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**Yves Guyot, *The Comedy of Protection*
[1906]**



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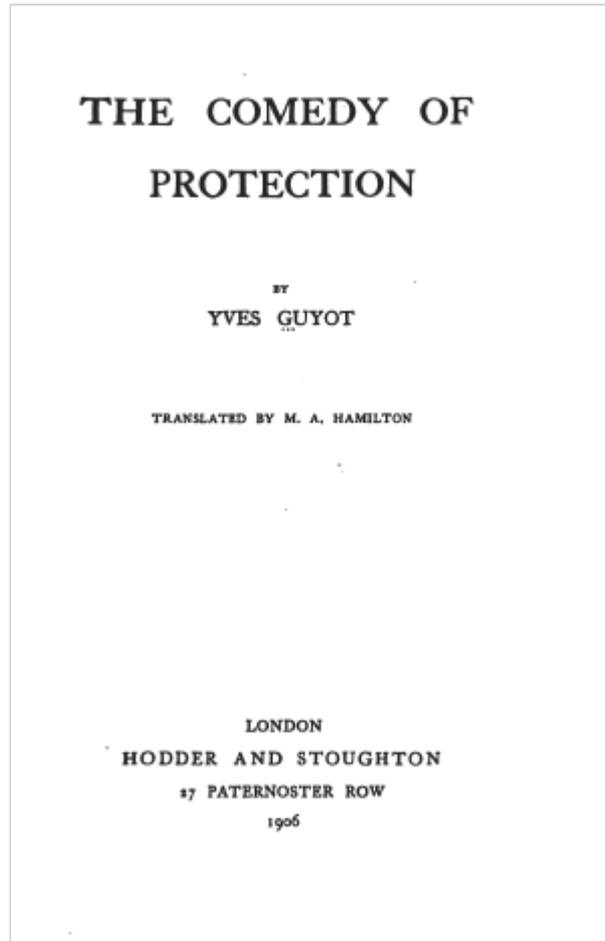
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About This Title:

Guyot provides a history of French tariff policy from the time of Colbert and a discussion of its effects on particular industries such as textiles and food. He then discusses protection in the US and Germany and refutes many arguments in favour of tariffs.

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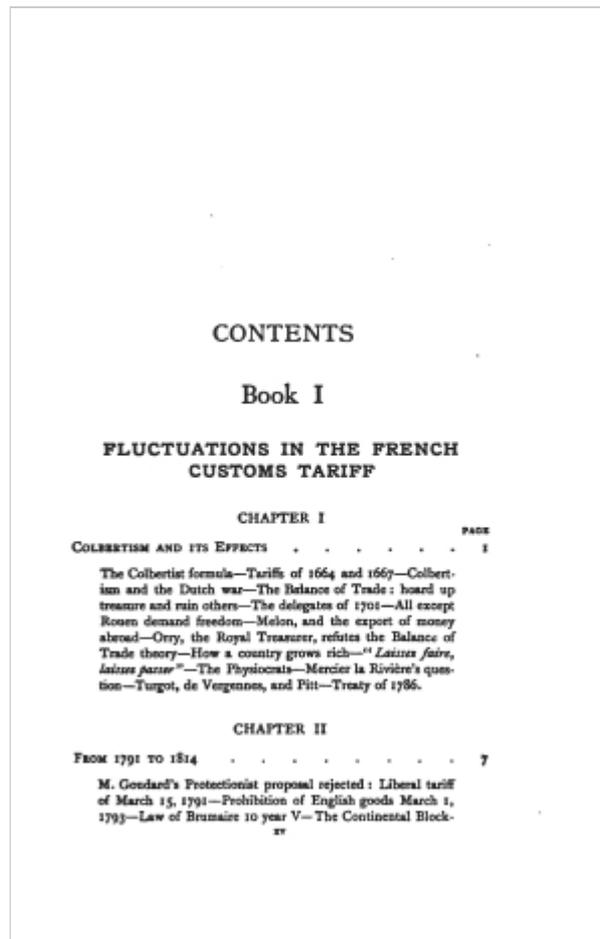
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PREFACE

I

I could have given this book a grandiose title—"The Protectionist Tyranny," or "The Protectionist Oligarchy"; or a tragic one in the vein of Book V., which describes the "Work of Death" on which most Protectionists embark. But I preferred a light and humorous title, "The Protectionist Comedy," because there is much more food for laughter than anger in the behaviour of the Protectionists. Call them Méline or Chamberlain, their behaviour is always the same. They are men with a purpose disguised as something else: in their search for plausible pretexts they shrink from no absurdities, importing the miraculous into the hard facts of science. A long familiarity with deceit prevents their distinguishing truth from error, and though facts persistently give them the lie, they still call them to their aid: like the fairy godmother, they promise the riches of Golconda, and explain their failure to produce them as the influence of the evil genius of Free Trade. While they promote private interests inconsistent with the general good, they dub themselves patriots and benefactors, and declare that their opponents are traitorous robbers who have sold themselves to the foreigner; they devote all their energies to such fatuous tasks as the weighting of the balance of trade and the defence of a depreciated currency. In this they are all alike. One sees at a circus clowns giving themselves endless trouble to build up a mass of obstacles for themselves and others to overcome: when Protectionists jeer at such ridiculous labour they only prove their own ignorance, for this is exactly what they do themselves when they regard labour-saving processes carried on abroad as a grievance by which they try to prevent their countrymen from profiting. No doubt each of them has a sound reason for pursuing his end, but he hides it. While they talk about the defence of national labour, they keep their esoteric reasons for the initiate and put off the profane with public pleas. But whatever be the end he has in view, Tartuffe conceives that end by the same intellectual processes and employs the same means to realise it. When he is a Protectionist he says to the electorate, "I will make you rich by imposing a tax on you which brings in a profit to me." Then the majority applauds lustily and hands over part of what it has to him—and he is almost always much richer than they are. And Tartuffe is so clever in exciting Orgon's prejudices and using them for his own ends that Orgon actually imagines himself to be gaining.

II.

The dupe is the more ridiculous that if he only opened his eyes he must see how crude and flimsy are the artifices by which he has been swindled.

The aim of the Protectionist in every country is to reduce imports and encourage exports. Since there can be no selling without buying, if he attained his end international trade would cease and each nation be self-sufficing. Now the exact contrary is the case: in a third of a century international trade has increased from 100 to 219, as the following table drawn up by M. de Foville proves:—[1](#)

Period.	Ann. Imports. £1,000	Ann. Exports. £1,000	Total. £1,000	Prop. Excess. % of Imports
1868-1870	1,200	1,080	2,280	11
1876-1880	1,560	1,460	2,920	15
1886-1890	1,760	1,520	3,280	16
1899-1900	2,160	1,920	4,080	16
1901	2,440	2,160	4,600	13
1902	2,480	2,200	4,680	13
1903	2,640	2,360	5,000	11

In all countries which are not in debt, imports exceed exports in spite of the constant efforts of Protectionists in every country to reverse the relation.

III.

The object aimed at in the application of science to industry, the use of steam and electricity, the organisation of postal telegraphic and telephonic communication, and the perfection of the banking system, is the reduction of the selling price of goods, *i.e.*, cheapness. Protectionism raises its wall of tariffs and says, "I will make things dear."

The first two steamers crossed the Atlantic in 1837; in 1842 a Home Industry Convention meeting at New York drew attention to the necessity of protecting the United States against ocean traffic by steam. When the Saint Gothard Tunnel was opened the South Germans demanded a raising of the tariff to protect them against the influx of Italian goods.[1](#) In 1891 M. Teisserenc de Bort, in the name of the Limousin cattle-breeders, opposed the Havre and Rouen harbour works. All this was logical enough: a Protectionist who spends millions on a port and then builds a tariff wall to close it, and who digs tunnels instead of cutting the railway lines at each

frontier, is involved in contradictions which prove the malady of his mind. When the first fire-engine appeared in Japan the carpenters asked to have it removed because it robbed workmen of the employment provided by fires. Bastiat himself never invented anything better.

Progress is in inverse ratio to the coercive action of man on man, in direct ratio to his command over things. The Protectionist, by trying to prevent his countrymen from consuming what they choose, wishes to remove them from the effects of all external progress, and when he gains his ends he may indeed find the most extravagant conceptions of Swift pale before the irony of his creation.

IV.

And there are other elements of comedy in the Protectionist question. A professor of economics at a great American University said to me, "In America there is not a single professor who is not a Free Trader, but you see how little effect our teaching has on Congress or the Government." In England a manifesto in which Mr. Chamberlain's proposals are confronted with economic truth has been signed by most of the professors in the subject. In Germany, to avoid any such conflict, Schmoller, in his inaugural address as Rector of Berlin University, ordered any professor who set the authority of Adam Smith above that of the Imperial rescripts of 1880 and 1890 to resign his chair. In France, M. Méline threatened professors who thought it their duty to teach the truth with the rigours of the law; but he has never taken up my challenge to him to formulate the doctrines which they are to teach. Indeed, Protectionists so seldom define what they mean by Protection, that I must borrow from a Protectionist journal published in Philadelphia—*The American*, of August 7, 1884: "The object of a protective duty is to divert a portion of the labour and capital of the population out of its natural channels into those favoured or created by the law." That is, the aim of Protection is to substitute the will of the Government for that of the individual in the direction of his private affairs, by granting privileges to industries favoured by powerful influence at the expense of the unprivileged and those which only ask for freedom.

V.

All the professed economists holding chairs in America, and some in France, expound the absurdity of the Fiscal Policy of their respective Governments. In France, in most of the examinations for administrative posts there are papers in economics in which the

candidates know that they must choose between the truth and the chance of an appointment. The Government requires a subservient political economy. In the name of liberty of conscience I demand the secularisation of economic science; for the conflict between Protection and economic science is the same in character as that between science and religion. When the State establishes an orthodox creed it makes lying a system and condemns its agents and officials to hypocrisy.

VI.

One cannot insist too often on the greatness of the work done by England in 1846, when, in basing her Fiscal Policy on science, she brought it into harmony, instead of contradiction, with industrial progress, and thus acquired a start of half a century over other nations. As a result her condition was that of a man in good health whose organs perform their functions without his being aware of it: she became so thoroughly adapted to the benefits of Free Trade as to be hardly conscious of them. It was not until Mr. Chamberlain and his friends threatened her with amputation and mutilation that she realised the advantages of that healthy economic life in which economic competition is not replaced by the lobbying and backstairs intrigues, the coalitions of corrupt vested interests, the pressure of trusts and cartels, characteristic of political competition.

Truths once acquired cannot be lost: there are abuses whose recurrence experience has made impossible. Neither Bismarck nor Méline nor the agrarian party in any country has been able to return to the system of prohibition and taxes on raw materials existing before 1860.

In the following pages the absurdity of certain Protectionist propositions will be demonstrated. The insufficiency of the diet of the French population is shown by a comparison with that of the army. I am waiting for some Protectionist to get out of this argument for Free Trade by proposing to reduce the soldier's ration. In 1904 the value of a ton of French exports was about £17 3s., of imports £7 15s. Taking the value of a ton of imports as £100, that of exports is £253. The cheaper we buy, the greater our marginal benefit on selling dear. Protection, by raising the price of imports, tries to reduce this margin; no Protectionist can disprove this. The effects of sugar legislation justifies the remark of *The Economist*, "France and Germany have the sugar industry, England gets the sugar."

I wrote a book called "The Sugar Question in 1901." On March 5, 1902, the Brussels Convention was signed, proving once more the

truth of William of Orange's remark, "One must not wait to hope to undertake."

VII.

While Government is absorbed in Protection and the Church, it has no time for the general interests of the country. England's strength has lain in her comparative freedom from these preoccupations. In France the Protectionists have persuaded the electorate that expansion must be sought in colonies acquired and retained at an immense cost; and as a corollary France has had to enter into conflict with England in every quarter of the globe, has had to sacrifice a customer who took 30 per cent. of our exports for the sake of a set of discontented officials or soldiers or poor natives who after twenty-five or thirty years only take 10 per cent. And this policy led to Fashoda. It is high time that those who assume the direction of foreign affairs should know rather more than they do of economics: politics must gradually be more and more directed by economic considerations, but not in the sense of a return to commercial wars, as is held by too many Protectionists who accept this view. For the present I will give one instance of what I mean. While every one is thinking of Morocco, and public opinion in France plays with the notion of the partition of the Austrian Empire and a German occupation of Trieste, the Customs Union of Germany and the Low Countries, mooted in 1900, and a first step to political union, is passed by unnoticed. Holland is the emporium for Germany, Rotterdam is the port for the Rhine, in spite of all attempts to make the united navies go up as far as Cologne or make a port of Emden, where there is never anything but a few dredges and fishing-smacks. The project is supported in two newspapers, the *Hague Courant* and the *Avondpost*, though it is dangerous in the last degree to Dutch independence, and in 1901 and 1902 a number of German pamphlets by Messrs. Stubmann, von Hale, and Anton advocated the scheme. Fortunately there are great economic difficulties in its way. The Low Countries are Free Trade, and the union would involve the adoption of the German Customs tariff, with free ports like Hamburg and Bremen. It threatens the very existence of Holland as a nation. It can only be saved by an alliance between France and England to support Holland against any attempt on the part of Germany to win it over by bribery or threats, which must be checked by some such fiscal union as I am laying before the House, *i.e.*, "The abolition by France of surtaxes on extra European goods introduced from a European country and the reduction by England of duties on wines."

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The Comedy Of Protection

BOOK I

FLUCTUATIONS IN THE FRENCH CUSTOMS TARIFF

CHAPTER I

COLBERTISM AND ITS EFFECTS

The Colbertist formula—Tariffs of 1664 and 1667—Colbertism and the Dutch war—The Balance of Trade: hoard up treasure and ruin others—The delegates of 1701—All except Rouen demand freedom—Melon, and the export of money abroad—Orry, the Royal Treasurer, refutes the Balance of Trade theory—How a country grows rich—“*Laissez faire, laissez passer*”—The Physiocrats—Mercier la Rivière’s question—Turgot, de Vergennes, and Pitt—Treaty of 1786.

In 1650, Colbert at the time assistant to Mazarin, was instructed to discover by what means commercial relations might be renewed between France and England, where, the year before, Charles I. had had his head cut off. In the memorial which he presented on this subject Colbert speaks of trade as “carrying from one province to another, and to foreign countries, the goods which the people in any place require.” In 1666, however, he formulated in the following words the system which M. Méline imagines himself to have invented: “It is advisable by raising duties to keep out articles of foreign manufacture, and to buy French goods rather than foreign ones even when they are rather inferior or more expensive, since the double advantage is secured when money does not go out of the country that it does not grow poorer, and that his Majesty’s subjects make a livelihood by stimulating industry.” He had begun in 1664 by setting up a fairly moderate tariff; but Protectionists have always been hard to satisfy, and in April, 1667, they got the duties on manufactures doubled, *i.e.*, on English and Dutch textiles, wool, and lace, and a duty of 2s. per ton placed on foreign vessels to encourage the French navy. After some fruitless negotiations England retaliated by retroactive duties on wines and brandies. Holland threatened: in 1670 their ambassador submitted a memorandum to Louis XIV. in which, after putting commerce under the care of Providence, he said: “Those who facilitate trade, facilitate national happiness and prosperity; those who impede it,

stopping its passage by taxes so heavy as to prohibit traffic in the goods on which they are levied, not only prevent their subjects from enjoying the things which grow elsewhere, but even from selling in exchange for them the things they grow at home. By one stroke they compel people to keep the goods of which they already have too much and prevent their obtaining those that they require." Such ideas clashed with Colbertism. Holland, therefore, placed prohibitive duties on wine brandies, and very heavy ones on French silks and other manufactured goods. France retaliated by again raising the duties on herrings and groceries imported from Holland and prohibiting the export of brandies in Dutch vessels. This led to the war of 1672. Six years later, at the peace of Nymeguen, Holland enforced a return to the tariff of 1664. When hostilities broke out again in 1668, Louis XIV. reimposed the tariff of 1667, but the Peace of Riswyck in 1697 restored the tariff of 1664, which, slightly modified, formed that of 1699. At the end of the War of Succession, which, breaking out in 1702, was likewise a commercial war, England and Holland, in the Peace of Utrecht, revived the 1664 tariff, but the English Parliament threw out the Bill and the tariff applied to Holland only. Colbertism had thus produced one result—war with Holland.

In a memorandum on Colbertism, read before the Royal Economic Society of Florence in 1791, Francis Menzotti showed that in order to incline the Balance of Trade in its favour a nation must get money from others by selling to them without buying, by which means it aggrandises its own treasury at their expense. The practical application of Colbertism under Louis XIV. left France nerveless and exhausted; every treaty obliged her to abandon the tariff which had originally provoked the war.

An order of June 29, 1700, constituted a general Board of Trade, to be composed of twelve leading merchants chosen from the great trade centres of the kingdom. Nine from among the memoranda issued in 1701 have been preserved. Only one, that of the Rouen delegate, is in favour of a high restrictive tariff. The deputy from Nantes declares liberty to be the soul and substance of all trade; the deputy from Bordeaux seeks for final causes: "God has distributed His bounties in order to compel men to love one another. He has willed that the earth should not everywhere produce the same things, in order that its inhabitants should seek out and help one another by interchange of the goods which they severally possess." The deputy from Lyons declares: "We must abandon the theory of M. Colbert that France can be independent of the rest of the world. Trade ceases to exist when in return for our commodities and manufactures we only receive coin from abroad." In an essay on Trade, published in 1734, Melon, a former farm inspector from Bordeaux, said: "Do people imagine that a

present is being made to the foreigner when they talk of the danger of sending money out of the country?" Mollien, in his Memoirs, quotes some notes made by Orry, Finance Minister and Royal Treasurer from 1736 to 1745, which contain a complete refutation of the Balance of Trade fallacy:—

“When a home product is bought at a price much above that which would be paid for the same commodity manufactured abroad, even though no money goes out of the country, there is a loss to the consumer in the fact that he has incurred a greater expense, and thereby lost the opportunity of saving the surplus or satisfying another want with it. The consumer’s money ought to go to the best producer. No industries can acquire a position and expand except in a rich country. The richness of a country is not to be measured by the high prices which it pays for its own products, but by what it has left after its needs are satisfied. True capital, which is of such advantage to a country in the development of its resources, is the result of savings gradually amassed out of yearly income. If a manufacturer grows rich because his rivals have been removed by prohibitive legislation, it must be at the expense of a much more than proportionate loss to the consumers whom he supplies, and consequently to the country at large.”

Gournay, a retired merchant, Quesnay, and the Physiocrats uttered the formulas, “*Laissez faire, laissez passer*”; “As much competition as possible”; “The merchants of other countries are the right people for us to trade with.” Mercier la Rivière asked those who talked about the Balance of Trade what would happen to a nation fortunate enough to exchange all its raw material and all its foodstuff for money. The edict of 1764 on the corn trade showed that, thanks to the economists, some progress had been effected; and in 1774, Turgot, who had laid down the lines of his programme in a panegyric of Gournay uttered in 1759, was made Controller-General of Finance. He said in the preceding year, in a letter to the Abbé Terray: “Those who carry on trade always try to rid themselves of competition; they always produce some sophistical arguments to prove that it is to the interest of the State to rid them at least of foreign competition, which they have no difficulty in representing as the enemy of national trade.”

Turgot tried to break the power of the corporations, and those interested in maintaining them denounced him to the King and the people as an enemy. But in 1776 Adam Smith’s great “Wealth of Nations” appeared, of which Buckle declared that there was no book in the world so important. Although Turgot had been overthrown he had left disciples, and one of them, M. de Vergennes, wrote on February 1, 1783, to the French Ambassador in London: “There is an ancient prejudice that a natural

incompatibility exists between the two nations. Every nation must aim at attaining the maximum prosperity for itself, but in so far as such prosperity is exclusive it leads to its own negation. One cannot grow rich when other nations are destitute." In 1786 he succeeded in concluding a commercial treaty with Pitt, which abolished those prohibitive duties which led to nothing but smuggling. When it was opposed in Parliament, Pitt defended the treaty in terms as valid now as they were then. "Is a good understanding between these two kingdoms so derogatory to our honour that its opprobrium is not removed even by the extension of our trade? . . . I have no hesitation in opposing the opinion, too often expressed, that France is necessarily an irreconcilable foe to England, a doctrine which my understanding rejects as monstrous and impossible." The Rouen Chamber of Commerce, always Protectionist, protested against the invasion of English goods.

It would appear that the collection of Customs dues was singularly arbitrary. Nevertheless, in 1826 the Duke of Pasquier said that "the competition opened by the treaty of 1786 did more to encourage industry than all the prohibitions that it repealed."

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CHAPTER II

FROM 1791 TO 1814

M. Goudard's Protectionist proposal rejected: Liberal tariff of March 15, 1791—Prohibition of English goods, March 1, 1793—Law of Brumaire 10 year V—The Continental Blockade—Licences—Check—England not ruined—Napoleon's Continental Free Trade.

De Tocqueville has shown that in the National Assembly of 1789 considerable influence was exercised by the economists, although, according to Du Pont de Nemours, every self-respecting speaker thought it necessary to begin by reviling them.

Internal Customs dues were abolished by an order of November 4, 1790, and the question of commercial freedom *versus* prohibition came up before the Committee of Trade and Agriculture. M. Goulard, member for Lyons, who introduced a scheme, openly avowed himself a prohibitionist. He made all the jokes against the Free Traders which are still in vogue, declaring that one of the best planned and most successful measures of Colbert's Ministry was the issue of a tariff based not on fiscal considerations, but on the protection and defence of national handicrafts against foreign industry. He proposed a prohibitive duty on all goods which could be made in native factories for consumption, while ready to remove all duties on food and raw materials.

This scheme was not passed by the National Assembly. Its proposer, who had at least the merit of not being infatuated by his ideas, brought forward another scheme containing only one prohibition of importance, that on new or old ships; other duties being fixed at from 5 to 15 per cent. This tariff, dated March 15, 1791, was the most liberal passed in France down to 1860.

On February 1, 1793, the Convention declared war on England, and on March 1st it annulled all commercial treaties. Any one introducing, selling, or advertising English goods was punished by twenty years' penal servitude. Little attention, however, was paid to their orders as long as privateers succeeded in selling their captures. At the time of the discussion of the law of 10th Brumaire year V, it was stated that in the last three years more than £1,600,000 worth of English commodities and manufactured goods had been sold. And the new law, passed to make the prohibition more stringent, was equally ineffective. On June 16, 1801, the First

Consul reopened the frontiers to the passage of English goods, and on the advice of Cambacérès, who declared that the last cause of division would then be removed, considered the possibility of a commercial treaty. War, however, broke out in May, 1803. Napoleon tried to renew, on a more extensive scale, the prohibitions of the Convention and the Directory: in the Berlin Decree of November 21, 1806, he forbade any exchange or communication with England; in the Milan Decree of November 23, 1807, he declared any vessel which had touched English soil contraband of war; and in the Decree of the following September he put the British Isles under blockade. Smuggling increased with the increased duties. In the Order of October 8, 1810, he created County Courts which could in the last resort condemn smugglers to ten years' penal servitude and branding. He himself, however, broke the Continental Blockade by conceding by means of licences the more or less imaginary obligation of exporting an amount equal to the quantity imported; and he dressed the soldiers who were to enforce the blockade on Europe in smuggled cloth. Nevertheless, the Continental Blockade was the main object of his policy. He tried to conquer Spain in 1808 in order to close it against English goods; he invaded Russia in 1812 because it would not accede to the policy which he wished to extend as far as India. When he refused in 1813 to hand over the Hanseatic towns to Austria, it was because of his designs on English trade. He aimed at ruining England. In 1813 he saw that, far from having attained that end, he had extended her markets. The drafts of English business men enabled her to pay her own troops and finance allied powers: they transmitted to their correspondents commodities and manufactures which liquidated the drafts. By 1813 Napoleon realised so clearly that he must abandon the idea of ruining England that, according to M. Thiers, he had issued enough licences "practically to re-establish trade with England, on which the import dues brought in some £4,000,000. The parts were thus reversed. Whereas two years ago Napoleon had tortured Europe to break off its commercial intercourse with England, England now, seeing the advantage her enemy reaped by licensing trade with her, tried to render it impossible."

Napoleon had established Free Trade on the Continent. Between France and the Low Countries, North and Central Italy, and the greater part of Germany, Customs had been abolished. The experiment proved that French industries could stand the competition of the industries of the rest of Europe.

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CHAPTER III

THE REVENGE OF THE *ÉMIGRÉS*

Liberal policy of 1814—Famine of 1816-1817—The great landowners—The great electors—Maintenance of famine prices—Humblot Conti against the low price of corn—Governmental anarchy—Live stock—The ironmasters—Landed owners against manufacturers—Theory of vested interests—Right to the maintenance of the tariff.

Since 1793 England had been the sole object of all the commercial measures taken by France. With the Restoration there came a complete change. Louis XVIII., knowing how much he owed to England, was unwilling to maintain the hostile provisions of the law of the 6th Brumaire. The prohibitionists, however, regarded him with suspicion, and the law of December, 1814, forbade any alteration of the tariff by royal decrees except in the direction of an increase, with a reservation, however, in the case of raw material. It permitted the export of corn when the price of wheat was not above 5s. 3 1/2d. to 6s. 4d. per bushel, according to the district, while on import there was merely a 4 1/2d. duty per cwt. of grain or flour.

Between 1816-1817 there was a famine. M. Voyer d'Argenson describes its effects when he says that he collected in his herbal twenty-two different species of plant used as food by the people of the Vosges, who, taught by old traditions, pulled them up in the fields.

The landed proprietors who paid £12 in direct taxes, for the most part *émigrés* who had either returned to such of their estates as had not been sold or bought extensive properties out of the four million pounds compensation, made a great to-do about the danger from Russian wheat, whose net cost at Marseilles they declared to be 3s. 9d., 4s. 1d., and 4s. 4 1/2d. per bushel. This was not accurate.

The harvest had been bad. At the time of the debate on the Budget of 1819 prices were at famine height. M. Lainé, in introducing the measure, stated that the price of wheat at Marseilles was 5s. 9 1/2d. per bushel. The Home Secretary, the Duke of Decazes, abandoning all pretence, openly admitted that "the scheme had been drawn up solely in the interests of the landlords and the farmers"; and the large proprietors paying £12 got the sliding scale established to maintain the famine prices. By the irony of facts low prices

followed, instead of preceding, the tariff. The reaction that followed on the death of the Duc de Berry still further increased the preponderance of the landed interest by giving them cumulative votes in the electoral congress. In order to raise prices still further they forced on the Ministry a new project, which, however, did not satisfy them; M. Humblot Conti went so far as to demand a prohibitive tax on wheat. "Cheap corn," he said, "makes the labourers idle; labour is dear and difficult to get."

A proposition was introduced for making provision for bad years by filling granaries in the good, and the Government scheme was carried further in Committee. The Finance Minister, Villèle, represented the great landowners of the Upper Garonne. "The Home Secretary," said M. Amé, "fights with the Finance Minister, and he in his turn has to face the Chief Director of Customs and M. Hély d'Oissel, the royal agent." The Committee's scheme was passed. "What justification was there," asked M. Voyer d'Argenson, "for disturbing the happy equilibrium between producer and consumer established in 1815, simply because the landowners who paid £12 were considered the only qualified representatives of the nation, and for making a monopoly of what was before only preference?" Facts remained ironic: the harvest was comparatively good, and prices went down in 1822. Protection for corn was not enough; cattle must be protected. In 1664 Colbert had only taxed cattle 2s. 6d. per head; neither the Republic nor the Empire had placed any duty on food; the law of 1816 taxed fat cattle 2s. 8d. and medium stock in proportion. M. de Bourrienne declaimed against "the fatal superabundance of meat"; an amendment suggested raising the duty to 26s. 1d., the Committee to 40s.; and M. de Bourrienne declared that were that not enough a provisional decree could set things right. A Western deputy, indeed, asked for a duty of 88s. Germany threatened to retaliate. Threats and an aggravation of the tariff was the only reply. The Revolution had abolished the privileges and exemptions of the nobles; the *émigrés* and their descendants were taking their revenge. If they paid taxes they recouped themselves by private dues levied on all their countrymen who had to buy bread or meat; they satisfied their ancient grudges and at the same time looked after themselves with great success. They completed their work by heavy charges on industry. When smelting was done by means of charcoal the ironmasters were owners of the forests. Since 1814 they had insisted on the iron tax of 1794 and 1806 being raised, and meantime, by means of the royal decree of 1814, which ordered iron to be put in bonded warehouses, they put a stop to importation. The projected tax of 12s. on a product which sold at 24s. to 28s. raised the price 50 per cent., but the ironmasters clamoured for prohibition. The Government, however, introduced their tariff as a provisional measure, and in compliance with the

will of Louis XVIII. announced that they should demand its gradual reduction. In spite of this, however, the duties on iron steadily rose. In 1822 the Commission's scheme was passed by 217 votes to 78, in spite of M. Laborde's protests: "The law which you are about to pass is a law of partial privilege: all France is to pay a bounty to the ironmasters and the Norman cattle-breeders." The law of 1826 marks the zenith of Restoration Protectionism. The landowners, pretending that they were always being sacrificed to the manufacturers, demanded the exclusion of foreign wools and obtained a tariff as complicated as it was oppressive. In spite of the Government the tax on fat cattle was made to apply to lean; the duty on vegetables was doubled. Raw cotton had been penalised, as competing with flax. In 1820 Leclerc de Beaulieu, declaring cotton textiles "a plague to France," demanded their prohibition, and Saint Chamans wanted the duty on silk and cotton mixtures raised from 32s. to 120s.; Kergariou asked that linen and hemp should be absolutely prohibited, and Saint Cricq himself had to put in a warning voice—"We must not prohibit everything."

The Commission raised the duty on cast steel from 40s. to 48s. per cwt., and that on sheet iron and wire to 56s. per cwt. The discussion of the Bill showed the enormous profits of the ironmasters. In 1790 they sold their iron profitably at 12s. 10d. per cwt.; in 1822 they declared the price must be 20s. per cwt., a figure which represented an excess of £1,200,000 on the production of 1825. The 1822 tariff was maintained without increase. Under a pretext of giving drawbacks, bounties were granted; they were given on woollen threads and textiles so as to maintain for the benefit of the manufactures the profit assured by protection to wool.

As a Protectionist, Count Jaubert admitted later, "each branch of industry was in a state of recrimination to the others." In 1828 a majority of the Chamber, in an address to the Throne, declared freedom to be the first essential for trade and industry. In 1828 a Commission of Inquiry of twenty-eight members was appointed, and at once attacked the rights gained by Protectionist duties. "There are rights wherever there are interests created by the law." In virtue of this theory the Protectionists could always demand new tariffs and deny the right of Parliament ever to reduce or abolish any.

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CHAPTER IV

THE “FEUDATORIES” OF THE JULY GOVERNMENT

Efforts of M. d’Argout—Alliance of the landowners and manufacturers—Count Duchâtel against privileges—Struggle of the Ministry against the Protectionists—The sliding scale in 1832: Commission of Inquiry in 1834—Tumults in Rouen and Roubaix—Discussion of 1836—Thiers and Holland—Guizot and England—and Piedmont—Programme of the Free Trade League—Committee of Labour Defence—Anglophobia—“Be strong and we stand by you”—Scheme of 1847—The copyholders—Count Jaubert and the feudatories.

