this assumption to be a 'terminological inexactitude.' This may be seen from the following comparison of the principal articles of food consumed on an average by a well-to-do working man with a wife and four children.

Weekly Consumption.	1844.		1909.	
	Rate.	Cost.	Rate.	Cost.
	<i>s.</i>	<i>d.</i>	<i>s.</i>	<i>d.</i>
7 quartern loaves of bread	0	8	4	8
1½ lbs. butter .. ..	0	8	1	0
1 lb. cheese .. ..	0	5	0	7
2 lbs. bacon .. ..	0	4	0	8
10 lbs. meat .. ..	0	5	0	7
12 lbs. potatoes .. ..	0	1	0	1½
10 eggs .. ..	0	0½	0	1
Total ..	—	12 4	—	15 6½

Mulhall gives the following comparison of the cost of food, per week, in different countries in 1880, assuming the same quantity of bread, meat, cheese, milk, coffee, &c. :

Great Britain ..	11s.	Germany ..	9s.
United States ..	10s.	France ..	8s.
Belgium .. ..	10s.	Italy ..	8s.

So that by this authority the cost of living in Great Britain then appeared to be higher than in the other countries.

The following comparison of the cost of living in different countries is compiled from the Reports of the Commissioner of Labour of the United States in 1890-1.

WEEKLY COST OF LIVING FOR A NORMAL WORKING CLASS FAMILY

*Wages 20s. to 25s. per week*

Article.	Great Britain.		United States.		Germany.		France.	
	s.	d.	s.	d.	s.	d.	s.	d.
Food .. ..	11	2	11	10½	10	0	11	5
Rent .. ..	3	1¾	4	1	1	7½	2	3
Fuel and light ..	1	11½	1	11¾	1	0½	1	5½
Clothing .. ..	2	10½	3	8	4	1½	3	4½
Sundries .. ..	3	4	4	11	4	2¾	4	0
<b>Total ..</b>	<b>22</b>	<b>5¾</b>	<b>26</b>	<b>6¼</b>	<b>21</b>	<b>0¼</b>	<b>22</b>	<b>6</b>

## COST OF LIVING

*Wages 30s. to 35s. per week*

Article.	Great Britain.		United States.		Germany.		France.	
	s.	d.	s.	d.	s.	d.	s.	d.
Food .. ..	15	3	15	6½	13	2½	12	5¼
Rent .. ..	3	9	5	2¼	3	9¼	2	10½
Fuel and light .. ..	2	0¾	2	3¾	2	2¼	1	10¾
Clothing .. ..	4	5¾	4	11¼	4	4¾	3	11
Sundries .. ..	5	7¼	6	0¾	4	6	6	8½
<b>Total .. ..</b>	<b>31</b>	<b>1¾</b>	<b>34</b>	<b>0½</b>	<b>28</b>	<b>1¼</b>	<b>27</b>	<b>10</b>

The German and French operatives are more frugal and simple in their mode of living, but the Americans live more generously, and consume more meat than the average Englishman.

The working-men delegates who visited the United States with Mr. Mosely were of opinion that, on the whole, the American workman fed better than the English; that there was very little difference between the prices of food in the United States and in England, if anything being a little lower in the United States. Wages were about double those in England; clothing if imported from England or the Continent was dearer; but common ready-made clothing cost about the same as in England.

In *Iron*, January 1884, the relative cost of common articles in England and the United States was given as follows:



Article.	United States.	England.
Beef, lb. . . . .	12c.-20c.	14c.-30c.
Butter . . . . .	30c.-33c.	37c.-42c.
Coffee . . . . .	20c.	28c.
Tea . . . . .	40c.	48c.
Sugar . . . . .	5c.-8c.	5c.-8c.
Flour . . . . .	3½c.	4c.
Petroleum, gallon . . . . .	8½c.	15¼c.
Potatoes, pk. . . . .	15c.	32c.
Hand-saws, doz. . . . .	\$5	\$6
Jack Planes . . . . .	\$10	\$15
Trowels, doz. . . . .	\$7.50	\$8.25
Shovels . . . . .	\$5	\$7.48
Cast Shears . . . . .	\$4.20	\$6
Car. bolts, gross . . . . .	\$1.75	\$2.12
Cot. cloth . . . . .	\$1.30	\$1.10
Prints . . . . .	\$1.10	\$0.90
Denims . . . . .	\$0.63	\$0.58
Satinettes . . . . .	\$4.50	\$3.66
Shoes . . . . .	\$2.50	\$3
Blankets (4lb. Army) . . . . .	\$2.56	\$2.25

It will be observed that most of the articles were cheaper in the United States than in England, though some of the textile fabrics were dearer. Between 1880 and 1890 the textile industries of the United States have been greatly developed, and in that period there was a reduction of 25 to 33 per cent. in such articles as muslin, calico, gingham, woollen dress goods, carpets, &c., and a reduction of 30 to 50 per cent. in ready-made clothing ;

and in the decade 1890 to 1900 still further developments have taken place in textile manufacture. It is evident, therefore, that the *necessaries* of life in Protectionist America are as cheap as in Free Trade England, while the wages are nearly double.

In 1893 M. E. Levasseur was deputed by the Academy of Political Science to visit the United States and inquire into the condition of labour with relation to that which prevailed in Europe. With reference to rent, he says :

The Federal Commissioner of Labour has reckoned that the American appropriates more than the European for this item of his Budget; but he is better lodged. . . . In the United States, not only in the country, but in towns, and even in large cities, are seen houses entirely occupied by a single family of working people which is owner or holder of a ground-rent lease. . . . In no other country have so many working men earned enough to get such acquisitions, and to pay for the luxury of furnishing, and the style of living which these things carry with them.

With regard to clothes, he says :

The working man and the business man are indistinguishable in the street by reason of their dress. The women, and above all, the young girls, love display, and it is not rare to see them on Sunday in silk gowns.

With regard to food, he considers that the Americans are wasteful :

They ought to learn cooking. Pedagogues preoccupy themselves with this question also, and Americans declare almost unanimously that food is wasted. In the consumption of food there is profusion and even prodigality. . . . The

result is that the working man's living is dear for the items of rent, dress and table, on account of the sum of the social conditions that surround him. . . . If the American workman used the same economy as the Belgian or the German he would make large savings, but the level of his existence is higher up, he wants to keep himself there : he is obliged to do it, so to speak. Upon the whole life is easier for him than for the French working man.

High wages have not prevented labour troubles, any more than the progress of wealth has suppressed commercial crises.

## CHAPTER XXX

### WAGES AND EMPLOYMENT

MR. GLADSTONE, in a speech at Newcastle (October 3, 1891), claimed that the earnings of the working men in Great Britain had increased 50 per cent. by the operation of Free Trade, but quite overlooked the fact that in other nations under protective policy there had been as great, or even greater, increases.

The *Times*, commenting on this claim, sternly rebuked Mr. Gladstone, pointing out that he had weakened a strong case by introducing such disputable matter; and that 'working men were aware that there had been a corresponding improvement in countries where protection had been in force most stringently—in the United States and the British Colonies.'

In fact, the increase has been greater in countries under a protective policy than in Great Britain.

According to Mulhall, the increase in wages between 1835-40 and 1880 has been as follows:

England, 50 per cent.; France, 66 per cent.; Germany, 125 per cent.; Holland and Belgium, 122 per cent.; United States, 57 per cent. So the rate of increase in England appears to have been the lowest.

In Germany, skilled workmen now command, in many

cases, wages as high as those prevailing in England, although in 1846 English wages were generally more than double those in Germany.

Wages in Krupp's foundries have more than trebled in the forty-seven years, 1853-1900.

The report of the chairman of the Chamber of Commerce of Elberfeld in 1908 stated :

Wages in Germany are in numerous instances higher than wages in England.

The report of the Berlin Chamber of Commerce, in the same year, also complained that the clothes trade was leaving Berlin for London, because wages were lower in London than in Berlin ; and the British Consul in Berlin, in 1907, reported that the annual average wages of a workman in Germany had risen between 37 and 38 per cent. in the last seventeen years.

The official report of the Yorkshire Textile Workers Deputation to Germany stated that at Forst

The weavers are paid  $12\frac{1}{2}$  per cent. more, for the work they do, than the weavers receive in the best factories in the Yorkshire woollen districts.

In the United States wages are nearly double, and in some cases more than double, those prevailing in England.

The chief of the Massachusetts Bureau has given the following comparative statement of wages in the United States and in England :

		England.		United States.	
		<i>s.</i>	<i>d.</i>	<i>s.</i>	<i>d.</i>
Bricklayers	.. ..	33	4	67	6
Boiler Makers	.. ..	32	4	68	9
Carpenters	.. ..	31	3	62	6
Farm hands	.. ..	12	6	34	6
Labourers	.. ..	17	1	33	4
Masons	.. ..	33	4	67	6
Shoe Makers	.. ..	35	4	50	0
Watch Makers	.. ..	33	4	75	0
Painters	.. ..	31	3	62	6

Volume XX of the 'United States Census' gives a comparison of the average weekly wages of 102 different industries. The average in England was 26*s.*, whilst that of the United States was 52*s.* 3*d.*

The working-men delegates of the Mosely Industrial Commission, at a convention of Trade Union delegates in the city of Boston in 1902, have given the following comparison of weekly wages :

		England.		United States.	
		<i>s.</i>	<i>d.</i>	<i>s.</i>	<i>d.</i>
Iron Founders	.. ..	40	0	81	3
Cotton Spinners	.. ..	38	0	66	8
Leather Workers	.. ..	30	0	45	0
Carpenters	.. ..	42	6	103	2
Bookbinders	.. ..	36	0	80	0

The following comparison of textile wages was supplied by the Clark Thread Co., Newark, U.S.A., and was published in the *New York Tribune*, January 1883 :

			Newark U.S.A.	Paisley U.K.
			\$	\$
Cop winders	..	..	8·00	3·50
Finishers	..	..	5·50	2·50
Reelers	..	..	8·00	4·25
Spoolers	..	..	8·00	3·25
Foremen	..	..	20·00	7·00
Pickers	..	..	7·00	3·25

## EMPLOYMENT

The following is an extract from the Report of the Royal Commission on the Depression of Trade :

We think that insufficiency of employment is the most serious feature of the existing depression, and it is an important, indeed an anxious question, whether *in the face of the ever increasing invasion of our home markets by foreign productions* admitted duty free, we should be able to command a sufficient employment for our rapidly growing population. The great difficulty consists no longer as of old in the scarcity and dearness of the necessaries and conveniences of life, but in the struggle for an adequate share of that employment which affords to the great bulk of the population their only means of obtaining a title to a sufficiency of those necessaries and conveniences however plentiful and cheap they may be.<sup>1</sup>

The official figures from British Trades Union reports in December 1908 show that 89,000 men, or nearly one-fourth of the members of five great trades unions alone (Amalgamated Engineers, Boiler Makers and Ship-builders, Iron Founders and Iron Moulders, Carpenters,

<sup>1</sup> *Final Report*, 1886, iv.

and Joiners) were unemployed. The percentage must be still greater in the case of those industries in which labour is to a great extent unskilled. This condition forms an unfavourable contrast to that which now prevails in Germany.

In May 1907, the Consul-General of Berlin reported that workpeople of all classes were strong in demand, and received employment without regard to nationality. As the dearth of workmen became accentuated in the course of the year, working hours were lengthened, and night shifts put on.

The Consul from Brookfield reported in June 1907 :

The chief complaint coming from employers of labour was, not that they had no work to give, but that they could not obtain men to execute their orders.

Sir William Ward, Consul-General at Hamburg, reported in August 1907 :

The chief difficulty with which many manufacturers in Germany had to contend in 1906 was the scarcity of workmen. Several large coal mines, for instance, in North-Western Germany, it is stated, were unable last year to produce more than one-third of their usual annual output, owing to the impossibility of finding sufficient hands for the work.



## CHAPTER XXXI

### TAXATION

It seldom occurs to our politicians or statesmen to look far beneath the surface, or to consider anything beyond the superficial aspect of any question. Professor Foxwell has rightly said: 'The incidence of taxation is one of the most difficult problems of political economy'; and Sidgwick, perhaps one of the more eminent of our modern economists, points out that the burden of taxes seldom remains where it is first imposed.

Lecky has also pointed out that, 'Graduated taxation, if it be excessive or frequently raised, is inevitably drawn from capital; it discourages its accumulation, it produces an insecurity which is fatal to its stability, and it is certain to drive great masses of it to other lands.' He also says: 'No truth in political economy is more certain than that a heavy taxation of capital, which starves industry and employment, will fall most heavily on the poor.'

It is a very common thing to hear working men say, 'Oh, pile it on the rates and taxes! it doesn't affect us.' But *it does affect them vitally*. More than twenty years ago Herbert Spencer sounded a warning note against this peril. He pointed out how the enormous and ever-increasing rates and taxes, whether local or imperial, falling, as they did, on the employers of labour, must

necessarily be met from the industries of those employers, and, eventually, by the working men themselves either in decreased wages or in shortness of employment. Since that time taxation has increased by leaps and bounds ; imperial taxation has increased by 75 per cent., and local taxation has increased by 117 per cent., or more than double.

Altogether we have had an increase of taxation amounting to £74,000,000 in the last twenty years. We have not to go far to find a striking example of the truth of Herbert Spencer's contention in the fact that Yarrow's great engineering firm has been driven from Poplar by excessive rates and taxes, leaving three thousand unemployed in that borough alone.

The official analysis of the German Minister of Finance in 1908 showed that the taxation per head of the population was 48·17 marks per head, whilst that of Great Britain was 95·80.

McKinley pointed out that Free Trade in England had increased the rate of taxation by over 24 per cent. in the decade 1870-80, whilst that of the United States, in the same period, diminished by 10 per cent.

#### PEDANTIC LEGISLATION

Mr. Gladstone appears to have been possessed with an insane desire to render the income-tax a necessity, by destroying the revenues we derived from foreign nations, and by sweeping away every vestige of indirect taxation, excepting that which would fall upon the home consumer.

Can anything be more childishly pedantic than his speech introducing the Budget of April 1862 ?

There were taxes on every first value added to it by the industry of man ; now there are no taxes on the first value added to it in any branch of production by the industry of man. There were taxes on the sauce which pampers man's appetite ; now there is no tax on sauce and man may pamper his appetite as he pleases. There were taxes on the drugs which restored him to health ; now there is no tax upon drugs, and he may get well as quickly as he can. There were taxes on the ermine which decorated the judge ; now that ermine is free. There were taxes on the rope that hanged the criminal ; now that rope is free. There were taxes on the poor man's salt ; now that salt is free. There were taxes on the rich man's spice ; now that spice is free. There were taxes on the brass nails of the coffin, now those brass nails are free. There were taxes on the ribbons of the bride ; and, let her wind up the procession, her ribbons are now also free.

What have we gained by this absurd pedantry, which has rendered necessary that enormous direct taxation under which we suffer ?

#### TAXING THE WEALTHY

It has been shown that our present system of direct taxation, with a view of relieving the poorer classes, wholly fails in its aim ; and that, in its indirect action, it bears most severely upon the poor and the working classes.

Hume, to whom Adam Smith has owed much of his inspiration, has thus expressed his views on taxation :

The best taxes are such as are levied on articles of consumption, especially those of luxury, because such taxes

are least felt by the people. They seem in some measure voluntary, since a man can choose how far he can use the commodity which is taxed. They are paid gradually and insensibly; they naturally produce frugality, if judiciously imposed, and, being confounded with the natural price of the commodity, they are scarcely perceived by the consumer.

Giffen also advocated the taxation of articles of luxury generally consumed, as a substitute for our oppressive and mischievous *direct* taxation.

In fact, to use the words of Sir Robert Giffen :

We have only to go back to a date just before those wanton sacrifices of indirect revenue began, which have landed us in our present difficulties, and substantially undo those remissions of direct taxation, which have taken place since 1874, or shortly before that time,—the time of Mr. Gladstone's famous proposal to abolish the income-tax.

There would be no difficulty in providing the revenue necessary, if we had recourse to indirect, rather than to direct taxation, by import duties on articles of luxury in general use. Such a mode of taxation would fall almost exclusively upon the rich, and it might be carried to any extent, without injustice; because it would rest with the individual to determine to what extent he might be taxed. A duty on such goods would not only bring in a large revenue, but it would prove a great boon to our industries, it would stimulate home produce, and give employment to our artisans.

At present, the foreign importer uses our markets freely, but he contributes nothing towards the relief of that crushing burden of taxation, which places British

subjects in a position of serious disadvantage when competing with him.

There is no reason why we should not revert to that policy, under which much of our revenue was paid by the foreigner—a policy that has been adopted by almost every civilised nation except Great Britain.

By a well-considered system of import duties, a large revenue might be raised ; and the prices, except in cases of *heavy* duties, would not be increased.

A duty of 2 per cent. on raw materials, of 10 per cent. on agricultural and other produce, of 15 per cent. on manufactured articles, and of 50 per cent. on luxuries, would probably bring in an additional revenue of between £40,000,000 and £50,000,000.

In the case of heavily taxed articles of luxury, such as furs, feathers, embroidery, silk, satin, velvet, expensive articles of dress, ornamental glass and china, fancy goods, gloves, beads, toys, clocks and watches, cycles and motor cars, &c., any increase of cost would probably fall on the wealthy, although a portion of it would fall upon the foreigner ; but under *moderate* taxes the import duty would most probably fall entirely upon the foreigner.

The only practicable method of lifting the burden from the poor is by placing heavy import duties on luxuries ; and even if such heavy duties should almost preclude the import of such articles, the manufacture of them in our country would stimulate our own industries, and afford employment to our working classes.

## CHAPTER XXXII

### THE INCOME-TAX

THE income-tax is a burden for which there is absolutely no necessity—it is one that should never be used as a part of the permanent revenue of a country, but should be held in reserve against any great national emergency. It is essentially a war tax, to be abolished as soon as the emergency may have passed away. It is the height of folly to draw upon our reserves in time of peace, leaving no reserve upon which we can draw in any national emergency. It is the resource of an incompetent or unscrupulous Minister for raising revenue, and it encourages political extravagance. It is of all taxes the most unjust, unequal, and mischievous. In its direct action it falls with undue severity on some classes, and with unreasonable lightness on others. In its indirect action it is detrimental to national wealth, it tends to drive away capital, and has a pernicious effect upon our industries. It taxes the employers of labour, and indirectly bears heavily on our working classes in reduction of wages and short employment. It ought to be abolished, or, at all events, reduced to reasonable limits. Financially, there should be no difficulty in doing this by the substitution of indirect for direct taxation. The taxation of articles of luxury generally consumed would

bring in a large revenue and scarcely be felt, and in that case the burden of taxation would fall almost exclusively on the wealthy.

Moreover, the income-tax is opposed to the principles of political economy.

John Stuart Mill, in discussing the income-tax, says: 'This tax, while apparently the most just of all modes of raising a revenue, is in effect more unjust than many others which are *primâ facie* more objectionable,' and he added, 'this consideration would lead us to concur in the opinion which, until of late, has usually prevailed, that direct taxes on income should be reserved as an extraordinary resource for great national emergencies, in which the necessity of a large additional revenue overrules all objections.' He also pointed out that the real effect of a tax on profits is to diminish the capital and production of a nation, and he added, 'A tax on profits is thus, in a state of capital and accumulation like that in England, extremely detrimental to the national wealth.'<sup>1</sup> Now *the income-tax is essentially a tax on capital and profit.*

Herbert Spencer has pointed out that:

Amongst the costs of production have to be reckoned taxes general and local; if, as in our large towns, local rates now amount to one-third of the rental or more; if the employer has to pay this, not only on his private dwelling but on his business premises, factories, warehouses, or the like, it results that the interest on his capital must be diminished by that amount, or the amount must be taken from the wages fund, or partly one and partly the other. . . . If capital, not getting adequate interest, flows elsewhere and

<sup>1</sup> Mill, Bk. v. cap. iii.



leaves labour unemployed, then it is manifest that the choice for the artizan under such conditions, lies between diminished amount of work or diminished rate of payment for it.<sup>1</sup>

Lecky has also pointed out that, ' Graduated taxation, if it be excessive or frequently raised, is inevitably largely drawn from capital ; it discourages its accumulation, it produces an insecurity which is fatal to its stability, and it is certain to drive great masses of it to other lands.' He also says, ' No truth in political economy is more certain than that a heavy taxation of capital, which starves industry and employment, will fall most heavily on the poor.'<sup>2</sup>

Turgot, the eminent Finance Minister of France, has defined taxation as ' the art of plucking the goose without making it cry out.' The *direct* burden of the income-tax falls on the shoulders of a patient, law-abiding class that does not cry out under the process of plucking ; but the tax is inefficient, because it fails to fulfil its intended object of helping the working classes, while indirectly, it bears more heavily upon them than on any other class. The artisan goose is not only plucked, but is having its skin taken off. Goose as it is, it feels sore, but does not realise the cause of its excoriation, and is apt to turn in blind fury on its suffering fellow goose, the overtaxed employer of labour, who, in consequence of its plucking, is unable to afford higher wages, or more employment. The artisan fails to recognise the fact that the interests of capital and labour are inseparable, and that it is to his advantage that there should be as many employers

<sup>1</sup> *The Coming Slavery*, Spencer, p. 4.

<sup>2</sup> *Democracy and Liberty*, vol. i. p. 287.



as possible to compete for his labour. There is much truth in the old saying that when employment runs after labour prices rise, but when labour runs after employment prices fall.