The centre of political gravity had been changed. Since the double vote had been taken from the great landowners, the electoral basis made a property qualification of £8, and the hereditary peerage abolished, the July Government had not to depend exclusively on the landed interest, which was for the most part in the hands of the Legitimists, its worst enemies. In 1834 M. d’Argout, the Minister of Commerce, proposed to modify the sliding scale. His scheme was tentative enough, but the Committee of the House found it too advanced. It was, however, energetically supported by M. de Laborde, the Duke d’Harcourt, and Duvergier de Hauranne, who asked whether the Customs were intended to secure a remunerative price, relative to the cost price of corn, to the owners of good land or bad. The eternal M. de Saint Cricq replied with a political argument which brought the capitalist manufacturers in line with the landed interest, prophesying that the next step to the abandonment of agricultural Protection by the Government would be its removal from every sort of manufactured product. The effect of this statement was heightened by a remark made by Count Duchâtel to a deputation of cloth manufacturers from Elbœuf in 1832: “The object of the Revolution was the destruction of privilege; you must accustom yourselves to the idea that the destruction of the privileges that protect you is only an affair of time: they cannot shelter you for ever.” Certainly neither d’Argout, Minister of Commerce in 1830, nor Thiers in 1832, nor Duchâtel in 1834, was a Free Trader; yet each of them perceived the necessity of at least exchanging prohibitive taxes for Customs dues, and the prohibitive for a protective tariff. Their object as members of the Ministry was the furtherance of public interests: They encountered the determined opposition of a coalition of private interests. When M. d’Argout proposed to admit for re-exportation certain prohibited

goods, among them plain silk, which had been admitted since 1818, M. Fulchiron cried out, "That spells ruin for Lyons." When Paris demanded an emporium, M. Roux, member for Marseilles, cried, "That is the end of our maritime trade, sacrificed to the insatiable ambition of the capital!" M. Jair threatened a social revolution. However, d'Argout got his Bill passed by 190 votes to 76. The sliding scale set up in 1819 and 1821 ended by creating the most inequitable system possible. The price of corn varied between 6s. per cwt. in Marne and 10s. 9d. in Gard. In October, 1831, d'Argout proposed to repeal prohibition and in every case replace it by graduated duties: to create instead of a crowd of small zones two main divisions, one comprising the sea coast from Dunkirk to Bayonne with a piece of land frontier from the North to the Upper Rhine Department; to replace the hectolitre by a measure of weight; to abolish all taxes on foreign vessels when prices rose very high; and to calculate the scale of duties at the rate of 8s. per cwt. for the first district and 9s. 7d. for the second. But M. Laurence's amendment reduced the Bill to the level of the Act of 1821. The people of the southern non-corn-growing departments had to endure higher duties to secure for the North a monopoly of their food supply. In September, 1835, the duties stood, according to the scale, at 6s. 7d., 5s., 3s. 1d. per cwt. for the first, third, and fourth classes respectively. In 1847, a year of bad harvests, the sliding scale was suspended, but too late; French buyers had to wait until foreigners had already taken the best. Prices rose to famine height. In February, 1848, the scale was re-established; suspended again from 1853 to 1859; but then the Emperor was obliged to revive the Act of 1832, not finally repealed until 1861. In 1832 the Ministry demanded from Parliament the repeal of prohibitions and the reduction of certain duties. The proposal was not even discussed, but the Government got some of the suggested modifications effected by means of a royal decree, which it was in 1834 proposed to legalise in two Bills. For the decree Thiers was responsible: he entered a protest against prohibition and the aggravation of the tariff. M. Duchâtel, his successor, was more courageous. He nominated a Commission of Inquiry into prohibitive duties affecting the manufacture of glass, pottery, plated metal goods, wool and cotton textiles.

With the exception of Marseilles the seaport towns demanded the repeal of prohibition; the County Council of Arras argued against Protection, and petitions in favour of a gradual diminution of duties were sent up by the Chambers of Commerce of Strassburg, Tours, Clermont Ferrand, Givet, Metz, Orleans, and the County Councils of Niort, Valenciennes, Bar le Duc, Nevers, Rennes, d'Alençon, Limoges, Rethel, Vire, Grenoble, Saumur Rouen, however, was loud in support of prohibition; the burgesses denounced "secret agents from England." Roubaix put down the Revolution of 1830 to the

fact that the printers were afraid of being deprived of their work by royal decree, and said, "Remember that two risings in Lyons have been caused by reduction of wages."

Nevertheless, Duchâtel got the Act of 1834 passed, empowering the Government to convert the prohibitions on the following articles into duties: Unbleached cotton thread of high numbers, cashmere shawls, lace made by hand or with a distaff, silk handkerchiefs, new ready-made clothes, naval iron cables, watches and clocks, spun silk, Russia leather, rum, &c. To legalise this measure he drew up a Bill for February 1, 1836, which gave rise to a long debate reopening the whole question of Free Trade *versus* Protection. Ducos, introducing the Bill, pronounced definitely against the restrictive system, and demanded sweeping reductions of the duties on iron. Thiers opposed him on the ground that "five miles of railroad would not be made in a year." M. David, the Director of Customs, opposed temporary importation. "There has never been any question of admitting prohibited textiles for printing—as, for example, calico and other cotton fabrics." When the consumption of meat was stated to have diminished, General Bugeaud declared that he preferred an invasion of Cossacks to that of a herd of oxen.

In 1840 Thiers made a treaty with Holland which, in spite of opposition from the seaports, lasted till 1860. Formidable opposition compelled Guizot to abandon a projected commercial treaty with England. Louis Philippe had an idea of opposing the German Zollverein, definitely constituted in 1833, by a Customs union with Belgium, but the sole outcome was the treaty of 1842, established for four years. When Guizot proposed a treaty with Piedmont, even on a four years' basis, he had to demand a vote of confidence. The Free Trade Association, with the Duc d'Harcourt as its president and Frederic Bastiat as general secretary, did not aim at complete Free Trade, but the substitution for prohibition of a 20 per cent. duty; a 91/2d. duty on corn instead of the sliding scale; the 1816 tariff of 2s. 7d. per head on oxen; repeal of the duties on coal and pig-iron; steel to be brought under the imperial tariff at 79s. per ton; abolition of duties on some hundreds of minor articles only bringing in an insignificant return, of zones and classes and all right of exportation. They did not demand immediate repeal, but gradual reduction of duties on raw material, *e.g.*, raw cotton, fleeces, hemp, flax, iron and steel bars, and dyestuffs.

The Committee of Labour Defence, with MM. Odier, Mimerel, Périer, Lebeuf, at its head, declared that those who benefited by Protection bore the heaviest part of the dues, and that on them national existence depended. They denounced the *Journal des Débats* and "certain paid professors" for being impertinent enough

not to be Protectionists, and they described those who thought their privileges too great as English emissaries; they put up placards to warn factory *employés* against Free Traders, "whose only aim was to help England to ruin and then rule over France." Their anger was, of course, increased by the triumph of Free Trade in England. M. Duchâtel, the Home Secretary, had said to the Free Trade Association, "Be strong and we stand by you." The Government was besieged by the arrogant claims of the Protectionists. In March, 1847, M. Cunin-Gridaine brought in a Bill (1) to repeal five prohibitive taxes; (2) to reconsider some minor duties; (3) to free 298 of the 666 articles of the tariff which would have reduced the revenue £1,200,000; (4) to repeal altogether the duty on shipbuilding materials. The Chamber of Commerce opposed these propositions in a vast report drawn up by M. Lanyer. Discussion was prevented by the Revolution of 1848.

Under the government of Louis Philippe, there were only 166,000 electors in 1831, 171,000 in 1834, 199,000 in 1837, 201,000 in 1839, 220,000 in 1842.

In 1836 Count Jaubert had declared, "No society can outgrow aristocracy: the aristocracy of the July Government is composed of great manufacturers and employers: they are the feudatories of the new dynasty." Thus they had the right to demand privileges. But the 1848 Revolution replaced a system based on property qualification by one of political equality, and substituted universal for restricted suffrage. Was the policy of universal suffrage to be the same as that dictated by the electors of the Restoration with their dual vote, and by the 200,000 copyholders of the Louis Philippe Government?

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CHAPTER V

UNIVERSAL SUFFRAGE—RAMPANT PROTECTIONISM

Landowners and Socialists in agreement on competition—Protection of universal suffrage—Imperial policy of economic freedom—Violent opposition—Railroad coalition—The Emperor impotent before his legislature—Opposes it by a treaty.

After the Revolution of 1848 the Socialists followed in the steps of the landed proprietors of the Restoration and the capitalist employers of Louis Philippe, in denouncing competition, and M. Victor Grandin, a manufacturer from the Lower Seine, who had distinguished himself under the late *régime* by his passionate ardour for Protection, became the spokesman of the Committee of Commerce in the Constituent Assembly. He got the duty on glass raised to 27 per cent. and the import of nankeen in foreign vessels prohibited. In 1850 the Legislative Assembly took the opportunity afforded by the introduction of a liberal bill by Sainte-Beuve to express Protectionist sentiments, Thiers being much less moderate in his views than he had been in 1832 and 1834. After the *coup d'état* the Emperor aimed at gradually working round to Free Trade. Between 1853 and 1855 M. Magne lowered the duties on coal, cast iron, sheet iron, steel, wool, oil seeds, and dye-woods, and substituted a 10 per cent. duty on live stock, meat, cereals, and wines for the prohibitive duty on foreign-built vessels.

At this time the Empire was practically a dictatorship; the legislative body, composed of candidates for office, was dumb. So soon, however, as 1856 it ventured to resist the Emperor by nominating a Protectionist Commission. This did not check him; in a scheme issued June, 1856, he proposed the repeal of all prohibitions. In defiance of articles 471 and 472 of the Penal Code the Protectionists had a central committee in Paris, connected with local branches. Roubaix, as violent as in 1834, declared that without prohibition the working classes would be reduced to misery and beggary. Duties of 30 to 40 per cent. did not satisfy the manufacturers. They threatened to provoke risings by closing their factories. The Government scheme had to be withdrawn.

However, the Minister of Public Works failed in a railway contract for rails for the line between Paris and Chartres. He offered £13 16s. per ton of rail; the ironmasters could have executed the contract at £10 or £12 per ton; but at the time the duty being £8

5s., foreigners could not deliver for less than £16, and the Ironmasters' Union would not take less. The Government had to establish a special duty on rails, which permitted their importation at 40 per cent. below the official tariff.

The Emperor had frequently extended the operation of the decree of 1853 suspending the sliding scale, but in 1857 he was obliged to restore the Act of 1832 in full force. The Constitution of 1852, however, gave him the power of concluding commercial treaties; and to paralyse the opposition he must make alliances abroad which should enable him to meet it with a *non possumus*.

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CHAPTER VI

COBDEN AND THE 1860 TREATY

Corn Laws in England—Free Trade Movement from 1820—Act of 1846—Progressive reduction—Moderation of Mr. Chamberlain's proposals—Purification of the tariff—High and low duties in 1840—Michael Chevalier and Cobden—Gladstone—Napoleon III.—Fears of the Protectionists—Treaty of January 23, 1860—Reciprocal freedom—Other treaties—Most favoured nation clause—Spontaneous reduction in England—Commercial treaties are hand-rails.

I shall not here relate the history of the Free Trade Movement in England, or pause to praise Cobden and John Bright, great as is my admiration for them—that has been often and eloquently done already; I have only to speak of the results of their work, and for that purpose borrow my information from the Blue Book on the Customs Tariff of the United Kingdom from 1800 to 1897. 53

George III. (1815) prohibited the importation of foreign corn when the price of English wheat was less than 80s. a quarter. After 1828 the prohibition ceased, but the duty stood at 20s. 8d. when the price was 67s.; when it fell to 66s. or below, the duty rose by 1s. for every shilling fall in price. In 1820 a petition was presented by the merchants of the city; drawn up by Tooke, it is an admirable demonstration of the need for Free Trade, and from it dates the beginning of the Free Trade Movement. Fourteen times Pelham Villiers proposed the repeal of the Corn Laws. He was supported by Colonel Thompson, in conjunction with whom Cobden founded the Anti-Corn Law League in 1839. To discount the importance of the League, the Government lowered to 51s. a quarter the price above which the duty was to be no more than 20s. This assessment was maintained in 1842, but levied at 51s. a quarter and below. The tariff was preferential; on corn from a British possession outside Europe the duty was 5s. when the price was below 55s. In 1846 Sir Robert Peel's Bill definitely broke with the policy of Protection. Now people are apt to believe that the Free Traders effected a sudden revolution; as a matter of fact the transition was to take two and a half years; a sliding scale was maintained. The Act provided that on wheat at 48s. a quarter the duty should be 10s., falling to 4s. a quarter when the price rose to 53s. and upwards. This duty remained in force until Feb. 1, 1849, when it fell to 1s. a quarter. This was practically Free Trade. In 1864 it was fixed at 3d. a hundredweight for convenience of assessment, and in 1869 the last tax on corn was abolished. In 1902 the duty of 3d. per

hundredweight was reimposed as a war tax, and removed the next year by Mr. Ritchie. And Mr. Chamberlain's attack on Cobdenism is the merest nibble; in the Glasgow speech of October 6, 1903, he proposed the modest duty of 2s. a quarter, which would be a Free Trade triumph in France.

Free Trade is in line with the revolution in the means of transport; it allows the full benefit to be obtained from railways, steamships, and electric telegraphy instead of trying to fight against them. English fiscal policy has been a consistent attempt to remove from the tariff those small and vexatious duties which are useless from the point of view of revenue. After 1846 the Government continued to simplify the tariff. The expiration of the funded annuities of the National Debt put some fifty-three millions at its disposal.

Michel Chevalier approached Cobden with a proposal for a commercial treaty; Cobden replied that Parliament would not hear of it. Chevalier stuck to his point; he went to see Gladstone, and while admitting that he spoke without official mandate, pledged himself to obtain in return for a sweeping reduction in the duties on wines the abolition of all prohibitions and a merely conventional tariff containing no duty above 30 per cent. Gladstone agreed. The Emperor gave audience to Cobden and Chevalier, and authorised them to draw up, with all possible secrecy, a tariff treaty. The Constitution empowered the sovereign to conclude commercial treaties, but the Emperor was in such dread of the efforts of the Protectionists that not a single member of the Ministry was let into the secret. Copies of the tariff were made by Madame Chevalier, and by the end of the year 1859 the terms of the agreement were fixed, and on January 23, 1860, it was published. It had been laid down as a principle that the tariff was not to exceed an *ad valorem* duty of 30 per cent., falling in 1864 to 25 per cent.; the final ratification of October 12th and November 16th lowered the duty on threads to between 8 and 10 per cent., on cotton, linen, and woollen textiles to 15 per cent., and at the end of 1864 to 10 per cent. The average duty was 15 per cent., except in the case of certain mineral products, on which it was nearly 30 per cent. As a consequence the French Government, in spite of lively opposition, passed Bills permitting the free importation of wool and other raw materials, and facilitating temporary admission. England went further. The duty was removed from forty-two articles still paying 10 per cent., and Cobden said in a letter to John Bright, "We are making no concessions to France which do not equally apply to every other nation." As Morley says in his "Life of Cobden," instead of reciprocal monopoly there was reciprocal freedom—or at least partial freedom.

France made this the model of further treaties, conceding to other nations the advantages which it gave to England. Within the next five years treaties were made with Belgium (1861), Italy and the Zollverein (1862), Switzerland, Sweden, Norway, the Hansa and the Low Countries (1864), Spain (1865), Portugal and Austria (1866). Each treaty was safeguarded by the most favoured nation clause, otherwise one of the contracting parties could at any time annul it to make more favourable terms with a competing nation. This clause facilitates negotiations by rendering it possible to specialise questions by leaving existing preferences out of account; thanks to it all treaties are connected. It always operates in the direction of tariff reduction, never, by any possibility, of aggravation.

At the beginning of the century there were 1,550 articles in the English Customs Tariff, 2,900 in the Irish; they were reduced to twenty-six, of which ten were excise duties, equivalent to inland duties, while the others were merely revenue taxes, reduced still further in the following years. In 1897 there were only nine of them; after the war about a dozen.

England is the only nation which can have been said to have voluntarily repealed or reduced Customs duties; the others did so only under external pressure. For twenty years the treaty of 1860 preserved France and Europe from economic reaction. One great advantage of a commercial treaty to a country like France is the freedom from Protectionist attacks which it secures for the Government.

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CHAPTER VII

SUBMISSION OF THE REPUBLICANS TO THE FISCAL POLICY OF THEIR ADVERSARIES

Thiers attempts Protection—Sixty-two Chambers of Commerce to fourteen vote for Free Trade—Projected tariff of April, 1877—May 16—Twenty-four per cent. increase—Fiscal triumph of the defeated party.

The treaty of 1860 was anything but pleasing to the agrarians of the Faubourg Saint-Germain and the feudal manufacturers or their successors of the time of Louis Philippe, and M. Pouyer-Quertier made speeches in the Chamber on the fatal consequences of commercial treaties that were as false as they were grandiloquent: that France was not ruined by them was proved by her recovery from the fearful crisis of 1870-1871. When Thiers came into office, however, he showed that he had not abandoned the reactionary economic views he held in 1851. Dutiable articles were hunted out; a tax on raw materials was proposed, but even Thiers with all his position and prestige, could not get it passed. His suggestion to Mr. Gladstone to compromise with Free Trade principles so far as to permit him to apply the old Protectionist doctrines in spite of the treaty, was naïve enough, and in February, 1872, the National Assembly actually passed a resolution which pledged the French Government to repudiate the commercial treaties with England and Belgium. Nevertheless, the majority in the country remained true to economic freedom; when the Minister of Commerce, M. de Meaux, put the question to the vote in the Chamber there were sixty-two votes to fourteen for renewal, a result which certain speakers went so far as to say that they regarded as a step towards complete freedom. The Higher Board of Agriculture, Commerce, and Industry, composed of men with Protectionist interests, was timid, and even the Protectionist leaders, both great cotton-spinners, Pouyer-Quertier and Feray, were satisfied with a rise of 20 to 25 per cent. on the conventional tariff. On April 9, 1877, M. Teisserenc de Bort, Minister of Commerce and Agriculture, introduced a general tariff scheme, reproducing the conventional tariff, except for a 10 per cent. rise in the duties on cotton threads and textiles—a step towards freedom. Then came the political crisis, known as May 16. Marshal MacMahon having a majority in the Chamber, at the command of the Vatican dismissed the Ministry, and dissolved the Chamber with the aid of a reactionary

Cabinet.¹ The capitalists, mine-owners, and cotton-spinners, who have always almost, without exception, been at the head of the Protectionist party, seized the opportunity of showing their sympathy with MacMahon, to demand in return for their support a rise in the tariff, already on the table of the House. The mine-owners joined together in the issue of a manifesto. When MacMahon went down to Normandy, Pouyer-Quertier, at the head of the cotton-spinners and weavers, presented him with a Protectionist address. But the leaders of May 16th and their partisans were defeated. Political defeat ought to have brought economic defeat in its train, but the very reverse was the case. Teisserenc de Bort returned to the Ministry of Commerce and Agriculture, and instead of maintaining the tariff already on the table, he produced a new one drawn up in accordance with the petitions of Pouyer-Quertier and his allies, which contained, instead of a 10 per cent. increase on the conventional tariff for cottons, a rise of almost 24 per cent. on all manufactured goods. What was the cause of this fiscal concession to defeated opponents? And when M. Tirard, a staunch Republican with Free Trade ideas, succeeded him in office, instead of reverting to the tariff antecedent to May 16th, he adopted the later tariff. In future the Republican party made it its business to fulfil the fiscal ideals of its most pronounced opponents—those capitalist manufacturers of Orleanist or Bonapartist creation, who used their authority and their economic influence against Republicanism and Republican institutions; those landowners, legitimists almost to a man, who, descended from the *émigrés*, had had rich wives found for them by Jesuits in girls greedy for titles; men who spent most of the year on their estates, hand in glove with the priest, busy founding Congregation Schools for girls, and actively engaged in those conspiracies against the Republic, representing free parliamentary government, which are called Boulangism, Anti-semitism, or Nationalism.

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CHAPTER VIII

RESULTS OF THE 1860 TREATIES

Development of cotton-spinning—Funds for the unemployed—Tables from 1859 to 1879—Growth in wealth.

The justification of economic reaction, urged in season and out of season by those who encouraged it, was that France had been ruined by the commercial treaties of 1860, although ten years after their conclusion she had been able to sustain the disasters of the war of 1870. The lamentations of the cotton-spinners were the loudest of all: had they been justified they must have closed their factories and ceased to import raw cotton; as a matter of fact, in spite of the loss of Alsace-Lorraine, importation increased, as the table shows:—

1850-1854	£4,280,000
1855-1859	5,720,000
1860-1864	9,640,000
1865-1869	12,520,000
1876-1880	12,240,000

It is worth notice that the War of Secession took place during the years following the treaty, and made it difficult to obtain a supply of cotton. In 1863 the Government handed to the manufacturers a sum of £40,000, to be used in assisting the unemployed cotton hands. In his evidence before the Senate's Committee of Inquiry, M. Delessalle admitted frankly that the motive used to obtain this sum was a mere pretext. "M. Pouyer-Quertier, president of a society for assisting the unemployed, knows as well as I do that for want of people to assist another use has been found for a large portion of the fund." It would be interesting to know the use made with so little ceremony of funds diverted from their proper purpose. The cotton-spinners resented the treaty because it had forced them to improve their plant, and had hastened the substitution of mechanical for manual labour. Since, however, the number of factories had increased, and the horse-power of the engines employed, it is not easy to draw, with M. Pouyer-Quertier, the conclusion that the industry has been ruined. Figures disprove it:—

No. of Factories. Horse Power.		
1859	1,965	29,492
1879	2,868	88,520

There was an immense expansion in all trades:—

Machines. Horse Power.

1859 13,691 169,000

1879 49,895 3,181,000

Railways.

1859 19,947,000 tons. Carried 5,660 miles.

1879 68,801,000 tons. Carried 14,230 miles.

Coal.

1859 7,371,428 tons.

1879 16,857,142 tons.

1880 19,134,000 tons.

Cast Iron.

1859 843,350 tons.

1879 1,379,310 tons.

1880 1,707,370 tons.

Vessels, with Cargo, issuing from French Ports.

1859. 3,036,000, of which 1,473,000 carried the French flag.

1879. 6,254,000 of which 2,655,000 carried the French flag.

Manufactured Goods.

Imports. Exports.

1860 £2,356 £57,114

1865 6,872 66,992

1869 10,876 65,592

1872 18,092 79,384

1875 15,428 78,016

1878 15,764 64,756

1879 15,244 63,316

It is true that the rise in imports was greater in proportion than the rise in exports; but the latter had kept up even after deducting the exceptional years after the war, 1872 to 1875.

Value of Assessed

Inheritance.

1859 £96,000,000

1879 188,000,000

In spite of the loss of Alsace-Lorraine, the heavy war indemnity, and the losses of every sort that followed the campaign, the succession dues show a rise of 95 per cent. It is safe to conclude that the treaties had not ruined France.

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CHAPTER IX

ECONOMIC REACTION OF 1881

Competing industries in Parliament—M. Marc Maurel turned out as a consumer—Demagogic agitation—Breaking off the Treaty with England.

The Chamber of Deputies had nominated a Commission of Inquiry. The necessary basis of political morality is the understanding that members are not to use their seats to further private interests. The principle is clear. No one remembers it, however, when the question of Protection comes to the fore. Those whose interests are bound up with Protection, the great landowners, mine-owners, cotton-spinners, manufacturers of every description, get themselves elected as members of the Customs Commission, undertake the reports, take part in discussion. They say: "I am a competitor; empower me to make you vote for Customs duties which will benefit me at the expense of the rest of the electorate." The members acquiesce. It is true, he is a competitor; and therefore the Government assigns a prominent part in discussion and on commissions to these men, who look after their private interest at the expense of the general good. The Customs Commission thus composed recognised so clearly that it represented the interests of producers as opposed to consumers that it refused to listen to M. Marc Maurel, a prominent Free Trade manufacturer from Bordeaux, when he demanded a hearing on behalf of the consumers. Had he, as a manufacturer, demanded Customs duties he would have been heard at once. When he tried to raise a voice on behalf of that "forgotten man" whom Mr. Graham Sumner has so wittily described, he was shown the door.¹ Of course the manufacturers, following the recognised tradition, cloaked their claims with democratic pretexts. They pretended to be defending "Home Industry"; and they brought up gangs of workmen whom they induced—short-sighted men!—to say to the Commission, "If you do not pass the highest duties demanded by our masters, we shall riot." Thus they gave their men an excellent introduction to striking and Socialism. The Republicans gave way to a policy of mingled bribery and threats. *Ad valorem* were replaced by specific duties: thus cheap products could be taxed and their price was raised, not as in the projected tariff 24 per cent., but 70 and 80 per cent. Under such conditions England refused to renew the commercial treaty. Belgium did renew on the understanding that England should enjoy most favoured nation treatment.

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CHAPTER X

BARGAIN BETWEEN LANDLORDS AND MANUFACTURERS

Timidity of the agrarians—"Marquis of Dear Bread"—Agricultural products left out of the agreements—Trichina.

The problem remains: How had the great manufacturers, a weak minority, succeeded in forcing the Republican majority to endorse their claims? The majority of the population was rural, according to the 1876 census, 19,000,000 being employed in agriculture; how could members representing this majority consent to duties of 20 to 40 per cent. on iron and steel; 40 to 300 per cent. on cotton thread, and textiles; to taxes which weighed so heavily on the labourer's plough and threshing machine, on the shoes, coats, smock-frocks, dresses, and linen of the whole population? The tax on wheat, indeed, remained at 3½d. a hundredweight; but the tax on cattle had been raised to 12s. on an ox worth £16 to £24—that is, about 3 per cent. protection. This protection was much less than that given to the manufacturers; how did the agriculturists allow themselves to be fleeced to support the claims of the manufacturers? Although M. Pouyer-Quertier was called the "Marquis of Dear Bread," he did not dare to raise the tax on corn; the agrarians were afraid of rousing a violent change of opinion; they modestly contented themselves with a 12s. duty on live stock. But the manufacturers said to them, "Support us, vote for our duties. In the name of Free Trade we will get agricultural products off the conventional tariff. If you support us, we will support you in our turn." The bargain was struck. When the 1881 tariff was put in operation the landlords recalled the promise, but the manufacturers were not very anxious to carry it out. They waited till the eve of the 1885 elections. May 28th the 3d. duty per hundredweight on wheat was raised to 1s. 2½d.

Since 1881, one class, the pig breeders, had been satisfied—not by any rise of duties framed in Parliament, but by an administrative prohibition based on sanitary regulations. A doctor declared before the Hygienic Society that American hams caused trichina. No case of it had ever been known in France, but what matter! A governmental decree of 1881 laid down regulations regarding the importation of American bacon and hams that practically amounted to prohibition, operative until 1890. These hygienic pretexts are a disgrace to the men who prostituted science to Protectionist interests.

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CHAPTER XI

TARIFF FREEDOM

Two tariffs—Law of January 11, 1892—Saving raw materials.

When it was clear that the landowners had profited by tariff freedom, the manufacturers asked for it too. For a longer or shorter period, the commercial treaties stood in the way of the Protectionist dreams: they must go. M. Méline had succeeded M. Pouyer-Quertier as Protectionist leader. A man devoid of all general ideas, he was ready to promise an equal amount of protection to industries representing diametrically opposite interests. It was decided to replace the commercial treaties by a maximum and minimum tariff; the Government would apply the minimum tariff to the countries giving France most favoured nation treatment, but in no case could the duties be lowered below the scale fixed by the tariff; to other nations the maximum tariff applied.

This system was inaugurated by the law of January 11, 1892, and passed by the Chamber elected in 1889. The Protectionists had left no stone unturned to ensure a majority; in every district reactionaries bargained with the Republican candidates. "Vote for the duties, and we will support you." Some Protectionists ran labour candidates, paying their expenses in return for their promise of support. Very few Republicans were strong enough to resist; the majority salved their consciences by saying, "After all, unless we vote Protectionist we shan't get in; and we must not let an enemy of the Republic win the seat." To keep their seats they guaranteed the rent of the landlord and the profits of the manufacturer. It was a wonderful sight to see a large majority whose interests were entirely opposed to Protection enthusiastically overwhelming with presents an insignificant majority consisting almost exclusively of their political opponents.

The Free Traders had to concentrate all their energies to keep the so-called raw materials duty free—wool, raw cotton, undressed skins, &c. To keep raw silk free, bounties had to be given to silk-growers and spinners. On all manufactured articles duties were raised. It was a triumph for the reaction.

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CHAPTER XII

BREACH IN THE MINIMUM TARIFF

But the structure that looked so solid was really very fragile. M. Méline himself was the first to shake it. The minimum tariff was to be inviolate, but the tariffs of 1892 were hardly established when an agreement had to be concluded with Switzerland, involving a reduction on 55 articles of the minimum tariff. The first agreement was rejected, but the Act of 1895, though only reducing duties on 30 articles, began the work of demolition. M. Méline, who introduced the measure, admitted that the agreement made a breach in the minimum tariff. For the agreement the existing tariff was used by introducing two Bills—one, numbered 2,339, proposing reductions in the French tariff, the other, 2,338, ratifying the agreement with Switzerland on the basis of the reduced tariff.

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CHAPTER XIII

SOCIALISM AND DEAR BREAD

The tariff of January 11, 1892, replaced the minimum tariff affecting agricultural produce by a duty of 4s. per hundredweight on live oxen, 6s. on sheep, and 3s. 2d. on pigs, while the duty on fresh beef was 10s., pork 4s. 10d., and mutton 14s. Public health regulations only permitted the importation of mutton in quarters, the entrails attached to one of the forequarters; and thus kept out Hungarian and La Plata mutton. To avoid rousing public opinion, the 1889-1891 Ministry shelved the question of a higher duty on corn, leaving that responsibility to its successor. In 1894 the question came up. The 1893 election had returned some forty Socialists. They behaved strangely enough. With M. Jaurès at their head they made it their aim to win over the small peasant proprietor by outbidding the Protectionists in making bread dear for the workmen who had returned them, and whose interests they pretended to represent. A Bill of February 27, 1894, raised the duty to 2s. 10d. per hundredweight. Most of the Protectionists were not satisfied; they declared that farmers must grow their corn at a loss. This is the usual argument; the poor things always work for loss, not gain.

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CHAPTER XIV

DECEPTION

But the Customs duties were far from producing the effects promised by Méline and the other Protectionists; facts gave the lie to their prophecies. Encouraged by high protective duties capital had been poured into certain industries with the result of over-production. In spite of the 2s. per hundred-weight on wheat imposed in March, 1887, the price went on falling till 1890, when a bad harvest compelled the reduction of the duty to 1s. 2d. A series of good harvests sent prices down, but the 2s. 10d. duty failed to produce its full effect.