Macleod, in his 'Economics,' asked the question, 'If a man has not wealth himself, but only his labour to sell, what is most to his advantage? Why, of course, that there should be as many rich men as possible to compete for his labour. Nothing can be more fatal than the cry against capital, so often and so unthinkingly uttered.'

It is a prevalent fallacy to suppose that the income-tax bears only on the rich, for, taking income in the ordinary sense in which it is used, namely, employment under Schedules D and E, the report of the Inland Revenue Commissioners shows that, for one person whose income exceeds £700 a year, there are thirty whose incomes are under that amount, so that in this portion of the income-tax the burden falls chiefly on people who are struggling hard to keep their heads above water, weighed down as they are already by intolerable Imperial and Local taxation, and by the misappropriation of funds by municipal and other public bodies. But, besides these, the greatest portion of the income-tax falls on the employers of labour, and consequently, in an *indirect* manner, on the working classes and the poor. For example, under Schedule D, 'railways, canals, mines, gasworks, ironworks, and other industries' are assessed on a gross income of about £78,000,000, tending to increase the cost of transport and production; 'private industries, business, and trade' at about £200,000,000; 'land' at more than £50,000,000, tending to increase

the ruin of agriculture, and to drive the agricultural labourers to swell the ranks of the unemployed ; 'houses and buildings' at nearly £200,000,000, tending to raise rents which are already far too high, and which press very heavily upon the working men and the poor. Thus we have altogether between 75 and 80 per cent. of the total income-tax falling upon those items which are injurious to the working man.

Sir Stafford Northcote has shown that the income-tax is mischievous in inducing political laxity and extravagance, and he said : ' If we maintain the income-tax as a permanent tax, we are tempted to spend whatever it is pleasant to spend, and to take off whatever it is pleasant to take off.' He added that, by substituting the income-tax for indirect taxation, ' You have, in the past, been tolerably free in admitting new items of expenditure and very liberal in striking off taxes, but the consequence has been that a large number of sources of revenue have been brought down to a dangerously low ebb.'

The income-tax was introduced into England in 1799 by Pitt as a temporary war tax, but was repealed in 1816 by a vote which defeated the Government. Alison, commenting on this matter, said :

A greater error in finance was never committed than the introduction of the income-tax without any graduation but that arising from the amount of revenue to correct its manifold inequalities. In appearance the most equal, such a tax is in reality the most unequal of burdens, because it assesses, at the same rate, many classes whose resources are widely different. The landed proprietor, whose estate is worth 30 years' purchase of the rental at which it is assessed

—the fundholder whose stock is worth 20 or 25 of the same annual rate—the merchant whose profits one year may be swallowed up by the losses of the next—the professional man whose present income is not worth five years' purchase—the young annuitant whose chance of life is as 20, and the aged spinster in whom it is not worth two, all are assessed at the same annual rate.

The tax, in consequence, falls with excessive and undue severity on one class, and with unreasonable lightness on others.

A graduated income-tax, 'voted by the many and falling on the few,' was condemned by the Supreme Court of the United States as contrary to the constitution of that country, and a violation of the liberty of the subject.

The *American Economist* remarks :

Federal taxation from the foundation of our Government except in time of war, or national emergency, has almost exclusively been applied to commodities and materials. It has been the policy of our national Government not to govern individuals, so far as taxation is concerned, but to leave to the various States of the Union the relation between individuals and taxing power. . . . Internal taxation is almost exclusively applied to commodities. There is a tax on spirits and tobacco from which the largest portion of internal revenue is received. The Customs tariff applies to foreign commodities and materials only. Any departure from this policy is foreign to the traditions and the policy of the United States Government. Hence our opposition to an income-tax. A tax on inheritance we believe to be impossible, because it would conflict with the rights and revenues of the various States of the Union.<sup>1</sup>

<sup>1</sup> *American Economist*, April 23, 1909.

In the United States no private property can be taken for public use without just compensation, and the Federal Constitution contains an invaluable provision forbidding any State to pass a law impairing the obligation of contracts.

The danger of partial or highly graduated taxation, voted by the many and falling on the few, has been in a great measure guarded against by the clauses in the Constitution providing that representatives and direct taxes shall be apportioned amongst the States according to their population. . . . The judgment of the Supreme Court condemning the income-tax, in 1894, brought into clear relief the full force and meaning of these provisions.<sup>1</sup>

The position of the House of Representatives is widely different from that of our House of Commons. It is a body in which the Ministers do not sit, and which has no power of making or destroying a Ministry. It is confronted with a Senate, which does not rest on the democratic basis of mere numbers, but which can exercise a much more real restraining power than the House of Lords. It is restricted by a written Constitution under the protection of the Supreme Court, which makes it impossible for it to violate contracts, or to infringe any fundamental liberty of the people.<sup>2</sup> In this respect it is far superior to our faulty system, which enables a temporary majority, sometimes obtained by trickery and misrepresentation, to tyrannise over the minority and to pass unconstitutional and mischievous measures.

Mr. Gladstone denounced the income-tax in unmeasured

<sup>1</sup> *Democracy and Liberty*, Lecky, vol. i. p. 96.

<sup>2</sup> Lecky, vol. i. p. 54.

terms, as 'being on a scale far exceeding all other taxes put together, a demoralising tax, and a dangerous tax, vexatious to trade and industry.' It was introduced by him as a war tax, which he said 'could not be retained as permanent and ordinary finance of the country,' and he pledged himself to the reduction of it from 7*d.* to 6*d.* after two years, then to 3*d.* after two years more, and finally to abolish it altogether after the expiration of three years. When in opposition he vehemently urged the Government then in power to adhere to the pledges which he had given when in office, and he protested indignantly that 'to break an engagement of such deliberation and such solemnity would be a fresh blow to the confidence of the people in their representative institutions, and a fresh incentive to dangerous innovators.'

Senior, in his 'Political Economy,' has denounced unnecessary taxes as 'a fraud and a robbery'—and the income-tax is essentially an unnecessary tax. Sir Robert Giffen, the statistician of the Board of Trade, and a strenuous upholder of Free Trade policy, wrote in January 1902, as follows :

The question of new taxes must be faced when a large revenue is required ; recourse must be had to indirect rather than direct taxation. Pound for pound that is raised, direct taxes bite more severely than indirect, which are hardly felt at all when placed on a few articles of luxury generally consumed. . . . The aim should be, I believe, to relieve the income-tax. There should be no real difficulty in providing the necessary taxes. We have only to go back to a date just before those wanton sacrifices of indirect revenue began, which have landed us in our present difficulties. That date is prior to the Gladstone Government of 1869-74, since

which time many remissions of indirect taxes have been received with absolute coldness by the taxpayers. No taxpayer, that one ever heard of, recognised himself as better off by the repeal of a shilling a quarter on grain. What is necessary, in order that the country's finances may have indispensable strength, is substantially to undo the remissions of the indirect taxation which have taken place since 1874, or shortly before that date—the time of Mr. Gladstone's famous proposal to abolish income-tax.

The *Times*, commenting on this letter, said: 'The restoration of 1s. a quarter on corn, which was wantonly flung away by Mr. Lowe's economic pedantry, would not be felt in the price of bread, and might probably be doubled without becoming perceptible.' This forecast of the *Times* has been justified by subsequent events. The duty of about 1s. per quarter was shortly afterwards imposed, with the result that, in spite of the unscrupulous attempt of political agitators to raise the price of bread, the price of wheat fell, and it was only after this useful tax had again been wantonly flung away by Mr. Ritchie's economic pedantry that the price of wheat rose. A good source of revenue has thus been foolishly sacrificed, and the burden of taxation, which was then borne by the foreigner, has been transferred to the British taxpayer without a single corresponding advantage.

Again, the income-tax bears unfairly upon our Colonies and dependencies. It is impossible for those who have not resided abroad to realise the burden under which British subjects suffer, and from which the foreigner residing in those parts is exempt unless he has a house of business in Great Britain. After securing new markets



at great cost of blood and treasure, we foolishly allow the foreigner to reap the benefit at our expense and to our detriment.

At the fourth Congress of the Chambers of Commerce of the Empire, the following resolution was passed :

That it is inequitable that income-tax should be paid on profits made in any British Colony or possession, upon which income-tax has been paid in such colony or possession. It is equally inequitable that income-tax should be paid in any British Colony or possession, on profits made in the United Kingdom

In November 1902, a bitter cry against the double income-tax arose in India, in the shape of a petition to Lord Curzon, from the whole of the mercantile and trading community in Calcutta, protesting against the injustice of a double income-tax being levied, and pointing out the injury it had done 'in discouraging capitalists from investing in India, and checking the supply to India of British capital which is so much needed for the development of the country.'

## CHAPTER XXXIII

### HISTORICAL PARALLEL

DURING the past half-century England has adopted a policy similar to that which led to the downfall of the Roman Empire—a policy of direct taxes and a contracted currency, combined with a dependence on foreign nations for the supply of food. In this respect there is a striking parallel between Britain at the present day and Rome at the time of the Emperors. Both these countries in the height of their wealth, splendour, and luxury, with extended empire in all parts of the world, both dependent upon foreign nations for the supply of food, both with their agriculture ruined, and their stalwart race of yeomen disappearing, both increasing their taxation to an intolerable extent, both having substituted direct for indirect taxation, both in apparent prosperity—with a deadly canker at the heart. In the case of Rome, the fertile Campagna, formerly the granary of Italy, has lapsed into coarse weedy pasture; its drainage neglected, its rank, unconsumed vegetation decaying and forming a hotbed of fever, leaving nothing but the ruin of magnificent aqueducts and buildings to testify to its former wealth and prosperity.

In the case of England, the rich wheat-growing district of Essex, formerly the granary of England, has



been reduced to utter ruin. Mr. Pringle, the Land Commissioner, reported to the Royal Commission on the Depression of Agriculture in 1894: 'The acreage abandoned in despair is steadily increasing, and in a few years, unless some change takes place, whole parishes will be out of cultivation. Farmhouses, farm buildings, labourers' cottages, are becoming ruins, and all this within easy distance of London. The most congested districts in Ireland afford no more alarming spectacle.'

There has been a partial recovery in the condition of Essex since that time, the ruin of the previous owners and occupiers having enabled others to take up the land at nominal or greatly diminished rents.

The evidence given before the Royal Commissions of 1879, 1885, and 1897 shows that in many cases rent had for many years been paid out of capital, that capital had been gradually exhausted, lands seriously deteriorated and become foul, drainage neglected, property constantly changing hands, farmers in debt, freeholds heavily mortgaged, mortgagor and mortgagor alike ruined.

The Roman people, in the days of the Emperors, had evidently raised the cry of the big and little loaf, and Rome, like England, had foolishly become dependent upon foreign nations for the supply of food. In vain Tacitus warned the Romans of their danger. He said that formerly their armies in their distant provinces were provisioned from fertile Italy, but now they had preferred to exploit Africa and Egypt, and the lives of the Roman people were given up to the chances of the winds and the waves. *Olim Italia legionibus longinquas in provincias commeatus portabat; nec nunc infecunditate laboratur.*

*Sed Africam potius et Ægyptum exercemus, navibusque et casibus vita populi Romani permessa est.*<sup>1</sup>

Other historians have warned us of the danger. The eminent historian, Von Treitschke, wrote :

Old industries, also, require protection against foreign competition. In this respect Italy teaches us a terrible lesson. If protective tariffs against Asiatic and African breadstuffs had been introduced in time, the old Italian peasantry would have been preserved, and the social conditions would have remained healthy, but the Roman traders could import cheap grain from Africa without hindrance, and the rural industries decayed, the rural population disappeared, and the Campagna, which surrounds the capital, became a vast desert.

Michelet, in his ' Histoire de France,' states that sometimes the Emperors, alarmed at the depopulation, tried to mitigate the loss of the farmer, and to shield him against the landlord. Upon this the proprietor exclaimed that he could no longer pay the taxes. At other times he strove to chain the cultivators to the soil, but they became bankrupt or fled, and the land became deserted. Gibbon, in his ' Decline and Fall of the Roman Empire,' wrote :

Under the Emperors the agricultural Roman provinces were insensibly ruined, and the Government was obliged to make a merit of remitting tribute which its subjects were utterly unable to pay. Within sixty years of the death of Constantine, exemption was granted in favour of 350,000 English acres of desert and uncultivated land in the fertile and happy Campagna.

<sup>1</sup> Cornelii Taciti *Annal.* xii. 43.

As the footsteps of the barbarians had not yet been seen in Italy, the cause of this amazing desolation, which is recorded in the law, can only be ascribed to the administration of the Roman Emperors. Again, Gibbon says :

Since the age of Tiberius, the decay of agriculture has been felt in Italy, and it was a just complaint that the lives of the Roman people depended upon the accidents of the wind and the waves.

And, in another place, Gibbon also says :

The number of citizens still exceeded the measure of their subsistence. Their precarious food was supplied from the harvests of Lydia and Egypt, and the frequent occurrence of famine betrays the inattention of the Emperor to the wants of a distant province.

Again, Sismondi wrote in his ' Essais ' :

Gradually the abandonment of agriculture extended from one district to another. The true country of the Romans, Central Italy, had hardly achieved the conquest of the globe, when it found itself without an agricultural population. In the provinces, peasantry were no longer to be found to recruit the legions, nor cornfields to nourish them.

Ancient Greece seems to have suffered from the same cause, for Michelet wrote :

In the latter stages of the Empire, Greece was supported almost entirely by corn raised in the plains of Poland.

## CHAPTER XXXIV

### ENGLAND UNDER PROTECTION

‘ WE must not tamper with that fiscal policy under which Great Britain has gained her commercial and industrial supremacy.’ Such is the pompous phrase with which many of our legislators and others have, in the discussion of Mr. Chamberlain’s proposal, exposed their ignorance of our past fiscal history. It is time that we should discard this fiction.

The State policy under which Great Britain gained her great power, and attained her commercial and industrial supremacy, has been summed up by List as follows :

Always to favour the importation of productive power in preference to the importation of goods.

Carefully to cherish and protect the development of the productive power.

To import only raw materials and agricultural products, and to export nothing but manufactured goods.

To direct any surplus of productive power to colonisation and to the subjection of barbarous nations.

To reserve exclusively to the Mother Country the supply of the Colonies, and subject countries with manufactured goods, but in return to receive on preferential terms their raw materials and especially their Colonial produce.

To devote especial care to the coast navigation, to the trade between the Mother Country and the Colonies

To encourage sea fisheries by means of bounties, and to take as active a part as possible in international navigation.

To found by these means a naval supremacy, and by means of it to extend foreign commerce, and continually to increase her colonial possessions.

To grant freedom in trade with the Colonies, and in navigation only so far as she can gain more by it than she loses.

To grant reciprocal navigation privileges only if the advantage is on the side of England, or if foreign nations can by that means be restrained from introducing restrictions on navigation in their own favour.

To grant concessions to foreign independent nations in respect of the import of agricultural products, only in case concessions in respect of her own manufactured products can be gained thereby, or in cases where such concessions cannot be obtained by treaty to attain the object of them by means of contraband trade.

To make wars and to contract alliances with exclusive regard to her manufacturing, commercial, maritime and colonial interests.

To gain by these alike from friends and foes ; from the latter by interrupting their commerce at sea ; from the former by ruining their manufactures through subsidies which are paid in the shape of English manufactured goods.<sup>1</sup>

Under that policy of strict Protection Great Britain developed her manufactures, and had a complete monopoly of them ; she had the control of all the markets of the world, and became the greatest capitalist nation. Alison, in his ' History of Europe,' wrote :

There is, perhaps, no example in the annals of mankind of a nation having made such advances in industry, wealth, and numbers as Great Britain has made since the peace. In the

<sup>1</sup> *National System of Political Economy*, F. List, p. 294.

thirty years that have elapsed since the Battle of Waterloo, during which it has enjoyed, in Europe at least, almost uninterrupted peace, its population has increased more than one-half, having advanced from 18,500,000 to 28,000,000 ; its imports have doubled, having risen from £32,000,000 to £70,000,000 ; its exports have more than tripled, having swelled from £42,000,000 to £130,000,000, exclusive of Colonial produce ; its shipping has doubled, having grown from 2,500,000 to 5,000,000 tons. . . . During the same period, the agricultural industry of the country has been so far from falling short of this prodigious increase in its commercial transactions, that it has signally prospered ; the dependence of the nation on foreign supplies has steadily diminished, until *the grain annually imported had come* (on an average of five years, ending with 1835) *to be no more than a two-hundredth part in average years of the annual consumption ;* and the prodigy was exhibited of the rural industry in an old state possessing a narrow, and long cultivated, territory not only keeping pace with, but outstripping an increase of numbers, and augmentation of food required for the purposes of luxury, unparalleled in any age.<sup>1</sup>

It must be remembered that during this period there were but few railways, and scarcely any steam navigation ; it was only at the end of this period that the great railway mania set in.

About 1835 an extraordinary era of prosperity sprung up throughout the whole civilised world. This was due to numerous improvements in arts, sciences, and inventions, as well as to improved communication by railways, steam navigation, and telegraphs, which made such rapid strides during the second quarter of the nineteenth century.

<sup>1</sup> Alison's *History of Europe*, cap. xcvi. 66.



England was the great pioneer in these improvements ; then came the great rush of gold from California and Australia, causing an expansion of the currency of the world, which is always accompanied by increased activity of trade. Foreign nations shared this prosperity as well as ourselves, but England was in a better position than any other nation to reap the advantages of this altered condition of affairs. As already stated, she had the markets of the world in her hands ; she had developed her coal, her iron, and her textile industries, and had a complete monopoly of them ; she not only supplied manufactures and machinery for the whole world, but, as the great capitalist nation, she furnished funds for every public work abroad, with the understanding that plant and materials of every description should be supplied from England. The value of her investments increased enormously with the rapid development of the countries in which they had been invested, and she has been enabled constantly to reinvest the produce of these investments, so that her wealth as a capitalist has become enormous, and must now amount to many thousand millions sterling. The English people, generally, satisfied with this rush of prosperity and wealth, accepted, without inquiry, the persistent claim of the advocates of Free Trade for this result, and this idea has been so thoroughly ingrained into the English mind, that those who venture to question it have been thought to be beyond the reach of argument.

Of late the opponents of Tariff Reform have disputed the great progress and prosperity of Great Britain under her protective policy, on the ground that there had been

times of distress during that period. The causes of such distress have been fully explained under the headings of the 'Bank Charter Act,' and 'The Hungry Forties,' as having been caused by temporary money crises due to our faulty Bank Act, but the leaders in the early days of the Anti-Corn Law League have admitted the prosperity in the period preceding the repeal of the Corn Laws in 1846.

Cobden, speaking at Covent Garden in 1843, said 'trade was good.' Again, in referring to 1844, he said that 'corn had gone down to 45s., trade and commerce were thriving, revenue was flourishing, and pauperism had declined.' And he said in 1845, 'that duties were reduced by £3,000,000 because the Treasury overflowed with excess.'<sup>1</sup> He also admitted that 'what the Anti-Corn Law League had failed to accomplish, the Irish Famine, owing to the failure of the potato crop, effected.'

John Bright, in a speech in London, December 19, 1848, said :

Within the last fifty years, trade has done much for the people of England. Our villages have become towns, and our small towns large cities.

M. Montgredien, also, the great French Cobdenite champion, stated, in 1845 :

The country is flourishing, trade is prosperous, the working classes are fully and remuneratively employed, and bread is cheaper than it has been for many years.

This was the year before the adoption of our present policy by the repeal of the Corn Laws.

<sup>1</sup> *History of the Corn Laws*, p. 109.



McCulloch, in 1846, wrote :

The rapid growth and prodigious magnitude of Great Britain is beyond all question the most extraordinary phenomenon in the history of industry.

And a writer in the *Edinburgh Review* stated :

We have greatly extended our commerce and have increased to an extraordinary degree our powers of production, and, we may add, agricultural wealth. Our great cities have extended with a rapidity wholly unexampled.<sup>1</sup>

<sup>1</sup> *Edinburgh Review*, 1845.

## CHAPTER XXXV

### ENGLAND UNDER FREE TRADE

THE year 1846, in which our present fiscal policy was adopted, opened auspiciously. In January 1846, the Queen's Speech assured Parliament of

the prosperous state of the realm, the increased demand for labour, and the general improvement that had taken place in the internal condition of the country.

Shortly afterwards the leading bankers and merchants of the City of London

thought it right to state for the information of Parliament that the commercial and manufacturing interests had been for some time in a state of great activity and prosperity.

The month of May, in the same year, witnessed the passing of the Act which formed the first step in our Free Trade policy. In vain it was urged that it would throw land out of cultivation ; that it would involve dangerous dependence on foreign supplies, and heavy taxation of England's industries. For many years England did not feel the blighting effects of Free Trade. She had a good start in the race, and it would naturally take years for other nations to overtake her ; but the capital which she recklessly expended in purchasing abroad commodities that might have been produced at home, gradually armed

other nations with funds for successful competition with her. It was not until after twenty or twenty-five years that the effects of her policy began to be felt.

Having laid the foundations of her industrial prosperity *under Protection*, and having thereby secured the command of the world's markets, she was not merely the first, but for many years *the only country* able to utilise these new forces that then came into play.

For more than twenty years fortuitous events, such as the Crimean war in the fifties, civil war in the United States, and Continental disturbances in Europe in the sixties and early seventies, retarded the progress of foreign nations, but as soon as foreign Protectionist nations were able to avail themselves of the new industrial conditions, they successfully competed with her even in her own markets, and our country is flooded with the productions of the very nations which we formerly supplied. Since that time her agriculture, silk, sugar-refining, and other important industries have been seriously injured, while others have struggled hard for existence.

Her agriculture, being more heavily burdened by taxation than any other industry, was the first to suffer; and in 1879 a Commission was appointed to inquire into its depression. The evidence before that Commission disclosed a ruinous state of affairs. Amongst the causes which tended to aggravate the depression, the Commission assigned a prominent place to the pressure of local taxation, which had been greatly on the increase. Sir James Caird estimated the loss of farmers' capital in six years at £38,000,000 sterling. Mr. Giffen admitted that there had been an enormous depression, involving

losses equivalent to what is usually considered the whole of the farmers' profit. The evidence showed that the inroads made on agricultural capital rendered it impossible to continue good farming, and that in many cases the land had sunk in condition and become foul, had run to weed, and gone out of cultivation. It was not long before manufacturing industries followed agriculture in its decay. In 1885 a Royal Commission was formed to inquire into the depression of various branches of trade and industry. This Commission considered agriculture 'the most important industry, both as regards the amount of capital embarked, and its influence on national prosperity'; but, while admitting the serious character of the depression, it could only suggest, in mitigation of the evil, a better regulation of railway rates, and the adjustment and reduction of taxation, which would afford some slight measure of relief. The evidence of those who were connected with the manufacturing industries showed that the depression was not of a temporary but of a permanent character; that it extended to nearly every class of industry, entailing loss of capital, diminished profits, and short employment of the working classes. The Commission, however, had but few definite recommendations to make, and these were not of a very practical nature, being principally confined to cheapening the cost of production, increased vigilance, search for new markets, technical education, and consular assistance.

Cardinal Manning, speaking of the depression of trade and industries, said :

Every city has its unemployed ; millions are in poverty, agriculture languishes, land is going out of cultivation, trades

are going down, mills and furnaces working at half time, strikes run through every industry. Is there a blight on our mountainous wealth? At this day we have 3,000,000 poor, who, in the course of the year, are relieved in some way by the Poor Laws.

In 1889, Mr. Samuel Smith, M.P., said :

The last eighteen years have been the gloomiest of the whole commercial history of the country, wages being constantly forced down, and the relations between employers and employed strained to the uttermost degree.

In February 1901, Mr. Macara, President of the Master Cotton Spinners' Federation, stated :

In the last twenty-five years Great Britain's consumption of American cotton only increased about 10 per cent., whilst the world's consumption increased about 250 per cent. During the great depression in England's cotton industry, from 1892 to 1897, 4,000,000 spindles were broken up. Whilst England an practically remained stationary, it is estimated there was increase of no fewer than 15,000,000 spindles abroad in the last ten years.

Lord Masham stated that the silk trade of England had been ruined by foreign competition, and Mr. Kipling, a silk manufacturer, in contradicting Sir Lyon Playfair's assertion that employment was general and wages good, stated that the greater part of silk weavers had no work, though quantities of foreign goods were imported each week.

The state of the woollen trade was scarcely more satisfactory. In 1879, Mr. John Bright comforted the Bradford woollen manufacturers in their depression by telling them :

Home trade is bad, mainly or entirely, because harvests have been bad for many years; the remedy will come with more sunshine and better yield of land; without this it cannot come. I believe that owners or occupiers of land have lost more than £150,000,000 through the great deficiency of harvest.

Thirty years have elapsed, but the remedy has not come. Agriculture remains in a very depressed state, and the woollen trade of Bradford suffered greatly from the McKinley Tariff of 1891.

An official consular return, which was issued October 22, 1892, on the value of exports from the consular district of Bradford to the United States during the month of September, indicates a decrease on the corresponding month of 1891 of £323,546 sterling—or a total decrease of £1,861,065 sterling for the nine months of 1892, as compared with the nine months of 1891. How heavily Bradford trade has been handicapped by the McKinley Act may be seen from the fact that the decrease in all woollen exports of the United Kingdom to all parts of the world in the nine months of 1892, as compared with the nine months of 1891, has been £9,984,191. No less than about one-fifth of this decrease, therefore, is accounted for alone by the decline of the Bradford export trade to the United States. Those in the Bradford trade were told that the McKinley Tariff would not hurt them, because the volume of trade with other countries would increase. For the first nine months of 1892 the total exports of worsteds from all parts of the world were of the value of about £6,750,000 sterling. During the first nine months of 1891 the value was £8,500,000. Thus

there was a falling-off of £1,750,000, or almost precisely that which has taken place in this branch of exports to the United States alone. The linen trade is apparently dying out.

It was computed that the iron industries of Great Britain had lost £160,000,000 in four years ; thus parting with its valuable, but by no means inexhaustible, assets at a loss. But of such details the Board of Trade statistics of commerce take no account.

The *Iron and Coal Review*, describing the depression in 1878, stated that the collieries were only kept going at heavy loss, and some coal-owners were ruined. To enable the South Wales collieries to be kept partially going, the men 'lent' the masters, as it is called, a shilling in the pound.

The Royal Commission of 1897 on Agriculture shows that things had gone from bad to worse. Since 1875, upwards of 2,137,000 acres of arable land had gone out of cultivation, 1,900,000 acres of which had been under wheat ; there had been a diminution of 399,000 cattle and 2,941,000 sheep, and a decrease of £13,250,000 in the annual value of lands in Great Britain. There had been no increase in rental in the last fifty years, notwithstanding the large capital expenditure in the interval. The net rent had been a little more than half the agreed rent, and a considerable portion of the rental received by the owners was merely a return for capital expended in equipping and furnishing the estates, and not rent for the land itself. Those yeomen who had bought farms in prosperous times were in a worse plight than the tenant farmers, because a large portion of their purchase money had



been left on mortgage, and they soon sunk, overwhelmed by the burden of interest, so these were the first to go ; but the tenant farmers soon followed in large numbers between 1879 and 1889.

There had been a large decrease of agricultural population ; and employment was uncertain and irregular ; wages had in many places fallen 2s. to 3s. a week.

Between 1880 and 1884 the number of farms given up in despair for reasons over which the occupier had no control was enormous. On poor estates no attempt was made to bring the land round ; it was left alone, and gradually tumbled down to such coarse and inferior herbage as Nature produced. Rentals had been greatly reduced, arrears blotted out, remissions given, large sums expended on buildings ; but, in spite of all, the tenants were still unable to pay in full.

Mr. Everett, M.P., formerly a yeoman farmer, said of the farmers in Suffolk, who had no other resources than their farms, that they were steadily going to bankruptcy and ruin, ' though there was not a more capable, frugal, industrious, worthy class of men,' and he added, ' the bankruptcy of a farmer in all my early experience was a thing quite unknown.'

In some parts there had been a reduction of rent from 25 to 35 per cent. on the best lands, and 50 to 60 per cent. on medium lands ; on light, poor lands no rents could be obtained.

Contrasting the natural and economic conditions existing in the several countries, and in Great Britain, we fear there



is no near prospect of any permanent abatement in the pressure of foreign competition.<sup>1</sup>

The following statistics furnished in the report give an indication of the serious character of this competition:<sup>2</sup>

	1873-75.	1893-95.
Acreage under wheat .. ..	3,671,704	1,794,612
Home supply (quarters) ..	11,947,000	6,869,000
Net imports ,, .. ..	12,191,000	22,896,000
Total supply ,, .. ..	24,138,000	29,765,000
Proportion of import to supply	50·50%	76·92%
Bushels per head, per annum ..	5·94	6·14

The import of butter, margarine and cheese:<sup>3</sup>

	1876.	1895.
Margarine and butter (cwt.) ..	1,604,000	3,672,000
Per head of population (lb.) ..	5·4	10·5
Cheese (cwt.) .. .. ..	1,469,000	2,063,000
Per head of population (lb.) ..	5·0	5·9

The Supplementary Report, signed by ten of the fourteen members, states that they have made a number of recommendations, but none of them pretend to be remedies, or anything more than palliatives; that the decline of wheat was not due to any great growth of production—in fact, the growth of the acreage under wheat

<sup>1</sup> *Final Report of the Royal Commission on Agriculture*, 1897, p. 87.

<sup>2</sup> *Ibid.* p. 55.

<sup>3</sup> *Ibid.* p. 76.

had lagged behind the growth of population ; that the remedy suggested by the majority of witnesses had been a *return to Protection*, but the most sanguine of them did not regard its adoption as within the pale of practical politics.<sup>1</sup>

Since that time, however, public opinion has changed, and a Protective policy may now be said to be quite within that pale.

The universal lack of employment in Great Britain, described in Chapter XXX, is the subject of grave apprehension, but unfortunately many of the apologists for Free Trade are inclined to close their eyes to unwelcome facts. They appeal to the augmentation of wealth, and to the bettered condition of the country and the people, but they ignore the fact that these advantages have been shared by all civilised nations in a far greater degree than by ourselves.

Professor Fawcett, although a staunch supporter of our Free Trade policy, has said :

We in England are much too prone to overstate the results of Free Trade. Scarcely a week elapses without its being said, as if it were a triumphant rejoinder to all that is urged by the American, the Continental, or the Colonial protectionist, 'English exports and imports have more than quadrupled since Protection was abolished, the income of the country, as shown by the yield of the income-tax, has more than doubled, wages have advanced, and population has increased.' But a moment's consideration will show that other causes have been in operation besides Free Trade, to promote this wonderful growth of prosperity. Amongst

<sup>1</sup> *Supplementary Report*, pp. 160, 161.

others that might be enumerated, it is sufficient here to mention that, about the same time that Protection was abolished, our railway system was developed, steam was more largely used as a motive power in almost every branch of industry, and the discovery of gold in Australia gave a powerful stimulus to emigration. . . . Nothing seems to me more certain than that, in discussing the position of Protection at the present time, something more is required than perpetual appeals to the rapidity with which commerce has grown and wealth accumulated in England. Our opponents will not be thus convinced, for they have a reply ready at hand which they are not slow to use. The French Protectionist may, for instance, say, 'What justification is there for assuming either that England is so much more prosperous, or is so much more wealthy than France? . . .'

In like manner American and other Protectionists may adduce statistics to show the increase of wealth which has taken place under the Protectionist tariffs imposed in their own countries.<sup>1</sup>

In 1878, the production of pig iron in Germany and also in the United States was only about one-third of that of Great Britain; in 1907 the production of pig iron in Germany exceeded that of Great Britain by about 25 per cent., and the production in the United States exceeded that of Great Britain by 150 per cent.

Before the adoption of our present fiscal policy in the forties, the trade and industries of Great Britain were, of course, in a far more developed condition than those of Germany and the United States; consequently a *relative* comparison is not altogether conclusive, but the progress in Germany and in the United States has

<sup>1</sup> *Free Trade and Protection*, Henry Fawcett, M.P., p. 11.

been altogether out of proportion to their initial and final development, for according to the Cobdenite doctrine they ought to have been ruined ; while Bastiat insisted that if a country adopted Protection, her ruin was assured ; moreover, the progress in the protected countries has not only been *relatively* but *actually* great.

Both Germany and the United States have surpassed us in the production of iron, which is a most important factor in the development of nearly all other industries.

In 1907, the production of iron ore in Great Britain was 15,732,000 tons, in Germany it was 27,697,000 tons, in the United States it was 51,721,000 tons ; the consumption of pig iron was as follows : in Great Britain 8,273,000 tons, in Germany 13,045,000, in the United States 26,194,000. Even in the production of coal, in which the superior excellence of our steam coal gives us every advantage in foreign markets, the United States have surpassed us, the production of Great Britain being 267,831,000 as against 428,856,000.

The following table, compiled from Mulhall's 'Dictionary of Statistics,' shows that the progress has been greater in nations under a policy of Protection than in Free Trade Britain.

	Period.		Increase per cent.		
			United Kingdom.	Germany.	United States.
	From	To			
Revenue ..	1850	1889	52½	550	776
Commerce ..	1850	1889	338	416	416
Population ..	1860	1890	31¼	27½	99
Railway miles	1850	1888	199	567	1638
General manufactures ..	1840	1888	112	288	1403
Textile manufactures ..	1850	1887	57	173	300
Woollen manufactures ..	1841-50	1871-80	28½	30¼	197
Raw cotton consumed ..	1856	1887-8	160	720	350
Coal production ..	1860	1890	248	1306	2104
Pig iron production ..	1850	1889	267	1027	1257
Copper production ..	1850	1889	decrease	809	28
Cotton cloth..	1841-50	1881-87	„	20	11¼
Wool... ..	1840	1887	32	23½	392
Wages (day labour) ..	1835	1880	50	125	57

## CHAPTER XXXVI

### IRELAND UNDER PROTECTION AND FREE TRADE

‘ No country on the face of the earth has been so misunderstood or misgoverned as Ireland.’ This was the verdict of that eminently practical statesman, Mr. W. H. Smith, M.P.

It is beyond all dispute that Ireland, being a purely agricultural country, has been ruined by our fiscal policy.

Before the adoption of Free Trade, Ireland was contented, prosperous, and steadily increasing in population ; she is now discontented, poverty-stricken, and her population is steadily dwindling away. During the past half-century she has been in an anæmic condition. The introduction of Free Trade has deprived her of the advantages she previously enjoyed, in an export trade for her industries to Great Britain, and has transferred it to foreign countries.

To remedy the distress caused by this loss, our Parliament has had recourse to mischievous Land Acts, opposed to every principle of political economy, which have violated all rights of property, and freedom of contract ; and these Acts have naturally intensified the evil. Moreover, the Liberal Party, in order to capture the Irish vote, have held out inducements to agrarian outrage, and, by their weakness, and vacillating policy of alternate

coercion and concession, brought about a condition of unrest and anarchy, described by one of the Irish judges as follows :

The very existence of society is threatened, and life continues to be insecure, or is rendered so miserable as to be worthless. Right is disregarded, property is unsafe. There is no industrial enterprise, no employment for the labouring classes ; trade does not flourish ; capital has fled.<sup>1</sup>

It may be instructive to take a brief retrospect of the state of Ireland before the adoption of our Free Trade policy in 1846. During the second quarter of the nineteenth century Ireland showed great capabilities for improvement and national development. Between 1825 and 1835 Ireland's exports and imports had nearly doubled. Between 1821 and 1841 her population had increased from 6,802,000 to 8,196,000. That the population was not too great for the land is proved by the fact that the whole of the resources of the country were not utilised.

She supplied large quantities of wheat to England, and one strong argument used by Mr. Huskisson and his followers in 1814, in support of the Corn Laws, was that :

Ireland had come to supply England with corn for which she received several millions, which had been employed in improving the soil, and which, but for that law, would have gone to Holland, or some other country. The importation from Ireland now amounts to £3,000,000 annually with a probability of still greater increase. Are we prepared to throw away that benefit to our own subjects ?<sup>2</sup>

<sup>1</sup> Charge to the Grand Jury, December 6, 1881.

<sup>2</sup> Alison's *History of Europe*, XII. xcii. 25.



During the period 1826 to 1835 the exports of Ireland increased in the following ratio. Oxen, 70%; sheep, 100%; pigs, 410%; wheat, oats, &c., 90%. The county cess rose, between 1825 and 1838, 50%. The transfers of invested funds from England to Ireland exceeded those from Ireland to England by £1,000,840 in the period 1832-41. Deposits in county banks increased in the same period by 124%. Crime and pauperism were diminishing.

During the first quarter of the century the exports from Ireland to Great Britain more than doubled.

Cotton cloth exports had risen from	1256 yds.	to 10,567,000
Linen manufacture	„ „ „	38,000,000 to 56,000,000
Undressed flax	„ „ „	1369 cwt. to 54,900 cwt.
Irish spirit	„ „ „	178,000 gals. to 629,000 gals.

Ireland's exports of grain, meal, and flour to Great Britain were :

Year.	1805.	1815.	1825.	1835.	1845.
Quarters	306,924	821,192	2,203,962	2,679,438	3,351,901

The decrease of Ireland's acreage under wheat after the adoption of our Free Trade policy in 1846 was :

1847.	1851.	1861.	1871.	1881.	1891.	1901.
743,871	504,248	401,243	244,451	153,794	80,870	42,934

The Weavers' Committee in 1840 reported :

The comparative prosperity enjoyed by that part of Ireland where tranquillity ordinarily prevails, such as the counties of Down, Antrim, and Derry, testify the capabilities of Ireland to work out her own regeneration when freed from the disturbing causes which have so long impeded her progress in civilisation and improvement. We find there a population, hardy, healthy, and employed. Capital fast flowing into this



district, new sources of employment daily developing themselves, and people well disposed alike to the Government and to the institutions of the country, and not distrustful or jealous of their superiors. . . . The manufacturing industries of Ireland are doing well. . . . The woollen trade in Ireland is in a more sound and healthy condition than it has ever been, and its yearly advance may be confidently expected.

There was an abundant supply of land for the increasing population; 1,200,200 acres of land, in addition to that which was then under cultivation, was fit for tillage; besides a million acres of bog land capable of reclamation at a little more than £1 per acre.<sup>1</sup>

With such capabilities nothing short of the most extraordinary prosperity in Ireland ought to have followed the general advance of wealth throughout the whole civilised world, caused by the improvements in art, science, machinery, steam, railways, and electricity, and the flow of gold from California and Australia in the fifties. But what do we find after more than half a century during which we have been delivered into the hands of economic charlatans? Land passed out of cultivation; farms abandoned; agriculturists ruined; population decreasing; emigration increasing; oppression, anarchy, outrage and murder rife.

It was a wise king who said that if he had a province to punish he would deliver it up to the rule of political philosophers.

The ruin of Ireland's agriculture has been ascribed to rack-renting, but this is absurd. Rent in Ireland has

<sup>1</sup> Chadwick's *Alternative Remedies for Ireland*, p. 19.

been lower than in other countries. The average rent in Ireland in 1843 was 12s. per acre, that of England 32s., and that of Scotland 28s.<sup>1</sup>

Mr. Molinari stated that the rent of land of equal quality was lower in Ireland than in Holland. In France, Belgium, and Holland, rent averaged about 30s. During the half-century 1851–1900, no less than 2,300,000 acres in Ireland have gone out of cultivation, viz. 1,575,000 of corn crop and 725,000 of other crops; and during the six years ended 1906 nearly 100,000 acres have gone out of cultivation. The population decreased from 8,196,000 in 1841 to 4,500,000 in 1901; and, if the same rate of diminution has continued since the last census, the population of Ireland in 1908 must be less than half of that of 1841. As already stated, before the introduction of Free Trade, Ireland supplied enormous quantities of agricultural produce to England. In the eight years preceding the repeal of the Corn Laws she exported to England 22,268,000 quarters of grain, mostly wheat. In the eight years succeeding the repeal, this amount declined to 10,849,000 quarters, representing a loss of about £24,500,000 to the agriculturists of Ireland; and, as Ireland is essentially an agricultural country, the ruin of agriculture means the ruin of Ireland.

No doubt the potato blight, and the consequent famine in 1846, was a serious blow to Irish agriculture; but these were followed by magnificent harvests, and £10,000,000 were generously voted by the British Government for the relief of Ireland. Moreover, the prosperity

<sup>1</sup> Mulhall's *Dictionary of Statistics*.

due to the great gold discoveries of California and Australia, in the fifties, must have fully effaced the effects of the famine, even if such effects then remained. Any other country, of which the resources had been properly fostered, would have rapidly recovered from this shock, but the population of Ireland has steadily decreased, and the country has sunk lower and lower.

Both England and Scotland were in like condition, but they were not so wholly dependent on agriculture as Ireland. From Commissioner Symmonds' report it appears that the expenditure on the poor had become heavier than before the Poor Laws were introduced in 1835. The *Edinburgh Review* stated :

Every ninth person in England is now a pauper, and the increase in paupers during the last three years has been double in proportion to the relative number of criminals.<sup>1</sup>

In Glasgow and its suburbs the poor rates, which before 1846 amounted to less than £30,000 a year, had risen in the years 1846-9 to £200,000. In Scotland the expenditure on the poor rose from £295,232 in 1846 to £577,044 in 1849.<sup>2</sup> Emigration increased from 93,500 in 1845 to 248,582 in 1848. Crime increased in the period 1845-9 from 24,303 to 30,349 cases in England, and from 3531 to 4909 in Scotland, and from 16,696 to 38,522 in Ireland.<sup>3</sup> The numbers of holders of farms decreased from 883,097 in 1846 to 658,834 in 1848.<sup>4</sup> The *Times*, alluding to the desertion of land, and the

<sup>1</sup> *Edinburgh Review*, October 1848, p. 524.

<sup>2</sup> *Scotch Poor Law Report*, 1849.

<sup>3</sup> *Parliamentary Report*, 1849.

<sup>4</sup> *Official Return of Agricultural Produce in 1848*.

flight of the tenants with the landlords' rents in Ireland, wrote :

Then came the distraint, the impounding, the sale, the sacrifice of property, while the home market, *swamped by Free Trade with foreigners*, has left the landlord or farmer with no help or resources whatever to bear up against the intolerable oppression of financial burdens under the free constitution of Great Britain.<sup>1</sup>

At a meeting in Limerick Lord Monteagle was urged to represent to the Lord Lieutenant

The utterly prostrate condition of all agricultural properties, and the universal failure of every expedient of the best laws of economy to sustain the Irish farmer, destitute of capital, bereft of legitimate protection, overwhelmed with poor rates and taxes, *against the Free Trade imports of the whole world*. The Ministerial policy of Great Britain, under sanction of a law, which thousands of her loyal subjects deprecated, invites the foreign traders from all points of the compass to import at a nominal duty, and then suffers them to export in specie only to their own country. What other ballast have the fleets of foreign vessels conveyed from our shores but metallic and bank currency? *With such unreasonably unequal competition at his very door the native grower finds no market for the produce of his honest industry, unless at a price wholly incompatible with the position of the solvent man. . . . Ireland has unfortunately no trade or manufacture to employ her people, and wherefore is best known to England ; but her only staple, agriculture, which all nations, ancient and modern,<sup>2</sup> love to cultivate, will soon be little more than a name.*<sup>2</sup>

<sup>1</sup> *Times*, November 4, 1849.