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CHAPTER XV

THE PANACEA OF BIMETALLISM

Advantages of depreciated currency—M. Méline and Edmond Théry—Aberrations of the agrarians—Bimetallist agitation—Saved by England—Example of Spain—Bad money is not wealth.

In the eighteenth century David Hume's "Essay on the Balance of Trade" demonstrated the absurdity of the means employed to encourage the exportation of goods and the importation of precious metals. His theory, completed by Ricardo and John Stuart Mill, may be briefly summarised: If one nation, A, imports more from another nation, B, than it exports to it, the balance must be adjusted by the transference of coin; then A having less coin, prices in A will go up, while the importation of coin causes prices in B to go down. A will then buy from B until equilibrium is re-established. The transport of the precious metals is troublesome; as far as possible it is superseded by the use of credit notes or bills of exchange. Between countries with a sound currency the limit to the price of these notes is fixed by the gold point, the cost of transporting coin. Some countries, however, employ a depreciated currency. Mexico, for example, uses silver, Spain paper. In such a case the price of a sovereign or Louis-d'or has to be reckoned in silver or paper pesetas. The limit of profitable exchange between countries with a sound currency is the cost of the actual transmission of bullion from one to the other; the limit does not exist between them and countries with a depreciated currency (as was the case in Mexico and still is in Spain). A depreciated currency has no fixed value, steady or liable only to slight fluctuations, after it leaves the country; the price of an English sovereign or French twenty-franc piece in silver or paper varies in amount—it is difficult to state it beforehand.

Economic doctrine thus enunciated did not suit the owners of silver mines all over the world, exporting more and more every year. The United States, which produced more than a third of the world's silver, convened a currency Congress to meet at Brussels with the idea of establishing an international agreement on a fixed ratio of 151/2 between gold and silver, and then throwing open the mints of the world to the latter. This Conference, like others previously held in Paris, ended in nothing. But the silvermen were not discouraged by this check, and they found enthusiastic partisans in the French agrarian party, inspired by the twofold hope of explaining the failure of the Customs tariff and discovering an expedient for again

raising the price of agricultural produce. MM. Méline and Théry proclaimed that the fall in prices was due to the advantage possessed by countries with a depreciated currency in competition with a country with a sound currency. Their theory was this: a Spanish merchant sells 1,000 francs' worth of oranges in France and draws a bill for 1,000 francs. Then he goes to his banker and says, "1,000 francs are worth 1,300 pesetas, give me 1,300 pesetas," and thus he gets over and above his profit on the sale a bounty of 300 pesetas. On the other hand, a Frenchman sells 1,000 francs' worth of silk in Spain, and when he presents to his banker the bill for 1,000 francs he only gets 700 francs' worth of pesetas. This theory was hailed with delight by Méline and such Protectionist professors as M. Cauwès.

In 1894 M. Edmond Théry published a book called the "Currency Crisis." In it he declared that "a crisis in the foreign credit market, a rise in the rate of exchange, is favourable to the country in which it takes place," and this became an article of faith in the creed of those bimetallists who involved the Spanish and the Mexican bogeys. They proposed a tariff which should vary with the rate of exchange to protect France against the bounties given to Spanish exporters by the depreciation of their currency. The landed and farming interest, and even thoughtful men, in their own opinion able, and indeed accustomed, to reason, men who despised what they would call adventurers or Bohemians, declared solemnly—and men who stood high in business and politics agreed with them—that a country grows rich in proportion as the inferiority of its currency gives a greater or less bounty to its exports. The system of assignats is ideal. In 1894 the Agricultural Society of France, whose members were as a matter of fact rich proprietors who let out their estates instead of working them themselves, issued a memoir in favour of bimetallism. Their action was imitated by the French Association of Agriculture and Industry, a society dedicated to Protectionist propaganda, and the Society for the Encouragement of Agriculture. These three societies, in February, 1895, approached the Government with a view to the creation of an international agreement for the following objects: (i.) The establishment of a fixed ratio between the standards; (ii.) free coinage of silver by every national mint. Should this attempt fail, the Agricultural Society "drew the attention of the French Government to the possible economic consequences for France of a return to the free coinage of silver."

The National Bimetallic League was founded on March 25, 1895, with the Cashier of the Bank of France as its treasurer, and it summoned a preliminary meeting of the English and German leagues for December 10, 1895. The resolutions then passed led to a discussion in the House on March 17, 1896. M. Méline laid a

projected resolution on the table which was signed by 348 members out of 581; but in the Chamber of Commerce the discussion went against him, the resolution not being so much as considered. In 1897, when McKinley sent envoys to Europe to consider the possibility of summoning an international conference, the bimetallicists thought that their case was won. But at the very time of the arrival of the envoys from France in England, silver, by a curious coincidence, fell to 2s. in the London market, while the price of wheat in Paris rose to 30 francs—a convincing proof that the fall in the price of wheat did not depend on a fall in the price of silver. On the refusal of the English Government, the American envoys did not trouble to go to Germany, and it was left for M. Méline and the bimetallicists to deplore that English blindness refused to throw overboard half her foreign bills of exchange. The death of bimetallicism was celebrated by a dinner in Paris on January 28, 1903, the result of a wager I made with Edmond Théry in 1897; but if England had not saved us, M. Méline and his friends would have imposed on France the system of silver assignats. In a book called "Prices and the Foreign Exchanges," M. Jacques Pallain proves, with the aid of irrefutable documents, the absurdity of the contention of the French bimetallicists. The example of Spain certainly shows that prices rise in a country where there is very little currency; but they rise not because of the lowness of the currency, but because of the quantity of paper money in the hands of people who distrust their power of converting it into coin.

M. Jacques Pallain's conclusions are based on fact. The rise in the exchanges which denotes a depreciated currency does not create an important or lasting bounty to the exporters from that country. In such a case the high rate of exchange only shows the variableness of the ratio between two currencies. The depreciated money cannot be exported; it increases daily in amount, and remains in circulation at home, where it is absorbed by a gradual rise in the price of all commodities. Currency depreciation cannot be looked upon as a means of developing trade, or as a menace to countries with an appreciated standard.

The founders of the Bimetallic League of 1894, MM. Méline and Edmond Théry, and the agrarians who followed in their train, declared the more depreciated the currency the larger is the bounty to exporters, the more rapid the development of the country. But all recent experience comes to reinforce the experience of the past, that bad money is not a source of wealth.

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CHAPTER XVI

UNDERSELLING IN WINES

Renunciation of a natural monopoly—Protection to Medoc: M. Méline's advice—Aramon—No underselling of good wines.

The Free Trade Movement had been headed by the southern departments of France—the great wine-growing district of Gironde to the west, and Hérault to the east. When the French wine-harvest was reduced by phylloxera, it was necessary to turn to Spanish and Italian wines. In proportion as the vineyards of the 1,900,000 wine-growers recovered, the exclusion of foreign wines was demanded, and the law of January 11, 1892, placed them on the maximum tariff at a duty of 1s., and on the minimum tariff at 1d. per degree of alcohol for the first 10 degrees, with a Customs duty proportionate to the rise in the consumption of alcohol for each degree over and above. Until the wine-growers began to demand Protection people had imagined that wine only came from Bordeaux. They renounced this traditional monopoly by showing that such good and cheap wines could be got from Spain and Italy that the French growers needed Protection against them. It was strange enough to see the wine-growers of Medoc become fervent believers in Customs duties, nominating an ardent Protectionist as their member; but as a matter of fact it was not Protection but expansion that was needed by the great vineyards of Bordeaux, Château Yquem, Haut-Brion, Château Margaux, Château-Larose, Château-Lafitte, &c. At the warehouses they had been in the habit of making an excellent blend of French and Spanish or Italian wines, which commanded a large market in France; when it was suppressed the blending was done at Pasages, in Spain. Méline had said to the wine-growers, "I will give you Protection; you can then make as much wine and of such quality as you want, and your countrymen will be obliged to drink it." Acting on this advice the growers of Hérault and the other southern departments planted a vineyard called Aramon, from which a great quantity of wine was made, containing 4, 5, or 6 degrees of alcohol, which would not keep at all. Formerly the strong wines of the south had been used to enrich the thin wines of the centres; now they needed enriching themselves, and for this purpose some 132 to 198 million gallons were imported annually. A series of abundant harvests caused complaints on every side of the small sale of wine. The south shook, as a contemporary wit declared. But in spite of all the efforts of the Government and the indignant protests of the deputies, the

consumption of weak wines that would not keep could not be forced either at home or abroad.

The result of the duties on wine is a striking example of the illusions and deceptions resulting from a Protectionist policy. There is never any difficulty in selling wine which the producer can keep, for the indifferent years, both as to quantity and quality, are far more numerous than the good years.

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CHAPTER XVII

TARIFF WAR BETWEEN FRANCE AND ITALY

Exchange of blunders takes the place of exchange of goods—Denationalisation of industry.

On the morrow of the Franco-Prussian war the reactionary majority in the National Assembly dreamed of repairing military disaster by declaring war on Italy for the re-establishment of the temporal power of the Pope.¹ The Republican party made the mistake of combining its anticlerical policy at home with hostility to Italy, and the result was the Triple Alliance, by which his most Catholic Majesty the Emperor of Austria guaranteed keeping the Italian capital at Rome against the secular French Republic—a startling enough paradox. And economic relations followed political ones. On November 15, 1886, the Italian ambassador in Paris declared that the Commercial Treaty of November 3, 1861, must terminate on January 1, 1888. The Italian Government's proposal of negotiations delayed the final breach till February 2, 1888. On February 28th the French Government levied differential duties on certain Italian goods, and on the 29th the Italian Government retaliated. Surcharges were laid on the navies; and the exchange of goods was replaced by the exchange of reprisals. The effect of this was immediately perceived. The total volume of trade, which had risen in 1887 to £20,000,000, fell in 1888 to £12,000,000. Such a fall was excessive, and in January, 1890, tariff war ended in favour of the application to each country of a general or maximum tariff. In May, 1897, the Italian Government approached the French with a view to the re-establishment of the most favoured nation clause. France excepted silks and wines from the minimum tariff, retaining differential duties on them, and demanded a reduction of the Italian Customs tariff on certain goods. Italy consented, and the agreement was signed on November 21, 1898. The Bill ratifying it was passed almost unanimously in Senate and Chamber by the end of January, 1899.

The result of this tariff war was, from the statistics of the French Customs House, that Italian exports to France, representing in 1887 a total value of £12,308,360, fell in 1888 to £5,269,520, a net fall of 57 per cent., while the total of French exports to Italy fell 50 per cent., namely, from £13,047,520 in 1887 to £6,220,560 in 1888, and £6,433,320 in 1897. The export of French woollens fell from £803,280 to £203,240; the export of Italian wines from £3,900,160

to £41,720, and of silks from £2,874,000 to £1,691,320. It is easy to close a market, but much more difficult to open it again.

The exports from France into Italy were in 1902 £6,992,250, and in 1903, £6,639,000. Those from Italy into France were £5,965,290 and £6,779,520. So the exports from France only slightly exceeded those of 1897, and the exports from Italy to France were about £6,000,000 less than they were in 1887.

One phenomenon resulting from Protection which has been insufficiently observed is the denationalisation of industry. To escape Customs duties foreign traders remove their industry to the country in which or against which they are protected. Thus Milan finally outstripped Lyons as a silk market, as a result of the influx of Lyons merchants, who transferred their capital and their business ability thither and then competed with their native town.

On the other hand, the tariff war led to the creation of local industries in Italy, which now drive French goods from the market.

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CHAPTER XVIII

BOUNTIES TO THE MERCHANT SERVICE

Law of 1893—Suppression of steamboats and encouragement to sailing ships—Result—Dockyards idle—The law of 1902.

The tariffs of 1892 were completed by the Act of 1893 dealing with the merchant service. In compensation for expenses resulting from the Customs tariff the law of 1893 established a system of bounties to shipbuilders so arranged as to reduce the construction of steam ships and encourage sailing vessels, which indeed made voyages not so much for the purpose of transportation as of collection of bounties. The law was, in fact, the death-blow to the construction of the vessels which it was designed to encourage. French dockyards having a monopoly, demanded such extravagant prices that the class of shipbuilders disappeared, and if there was any development in the building of sailing ships, that of steam ships sank to a negligible quantity. The following table gives the tonnage of vessels constructed under the system of the law of 1893:—

Year.	Sailing Ships.	Net Tonnage.	Steam Ships.	Net Tonnage.
1894	849	14,218	34	4,022
1895	824	16,940	32	6,005
1896	941	32,519	58	6,599
1897	995	48,968	50	6,814
1898	894	25,966	53	11,568
1899	705	53,312	48	14,964
1900	814	78,903	54	10,396
1901	708	59,320	51	10,190

And to reach this result the State paid between 1893-1902 in

Bounties on construction	£2,480,400
Bounties on voyages	4,871,440
Total	£7,351,840

without counting the postal subventions, which amounted to some £1,040,000 a year. As for the result to navigation:—

In the Mediterranean and European Seas.

	No. of Ships.	Net Tonnage.	No. of Men.	Engineers.
Sailing vessels	135	12,584	795	—
Steam ships	250	208,379	4,457	2,516

On Distant Voyages.

Sailing vessels	319	318,205	6,021	—
Steam ships	180	294,277	6,072	3,785

The results are even poorer when one considers the coasting trade with its monopoly, the bounties to the fishing trade on a large scale, and the expense of registering the smaller fishing-boats.

The shipbuilders, for whom the Act of 1893 had been passed, did not need to build for the merchant service; they preferred to serve the Government which paid them highly. In 1898 among the 117 million orders received by the Mediterranean ironworks and shipyards, not a single one applied to the merchant service. If the ships of the companies subventioned for the postal service had not been obliged to be built in France, the effect of the Act of 1893 would have been the complete disappearance of the shipbuilding which it aimed at developing. Speaking on November 9, 1901, M. Guillain declared that out of nine companies which built sea-going ships, three owned 37 out of a total of 67 ships; and for the last twenty years they had executed no private order except for some twenty packet boats, while the other six did almost no building except of sailing ships. When the Merchant Marine Bill of 1902, designed to rearrange the bounty system, was under discussion, the tonnage of sailing ships on the stocks rose between January 1, 1901, and July to 99 vessels, with a gauge of more than 237,438 tons. The Finance Minister, M. Cailloux, calculated in December, 1901, that were the Act of 1893 allowed its full effect until the Bill now before the House became law, the total cost would be £6,000,000 for vessels whose building had cost from £3,600,000 to £4,000,000. Thus the Treasury, by buying and destroying them, would gain some £2,000,000. The Bill of April 7, 1902, which replaced the law of 1893, limited for twelve years the bounties on the construction of the 270,000 tons of steam ships and 90,000 tons of sailing ships contemplated in the Act to £2,000,000 to be expended on a maximum annual construction of 47,260 tons of steam and 114,778 tons of sailing vessels. On January 8, 1903, the *Journal Officiel* published the names of the vessels on the list, and for twelve years there was to be no building beyond this number. In 1905 the Government introduced a new resolution to correct this anomaly at the expense of the taxpayers. The private iron shipbuilding-yards employed 15,000 men in 1896, and the number

was fixed at that. In 1902 France imported 47,857 tons of ships valued at £505,160, and exported 48,025 valued at £429,840—old ships, some as old as 1856, most of them of English make and dating 1881-1886. Such are the results of the bounty system in the shipbuilding industry.

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CHAPTER XIX

SUGAR BOUNTIES

A political industry—In the workmen's interest—Results—Profits to the sugar-refiners—Cost to the consumer—Production not for sale but for bounties—Results of the Brussels Conference.

Without going back so far as the *ancien régime* since 1819, the sugar industry had been a political one, owing its very existence to the Legislature. The law of 1884 was of the same character as all those passed during the nineteenth century, its objects being (1) to extend the consumption of sugar, (2) to limit internal consumption, (3) to encourage foreign consumption at the expense of French consumers. The tax was levied on account, but assessed at less than the real amount, the sugar produced over and above being exempt in whole or part; the difference between the amount taxed and the total output constituting a bonus on manufacture. Almost immediately on the passing of the Bill the excess was 21 to 31 per cent. of the output. The bounty ate up the tax.¹ In bringing forward the Bill of 1884 giving bounties to the sugar industry, M. Méline declared that he was acting in the workmen's interests; but the results for the workmen are shown in the Blue Books:—

Number of Workmen.

1884-5. 1902-3.

Men	43,896	40,982
Women	6,749	2,869
Children	6,080	2,250

proving that the number employed diminished instead of increasing; and the fall in numbers was not balanced by a rise in wages.

Wages by the Day.

1884. 1902.

Men	3s. 11/2d.	3s. 2d.
Women	1s. 6d.	1s. 9d.
Children	1s. 5d.	1s. 4d.

while the total expenditure on wages was:—

1884-5 £621,480

1902-3 524,600

showing a diminution of £96,880. For the workmen the results were purely negative. In 1902-3 there were only 332 sugar manufacturers, and these in the eighteen years after 1884 obtained in bonuses on excess of output £41,360,000, to which must be added, since 1897, £3,000,000 in export bounties and £6,720,000 to the Colonial sugar trade. In all £51,080,000 went to the sugar manufacturers. Thus in France a few hundred sugar manufacturers—only 322 in 1902—received £41,360,000 for a plant not worth £14,000,000, while the number of workmen employed diminished.

The result of such a defence of national labour was that the consumer had to bear the burden of 52s. 9d. in duties, bonuses, and bounties on a hundred-weight of sugar, from which the Treasury only got 35s. The consumer thus paid 45 per cent. more than the Treasury received, and it went into the pockets of private individuals, a small group of manufacturers, instead of going to assist expenditure for public benefit. It was a private due like the old feudal due.

In 1901 the French consumer paid for sugar, native and colonial, more than £4,400,000 of bonuses, bounties, and rebates for export on £6,080,000 worth of sugar.

I took an active part in the negotiations which resulted in the Brussels Sugar Convention of March 5, 1902. Had England, however, not threatened the sugar-refining nations who should retain their bounties with countervailing duties, the Conference would have ended in nothing, and a fearful sugar crisis would have followed in France, Austria-Hungary, Belgium, and Holland. A manufacture cannot be carried on with impunity which aims at realising bounties rather than sales.

The Brussels Convention was a complete success. It was put in operation September, 1903, and down to the end of August, 1904, the results were: Consumption in France rose from 365,634 tons in 1902-3 to 688,700 tons in refined sugar, *i.e.*, an increase of 83 per cent.; and in Germany raw sugar rose from 366,538 to 729,255 tons, and in Austria-Hungary from 501,977 to 1,109,470 tons.

Such a success proves the utility of reducing duties. In future the Convention is unassailable. French manufacturers who accused me of plotting their ruin admit that it has saved them. No one dared to propose the rejection of the Bill of Ratification when introduced into the House.

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CHAPTER XX

IMPORT BONDS

An ingenious system—Its effects—Cost to the State—Law adding to the deficit—The permanent deficit.

The years 1899-1901 were marked by a series of attempts in Senate and Chamber at the creation of import, or rather export, bonds. For every cwt. of wheat brought from abroad the exporter might claim a bond for 2s. 10d., limited in every case to a depreciation of three months' interest and a deduction of 4 per cent., payable on demand by the Treasury. The Higher Board of Agriculture threw out the scheme as extravagant, but on July 7th it was passed in the Chamber in spite of the opposition of Méline, who was frightened by the boldness of his disciples, one of whom, M. Viger, introduced the project in the Senate. Thus, at the very time when the failure of the sugar bounties was most glaring, an attempt was made to apply the same system to wheat: the 2s. 10d. duty was to encourage the landowners to produce and to restrict home consumption, while the high bounty in the Budget was to induce foreigners, and especially England, to consume French wheat. The effects of such a system would have been as follows: In 1897 the harvest failed; on May 4, 1898, on the eve of the election, Méline, as President of the Chamber of Commerce, followed exactly the opposite policy to that of 1885: then a duty of 1s. 3d. had been imposed, now the 2s. 10d. duty was suspended until July. Some 38 to 40 million cwt. of wheat came in, an excess of about 8 millions over what was needed:—

	Tons.
1898 harvest	10,200,000
1899 harvest	10,080,000
1898 from Algeria	78,860
1899 from Algeria	97,400
	20,356,260

Estimating the annual consumption at 9,620,000 tons, that is for the two years 17,240,000 tons, there was a surplus in 1900 of 1,116,260. Had the law voted in the Chamber of July 7th come into operation, these 1,166,260 tons would have been exported and the State would have had to pay $1,116,260 \times 55s. = \text{£}3,070,000$. Two months later it was found that the harvest was 1,000,000 tons below the normal. The State would then have received $\text{£}2,750,000$, and the loss, if it had not been necessary to suspend the duties,

would have been reduced to £1,640,000. And the wonderful effect of the law would have been to add a failure in the harvest equivalent to 1,000,000 tons to the 1,116,260 tons whose exportation it had encouraged, and £4,520,000 would have gone into the pockets of skilful traders for having sent corn out of the country and paid nothing to bring it back.

The chapter of Budget history dedicated to what were paradoxically called import bonds would have been one of permanent deficit, its statistics would have depended on the excess of the selling price in foreign markets increased by 2s. 10d. per cwt. over the buying price in France, including cost of transport, &c. To satisfy the fears of men more far-seeing than themselves the authors of the scheme limited the experiment to 1901-1904. This fine system was supported by M. Viger, former Minister of Agriculture, and opposed by M. Durand Savoyat, of the Bounties Commission, M. Couteaux, an intelligent farmer, and M. Caillaux, Minister of Finance. It was rejected, but I have dealt with it here to show the aberrations to which Protection leads.

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CHAPTER XXI

TEMPORARY ADMISSIONS

Customs permits—Diminution of the 2s. 10d. duty—Corn-producing districts—Law of 1902—Mills of the north.

The question of import bonds had been raised in connection with that of temporary admission. The landowners had begun by declaring that if the corn duties did not raise prices as much as their promoters had promised the suspension of silver coinage was to blame for it. In 1900 they blamed the temporary admission which allowed millers to re-export wheat imported by means of a Customs' permit involving repayment of the 2s. 10d. duty. The corn-growing departments of the south produced less, those of the north more, than they could consume; the southern millers imported grain from Odessa without exporting flour; the northern millers exported flour without importing wheat. A certificate of temporary admission only benefited the southern miller in so far as he could sell it to a colleague in the north; and since 1873 it had been necessary for a northern miller who wanted to send flour to London to send first from Dunkirk to Marseilles for a Customs' permit. A decree of 1897 allowed the sending of permits by post.

The result was extraordinarily unhappy. A northern miller could not fight against foreign markets by buying corn at a price which included 2s. 10d. per cwt. of duty; by getting a Customs' permit, which lessened the differentiation, he could try to export his flour. The Marseilles miller, on the other hand, selling him it for 2s. 6d. or 3s. 4d., reduced *pro tanto* the duty on foreign corn consumed in the south.

According to the Blue Book on Agriculture, the northern and north-western districts produced 268 cwt. of corn for every 100 cwt. produced in the south. The Act of February, 1902, forced the miller to pay duty immediately the wheat was brought in, and prevented his alienating the right of collection, the amount of which would be refunded to him on reexportation. The aim of the landowners was to force the south to buy the wheat it needed exclusively from the north, and thus pay the whole duty, *i.e.*, 2s. 10d. From one point of view this was logical, but it was illogical to lower the price of wheat in the wheat-growing districts by making it impossible for the northern miller to export flour.

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CHAPTER XXII

FOREIGN TRADE BETWEEN 1860 AND 1903—FRANCE AND ENGLAND

Trade in 1855-1859 and 1861-1865—1876-1880 and 1882-1886—1882-1886 and 1899-1903—Stagnation—Comparison with the United Kingdom—Verification of Free Trade prophecies.

I have already adduced facts which prove that the commercial treaties of 1860 had not ruined even those manufacturers who made the loudest outcry against them. Looking at our specifically foreign trade as a whole during the quinquennial period preceding and following them, we can state—

	Annual Average.		
Year.	Import.	Export.	Total.
1855-1859	£73,500,000	£75,760,000	£147,260,000
1861-1865	97,880,000	102,560,000	200,480,000

These results were produced by the silent labour of two economists, who had gradually cancelled some tariffs and modified others, with the result that the annual average of French imports rose £28,600,000, or 41 per cent.; exports £26,800,000, or 35 per cent.—a total increase of £55,440,000, 38 per cent.; results which may well be compared with those noisy enterprises which pretend to find expansion for trade with muskets and cannons. Every advantage is on the side of those who free the natural outlets for trade from the barriers by which they have been shut off. It is hardly necessary to say that the disasters of 1870, the loss of Alsace and Lorraine, did not assist the development of French industry and wealth. During the last quinquennial period—1876-1880—following the treaty these are the figures—

Annual Average.	
Imports	£171,680,000
Exports	135,000,000
Total	£306,680,000

which represents an increase of £106,200,000, or 52 per cent., over the period 1861-1865.

In 1881 came reaction; the *ad valorem* were replaced by specific duties, and some duties were raised. England refused under these

conditions to renew the commercial treaty. In the following period—1882-1886—the annual average was for—

Imports £178,120,000
 Exports 132,760,000
 Total £310,980,000

and taking the last quinquennial period for which exact figures can be given, we find—1899-1903—the annual average to be—

Imports £164,440,000
 Exports 146,360,000
 Total £310,800,000

These figures for our foreign trade ought to inspire serious reflection. They remained, during the last quinquennial period, within four millions of those for 1876-1880, and exactly equal to those for 1882-1886. While foreign trade was thus stagnant, the total trade of France had increased 52 per cent. between 1861-1865 and 1876-1880. Those who upheld the Balance of Trade theory said with enthusiasm: "All the better, for imports have diminished and exports increased." But how much? Ten per cent. There is stagnation here also, for the increase in exports between 1861-1865 and 1876-1880 had been 24 per cent. I know some one will say, "Prices have fallen," and so they have, but relatively to the preceding period they had fallen in 1876-1880; and if they fell in France they also fell in England, while England remained true to Free Trade. Compare the results:—

	United Kingdom: Imports.	Special Trade.	Exports.
	Million £		Million £
1853-1859	148		116
1860-1864	193		138
1875-1879	320		202
1880-1884	344		234
1899-1903	454		289

Then comparing the development per cent. in the two countries—

First Period.

	<i>France.</i>	
	Imports.	Exports.
1855-1859	100	100
1860-1865	138	135
1876-1880	248	177

England.

1855-1859 100 100

1860-1864 132 118

1876-1879 216 174

France.

Imports. Exports.

1876-1880 100 100

1882-1886 103 98.4

1898-1902 104 118

England.

1876-1879 100 100

1880-1884 107 114

1900-1903 141 138

These figures lead to the following conclusions: England, already possessing a greater measure of liberty, received during the first quinquennial period less stimulus than France from the commercial treaty. In the last period—1876-1880—the increase in the percentage of imports is greater in France than in England, and in the percentage of exports rather less; but France had lost Alsace and Lorraine. After the 1881 tariff, French exports show, at first, a falling off, while English continue to increase. For the last five years the figures show that French imports are stagnant, while exports have only developed 18 per cent. relatively to the period 1876-1880, whereas English exports have developed 38 per cent. Thus events have not given the lie to the confidence of the Free Traders; can the same be said of Protectionist prophecies?

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CHAPTER XXIII

THIERS' AGRICULTURAL FORECASTS

Thiers had declared in a speech made June 27-8, 1851, that to abolish the sliding scale and the Customs duties, then 3s. 7d. per bushel, would mean that no more seed was sown or corn produced in France; he threatened an inundation of corn from Russia, Naples, and Seville. In 1861 the Customs duty was converted into a registration duty of 2½d., and the number of acres sown with wheat, which was 14,400,000, rose to 16,560,000 in 1865, 16,800,000 in 1869, and after the war, in 1880, under the same fiscal policy, the acreage remained the same. With the sliding scale in the single year 1857 the harvest had been 303,600,000 bushels. While the duty was only 2½d. the following are the figures:—

1863 321,200,000 bushels
1864 306,075,000 bushels
1868 321,200,000 bushels
1869 297,000,000 bushels

Thus M. Thiers' forecast did not come true. After the war, in spite of the reduction of French territory and the invasion by that American wheat which had succeeded Russian as a Protectionist argument, we find:—

1872 332,750,000 bushels
1874 126,350,000 bushels
1882 335,500,000 bushels

A duty of 1s. 3d. was imposed in the following year, when the state of agriculture had proved it unnecessary; in 1887 a duty of 2s., and in 1904 one of 2s. 10d. The harvest of 1882 was not equalled till 1894; that of 1874 in 1898 and 1899, when it was 352,000,000 bushels. The last great harvest was that of 1902 with 341,000,000 bushels.

Thus the Liberal *régime*, marked by the registration tax of 1860, had not destroyed French corn. In spite of the advance of agricultural science, the harvest of 1874 has never been equalled since.

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CHAPTER XXIV

DEFINITE RESULTS OF THE 1860 TREATY

The two classes of Free Trader—Buddhistic and active—Effects of 1860—Prohibitions existing in 1860—Their definite repeal—Experience gained.

I have sometimes heard Free Traders of the passive, non-resisting type regret that the treaty of 1860 was ever signed; it seemed to them that an Act of such unusual authority directed against the Protectionists was passed in advance of public opinion, and therefore provoked reaction. I am not a Free Trader of the Buddhistic type; I did not hesitate to join issue with my friends of the Cobden Club when it was necessary to oppose bounties given to Continental sugars by countervailing duties. The Brussels Convention demolished the stronghold of the worst form of Protection—aggressive Protection, as M. Smet de Naeyer has so aptly qualified it; and the efforts to rebuild it could not restore its lost strength and stability. The effect of experience in human affairs is not the same as in a laboratory: it always modifies things so that no reconstruction can restore them exactly to their original form. And so with the 1860 treaties. In Europe their effects were profoundly felt for twenty years; in France they so transformed public opinion that the Protectionists were driven to the base subterfuges I have described in the attempt to win it again to their side, without succeeding, in spite of all their efforts, in re-establishing a *régime* such as had existed before the treaty. Before the treaty the following articles were absolutely prohibited in France: Woollen and cotton thread and textiles, linen textiles embroidered in cotton, hair thread and cloth (with the exception of cashmere shawls and scarves), ready-made clothes, prepared hides, manufactured goods in skin or leather, plated metal, cutlery, manufactured metal goods, cast iron in pieces of less than 32 lbs. in weight, wrought iron, polished brass wire, refined sugar, unscented soap, dye-wood extracts, madder, all chemicals not specifically excepted, rough earthenware and fine stoneware, glass and crystal, foreign molasses, powdered curcuma, patent medicines not specifically excepted, extract of quinine, ground chicory, goods made of hair or cork, carriages on springs, seagoing ships, and fancy turned goods. In not one of these cases was the prohibition re-established.

Sulphuric acid at 6s. 5d. was protected by a duty of 16s. 5d., and is now free; nitric acid at 19s. 2d., with a duty of 36s., is taxed on the

maximum tariff at 1s. and is free on the minimum; hydrochloric acid at 3s. 7d. paid 24s. 10d. duty; it now pays 11/2d. on the general tariff and is free on the minimum. Raw cotton, raw wool, linen, hemp, and raw silk are now duty free, and the French agrarians have not succeeded in reimposing the 3s. 7d. duty on wheat and the sliding scale which existed before 1861.