<sup>2</sup> *Limerick Chronicle*, October 6, 1849.

From this intolerable condition both Ireland and Great Britain were temporarily relieved by the great discoveries of gold in California and Australia in the fifties, and to these discoveries Great Britain owed much of that prosperity which has been falsely claimed as the work of Free Trade.

Alison, in his 'History of Europe,' thus described the result of these discoveries :

The annual supply of gold and silver, for the use of the globe, was by these discoveries, suddenly increased from an average of £10,000,000 sterling, to one of £35,000,000. . . . Prices rapidly rose, wages advanced in a similar proportion, exports and imports enormously increased while crime and misery as rapidly diminished. Emigration itself which had reached 368,000 persons a year sank to little more than half that amount. *In Ireland the change was still greater and probably unequalled in so short a time in the annals of history.* Wages of country labour rose from 4d. a day to 1s. 6d. or 2s., convicted crime sank nearly one half; and the increased growth of cereal crops, under the genial influence of these advanced prices, was as rapid as its previous decline since 1846 had been. At the same time decisive evidence was afforded that all this sudden burst of prosperity was the result of the expanded currency, and by no means of Free Trade, in the fact that *it did not appear until the gold discoveries came into operation, and then it was fully as great in the protected as in the Free Trade States.*<sup>1</sup>

Mr. R. Lacey Everett, Liberal member for Woodbridge, Suffolk, a yeoman farmer, has given the following description of the state of agriculture before the gold discoveries :

<sup>1</sup> *History of Europe, Continuation, Alison, VIII. p. 835.*

Curiously enough the Corn Laws were taken off just before the gold discoveries began. When they were taken off the farmers and land-owners of those days said, 'Now we shall be ruined by foreign competition. I am old enough to remember what those fears were. For a few years things were very bad. In the county where I live there were bitter complaints, and wages on farms went down to 8s. a week, and even at those miserable wages employment was very bad to get. To this day I remember how my heart ached at the sight of the sorrowful faces of the men, with families to keep at home, who came begging to be set on, but whom none of the farmers wanted! God knows how bad I felt when I had to tell them for my father that he could not set them on: some of the faces haunt me to this day. But about 1853 the new gold began to tell, and from that time, for the next 25 years, farming never looked back. . . . The produce of the land, taking it all round, the corn, the meat and the wool together, instead of falling in price in fact rose. The farmer got the advantage first, then the landlord and the other classes began to share. The labourer was the last to get the full benefit, just as he has been the last to feel the full brunt of the present evil times now; but the benefit came in the end to him, too. . . .'

The wonderful prosperity of those years led to the people being better fed, better clothed, and better employed than they had ever been before. It is the wealth, gained in those years, that has kept the country going, as well as it has gone, through the terrible losses of the last few disastrous years.<sup>1</sup>

In course of time, however, with the diminution of the supply of gold, and the contraction of the currency, the effects of foreign competition began to be felt. The reports of the various Royal Commissions of 1879, 1885,

<sup>1</sup> *The Cable*, October 27, 1894.



and 1893, on the Depression of Agriculture and Industries, disclosed a terrible state of ruin, the details of which have been already given in the preceding chapter.

When Ireland in its starvation began to cry out, our rulers had recourse to mischievous Land Acts which only aggravated the evil ; and Act after Act has been passed in the endeavour to patch up the blunders of its predecessors. The more important of these Acts are :

The Encumbered Estates Act	..	..	1850
Bright's Act	..	..	1870
Church Act	..	..	1870
Gladstone's Act	..	..	1881
Ashbourne Act	..	..	1885

Mr. Butt, formerly leader of the Irish party, has thus described the ruin caused by the Encumbered Estates Act :

It forced properties to a general auction, to be sold for whatever they would bring, at a time when legislation had imposed new and unheard of burdens on landed property. At a time of unprecedented depression in the value of land it called a general auction of Irish estates.<sup>1</sup>

Excessive rack-renting has been attributed to sales under the Encumbered Estates Act. In these sales persons bought small portions of property ; of course their interest was to get as large a return as they could, and they thought of nothing but an increase of rent.<sup>2</sup> The purchasers were largely merchants, professional men, and shopkeepers, who invested their savings in land as

<sup>1</sup> *Rent Right in Ireland.*

<sup>2</sup> *Minutes of Evidence, Lords' Committee, 1867.*

a pure investment. One of the chief inducements for them to buy was the right to raise the rents to anything they could get, and naturally many of them did so.

Mr. Sullivan wrote :

Estates that would have been well able to pay twice the encumbrances laid upon them, if property was at all near its ordinary level of value, now failed to realise enough to meet the mortgages, and the proprietors were devoted to ruin. . . . The tenants complain that they have gained little, and lost much, in the change from the old masters to the new.<sup>1</sup>

Nearly five millions of acres were thus sacrificed, and thousands of landowners were reduced to beggary by the working of this Act. The new landlords, who had purchased these estates at such low prices, were able to make a temporary show of prosperity on the ruin of their predecessors ; but when this was over the cry again arose, and fresh legislation was thought necessary. It only required the Act of 1881 to complete the ruin.

The Land Act of 1870 was a violation of the rights of the landlord, but was allowed to pass on the understanding that it would be final. It was, therefore, a breach of faith to reopen the question by a measure of further confiscation in 1881. It was more especially a breach of faith to those who, at the invitation of the Government, had purchased land in the Encumbered Estates Court, with an indefeasible title, which this Act has now converted into a mere claim to a precarious rent-charge. The present tenant may have gained some small but inadequate advantage from the losses of the

<sup>1</sup> *New Ireland*, A. M. Sullivan, p. 88.



landlord, and have made some transient show of prosperity upon it ; but, proverbially improvident as the Irish are, he will, in the end, be worse off than ever. In future he will have no one, like the good landlord of old, to help him to tide over bad seasons, or to improve the property in prosperous times. When another failure of crops occurs in Ireland, the disaster from this cause will be appalling.

The landlords of the past, who have been rooted out by the Encumbered Estates Act, do not appear to have been radically bad. Sullivan, speaking of them, said :

The conduct of Irish landlords throughout the famine period has been variously described, and has, I believe, been generally condemned. I consider the censure visited upon them too sweeping ; I hold it to be in some respects cruelly unjust. . . . It is impossible to contest authentic cases of brutal heartlessness here and there ; but, granted all that has to be entered on the dark debtor side, the overwhelming balance is the other way. The bulk of the resident landlords manfully did their best at that dread hour. If they did too little, compared with what the landlord class in England would have done in such a case, it was because little was in their power.<sup>1</sup> . . . To the landowners the failure of one year's receipts meant mortgage, foreclosure and ruin, yet cases might be named by the score in which men scorned to avert, by pressure on their suffering tenantry, the fate they was impending over them. *They went down with the ship.* No adequate tribute has ever been paid to the memory of those Irish landlords, and they were men of every party and creed who perished, martyrs to duty, in that awful time.<sup>2</sup>

<sup>1</sup> The very low rents which prevailed in Ireland placed them at a disadvantage when compared with an English landlord.

<sup>2</sup> *New Ireland*, A. M. Sullivan.

Mr. Justin McCarthy, in his 'History of our Times,' says :

The landlordism of the days before the famine never recovered its strength and primitive ways. For the landlord there came, of the famine, the Encumbered Estates Act.

Lecky says :

No fact is more clearly stamped upon any page of Irish agrarian history, than that men of the farmer class have always been harsher masters than men of the gentleman class.<sup>1</sup>

Sir Robert Giffen, speaking of the manner in which rents have failed to rise with the price of cattle and dairy produce, says that :

The farmer and labourer have in fact had all the benefit of the rise in agricultural prices.<sup>2</sup>

The following is an extract from a letter to the author, from a passenger to the United States on board the R.M.S. *Caronia*, April 1905 :

We have 3000 passengers on board this ship, and I am dictating this letter to you in the stenographer's room. There are, roughly, about 1800 steerage passengers, and at Queens-town we took on board three large steamer loads of the flower of the youth of Ireland. If we were trying to impoverish our country as quickly as possible we could not act in a more expeditious manner than we are doing. Most of these Irish emigrants, both boys and girls, are young, healthy and vigorous. We are mad enough to encourage them to leave

<sup>1</sup> *Democracy and Liberty*, Lecky.

<sup>2</sup> *Progress of the Working Classes*.

our shores, and we have not yet stopped the importation of those miserable creatures who infest the East of London, and who, indeed, are the scum of Europe.

There can be no prosperity in Ireland until Great Britain frees both herself and Ireland from the paralysing influence of Cobdenism, until she protects the industries and develops the resources of Ireland.

## CHAPTER XXXVII

### OUR COLONIES

PROFESSOR SEELEY, in his admirable work, 'The Expansion of England,' after ably tracing the progress of England's system of dependencies, and drawing sound conclusions from the teachings of history, writes :

The old Colonial system is gone, but in place of it no clear and reasoned system has been adopted. The wrong theory has been given up, but what is the right theory? There is only one alternative. If the Colonies are not, in the old phrase, *possessions* of England, then they must be a *part* of England, and we must adopt this view in earnest. We must cease altogether to say that England is an island off the north-western coast of Europe, that it has an area of 120,000 square miles, and a population of thirty odd millions. We must cease to think that emigrants when they go to the Colonies leave England or are lost to England. We must cease to think that the history of England is the history of the Parliament that sits at Westminster, and that the affairs not discussed there cannot belong to English history. When we have accustomed ourselves to contemplate the whole Empire together we shall see that here, too, is a United States. Here, too, is a great homogeneous people, one in blood, language, religion and laws, but dispersed over boundless space. We shall see that, though it is held together by strong moral ties, it has little that can be called a Constitution, and no system that seems capable of resisting any severe shock,

but if we are disposed to doubt whether any system can be devised capable of holding together communities so distant from each other, then is the time to remember the history of the United States of America. For they have such a system; they have solved the problem; they have shown that, in the present age of the world, political unions may exist on a vaster scale than was possible in former times. No doubt our problem has difficulties of its own—immense difficulties—but the greatest of these difficulties is one which we make ourselves; it is the false conception that the problem is insoluble; that no such thing ever was or ever will be done. It is our misinterpretation of the American Revolution.

Although the lesson afforded by the United States of America is valuable in solving the problem that political union may exist on a vast scale in the case of compacted States, yet it is evident that the treatment of the consolidation of the British Empire must necessarily—owing to the geographical separation of its component parts—be on lines somewhat different from those cases in which the States are less scattered. The only practical and statesmanlike method of consolidating the Empire is by the spirit of patriotism; by the preservation of British institutions, and by bonds of mutual interests; by a policy of preferential treatment which will be mutually advantageous; by a policy which will leave each Colony, or assemblage of Colonies, free (as is now the case with the Dominion of Canada) to settle its own fiscal regulations, and its internal government, and to enjoy perfect freedom of action consistent with the terms of its Constitution. This freedom must, however, be subject to veto, by the Mother Country, of any action that may be an infringement of its written Constitution. The right

of veto, however, would not empower the Mother Country to alter the Constitution in any way, but merely to have its meaning interpreted in the Supreme Court of Judicature.

The proposal for a federation of the Empire by the establishment of 'Free Trade throughout the Empire,' is not only an absurdity, but an impossibility.

With our vast Imperial territory, three times as great as that of the United States, with a population four times as great, with our wonderful capabilities, our varied climates and production, and our enormous undeveloped mineral and industrial wealth, we have, within our grasp, an Imperial policy which should enable us to outstrip the United States in a far greater degree than she is now outstripping us, and would render us independent of those foreign markets from which we are being gradually ousted by heavy and increasing tariffs. But an Imperial policy must not be that narrow insular policy which takes from its dependencies everything it can, and gives nothing in return. It must not be that selfish policy which drove our North American Colonies to separation from us, and is disgusting our remaining Colonies; but a generous, enlightened policy, which considers the welfare of each and every portion of the Empire identical, a policy that will foster every industry when it needs fostering, and will protect only to the extent that may be needed to prevent the decay of an existing industry, or to develop a new one; the primary aim being to utilise the labour and produce of the whole, and to ensure a wide market within our great united Empire. It must be a policy of *Protection not*

*prohibition*, the aim of which is not to exclude foreign products, but to place our Colonial brethren and ourselves in a better, or at least in an equal position to compete with the foreigner.

But where are we to look for such a policy? Surely not to the politicians who put party before national interests; not to the petty caucuses of those economic charlatans who have impoverished the country; not to those whom M. Merimée justly describes in his 'Impressions of England':

That which strikes me most in the English politics of our own times is its littleness. Everything in England is done with a view to keep place (*conserver les portefeuilles*), and they commit all possible faults, in order to keep twenty or thirty doubtful votes. They only disquiet themselves about the present, and think nothing about the future.

In order to carry out an Imperial policy, we want the aid of practical, far-seeing, intelligent men of business, who have lived long enough out of England to shake off the idea that their 'Little Pedlington,' be it London, or Liverpool, or Manchester, or Birmingham, is the pivot on which the world revolves.

We want in England a system of Imperial organisation for promoting the consolidation and unity of the Empire; an association which will be independent of party politics, such as that which has been suggested by that veteran statesman and empire builder, Sir Charles Tupper. He has shown that there already exists the machinery for such an organisation in the periodical conferences already provided, in which the members of the Government of the self-governing Colonies meet for



mutual consultation with the members of the Imperial Government, as supplementary to them. He has proposed that the representatives of these Colonies in London should consist of High Commissioners, who are members of the Colonial Government; and that such High Commissioners should be sworn members of the Privy Council, and thus be brought into intimate and confidential communication with the Imperial Government.

A step has been made in the right direction at the Colonial Conference of 1907, when Australia proposed that a permanent secretariat should be established in London for the purpose of devising a link between conference and conference, for organising meetings, for dealing with the resolutions of the past, for furnishing the ministers of the self-governing Colonies with a means of paving the way, by informal exchange of views, for the settlement of Imperial questions, and for the promotion of mutual interests.

Twenty-five years ago Sir Lepel Griffin wrote :

The British Empire is still in its infancy : grafted, it is true, on an ancient monarchy ; it only dates from the occupation of Virginia by Raleigh, three hundred years ago. It has grown to be the greatest Empire in the world, with a territory of 9,000,000 square miles, and 300,000,000 subjects of the Queen ; and now only waits the statesman whose genius shall gather it into one mighty federation, animated by loyalty, and dignified by freedom.<sup>1</sup>

Our Empire has the possibilities of a magnificent future. Shall we seize the opportunity, or shall we lose

<sup>1</sup> *Fortnightly Review*, March 1884.



it? Shall we foster its industries, and develop its inexhaustible resources, or shall we allow the slow process of starvation amidst boundless riches to do its work? The United States of America, with all their wealth and prosperity, might now have been our own had it not been for our selfish, suicidal policy, which forced separation on our unwilling subjects. History is now repeating itself, and the weak, selfish, vacillating policy of recent years tends to the disintegration of our Empire. Shall we again neglect the plain teaching of history, and repeat the gigantic blunder we made in forcing separation on America? Shall we be content to sink into the condition into which Greece, Rome, Spain, and Portugal have fallen with the loss of their colonies?

The *laissez aller et laissez passer* policy—if it can be dignified with the name of policy—of aimless and apathetic drifting in Government, is an easy mode of shuffling off responsibility; but a day of reckoning must, sooner or later, follow such a course.

If our Empire is to be saved it must be by the strong effort of a wide, comprehensive policy, which will knit it into one mighty federation, under an enlightened system of fiscal reform—a federation homogeneous in character, unselfish in aims, and united in policy, whether each part of it be under the name of 'Dominion,' 'Commonwealth,' 'Empire,' or 'Greater Britain.' No doubt, to repeat the words of Professor Seeley, 'our problem has difficulties of its own—and immense difficulties—but the greatest of these difficulties is one which we make ourselves: it is the false conception that the problem is insoluble.'

## CHAPTER XXXVIII

### COLONIAL FEDERATION

IN 1867 the Provinces of Canada were united in one Federation under the name of the ' Dominion of Canada.' The experience of forty-two years has proved this action to have been attended with the most remarkable success. Formerly a collection of feeble, incompact colonies, distracted by racial differences, Canada has now become a great, vigorous, loyal, and prosperous nation. Australia and South Africa have lately followed the example of Canada, but their federation is of too recent an origin to have produced any striking results. Australia, moreover, is exposed to two serious drawbacks. Unwise labour legislation is a great obstacle to the development of her industries; and she has adopted a Constitution similar to that of the United States, instead of copying the Canadian Constitution, which has been framed so as to avoid the faults that have been shown to exist in that of the United States.

South Africa has wisely adopted the Canadian Constitution, but her trade has been dislocated by the late war; she will require time to recover from its effects, and to soothe those racial differences which have been evoked in the contest. The experience of Canada proves, however, that this difficulty has been overcome by federation,

and that the French colonists in Canada, formerly antagonistic, have become loyal to the backbone.

Our Colonial Federation only requires the adoption of a liberal policy of intercolonial and international preferential treatment to enable a new era of prosperity to spring up, both in the Colonies and in the Mother Country.

The trade of Canada, in common with that of other Colonies, was greatly hindered by the inequitable treaties of 1862 and 1865 with Belgium and Germany, by which Great Britain not only extended to those countries terms more favourable than those which she had accorded to her own dependencies, but actually prevented her own Colonies from fostering trade with their fellow-colonies, or with the Mother Country, by means of preferential trade arrangements. It was not until these pernicious treaties were abrogated by Lord Salisbury, that Canada was enabled to enact a preferential tariff of 25 per cent. in favour of Great Britain, in the hope of promoting a policy of preferential reciprocity within the Empire, and this preference was afterwards increased to 33½ per cent.<sup>1</sup>

This loyal offer met with no response, but was curtly rejected; yet its benefit to British trade has been great, for our export trade to Canada, which before these concessions had been seriously diminishing, revived, and in the nine years ended 1906, it had nearly quadrupled.

We import from the United States about 33,000,000 cwt. of grain and flour a year, but only about 15,000,000 cwt. from Canada. Can any reasonable man doubt that the

<sup>1</sup> The Act of July 7, 1907, has altered this arrangement by placing a specific duty on the British Preferential Tariff opposite each article upon which duties are levied.

whole of this wheat trade from the United States would be diverted to Canada by a moderate preferential tariff, which would not raise the price of wheat in Great Britain? On the contrary, it would rather lead to a reduction, as the Canadian farmer, having the advantage of a more steady and certain market, would be stimulated to grow wheat in far larger quantities; and the wheat-growing area in Canada is boundless.

Mr. Hill, who understands the United States thoroughly, and has lived in Canada, declared publicly not long ago that the time is not far off when the United States will require all the grain they can produce for home consumption, and he estimated that Canada would be able to produce 800,000,000 bushels of wheat. 'Is it not important,' Sir Charles Tupper asks, 'that, when that time comes, England will have in Canada, within a week's sail of her shores, a portion of the Empire which can furnish her with all the bread she may require to import?' In Canada both parties favour a protective policy, and in the United States the question is one of either high or low tariff. The American 'Free Trader' is not a free importer; no one in the United States would dream of adopting a policy of unlimited free import.

Unfortunately England is sorely afflicted by propagandists of 'Little Englandism,' who are influenced by that 'Anti-Patriotic Bias,' against which Herbert Spencer has warned us in his work on Sociology. This bias, he observes, is displayed so frequently and conspicuously as to affect the public opinion in an injurious way; and arises from the prevalent fashion of self-depreciation in some cases; from disgust at the jaunty self-satisfac-

tion caused by the 'bias of patriotism' when excessive; and in other cases from affectation or ignorance. He might have added, that in some cases it may arise from that unworthy feeling which sacrifices country to party, or to an unhealthy craving after notoriety, which is more easily achieved by depreciation than by praise.

It is this bias which brings out to our dependencies men who, to use the words of Sir Lepel Griffin, 'preach sedition and vilify their fellow-countrymen, who obtain one-sided and prejudiced data from those who seek to foment discord, to discourage the loyal, and encourage the traitor; men whose mission in life is less the champion of the distressed than the humiliation of his country.'

Men of this class appear to realise Edmund Burke's description of those whom he terms 'vulgar politicians': 'A liberal and prospective view of the interests of States passes with them for *romance*; and the principles that recommend it, for the wanderings of a disordered imagination. Littleness in object and in means to them appears soundness and sobriety. They think there is nothing worth pursuit but that which they can handle, which they can measure with a two-foot rule, which they can tell on their ten fingers.'

It is this Anti-Patriotic bias to which Professor Burrows alludes as follows:

Still is heard, from the lips of public men, the most unworthy exposition of British Foreign Policy. Still, with an air of philosophical authority, men warn us against concerning ourselves with the affairs of the Continent. We are still recommended to relinquish this Colony, or that military port, for fear of offending sensitive neighbours, or

being called upon to engage in the defence of our dependencies. We are told to measure our obligations by the mere calculation of profit and loss—calculations not only illusory and temporary in themselves—but utterly inadequate to bear the weight of the vast issues requiring to be balanced.

Professor Seeley writes in the same strain :

There is something fantastic in all those notions of abandoning India which are so freely broached among us. Have we really so much power over the march of events as we suppose? Can we cancel the growth of centuries for a whim, or because, when we throw a hasty glance at it, it does not suit our fancies?

It is true that we in England have never accustomed our imaginations to the thought of Greater Britain. Our politician, our historian, still think of *England*, not of *Greater Britain*, as their country.

They still think only that England has Colonies, and they allow themselves to talk as if they could easily whistle them off, and become again, with perfect comfort to herself, the old, solitary island of Queen Elizabeth's time—'In a great pool a swan's nest.'

But the fancy is but a chimera produced by inattention; one of these monsters, for such monsters there are, which are created not by imagination, but by want of imagination.

Mr. Harrison, in 1885, had drawn the following programme in one of his discourses to the 'mild man worshippers' of Newton Heath :

A wise statesmanship would refuse to stay any longer in Egypt, without some European assent to our action there. It would make arrangements with Spain for the ultimate cession of Gibraltar, cease to threaten China, and honestly labour for the day when the government of India may be handed over to the native races that inhabit that country.



## CHAPTER XXXIX

### PREFERENTIAL TARIFFS

THE door which is open to the foreigner is closed to our loyal Colonial subjects. It is impossible for anyone who has not lived in the Colonies to realise the ruinous extent to which our countrymen are handicapped in our Colonies—how much they suffer from competition under unequal terms, and how much of our Colonial trade is lost to the Mother Country.

Foreigners use all our Colonies as freely, and even more freely, than their own. They enjoy greater privileges in our own Colonies than our own subjects, because, if they have no domicile in Great Britain, they do not contribute to the home expenses of the Government, or of the Army and Navy which are necessary to protect them.

The Colonial merchant, who has his house of business in England, has to pay an outrageous income-tax on his profits as well as Colonial taxation, whilst the foreigner, whose business domicile is in his own country, evades the burden. Why should foreigners enjoy in our Colonies more favourable conditions than our loyal subjects? It is absurd to suppose that our Colonists can compete with them under such conditions. After we have secured new markets at great cost of blood and treasure, we foolishly

allow the foreigner to reap the benefit at our expense and to our detriment.

The United Chambers of Commerce of Britain, as well as the merchants in India, have protested against the inequitable burden of a double income-tax (see Chapter XXXII on 'Income-tax'), and yet when the Colonial Premiers came to England to request preferential treatment, in order to remedy this inequality, and to offer valuable concessions in return, the door was rudely slammed in their faces. The present policy of Great Britain really amounts to a preferential treatment of the foreigner, and a studied disregard of the interests of our own subjects. It has been advocated by a Free Trade Member of Parliament in the following words :

If you increase prosperity in this country by Tariff Reform, you increase it by throwing people out of employment in other countries. You are becoming prosperous by the misery of others.<sup>1</sup>

The question of preferential treatment was brought up at the first Colonial Conference of 1887, when Sir Samuel Griffiths, then Premier of Queensland, said :

I am not going to venture into the deep waters of Free Trade and Protection ; but I maintain that buying in the cheapest market is not the greatest consideration in the world . . . but, if buying in some other than the cheapest market would conduce more to the prosperity of the Empire, then, as in all other matters, individual liberty must yield to the general good of the whole community. . . . I submit for consideration this proposition that, if any member of the Empire thinks fit for any reason to impose Customs' charges

<sup>1</sup> Speech of Mr. E. G. Hemmerde, M.P., Feb. 8, 1909.



upon goods imported from abroad, it should be recognised that goods coming from British Possessions should be subject to a lighter duty than those coming from foreign possessions.

The Hon. James Service, of Victoria, a Free Trader, said :

If this question were to be raised now as a Free Trade and Protection question, I would not take any part in the discussion, because I am not prepared to open up that whole question. I am not, however, one of those Free Traders who believe in Free Trade, as a fetish to be worn as a mere phrase round our necks, and who regard it as always indicative of precisely the same condition of things that it was indicative of in the Cobden period, or hold that circumstances might never arise of an Imperial character which might demand a revision of our policy on that subject.

Mr. Deakin spoke of preferential trade as one of the best, and one of the few means of drawing closer the bonds of unity and increasing the solidarity of the Empire. At the Conferences of 1894 and 1897 the question of reciprocity with the Mother Country was again urged, and the treaties which harassed the Colonies were denounced.

The resolutions passed at the Imperial Conference of 1902 were :

1. That this Conference recognises that the principle of Preferential trade between the United Kingdom and His Majesty's Dominions beyond the seas would stimulate and facilitate mutual commercial intercourse ; and would by promoting the development of the resources and industries of the several parts, strengthen the Empire.

2. That this Conference recognises that, in the present circumstances of the Colonies, it is not practicable to adopt

a general system of Free Trade, as between the Mother Country and the British Dominions beyond the seas.

3. That, with a view, however, to promoting the increase of trade within the Empire, it is desirable that those Colonies which have not already adopted such a policy should, as far as their circumstances permit, give substantial preferential treatment to the products and manufactures of the United Kingdom.

4. That the Prime Ministers of the Colonies respectively urge on his Majesty's Government the expediency of granting in the United Kingdom preferential treatment to the products and manufactures of the Colonies, either by exemption from, or reduction of, duties now or hereafter imposed. . . .

5. That the Prime Ministers present at the Conference undertake to submit to their respective Governments, at the earliest opportunity, the principle of the resolution, and to request them to take such measures as may be necessary to give effect to it.

These resolutions were reaffirmed by the members of the Conference of 1907, with the exception of His Majesty's Government, who were unable to give its assent, so far as the United Kingdom was concerned, in so far as the resolutions imply that it is necessary or expedient to alter the fiscal system of the United Kingdom.

Both Mr. Asquith and Mr. Lloyd George admitted the benefits that had accrued to British trade from the Canadian preferential tariffs. At the Imperial Conference of 1907, Mr. Asquith said :

As regards the Canadian tariff, I acknowledge that it has been beneficial to British trade, and particularly, I think, to our textile industries. I think it has been beneficial, perhaps more in the way of arresting a threatened

decline in trade, than by actually increasing the volume of trade ; or, at any rate, the proportion of British trade to the rest of the trade done with Canada.<sup>1</sup>

Also Mr. Lloyd George said :

Let me here express, for the Board of Trade, our appreciation of the enormous advantage conferred upon the British manufacturer, by the preference given to him in the Colonial markets by the recent tariff adjustments. The Canadian preferential tariff has produced a marked effect on our export trade to Canada. It is true that it seems to have benefited Canada even to a larger extent than it has profited us; for I observe, from our trade returns, that our purchases from the Canadian producer have increased, and are still increasing, by leaps and bounds, with one or two set-backs ; and I attribute the great improvement in the trade between Canada and this country very largely to the wise policy of reducing the duties on goods imported from the Mother Country, which Sir Wilfrid Laurier initiated in 1897.<sup>2</sup>

Preferential treatment was, however, denied to the Colonial Premiers, and the Colonies were sacrificed to the fetish of ' Free Trade ' ; Mr. Asquith giving as his reason :

That which is quite consistent with the frame-work and spirit of a Protective system, is a flagrant and undeniable departure from the very basis of our principle of Free Trade. . . . You call it a fetish, but, for the reasons I have already given, I call it the principle deliberately adopted and approved by the people of this country, and which they regard, and we regard, as lying at the very foundation of our industrial prosperity.<sup>3</sup>

<sup>1</sup> *Imperial Conference Debate*, p. 86.

<sup>2</sup> *Ibid.* p. 153.

<sup>3</sup> *Ibid.* p. 90.

## CHAPTER XL

### CANADA UNDER FREE TRADE AND PROTECTION

SIR CHARLES TUPPER, describing the condition of Canada as it was forty-two years ago, has stated that good government had then become impossible. Three changes of Administration had taken place within two years—trade was paralysed and credit ruined. For five months in the year the trade of Western Canada had no communication with Great Britain except through a foreign country. A thousand miles of desert intervened between Canada and the West. The Rocky Mountains formed an impassable barrier.

Such was the position when thirty-two public men, representing both parties in Canada, Nova Scotia, New Brunswick, Newfoundland and Prince Edward's Island, met at Quebec, with the hearty approval of the Imperial Government, to discuss the vital question, how British North America could preserve British institutions. In 1866 Sir Charles Tupper, then Premier of Nova Scotia, moved a resolution to the effect that it was desirable that a confederation of the North American provinces should take place, and that delegates should be appointed to arrange, with the Imperial Government, a scheme of union in which each province should have an equal voice in such delegation. This proposal was adopted; and in

1866 the delegates met in conference in London under the chairmanship of the Hon. (afterwards Sir) John Macdonald. The Conference adopted, by an unanimous vote, a series of resolutions which were transmitted to the Secretary of State for the Colonies, with the result that an Act was passed which united the provinces of Ontario, Quebec, Nova Scotia, and New Brunswick, under a Federal Government.

The Act was denounced as a surrender of Canadian interests ; but it was carried in the teeth of the most bitter opposition, and came into effect on July 1, 1867. The Canadian Government then secured possession of Rupert's Land by negotiation and purchase, and brought the provinces of British Columbia and Prince Edward's Island into the Confederation. Thus all British North America, from the Pacific to the Atlantic, with the exception of Newfoundland, was united under one Government, but the only terms upon which British Columbia would join the Union involved a pledge to give her communication with Eastern Canada by the construction of a railway.

For the first six years Canada was prosperous under the low tariff, as the United States were suffering from the effects of an internecine war, which dislocated their industries ; but when the war was over the United States reorganised their industries, and made a slaughter of the markets of Canada with ruinous effect on the trade and industries of the latter. Canada's money went to the United States, and her artisans followed her money.

Sir Charles Tupper, being then in the Opposition, urged on the Government the adoption of a Protective Tariff

policy, as the only means of fostering the industries of Canada. The Government, however, maintained a Free Trade policy ; but when, on that issue, they came before the country, in the General Election of 1878, the Government was utterly routed, and Sir John MacDonal'd recalled to power. Sir Charles Tupper, who was appointed Minister of Railways and Canals, took the most energetic measures to unite Eastern and Western Canada by means of the Canadian Pacific Railway—a policy which he carried out in spite of the most virulent opposition. Now, however, all political parties in Canada are unanimous in the strenuous support of the policy of Protection and Federation.

Sir Charles Tupper sums up the results of the policy, which he has so ably initiated and carried out, as follows :

The trade of Canada has increased from 148½ million dollars in 1879 to 455 millions in 1905, or more than 300 million dollars in 26 years. Am I not justified in saying that, as all these measures to which Canada owes its greatness were as bitterly opposed as the policy of preferential trade is in England, yet all parties have been compelled to attest their wisdom to the fullest extent ? Who, then, can doubt that, at no distant day, the policy of consolidating the Empire by the strong bond of mutual self-interest, will be vindicated in like manner ? <sup>1</sup>

Since that letter was written two years ago the trade of Canada has increased from 455,000,000 dollars in 1907 to 650,000,000 dollars in 1908, and the revenue has increased, since the abrogation of the favoured nations

<sup>1</sup> Letter from Sir Charles Tupper to the Author, April 4, 1907.



treaties, from 37,800,000 dollars in 1897 to 84,500,000 dollars in 1909.

Mr. Bryce, our Ambassador to the United States, said :

I do not suppose there is any part in the North American Colony—I doubt if there is any part of the inhabitable globe—which has made such rapid strides in population, wealth, and prosperity, in the development of agriculture and other industries, as Canada has done during the last twenty years.

(Under a strict policy of Protection, be it remarked.)

Two years ago, Mr. Root, the Secretary of State for the United States, on visiting Canada, said :

It is full forty years since I made my first visit to Canada; during that time what wonderful things we have seen. We have seen feeble, ill-compacted, separate, dependent Colonies growing into a great and vigorous nation.

The American Consul at Owen Sound, Canada, reports that prior to the adoption of the Protective policy American firms made goods in their own country, and shipped the finished products to the Dominion. Now over 150 American firms have established factories in Canada, with a capital investment of £35,000,000. One company alone employs over 3000 men.

Sir Wilfrid Laurier, Premier of Canada, has said :

In 1897, when we introduced preference to British trade, the British importations into Canada had fallen to £29,000,000. Now they have reached the figure of £69,000,000, a very considerable increase. Of this there are £16,000,000 on the free list.<sup>1</sup>

<sup>1</sup> *Imperial Conference*, p. 176.



## CANADA IN DANGER

In 1890 Canada escaped by 'the skin of her teeth' a serious danger from a treasonable conspiracy which threatened her annexation to the United States, and consequently her independence.

For several years previously Professor Goldwin Smith had attempted to undermine the loyal spirit of the Canadians. He had openly proclaimed himself in favour of severing Canada from the rest of the British Empire, and had become President of an association, the object of which was to promote the annexation of Canada by the United States. Some of the Liberal journals, organs of their party in Canada, had expressed the opinion that patriotism and loyalty to British rule was a thing of the past, and one journal went so far as to say that five or six million dollars, judiciously applied, would secure the return to Parliament of a majority pledged to the annexation of Canada by the United States.

Animated by such sentiments, a conspiracy was formed by some members of the Liberal Government of Canada with some United States officials. A pamphlet of the most treacherous character was secretly prepared for use amongst a few of the leading United States politicians, and a conference of the conspirators was held with Mr. Blaine at Washington. Only thirteen copies of this pamphlet were printed, but fortunately Colonel Denison, getting wind of the intrigue, managed to secure a copy of this treasonable document, and exposed the plot to Sir John MacDonald. The indignation of the Canadians was aroused, and when the Liberal

Party went to the country on the question they were defeated.

The United States endeavoured in 1898 to induce Canada to abolish preferential rates in favour of the United Kingdom, and the Canadian Commissioners agreed, subject to a part of Alaska being given over to Canada.

The great success that has attended the policy of Protection and Federation of Canada will, it is to be hoped, prove a safeguard against further attempts tending to annexation. Fortunately there exists in Canada a strong instinct of patriotism, and a realisation of the need of safeguarding the home interests. The treaty of reciprocity with the United States in 1854 tended to enlist all the interests of Canada's trade and commerce on the side of the United States, thus affecting the direction of railway developments from North to South, instead of from East to West, which should have been the proper direction for the development of Canada. The sentiment of loyalty to the Mother Country, however, was strong. Under no conditions could Canada be persuaded to discriminate against British, in favour of foreign countries ; and after the abrogation of the Treaty by the United States, the Federation of the Dominion was inaugurated on July 1, 1867. The farmers of Canada have now realised the advantages they have gained in the home market by the development of home industries ; and have found out by sad experience the truth of Adam Smith's opinion that, ' if the importation of foreign manufactures were permitted, several of the home manufacturers would probably suffer and some of them perhaps go to ruin altogether.'<sup>1</sup>

<sup>1</sup> *Wealth of Nations*, IV. ii.

Although the conspirators were foiled, reciprocity with Canada is still much desired by the United States. Senator Lodge, speaking in 1903, remarked :

We open to Canada a market of 80,000,000 people and she opens to us a market of 5,000,000 of people. It will be of great value to Canada, greater than it can possibly be to us, to make that treaty. I should like to make it. I think it would be a benefit. I was in sympathy with the policy of President McKinley with regard to it. I am in sympathy with it now.

In 1903 a Special Councillor, deputed by the United States to visit Canada, said :

I feel confident, from such information as I have received from high sources, that by proper effort we can get a very material reduction on a large list of manufactures, and the abolition of the British Preferential tariff.

Sir John MacDonald, Premier of Canada, expressed his views regarding reciprocity as follows :

The fact is, the United States covet Canada. . . . They offer us trade under two conditions—annexation, or independence of Great Britain. Not a man is in favour of annexation, and as for independence, how long would Canada stand ?

In 1904 the author received from a very eminent Canadian official a letter, from which the following is an extract :

Chamberlain is absolutely right when he says the Empire must be united, or it will break up by disruption, or tolerated separation. . . . We can get along without Preferential tariff, but you cannot ; and if you sneer at our offers, refuse to meet us, and decline to accept our desire to combine the Empire,

the United States will offer us a reciprocity so fair, that in the face of your refusal to meet us in any way, our people will be tempted to accept—and how could you blame the masses if they did accept? . . . Then all hopes of combining the Empire will be gone, for we should be so involved in a business way with the States, that absorption would be inevitable. The intrigues in the States are beginning. I am convinced that writers here are already bribed to embarrass Chamberlain.

## CHAPTER XLI

### INDIA UNDER FREE TRADE

INDIA presents the strange spectacle of a country formerly rich, prosperous, and in a manner highly civilised, of which the native industries are now decadent, being crushed out under the stress of modern civilisation and progress.

Of India's vast population of 300,000,000 souls about 60 per cent. are supported by agriculture. This leaves a large residue available for other industrial purposes. But the arts and crafts for which India has been so justly celebrated, whether metallurgic or textile, whether cutlery, glass, pottery, silks, carpets, or other industries, are either dead or dying. Throughout the country may be found old slag-heaps testifying to the former prosperity of native and iron steel industries, the splendid native iron being now superseded by cheap worthless metal of foreign manufacture. Everywhere may be seen evidence of flourishing industries in the past—in the huge 40-ton brass gun of Bijapur, in the great iron column of the Kutub, in the magnificent inlaid marble, in the fretwork and carving of the tombs, palaces, and mosques; it may also be seen in the glass, pottery, shawls, carpets, and silks in the treasuries of many of the Rajahs, and also in the ruins of indigo factories. Yet all writers admit that

India is on the whole a very poor country. The mass of the population enjoy a scanty subsistence. India, the land of the pagoda tree! India, the mine of wealth! India, the wonder and admiration of Marco Polo and travellers in former times! India in poverty! Midas starving amid heaps of gold does not afford a greater paradox, yet here we have India starving Midas-like in the midst of untold wealth. For India has untold wealth—wonderful natural resources, both agricultural, mineral, and industrial, but they are to a great extent dormant. It has coal of an excellent quality. The coal fields, so far as they have been explored, cover an area of 35,000 square miles, and are estimated to contain 20,000,000,000 tons of coal. In some parts the supply of iron ore is on a scale of unparalleled magnitude, whole hills and ranges of it being of the purest variety. It has chrome iron capable of making the finest Damascus blades, manganiferous ore, splendid hematites in profusion; it has gold, silver, antimony, manganese, tin, copper, plumbago, lime, kaolin; gypsum, precious stones, asbestos, soft wheat equal to the finest Australian, hard wheat equal to the finest Kabanka. It has food grains of all kinds, oil seeds, tobacco, tea; coffee, cocoa, sugar, spices, lac, dyes, cotton, jute, hemp, flax, coir, fibres of every description, in fact products too numerous to mention. There are available millions of potential horse-power, in the form of water flowing from the mountain ranges, capable of being converted into electrical energy at generating stations near the hills, and conveyed with slight loss of power to centres, even at great distances, where it can be utilised for industrial purposes. Its inhabitants are frugal, thrifty, industrious,

capable of great physical exertion, docile, easily taught, skilful in any work requiring delicate manipulation; labour is absurdly cheap, and the soil for the most part wonderfully productive.

There is plenty of capital in India. The amount of wealth now hoarded in the country has been estimated by Lord Curzon to be about £550,000,000; but neither this, nor British capital, will flow to a market in which its operations are checked and the struggling industries swamped by unrestricted foreign competition. British capital for the most part has been attracted by guarantees from Government. Some of the manufactures of India, under British capital, and especially those of cotton and jute, have increased, but it has been uphill work, and the development of these industries falls very far short of the magnificent potentialities of the Empire. It is not at all commensurate with the advantages that have been gained by the Public Works policy of railway extension and irrigation works, which has enabled the State to relieve some of that deadweight of taxation which burdens the agriculturists.

The first Indian Industrial Congress, which was held at Benares at the commencement of 1906, was an important movement, and has drawn prominent attention to the economic problem of the poverty of India and the neglect of India's vast resources and potentialities.

Under the presidency of Mr. Dutt twenty-two papers have been contributed by educated native gentlemen, and fourteen papers by influential Englishmen well versed in Indian matters. These papers teem with valuable and highly practical suggestions and recommendations, and



the Government of India has welcomed the 'awakening of interest in this very important question, which was evident in the discussion at the recent Industrial Conference at Benares.'

Space will not admit of anything like a full description of the details of these suggestions. But the more important of them may be briefly summed up as follows :

(1) To forward the 'Swadeshi' movement, which aims at the employment of indigenous, in preference to foreign manufactures.

(2) To establish co-operative grain banks, urban banks on the co-operative principle, or co-operative credit societies.

(3) To improve the agricultural *status* by the regulation of the land revenue, by relieving the indebtedness of the ryots, by making advances for the purchase of seed, and by the establishment of State experimental farms.

(4) To develop India's resources from within, pursuing the policy indicated by Lord Curzon in the creation of a Board of Agriculture, a Board of Scientific Advice, a Commercial and Industrial Bureau. To institute a chemical and physical laboratory, industrial schools, technical guilds, scholarships, and apprenticeships for workshop training.

(5) To relieve the deadweight of taxation by *raising revenue from moderate import duties*, which will also *protect Indian industries from being swamped by unlimited foreign competition*.

(6) To foster intercolonial and international trade by the *exchange of mutual concessions and preferential treatment of the Colonies and Mother Country*.

(7) To establish State industries for the utilisation of native produce, and to obtain the best expert assistance in working such industries.

(8) To give greater facilities for obtaining concessions, and for the acquirement of mining and other industrial rights ; to remit royalties in the early stages of struggling industries, and to put a stop to the interminable delays to which the acquirement of such concessions is often subjected.

(9) To pursue that policy of railway extension and irrigation works which has been eminently successful in increasing State revenues and reducing taxation, and to promote trade by the adoption of the lowest practicable railway rates.