This twenty years' experience of a moderate tariff is a forcible argument for Free Trade.

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CHAPTER XXV

REACTION AND THE PROTECTIONIST FEVER

Revenge of the *émigrés*—War policy of the Protectionists—Property in tariffs—Tyranny of protected interests over the Government—The 1860 treaty—An economic policy worse than Colbert's—Universal suffrage hoodwinked.

The experience of the commercial treaty of 1860 entitles one to repeat with even greater force the arguments used by the early members of the Free Trade League and to ask, How does the majority in France come to be Protectionist? How do statesmen in a Republic based upon universal suffrage come to have exchanged a really Liberal fiscal system for one more thoroughly reactionary than that of Colbert or even of Napoleon? From the middle of the seventeenth century down to 1791 duties on food were very moderate; there was no duty on corn and only one of 3s. per head on live stock. Between 1791-1816 wheat and cattle were altogether exempt. It was left for the great capitalist landowners, whose influence was predominant at the Restoration, to establish the sliding scale in order to maintain wheat at the famine prices of 1819 and cattle with a duty of 44s. per head.

The Revolution abolished the privileges of the nobility. At the Restoration the survivors and descendants of the nobility acquired the privilege of enriching themselves at the expense of the bread and meat of their poorer fellow-citizens.

Colbert, indeed, expounded and applied the theory which bears his name, but he applied it with moderation. Even in the tariff of 1667, which cost France a war with the Low Countries, there were no prohibitions, and the duty on iron and other necessaries was only 1s. the thousand pounds. The tariff of 1791 was very liberal, with the exception of certain prohibitive clauses—for example, that applying to foreign-built vessels hitherto admitted free, and even encouraged by bounties.

The prohibitions of 18 Vendemiaire year II., completed by the Act of 10 Brumaire year V., were mere war measures specially aimed at England; Napoleon maintained them as a temporary sacrifice demanded by the safety of the country, and while he established the Continental Blockade he at the same time established Free Trade in Western Europe.

After the Restoration the political necessity for prohibition against England had gone; nevertheless, most of the prohibitions were retained or replaced by prohibitive tariffs. In order to get the duties of 1822 and 1827 passed they were declared to be temporary; in 1828, however, when a Governmental Commission of Inquiry was nominated, they were loudly proclaimed to be vested interests; any modification was denounced as a violation of property granted by the law. A coalition of the industrial and agricultural interests asserted the same claims under the Government of Louis Philippe, in spite of the attempt made by the Ministry, and especially by Count Duchâtel, to reduce the excessive duties and abolish prohibitions.

Napoleon III. only succeeded in defeating the insolent Protectionist coalitions by using his constitutional right of making commercial treaties to conclude an international agreement against them. But after an experience of twenty years of complete success, the democratic Republic, based on manhood suffrage, returned to a Customs system more rigid than that of Colbert—a system which placed heavy duties on food. This was the policy of the great landowners with their cumulative vote and the 200,000 copyholders—and the democratic Republic took it over as the inheritance of the revenge of the *émigrés* and the feudatories of the July Government, with their traditional privileges. A majority of the eleven million French voters enthusiastically returned candidates who, if they were courageous enough to express, and intelligent enough to understand what they were doing, ought to have said to them, “We promise to increase your burdens by making you pay taxes on necessaries and private imposts which are to go into the pockets of the Restoration Legitimists, the descendants of the great manufacturers of the time of Louis Philippe, these political adversaries whom you would not dream of electing—and rightly not. But give us seats in the Palais Bourbon or in the Luxembourg, and we promise to put in force a fiscal system which will give them the biggest revenue and the largest profit at your expense.” If hardly this language, yet the policy which it represented was acclaimed by peasants, whether proprietors or not, by workmen, even in the great cities, even by the most impassioned assailants of every form of property among the socialists; this was the policy which they sent a majority to the Senate and Chamber to execute. And yet, taken individually, these men were ready enough to look after their own interests; they knew how to measure their own advantage when immediately presented to them; they like to buy cheap; they were passionately devoted to freedom. How, then, did they come to support a fiscal policy opposed to these interests, opinions, and ideals? It was because, being full of prejudices, the outcome of their ignorance of economics, they were skilfully exploited by people whose interest was to deceive them.

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BOOK II

PROTECTED AND RESTRICTED INDUSTRIES

CHAPTER I

THE POSTULATES OF PROTECTION

I propose to examine, in the course of the following work, the method of estimating the incidence of Customs duties levied on certain industries for the advantage of others. The theory of State interference in international exchange rests on three postulates: (1) to protect national production against foreign competition; (2) to abolish conflicting internal interests; (3) to defend the interests of the majority in a nation whose government reposes on a wide electoral basis, by ensuring employment to labour. I am going to examine if the reality corresponds with the end aimed at, and whether the means employed do not lead to the precisely contrary result.

Every one consumes in order to produce; the greatest producer is also the greatest consumer; directly, in virtue of the plant he has to supply himself with and the raw material which he purchases, indirectly in virtue of the wages which he pays. If I can prove that under the French Protectionist system the great majority of producers, employed as masters or wage-earners in the majority of industries, have to pay tribute to a few protected industries—no one can say that in denouncing such oppression, I am neglecting the interests of producers, and thinking only of a few officials and people of independent means who consume without producing. I shall not imitate Le Play in going into great detail, but draw my general conclusions from the Blue Books of the French Government. In 1897 the Board of Trade published four volumes of an "Inquiry into Wages and Hours of Employment." Since the Census of Industries and Professions has not yet been published in its complete form, for lack of adequate information as to budgets, I shall only use the edition of 1896, while indicating in passing any important modifications which are already known.

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CHAPTER II

RELATIVE IMPORTANCE OF DIFFERENT INDUSTRIES

“The greatest number”—Protected industries and labour.

I shall first examine the relative importance of different industries, to see whether Protection is an advantage to the majority. According to the 1896 census of persons employed in professions and industry in seventeen out of eighty-seven departments, more than 40 per cent. of the population is employed in industry. In order of diminishing proportion they are: The Nord, Belfort, Rhône, Loire, Seine, Ardennes, Vosges, Bouches du Rhône, Meurthe et Moselle, Seine Inférieure, Somme, Pas de Calais, l’Oise, l’Aisne, l’Aube, Seine et Oise, Marne. Taking a hundred as the total of industry properly so called, the order of importance relative to the number of persons employed is as follows:—

	Per cent.
1. Linen Cloth and Clothes	20·47
2. Textile Trades	14·17
3. Workers in Wood	10·66
4. Iron and Steel Trades	9·55
5. Workers in Earth and Stone	8·67
6. Food	6·99
7. Transport	6·61
8. Leather and Skin	5·26
9. Furnishing	4·56
10. Mining	2·45
11. Bricks, Glass, and China	2·29
12. Chemical Industries	1·32
13. Book Trade	1·30
14. Quarrying	1·10
15. Paper, Cardboard, &c.	0·92
16. State Industries (Tobacco, &c.)	0·90
17. Metal Trades	0·88
18. Stonecutting	0·87
19. Straw and Feathers	0·54
20. Fine Metal Work, Jewellery	0·42
21. Precious Stones	0·07
	100·00

In France the extractive industries, *e.g.*, coalmining and quarrying, are relatively small; the metal trade, which produces the raw material for ironworkers, engineers, and smiths, stands only seventeenth out of twenty-one; spinning and weaving is 30 per cent. below the cloth trade. The industries which produce raw materials or goods for further manufacture are protected at the expense of those which employ skilled labour.

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CHAPTER III

THE PRINCIPAL GROUP OF INDUSTRIES IN FRANCE

I. Numerical importance—II. Clothes and underclothes—III. Protection and linen goods—IV. Men's clothes—V. Women's garments (not silk)—VI. Eloquence of two prices—VII. Millinery and artificial flowers.

I.—

Numerical Importance.

It is obvious from the preceding table showing the relative importance of different industries that the manufacture of stuffs, linen goods, and articles of clothing forms 20·47 per cent., *i.e.*, more than one-fifth of the total industry of France. Of this industry the raw materials are cloth, cotton yarn and textiles, linen, and silk; it will therefore suffer from the rebound of protective duties on textiles. The first group, comprising the manufacture of stuff, linen, and clothes, employs some 1,340,000: according to the census returns 140,000 cutters; 60,000 readymade clothes makers; 614,000 dressmakers; 75,000 makers of hats and head-dresses, including 45,000 milliners; 23,000 flower and feather makers. Paris is the centre for nearly all these industries, which have the highest standard of wages. Is this due to Protection? We shall see that they are victims of Protection.

II.—

Clothes And Underclothes.

The export of clothes and underclothes stands ninth in the total of French exports. The following are the figures reckoned on an annual average over the three years preceding the 1892 tariff:—

1889-1891 £4,812,000

The tariff came into operation on February 1, 1892. Passing over this and the following year to allow for the disturbances caused by a change in system, we find:—

1894-96 £3,932,000
 1897-99 4,308,000
 1900-02 5,364,000
 1903 3,977,280

That is, during the period following the 1892 tariff there was a fall, relative to the preceding period, of 18 per cent., and even in the second period a fall of 10 per cent.; that the excess of the average of the three years 1900-02 over the average of 1889-91 was not due to, but in spite of, Protection; and 1903 shows a return to the figures of 1894-96.

III.—

Protection And Linen Goods.

Looking at the exports in detail, we find the following figures for made-up linen goods:—

Period.	Price per Cwt. Weight.			Value. £
	s.	d.	Cwt.	
1877-1886—			2,210	1,451,200
1889-1891—			2,160	2,184,000
1901	16	7	986	816,000
1902	16	3	979	792,000
1903	16	5	848	696,000

And this fall in our exports is not solely due to their exclusion by foreign Customs tariffs, but in part to our own tariff. In the article on Linens in the "Dictionary of Commerce," M. Julien Hayem, a great wholesale linen manufacturer, says, "The duties which burden cotton textiles are practically prohibitive in the case of linen-drapery and shirt-making. The price of material, which is 4 1/4 or 5 1/2 or less in England or Switzerland, is doubled or trebled by the effect of the duty." The Customs Controller, whose fate it is to put into operation a Protectionist tariff of a great number of items, has to make it arbitrary and irritating for fear of being accused of Free Trade leanings. "And the result?" asks M. Hayem. "It is practically impossible for any French manufacturer to introduce any of the really new materials which are fashionable in foreign markets. Should he do in spite of the exorbitant duties, he is faced with two almost equally irritating consequences: the home consumer has to pay a much higher price than is paid for the same goods abroad; abroad the manufacturer is at a great disadvantage compared to his foreign competitors. Unable to do anything, he

sees orders escape him while for lack of raw material he has to keep his workmen in idleness.”

And the yarn industry was in just the same position. The French weavers of Little Armentières and Cholet declared that they could not produce linens equal to the Irish; even enormous duties on Irish linen did not encourage French manufacturers, but, as M. Julien Hayem asserts, “they extinguished the linen-drapery manufacturer for which linen was the raw material.” These quotations sufficiently demonstrate that protection to cotton and linen did not raise wages in the linen-drapery business; they suffered from it.

IV.—

Men's Clothes.

That the 1892 tariff did not increase the export of men's clothes is proved by two tables; thus export

Period.	Price per lb.		Net weight. Lbs.	Value. £
	s.	d.		
1887-1886	5	5	3,612,400	1,534,680
1902	5	8	2,457,400	686,760
1903	5	8	1,786,400	497,640
1904	—	—	—	603,840

diminished because the French maker was handicapped by the dearness of his raw materials, in competition with a low cost of production.

V.—

Women's Garments.

(a.) *Other Materials than Silk.*

Period.	Price per lb.		Net weight. Lbs.	Value. £
	s.	d.		
1887-1896	—	—	1,134,065	1,800,240
1901	38	5	1,052,636	2,024,120
1902	33	3	1,306,140	2,168,760
1903	33	3	1,284,529	2,132,760
1904	—	—	—	2,620,200

(b.) Silk.

Period.	Price per lb. Net weight.		Lbs.	Value.
	s.	d.		
1887-1896—			68,272	269,420
1901	128	10	204,518	1,316,880
1902	140	8	250,684	1,772,000
1903	140	8	90,576	641,360
1904	—		—	598,280

In the case of women's garments the lady's travelling trunk is a secret means of exportation, as was proved at the time of the Exhibitions of 1889 and 1900; in the latter, according to the Custom House returns, although the showrooms had been very busy, the dress exports went down 25 per cent. The export of silk dresses, which had risen considerably, fell 57 per cent. in 1903 on the preceding years; and in 1904 it continued to fall. The rise was not due to Protection, but to an increase in the wealth of other nations which caused an increased expenditure on articles of feminine elegance, which the Parisian shops were better fitted than any others in the world to meet. Then came a change in fashion; perhaps it will change again and the export of silk dresses rise again. But our shops must sell at high prices because all the materials that they use are burdened by Protection. Far from helping, it hampers them; far from raising wages, it lowers them, because in the net cost the share taken by Protection is subtracted from wages.

VI.—

Eloquence Of The Prices.

I call attention to the following prices. Cotton textiles, unbleached, dyed, or printed, were rated for export at 1s. 7d. to 1s. 10½. per lb; linen textiles from 1s. 3d. to 3s. 3d. These cotton and linen fabrics, when made up into shirts, collars, and manufactured goods, were rated at 32s. 5d., the difference being the price of the taste and skill of the maker, and the labour of the men and women who executed his design.

The export price of silks was in 1903, plain silk, 27s. 3d. a yard; figured or broché, 32s.; mixtures of silk and cotton, 14s. 3d. plain and 16s. 4d. figured. Silk dresses came at £15 11s. 6d; the difference in price is in the style, and the greater part of this difference between cost of material and cost of the finished garment goes in wages.

VII.—

Millinery And Artificial Flowers.

This manufacture employs some 100,000 persons; and it stands tenth in the list of French exports at £54,400,000. Dependent altogether on the protected industries, it pays duty on the flour used for making paste, on the wire on which the flowers are fixed which are made of dutiable paper. In the Seine Department there is a falling off in the number of *employés*; 18,207 in 1896, it was only 16,865 in 1901. From the above statistics the conclusion can be drawn that Protection, restricting the choice of materials, injures these industries. They need free scope, and their expansion is hindered by Protection to those textiles on which they depend.

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CHAPTER IV

THE TEXTILE INDUSTRIES

I. Wool—II. Cotton—III. Linen—IV. Silk—V. Conclusion.

I.—

Wool.

Wool is the most important of the textile industries, employing more than 200,000 persons, to 150,000 employed in cotton, and 55,000 in linen; its plant can produce twice as much as is consumed in France. M. Gaston Grandgeorge estimates the output of French woollen yarn at £20,000,000, and assessing woollen cloth at a price of 4s. per lb.—a rather low figure—values it at £31,080,000 a year.¹ The export for 1903 was £5,920,000 worth of textiles, £3,780,000 of wool combings, a net total of £12,680,000; for several years the industry has been stationary, enduring rather than demanding Protection.

II.—

Cotton.

The cotton industry is found in three districts, Normandy, the North, and the Vosges; and the cotton spinners and weavers, especially in Normandy, have been for three-quarters of a century ardent Protectionists. 37,500 persons are employed in spinning, 122,000 in weaving. The report of the Commission on Customs for 1891 declares, "The output in cotton spinning and weaving can actually be said to balance demand. The industry is this year in a thoroughly sound condition, as is proved by extreme commercial and industrial activity, and the firmness of the market for cotton." In 1892 this prosperous industry obtained an almost prohibitive rise in duties on thread and textiles; according to the Blue Book on Direct Taxation, the number of spindles in spinning mills was some 3,799,400 in 1891; after that year there are no official statistics, but the Cotton-spinners' Union fixed the number in 1904 at 6,150,000, a 62 per cent. increase, while the increase in consumption for the same period was only 31 per cent.

Annual Average.

Consumption of raw cotton 1889-1891	314,600,000 lbs.
Consumption of raw cotton 1895-1897	394,611,800 lbs.
Consumption of raw cotton 1898-1900	373,744,800 lbs.
Consumption of raw cotton 1901	406,984,600 lbs.
Consumption of raw cotton 1902	413,714,400 lbs.
Consumption of raw cotton 1903	484,444,400 lbs.

If the last sum were exact it would prove a consumption of 77 lbs. per spindle, showing that the greater part of the French output is of high numbers. High as the tariff walls were raised they did not prevent the importation of cotton yarn.

Import—lbs. Export—lbs.

1901	14,412,200	3,053,600
1902	8,782,400	2,673,000
1903	8,082,800	3,007,400

The export of cotton textiles has increased.

Annual Average.

Import. Export.

Triennial period 1889-1891	£1,680,000	£4,120,000
Triennial period 1901-1903	1,960,000	6,860,000

The main cause of this export is the protective duties instituted in the colonies at the expense of their own inhabitants for the advantage of the capital.

French Exports to—

1889-1891. 1902. 1903.

Algiers	£1,120,000	£1,560,000	£1,640,000
Madagascar	2,640	440,000	344,000
Indo-China	1,200,000	488,000	452,000

It is also due to the extended market which England offers for our cottons, equal to that of Madagascar and Indo-China put together.

1902. 1903.

England	£804,000	£900,000
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But this export trade with England is to be considered rather as a payment of debts than as a sign of prosperity. The surcharges on cotton goods were so heavy that when the manufacturers tried to extend their sales by sending them to Manchester they lost a day a week. In 1904 a Congress was held at which M. Méline made two

confessions—“It is sad to have to confess that our exports of cotton tend to diminish, while those of England and Germany increase”; and “It is true” that the protective duties led to the establishment of new factories. The Congress nominated a permanent committee, empowered to enforce the closing of mills and factories on receipt of an indemnity—but it was not stipulated that this indemnity should be extended to the *employés*.¹ In the article on Cotton in the “Dictionary of Commerce,” a manufacturer, M. Gustav Roy, says: “The Protectionist system must be made responsible for a great part of the considerable difference existing between the price of cotton in France and of the same goods in England; price had to be reckoned plus the addition of interest on capital sunk in the paying of duties (1) on the materials, (2) on the machines and workmen employed—of annual charges necessitated by the Customs dues on the raw material, cotton; and secondly, on all the plant needed for the working of the factory, such as coal, oil, metals, and woods of different kinds, and various other goods; finally, of expenses caused by the bounties paid to certain industries, and of the rise in cost of transport due to the protection given to the merchant service. Moreover, since the sales can only be extended over a strictly limited market, there is a constant need to guard against the danger of over-production.”

III.—

Linen.

In 1892 very high tariffs were set up for flax spinning and linen weaving. The stimulus of Protection led to over-production. In the 1902 Reports of the Customs Commission, edited by M. Widmer, President of the Linen Committee, it runs as follows: “Exports passed the high total of 1900, and rose to more than twenty-two million pounds. Such an unprecedented total shows that something is wrong at home, for such sales abroad could only be effected at a heavy loss—an evil that must be endured in order to clear the market, but still an evil.”

Linen, hemp, and jute spinning employ 86,000 people, to 96,000 employed in weaving, rope-making, &c.

IV.—

Silk.

The weaving and spinning of silk stands next in importance to wool, giving employment to some 136,000 persons, 80,000 in weaving,

20,000 in silk-throwing, and 26,000 in spinning. The weavers of Lyons are Free Trade, but the spinners who supply them with the silk, that is, their raw material, are Protectionists, who, though they failed to get Customs dues on raw silk, had got bounties on a pretence of defending the French cocoon. This splendid system led in 1902 to the production of 1,254,000 lbs. out of a European production of 11,943,800, and a world production of 41,005,800 lbs., which fell in 1903 to 1,042,800 out of a European production of 9,605,200, and a world production of 39,681,400. In 1902 16,627,600 lbs. were put on the French market, of which total the home produce was only 7 per cent.; in 1903 15,250,400 lbs., of which the home produce was only 6 per cent. The bounty system had not increased the number of silk-growers. There were 148,971 in 1893 with 225,000 oz. of eggs; in 1902 only 128,199 with 198,427, and 120,266 in 1903 with 262,145. In his report to the Customs Commissioners for 1902, M. Baumlin, President of the Committee on Silk, said that the bounty system was of no use in encouraging the production of silk; it did not attract the peasants to plant mulberries. The bounties on spinning have only assisted a few big firms. In 1898 there were 273 manufacturers with 11,823 vats; in 1901 there were 247 with 11,250 vats.

In 1892 a duty of 1s. 4½d. per lb. was placed on thrown silk, the raw material for weaving. The production of silk fabrics was £18,080,000 in 1902, of which £17,760,000 came from Lyons and its neighbourhood; £16,819,000 in 1903, of which Lyons claimed £16,520,000. The export was 8,166,400 lbs. at £8,302,280, of which £3,633,600 worth went to England in 1902; and in 1903 8,296,200 lbs. at £10,030,400, of which England took £5,962,440.

Out of a total production of £17,760,000 in 1902, and £1,680,000 in 1903, £4,000,000 and £3,560,000 respectively go to silk and cotton mixtures, whose price was raised by the French Customs duties on cotton yarn, especially in the high numbers.

Of the 8,166,440 lbs. exported in 1902, 54 per cent. and 56 per cent. of the 8,296,200 lbs. exported in 1903, was composed of cotton mixtures, whose prices were raised and sales restricted by protection to cotton yarn.

V.—

Conclusion.

This statistical examination of the textile industry proves: (i.) That such industries as the wool and silk trade are tributary to the protected cotton-spinners; (ii.) textiles being the raw material of all

the clothing trades as well as of linen-drapery and millinery, all protection to spinners and weavers is at the expense of their trades; (iii.) since labour is a much more important element in the latter than in the textile trades, protection to them falls especially upon the wages of those employed in the clothing trades, linendrapery, and millinery, who stand in the ratio of seven to one to those employed in cotton and linen manufacture; (iv.) such protection, by raising the price of goods, restricts or closes their market; (v.) protected industries, stimulated to over-production, end after short periods of fictitious prosperity in crisis and stoppage.

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CHAPTER V

THE METAL TRADES

Pursuing the same inquiry with regard to other industries, the Blue Book on Occupations divides the metal workers into two groups: (1) Mining properly so called, the production of metals, stands seventeenth among industries, and represents .88 of the total, while (2) in the manufacture of iron, steel, and other metals, engineering and smiths' work, of these five groups the first employs 50,000, the second about 650,000 persons. In all there are 31 firms with more than 500 men, and it is for the benefit of those among the 31 engaged in the production of cast iron, wrought iron, and steel that duties of 28s. to 60s. per ton have been imposed on steel and iron.

Has this system led to what is called "dumping" in England, *i.e.*, that sale of goods abroad at very low prices which is made possible by the high prices which a protected industry can command for its products at home? No. Foreign trade in cast iron, iron, and steel only stands twenty-first in the list of exports. Taking the triennial averages, calculated on the three years before the 1892 tariff, and the last three years:—

	Imports.		Exports.	
	Tons.	£	Tons.	£
1889-1891	33,000	320,000	221,000	1,000,000
1900-1902	135,000	720,000	247,000	1,320,000

Thus during a period of ten years, in spite of Customs duties, imports rose 309 per cent. in quantity, while exports only rose 12 per cent., including the exceptional year 1902, which raised the annual average to its total export of 376,468 tons. This result, however, the Commission declared to be "due to a falling off in internal consumption."

Foreign trade for 1903 was:—

Imports 64,500 tons.
Exports 434,000 tons.

But the 1903 Blue Book is not enthusiastic. "Exports have increased considerably, and imports diminished to a notable extent, but home consumption is being reduced and prices are falling; to maintain production it is necessary to go abroad for a market." And

these admissions come from the representative of one of the most strongly Protectionist trades in France. Iron and steel are raw materials; their production is controlled by a small number of firms; their consumption is an essential of a great number of different industries. In 1901 M. Millerand, at that time Minister of Commerce, estimated that the bounty granted to those among the thirty-one great firms which produced cast iron, iron, and steel had risen to 33 per cent. of the price of railway carriages, 9 per cent. on carriages and tramways, 6 per cent. on hydraulic machines, 33 per cent. on electric dynamos, from 31/2 to 12 per cent. on spinning and weaving machines, 4 per cent. on printing presses, 6 per cent. on agricultural machines, and more than 50 per cent. on naval works, of which the price was £18 a ton.

Structural ironwork and builders' ironmongery gives employment to 60,000 persons, 68,000 engineers are employed in general engineering, 4,600 may be added as employed on locomotive building, 4,000 more on machine tool-making, 4,000 on printing and weaving machines—in round numbers a total of 80,000. There are 18,000 cutlers and 80,000 smiths. All these trades are taxed for the benefit of 31 steel and iron factories employing more than 500 men.

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CHAPTER VI

SKIN AND LEATHER TRADE

This group employs about 335,000 persons—tanning and leather-dressing, 48,000; boot-making, 220,000; saddlery, 54,000; gloves, 20,000. All industries employing leather feel the effect of Customs duties varying from 8s. to £5 on prepared skins. Between 1888-1890 our average export of shoes was 45,600 cwt. at £2,560,000; it fell between 1901-1903 to 30,000 cwt. at £680,000. Our average export of gloves was worth £2,096,000 from 1880-1890; between 1901-1903 it fell to below £1,400,000. The duties on the goods which serve as raw materials for our finished manufactures compel us to sell dear and export dear.

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CHAPTER VII

CONCLUSION

Every year from 1900-1903 France has imported about 12,000,000 tons of coal, 6,800,000 coming from England. The duty of 1s. per ton on coal affects all the industries which use it. The result of the close connection between the clothing and textile trades, between the manufacture of iron and steel goods and the mining industry, between the manufacture of leather goods and the tanning trade, is that all these trades, employing a large number of hands, trades in which labour is relatively the most important element in the value of the product, are affected by the protective duties obtained by the industries supplying their raw material, industries which represent a much smaller number of workmen, and are for the most part concentrated in the hands of a few big firms. Our inquiry enables us to say that from the point of view of consumers and of the makers of semi-manufactured goods Protection means the profit of a few at the expense of everybody; it is at the same time clear that it leads to over-production and unemployment and organises commercial crises.

A protective tariff does not prevent necessaries from coming into a country, but it raises the price of all similar goods on the market and the cost price of all the products into which they enter, penalising all production and all exportation. The statistics in cotton and iron show that it cannot possibly increase normal exportation. A rise in the export of protected goods means the liquidation of debts.

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BOOK III

BREAD AND MEAT IN FRANCE

CHAPTER I

CLAIMS OF THE FRENCH LANDED PROPRIETORS

In pursuance of the method I have been following to discover the incidence of Customs duties imposed to benefit a class of industries on the industries that employ their products, I now proceed to examine (1) the influence of protective duties to agriculture on the food of the French people, and (2) the precise manner in which these duties affect agriculture itself. The French landlords have shut their countrymen in behind a ring fence of high tariffs; having acquired the sole right they have also assumed the sole responsibility of furnishing their food supplies. What allowance, then, do they make? Does it spell sufficiency or penury? First of all, it is necessary to determine what is the normal ration, the type, by comparison with which one can judge whether a nation's food supply is deficient or excessive.

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CHAPTER II

PHYSIOLOGICAL DETERMINATION OF THE STANDARD RATION

I. Physiology of nourishment; Atwater's standard—II. French soldier's diet falls below this. Assimilation of animal and vegetable food—III. Necessary standard for the French nation. Lagrange's formula. Reduction of the population by one-fifth. Correctness of the formula. Reduction to a quarter. Thirty millions of daily rations in France.

I.—

Physiology Of Nourishment.

Ten years ago the Office of Experiment Stations of the United States Department of Agriculture began, under the direction of Mr. A. E. True, a series of inquiries into the nutritive value of certain foods and their cost. These inquiries were superintended by Mr. W. O. Atwater, Professor of Chemistry at the Wesleyan University of Middletown, assisted by first-rate collaborators. His books on "The Principles of Nutrition and the Nutritive Value of Food" give the conditions of human nourishment which I briefly summarise.

The human body is composed of fifteen to twenty elements, among which the most important are water and mineral elements, *e.g.*, phosphates of lime, the bone-forming substance. Then in the proportion of 18 per cent. to the weight of the average man come proteids, in two groups: (1) albuminous, *e.g.*, such substances as white of egg, lean meat, casein of milk, gluten in wheat; (2) gelatinous, such as form the connecting tissues, the tendons, the skin, the periosteum of the bones. These constitute the human body; they are also fuel, for they are burned to create energy and transformed again into fat. Sugar and starch can both be stored up as fat in the body; fat forms 15 per cent. of the weight of an average man. Carbohydrates comprise sugar, starch, and cellulose, and are found most in milk, cereals, and potatoes, but they only form 1 per cent. of the tissues of the human body. Sugar and starch form a chief constituent of energy; they are readily transformed into fat. There are certain waste products, bones, fish-bones, eggshells, and fruit skins, which are not eatable. Food should (1) form new tissue and repair waste; (2) maintain bodily heat and supply energy for action. Thanks to the calorimeter, it is possible to

measure in calories the amount of energy a man gives out. A calorie is the quantity of heat needed to raise the temperature of 2·2 lbs. of water 2·04° F.; transformed into mechanical power it is equivalent to about 930 foot-pounds. An adult man gives out about 2,400 calories in twenty-four hours; that is, 100 per hour. Moreover, he loses in various ways more than 147 cubic inches of water; and he exhales a quantity of carbonic acid containing 61-69 per cent. of oxygen and 23-26 per cent. of carbon: in all he gives off some 3,450 grains of the latter. In urine and fæces he loses some 330 grains of mineral salt, more than half being sea-salt. His food must, then, furnish the equivalent of this loss and, moreover, energy.

The following is Atwater's table:—

		Proteids.	Calories.
	Total. Digestible. (In		Calories.
	grains avoir.)		
Man not taking muscular exercise	1,350	1,245	2,450
Man taking moderate exercise	1,680	1,545	3,050
Man taking active exercise	1,870	1,725	3,400
Man engaged in muscular labour	2,250	2,075	4,150
Man engaged in very severe muscular labour	2,620	2,415	5,500

Dr. Dunlop, from experiments made in Scotland, on prisoners employed eight hours a day at stone-breaking, found 3,700 calories to be necessary for an adult in moderately active work, and thus Atwater's figures, far from being exaggerated, are probably rather below the mark.

II.—

Ration Of The French Soldier.

In time of peace the actual rations of the French soldier are 26 oz. of bread and 10½ oz. of meat, without counting vegetables, sugar, and coffee; and over and above the ordinary bread ration pieces of 4½ oz. are given out with the soup twice a day, thus increasing the ration to 35 ozs. There are certain substitutes, however, for the bread given out with soup. The meat ration of 10½ oz. is uncooked and includes bones; from the weight one-fifth, or 20 per cent., must be deducted for bones. The account puts the meat,

when cooked with the bones, at 46 per cent. The meat book of the Military Academy at Saint Cyr for February, 1905, runs: Paris meat of the best quality (*i.e.*, the lower portions, neck, loin, ribs, and some portions of the cheek without bones, and flank portions), net weight 99 lbs., 75 per cent. being meat and 25 per cent. bones when uncooked. The cooked meat was 57 lb., bone 15 1/2 lb., 55 per cent. being the average for the high-class fare from which the above example is taken. Thus the average of cooked meat may be taken as 50 per cent.