(10) To govern India in the interest of India alone, and to resist the interference of the Home Government in any attempt to sacrifice Indian interests to the exigencies of English party politics.

Mr. Dutt, in a very able presidential speech at the opening of the Conference, has accounted for the industrial decline of India by the fact that other competitors got the start, and that India has been unfairly handicapped in the race ; that she has been persistently sacrificed to English policy, and that Indian industries have been discouraged instead of encouraged ; the export of Indian manufactures has been repressed by prohibitive duties, and the import of English manufactures into India facilitated by the levy of almost nominal duties. He complained that the fiscal legislation of India is oftener controlled by Lancashire than by India ; that Lord Lytton's Government was compelled to repeal the import duties on

cotton goods, against the advice and vote of every member of Council but two ; and, when the duties were reimposed, Lord Elgin's Government was compelled to impose an excise duty on the mill-produce of India to conciliate Lancashire, and he added :

I know no act in modern fiscal legislation more unwise and hurtful to an infant industry than the imposition of an excise tax, unknown in any civilised country ; and I know of nothing more humiliating to the Government of a great Empire like India than the correspondence you will find recorded in the Parliamentary Blue Books leading to these fiscal changes. . . . We have to run the race with the triple disadvantage of want of capital, want of modern training, and want of control over our own fiscal legislation. . . . We will not consent to see our country made a land of raw produce, *or a dumping ground for the produce of other nations*. . . . I do not believe that a country can prosper by agriculture alone, any more than a country can prosper by manufactures alone. The two must thrive, side by side, to give employment to the population of a country.

In India there is a magnificent opening for fresh markets, which if properly fostered would render England independent of foreign trade ; and there can be no doubt that if the cotton industry of India had been fostered, instead of being repressed by a short-sighted policy, the quantity of cotton grown in India would have increased enormously, its quality would have improved, and Lancashire would not now have been dependent on the speculations of unprincipled rings in the United States for the supply of cotton.

In these days, when certain foolish members of Parliament think it a fine thing to incite the natives of

India to disaffection, and endanger the lives of our fellow-countrymen in India, it is refreshing to read the opinion of Vambéry, the celebrated traveller. He wrote to Nawab Abdul Letif Bahadur, an influential native of Bengal, as follows :

I am not an Englishman, and I do not ignore the shortcomings of English rule in India ; but I have seen much of the world, both in Europe and Asia, and studied the matter carefully ; and I can assure you that England is far in advance of the rest of Europe in point of justice, liberality, and fair dealing, with all entrusted to her care.

On another occasion Vambéry wrote :

England has indeed done great things for India, and Bismarck was right when he said : ‘ If England were to lose Shakespeare, Milton, and all her literary heroes, that which she has done for India is sufficient to establish for ever her merit in the world of culture.’<sup>1</sup>

Those who glibly prate about ‘ India for Indians ’ show their crass ignorance of what India is, and who are the Indians.

What is India ?

India is a vast aggregation of different countries, having different races, religions, customs, manners, and languages. There are forty-seven different languages in common use in India, besides numerous minor dialects.

Who are the Indians ?

Are they the Marathas, the Moguls, the Tamils, the Bengalis, the Panjabis, the Sikhs, the Assamese, the Karens, the Shans, the Burmese, the Telegus, the Canarese, the Nagas, the Bhils, the Gurkhas, the Santals, the

<sup>1</sup> *Story of my Struggles*, Arminius Vambéry, p. 490.

Rajputs, the Biluchis, or any of the other races too numerous to mention, who form a part of the population of India ?

It would be far less ridiculous to raise the cry of 'Europe for the Europeans,' for there is, in Europe, far less diversity of races, religions, and customs, than in India. There are in India, moreover, a large number of native States, ruled by native princes, more or less under the influence of British rule.

The history of India, before our occupation of it, reveals one continued series of internecine wars, invasions, wholesale massacres of men, women, and children, destruction of cities, anarchy, and ruin, which would certainly be repeated if our restraining influence were withdrawn. If India were given over to the native rule, the warlike races would soon sweep away those feeble and effeminate Bengalis who are stirring up sedition against us.

India has been rescued from this state of chaos, and has been consolidated into an Empire, in which, to use the words of Sir Edgar Vincent :

Throughout the whole of this vast continent no sword can be unsheathed without our sanction. We have knitted together wrecks of ancient kingdoms with the railway and telegraph. In every city we have opened schools and hospitals, and a native press is springing up in all the great centres of population. Enormous tracts of land have been redeemed from desert by our irrigation. Under our rule population flourishes and increases.

Lord Curzon has paid the following just tribute to our British administration in India :

Look behind it and you will find a sense of responsibility

and devotion to duty, a love of the country and sympathy with the people, developed to a degree that is without parallel in the history of any other country.

The Government of India is the purest administration in the world, and forms a brilliant contrast to the Parliamentary administration of Great Britain, which day by day grows more corrupt, in which statesmanship has degenerated into sordid vote-catching, and bribery in its worst form—the bribery of one class with the money plundered from another.

## CHAPTER XLII

### GERMANY UNDER FREE TRADE AND PROTECTION

IN 1879, when Germany adopted her present system of Protective policy, Bismarck, in introducing it in the German Reichstag, said :

We refuse to remain the sole dupes of an honourable conviction. Through the widely opened door of our imports we have become the 'dumping' place of foreign surplus production, and it is this, in my opinion, that has prevented the continued development of our industry, and the strengthening of our economic conditions. Let us close our doors awhile, and secure for German workers the German market, which hitherto the foreigner has exploited with our connivance. The abstract doctrines of science influence me not at all ; I form my verdict on the teachings of experience. I see that the Protectionist countries are prospering and that the countries which practise Free Trade are decaying. Even mighty England, which, like a champion wrestler, stepped forward and said ' Who will fight with me ? I am ready for all ! ' is gradually returning to Protection, and will in a few years' time revert to it altogether, in order to save for herself at least the English market.

Since we lowered our tariffs we have, in my opinion, been a prey to consumption. We have been bleeding to death. The process was delayed for some years by the French millions. We must now decide what we shall do to infuse fresh blood into the German economic body, to brace it with the power



of a regular circulation ; but, in arriving at our decision, let us liberate our minds from the influence of party feeling.

Instead of the ruin which, according to Cobdenite doctrines, ought to have overtaken Germany after the adoption of her Protective policy in 1879, her progress and prosperity have been marvellous, as shown by the following statistics of the Board of Trade :

	1879.	1906.
Tonnage of mercantile steam-ships .. .. .	196,343	2,096,947
Customs duties levied .. ..	£5,736,000	£31,347,000
Value of imports of merchandise (special) .. .. .	£188,670,000	£394,410,000
Value of exports of merchandise (special) .. .. .	£138,785,000	£312,651,000
Coal production (tons) .. ..	42,025,700	137,117,000
Iron ore production (tons) ..	5,859,400	26,734,600
Total mining production (tons)	61,568,200	229,146,100

Before the adoption of our present fiscal policy in the forties, the trade and industries of Great Britain were in a far more developed condition than those of Germany and the United States ; consequently a *relative* comparison is not altogether conclusive ; but the progress in Germany and in the United States has been altogether out of proportion to their initial and final development, and in the protected countries has not only been *relatively* but *actually* greater.

Both Germany and the United States have surpassed us in the production of iron, which is a most important factor in the development of nearly all other industries.<sup>1</sup>

<sup>1</sup> See chap. xxxv.

## GERMAN BLACK BREAD AND HORSEFLESH

The greatest progress and prosperity that Germany has enjoyed under her Protective policy is so contrary to the theory of Free Traders, that every attempt possible has been made to discredit it by the use of 'terminological inexactitudes,' and assertions have been made to the effect that the German workman is in a pitiable plight, in rags, feeding on black bread, dog's flesh, and horseflesh, miserably paid, and living in a wretched hovel.

The fiction of 'black bread' and horseflesh is about on a par with that of the 'Big and Little Loaf,' the black or rye bread of Germany being, like the brown bread of England, preferred by many to the wheaten loaf.

Mr. Moreing of Gainsborough, being convinced of the falsehood of these statements, arranged for a deputation of workmen, the members of which should be elected by the workmen themselves, to visit Germany, so as to be able to ascertain for themselves the actual condition of German workmen.

The report of these delegates shows that, in regard to food, work, hours, and mode of life, the German workman is not the miserable, badly-fed person he is supposed to be in England. The delegates found that he was well housed, well cared for, well educated, that he paid no more for his bread, coffee, sugar, clothing, and boots than we do in England, but his tastes are more simple, and he is contented with a lower scale of living. They found that he is nearly equal in working capacity to an English workman, and better off with respect to provision for old age.

The delegates felt bound to state that, under the policy followed by the Imperial Government since 1878, Germany has made progress, by leaps and bounds, in industrial prosperity; and that the working classes are in the enjoyment of a vastly larger share of the comforts of life than their parents could have dreamt of hoping in their generation.

With regard to the 'black bread' they reported:

Some English newspapers have of late been giving very misleading figures about the price of bread in Germany. We have seen, and eaten, the German rye bread at every town we visited. We have everywhere been told by the German working man that he prefers rye bread to wheaten bread, and that he would not, at any price, give up his rye bread for the best wheaten bread that we eat in England. Whatever prejudices may be entertained against rye bread, it is impossible to gainsay the fact that it is both nourishing and sustaining. The price of a loaf of German rye bread, weighing four English pounds, would cost, according to our inquiries in the towns we have visited, from  $3\frac{1}{2}d.$  to  $4\frac{1}{4}d.$  . . . A Gainsborough 4lb. wheaten loaf costs  $4\frac{1}{2}d.$ , so that the Berlin working man's loaf is a trifle cheaper.

The Birmingham brassworkers' delegates to Germany also reported:

We saw no case of underfed, poorly-clad, or untidy children, either in the streets or in the schools. The effect of the military training is seen in the people. . . . There is not the physically deteriorated, untrained, unminded look about the people. No men, women or children are to be seen in the streets or in the works in an unminded condition. . . . We considered some articles of food decidedly dearer than in England, but for some reason the working people were

unmistakably better nourished. . . . There are anomalies here which we do not attempt to account for ; but in the fact of the people being better nourished than in England, and enjoying a higher social life, it would appear that cheap food is not the only important consideration in a nation's welfare.

The delegates of the textile operatives from the woollen manufacturing districts of Yorkshire, who visited Germany in November 1908, reported :

Twenty-four hours sufficed to remove many of our preconceived notions about the German workers. We had been led to regard them as an ill-paid, ill-fed, ill-housed and hard-worked race. . . . We were astonished to find them so well-conditioned and so well-circumstanced.

With regard to the ' black bread ' they said :

The staple food of the German nation is rye bread, which is rather darker than our brown bread. Rich and poor eat it ; and whilst the quality varies—as our white bread varies—any doubt as to its nutritive qualities is dispelled by the well-nourished appearance even of the humblest section of the working classes.

They reported that, in some cases, the weavers are paid  $12\frac{1}{2}$  per cent. more, for the work they do, than the weavers receive in the best factories of the Yorkshire woollen districts.

The cost of living was not much greater than in England. Meat was dearer, but poultry, hares, rabbits, fuel, and vegetables were abundant and very cheap. Boots and clothing were no dearer than in England.

Rent was not on a basis that admitted a fair comparison, as so many of the workmen lived in flats ; but,

taking ' establishment charges ' (rent, rates and taxes, fuel and lighting), there was a saving of about eighteen-pence a week in the household of the poor in Germany.

The workmen pay an income-tax ; but rates are less than half English rates and taxes.

The Prussian Minister of Finance, in a debate in the German Reichstag on November 23, 1908, said :

We have to thank the Bismarckian Protective tariff for the great progress of the last ten years. If we had not got the high revenue from the Protective tariff, the want of revenue would be much greater to-day. . . .

He also pointed out that the direct taxation in Germany was 26s., and indirect 22s. 6*d.* per head, or a total of 49s. ; as against 57s. direct, and 38s. indirect, or a total of 95s. in England.

## CHAPTER XLIII

### FRANCE UNDER PROTECTION

FRANCE has never been wholly a Free Trade country, but she has, at times, lowered her tariffs. The benefits of the latest Protective policy, adopted in 1892, have been demonstrated in a striking manner by M. Plichon, who on June 16, 1909, in the course of a debate in the French Chamber, reviewed the results of the Protective policy of 1892. He declared emphatically that the tariff of 1892 had been beneficial to France, and had not greatly increased the cost of living. The wholesale price of wheat, he said, had diminished as much as 14 per cent., while that of meat had diminished by 5 per cent.

In England, a Free Trade country, the price of wheat had decreased by only 8 per cent., while the price of meat, instead of decreasing, had actually increased by 2 per cent.

So far as the price of bread was concerned, the average in France during the last ten years had been lower than at any time between 1870 and 1890. 'Thus,' said M. Plichon emphatically, 'it cannot be said that the tax on wheat has increased the price of bread, for the cost has actually diminished.' (Notwithstanding the high import duty of 12s. 6d.)

Wages, he declared, have increased by 10 per cent.

since 1892. The Protective tariff had indeed been of general benefit to the country. He gave figures to show that :

The capital in savings banks had increased.

The product of the succession duties had increased.

The turnover of the banks had increased.

The imports of gold had exceeded the exports between 1892 and 1907, by £160,000,000.

The public fortune had increased from £7,560,000,000 to £8,000,000,000—a rise of £440,000,000.

‘ Even in Great Britain, a Free Trade country,’ continued M. Plichon, ‘ means have been found to protect agriculture by the invoking of divers pretexts for suppressing our exports of green fodder and cattle.’

To quote the words of M. Thiers :

France has her consumers within herself. . . . England, on the contrary, has an artificial existence. She depends upon the doings of the United States, upon the doings of her own Colonies, which already oppose her with hostile tariffs. May not the day come when her immense production will find no purchasers ? This little island, in the words of Fox, *embraces the world*. . . . Such was the situation of Holland in the seventeenth century, which had realised the prodigy almost as marvellous. What was needed to make Holland, which gave laws to France, descend from this lofty position ? It only needed fifty years. It only needed a Navigation Act in England and a Colbert in France. God forbid that I should predict for England such a destiny ; but I repeat it, her existence which depends on consumers which she seeks everywhere *outside herself* is less solid than that of France which has her consumers within her own bosom.<sup>1</sup>

<sup>1</sup> Speech of M. Thiers, in the Corps Législatif, Paris, Jan. 26, 1870.



## CHAPTER XLIV

### THE UNITED STATES UNDER FREE TRADE AND PROTECTION

THE dogmatic assertion of the French economist, Frederic Bastiat, that 'without Free Trade no country can prosper,' has been practically endorsed by a great majority of the supporters of the present fiscal policy. And yet a study of the history of the United States not only contradicts this assertion, but proves that those periods during which, under the influence of economic charlatans, the United States have relaxed their policy of Protection, have been marked by depression of trade and distress; whilst the periods of strict Protection have been marked by activity of trade and prosperity.

The Union of the States was effected in 1788, and in 1789 the policy of Protective duties was affirmed. Between 1789 and 1822 additional Acts were passed, increasing the rates of duty. The country enjoyed remarkable prosperity during that period, and Washington, in his Message of 1795, said, 'Our agriculture, commerce, and manufactures are prospering beyond former example, with burdens so light as scarcely to be perceived.' In 1801 Jefferson congratulated Congress on the revenue derived from tariff duties, and suggested that they might safely dispense with all internal taxes; and in 1807 he was able to advise Congress of a heavy surplus of

14 million dollars in the revenue. In 1812 the existing duties were doubled, and 10 per cent. was added to the duty on all imported articles. Under this policy the United States made wonderful progress in the development of their industries, and, in spite of their three years' war with Britain, were richer at the close of the war than before.

In 1816 the Free Trade policy prevailed, and Mr. Clay, Speaker of the House in 1823-4, said :

The general distress which pervades the whole country is forced upon us by numerous facts of the most incontestable character. It is most painful for me to dwell upon the gloom of this picture, but I have exaggerated nothing ; perfect fidelity to the original would have authorised me to throw on deeper and darker hues.

Horace Greeley has recorded his personal recollections as follows :

At the close of the war with Great Britain, the manufacturing industries of the United States found themselves suddenly exposed to a determined and relentless foreign competition. Great Britain had pushed her fabrics into almost every corner of the world. Of some of these, great stocks had nevertheless accumulated, out of fashion, and only saleable far below cost. These were thrown upon the market in a perfect deluge ; what cost \$4.44 to make in England being sold in Boston, duty and charges paid, for \$3.33. The tariff of 1816 was meant as a barrier against this inundation, but proved inadequate, except on coarse cottons and a few other rude products.

Our manufactories went down like grain before the mower ; our agriculture and the wages of labour speedily followed. In New England, I judge that fully one-fourth of the property

went through the Sheriff's mill, and the prostration was scarcely less general elsewhere. In New York the principal merchants united in a memorial to Congress to save our commerce, as well as our manufacturers from utter ruin, by increasing the tariff, and prohibiting the sale at auction of imported fabrics.

In 1824 Protective duties were again imposed, and the prosperity which followed the imposition of these tariffs encouraged the Legislature to increase them in 1828. Mr. Clay, in a speech in the United States Senate in 1832, said :

If I were to select any term of seven years, since the adoption of the present Constitution, which exhibited a scene of the most widespread dismay and desolation, it would be exactly that term of seven years which immediately preceded the establishment of the tariff of 1824. If the term of seven years were to be selected of the greatest prosperity which this people have enjoyed since the establishment of their present Constitution, it will be exactly that period which immediately followed the passage of the tariff of 1824.

The results of the Protective Tariff of 1824 have been described in the *Chicago Commercial Advertiser* as follows :

Our first tariff, worthy of the name of Protection, was that of 1824. For a number of years previous to that date the condition of the whole country was deplorable. The American markets were flooded with foreign merchandise ; home manufacturers were everywhere overmastered by ruinous competition from abroad. Employment was scarce, and wages ridiculously low ; an embarrassed condition was the common lot. So soon as the tariff of 1824 went into operation, the whole aspect and course of affairs was changed,

activity took the place of sluggishness, capital sought investment, labour came into demand, wages advanced, mills were opened, furnaces built, shops multiplied, business revived in all its departments, revenue flowed copiously into the coffers of the Government, the debts created by two expensive wars were entirely paid off. Such a series of general prosperity had never before been seen by our people.

More stringent Protection was provided by the Act of 1828, and affairs still more rapidly improved.

President Jackson said in his annual message of December 4, 1832: 'Our country presents, on every side, marks of prosperity and happiness, unequalled perhaps in any other portion of the world.'

In 1833 an Act reducing the duties was followed by a period of disaster, and it was during this period that Friedrich List, the Father of the 'Modern German School of Economics,' wrote:

It is impossible for the United States, if they persevere in their actual commercial system, to maintain tolerable order in their national economy; there is no effective remedy but a return to the doctrine of protecting their industries.

The Compromise tariff of 1833 involved gradual reduction year by year; the lowest point being reached in 1847. The effects of it have been described thus:

Under this legislation, industry and trade soon declined, foreign goods poured like an inundation into our market. Less than three and a half years brought the panic and collapse of 1837. Affairs went from bad to worse, the Government became impoverished, with the people; its resources sank so low that President Tyler could not, at one time, obtain payment of his salary, and had to resort to brokers for loans.

The Protective tariff of 1842 again produced an

extraordinary revival of trade and industry ; and President Polk, in his annual message, December 8, 1846, said :

Labour in all its branches is receiving ample reward ; while education, science and the arts are rapidly enlarging the means of social happiness. The progress of our country, in her career of greatness, not only in the vast extension of our territorial limits, and in the rapid increase of our population, but in resources and wealth and in the happy condition of our people, is without an example in the history of nations.

The *Chicago Commercial Advertiser* has thus described the results of the next change of policy :

When these glowing words were published the Free Trade tariff of 1846 had been in operation only eight days. Although the movement was slower than in 1833, the decadence went on steadily. Our Presidents ceased to congratulate the country on its prosperity, yet a further reduction took place in 1857, followed in a few months by the panic of that year. Revenue declined, wages went down, employment at any pay was hard to find ; just before the rebellion the Government was borrowing to pay its ordinary expenses in times of peace.

The mischievous effects of the Free Trade tariff of 1846 were obscured for a time by the great progress throughout the civilised world in scientific invention, railways, telegraphs, steam navigation, gold discoveries and other events that occurred at this period. These imparted a fictitious *prestige* to Free Trade in Britain for results unfairly claimed as its work. The reaction however, soon came, for, in 1857, Mr. Buchanan said :

With unsurpassed wealth in all the elements of national

wealth, our manufactures are suspended, our public works are retarded, and private enterprise of different kinds is abandoned. Thousands of useful labourers are thrown out of employment and reduced to want.

In 1861 the Morrill Protective tariff was introduced, and, despite the outburst of the Civil war and all the evils that accompanied it, including the industrial paralysis of the eleven seceded States, the country was enabled to sustain itself, to revive and to increase its manufacturing industries in an extraordinary manner. In 1890 the McKinley tariff was enacted. It was simply a variation of that policy of Protection which, commencing with the Morrill tariff, has been pursued with eminent success. It was a very carefully considered Act, embracing a stringent policy of Protection for those industries which required development. Our British Free Traders prophesied utter ruin to the United States from its adoption, but it has been a complete success. The report of the committee authorised by the Senate to investigate the result of the McKinley Act has stated that in twenty-eight months the retail prices of 214 articles of common consumption declined 64 per cent., and that wages advanced 75 per cent. In November 1892, however, Cleveland, a Free Trade President, was elected, and this gave a check to the prosperity in anticipation of the Wilson-Gorman Compromise Act, which was passed in 1894. McKinley was, however, re-elected in 1896, and in 1897 the Dingley Protective tariff came into effect, with, as a result, unprecedented prosperity; but in 1907 a tariff concession was given to Germany, allowing the United States to be flooded with German undervalued goods, although Mr.