On an average raw fresh meat contains 15 per cent. of proteids; multiplied by 10 1/2 oz. this gives us 1 1/2 oz. of proteids for the meat, and 2 lbs. of bread contain 3 1/3 oz. of proteids. This is a little above Atwater's figure, but allowing one-fifth for bones, below it.

As to calories, 10 1/2 oz. of meat gives	666
2 lbs. of bread gives	2,660
	3,326

Even adding sugar and vegetables and allowing nothing for waste, the total can only be brought up to 3,400, *i.e.*, the French soldier is on minimum ration. Vegetarians, of course, say that the place of meat can be taken by vegetable substitutes, but they forget the old dictum that nourishment does not depend upon what one eats, but on what one digests. Atwater's final experiments give the coefficients of the different sorts of food as follows:—

	Albuminoids.	Fat.	Carbohydrates.
In Meat, Eggs, and Milk	97%	95%	98%
In Cereals	85	90	98
In Vegetables (except Potatoes)	78	90	97
In Green Vegetables	83	90	95
In Fruits	85	90	90
In Starch	—	—	98
In Sugar	—	—	98
Average of Animal Food	97	95	98
Average of Vegetable Food	85	90	97

These figures prove that vegetable foods consume without supplying fuel. They have the same defects as alcoholic foods.

III.—

Necessary Allowance For The French People.

Lagrange, in his "The Internal Needs of France—an Essay in Political Arithmetic," reduced food to butcher's meat including pork, and corn, under which he included wheat, rye, and barley. His basis was the military ration—28 oz. of bread and 1/2 lb. of meat. In estimating a family budget, Lagrange assumed that in a family consisting of a man, his wife, and three children under ten, the man would eat as much as the rest taken together. On the hypothesis that one-fifth of the population is under ten, he assumed that the consumption of this fifth, added to that of the women, is equivalent to that of the men; so that, while allowing for the lower consumption of the old, the consumption for the whole of France might be rated as four-fifths of that of a population of soldiers. Following his example in taking the peace ration of the soldier as the standard, I divide the population into general classes according to the Census returns of 1876-1896, so as to be able to work out the reduction involved in the lower consumption per head of children below fifteen, women from fifteen to fifty-nine inclusive, and old people above sixty; and I exaggerate the number in this class by estimating the number of children below one year of age at 20 per cent. instead of 16 per cent.

Below 1 year	20
From 1 to 14	260
From 15 to 59	600
Above 60	120
	1,000

Physiologists estimate the food of a woman as three-fourths of that of a man, and equal to that of an old person; the food of a child as three-fourths of a woman's. Leaving out the food of children below one year of age, the table of rations for 1,000 inhabitants is:—

For men	300
For women and old people	315
For children	195
Total	810

The adults in the table are four-fifths of the population. Modern returns and investigations on the subject confirm Lagrange's results exactly, and Atwater's figures correspond very closely to them.

Man doing moderate muscular work	1·0
Man doing hard muscular work	1·2
Man doing light muscular work }	
Child of 15 or 16 }	0·9
Man in sedentary occupation }	
Woman doing moderate work }	0·8
Boy of 13, girl of 16 }	
Woman doing light work, boy of 12, girl of 13	0·7
Boy of 10, girl 10 to 12	0·6
Child 6 to 9	0·5
Child 2 to 5	0·4
Child below 2	0·3

But I reduce to a fourth the proportion of the fifth, and if, to simplify the figures, I raise the population of France to 40 millions instead of 39, I have a total of 30 million rations.

By imposing a 2s. 10d. duty per cwt. on corn, and duties of 8s. per cwt. on live oxen, and 10s. per cwt. on live sheep, which raised the duty on the net weight of butcher's meat to 14s., the capitalist landowners insured their monopoly of the French bread and meat supply. I now examine the extent to which they were capable of meeting demand.

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CHAPTER III

BREAD IN FRANCE

Flour and bread—A hundredweight of corn equals a hundredweight of bread—Forty-three departments fall below the standard—Insufficiency of 29 per cent.—Importation—Substitutes.

The question is often put, "How much bread is there in a hundredweight of flour?" The answer is quite simple—a hundredweight, the rest is water. Thus when the Report on the Food of the Army estimates that good wheat flour sifted of 20 per cent. at 139/100, one is forced to the conclusion that this bread has too much water in it. This sifting is imperfect. MM. Aimmé Girard and Fleury prove that really nourishing bread should be made from the inside of the wheat, representing 55 to 65 per cent. of its total weight.

From the time of Lagrange a pound of bread has been recognised as the equivalent of a pound of corn. Lagrange said, "Wheat loses a quarter of its weight in grinding and the separation of the bran, but flour is increased by a third weight by the addition of water." Then, since we have taken the military ration as our standard we will adhere to it, assuming with the Customs Tariff that 1 cwt. of wheat = 1 cwt. of bread.

The Agricultural Inquiry of 1892 gives Eure-et-Loire with a production of 2,491 bushels for 100 inhabitants as the department in which the proportion of corn grown is greatest relatively to the population. 2,491 bushels = 1,560 cwt.; allowing for the fact that only 75 per cent. of the population needs the ration of 26 ozs. of bread per day, 1,750 cwt. for 100 inhabitants. The standard ration allows 790 lbs. per head per year; this allowance, therefore, at 1,925 lbs. per head per year, gives an excess of 1,133 lbs. Going through the same calculation for the other departments, we find that any district producing less than 9 bushels per head must either have too little food or else import it from other departments, and half the departments—43 out of 87—are in this position.

In wheat the average supply, allowing for seed sowing, for the last ten years was 7,500,000 tons. Then, according to our formula, 35 ozs. of bread per day = 790 lbs. per year, and for 30,000,000 inhabitants = 10,800,000 tons—*i.e.*, there is a deficiency in supply of 3 million tons, nearly 29 per cent. There are, indeed, certain inferior grains which can be used for human food. The annual

average for 1893-1902 gives 1,590,000 tons of rye; 971,000 tons of barley, which, however, is little use for food; 4,115,000 tons of oats, and 554,000 tons of buckwheat, neither of which is a desirable food. The potato harvest was 12,148,000 tons during the decennial period, but 5 million tons go for cattle-feeding, distilleries, and sowing. And according to M. Armand Gautier's table, the proportion of albuminoids is 12·64 per cent. in fresh grain, home or foreign grown, while in potatoes it is only 1·3 per cent. In a word, for the same amount of albuminous matter, 972 tons of potatoes go to 100 tons of wheat.

The corn harvest is 29 per cent. below what is needed. Including rye and buckwheat as 2 million tons, and potatoes as 1 million, this deficit is practically made good. Vegetables cannot be regarded as substitutes for wheat.

In spite of all the stimuli given to corn production, the surest proof that France needs foreign corn is that importation continued in spite of the 2s. 10d. duty per cwt. imposed in 1904.

Year. Wheat.

1895 450,000 tons
1897 526,000 tons
1898 1,945,000 tons
1899 130,000 tons
1902 245,000 tons
1903 472,000 tons
1904 205,000 tons

When the harvests are abundant, the effect of the duty is felt only in a limited degree. Internal competition is active, and prices are cut down to a minimum. As soon as there is any threat of a shortage, prices rise in the protected country above the selling price of the same quality in the free markets.

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CHAPTER IV

PROTECTION AND THE PRICE OF BREAD

The effect of a protective tax in inverse ratio to the abundance of the harvest—Raw materials and the price of bread—Bread tax.

The following table taken from the Memoranda of the Board of Trade proves what I have stated:—

U.K.		France.		Germany.		U.S.A.		
s.	d.	s.	d.	s.	d.	s.	d.	
1882	45	1	44	11	45	4	44	0

In the last year of the Liberal *régime* of 1861 English and German prices rose above French. In 1883 the duty was raised to 3 francs; then:—

U.K.		France.		Germany.		U.S.A.		
s.	d.	s.	d.	s.	d.	s.	d.	
1883	41	7	44	3	40	3	38	6

A fall in the price of corn sends down prices in England, the United States, and Germany; in 1882 the difference relative to Great Britain was in our favour—it is now nearly 3s. against us. In 1887 the duty was raised to 5 francs in France and 5 marks in Germany.

U.K.		France.		Germany.		U.S.A.		
s.	d.	s.	d.	s.	d.	s.	d.	
1887	31	10	43	9	37	11	31	9

In 1894 the duty was 7 francs. Germany lowered her tariff to 3 marks 90. Result:—

U.K.		France.		Germany.		U.S.A.		
s.	d.	s.	d.	s.	d.	s.	d.	
1895	23	1	32	9	30	6	22	4
1897	30	2	43	9	36	0	31	10
1898	34	0	45	8	40	6	31	9
1902	28	1	38	0	35	9	27	10

The 7-franc duty per quintal (*i.e.*, 2s. 10d. per cwt.) represents 12s. 21/2d. per imperial quarter. In 1897, when the harvest failed, the duty had more than its full effect, raising the price from 30s. 2d. to

43s. 9d., *i.e.*, 13s. 7d. On May 4, 1898, M. Méline was obliged to suspend it—declaring “in a few days prices had risen from 12s. to 13s. 21/2d. and even 13s. 71/2d.”

On May 1, 1903, the price of wheat was 20s. (25 francs) in Paris; 13s. 2d. (16·50) in London; 13s. 31/2d. (16·80) in Vienna; 13s. 11/2d. (16·40) in Buda Pesth; 13s. 2d. (16·50) in Antwerp; 12s. 10d. (15·94) in New York. The difference between London and Paris was, therefore, 6s. 10d. instead of 5s. 61/2d. (8·50 instead of 7 francs).

Experience, then, justifies the conclusion that wheat duties cannot raise the price to its full extent in years of good harvest, while they raise them by more than the full amount in years of scarcity. Dealers in the protected country wait, not daring to buy; in France they are always afraid that the duties will be suspended, and so by not supplying the market they invite the high prices which lead to suspension. On May 4, 1898, the day after the suspension of the duties, there was a rush on the market; coinciding with Leiter’s speculations at Chicago, this sent prices up with a bound; by May 10th the export price in New York was nearly 8s. per bushel. When the full effect of a duty of 2s. 10d. per cwt. is felt, it raises the price of a pound of bread 3/10d.

I am aware that in 1887, when the duty on corn was 2s. a cwt., Méline refused to put a tax on bread, stating that the middlemen, *i.e.*, the bakers, would bear the burden of the duty. This involved the supposition that, if the 2s. 10d. duty produced its full effect on the 14,000,000 cwt. on the market, the bakers—small tradesmen for the most part—were to make a present of £19,600,000 to the landowners. If they had been inspired by any such altruistic sentiments, the prospect of bankruptcy would in most cases have prevented their acting upon them. But M. Méline’s delightful theory was immediately disproved by the action of the Belgian bakers in sending bread to France, and by the French bakers who removed to Belgium. Bread was sent in in tons to an ever-widening circle. M. Méline had to accept the evidence of his senses and impose a tax on bread equal to that on corn.

The baker then transfers to his customers the price of the corn plus the duty. When the price of bread was raised 1/4d. to 1/2d. per pound, every family in France was affected. They turned to the Government—and rightly enough, for it was responsible for the dearness due to the Customs. Instead, however, of demanding no more intervention, they asked for more; they asked that the bakers should be forbidden to raise the price of bread by the amount of the rise in the price of corn; in the country they implored the mayors, in Paris the Prefect, to put in force Article 30 of the Law of July 19-22, 1791. This Article, provisionally inserted in the law

guaranteeing freedom to labour, had stood for 115 years; it gave to mayors the right of taxing bread and meat; and mayors were now found ready to force the bakers to sell their products cheaper than the raw material of which they were made. But no tradesman exercises his trade to ruin himself; when the mayors prepared to put these suggestions into operation the bakers lowered the quality of their flour; and, knowing that a sphere, as presenting the smallest surface for its size, delays evaporation, they made their loaves round.

Farmers and consumers denounced the bakers for starving them; but what were their profits? In the Agricultural Returns for 1903 the price of a hundredweight of corn is 8s. 11d., and that of white bread—a 1-lb. loaf—is 11/4d.; the 3/10d. per lb. difference—29 per cent.—has to cover the cost of grinding, general expenses of the milling and baking, the bakers' risks, which are very considerable, since, in times of crises, the baker is the poor man's banker. It can be said, then, that while the duty is incapable of affording complete protection to corn in times of abundance, it becomes a crushing burden when prices rise, and a burden that falls upon the working classes, the least able to bear it, whose diet is the least varied, and who, since they are employed in manual labour, require a diet not only adequate for supporting life but to sustain effort.

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CHAPTER V

MEAT IN FRANCE

I. Total meat consumption—41 per cent. of the standard ration—Substitutes—Deficit of 50 per cent.—II. Increased consumption—Increase in the town population—Falling off in consumption of meat.

I.—

Total Meat Consumption.

Taking the figures of the Agricultural Year Book for 1892—

	Tons.
Bullocks, &c., slaughtered	720,810
Sheep &c., slaughtered	125,868
	846,678

in round numbers 850,000 tons.

Now we want to supply 10 $\frac{1}{2}$ oz. of meat (including bones) for 360 days to 30 million people $10\frac{1}{2} \times 360 \times 30$ million = 113,400 million oz. = 3,240,000 metric tons.

	Tons.
The supply is	846,000
The deficit is	2,394,000

Adding pork, 461,000 tons, there still remains a deficit of 1,930,000 tons, or 59 per cent.; where 100 lbs. of meat are needed, the supply is 41.

Lagrange estimated the total consumption of meat in France at about 80 lbs. per head; at the end of the century we find 86 lbs. per head. Is this increase in the consumption of meat in proportion to a century's progress in civilisation? The total consumption of other sorts of meat—goats, horseflesh, fowls, geese, ducks, turkeys, and rabbits—is only some 2 or 3 per cent. at the highest estimate. From the 300,000 tons of fish about 40,000 tons must be subtracted for export, leaving only some 250,000 tons, and even estimating the consumption at 300,000 tons, and allowing that the nutritive value of fish is equal to that of meat—which is exaggerating its value by

one-third—the total is only 1,608,000 tons, leaving a deficit, compared with the standard, of 1,632,000 tons—*i.e.*, 53 per cent. Our animal food is only 47 per cent. of what it ought to be. Even taking into account all possible substitutes, such as eggs, cheese, and butter, there remains a deficiency of some 50 per cent. Animal food in France is only half what it ought to be.

II.—

Increase In The Town Population, And In The Consumption Of Animal Food.

An increased consumption of animal food is a sign of comfort. If the consumption of meat in the towns has not increased in proportion to the increase in population it is due to the high price of meat, of which the main cause is the Customs duties, which have risen steadily since 1881. In Paris the consumption of butcher's meat has diminished relative to the population. While the population has increased 33 per cent. between 1880-1903, the consumption has only increased 8 per cent., and the fall from 10 per cent. in 1902 to 8 per cent. in 1903 was largely due to the Customs Act of July, 1903.

The rise in the consumption of pork was less than the rise in population until 1903, when it was slightly above it, probably because in a number of households pork has been substituted for butcher's meat as being cheaper. The consumption of fish has remained stationary between 1880-1903. Only in the case of chicken and game has the consumption increased more than in proportion to the population; but it is a luxury. The annual ration of a Parisian is only 191 lbs. of meat, instead of the 227 lbs. of the soldier's fare: it has gone back.

I have made an inquiry from the mayors of the towns in France whose population has most rapidly increased, comparing the development in the consumption of butchers' meat and other animal food. With the exception of Angoulême there is no increase in the consumption of animal food except in the case of towns where the consumption was very low; and except in Bordeaux, Angoulême, and Nîmes there is no case where the consumption reaches the standard of the military ration. In Toulouse the smallness of the consumption of meat is astounding: 6 1/4 lbs. per head! I know that it is said that a country man coming to the town eats less meat than the native town-dweller, and that this might explain why the consumption of meat should not keep pace with the increase in numbers. But even so, the discrepancy is so striking in some towns, *e.g.*, Lyons and Marseilles, that it is difficult not to

believe that consumption has absolutely diminished, and that there is some connection between this result and the rise in the price of meat. In this rise an element is the Customs duties. Between 1863 and 1881 the importation of fresh meat was free of duty; on November 3, 1881, a duty of 1s. 3d. was imposed. The law of January 11, 1892, raised the tax to 10s. per cwt. on beef, 13s. on mutton, and 5s. on pork; the law of April, 1898, raised the duty on pork to 7s. 2d.; the law of July, 1903, to 14s. on beef and mutton and 10s. on pork.

The average price of meat at the Vilette market on August 1, from 1900-1904, taking an average of the three qualities, was as follows:—

	Beef.	Mutton.	Veal.	Pork.
1904	1·40	2·01	1·68	1·41
1903	1·38	1·97	1·62	1·55
1902	1·30	1·92	1·54	1·57
1901	1·30	1·89	1·81	1·51
1900	1·20	1·80	1·58	1·47

Only in the case of pork does the price show a slight tendency to fall.

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CHAPTER VI

FOOD IN FRANCE, ACCORDING TO THE LABOUR BUREAU

I. Wages returns; cost of food and housing for bachelors and families; relation to wages—II. Wages, food, and rent; penury and relief—III. Effect of Protection; effect of Customs duties on wages in inverse proportion to their amount; difference between prices in London and Paris.

I.—

Wages And The Cost Of Food.

I am now going to check these results by the information supplied in a Blue Book published in 1902 by the Labour Bureau on Wages Returns, containing the results of an inquiry made among instructed experts as to the monthly board paid by unmarried workmen and the cost of living of families of four.

The following tables give the cost of board and lodging, per month, paid by single workmen:—

Paris	£3 7s. 10d. to £3 11s. 9½d.	(85 to 90 fr.)
Rheims	£3 0s. 0d. —	(75 fr.)
Amiens	£2 8s. 2½d. to £2 12s. 2d.	(60 to 65 fr.)
Fougères	£2 8s. 2½d. —	(60 fr.)
Nancy	£2 8s. 2½d. to £3 0s. 0d.	(60 to 75 fr.)
Lyons	£2 16s. 0½d. —	(70 fr.)

It averages, then, in industrial towns, from £2 16s. to £3 11s. Taking wages, in Paris, as 3s. 11½d. a day for 25 days—rather a high figure (£5 per month)—this cost represents 65 to 70 per cent. of the wages; for the skilled workman, who earns 5s. 10½d. a day (35s. 3d. per week), it is 50 to 55 per cent. In the provinces it is more nearly 80 per cent.

Turning to the cost of maintenance of a family, the type selected is that commonest in France, the family of four. It has been shown that for a family of this class necessary foodstuffs are represented, per month, in the following quantities:—

Bread 110 lbs.
 Meat 22 lbs. }
 Bacon 8 1/2 lbs. } 30 1/2 lbs.
 Eggs 6 dozen.
 Milk 17 pints.
 Potatoes 48 lbs.

In addition, drink consists, according to the district, of 10 gallons of wine, 19 of beer, or 22 of cider.

Dividing these figures by three, to give the consumption per head, and multiplying by twelve, to find the annual figure, the amount of bread is 440 lbs., instead of the standard ration of 790 lbs., that of meat 122 lbs., instead of the standard of 360 lbs.

Now to discover the cost of this food relatively to wages. Taking the quantities given above as fixed and the current local prices, a table of results can be given for four groups:—

- (i.) Borough of less than 1,500 inhabitants
- (ii.) Borough of between 1,500 to 5,000
- (iii.) Borough of between 5,000 to 50,000
- (iv.) Borough of more than 50,000

	Number in Class.	Food.	Drink.	Total Expenditure per Head.
Class i.	2,860	41s. 7d.	12s. 0d.	53s. 7d.
Class ii.	317	44s. 5d.	11s. 21/2d.	55s. 8d.
Class iii.	126	44s. 91/2d.	11s. 8d.	56s. 5d.
Class iv.	46	49s. 7d.	14s. 4d.	63s. 2d.

Of course there are variations between towns, but the average variation, for the smallest boroughs and the largest towns is not more than 15 per cent. In the figures neither sugar, coffee, grocery, nor vegetables (except potatoes) are included.

Taking now the Labour Bureau average for manual labour, fr. 2·75 a day (2s. 21/2d.): multiply it by 300—though this is an exaggerated estimate, for it makes no allowance for unemployment, stoppage, seasonal disturbance, or illness; and take as the average cost of food per month 55 fr. (44s.). Then:—

Wages 825 fr. (£33)
Cost of Food 660 fr. (£26 8s.) = 80 per cent.

Adding for the cost of drink £6 16s. a year, the total is:—

Wages 825 fr. (£33)
Food and Drink 830 fr. (£33 4s.)

Therefore the wages of a labourer, even if he were never out of work, would be inadequate for the insufficient budget returned by the inquiry.

The results for skilled labour are as follows:—

Annual Wage 900 fr. (£36)
Food 660 fr. (£26 8s.) = 73 per cent.
Food and Drink 830 fr. (£33 4s.) = 91 per cent.

II.—

Wages: Cost Of Food And Rent.

According to the Wages Inquiry, the ordinary rent of a workman's family is £4 per annum all over France and £14 5s. in Paris.

The results, then, are:—

(a) Manual Labour.

Wages 825 fr. (£33)
Cost of Food and Rent 760 fr. (£30 8s.) = 93 per cent.
Cost of Food, Drink, and Rent 960 fr. (£37 4s.) = 11 per cent. below

(b) Skilled Labour.

Wages 900 fr. (£36)
Food and Lodgings 760 fr. (£30 8s.) = 84 per cent.
Food, Drink, and Rent 960 fr. (£37 4s.) = 10 per cent. deficit

In Paris.

(a) Manual Labour.

Wages 1,500 fr. (£60)
Food 1,104 fr. (£44) = 73 per cent.
Food, Drink, and Rent 1,308 fr. (£52) = 87 per cent.

(b) Skilled Labour.

Wages	2,250 fr. (£90)
Food	1,080 fr. (£44) = 48 per cent.
Food, Drink, and Rent	1,308 fr. (£52) = 57 per cent.

The net results, then, are: Taking the provinces as a whole, the wages of labour are not adequate even to supply the normal budget of the Labour Bureau; and they do not supply it: numbers of families in France never taste beef. Even in the case of skilled labour 84 per cent. of wages must go in food, and there is not enough left over for rent.

Even taking the low figures given, only in Paris is it possible for the workman to live on his wages; even there the cost of living takes 87 per cent. of the wages of manual labour.

The condition of things indicated by these results cannot be normal; there follows one of the following alternatives, which are often found in one and the same household—namely, that the wife and children are also wage-earners, and poverty entails distress and charitable relief. The family taken by the Labour Bureau consists of a man, his wife, and two children. This is a very small family. But even where the husband is a skilled workman, unless the wife and children are also bread-winners, the condition of the family is one of extreme discomfort.

III.—

Effect Of Protection.

Leaving drink out of account, though it is also affected by the Customs, let us now examine the effects of Protection on food.

	£	s.	d.
110 lb. of bread × 12 × a duty of 2s. 10d. per cwt.	1	13	41/2
22 lbs. of meat × 12 × duty of 8s. 5d. per cwt.	1	13	41/2
83/4 lbs. of bacon × 12 at 10s. per cwt.		9	51/2
48 lbs. of potatoes × 12 at 21/2 per cwt.		1	0
Eggs		2	91/2
	£40		0

Then deducting the Customs duties from the price of food:—

	Cost of Food.		Wages.	Per cent. on Food.	
	- the duty.	+ the duty.		- the duty.	+ the duty.
Manual labour	448s.	528s.	£33	66	80
Skilled labour	448s.	528s.	£36	62	73

The effect of the duties on wages is in inverse ratio to the amount of wages: for the labourer with low wages privation is inevitable.

Of course the duty does not always produce its full effect; but even so it involves a more than equivalent rise in the price of other articles.¹ M. des Essars made a list of prices of 46 articles from the catalogues of two great grocery stores in London and Paris. Supposing the buyer to have purchased a unit in each case, he would have spent 109 fr. 95 in Paris and 84 fr. 09 in London—*i.e.*, exactly 30·78 per cent. more in Paris than in London. In the French prices 11 fr. 34 must be allowed for Customs duties, only 1 fr. 57 in the English. The net difference between the prices is, then, 19 per cent. to the disadvantage of Paris.

Of course in the 30·78 per cent. of difference between London and Paris prices there is more than the 11·66 per cent. of duty to allow for; but the effect of Protection is, by hampering commerce and forcing goods from the protected into the free markets, to compel dealers to advance the duty, on which they take their profit, as they do on the price of the goods themselves.

A comparison of the prices of bread and meat in France and other countries shows the extent of the burden imposed by our fiscal system.

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CHAPTER VII

FRENCH AGRICULTURE AND THE INCIDENCE OF THE CUSTOMS—DEFICIENCY IN PRODUCTION

I.—

Duties On Corn And Meat.

Two conclusions can be drawn from these facts:

I. Agriculture in France is absolutely incapable of supplying the minimum ration necessary for an adult engaged in moderately active work.

II. The Board of Trade statistics on wages and the cost of food prove that the actual wages of the head of a family of four are not sufficient to support them, even on a budget much below the standard. Now add the solid weight of Protection, a tax on the bread and meat of the French people. The object of the wheat tax was to raise the price of every hundred-weight of wheat on the market by the full amount of the tax—2s. 10d. And 2s. 10d. added to the price of wheat is 2s. 10d. added to the price of bread. Estimating the market at 140,000,000 cwt. of wheat the consumers pay a surtax of £19,600,000. If the average surtax is 2s., according to M. des Essars' estimate, the whole surtax, taking good years with bad, is £14,000,000, and it falls upon all those who have to buy bread in proportion to the quantity which they consume.

In 1892 the duties on oxen, bullocks, and cows were 4s. the hundredweight on the live weight. There was no minimum tariff. There was a duty of 4s. 10d. on calves, 6s. 3d. on sheep, and 3s. on pigs. There was a duty of 12s. 4d. on mutton, 4s. 10d. on fresh pork, 10s. on salt pork, 12s. on salted beef and other meats. In 1892 MM. Méline and Viger found these duties high enough, as they certainly were, when, under pretence of sanitary regulations, neither foreign live stock nor meat was admitted at all. In 1903, when a good understanding with Italy had been arrived at, M. Debussy, a member of the House, declared with charming frankness that it would be a good thing to replace the sanitary regulation by a higher duty. "If Italian live stock came into France the price of native stock would fall to £4 a head, which would involve a loss to French breeders of not less than £28,000,000."

One of the members, M. Fayot, who voted for the duty, urged it upon grounds which ought to have ensured its rejection: "100 lbs. of live weight, in the case of an animal of average quality, give 50 lbs. of meat. Leaving out of account the fifth quarter, worth some £2 to £3 3s. 11d., the tax proposed on the minimum tariff amounts to some 21/2d. per net lb. of meat." This calculation was confirmed by the tariff which raised the tax to 14s. per cwt. of fresh meat, including bones, and making no distinction for quality. At the time of the discussion on the Bill the breeders charged about £1 12s. per cwt. for live stock: the duty was thus 25 per cent. The tariff of July, 1903, was:—

		Max. tariff.		Min. tariff.	
		s.	d.	s.	d.
Oxen, &c.,	per cwt. of live weight	12	0	8	0
Calves		16	0	10	0
Sheep		16	0	10	0
Pigs		10	0	6	0
Fresh Meat:	Mutton	20	0	14	0
	Beef	16	0	14	0
	Pork	16	0	10	0
Hams		20	0	12	0

Thus the tariff taxed fresh meat at £14 5s. a ton: rating 1,300,000 tons it brought in £18,200,000—which is still £9,800,000 below the loss which M. Debussy aimed at compensating. Adding 14 millions for cereals and 18 millions for live stock, there is a total of 32 millions raised on bread and meat, by means of the Customs. These 32 millions go to join the 120 millions paid in taxes to the Treasury; but mysteriously incorporated in the price of things which the housekeeper buys every morning, and whose use no one can control, they do not go to assist expenditure on common purposes, but, as a private tax, to the safeguarding and increase of the income or profit of a small number of individuals who succeed, in a country governed under universal suffrage, a country where more than a century ago feudal rights were abolished by revolution, in maintaining for their own advantage the confusion between sovereignty and property. These duties made real wages something very different from nominal ones, the nominal wage being swollen by the private feudal taxes levied for the advantage of the landowners and the protected manufacturers. A number of great landowners calling themselves agriculturists, with as much reason as the house-owner who calls himself a grocer when he lets a shop to one, cried out that without duties on cereals and meat the land must lie fallow and agriculture be ruined, agricultural labourers out of work; and yet they were for ever complaining of the dearth of

labour. These arguments were refuted by the state of agriculture at the time of the 3d. duty on wheat.

II.—

Loss, And Shifting It On To Others.

Admitting that the French capitalists would not have been capable of doing what the Danes did under pressure of competition; admitting that, if the 2s. 10d. duty had not existed, the owners who produced enough corn to sell it would have lost the £14,000,000 paid to them by the people who bought corn, and so by the consumers of bread; admitting that without the 10s. duty on fresh meat raised in 1903 to 14s. they would have lost not the £28,000,000 estimated by M. Debussy, but £18,000,000—that would have involved a net loss for the producers of corn and live stock of £32,000,000. The whole question is, Who is to bear the loss? If the cause of a loss be rain or drought, the dearness of pasture or the cheapness of produce, internal or external competition, ignorant or unscientific cultivation:—ought that loss to fall upon those immediately concerned—in this case the landowners, who also have the chance of increase in rent—or on those who, without any share in the direction of their business, have no more interest in their chances of gain than in their risks of loss? Perhaps the legislators who imposed the corn duties were themselves convinced, and convinced public opinion, ill-informed on economic questions, that they could charm away the loss resulting from foreign competition? No; they light-heartedly confined themselves to transferring the loss to the consumers, and to that largest class of consumers whose diet is the least varied, the wage-earners of every sort; by cutting down the meat-ration of those on whom the creation of a new population depends, with the connivance of the law they put their hands into the pockets of the class whose daily labour has to support themselves and their families, and whose wages have to extend to some provision for the future, and they gave what they took to the class who, over and above their personal gains, possess an assured revenue in the land.

III.—

Gainers By The Duties.

In this way, to the prejudice of all consumers of bread and meat, capital was diverted to the profit of the proprietors of 138,000 rural estates of more than 96 acres, and of the owners of 711,000 estates of between 24-96 acres, although in neither classes did all the land

grow wheat—to the profit, that is, of a very small minority, for the owners of estates of less than 24 acres could barely market corn. The 138,000 great estates comprise 20,691,720 acres of land fit for cultivation, an average of 180 acres; the 711,000 moderate estates, 20,483,200 acres, an average of 26½ acres. By following a triennial rotation of crops the latter class could cultivate some 10 acres with wheat and harvest 90 cwt., of which they could sell about 70 cwt. So much for the two classes of landed proprietors who sold their corn; but the 2,617,000 owners of land of from 2 to 24 acres had among them only 15,969,600 acres of land fit for cultivation, *i.e.*, less than 7⅓ acres each, of which at most 2½ acres could be sown annually to produce in good years some 11 to 12 cwt. per acre, of which two-thirds had to be reserved for home consumption. As for the 2,235,000 small proprietors with less than 2 acres of ground, and only 1,870,000 acres among them, they buy wheat instead of selling it. Nowadays, even among farmers who do sell wheat, many, instead of making their bread at home of their own wheat, buy from the baker. So doing, they are sure to lose the effect of the protective duty on their wheat, for the baker not only sells the bread at a price which includes the whole of the duty; but the miller and the baker each has to make his profit over and above the rise in the price of wheat due to the tax; and in the price it is not possible to distinguish the excess which is due to the tariff from normal profit. If on a hundredweight of wheat the duty is 2s., and the wheat merchant makes 10 per cent., the flour merchant 10 per cent., and the baker 10 per cent., the farmer who buys his bread has to pay 30 per cent. on 2s. for his protection, that is 7½d.

Did M. Debussy really raise duties on meat in the interests of public health? In the interests of large families? Of those who since they spend their days in giving out energy, need solid food? Was it in the interest of “the agricultural labourers,” as M. Guilloteaux, the member for Morbihan, declared, although in his own division many of these wretches did not know fresh meat except by sight? No. It was all done in the interest of the owners of the 138,000 big estates, comprising 4,893,600 acres of pasture, and the owners of the 711,000 moderate estates, comprising 5,343,200 acres of pasture, for the small owners possessed only 4,980,000 acres of pasture.

		Corn-producing land.		Field (grazing)	
		Per 100 acres.		Per 100 acres.	
Small owners	{Less than 2·4 acres,	2·78 %}	28·49 %	3·20 %}	32·47 %
	{From 2-24 acres,	25·71 %}		29·27 %}	
Large owners	{From 24-96 acres,	32·33 %}	71·51 %	36·43 %}	67·53 %
	{Above 96 acres,	39·18 %}		31·10 %}	

Thus the middling and large owners hold more than two-thirds of the pasture land, and nearly three-fourths of the arable land. It is but one more among so many proofs that the taxes on live stock gave a profit to the territorial aristocracy at the expense of the town and country proletariat, and that was all.

Conclusions.

1. Protection is always oligarchic—established for the advantage of a privileged minority, at the expense of the majority.
2. Protection to agriculture is the more oppressive in France because the food of the people already falls below the standard fixed by the soldier's rations in time of peace to the extent of nearly 30 per cent. for cereal matter and 50 per cent. for meat.
3. Not one of the agriculturalists or health specialists who have disagreed with this standard, has dared to suggest that the military ration should be lowered: therefore in so far as the civil ration falls below it, it is manifestly inadequate.
4. Agricultural protection can be of advantage only to the great landowners.
5. The cost of food is higher in France than in England.
6. Many of those who most require a nourishing diet have less than enough to eat.
7. The relative decrease in the consumption of meat in most of the big French towns prove the evil results of the Customs duties which actually increase its price 13/4d. per lb.

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BOOK IV

THE PROTECTIONIST OLIGARCHY

CHAPTER I

Article XIII. of the Declaration of the Rights of Man and Protection—Proposed amendment to the Constitution—The electors hoodwinked—Number of persons who gain by Protection, one in twenty.

The duties on corn and bread filled the pockets of the great landowners owning the 138,000 great estates of more than 96 acres, and the 711,000 moderate estates of between 24 and 96 acres, who grew corn and reared cattle: nothing went to the peasant proprietors. All consumers of bread and meat were taxed for the benefit of a limited class of landowners, of whom I can speak without bias, as being one of their number, who have reconstituted a privileged order which, instead of being exempt from the payment of taxes, imposes private taxes on all its fellow-countrymen. And this is in a democratic country, and in defiance of Article XIII. of the Declaration of the Rights of Man, which provides “for the maintenance of the national army and for the expenses of government, all must contribute, each in proportion to his ability.” Now the tax imposed by Protection on every consumer of bread and meat is not devoted to the maintenance of the army or the expenses of government; it goes to swell the revenues of the propertied class: it is a private tax, a relic of the old feudal confusion between property and sovereignty according to which the lord laid dues upon the serf for his own and not the public advantage. It is all very well to read in the Citizenship Manuals, “Taxes are only due to the State.” French Customs legislation is a flat denial of this. M. Méline has not dared to express the creed, but every day the Protectionist majority puts in practice this amendment to the Constitution, “Every consumer may be taxed according to his needs by the agricultural and industrial interest.” And the overwhelming majority, without ever admitting that the rich should be exempt from taxation, pay their tribute in the form of Protection. Not through altruism: they had much rather keep the money for themselves; they consent to pay because they do not see that they are paying, since the taxes are included in the price of food. No doubt they find their bread and meat dear: they know that many things are dearer than in England or Belgium: but all the same, they pay, resignedly; proving once again that rights only exist for those who are conscious of them.

The stupid elector helps to fleece himself by voting for members who pick his pockets and hand over the contents to the defenders of property, who accept without shame. In this way an infinitesimal majority profits at the expense of the great electoral majority, as can be shown.

Industry represents 35 per cent. of the active part of the population: the subsidiary trades employed in the manufacture of partly-worked material depend on the capitalists for supplies: 85 per cent. of firms employ only one to four wage-earners.

Trade represents 5 per cent.: together with banking, it requires freedom of exchange.

The liberal professions represent 7 per cent.

Whom does Protection assist? A certain number of manufacturers declare that they depend upon Protection for existence, and there is this element of truth, that their businesses have grown up and are carried on in an atmosphere of Protection. They tell their *employés* that without Protection they would have no work, and thus pretend that Protection is the right of labour. An instance is the cotton spinners, a group of 37,000 persons. It is to the interest of 121,800 textile hands to procure their yarn freely: but all the men and women employed in linen manufacture depend on the cotton spinners, to whom may be added 26,000 spinners of linen, jute, and hemp, &c. The plant of the woollen industry could supply the home demand twice over: dependent on exports its first necessity is cheap labour and cheap machinery. The silk trade needs cheap thrown silk.

The most important of French industries—20 per cent. of the whole total—gives employment to 1,340,000 persons, on cloth and linen goods and clothing; and the whole group is exploited by the protected industries which supply its yarn and textile materials.

All the great factories in the metal trade do not produce iron and steel; it is important for many of them to get their raw material as cheap as possible. Nevertheless the 50,000 producers may be taken as interested in Protection, although 650,000 workmen are employed in industries for which iron is the raw material; and smiths and wheelwrights are affected by Protection.

All tanners and leather-dressers do not want Protection; admitting, however, that the 50,000 tanners and leather-dressers are interested in it, there are 335,000 tributary *employés* in the skin and leather trades. To go back—

Cotton Spinning	employs 40,000	persons
Linen and Jute Spinning, &c.	employs 26,000	persons
Metal Trades	employs 50,000	persons
Tanning and Leather Dressing	employs 50,000	persons
Total	166,000	persons

Say 200,000, and we have the maximum number, including employers and employed, interested in Protection. The industrial population is 6,374,000, giving a total benefited to a greater or less extent by Protection of less than 3 per cent. Then as to agriculture. I admit that all the owners of estates of more than 24 acres believe in Protection; there are 849,000 of them, the agricultural population being 5,982,000 according to the census returns; that is a proportion of 14 per cent. Adding together the industrial and agricultural populations, we have a total of 12,400,000 in round numbers. The number of those who believe that they are benefited by Protection is 849,000 + 200,000—*i.e.*, 8 per cent. But if we extend our calculation to include the whole population, and take into account persons of independent means, retired officials, officers, and soldiers, this proportion must be decreased, to say nothing of the fact that many of those who believe that they are benefited by Protection are not so in fact. As a matter of fact, not 5 per cent. of the population is interested in Protection; not one in twenty. If any one were to dare to show the other 95 per cent. how they are hoodwinked into handing over their cash in the form of rent or profits to this little oligarchy, he would be regarded as an “enemy of the people,” like Dr. Stockmann in Ibsen’s play.

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BOOK V

THE WORK OF DEATH

CHAPTER I

FOOD AND EFFORT

The diet of the French soldier—Insufficient nourishment and work—Temperance of the Japanese soldier.

The diet of the French soldier has been taken as the standard. Allowing for waste it is a good deal below Atwater's estimate of the necessary diet for an adult occupied in moderately active work, nevertheless it is among the highest. Although French army bread is only made of meal containing 29 per cent. of chaff, it stands first among the military rations of the world, containing 14·69 of azotic matter to 7·20 in the Prussian army bread. The meat ration is about 13 oz. in England, about 12 in Germany, and 10½ in France; but in Austria it is only 67/9 oz., in Italy and Russia 71/9, in Belgium 88/9, and in Sweden 93/6. Since humanity has survived and developed on a diet much below that established physiologically by Atwater, or empirically in the case of the French soldier, neither can be assumed as absolutely necessary. But neither the Neapolitan lazzarone who lies in the sun and feeds on a slice of melon, or the Russian moujik sleeping on his stove in winter and satisfied with some cabbages and cucumber cooked in pickle, is capable of effort. At any particular moment an underfed man may make an effort, but he cannot sustain it for long. The Kabyle is sober and a hard worker, but all over Algeria they say, "You can tell the mark of a Frenchman's ploughshare from that of a Kabyle." Teachers of the young, moralists who assume the direction of others without always being able to direct themselves, are always praising temperance, and that to men who have not food enough for their physical needs; talking of the dignity of labour to men with empty stomachs. It would be just as reasonable to expect an engine to move without coal. They might think of the letter Marshal St. Arnaud wrote to Ducos, the Naval Minister, at the end of April, 1854, "There is no coal anywhere; Ducos orders us to stoke with the sailors' patriotism!"¹

Those doctors who, apparently inheritors of the theories of Diaforus and M. Purgon, ordered their patients a diet of hot water, thought to score a triumph in the victory of the Japanese in the late

war. But the Japanese do not live on air. Lieutenant-Colonel Gertsch, Swiss Chief of Staff with the Japanese army, states: "The diet of the regiments in the field was excellent. There was plenty of rice; also spiced preserved meat in a sort of tomato sauce, and dried fish."

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CHAPTER II

NUTRITION AND EVOLUTION

M. Niceforo's observations—Children of poor and well-to-do parents—Black spots of Limousin and Brittany.

All experience proves the validity of Dr. Gaétan Delaunay's axiom, "Evolution advances with nutrition, *pari passu*." M. Alfred Niceforo, a professor at the University of Lausanne, in a well-to-do neighbourhood, stated from his inspection of the schools that children insufficiently nourished were physically inferior. He published his results in a book called "The Poorer Classes," in which from a comparison of groups of children from the working classes with groups taken from the well-to-do children in the Lausanne schools he extracted the following results:

	Age.	Boys.		Girls.	
		Well-off.	Poor.	Well-off.	Poor.
Height	{7	3 ft. 11 in.	3 ft. 9 in.	—	—
	{14	4 ft. 11 in.	4 ft. 9 in.	5 ft.	4 ft. 9 in.
Chest measurement	{7	1 ft. 10 in.	1 ft. 9 1/2 in.	—	—
	{14	2 ft. 7 in.	2 ft. 2 1/2 in.	—	—
Weight	{7	50 lbs.	49 lbs.	—	—
	{14	88 lbs.	87 lbs.	99 lbs.	90 lbs.
Weight relative to height	{7	44 lbs.	18 lbs.	—	—
	{14	60 lbs.	57 lbs.	65 lbs.	62 lbs.
Force in lbs. (by pressure of the hand)	{7	22 lbs.	18 lbs.	—	—
	{14	53 lbs.	50 lbs.	48 lbs.	47 lbs.

M. Niceforo applied the dynamometer ten times in succession to ten poor and ten well-to-do children with a minute's interval between.

	Well-to-do.	Poor.
First series of 10 squeezes	19·1	18·8
Sixth series of 10 squeezes	15·0	13·7
Tenth series of 10 squeezes	12·0	7·0

Thus poor children not only have less energy to start with; they also have a less power of resistance to fatigue; at the tenth series where the well-off children lost 36 per cent. they lost 62 per cent. Masons work in the open air, and they are employed in muscular exercise; *à priori* the hereditary strength of their children should be greater than that of the children of well-to-do sedentary people who spend their lives in offices. A comparison of fifty masons' children of nine years of age and fifty children of the same age of men of comfortable circumstances engaged in the liberal professions, gives the following results:—

	Well-to-do Children.	Masons' Children.
Height	4 ft. 3 1/2 in.	4ft. 11/2 in.
Chest	23 in.	22 1/2 in.
Weight	55 lbs.	47 lbs.
Energy	30 lbs.	27 lbs.
Chest expansion	2 in.	1 3/4 in.

Niceforo's inquiries confirm the earlier results of Quételet, Broca, and Manouvrier, into the heights of the dwellers in the different districts of Paris. Dr. Collignon calls the zone separating Limousin from Périgord, in which all the people are much below the average in height, "black Limousin," on the analogy of Broca's "black Brittany." This smallness is not racial, for the three principal races of France mix there, and are alike arrested in their development; it is due to poverty.

Roberts' "Manual of Anthropology" (1878) gives the height of 10,000 Englishmen; the height of the aristocracy and the liberal professions is 5 ft. 9 in. at twenty, and 5 ft. 9 1/2 in. at sixty-nine, while that of the town artisan is 5 ft. 7 in.

Those legislators who establish Customs duties in the interest of a small class thereby reduce the food of their countrymen, and condemn numbers of them to stagnation, deterioration, and a premature death.

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CHAPTER III

NOURISHMENT AND MORTALITY

M. Jacques Bertillon and the mortality of large towns—M. Verriijn Stuart and infant mortality in Amsterdam—"Social Hygiene"—The Tuberculosis League and Protection—Longet of Hamburg—Dr. Livi's Italian experiments—Mortality and the price of corn.

M. Jacques Bertillon made a classification of the districts of Paris, Berlin, and Vienna in six divisions, according to their standard of comfort: as very poor, poor, well-to-do, very well-to-do, rich, very rich; and he found that the sickness and mortality of each district was in direct relation to its economic condition.

M. C. A. Verriijn Stuart, Director of Statistics for the Low Countries, divided Amsterdam into six quarters, according to a standard of comfort fixed with reference to four elements—

- (α) Number of shares on the municipal assessment roll.
- (β) Number of shares with incomes above £500.
- (γ) Relative number of copyholders eligible for a second chamber.
- (δ) Average number of inhabitants per house.

Then comparing the mortality of children of less than one year of age with the birth-rate for the same year he obtained the following table:—

Group 1 170·33
Group 2 175·44
Group 3 160·40
Group 4 144·85
Group 5 167·61
Group 6 142·77
Average 162·46

And these figures are the more striking as being drawn from one of the richest countries in the world, where housekeepers are justly renowned. I recommend it to the notice of those who are so ready to say to others, "Bear children," while they at the same time bend all their energies to raising the price of food and all the other necessaries of life. It is not enough to bear children, they must be brought up. Every birth followed by a death is a waste of effort and expense.

In June, 1903, a Congress of Social Hygiene met at Montpellier. I am most ready to do justice to the intentions of its organisers and members, but why the title? Private hygiene consists of the rules which the individual has to observe for his own preservation; public hygiene has to do with the cleanliness of public streets, the supply of drinking water, the removal of dirt of every sort—but what is the meaning of social hygiene? An anti-social hygiene is inconceivable. One meets the word “social” everywhere; people talk of “social justice” as if justice could exist outside of society. To what idea does this strangely misused word correspond?

I did not know the exact objects which the organisers of the Congress of Social Hygiene set before themselves, but I should have imagined that they would concern themselves with the reform of the laws and institutions which stand in the way of individual development; with the removal of those economic obstacles which prevent prudent men from having large families; the total or partial abolition of those “impedimenta” to sufficient nutrition which lower the vitality of children, hasten the advance of old age, and condemn so many to consumption. Of all this not a word was said. The Tuberculosis League made a great noise. With the help of lotteries it got hold of millions of money, but it paid no attention to the effect of Customs duties on diet. If the directors did not see this effect, such shortsightedness makes me sceptical as to their insight; if they did see but dared not speak for fear of alienating their patrons and subscribers, they sacrificed the truth to their interests. They attack tuberculosis, which represents no vested interest; they propose means of dealing with its victims; but they salute, hat in hand, or pretend not to know, those who are in a great measure responsible for its ravages, who invite and support it by robbing each of their fellow-countrymen of a part of his bread and his meat. How can one take philanthropists seriously who pour forth sympathy like water and groan over the misfortunes of their neighbours, while they obstinately shut their eyes to the real cause of it all because it is an established power, and, in the words of St. Paul, “One must have respect to the powers that be”? Longet’s formula is entirely valid: “Insufficient nourishment is a chronic disease, of which starvation is the acute stage, and consumption is the result.”

Mr. Gebhard, Director of the German Old Age and Invalid Benefit Assurance Bureau, published the following figures for Hamburg:—

DEATHS FROM TUBERCULOSIS OUT OF 10,000
TAXPAYERS.

- 10·7 where the income is above £170.
- 20·1 where the income is between £100-£170.
- 26·4 where the income is between £60-£100.
- 39·4 where the income is between £45-£60.
- 60 where the income is below £45.

It has been shown that in Germany out of 112,000 cases of consumption in a year 80,000 are workmen. In the north Italian provinces the peasants who cultivate the corn are too poor to buy it; they are forced to live upon maize, which engenders pellagra. Our inquiry made in 1900 proves the existence of 72,000 cases of the disease with an annual mortality of from 2,000 to 4,000. Dr. Livi's inquiry into the state of the army shows the extent to which the Italians suffer from insufficient food; the ration of the Italian army is below the French; the meat ration is 67/9 instead of 101/2 oz., and yet during their first two years of service the recruits gain in weight, and the increase both in height, weight, and girth is much greater in the case of peasants than students. The death rate rose in 1867 with the rise in the price of wheat and maize; nevertheless, although the price of corn and maize rose still further in 1880 wages rose also—a hundredweight of wheat or maize cost 132 hours work instead of 183, and the death rate was lower than in 1867. And in 1881, 1884, 1885 it fell in proportion to the fall in the price of corn and maize. If a fall in the price of corn lowers the death rate, a rise in price raises it. Those who force its rise by Customs Duties are doing the work of death, but since they only murder indirectly their scruples are few in proportion to their ignorance of their victims. M. Méline said calmly, "The food of the great towns where people live crowded together and workers require to be specially well nourished often leaves much to be desired." ¹ Whose fault is that but the man's who taxes every pound of bread 1/2d. and every pound of meat 2d.? Surely Méline is not so stupid as not to know what he is doing.

But not only Méline: in 1894 the Socialists, with Jaurès at their head, cut off a slice from the bread of all those who were forced to buy it; led away by the mirage of political power, they dreamed of winning over the rural electors by Protection, as if the peasant proprietor and the agricultural labourer had anything to gain by it! Thus the friends of the poor, the humble, and the disinherited, joined in the work of death carried on by the agrarians.

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CHAPTER IV

JUSTICE AND CHARITY

Many agrarians put down their names for subscriptions to distress funds, distributed bread tickets, organised charity balls and bazaars, took tickets in the tuberculosis lottery. The members representing them in Parliament multiplied laws and relief works, and heartily applauded their own generous sentiments. They were the tender-hearted as opposed to the rigid school of political economists—their policy was that of the open hand and not the closed fist. All the same they refused to their countrymen the right to cheap bread and meat. This introduction of charity falsified economic relations. It lowered the rate of wages by exposing the workman who had to live on his wages to competition with workmen assisted by the State, and laid upon the whole community the cost of supporting certain privileged industries. As a form of subvention it tended not to progress but to depression.

M. Victor Modeste made an investigation into the registers of public relief, and finding there the same families again and again, one generation after another, he drew the conclusion, "The poor are becoming poorer, the rich richer." The true conclusion is that people in receipt of relief, accustomed to live upon it with the minimum of effort, make no attempt on their own behalf, or on that of their descendants, to become independent. Considering themselves as annuitants, they come to think that their submission and importunity gives them a claim to permanent relief. Cheap and showy sentimentalism, as incoherent as it is inconsistent, may well be answered in the courageous words spoken by Madame Ashurst Venturi at the Neuchâtel Conference for the Abolition of Recognised Prostitution, held in 1878. She said, "No doubt the charity whose aim is to succour the unfortunate is worthy of praise, but it must be left to the weak, to those tender and pious creatures whose task is to lift up the wounded from the battlefield where the brave and strong must fight. The work of our Federation is a work not of charity, but of justice. Justice is the highest charity, for its aim is to substitute certainty for the chance operation of pity and of philanthropy. More is done for humanity by the abolition of a bad law or a vicious system than by succouring its victims, for if such help assuages individual misery it yet leaves intact, if it does not actually help to support, the state of things which has caused that misery."

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BOOK VI

MR. CHAMBERLAIN'S PROGRAMME

CHAPTER I

THE PROTECTIONIST TRADITION IN ENGLAND

Adam Smith's pessimistic forecast—No Free Traders without exception—Influence of the economic reaction abroad—Fair Trade—Commission on trade depression—Two reports—Optimism of the Cobden Club—Made in Germany—Protectionist campaigns—Memoranda of the Board of Trade—Colonial Conference of 1902.

Mr. Chamberlain's programme may now be spoken of as an historical phenomenon belonging to the past: no one now believes in its success except M. Méline, and he thought he had invented Colbertism. But Colbertism is old, commercial freedom young. Thus Adam Smith, when he published the "Wealth of Nations" in 1776, says: "To expect, indeed, that the 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. Not only the prejudices of the public, but, what is much more unconquerable, the private interests of many individuals, irresistibly oppose it. . . . The member of Parliament who supports every proposal for strengthening this monopoly is sure to acquire not only the reputation of understanding trade, but great popularity and influence, with an order of men whose numbers and wealth render them of great importance. If he opposes them, on the contrary, and still more, if he has authority enough to be able to thwart them, neither the most acknowledged probity, nor the highest rank, nor the greatest public services can protect him from the most infamous abuse and detraction, from personal insults, nor sometimes from real danger, arising from the insolent outrage of furious and disappointed monopolists."

This, is indeed, the psychology of Protection, but Adam Smith did less than justice to his countrymen. They had not only adopted Free Trade principles in 1846; they now regarded them as indisputable as the rule of three. Gladstone said wittily, "All Englishmen without exception are Free Traders, but they are not all Free Traders without exception." Protectionists were already putting forward

pretexts to try the ground, for the economic reaction which appeared in Germany in 1879 under Bismarck, and in France in 1877, showed itself in England after 1880 in the expression "Fair Trade," and in the growth of a movement strong enough to cause the appointment of a Commission into the causes of trade depression. There were two reports: that of the majority was for Free Trade, the minority report recommended a 10 per cent. duty on manufactures and on such articles of food as could be produced by India and the other colonies. A small number of landowners, as a tribute to tradition rather than from conviction, continued to protest against Free Trade. In 1896 the Cobden Club celebrated its jubilee: its principal members did not trouble to conceal their contempt for continental Free Traders, and the sense of security inspired by their own indisputable success. Nevertheless, a certain member of Parliament, Mr. Howard Vincent, got an Act passed, obliging all goods to carry a mark of origin—German goods being stamped, "Made in Germany." Under this title Mr. E. E. Williams, a Fabian, published a book showing that many small objects of everyday use were made in Germany. Out of his surprise box he produced the German bogey, and many grown-up children retain their childish fear of the bogey; it is a necessary part of their scheme of existence.

A series of articles appeared in the *Contemporary Review* by E. J. Dillon and an anonymous writer called Ogniben, in 1901 and 1902, bearing the burden "of the cry." "Our agriculture is going down, that of France and Germany is going up; our industry is going down, that of Germany and the States is going up"; and weeping over the decline of the carrying trade. To maintain the impartial character of the *Review*, however, the Editor asked me to reply to these articles, which I did in July, 1902, replying at the same time to a book on "Protection," written by a German called Byng, who owned English factories. The sententious arrogance of its arguments was based on the theory of the Balance of Trade, and collapsed when it was touched.

In 1901 the Board of Trade commissioned Sir Alfred Bateman to issue a Memorandum on the Comparative Statistics on Population, Industry, and Commerce in the United Kingdom and some leading foreign countries. The American having succeeded the German bogey in 1902, a fresh Memorandum was issued for the United States. As early as 1896 Mr. Chamberlain had proposed an Imperial Customs Union: on June 30, 1902, the Colonial Premiers took part in a Colonial Conference, where Mr. Chamberlain declared that he wished to establish Free Trade within the Empire, while recognising the special needs of new countries; and he drew attention to Canada's offer of preferential treatment to English goods.

Of the resolutions finally arrived at, the first recognised the stimulus given by preferential tariffs to commercial relations; and though the second declared that the adoption of a general Free Trade system between the mother country and the oversea colonies was impracticable, the third affirmed the desirability of the granting of substantial advantages to British goods in the Colonial tariffs, while in the fourth the Colonial Ministers respectfully demanded from His Majesty's Government favourable treatment of colonial manufactures.

The details of this movement had been little followed in England. Two speeches made on May 16, 1903, by Mr. Balfour and Mr. Chamberlain came as a thunderbolt.

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CHAPTER II

MR. CHAMBERLAIN'S PROGRAMME

Mr. Balfour merely suggested that England might have recourse to a policy of Retaliation; Mr. Chamberlain went much further. It is not necessary to go into the details of the policy which he unfolded in Glasgow on October 6, 1903, and Greenock on October 7th—it is too well known. Its main proposals may be briefly summarised under three heads:—

- (1) Duties on foreign foodstuffs also produced at home or in the colonies, which should raise the price by the full amount of the duty.
- (2) Colonies, following the example of Canada, to grant preferential duties on English manufactures.
- (3) A 10 per cent. tax on foreign manufactures, to give employment to British workmen.

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CHAPTER III

MR. CHAMBERLAIN'S STATEMENTS AND THE CUSTOMS HOUSE RETURNS

I. English Trade—II. Cotton—III. Wool—IV. Profits in the Steel and Iron Trade.

All Mr. Chamberlain's arguments are based on the Balance of Trade. In the Glasgow speech he described the growth of imports—which had risen from 63 millions in 1892 to 149 millions in 1902, an increase of 86 millions—as a national danger.

I.—

English Trade.

As a matter of fact, figures prove the continuous development of English trade.

Annual Average. Per head.			
Period.	£	£	s. d.
1865-69	516,000,000	16	19 1
1870-74	636,000,000	19	19 3
1875-79	632,000,000	18	6 6
1880-84	706,000,000	20	1 3
1885-89	666,000,000	18	4 5
1890-94	715,000,000	18	14 7
1895-99	753,000,000	18	16 1
1900-04	889,000,000	24	0 11

and the last period, 1900-04, exceeds all the others. But, say the Protectionists, the increase in foreign trade is an increase in imports, and these twentieth-century politicians believe with Colbert that imports spell ruin.

Period.	Imports. Million £.	Per head.	Exports. Million £.	Per head.	Re-exports. Million £.	Per head.
	£ s. d.		£ s. d.		£ s. d.	
1865-69	286	9 8 2	181	5 19 0	49	1 11 11
1870-74	316	10 17 2	235	7 7 3	55	1 14 10
1875-79	375	11 3 5	202	6 0 0	55	1 13 1
1880-84	408	11 11 8	234	6 13 2	64	1 16 5
1885-89	378	10 7 6	226	6 3 8	61	1 13 4
1890-94	419	10 19 6	334	6 2 11	62	1 12 3
1895-99	453	11 6 5	239	5 19 8	60	1 10 2
1900-04	528	12 13 4	289	7 0 0	67	1 9 3

Thus between the first and last period imports have increased 84 per cent., exports 60 per cent.

The significance of figures depends upon what they represent.

ANNUAL AVERAGE OF EXPORTS AND IMPORTS FOR 1900-04.

	IMPORTS.		EXPORTS.	
	Total Million £.	Per Cent.	Total Million £.	Per Cent.
Food, Drink, and Tobacco	222	42·6	16	5·5
Raw Materials	173	32·4	37·2	13·1
Manufactures	131	24·6	232	80
Sundries, Postal Parcels, &c.	21½	·4	4	1·4
	528½	100	289½	100·

From the first group, five millions must be subtracted for tobacco: thus, while 75 per cent. of the imports are food and raw materials, 81 per cent. of the exports are manufactured goods, to which postal parcels may be added. The partisans of the Balance of Commerce evidently find that their countrymen eat too much: that is why Mr. Chamberlain is anxious to put a tax on food.

Comparing the imports of textile raw material with the exports of textile manufactures, we find:—

Annual Average,	Raw Materials.	Manufactures
1900-04.	£	£
Cotton	43,600,000	83,800,000
Wool	23,600,000	24,000,000
Other Raw Materials	12,500,000	7,200,000
	£79,700,000	£115,000,000

Thus the value of the exports of textile manufactures is £35,000,000, or 43·7 per cent. above the value of the raw materials, a figure which is far from representing the difference in value between the materials and the manufactures, since the forty-one million inhabitants of the United Kingdom keep part for their own use. Between 1886 and 1905 there is an increase of £229,000,000 in the consumption of raw cotton; but had there been no increase, had there even been a diminution in the consumption of raw cotton, that would not prove that the cotton industry was therefore on the verge of that abyss which Mr. Chamberlain describes. Since 1874 the speed of the spindles has continually augmented, and thus produces finer and finer thread, requiring less and less raw material in proportion to the length produced. In England the consumption of cotton is 33 to 34 lbs. per spindle to 65 abroad.

II.—

Cotton.

In June, 1905, the Imperial Tariff Committee, got up by Mr. Chamberlain to prove his case for Protection, published a report on cotton; a few days before it appeared Mr. Chamberlain said at St. Helens, "Cotton is stationary"; its report gives statistics to the contrary. In 1892-94 cotton exports rose to £65,400,000; in 1903 to £73,300,000; in 1904 to £83,900,000, an increase of 28 per cent.

The Free Trade League in Manchester replied to the report of the Tariff Commission on the Cotton Industry. The answer was given in the clearest and most precise form by Mr. S. J. Chapman, Professor of Political Economy at Manchester University, but it was in no sense the work of pure theorists: the men in whose name it was published were for the most part engaged in the cotton trade, men whose object was profit. Had Mr. Chamberlain held out a profit to them they would have accepted it; that they do not enthusiastically accept his presents proves them of little value. Like prudent men they waited to examine his promises before swallowing them greedily. They did not despise economic truth any more than a merchant, anxious to discover his real position, despises accounts; and they were not to be frightened by a few figures such as the diminution in the export of cotton yarn at the end of 1901. In 1901 it fell from 233,000,000 lbs. to 170,000,000; in 1902 to 166,000,000, in 1903 to 151,000,000, and in 1904 to 164,000,000. What a decline! cry the Protectionists, thinking only of the Balance of Trade, as usual. But the question is, Does this decline indicate a decline in the industry? It does not; since there is an increase in the number of looms. All that it does mean is this: in the last few years

the price of raw cotton has been very high, rising to 6·03d. per lb. in 1903, and 6 1/2d. in 1904, an increase which, naturally affecting the price of cotton yarn, has reduced foreign demand. Cotton yarn has become much finer, and thus export can no longer be measured by relative weight but rather by length. The reply to the report estimates the increase in the value of the export of cotton, with respect to quality and fineness, at 7·33 per cent. The export of sewing cotton has increased from 11,600,000 lbs. in 1876-80 to 24,300,000, in the proportion of 100 to 210, but since the cotton has grown increasingly fine weight alone does not give an exact measure of the export. Were the cotton industry declining the number of looms would not have increased.