Wilbur Wakeman, former Appraiser of Customs at New York, had denounced the proposed concession as likely to 'have a very depressing, if not serious, effect on many industries.' There was a general impression amongst business men that President Roosevelt and Secretary Root had been led into a trap. The 'concession' came into effect in July 1907, and was followed by great distress and a monetary panic, and towards the end of 1907, although the United States were importing vast quantities of German goods, a large number of operatives were unemployed, and also on short employment.

The United States Secretary of State has now given notice of his intention to abrogate all foreign trade agreements, including the mischievous German agreement. With reference to this agreement the *American Economist* writes :

Urgently and persistently our Government was warned against the consequences of so ill-advised a proceeding. Its certainty of a grave injury to American labour and industry was pointed out over and over again. . . . All that was predicted for the bad side of the bargain came true, to the heavy loss of domestic industries, which were under-sold and driven out of the market by the lower tariff duties that were involved in the under-valuation privileges granted to foreigners. Their abrogation is cause for congratulation among all good Americans.<sup>1</sup>

Carey, the American economist, sums up the results of Protection and Free Trade in the United States as follows :

<sup>1</sup> *American Economist*, May 7, 1909.



Protection, as established in 1813, 1828, 1842, gave, as that of 1861 is giving :

Great demand for labour.

Wages high and money cheap.

Public and private revenues large.

Immigration great and steadily increasing.

Public and private property great beyond all previous precedent.

Growing national independence.

British Free Trade, as established in 1817, 1834, 1846, and 1857, bequeathed to its successor :

Labour everywhere seeking to be employed.

Wages low and money high.

Public and private revenues small and decreasing.

Immigration declining.

Public and private bankruptcy nearly universal.

Growing national dependence.

The United States revised tariff of 1909 imposes, in all cases, tariffs of at least the difference in the cost of articles manufactured abroad and at home. Allowance is also made for a reasonable profit on home production. It is estimated that the new schedule provides for increases on fifteen per cent. of imported merchandise, and for reductions on ten per cent. ; but these reductions are only made in cases where American trade is beyond rivalry from abroad.

Sir Lyon Playfair, a doughty champion of the Cobden Club, referring in 1891 to the McKinley Act, said :

If the Americans be right in principle, and if they be successful in practice, the whole policy of the United Kingdom is founded on a gigantic error, and must lead to our ruin as a commercial nation.

Sir Lyon was perfectly right. The McKinley Act *has* been successful in practice, beyond all anticipation, as proved by the following figures showing the progress made in the first ten years succeeding the passing of the McKinley Act of 1890.

	1890	1900
Favourable balance of trade	\$13,840,945	\$21,475,578
Export of manufactures ..	151,102,376	432,284,366
„ „ agriculture ..	629,820,808	835,912,952
„ „ domestic merchandise	845,293,000	1,370,403,922
„ „ iron and steel manufactures..	25,512,008	121,858,344

*The Defender*, an American journal, dealing with these figures, says :

Since 1896 our exports of manufactures have almost doubled in addition to supplying the enormously increased demand at home. The great gains have been made in iron and steel, copper, and agricultural implements, though gain is shown in almost every line of industry. Instead of our manufactures forming one-sixth of our total exports they now form one-third. It is this great increase in the export of manufactured goods that, added to our agricultural export, gives us a favourable balance of trade. . . . It must not be forgotten that this wonderful increase in export of manufactures has been in competition with Great Britain and Continental Europe. We have not only maintained our wage-scale, but in every industry have increased wages from 10 to 25 per cent.<sup>1</sup>

<sup>1</sup> *The Defender*, New York, August 1900.

## PAUPER LABOUR OF EUROPE

Professor Cairnes has stated that the United States with her high rate of wages cannot compete with the pauper labour of Europe. He says :

They cannot do so and at the same time secure the American rate of return on their work. . . . It is as if a skilled artisan should complain that he could not compete with the hedger and ditcher. Let him only be content with the hedger and ditcher's rate of pay and there will be nothing to prevent him from entering the lists even against this rival. . . . The end here proposed by American enterprise is, it must be owned, *unattainable under Free Trade*, for Free Trade is content to turn natural laws to the best account ; it does not seek to transcend them. But, though unattainable under Free Trade, Protectionists assure us that the thing may be done by means of their system.<sup>1</sup>

Experience has shown that Professor Cairnes is hopelessly wrong. Wages in the United States are nearly double those of the pauper labour of Great Britain, and yet the United States competes successfully with us, in many cases in our own market. Since the passing of the McKinley Act the value of exports from the United States to Great Britain has increased from £91,451,000 to £133,683,000, or an increase of about £42,000,000 under the Protective tariff—the stringent Dingley Protective tariff—respecting which the *American Economist* writes :

It has been denounced as a narrow, prohibitive measure, but the Custom-house receipts give the lie to any such story.

<sup>1</sup> Cairnes, *Some Leading Principles of Political Economy*, p. 387.

If it had discouraged importation to an unwholesome or oppressive degree it would have failed to meet the revenue test.

Then after showing that, in spite of the speculative and industrial reaction in 1904, the revenue from duty collected increased from £29,000,000 in 1898 to nearly £66,000,000 in 1907, the article continues :

The law has, therefore, been one, which, while it protected and promoted American industry, was magnificently effective from the revenue standpoint. Proof that it is unnecessary to sacrifice the Protective policy, in order to assure sufficient revenue, could not be more complete, nor would this Customs revenue have been so ample if the Dingley Law Protectionism were as hide-bound as some of its Free Trade critics have professed to believe.<sup>1</sup>

<sup>1</sup> *American Economist*, April 23, 1909.

## CHAPTER XLV

### DECLINE OF AMERICAN SHIPPING

A FAVOURITE argument of the opponents of Fiscal Reform is found in the assertion that ' England owes her maritime supremacy to her policy of Free Trade, and that the decline of American shipping is due to the policy of Protection.'

Those who make such an assertion must be ignorant of the following facts :

1. Britain gained her maritime supremacy under a policy of stringent protection.
2. Under a Protective policy, the marine of the United States grew and prospered so greatly that it became a formidable rival to that of England.
3. The foreign shipping trade of the United States *is not protected*, and its decline is due to the *abandonment of Protection*.
4. As regards its shipping, the policy of Great Britain is far more protective than that of the United States.

To deal with these points in detail :

1. England owes its maritime supremacy to the Navigation Laws, which destroyed the supremacy of the Dutch—protective laws, which as an act of defence Adam Smith designates :

Perhaps the wisest of all the commercial regulations of England. . . . as wise as if they had been dictated by the most deliberate wisdom.<sup>1</sup>

Cossa, the Italian economist, also allows that :

At certain times, and under certain conditions, Protection has given notable advantages to industrial organisation and progress. Colbert's system and Cromwell's *Navigation Act* contributed not a little to the economic greatness of France and England.<sup>2</sup>

2. Under the protective policy of discriminating duties in favour of their shipping, the United States early in the nineteenth century acquired a magnificent marine, with a tonnage nearly equal to that of Great Britain, thus becoming a serious rival to our commerce.

In 1825 Senator Webster, speaking of the United States Marine, said :

We have a commerce which leaves no sea unexplored ; navies which take no law from superior force.

The *Times*, in May 1827, wrote :

Our commercial monopoly exists no longer. We have closed our Western Indies against America, from feelings of commercial rivalry. Its active seamen have already engrossed an important branch of our carrying trade to the East Indies. Her starred flag is now conspicuous on every sea, and will soon defy our thunder.

3. In 1828 the United States passed an Act which withdrew all protection from their foreign shipping trade, opening their ports to the ships of all nations, thus

<sup>1</sup> *Wealth of Nations*, IV. ii.

<sup>2</sup> *Guide to the Study of Political Economy*, p. 124.

abandoning the policy which had been so successful. *Only the coasting trade* of the United States *now enjoys the advantage of protection*. From that date the percentage of United States carriage of foreign trade steadily declined, from 88 per cent. in 1828 to  $66\frac{1}{2}$  in 1860. Then came the Civil War to give the finishing stroke. The percentage had fallen in 1870 to  $35\frac{1}{2}$  per cent.; and in 1900 to  $10\frac{1}{2}$  per cent. The Civil War forced the shipping to seek protection under a neutral flag; and it has been estimated that vessels representing about 2,500,000 tons were transferred to foreign flags, principally British.

Mr. McKinley urged the necessity of a return to a Protective policy in the following words :

We must encourage our merchant marine. We must have more ships. They must be manned by, and owned by Americans. . . . The policy of discriminating duties in favour of our shipping *which prevailed in the early years of our history* should be again promptly adopted by Congress and vigorously supported until our prestige and supremacy on the seas are fully attained. A new protective Shipping Bill has been prepared.

4. Although the Navigation Laws of England were abolished in 1849, her shipping laws were revised in 1854, with a decidedly Protective tendency. Taxes were abolished, fees reduced, restrictions removed, and drawbacks allowed on ships' supplies. In addition to this, the enormous subsidies paid for mail contracts, the Naval Reserve subvention policy, and the protection given to vessels sailing under the British flag afford immense advantages to our shipping. Moreover, Lloyd's regulations, British insurance discriminating against



foreign ships, and our tonnage rules, all tell against American shipping. The annual subsidies and payments for postal services by the British Government in 1906 amounted to £1,248,000, as compared with £268,000 paid for similar services by the Government of the United States.

The payment of subsidies to shipping companies is contrary to the constitution of the United States, and in 1880 the fifth resolution of the Republican platform insisted that 'further subsidies to private persons or corporations must cease.'

It is evident therefore that the decline of American shipping has not been caused by Protection, but by exclusion from that Protective policy under which the home industries of the United States have made such marvellous progress.

While Great Britain lost between 1870 and 1880 13 per cent. of her trade, the United States gained 22 per cent.; and if the United States would give the same encouragement to her merchant marine and her steamship lines as is given by other nations, this commerce on the seas, under the American flag, would increase and multiply. When the United States will expend from her Treasury from five to six millions a year, as do France and Great Britain to maintain their steamship lines, our ships will plough every sea in successful competition with the ships of the world.<sup>1</sup>

During the thirty years ended 1846, under a policy of *strict Protection*, the tonnage of British shipping increased from 1,413,725 to 4,310,539.<sup>2</sup>

<sup>1</sup> Speech of McKinley, May 1890.

<sup>2</sup> *Progress of Nations*, Porter, p. 400, 2nd ed.

This naturally suggests the question : If the decline of American shipping was caused by Protection, how is it that the shipping of Great Britain made such a prodigious increase under the same policy ? Why did not its shipping decline under conditions similar to those which caused the decline of the American shipping ?

## CHAPTER XLVI

### PROPHECIES

THE fulfilment of the prophecies made by the advocates of our present fiscal policy to induce its adoption has not been of such a character as to inspire confidence in that policy.

#### PROPHECY

I speak my unfeigned conviction when I say I believe that there is no interest in the country that would receive so much benefit from the repeal of the Corn Laws as the farm tenant interest in this country.<sup>1</sup>

I believe when the future historian comes to write the history of agriculture he will have to state 'in such and such a year there was a stringent Corn Law passed for the protection of agriculture; from that time agriculture slumbered in Eng-

#### FULFILMENT

The evidence given before the Royal Commission of 1879 on the depression of agriculture shows that a very large majority of tenant farmers have been ruined.

The true historian will have to record :

In 1846 the British public, misled by the specious arguments of Cobden, adopted the policy of so-called Free Trade, but agriculture gradually declined; millions of acres

<sup>1</sup> Cobden, 1844.

land, and it was not until by the aid of the Anti-Corn Law League the Corn Law was utterly abolished that agriculture sprung up into the full vigour of existence in England to become what it is now—like the manufactures, unrivalled in the world.’<sup>1</sup>

The Americans are a very cautious, far-seeing people. And everyone who knows them knows that they would never have tolerated their Protective tariff, if we had met their advances by receiving their agricultural products in exchange for our manufacturing products.<sup>2</sup>

You have no more right to doubt that the sun will rise in the heavens than to doubt that in ten years from the time when England inaugurates the glorious era of commercial freedom every civilised country will be Free Trade to the backbone.<sup>3</sup>

I believe if you abolish the Corn Laws and adopt Free

went out of cultivation, land became foul and badly farmed, tenant farmers were ruined and emigrated to Protectionist countries, landowners sold their land at ruinous prices and invested the residue in foreign lands; never was ruin more complete.

After receiving the agricultural products of America for sixty-three years, we find the Americans as strong Protectionists as ever.

Sixty-three years have elapsed since we adopted the policy of Free Trade, and we find the following in the *American Economist* of April 23, 1909 :

Movements towards higher tariffs are going on the world over, according to information coming from the State

<sup>1</sup> Cobden, 1844.

<sup>2</sup> Ibid.

<sup>3</sup> Ibid. 1846.

Trade in its simplicity, there will not be a tariff in Europe that will not be changed to follow your example.<sup>1</sup>

Department. *France* is considering a Bill which largely increases her tariff rates. The agitation for Tariff Reform in *Great Britain* shows evidence of increasing strength. In a number of bye-elections recently, the Government candidates were defeated, and members elected who favoured tariff duties. *Germany* put a tariff in force not long ago that largely increased rates. *Italy* and other countries have moved in the same direction. *Sweden* has now appointed a commission to revise the tariff in that country, which it is proposed to put into effect in 1910. *Japan* is anxiously awaiting the expiration of certain treaties in order that she may increase her tariff. *Australia* has taken that course, and in every direction the movement is in favour of greater protection to home industries.

In reply to the protests against the adoption of Free Trade policy in 1846 its advocates contended that :

<sup>1</sup> Cobden, 1846.

(a) Not an acre of land would go out of cultivation.

(b) Every sovereign's worth of imports would be repaid by the yield of an equal value of exports.

(c) Sufficient natural protection would be given to our agriculture by the cost of freight and charges on imports.

In 1841 McCulloch stated that the cost of freight and other charges for the transport of wheat from Dantzic to England was 13s. per quarter.

(a) More than three million acres of corn and green crops have gone out of cultivation between 1871 and 1907.

(b) On the contrary we have an enormous adverse balance of trade amounting in our dealings with the United States to more than £81,000,000

(c) This has vanished. In many cases the cost of transport from the Continent is less than the transport by rail from many parts of our country to London.

Freight and charges from Dantzic have now fallen to 3s. a quarter, and from the Atlantic Ports of the United States they have fallen to 4s. 3d. a quarter.

Railway freight and charges from the Midland Counties to London is about 4s. a quarter.

The opponents of Free Trade appear to have been endowed with far greater foresight than their adversaries.

The following remarkable prediction was published in the *Agricultural and Industrial Magazine* of 1834, twelve years before the repeal of the Corn Laws :

In those days when England should have reached the measure of her greatness, verily the hour of her tribulation shall be at hand. The nation shall be delivered up for sport and experiment to loan jobbers and political economists. Our too luxuriant manufactures and commerce shall be trimmed down to a sound and wholesale standard by the removal of all Protective duties, which will afford matter of gain and derision to other nations ; while bankruptcy, desolation, misery, and despair shall hourly increase at home. . . . It shall be said in the great Council that it would be desirable to render the nation dependent on foreign harvests for food ; and astonishing nonsense shall be talked touching Free Trade and the theory of exchanges. Then shall be felt the saying of a great king, that if he had a province to punish he would deliver it up to the rule of political philosophy. . . . But after some time longer the eyes of the people shall be opened, they shall grow weary of suffering in hopeless silence ; other rulers will arise who will revert to the maxims of common-sense ; they will decide that it is preferable to have the people content, occupied, and thriving under the old system, to starvation, idleness and outrage under the new-fangled philosophy. . . . The nation shall rejoice in renovated strength but the philosophers shall mourn over their lost occupation, and the overthrow of ' sound general principles.' <sup>1</sup>

The author of this prediction appears to have been

<sup>1</sup> The copies of the *Agricultural and Industrial Magazine* for 1834-35-36, in the British Museum, are bound up in one volume, and appear in the catalogue under the date 1835-1836.



endowed with more insight and common-sense than our politicians in the present so-called age of progress. The first part of the prediction has been fulfilled to the letter ; and it is to be hoped that the accomplishment of the latter part will be consummated before it is too late to remedy the mischief and avert the danger which menaces us.

The following extract from the *Bucks Herald* of June 26, 1847, shows that Disraeli was a better prophet than Cobden :

Mr. Disraeli described Free Trade as a 'revolution of Parliament,' and, he proceeded, 'we must see the experiment fairly tried. You are,' he said to the electors, 'in the position of a man who has made an improvident marriage. You have become united to Free Trade, and nothing can divorce you except you can prove that the charmer has been false. . . . You have become united to a false duenna, and you must take the consequences ; and the consequence, I venture to predict, will be that the House of Commons, after fair, full, and ample trial of this great measure, will be driven to repeal it from absolute necessity, though at the termination of much national suffering ; but then that suffering will be compensated for by the bitterness and profundity of national penitence.

## PROPHECY

## FULFILMENT

Those who opposed the introduction of the new policy in the forties contended :

(a) That it would throw land out of cultivation.

(a) More than three million acres have been thrown out of cultivation.

(b) That it would make us dependent on foreign supplies.

(b) Our dependence was so great that at the time of the Crimean War, the price of wheat rose to 74s. 8d., although we had complete command of the seas.

(c) That freeing the import duties would involve heavy direct taxation on our people.

(c) Our direct taxation has increased to an extent that threatens absolute ruin.

(d) That there was no security, or even probability that other nations would join us in free exchange of productions.

(d) Not only have other nations declined to join us, but they exclude our productions with heavy tariffs.

Hudson, the 'Railway King,' during the discussion on the repeal of the Corn Laws on February 17, 1846, expressed his conviction that the effect of the measure would be to throw large tracts of land out of cultivation, and that we should lose the best of all our customers—the Home customers—that it would withdraw capital from the land, and he continued :

I believe that the effect of this measure will be to paralyse the industry of the country. This is really a labourers' question. It comes down after all to the poor labourer, whether a manufacturing operative or an agricultural labourer. Why not cheapen to him his tea and his coffee, before you call

upon him in this way, and thus tax his industry and his exertion? Why not give him a boon along with that, if he must in the end pay the tax; for it is absurd to suppose that the effect of this alteration must not fall upon the labourer. Fall upon him it will, fall upon him it must.

It must now be added, in fulfilment of this prophecy, 'fallen upon him it has.'

## CHAPTER XLVII

### CONCLUSION

A CAREFUL consideration of the foregoing chapters points to the following conclusions.

The science or art of economics, although it is yet in its infancy, contains much that is valuable, especially amongst the writings of Adam Smith ; but its progress has been retarded owing to the dogmatic misapplication of its doctrines by many of its disciples, who seem to 'have learnt nothing and to have forgotten nothing.' It has also been prejudiced by a reaction against doctrines that have been erroneously ascribed to the Mercantile system, and by a too close adherence to abstract principles. It has suffered from antagonism, and a want of amalgamation of the principles of the various systems or schools of economics, all of which are more or less faulty in some respects, though valuable in others.

In applying economics to the tariff question Great Britain has been singularly unfortunate. Some of the exponents of the orthodox British school have overlooked many important factors, and have ignored the great revolution that has occurred in the conditions of trade, commerce, and industries, since Adam Smith formed his conclusions. They have exhibited much confusion of ideas, and have neglected the teaching of history and

experience. They have clung too slavishly to the letter, rather than to the spirit of the principal writers, and have endeavoured to mould facts to fit their doctrines, instead of employing facts to regulate and modify theory. They have elevated Free Trade almost to a religion, which is not even to be questioned under any conditions. They have failed to discriminate between *Protection* and *Prohibition*, between *moderate duties* and *restraints on trade*, between *Free Trade* and unlimited *free import*. They have based their conclusions on two cardinal errors: first, that the burden of an import duty must fall upon the consumer; and second, that a tariff must increase the cost of the article taxed, both of which assumptions have been proved by experience and history to be absolutely false.

In the majority of cases experience has proved that *the import duty, if moderate and of a competitive character, is paid by the foreign producer or by his agent, not by the consumer*; and that it does not increase the cost of the article taxed. On the contrary, numerous instances have been given in which the imposition of an import duty has been followed by a fall in price owing to the stimulus given to home production, and also to the destruction of foreign monopolies and other causes. This reduction of price has not been temporary, but permanent.

A review of the different schools or systems of economics has shown that the Free Trade of the Manchester school is not the Free Trade of Adam Smith—the recognised apostle of Free Trade—but a travesty of it. It is opposed to the spirit of his writings, in which he foretold

the ruin which has actually befallen our industries, if the free import of manufactured goods were permitted. It is also opposed to his advocacy of countervailing taxation of articles taxed by the foreigner.

Our policy is condemned by the modern German economists, who scornfully term it 'Manchesterthum,' and also by American economists. It is also absolutely opposed to the principles inculcated by Adam Smith, who laid great stress upon the importance of agriculture and the home trade, and would never have countenanced the ruin of agriculture which our policy has involved, or the sacrifice of home to foreign trade.

Under our policy our trade has entirely changed its character, and become one of buying and selling instead of production; one which, instead of employing our labour and developing our industries, employs foreign labour and develops foreign industries.