Date. No. of Spindles. Yearly increase.

1874	37,515,700	—
1878	39,527,900	503,000
1885	40,120,400	84,600
1890	40,511,900	78,300
1903	43,905,200	261,600

The Tariff Commission assumes the increase for 1904 to be more than 3,000,000 looms. At this moment 30 new factories are in course of construction, adding 10 per cent. to Lancashire's productive power. Including these, the increase since 1885 must be some 10,000,000 looms, or 100 factories with 100,000 looms each, representing a capital of about £12,500,000. Moreover, the power of machinery has been continually on the increase for the last 30 years; it is probably twice what it was 25 years ago: assuming it to be only in the proportion of 3 to 2, production must have increased about 40 per cent.

There is an increase in the number of power looms:—

Date. No. of Power Looms. Yearly increase.

1874	463,100	—
1878	514,900	12,900
1885	560,900	6,500
1890	615,700	10,900
1903	683,600	5,200

The number of hands has diminished:—

1881	189,000
1891	218,000
1901	199,000

but examining the details of this diminution we find it has mainly taken place in the employment of children below 15 and adults below 20 years of age. Adult labour both of men and women has increased:

Date.	Men.	Women.
1881	121,000	189,000
1891	137,000	197,000
1901	139,000	207,000

The result, then, of the Tariff Commission's Report on cotton is an approximate increase of 100-146 from 1876-80 to 1904.

Those, however, who are anxious to revenge themselves on English Free Trade by proving that England has been ruined by it hasten to say, "The cotton industry has advanced more rapidly in other countries than in England." The Tariff Commission, Mr. Chamberlain's Tariff Commission, says in its report: "The witnesses and manufacturers examined are of opinion that the progress of the industry in England has been equal or greater than that in other countries; with whatever nation it is compared the evidence is unanimous. In spite of the lowering of the hours of labour weekly piecework wages have maintained their level, thanks to the development and increased output of machinery. The Commissioners are of opinion that, apart from industry and transport, England's commercial organisation is superior to that of foreign countries. Although they may possess particular advantages, when everything is taken into account there remains a balance in favour of English industry."

Thus the Commission's Report refutes Mr. Chamberlain's allegations. The Commissioners, however, having been appointed by him, felt that they must be faithful to their trust; they therefore added the following caution: "The witnesses, however, deposed that both with regard to the organisation and output of the cotton industry, foreign nations are catching up Great Britain and even passing it in certain respects." The United States, they said, will soon absorb the total cotton harvest; but according to Mr. Young's reports and that of the Moseley Commission the output of American workmen is not equal to the English, even when the comparison is confined to the North. As for France, the output of labour is so much smaller, that, on an equal production, low wages are compensated for by very large employment of labour. Without Protection, France would continue to export the artistic commodities in whose production she excels.

In Germany wages are lower and hours longer; they enjoy the advantage of cheapness and of national skill in bleaching, dyeing,

and printing. After this admission the report adds that they enjoy no superiority in methods of procuring and administering capital; that, while their commercial travellers are remarkable for their enterprise and energy, their methods are rather dubious—they allow extended credit and enter on tricky operations. The Free Trade League considers that the Tariff Commission has greatly overestimated the importance of German industry; its output is lower and not so highly specialised as the English. Wages in Germany are two-fifths and in France two-thirds of the United Kingdom standard; they are higher in the United States, but they have not risen so much in the last twenty years as they have in England. Hours of labour are shorter in England than in America, France, and Germany.

Countries under the Protectionist *régime* incur expenses which prevent their competing effectively with Great Britain. The following tables only include yarn, the raw material of the textile trade; but the argument can be extended. Drawn up and verified by experts, they can be taken as exact.

Fixed charges for a factory of the same type, employing 262,000 looms, in different countries:—

(a) England.

	£
Fixed capital, 25s. per loom	327,500
Interest and insurance at 10 per cent.	32,750
Wages, £815 per week (50 weeks)	40,750

(b) Germany.

Fixed capital at 37s. per loom	484,700
Interest and insurance at 10 per cent.	48,470
Wages (to make up the English total)	25,030

(c) U.S.A.

Fixed capital at 50s. per loom	655,000
Interest and insurance at 10 per cent.	65,500
Wages (to make up the English total)	8,000

(d) France.

Fixed capital at 35s. per loom	45,800
Interest and insurance at 10 per cent.	45,800
Wages (to make up the English total)	27,650

To equalise the charge wages in each country must be as follows:—

Per cent. No. of Weeks.

England	815 100	50
U.S.A.	160 20	50
Germany	482 50	52
France	532 65	52

If the same total were spent on wages in a factory of this type in England, France, Germany, and the United States—leaving out of account the much larger number of workmen and supplementary machines in France and Germany—there would be an annual surcharge of £13,000 in France, more than £15,000 in Germany, and £22,000 in the United States. The higher total of hours and the lower total of wages in France and Germany do not outweigh this surcharge. The total wage bill is often as high as that in England because a greater number of workmen have to be paid to attain the same result. The witnesses heard by the Tariff Commission confirmed these estimates. One of them, showing the influence of Protection on the cost of production in protected countries, said of the United States: “As long as they maintain their tariffs, and specially the 45 per cent. duty on machinery, they cannot compete with us abroad.”

The export of cotton from the principal Western nations has increased 38 per cent. between 1891-5 and 1901-2; of the total Great Britain claims 62·5 per cent., Germany comes next with 12 per cent. European competition is confined to fancy and new-fashioned goods; that of the United States to coarse or very fine cottons. The population of the neutral countries is so great and their consumption of cotton so small that there is room for a great increase in the export of yarns and textiles.

Turning now to the cotton yarn kept for home consumption we find:—

Annual average, 1886-1890 £250,000,000

Annual average, 1900-1904 287,000,000

From 1884-1904 the number of cotton-spinning companies rose from 60 to 90; over the whole period, fifteen years, show a gross profit of £2,689,000, six years a gross loss of £266,786; the net profit, then, for the whole industry is £2,423,000, or £116,000 a year. An industry in this condition is not ruined.

III.—

Wool.

Wool, according to Mr. Chamberlain, is doomed.

The consumption of raw material shows an increase:—

	Amount reserved for consumption. Annual average.	
	1886-1890.	1900-1904.
Imported wool	£345,000,000	£483,000,000
Home wool	113,000,000	106,000,000
	£458,000,000	£589,000,000

i.e., an increase of £131,000,000.

A diminution in the export of wool would prove not the decline of the industry, but an increase in home consumption of woollen goods; such an increase disturbs the calculations of those who believe in the Balance of Commerce, and they, therefore, refuse to take it into account. Their countrymen must never buy, never consume, only sell to the foreigner; they are condemned to asceticism while all the useful or pleasing products of their country are despatched across the frontier.

A country's exports are only a part of its activity; the United States absorb their whole output of iron and steel. Profits on industrial enterprise are an element; there is depression when they fall like card houses, but as long as dividends are paid, reserves increased, depreciation written off, and large amounts of capital ready for disposal, there is no danger.

IV.—

Profits In The Iron And Steel Trade.

The *Economist* of May 26, 1905, gives the following statistics showing the position of 12 iron and steel factories in 1903-4 and 1904-5:—

	1903-4.	1904-5.
Net profit	808,000	790,000
Reserve and depreciation	250,000	275,000
Disposable capital	208,000	195,000

The dividends vary for different firms. Bolckow, Vaughan, & Co. have given 5 per cent. for the last 4 years, and the profits for the year ending June 30, 1905, are £213,000, of which £56,000 goes in increased plant. Guest, Keen, & Nettlefolds gained a net profit of £337,000 on the year ending June, 1905, and on the preceding year £333,000, and since its establishment it has paid 10 per cent. dividends.

Such an industry is not ruined. Germany itself recognised the supreme position of the English steel and iron industries, when, in the three years Rail Syndicate, concluded in 1904 between England, Germany, Belgium, and France, the following share assignment was made on a total of 1,300,000 marks.

Average Export. Share Assignment.

England	617,900	670,000
Germany	378,160	360,900
Belgium	267,680	221,300
France	48,860	60,200

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CHAPTER IV

EXPORT OF MANUFACTURES

I. Proportion to total export for the six great nations—II. Mr. Chamberlain's pessimistic prophecies and the facts.

I.

A great many foreigners, and even a considerable number of English people, seem to believe that the magnitude of England's exports is due to coal; and pessimists say that the export of coal enriches the present at the expense of the future by exhausting natural resources; some go so far as to urge that its export should be prevented by raising the export duty 1s. a ton, since the use of English coal by foreign merchant service and factories helps them to compete against the English merchant service and English factories. A comparison of three tables shows how baseless such apprehensions are. The average export of coal, coke, and other fuel was £30,000,000 between 1900 and 1904; the total export, £289,000,000; and the export of manufactures, £232,000,000. Therefore, for every £100-worth of coal exported, England exports £773-worth of manufactured stuff—a total of £1,000.

Turning now to the proportion borne by the export of manufactures in England to that of other great nations—

		Annual Average.		
		Total Export.	Export of Manufactures.	Per cent.
United Kingdom	1900-1904 (million £)	289	232	80
Germany	1899-1903 (mill. marks)	4,588	2,591	65
France	1899-1903 (mill. francs)	4,155	2,130	55·6
Italy	1899-1903 (mill. lire)	1,448	306	21·5
Austria Hungary	1899-1903 (mill. crowns)	1,947	812	41·7
United States	1899-1903 (mill. dollars)	1,077	399	29·4

Russia only exports 5 per cent. of manufactures, Holland less than 3 per cent. Thus the proportion borne by manufactured goods to total export in the United Kingdom exceeds that of Germany by 15 per cent., that of France by 25 per cent., and that of America by more than 50 per cent.; thus adding one more argument to those already given in the examination of protected and tributary industries to prove to any impartial mind that the Chamberlainists' attempt to discover in the English export statistics any argument for a change in our fiscal system is very foolhardy, when England stands far above Germany, France, and the United States in absolute and relative exportation of manufactured goods.

EXPORT OF MANUFACTURES IN MILLION £.

	U.K.	Germany.	France.	U.S.A.
1854	88·7	not comp.	not comp.	5·8
1865	153·1	not comp.	not comp.	12·3
1872	233	not comp.	72·2	15·2
1882	264	not comp.	75·5	28·1
1891	213	102	77	35·2
1895	195	109	76·4	38·2
1896	208	115	76·5	47·6
1897	199	115·2	77·3	57·8
1898	198	119·8	76·6	60·6
1900-4	232	129·5	85·6	79·8

In the last column English ships amounting to some 5 or 6 millions per annum are included.

The Protectionists have made great use of the argument from percentages. The increase in exports has certainly been greater in the United States than in the United Kingdom; and when one is added to one the result is 100 per cent. Very fine results can be deduced, as Mr. Chamberlain has shown, especially when he starts his German figures before 1890, that is, before the Free Towns came into the Zollverein.

IMPORT OF MANUFACTURES.

		Total Import.	Manufactures.	Per cent
United Kingdom	1900-1904 (million £)	533	13·15	24·6
Germany	1900-1903 (mill. marks)	5,900	1·144	20
France	1900-1903 (mill. francs)	4,553	787	17·3
Switzerland	1900-1903 (mill. francs)	1,127	366	31
Italy	1900-1903 (mill. lire)	1,712	355	20
Austria Hungary	1899-1903 (mill. kr.)	1,710	472	27·7
U.S.A.	1899-1903 (mill. dollars)	848	—	—
(α) Manufactures ready for consumption		—	139	15·9
(β) Luxuries (including wines and spirits)		—	111	13·6

The result of the German protective tariff has thus been to reduce the relative proportion of imports of manufactures to the total import rather more than 4 per cent. below that of the United Kingdom. M. Méline has succeeded in reducing it 7 per cent. for France—a wonderful result.

It must not be forgotten that England is the richest country in the world; its people are fond of luxury and comfort, and buy what they want wherever they find it. Yet the greater part of the manufactures which they buy are implements; structural iron and steel account for £8,000,000 (Mr. Arthur Chamberlain, a weldless tube manufacturer, said that Swedish steel bars were necessary in his trade); plates of copper and other metals, £20,000,000; implements, £4,000,000; machinery, £4,000,000; cotton (for the most part representing payment for debts, or raw materials), £6,000,000; more or less finished woollen goods, £12,000,000; leather and boots and shoes, £11,000,000. This last item makes the Chamberlainists furious; yet many of their countrymen are ill shod.

II.

Mr. Chamberlain has never had a chance. He declared that England was ruined; her trade and industry in a galloping consumption; if imports were increasing, exports were diminishing. The foreign trade returns for 1903 gave him the lie in the most striking

manner; the total had never been so high; it was £903,353,641—£26,000,000 above the record years 1900 and 1902. It represented £24 19s. per head; whereas, even in the *annus mirabilis* 1873, when prices were much higher, it was only £21 4s. Comparing this total with those of the other six great nations, and subtracting £25,000,000 to allow for the fact that their returns are for 1902, not 1903, we find that the English total compared with Germany, the highest of them, is as 170 to 100.

Germany	£520,480,386
U.S.A.	489,172,193
France	345,848,000
Austria Hungary	151,413,000
Russia	143,709,525
Italy	132,426,112
	£1,738,049,216

At Greenock Mr. Chamberlain said, "Sugar is gone: silk is gone: iron is threatened: wool is threatened: cotton will go. How long are you going to stand it? At the present moment these industries, and the working men who depend upon them, are like sheep in a field. One by one they allow themselves to be led to slaughter, and there is no combination, no apparent prevision of what is in store for the rest of them."

First: "Sugar is gone."

*Export of Sugar, Refined
and Candy.*

1901	556,030 cwt.	£350,700
1902	716,000	399,400
1903	1,029,000	615,000
1904	588,000	367,300

"Silk is gone."

Export—1901	£1,429,300
1902	1,393,300
1903	1,436,600
1904	1,604,500

"Iron is threatened."

Export.—Tinplates.

1901 6,338,000 cwt. £271,000

1902 7,388,000 312,000

1903 8,026,000 292,000

1904 8,441,000 359,600

*Iron and Steel and Manufactures
thereof.*

1901 2,897,000 tons £25,008,000

1902 3,576,000 28,877,000

1903 3,706,000 30,399,000

1904 3,426,000 28,082,000

*Cutlery and
Ironmongery.*

1901 £4,175,400

1902 4,384,600

1903 4,636,600

1904 4,882,000

*Machinery and
Frames.*

1901 £17,812,300

1902 18,754,800

1903 20,065,900

1904 21,065,000

“Wool is threatened.”

1901 £21,690,900

1902 23,307,900

1903 25,386,700

1904 27,500,000

“Cotton will go.”

1901 £73,685,600

1902 72,458,100

1903 73,611,700

1904 83,873,000

And this in spite of the 1904 cotton crisis, which deprived Lancashire of its raw material.

At Newcastle Mr. Chamberlain mourned over the disappearance of glass and earthenware.

Export—1901	£3,049,000
1902	2,997,000
1903	3,278,000
1904	3,100,000

The importation of raw materials is a sign of a country's industrial activity.

1901	£167,199,982
1902	169,046,556
1903	173,558,796
1904	182,212,000

These are not signs of ruin, and if they were Mr. Chamberlain has never shown how taxes on foreign foodstuffs and manufactures will assist the expansion of British foreign trade.

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CHAPTER V

FOOD

I. Wheat—II. Free Trade and cheapness—III. Animal food—IV. Price of meat—V. The Free Breakfast Table—VI. Meat ration in the United Kingdom—VII. Agrarian policy—Back to the land—VIII. The profit of the few at the expense of the many—IX. Fiscal Reform and Colonial Markets—X. Profits to landlords—XI. Conclusions.

The memorandum drawn up by Sir Alfred Bateman, at the request of Mr. Chamberlain and his friends, gives three very instructive tables:—

I.—

Wheat.

TOTAL QUANTITY PER MILLION CWT.

1885-87. 1890-92. 1895-97. 1900-02.

Home Production	39·1	37·7	27·3	29·7
Imported	76·5	89·1	98·5	102·5

QUANTITY PER HEAD OF
POPULATION.

Home Production	1·1	1·0	·7	·7
Imported	2·1	2·4	2·5	2·5
	3·2	3·4	3·2	3·2

PERCENTAGE OF THE WHOLE.

Home Production	33·8	29·8	21·7	22·5
Imported	66·2	70·2	78·3	77·5

Average Imports.

**Proportion per
cent.**

**1871-75. 1898-1902. 1871-75. 1898-1902
1,000,000 cwt.**

British Colonies and Possessions	5·5	19·0	10·9	19·0
Europe (including Turkey)	20·9	8·7	41·4	8·8
U.S.A.	20·1	62·3	39·9	62·2
S. America	1·4	9·7	2·9	9·7
Other Countries	2·5	0·3	4·9	0·3

These tables show a constant diminution in the proportion borne by home-grown wheat to our food supply. The only way to reverse this state of things would be to impose such a heavy tax on foreign corn that those who bought it would have to reduce their consumption about four-fifths.

Between 1898 and 1902 the United States were the chief source of our food supply. Mr. Chamberlain and his friends denounced this invasion by American corn, and demanded that the English market should be reserved for Canadian wheat. But since 1904, almost the day after Mr. Chamberlain and the other agrarians were thundering against the American Peril, the imports from the States fell from 60 to 15 per cent. of the whole. In 1904 the United Kingdom imported 118,000,000 cwt. of foodstuffs, of which the U.S.A. were only responsible for 18,500,000; their place was taken by India with 25,500,000 cwt.; Russia with 23,700,000, and Argentina with 21,800,000.

The following table, drawn up by Major Craigie, showing the various sources of English food supply during the last five years, proves the advantage which a country possesses when it can go to the world market for its provisions, and is not exposed to the variations of local harvests.

Country.	PER CENT.				
	1900.	1901.	1902.	1903.	1904.
Argentina	19	8·2	4·2	12·2	18·5
Rumania	·8	·5	2·2	2·7	1·3
Russia	4·6	2·5	6·1	14·8	20·1
U.S.A.	58·2	66·2	60·2	40·	15·7
Other Foreign Countries	5·1	3·3	3·7	3·3	5·2
Total from Abroad	87·7	80·7	76·4	73·0	60·8
Australia	3·0	6·1	3·9	—	9·6
Canada	8·1	8·5	11·3	12·4	7·6
India	—	3·3	8·2	14·6	21·6
Other British Possessions	1·2	1·4	·2	—	6·4
	12·3	19·3	23·6	27·0	39·2

Sir Howard Vincent, the incarnation of all Protectionist prejudices, saw how large an area Canada occupies on the map, and on June 23, 1905, he said at the Imperial Industries Club, "Canada could produce 5 million quarters of wheat; it has 20 million acres of virgin soil capable of producing 25 bushels of wheat per acre."

But as matter of fact, no more land is devoted to growing wheat in Canada than in the United Kingdom:—

Canada—Manitoba	3,098,000 acres.
Ontario	4,455,000 acres.
	8,553,000 acres.
United Kingdom	8,708,000 acres.

It is not enough to have vast territories suitable for wheat-growing; to work them an adequate supply of men and capital is needed. The immense area of Canada produced in 1902, a year when the harvest was good, 9,875,000 imperial quarters; the little British Isles in the same year 7,285,000 quarters only 26 per cent. less.

II.—

Free Trade And Cheapness.

The opponents of the Cobden Club, in spite of all their efforts to prove that its optimism has not always been justified, have not been able to fasten upon the promise that Free Trade would abolish bad harvests or charm away spring frosts, droughts, excessive rains, and other meteorological accidents, against which, as Galiani puts it, the farmer stakes his all. But Free Trade has allowed the English to buy foodstuff in any market and get it cheaper than any other nation in the world.

According to the Report on Agricultural Returns the price of wheat in 1839, 1840, 1841, was more than 8s. a bushel. In 1846 the Corn Laws were repealed; in the famine year which followed wheat rose 8s. and 8s. 6d.; how high would it have risen if the Corn Laws had not been repealed? In 1848 it fell to 6s. 33/4d., in 1849 5s. 61/4d., 1850 5s. 01/4d., 1851 4s. 93/4d., 1852 5s. 1d.; rising again during the war with Russia—at that time the great centre of the wheat supply—only to fall immediately afterwards to 5s. 61/4d.; and except for one year, 1867, it never rose again to 8s. In 1894-5 it fell to below 3s., and since then has varied between 3s. and 4s. a bushel. The Returns give a table showing the monthly prices of home-grown and imported wheat in England, compared with the prices in France, where it pays a duty of 2s. 10d. per cwt., and Belgium, where it is admitted free.

		Per Quarter.							
		England.				France. Belgium			
		Home-grown.		Imported.					
		s.	d.	s.	d.	s.	d.	s.	d.
January	27	7	29	1	36	5	28	4	
April	27	9	27	9	36	9	28	4	
July	30	9	29	2	37	3	30	0	
October	25	3	28	0	35	10	27	7	

In 1904 in England the price of a quartern loaf was:—

		d.
March 1		5·14
June 1		5·15
September 1		5·20
December 1		5·32

This is white bread made of the best flour.

Mr. Chamberlain, however, calls the cry of dear bread “an imposture,” the *Times* “an appeal to ignorant prejudice.” M. Méline used the same sort of language in 1887 when he taxed wheat but not bread; afterwards seeing that there is a relation between the price of a product and that of its raw material, he put a duty on bread equal to that on wheat.

Mr. Ritchie replied to those who said that the duty of 3d. per cwt. on wheat which he had repealed, did not affect consumers, by saying, “It is very extraordinary that two and a half millions can be collected without any one’s feeling it; it is a political economy that I cannot comprehend.”

III.—

Animal Food.

England practically imports none of her live stock from Europe.

	Total Importation.		U.S.A.	Canada.
Oxen—1900-4	496,500		356,400	105,000
Sheep—1900-4	385,600		208,700	64,000

Meat.

	1902.	1903.	1904.
	Cwt.	Cwt.	Cwt.
Abroad	13,424,900	13,505,100	13,677,000
British Colonies	3,094,000	3,517,300	3,306,000
	16,519,500	17,022,400	16,983,800

The contribution of the different Colonies is as follows:—

	1902.	1903.	1904.
	Cwt.	Cwt.	Cwt.
New Zealand	1,921,200	2,238,000	1,837,000
Australia	484,400	336,200	359,000
Canada	688,000	941,000	1,106,000

Of the different foreign countries as follows:—

Argentina	2,412,900	2,821,900	3,327,800
Denmark	1,553,600	1,760,600	1,954,200
Holland	1,053,800	1,106,300	1,014,500
U.S.A.	8,124,300	7,548,500	7,110,800

That is to say the British Colonies and Possessions only send one-fifth of the animal food supply; in meal as in corn the share coming from each country varies from year to year.

Canada has 4,264,000 cattle, of which a million are cows; but the United Kingdom supplies 11,376,600 cattle; and while Canada has 2,500,000 sheep, the United Kingdom has 30,000,000; Canada has 1,779,000 pigs, the United Kingdom 3,639,000. Canada cannot, therefore, feed Great Britain. And the same results are found in the other Colonies. Australia has 8,000,000 cattle less than the United Kingdom and the 73,700,000 sheep are only 140 per cent. to 100 in the United Kingdom. No preferential tariffs could so extend their production of wheat and meat as to enable them adequately to feed the United Kingdom. The tariff would have to be so high as to be prohibitive, and even so could not succeed; neither Canada nor Australia could, as soon as it was issued, produce the 80,000,000 men and the corresponding capital which form the productive power of the United States.

IV.—

The Price Of Meat.

Protectionists have a mania for unifying and generalising. To hear them speak one would think there was so much meat in the world that its price must keep falling.

ANNUAL AVERAGE OF THE PRICE OF MEAT IN THE
UNITED KINGDOM.

Price per Cwt.

	Beef.		Mutton.		Pork.			
	Fresh.		Fresh.		Fresh.		Salt.	
	£	s. d.	£	s. d.	£	s. d.	£	s. d.
1861-5	29	5 11	22	—	35	6 22	7	
1881-5	21	4 2	20	8 2	18	5 2	10	6 11
1896-1900	11	8 6	15	7 1	11	8 2	3	4 12
1902	22	8 11	19	1 17	9	24	2 19	9
1903	20	3 18	3 1	19	0	24	1 16	11
1904	11	7 0	15 11	19	3 25	2 14	1	

There is no constant fall in price. The price of fresh meat is limited by that of imported frozen meats.

V.—

The Free Breakfast Table.

This was Mr. Gladstone's ideal forty years ago, and except for tea it has been attained in England. The 3d. per cwt. duty on corn and the sugar duty were retrograde steps, but the latter was paid by the Anglophobes on the Continent, thanks to their bounties.

Mr. Chamberlain wants to tax the bread, butter, milk, and cold meat on the breakfast table, but he has not dared to touch bacon or ham, or to force an Englishman to get his fresh eggs from the Antipodes.

VI.—

The Meat Ration.

The Reports of the Committee appointed in 1900 to inquire into the production and consumption of meat and milk in the United

Kingdom by the Royal Statistical Society, give the following results, estimated on the five years ending May 31, 1903:—

Beef and Veal 662,520 tons.
Mutton 313,822 tons.
Pork and Ham 269,578 tons.

lbs. per head

Home Production 1,245,000 tons. 67·52
Imported 1,001,000 tons. 54·25
2,247,000 tons. 121·77

If the inhabitants of the British Isles had to live on home-grown meat they would only have 67 lbs. per annum per head: imported meat brings the ration up to 121·77 lbs. To arrive at the ration of the French soldier, the population must be diminished or the ration increased by a quarter, which would give 135·34 lbs.; though this is superior to the diet of the French people by some 33 lbs., it still falls more than 83 lbs. below the standard, which is 218 lbs.

The consumption per head of certain classes is given:—

**Per head
per year.**

1. Workmen, mechanics, farm labourers 107 lbs.
2. Lower middle class 122 lbs.
3. Well-to-do 182 lbs.
4. Rich 300 lbs.

And those who do not eat meat do not make up the deficiency by milk or dairy produce per head per year:—

	Milk.	Cheese.	Butter
	Gallons per head per year.	lbs.	lbs.
1. Manual labour	5	9	15
2. Skilled labour	12	11	15
3. Lower middle	25	10	23
4. Middle	39	8 1/2	29
5. Upper	31	10 1/2	41

The duties on meat and dairy produce tend to reduce still further the already insufficient nourishment of three-quarters of the English population.

VII.—

Back To The Land.

Mr. Chamberlain talked at first of the necessity of drawing closer together the bonds between the United Kingdom and the Colonies, but the projected taxes on foreign agricultural products were instantly hailed by Lord Harris and Mr. Brassey as protection to English agriculture. But do protective duties remove agriculture from the danger of crises? There were high duties in 1821, 1822, 1833, 1836, and 1837, when the House of Commons nominated the Commission to inquire into agricultural depression, and in France the groans of the landowners have been louder than ever since they have been given a monopoly of their countrymen's food supply.

Mr. Chamberlain regards duties on food as likely to lead to a return to a country life. Are the workmen to be reduced to such wretchedness in the towns that they will be forced to migrate to the country? What will they do when they get there? Is that ideal to be the misery which Lord Rosebery has described as existing in the country under Protection? It shows a singular ignorance of history to suppose that the 25,054,000 people out of the population of 32,526,000 in England and Wales, and the 3,120,000 out of the population of 4,472,000 in Scotland who live in the towns can be transported to the country. It is equally mistaken to suppose that agriculture as an occupation has been abandoned. While all the textile professions only employ 1 in 17 of the active population, and the cotton trade only 1 in 30, agriculture employs 1 in 7.

VIII.—

Profit Of The Few At The Expense Of The Many.

As in France, a tax on food falling on the majority could be of advantage only to the great landowners in England. This is proved by the Returns as to the number and size of agricultural holdings in England instituted by Mr. Craigie. Leaving out of account the small holdings of one acre and less, the following table has been drawn up:—

Agricultural Holdings.	Number.	Per cent.	Acreage.	Per cent.
From 1-5 acres	117,968	22·68	366,792	1·13
From 5-20 acres	149,818	28·80	1,667,647	5·12
From 20-50 acres	85,663	16·47	2,864,976	8·79
From 50-100 acres	66,625	12·81	4,885,203	15·00
From 100-300 acres	81,245	15·62	13,875,914	42·59
From 300-500 acres	13,568	2·61	5,113,945	15·70
From 500-1,000 acres	4,616	·89	3,001,184	9·21
1,000 and above	603	·12	801,852	2·46
	520,106	100	32,577,513	100

Thus the holdings of between 1 and 20 acres represent half the total number of holders, but only some 6 per cent. of the acreage. Those of 100 acres and above, on the other hand, represent less than 20 per cent. of the number of holders, but 70 per cent. of the acreage. Fifty-two per cent. of the small holdings of 1 to 5 acres are grass: the proportion of pasturage relative to land under cultivation is 2 acres to 1. Above 100 acres the proportion is reversed, and in the holdings of between 500 and 1,000 acres cultivated land is 58 per cent of the whole.

Thus a duty on wheat and other cereals would fall on the many for the profit of a very few great landowners—it would be an argument in favour of land nationalisation. Lord Harris’s partisanship of Mr. Chamberlain’s programme was very imprudent.

Taking the division of the population into classes:

	1891.	Per cent.
Professional	858,000	4·1
Domestic	1,590,000	7·7
Commercial	1,274,000	6·2
Agricultural	2,046,000	9·9
Industrial	6,960,000	33·7
Unoccupied	7,952,000	38·4
	20,680,000	100

Under the term “unoccupied” are comprised retired officials, pensioners, people living on their incomes, and all whose profession is not specified. For all these people cheapness in the cost of living is important, except the very small number who could hope to increase the return of their land. Duties on food would injure 66·3 per cent., or two-thirds of the population. There remains the agricultural population. Even they, as was shown by Messrs. Ritchie and Balfour in their arguments for the repeal of the duty of 3d. per hundredweight on wheat, many of them need cheap

wheat and meal to feed their cattle, many, being mere labourers, need cheap food for their own consumption.

IX.—

Fiscal Reform And The Colonial Market.

If, however, Mr. Chamberlain did get a tax imposed for the benefit of the great landowners in the United Kingdom, Canada, and Australia, it must be an effective tax, and what could be the effect of one of 2s. a quarter on wheat and 5 per cent. on meat and dairy produce? The advantage which wheat might derive from Protection must not be calculated upon the whole harvest, but only on that on the market. The annual average of wheat put on the market in the United Kingdom between 1900 and 1904 was 2,400,000 quarters; multiplied by 2s. that gives £240,000. During the same period the average acreage sown with wheat was 1,600,000 acres. If the tariff produced the maximum advantage for the English landowners and farmers they would reap a profit of 3s. per acre. Allowing 3 quarters of wheat for 2 of flour in reckoning breadstuffs or foodstuffs, the average importation over the five years 1900-1904 from the British Colonies and Possessions has been 5,700,000 quarters, representing at 2s. a quarter a yield of £570,000. From abroad the average import of 17,300,000 quarters, representing £1,730,000. Thus the English consumer would have to pay:—

On Foreign Breadstuffs	£1,730,000
On Colonial Breadstuffs	570,000
On Home Breadstuffs	240,000
	£2,540,000

And of this sum the Treasury would receive £1,730,000, or 72 per cent., the farmers and cultivators 9 per cent., and the Colonial farmers 19 per cent. But does Mr. Chamberlain expect to revive English agriculture with £240,000? And does he think £570,000 enough to cement the dissolving unity of the Empire? Imperialism is cheap at that. True he adds a 5 per cent. duty on meat.