It has been shown that the agitation, by which the adoption of our present Free Trade policy has been carried, was political in its origin and actuated by party feeling. It was a struggle by the manufacturing classes to destroy the influence of the agricultural classes and the landowners, in which the manufacturers were only too successful.

It has also been shown that the objects and working of the Corn Laws have been generally misunderstood and misrepresented.

Under these laws the price of wheat had been kept steady and moderate, until they were repealed in 1765; then the price of wheat rose, and the dependence upon foreign supplies became so great that when war broke

out wheat rose to famine rates, and those enormous prices which have been falsely attributed to the Corn Laws prevailed actually under the free import of wheat.

The Select Committee of 1813 attributed these high prices to the undue dependence on foreign supplies, and recommended a return to those Corn Laws under which the price of corn had remained steady and moderate until their repeal in 1765. The Corn Laws were therefore re-enacted, and the price of wheat fell and was almost at its lowest just before the repeal of the Corn Laws in 1846.

The distress of the 'Hungry Forties,' which was used, as a powerful lever, to force on Free Trade, had no connexion whatever with the Corn Laws, for wheat was then almost at the lowest price that had been touched during the whole of the first three quarters of the nineteenth century (1800-1875), whether under free import or under the Corn Laws. The distress was entirely due to a monetary crisis caused by our faulty Bank Act, which depressed trades and industries and threw many of the working classes out of employment. It was a money famine, not a bread famine.

The absurd fictions of the 'Big and Little Loaf,' 'taxing the poor man's food,' 'German black bread and horseflesh,' and other dishonest election tricks, on a par with the 'terminological inexactitude' of the 'Chinese slavery,' have been exposed.

Free Trade has not given the cheap loaf; wages have not increased so much in England as in the protected States. Formerly they were much lower in Germany than in England; now they are, in many cases, as high, if not higher. In the United States wages are,



as a rule, double those prevailing in England, the standard of living is much higher, and the actual cost of the necessaries of life little more.

Our taxation has been shown to be on a false basis. The substitution of direct for indirect taxation has indirectly borne heavily upon the working classes. Our countrymen have had to bear much of that burden of taxation which was formerly paid by the foreigner.

Excessive taxation of capital falls principally on the employers of labour, and must be met from the industries of those employers, and consequently by the working classes, either in reduction of wages or shortage of employment.

The income-tax is above all other taxes the most unjust, unequal, and mischievous. It has a pernicious effect upon our industries. It taxes heavily the employers of labour. It is the resource of an incompetent or unscrupulous Minister for raising revenue, and it encourages political extravagance. It is a burden for which there is absolutely no necessity, and it should be replaced by indirect taxation. Financially there should be no difficulty in abolishing it, and substituting indirect instead of direct taxation, more especially by taxing heavily articles of luxury, so that the burden of taxation might fall more upon the wealthy classes. A graduated income-tax is one which has been condemned in the United States, and disallowed as contrary to the Constitution of that country and a violation of the liberty of the subject.

History affords a striking parallel between the condition of Rome in the period preceding its decay, and that

of Britain in the present time ; both depending upon foreign supplies for their food ; their agriculture ruined ; their stalwart rural population disappearing ; their artisans wretched and physically deteriorating ; taxation increasing to an intolerable extent ; both countries in apparent splendour, wealth, and luxury, with extended empire in all parts of the world, but with a deadly canker at the heart.

A review of the fiscal conditions of various countries has shown that the adoption of a policy of free import, or even a near approach to it, has been attended with disastrous results.

#### GREAT BRITAIN

*Great Britain*, under a policy of stringent Protection, gained her enormous wealth and power, and became the capitalist country of the world. Under that policy she attained her industrial and commercial supremacy : she had the monopoly of manufacturing industries ; she became independent of foreign countries for her supply of food, and held all the markets of the world. Since she has abandoned her Protective policy, she has lost that position. Other nations are passing her ; she has become dependent on the foreigner for her food supply ; her agriculture is ruined, many of her industries have practically disappeared, others are struggling hard for existence. Her capital is vanishing, her population crying out for employment ; distress and pauperism are increasing, and Socialism is rampant.

Although her trade has increased in volume, in common with the increase of wealth amongst all civilised

nations, it has been carried on at a minimum of profit, if not at a loss.

#### IRELAND

In *Ireland* we find that under a Protective policy trade and industries were steadily increasing. She became prosperous, loyal, and contented ; her population increased ; she had a ready market in England for her agricultural produce ; but that market was transferred, by the adoption of free import, to the foreigner, and her own home market was invaded. The tide of prosperity turned ; her progress ceased, her population diminished to one-half of what it was. The flower of her population emigrated to lands which, under a Protective policy, afford ample remuneration to labour, thus leaving Ireland impoverished, discontented, disloyal, and in a state of anarchy. Instead of recognising the true cause of the ruin of Ireland, our Government had recourse to mischievous Land Acts, which only intensified the evil.

#### CANADA

In *Canada* we find that, under a Free Trade policy, industries were slaughtered by the United States, and progress was impossible, until she adopted a Protective policy, under which her progress has been phenomenal.

#### INDIA

*India* possesses enormous potential, but undeveloped wealth, agricultural, mineral, and industrial ; she has vast coal fields and deposits of iron ore of the purest description, but her development has been sacrificed to the fetish of Free Trade. She has been made the dumping

ground for the produce of other nations, and the Government of India has been forced by the Imperial Government, not only to repeal duties on cotton goods, but also to impose an excise duty on the mill produce of India, in order to conciliate Lancashire. The want of development of her industries is a disgrace to our Parliamentary legislation.

#### GERMANY

Under a policy of lowered tariffs *Germany* had been bleeding to death. Through her widely-opened door she had become the dumping ground of foreign surplus; but since the adoption of a Protective policy by Bismarck in 1879, she has enjoyed great prosperity, her industries have developed enormously, as may be inferred from the fact that her production of iron, which was formerly less than one-third that of Great Britain, now exceeds it. Wages have risen, and the condition of the working classes has been much improved.

#### FRANCE

Although *France* has never adopted an absolute Free Trade policy, she has of late strengthened her Protective policy, with the happiest results. The change has been marked by prosperity in every branch of industry.

#### THE UNITED STATES OF AMERICA

Those periods during which the *United States* have relaxed their Protective policy have been marked by unemployment, low wages, dear money, decreasing public and private revenues, almost universal public and private bankruptcy; whilst the periods of strict

Protection have been marked by great demand for labour, high wages, cheap money, and general prosperity. The decline of American shipping, which has been ascribed to the action of Protection, has, in fact, been due to the want of that Protection which is so beneficial to the home trade of the United States, but from which the foreign shipping trade of the United States has been excluded.

The foregoing summary of the state of various countries under different fiscal conditions, proves the error of the Cobdenite doctrine that a country cannot prosper under Protection.

Those States which have suffered under a Protective policy should, according to that doctrine, have been ruined; but, on the contrary, they are prospering exceedingly; whilst we, under a Free Trade policy, are fast losing our industrial and commercial superiority.

Mr. Carnegie, in a speech at St. Andrews in 1902, stated that the United States, under a policy of strict Protection, had taken the foremost place in wealth, production, and exports; that Germany was rapidly overtaking us, and that before long Russia would press us hardly. The only alternative that he could suggest to save us from absolute ruin, was that Britain should be submerged as a member in a consolidation of European nations under a Zollverein.

The utter failure of the promises and predictions by which the people of Great Britain were induced to adopt our present fiscal policy, is a strong argument against its continuance. A patient trial, extending over more than sixty years, has proved it to be a complete failure in every respect.



# APPENDIX I

## DAILY NEWS CRITICISM

SIR GUILFORD MOLESWORTH ON FREE TRADE

*To the Editor of the DAILY NEWS.*

SIR,—In your review of my unpretending booklet, ‘Our Empire under Protection and Free Trade,’ you say :

It is difficult to argue with a writer who clings in this way to doctrines which belong to the dark ages of economic science. We can only recommend the author to devote a little study to the ‘Wealth of Nations’ and to the writings of Frederick Bastiat.

I may state that I have not only studied those works, but have quoted freely from them in support of my arguments in the ‘British Jugernath,’ which I published 19 years ago. Referring to the second edition of that work, I find quotations from Adam Smith’s ‘Wealth of Nations’ (at pages 9, 10, 11, 21, 24, 43, 46, 51, 52, 53, 54, 55, and 57), and from Bastiat (at pages 23, 58, 59, and 76), the quotation at 23 showing how Bastiat has misled his followers by false predictions.

Modern economists, and especially the later school of German economists, look upon the Manchester School of Economics as belonging to the dark ages, and scornfully repudiate it as ‘Manchesterthum’ and ‘Smithianismus.’

I fear that your reviewer has not studied the books he recommends to my notice ; otherwise he would never have ignored the following sentences, which occur in Adam Smith’s ‘Wealth of Nations,’ and which to a great extent support the views I have advocated.



If the free importation of foreign manufactures were permitted, several of the home manufactures would probably suffer, and some of them perhaps go to ruin altogether.—WEALTH OF NATIONS, Book IV. Cap. 11.

It will generally be advantageous to lay some burden on the foreigner, for the encouragement of domestic industry, when some tax is imposed at home upon the produce of the latter.

In this case it seems reasonable that an equal tax should be imposed upon the like produce of the former. . . .

It may sometimes be a matter of deliberation how far it is proper to continue the free importation of foreign goods when some foreign nation restricts by high duties or prohibitions importation of some of our manufactures into their country.—WEALTH OF NATIONS, Book IV. Cap. 2.

I would recommend to your reviewer's notice the following quotations from Mill :

The only mode by which a country can save itself from being a loser by the revenue duties imposed by other countries on its commodities is to impose corresponding revenue duties on theirs.—PRINCIPLES OF POLITICAL ECONOMY, by John Stuart Mill, Book IV.

Yours, &c.

GUILFORD L. MOLESWORTH.

THE MANOR HOUSE, BEXLEY,  
July 2nd, 1902.

#### REPLY

[Our reviewer, who has seen the above letter, says : ' Free Traders are not concerned to deny that the sudden adoption of Free Trade by a country so given up to an artificial system as Great Britain was in Adam Smith's time would probably have entailed disagreeable consequences upon those who were then basking in the sunshine of a protective system at the expense of their fellow countrymen. Neither do they deny that when a tax is imposed upon some home product it is reasonable that an equal tax should be laid upon a like product imported from abroad, and *vice versa*. On the contrary, their chief objection to Sir Michael Hicks-Beach's corn tax is based upon this very doctrine. The passage which Sir Guilford Molesworth quotes from Mill's " Principles of

Political Economy" does not occur in "Book IV," as he says, but in Chapter IV of Book V (Section 6). If the reader will turn to it he will find that it is accompanied by limitations which render it practically valueless for the purposes of the advocates of Protection. It is well known that Mr. Mill has occasionally granted more to his opponents than his disciples approve; but to claim his authority on that ground on behalf of your correspondent's book, which is full of economic heresies, would be absurd.']

### REJOINDER

*To the Editor of the DAILY NEWS.*

SIR,—With reference to the remarks of your reviewer on my letter which was published in your issue of yesterday, permit me to point out that the ruin of some of our manufactures, which Adam Smith predicted as the probable result of the free import of foreign manufactures, was by no means 'sudden.' It was very gradual, and was only complete after we had for years been 'basking in the sunshine' (to use your reviewer's words) of Free Trade. The reason why that ruin was gradual has been fully explained in my booklet.

It is true that Adam Smith did not include our agricultural industry in the same category with our manufactures, but that was upon a false assumption; for, as he has explained:

Even the free import of foreign corn could very little affect the interest of the farmers of Great Britain. . . . The average quantity imported in one year with another amounts only . . . to 23,728 quarters of all sorts of grain. . . . So it is probable that one year with another, less would be imported than at present. (Book IV. c. 11.)

Now the actual import in the year 1900, in round numbers, amounted to 42,000,000 quarters. Can any unprejudiced man doubt that Adam Smith would have predicted the ruin which has unfortunately fallen upon our agriculture, if he could have had any conception that the actual import could be nearly 1800 times as much as that on which he based his

conclusion, that the free import of so small a quantity would 'very little affect the farming interest'?

With regard to Adam Smith's opinion, that

It will generally be advantageous to lay some burden on the foreigner for the encouragement of domestic industry when some tax is imposed on the home produce,

your reviewer infers that this is inapplicable to corn because there is no direct tax upon it, but he forgets that the English grower is burdened with taxation of the most crushing character, which the foreign grower evades.

Your reviewer is mistaken in stating that Mill's advocacy of the imposition of revenue duties corresponding to those of other countries 'is accompanied by limitations which render it practically valueless for the purposes of the advocates of Protection.'

The only limitation is this :—

Only it must take care that those duties be not so high as to exceed all that remains of the advantage of trade, and put an end to importation altogether.

Surely this limitation does not render it valueless to the advocate of Protection—it is exactly what he would desire. To advocate *protection* is not to advocate *prohibition*; and the object of Protection is not to prevent imports, but to place the industries of a country on a fair footing with those of other countries.

I fear that my booklet must plead guilty to the reviewer's charge of being full of 'economic heresies,' but my faith is not of the stalwart character of the Free Trader's—that faith which has been defined by a Sunday School girl as: '*Faith is believing that which we know to be untrue.*'

GUILFORD L. MOLESWORTH.

THE MANOR HOUSE, BEXLEY, KENT,

*July 8th, 1902.*

## APPENDIX II

### FACTS FOR TARIFF REFORMERS

A SUMMARY OF THE PRINCIPAL FACTS IN 'OUR EMPIRE UNDER PROTECTION AND FREE TRADE,' PUBLISHED AS LEAFLET NO. 133 OF THE TARIFF REFORM LEAGUE

*By Sir Guilford Molesworth, K.C.I.E.*

1. Extremes are injurious.
2. Unlimited free import is one extreme, prohibitive tariffs the other, moderate tariffs the practical mean.
3. It is a fallacy to suppose that a tariff must necessarily raise the price of the article taxed.
4. When an article is, or can be, *produced at home*, a tariff, *if it be not prohibitive*, stimulates *production*, promotes *internal competition*, prevents a permanent increase of prices, and in many cases eventually *decreases the cost to the consumers*.
5. When, however, an article is *not* of home production, such as tea, coffee, cocoa, tobacco, wines, &c., the tariff naturally *increases the price*.
6. A tariff on a competing import is frequently paid by the *foreign producer*, and does not fall on the consumer.
7. Experience has shown that the imposition of a tariff is frequently followed by a fall in the price of the article taxed.
8. It sometimes happens even that the anticipation of a tariff causes a fall in the price.

9. The imposition of a tariff frequently kills a foreign monopoly, or enables a new industry to arise.

10. Unrestricted foreign competition often prevents the establishment of a new home industry, or crushes out an existing one.

11. Even when a tariff raises prices, it adds to the revenue and saves other taxation.

12. *Direct taxation* of capital and profits is a burden on our industries, and reacts on the working classes by *reduction of wages and employment*.

13. Industries burdened by direct taxation are at a disadvantage in competition with those foreign industries which do not share that burden.

14. *Indirect taxation* (derived from tariffs) need be *no* burden if the duties are *low*, and levied on foreign articles which *compete* with similar articles produced in this country.

15. The term FREE TRADE as explained by economists, means the *free exchange* of commodities between nations, *which England has never had*, and has no prospect of having.

16. We have *no free import* for our productions into any country, not even into our self-governing Colonies.

17. We have thrown away our *bargaining power* with foreign countries by abolishing our tariffs on competing products, and have handicapped our trading relations with our Colonies.

18. We admit, *free of duty*, those articles which *compete* with our industries, but *tax those which do not compete*.

19. We impose taxation in a form which must fall solely on our own people, but remit it when any portion of such taxation is likely to fall on the foreigner using our markets.

20. The '*big and little loaf*' of Free Trade is only a delusive electioneering *fiction*, and the cry of seeking to '*tax the poor man's loaf*' an *absurdity*, since the loaf produced at home is already taxed to the hilt.

21. *The influence of the price of wheat* on the price of

bread is generally exaggerated, no account being taken of the fact that the retail price of the loaf includes many more items than the wheat itself, namely, the labour employed in the milling, the baking, and the distribution, besides the profits of the middlemen and employés at each stage, the rent of premises, and so forth, which do not vary with the price of wheat.

22. *Our dependence on foreign nations* for wheat supplies tends in war time to raise prices to famine rates. During the Crimean War the price of wheat was higher under free imports than it had been under the Corn Laws since 1818, the average price for the year 1855 being 74s. 8d. per quarter.

23. *The price of wheat* is governed by the fluctuations in the world's prices, and such fluctuations in prices are determined by the relation of the world's *supply* of wheat to the world's *demand* for wheat.

24. *A tariff does not, as a rule, raise the price of wheat* provided that the duty be a *low* one; but the present *prohibitive* duty of 12s. 2d. per quarter in France, when the outside price is only 27s. or 28s., necessarily raises the price when the French harvest is scanty.

25. *The repeal of the Corn Laws in 1765* was followed by a rise in the price of wheat from 33s. 5d. (the average of ten years preceding the repeal) to 50s. 5d. for the average of the ten years succeeding their repeal.

26. *During the French War* (period 1809-13, prior to the enactment of the 1815 Corn Laws) the average price of wheat rose to 107s. under free import.

27. *After the enactment of the Corn Laws of 1815* the average price fell gradually, so that in the three years 1843-45 preceding the repeal of the Corn Laws the average price was 50s. 9d. per quarter.

28. The average price of wheat for the three years *preceding the repeal* of the Corn Laws in 1846 was slightly *lower* than the average of thirty years *succeeding their repeal*.



29. *The present low price of wheat* is mainly consequent upon the *diminished cost of transport* by steamers and railways and *improved processes of agriculture*, but should we be engaged in war with strong maritime powers, there would be the utmost risk of famine prices.

30. *The distress in 1840-42*, which gave rise to the anti-Corn Law agitation, was *not due to dear bread*, but to a temporary monetary crisis caused by a sudden drain of gold into the United States.

31. The average price of wheat for the three years preceding the repeal in 1846 was almost the lowest that had been touched during the half-century 1800-50.

32. *The re-imposition* of the registration corn duty in 1902 *did not raise the price of wheat*; but after the *remission* of the tax in 1903 the price of wheat and flour *rose*.

33. *We enjoyed extraordinary prosperity* and acquired our commercial and industrial superiority, as well as our position as the capitalist nation of the world, *under a policy of strict Protection*.

34. We are *losing* these advantages under the so-called policy of FREE TRADE.

35. In the United States the periods of *protective tariffs* have uniformly been marked with *prosperity*, and the periods following their several *repeals* have been marked by *depression and distress*.

36. *The prosperity* which we enjoyed in the fifties, although unfairly claimed as the work of Free Trade, was *due to other causes*, namely gold discoveries, inventions, and science, steam navigation, railways, &c., *which have been shared by foreign nations*.

37. Having laid the foundations of our industrial prosperity *under Protection*, and having thereby secured the command of the world's markets, we were not merely the first, but for many years the *only country* able to utilise these new forces that then came into play.



38. For more than twenty years fortuitous events, such as the Crimean War in the fifties, civil war in the United States, and Continental disturbances in Europe in the sixties and early seventies, retarded the progress of foreign nations.

39. As soon as foreign Protectionist nations were able to avail themselves of the new industrial conditions, they successfully competed with us even in our own markets, and our country is flooded with the productions of the very nations which we formerly supplied.

40. Since that time our agriculture, silk, sugar-refining, and other important industries have been seriously injured, while others have struggled hard for existence.

41. *Our Colonies* are also becoming more and more Protectionist, and *are flourishing under that policy*, and Canada and our South African possessions are able to give the mother country preferential treatment, and, to their honour, do so as yet without reciprocity on our part.

42. Many of our best workmen have *emigrated* to the United States, where they obtain *higher remuneration* for *their labour*.

43. *The capital* recklessly expended by us in purchasing abroad that which might have been produced at home *has armed Protectionist nations* with the sinews of war in competing with us.

44. Instead of fostering our own industries and providing employment for our working classes, we purchased from foreign countries in 1906 produce to the value of £466,000,000, much of which we could well have produced ourselves or in our Colonies. The value of our exports to those nations in return was only £330,000,000, of which only £198,000,000 were 'articles wholly or mainly manufactured' of British production.

45. Canada is being driven into making treaties with Foreign Countries by our refusal to respond to her advances for reciprocal trade.

46. We are constantly *raising* our direct taxes while the United States *lower* theirs.

47. *The cost of food* and of the necessaries of life is not less in England than in Protectionist countries.

48. *The wages in Protectionist America* are, in the majority of cases, *nearly double* those prevailing in our FREE TRADE country.

49. *The prophecies* which induced our people to adopt Free Trade have proved to be *false*.

50. *The predictions of ruin* to those countries which have adopted Protection have altogether *failed*.

51. *The volume* of our foreign commerce is *no criterion* of the *prosperity* of our industries.

52. *The yearly excess* of our imports over our exports shows that we are *consuming more than we produce*; we are living, to a great extent, *on the interest of that capital* which we have gained in former days of prosperity.

53. We have of late years been parting largely with our foreign securities in payment to Protectionist nations.

54. Much of our *import* consists of food which is absolutely consumed. Much of our *export* consists of our *national assets* of coal and mineral wealth *which cannot be replaced*.

55. *Since the passing of the McKinley Bill* in 1891, which the Free Trade apologists prophesied would ruin the United States, the industries of that country have *developed by leaps and bounds*.

56. The 'special' exports of the United States increased by £149,000,000, or 90 per cent., in the five years 1902-06 as compared with the five years 1880-84, while those of the United Kingdom increased in the same period by only £76,000,000, or 32 per cent.

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