According to the Annual Statement for 1904 the average annual total import of meat is—

From Foreign Countries	£38,700,000
From British Colonies and Possessions	10,000,000

In this total pork, ham, &c., is included, amounting to £1,900,000 from abroad, and from the Colonies £30,000. Subtracting, then, £1,900,000 from £38,700,000, since Mr. Chamberlain exempts

pork, &c., 5 per cent. on an importation, in round numbers of £37,000,000, will bring in £1,850,000 to the Treasury.

In the home market 662,000 tons of beef at 52s. per cwt.—the price in 1904—work out at £34,500,000, and 313,000 tons of mutton at an average price of 65s. per cwt. at £20,000,000.

If the 5 per cent. duty produced its full effect the English landowners would gain £2,725,000, while the Colonial owners touched £500,000. Moreover, Canada sends us four million pounds' worth of cheese, one million of butter; Australia and New Zealand two millions of butter—a total of seven millions, which at 5 per cent. would give £350,000. Then the result of Mr. Chamberlain's magnificent scheme would be:—

Colonial Wheat (including India)	£570,000
Live Stock and Meat	500,000
Dairy Produce	350,000
	£1,420,000

The total revenue of the Colonies is valued:—

Canada	£250,000,000
Australia	250,000,000
India	500,000,000
Other Colonies	200,000,000
	£1,200,000,000

Mr. Chamberlain's Imperialism, then, would add a bonus of £1,400,000 to this purchasing power of 1,200 millions; to add one guinea for every £1,000 of revenue of the British Colonies and Possessions. This guinea is to rivet the Colonies to the Mother Country and enlarge the Colonial market for our manufactures: a grand result from so small a cause!

Such a disproportion between promises and reality makes one marvel at the ignorance of the creator of the programme and the simplicity of those who support it.

X.—

Profits To English Landowners.

Wheat and meat have been dealt with; dairy produce remains: it is estimated in Mr. R. H. Rew's Report at 168,000 tons of cheese at an average price of 8d. per lb., 160,500 tons of butter at 1s. per lb.,

and 620,000,000 gallons of milk at 31/2d. per quart or 1s. 2d. per gallon. Then—

Cheese	£12,000,000
Butter	17,000,000
Milk	36,000,000
	£65,000,000

This being the value of the total production at 5 per cent. it would give £3,250,000. But part of this produce is consumed at home; a third is a low estimate for this. Allowing for it the yield of the duties, and the measure of their advantage to the home products would be:—

Dairy Produce	£1,850,000
Wheat	240,000
Meat	2,725,000

In 1902-1903 the gross income from agriculture in the United Kingdom was £85,000,000. Consequently if Mr. Chamberlain's programme produced its maximum effect it would add 5·64 per cent. to this income. The tax on food would bring in more to the British landowner than to the Colonies, and thus the magnificent Imperial policy would be no more than a cloak for unscrupulous agrarianism. Even so, however, it could not attain its ends, since Protection, like reduction, only succeeds where it is considerable.

XI.—

Conclusions.

1. The basis of Mr. Chamberlain's Fiscal Reform was a Customs duty on foreign wheat, meat, and dairy produce.
2. This duty was to raise the price of home and Colonial wheat, meat, and dairy produce by the full amount of the tax.
3. The profits resulting from it to the British Colonies and Possessions by increasing their purchasing power would increase their market for our manufactures.
4. In return for this preferential treatment the Colonies were to grant favourable tariffs for English manufactures.
5. While at the same time the taxes on wheat, meat, and dairy produce were to revive English agriculture and attract part of the urban population back to the land.

6. To obtain this result Fiscal Reform imposed a tax on all English consumers of bread, meat, and milk for the benefit of 98,000 estates of more than 100 acres, representing 70 per cent. of the arable land of the country, and for the benefit of the Colonial landowners.

7. In only daring to propose a 2s. duty per quarter on wheat and 5 per cent. on meat and dairy produce, Mr. Chamberlain himself nullified the promised results.

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CHAPTER VI

MR. CHAMBERLAIN AND IMPERIAL UNITY

I. Proportion of foreign and Colonial trade—II. Exports—III. Colonial markets for national labour—IV. Canadian experience—V. Mr. Chamberlain's offer to Canada—VI. Mr. Chamberlain's offer to Australia.

I.—

Proportion Of Foreign And Colonial Trade.

Mr. Chamberlain's main argument for the preferential tariffs, "without which the unity of the Empire cannot be maintained," was that, "while our commerce with our Colonies is increasing," that with foreign nations is decreasing," not seeing that this argument really tells the other way, for if it is developing normally, to develop it artificially is superfluous. As a matter of fact its development is normal and continuous, and its proportion to our trade with foreign nations remains about the same. The sudden increase in our colonial exports in the last period is to be accounted for by the South African war.

Looking at the import and export statistics, we find:—

A. Imports to England.

From Foreign Countries. From the Col. & B. Pos.

	£1,000,000.	Per cent.	£1,000,000.	Per cent.
1855-1859	129	76·5	40	23·5
1860-1864	167	71·2	68	28·4
1865-1869	218	76	68	24
1870-1874	270	78	76	22
1875-1879	293	77·9	83	22·1
1880-1884	312	76·9	83	22·1
1885-1889	293	77·1	87	22·9
1890-1894	322	77·1	96	22·6
1895-1899	355	78·4	98	21·6
1900-1904	422	81	110	19

B. Exports from England.

1855-1859	79	68·537	31·5
1860-1864	92	66·646	33·4
1865-1869	131	72·450	27·6
1870-1874	175	74·460	25·6
1875-1879	135	66·967	33·1
1880-1884	153	65·581	34·5
1885-1889	147	65	89 35
1890-1894	159	65·5785	33·5
1895-1899	159	66	81 34
1900-1904	183	63	10637

England only imports from the Colonies a fifth of what she needs. To tax foreign imports in the interests of the Colonies would be to tax four-fifths of her consumption for the advantage of one-fifth. Mr. Chamberlain and his satellites talk about the "Empire feeding itself," but they take good care not to show how it is to be done in practice. Mr. Chamberlain has given up taxes on raw materials; again and again he says his moderate taxes on wheat, meat, and dairy produce are to be paid by the foreigner. The policy is to say you want to do something but refuse to employ the necessary means to that end, since they might cause some trouble and provoke some discontent. If Mr. Chamberlain really believed that his programme was necessary he would have used the means which Calvin and all real reformers have employed, and of which Voltaire says, "No one succeeds now by proposing anything easy; the hardest master is the most followed."

He ought to have said to the Lancashire manufacturers and operatives, "To make the Empire self-sufficing you must sacrifice the £1,858,000,000 worth of cotton coming from abroad and be content with the £96,000,000 that came from our colonies and possessions"; to the House of Commons, "To make the Empire self-sufficing, every man, woman, and child in England must reduce his consumption of meat 60 per cent., and of wheat 70 per cent. I ask you to order 'Imperial Fasting.'"

II.—

Exports.

Mr. Chamberlain proposes to sacrifice two-thirds of our exports for the sake of the other third. Speaking at the Constitutional Club, he said: "I am told that we risk the loss of a market of 300,000,000 foreigners for the sake of one of 10,000,000 of our fellow-countrymen; to that I reply, is it not more worth while to cultivate a

trade with 10,000,000 of your fellow-countrymen, who take £10 per head of our products, than the foreigners, who only take a few shillings per head?"

If the 12,000,000 white inhabitants of the self-governing Colonies each took £10, that would give £120,000,000. The following are the figures for our exports to the Colonies:—

Canada	10,600,000
Newfoundland	500,000
Australia	17,300,000
New Zealand	6,300,000
Natal	5,500,000
Cape of Good Hope	12,000,000
	£52,200,000

This is a good example of the sort of exaggeration in which Mr. Chamberlain habitually indulges. The Colonies have never taken £10 per head of our products; in 1904 they took a little over £4 per head, *i.e.*, 60 per cent., less.

Mr. Chamberlain would penalise the 42,000,000 inhabitants of the United Kingdom for sake of 12,000,000 in the Colonies.

Mr. Chamberlain talks about the German Zollverein, but what is it? The establishment of Free Trade between countries formerly separated by Customs duties. When Mr. Chamberlain talks of a British Customs Union, he is either knowingly or unknowingly using a word which does not apply, since, as he knows, none of the self-governing Colonies would give up the tariffs established with the express purpose of protecting their products against British imports.

He declares that the export of manufactures to foreign countries has declined, while that to the Colonies has increased. The following table from the 1903 Memorandum of the Board of Trade gives the variations in the export of manufactured goods (not including ships):—

	1890.	1895.	1900.	1902.
	£1,000,000	£1,000,000	£1,000,000	£1,000,000
Germany	15·9	17·3	19·8	16·4
Belgium	6·8	6·5	8·8	7·0
Holland	9·4	6·7	8·7	6·8
France	12·5	10·6	10·7	10·2
Russia	4·6	5·8	7·3	6·2
Italy	5·2	3·4	4·0	3·5
U.S.A.	29·0	24·9	16·5	19·4
Total	83·6	75·4	77·0	69·8
Total of Foreign Countries	149·6	131·5	142·2	131—7
India	32·0	23·4	28·5	30·8
Self-Governing Colonies	35·5	30·1	41·7	51·2
Other British Possessions	11·5	9·6	12·7	12·8
Total of Brit. C. & P.	79·1	63·1	82·9	96·0
Total of all Countries	228·8	194·7	225·2	227·6
Foreign Colonies	65%	68%	63%	58%
India	14%	12%	13%	13%
Self-governing	16%	15%	18%	23%
Other Cols. & Possessions	5%	5%	6%	6%

As a matter of fact, comparing 1890 and 1902 there is a diminution in our exports to foreign countries. In 1900 there was a decline of £7,000,000, and in 1902 of £18,000,000. This £18,000,000 was exactly balanced by increased exports to the self-governing Colonies. Foreign countries take 58 per cent., Colonies 42 per cent.; consequently the foreign market is still 16 per cent. greater than the colonial. The Report of the Imperial Tariff Committee on the Cotton Industry shows that of £73,300,000 in 1903 and £84,000,000 in 1904, the self-governing Colonies took—

	1904.	1903.
Australia, New Zealand, and Canada	£3,558,000	£3,086,000
South Africa	497,700	930,200

i.e., 4·80 per cent. and 5·40 per cent.—a modest share.

India remains. All Protectionists have repeated that India, able to produce raw cotton and obtain a supply of cheap labour, would not

only buy no more cottons from England, but would invade Lancashire with Indian cotton goods. Not at all.

1904.	1903.	1902.
India £21,183,000	£17,174,000	£16,760,000

In 1904 it imported 400 per cent. more cotton than all the self-governing Colonies put together.

India, not being a self-governing colony, has no say in Mr. Chamberlain's Colonial Conference. England might justifiably feel a certain anxiety if there were no development of her Colonial exports, but such is not the case. The people of the self-governing Colonies are growing in numbers and in wealth; of English origin, their tastes and customs recommend English goods to them; it is useless to try to substitute political intervention for the normal economic development of the relations between the Colonies and the Mother Country.

What means has Mr. Chamberlain discovered for the increase of the colonial market?

III.—

National Labour And The Colonial Market.

In exchange for duties on foreign food the Colonies are to give preferential treatment to English manufactures. Mr. Chamberlain at once assumes that the Colonies, which now take £26,000,000 worth of goods from France and Germany, will not take a pennyworth in future, but confine themselves to English goods. He then goes to the British workman and says, "According to the Board of Trade wages represent half our exports. I give you £13,000,000 in wages; at 30s. a week that means employment for 166,000 men." This calculation is based upon two fallacious suppositions. Mr. Chamberlain assumes that his policy will not close the more valuable markets, and that England can supply the colonies with the goods they now get from France and Germany.

IV.—

Canadian Experience.

Canada has given England preferential treatment. What has been the result?

Annual Average.

Imports from Canada. Exports from England.

1885-1889	£10,000,000	£8,000,000
1890-1894	13,000,000	7,000,000

On July 1, 1898, a tariff giving 25 per cent. preference to English goods was issued, and on July 1, 1900, one granting 33 per cent.

Imports from Canada. Exports from England.

1898-1902	£21,000,000	£10,400,000
1900	23,000,000	10,400,000
1903	26,600,000	11,500,000
1904	23,600,000	10,600,000

These figures show that the influence of preferential tariffs has been rather to increase Canadian exports to England than English exports to Canada; the former having risen 70 per cent, from 1890-1894 to 1898-1902, whereas the latter have only increased 43 per cent. A glorious result, the Protectionist may say, but his enthusiasm becomes wholly unreasonable when we compare Canada's imports from Great Britain and the United States in million dollars:—

	U. Kingdom.		U.S.A.	
	Imports.	Total. Per cent.	Total.	Per cent.
1896	110·6	33 30	58·5	70
1897	113·3	29·4 26	61·6	74
1899	154	32·5 26	78·7	74
1900	181	37 26	93	74
1903	226	59 26	137	74
1904	213·5	61 28	150	75

Between 1896 and 1904 for these two countries, Canada's principal importers have risen 156 per cent. for United States, 84 per cent. United Kingdom.

At the Colonial Conference in 1902 Mr. Chamberlain said, "The results have been a deception." And they have grown worse. The reasons are clearly given in a Board of Trade Memorandum. The United States enjoy geographical advantages which no preferential tariff can abolish, and in spite of the tariff Canadian policy, remaining Protectionist, taxes manufactures more heavily than raw materials. England sends manufactures to Canada, and the duties on them are still above the average duty on the goods imported from the United States. In 1903 manufactures ready for consumption brought in 24·3 per cent., "luxuries" 53·56 per cent.,

most of which came from England. In 1903 the average duty on English imports was 17 per cent., while that on American imports was only some 12½ per cent. The preferential tariff produced the usual recrimination. Canadian manufacturers, pretending to be penalised by English competition, got an Act passed, June 20, 1904, which specified that the minimum tariff on cloth and woollen goods should be at least 30 per cent., and that on ropes at least 20 per cent. In 1904 a special tax on commercial travellers was specially aimed against the English ones. Is all this a preparation for Free Trade within the Empire?

V.—

Benefits Offered To Canada.

The Canadian Customs returns put down to England's account all that is sent there; the English figures only count what comes in, and the difference is considerable. According to Canadian returns, it sent in 1904 £4,714,000 worth of wheat; the English returns reduce the total to £3,787,000. The English figures for Canadian imports in 1904 are—

Oxen	£2,500,000
Butter	1,200,000
Cheese	4,200,000
Wheat	2,200,000
Meal	1,000,000
Pork (bacon, &c.)	2,600,000
Wood	3,800,000

Foodstuffs are 72 per cent. of Canada's imports to us.

The import of wheat has been 1,550,000 quarters. Admitting that the 2s. a quarter duty on foreign wheat produced its full effect, there would be £155,000 to hand over to Canada. Mr. Chamberlain has never stated what the precise tax on wheat would be, but he has said it would give "a substantial preference to the miller," *i.e.*, the English miller. He has never explained how the Canadian miller was to benefit. But taking the assessment to be the same as in the case of wheat, and allowing 3 qrs. of grain equal to 2 of flour, we have 642,000 qrs. at 2s., *i.e.*, £64,200. The 5 per cent. tax on meat if it had its full effect would work out $\frac{5,000,000 \times 5}{100} = £250,000$, and dairy produce $\frac{5,400,000 \times 5}{100} = £270,000$ for Canada. In a word, to give a great extension to the trade between Canada and the Mother Country, and to tighten the bond of sympathy which results from common

interests, Mr. Chamberlain generously offers to its six million inhabitants £739,000, or 2s. 8d. per head, per year. "Think Imperially," cried Mr. Chamberlain: and the grandeur of his conception is proved by his declaration that the Empire would fall in ruins if the inhabitants of the United Kingdom did not offer the Canadians this monthly dole of 10 farthings a head!

VI.—

Benefits Offered To Australia.

What were the 4,000,000 inhabitants of Australia to receive? According to the Board of Trade, in 1904 Australia exported £23,300,000 to the United Kingdom, as follow:—

Wool	£9,138,000
Meat (including rabbits)	1,030,000
Butter	2,260,000
Wheat	3,750,000
Meal	402,000
Skins and furs	568,000
Copper and ore	850,000
Lead	880,000

The average imports of corn and butter are much lower.

Wheat (2,450,000 qrs. at 2s.)	£245,000
Meal (187,000 qrs. at 2s.)	14,000
Meat at 5 per cent.	51,000
Butter at 5 per cent.	113,000
	£423,000

and New Zealand (1904)—

Butter	£1,400,000
Cheese	220,000
Meat	3,850,000
	£5,470,000 at 5 %

This gives £275,000: at a maximum Australia and New Zealand would receive £700,000. The population of Australia and New Zealand is 5,000,000 in round numbers: this would allow them 2s. 9d. a year per head, or 11 farthings a month. Mr. Chamberlain has told us often enough that the English consumer would only have to pay "farthings" in return for the benefit to the Colonies: he might

also have pointed out that the present to the Colonies could only be calculated in farthings—10 a month to Canadians, 11 a month to Australians!

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CHAPTER VII

ARGUMENTS FOR FISCAL REFORM

I. The Argument from authority—II. Cobden's optimism—III. Free Trade, Free Imports—IV. Mr. Chamberlain and the Frankfort Treaty—V. Balfourian Retaliation—VI. Against French Automobiles—VII. Imports and home industry—VIII. English workmen and Protection—IX. Dumping—X. The drain of gold—XI. Living on our capital—XII. London.

I.—

The Argument From Authority.

All the old Protectionist lumber has reappeared, decked out with tinsel and coats of fresh paint to make it look new. When Mr. Chamberlain and his friends can find a single phrase in the books of independent economists which seems to support their views, they quote it with alacrity, and invoke "the eminent authorities" whom they usually treat with profound contempt. They rely on the old scholastic method, which cut short all questions with two lines from Aristotle. Mr. Chamberlain has perfected the "argument from authority" he has invented an anonymous authority. In his speech of October 6, 1903, he declared that "one of the highest authorities of this country" had told him that "the incidence of a tax depends upon the proportion between the free production and the tax production—in this case the free production being the home production and the production of the Colonies, the taxed productions the production of the Colonies. "This gentleman" is of opinion that if, for instance, the foreigner supplies, as he does in the case of meat, two-ninths of the production, the consumer only pays two-ninths of the tax. If he supplies, as he does in the case of wheat, something like three-fourths of the consumption, then the consumer pays three-fourths of the tax. If, as in dairy produce, he supplies half of the production, then the consumer pays half the tax. I do not know who this "high authority" is who persists in remaining anonymous, nor do I know if Mr. Chamberlain has accurately expressed his views; but anyhow he has not explained how there can be two market prices for the same goods, one price for foreign wheat and one for that grown at home and in the Colonies. If this were the incidence of the tax, preferential tariffs would be of no avail, since they would not raise the price of home or colonial products. Mr. Chamberlain wisely adds, "This is a theory

like any other. . . .” It is not a theory like any other: it is at variance with all known facts.

II.—

Cobden’s Optimism.

In January, 1841, Cobden had committed the crime of saying at Manchester, “Europe has been corrupted by the detestable example of England. I believe that if you abolish the Corn Law and establish Free Trade, in five years’ time there will not be a Customs tariff which has not been changed after our example.”

Cobden was mistaken in the date, but not in the effect produced by English policy. If England had not adopted Free Trade the 1860 treaties would never have been signed: they abolished prohibitions which have never been re-established, and lowered duties which have never since been raised to their former height. Mr. Chamberlain blames Cobden and the Free Traders for the non-adoption of Free Trade by other nations, and for the economic reaction since 1879; and demands that England should give it up to punish Cobden and the Free Traders for the fact that all foreign nations have not seen its advantages. Since other nations are loaded with duties which increase the expenditure of effort necessary to everything they produce, Mr. Chamberlain endeavours to induce his countrymen to renounce economy of effort: since other nations have set their Customs system in opposition to that progress in science, industry, commerce, banking which has continuously operated to lower the price of goods and facilitate exchange, to keep down frontiers and Customs tariffs by lowering prices (for example, in the case of chemicals): therefore forsooth England is to give up a fiscal system suited to the processes of industrial evolution.

III.—

Free Trade And Free Imports.

“I am a Free Trader,” said Mr. Chamberlain at the beginning of his campaign. “I am as much of a Free Trader as any one, but we have not got Free Trade; we have only Free Imports.”

He forgets that no one buys to please the seller, be he a fellow-countryman or a stranger, but always to please himself. When a Government puts an obstacle between him and the seller, it forces him to make an effort proportionate to the obstacle to get what he

wants. Of course the obstacle inconveniences the seller, and since his desire to sell is greater than the buyer's desire to buy, his inconvenience is the greater; but the buyer is forced to have recourse to things which are not exactly what he wants, and which, if the tax is prohibitive, cost him more; he has to pay more dearly for all taxed goods, and consequently his purchasing power is diminished by every rise in duties.

Free Imports enable the Englishman to buy what he wants at the lowest price. When other buyers present themselves at a disadvantage because of the uncertainty and burdensomeness of the Customs policy of their respective countries, they find that the English, safe in the freedom of their goods, have already supplied themselves. Since Free Trade makes the British Isles a free port, prices are fixed in its markets, and its merchants profit thereby.

IV.—

Mr. Chamberlain And The Frankfort Treaty.

To justify the establishment of Customs tariff which should permit tariff wars, Mr. Vince, the General Secretary of the Imperial Tariff Commission, declared, "There is going to be a revision of the commercial treaty between France and Germany, and the French negotiators are bent on acquiring a German market for French silks and wines."

Mr. Chamberlain as well as Mr. Vince represents France as negotiating with Germany for concessions on wines. They both forget that Art. XI. of the Frankfort Treaty assures to both nations most favoured nation treatment; and were there any question of a revision it would not turn upon wines.

V.—

Balfourian Retaliation.

Mr. Balfour has loaded Mr. Chamberlain with flowers, but never accepted his programme. One point alone he has accepted and worked out—retaliation. "We are unarmed," said Mr. Balfour. As a matter of fact nothing prevented Sir Michael Hicks-Beach from using countervailing duties to ensure the success of the Brussels Convention, which proves that the Ministry is not unarmed. But, on the other hand, would Parliament ever grant a general mandate for the use of retaliatory measures?

In the Economic Notes on Insular Free Trade, which Mr. Balfour addressed to his colleagues in the Ministry, published in September, 1903, apparently logical deductions are put together with consummate skill; but it is all really a mere card-house.

In regard to France, Mr. Balfour is mistaken on a matter of fact. He estimates that English imports pay on an average 30 per cent.: here he is confusing the maximum and minimum tariffs. In return for her policy of the open door England receives most favoured nation treatment; and in 1902, the year which Mr. Balfour takes as the basis of his calculations, our exports to France were assessed by the English Customs House at £15,587,000, and by the French at £22,680,000—the duty amounted to 9 per cent. on the English and less than 6 1/2 per cent. on the French assessment.

Stripping Mr. Balfour's arguments of their somewhat pedantic dogmatism, they amount to this: Other countries shut their door; let us shut ours, so that the others may be forced to knock at it if they want to get in their goods. It is the policy of the shut against the open door. This sort of tit for tat is hardly the policy one would expect from a philosopher like Mr. Balfour; one can understand it coming from a manufacturer who, according to Mr. Balfour, sees his goods kept out by 130 per cent. duties in Russia, 72 per cent. in the United States, 32 per cent. in Austria, 27 per cent. in Italy, 25 per cent. in Germany, 16 per cent. in Canada, 13 per cent. in Belgium. But this manufacturer, before he can sell any of his products, is a consumer of plant and raw material, and, through his workmen, of goods, and his consumption is in proportion to the importance of his factory. Every turnstile at the frontier raises the price of the goods which he needs, either directly or indirectly, and consequently his cost of production. Since dearness either restricts or closes the market, to punish other countries for not opening the door to his goods he begins by himself diminishing their sale.

Supposing that England were to try this policy against the United States, what class of goods would be chosen for the experiment: the 117 million dollars' worth of cotton imported in 1902; the 86 million dollars' worth of corn and meal; the 120 million dollars' worth of live stock; the 22 million dollars' worth of petrol; the 11 million dollars' worth of copper, or the 16 million dollars' worth of leather? Mr. Balfour has always declared a tax on food to be out of the question. He must, therefore, intend to obtain a reduction of duties by attacking manufacturers—the 2 million dollars' worth of boots and shoes!

Tariff wars are most dangerous to the nations with the most highly developed trade and shipping. England can best preserve "the product of the areas valid for export" by leaving the door open: the

shut door prevents going out as much as coming in, and the open door if it allows coming in also allows going out. Commercial activity is not encouraged by the methods of the gaol.

VI.—

Against French Automobiles.

It is strange to hear an English Prime Minister speaking like Colbert and M. Méline: "I had rather give my money to our own workmen than to strangers." Partisans of Fiscal Reform are neither more nor less than Colbertists!

In 1903, soon after the publication of Mr. Chamberlain's manifesto, a prominent Protectionist said to me in a tone of conviction—

"Our yearly import of automobiles from France is more than £4,000,000."

"To begin with, your facts are incorrect. Last year the import was only £225,000."

"This year it is higher."

As a matter of fact the import for 1903 was £1,995,000, and for 1904 £2,636,000. At the time of our conversation my interlocutor could not have been acquainted with the second total, and even if he had his statement exaggerated it by more than 40 per cent. I mention this as an example of the methods employed by the leaders of the Fiscal Reform party, even to their own supporters. This gentleman had been given the figure; he repeated it in good faith without troubling to verify it.

"Anyhow it does not matter," I said. "You complain of the importation of automobiles. Well make them yourselves."

"We can't make them unless we are protected."

"That's to say your automobiles would be more expensive and not so good as those you buy from France. Then it is to your interest to buy them in France."

"Oh, I should go on buying mine from France. But what does it matter paying a little more for them? It will give employment to our workers."

"Not on your purchases, since you go on buying them in France!"

“That’s true. But with the help of Protection our workmen would learn to make them just as well, and then they would get work.”

“But without the help of Protection they can get the steel, wood, and leather needed for construction cheaper than in France, and you pay less for your coal. Then England has a real protection, which Protection would take away: Customs tariffs, far from increasing would remove her advantages. How do you imagine they are going to give your workmen a skill which they do not now possess?”

“Our mechanics are as good as the French.”

“Yes.”

“Then they could make as good automobiles as the French workmen.”

“No doubt English workmen are capable of constructing the machinery of a motor car as well as the French. If they do not do so, as you say, Free Trade is not the cause of that, it is because English builders, engineers, and manufacturers have not yet taken up the industry.”

“Yes, and why? Because they are not protected. If they were protected, they would have felt safe in sinking capital in it.”

“That is not why the automobile industry has not developed in England: in reality it is not an industry yet, but a sport. Look how fast different makes appear and disappear: at no one time are 500 cars turned out of the same type, with the same cylinders, pins, and interchangeable parts. There is a perpetual change. I know amateurs who buy a new one every year. They want the latest, which has won a prize at some race or other. French roads are the best in the world for record-breaking. When automobilism becomes an industry, turning out every year numbers of cars of the same unvarying pattern, then England will have in this, as every other industry, the advantages of Free Trade. But do you think that the motor car was invented in France, thanks to Protection? That that has developed its construction? On the contrary, it has hindered it by hindering the supply of raw materials; and thus it makes the selling price higher.”

“Well, we import your cars; it would be better if we made our own.”

“Do you imagine that Mr. Chamberlain’s 10 per cent. duty will effect that? If it produced its full effect, it would raise 10 per cent. the price of iron, steel, and all raw materials: the price of the car would be higher and the number of buyers smaller. What a strange

idea it is to pay duties as a way of extending your market! It is the markets and not the duties which give employment. Wages are only advanced by employers: they are paid by the consumers; and the dearer they pay the lower is their purchasing power.

VII.—

Imports And Home Industry.

Speaking at Newcastle, October 20, 1903, Mr. Chamberlain said, "In thirty years the total imports of manufactures, which could just as well be made in this country, has increased eighty-six millions, and the total exports have decreased six millions. We have lost ninety-two millions, the balance; that is to say, ninety-two millions of trade that we might have done here has gone to the foreigner. The Board of Trade tells you that you may take one-half of the exports as representing wages. We, therefore, have lost £46,000,000 a year in wages during the thirty years; that would give employment to nearly 600,000 men at 30s. per week, continuous employment that would give a fair subsistence for these men and their families amounting to three million persons."

I have reproduced this clap-trap argument in full. Mr. Chamberlain might have completed it by saying, "Machinery takes work away from men, women, and children: down with machinery!" All Mr. Chamberlain's arguments against foreign imports are equally valid against machinery.

If increased exports had destroyed home industry, wages would have gone down since 1860; but they have risen. The demand for labour has been greater than the supply.

If increased imports had taken work from British workmen, they would have exported themselves. The annual emigration to British possessions between 1854-1860 was, on an average, 134,000, or 48 per 10,000 inhabitants; for 1895-1899, 55,000, or 13 per 10,000; between 1901-1903 it rose to 106,000, or 21 per 10,000.

If increased exports had diminished the demand for labour, pauperism would have increased. Excluding casual paupers, the number of adult able-bodied paupers was—

1855-59 446,000
1875-79 93,600
1895-99 103,000
1900-05 96,000

VIII.—

Opposition Of The Working Classes To Protection.

The question of Fiscal Policy was discussed in September, 1903, at the Trades Union Congress at Leicester. A resolution strongly condemning the Chamberlain programme was introduced by Mr. Sexton, of Liverpool, on behalf of the National Dock Labourers, supported by Mr. Holmes, of Cardiff, representing the Railway Servants, and Mr. Michaels, of London, for the Cabdrivers' Association. This condemnation was not confined to the representatives of the powerful Trades Unions of the Dock Labourers and Railwaymen. The adherence to the Conservative programme of Mr. Macdonald, the secretary of the London Trades Union Council, gave a momentary encouragement to the Protectionists, which was freely exploited by the Birmingham Tariff Committee. He did not appear at Leicester to defend his views, and they were violently attacked by several speakers, notably by Mr. Harvey, of the Miners' Federation. With the exception of Mr. Mosses, of Leeds, and one or two other timid speakers, who professed themselves in favour of an inquiry, there was a general recognition of the benefits of Free Trade. Where, but from protected countries, do the poor foreigners come who carry on the sweating system? In what Protectionist country is the workman's condition as good as in England? In the days of dear bread, wages were 50 per cent. below their present standard, and the price of food has gone down 30 per cent. A national protest against Preferential Tariffs was signed by 960 of the most prominent Trades Union and Co-operative representatives. Twelve out of the thirteen Labour M.P.'s had signed it. The signatures of the officials of the Co-operative Societies represented 2,022,000 members, with a capital of £26,600,000, and a working capital in 1902 of £55,319,000. At the 1905 Trades Union Congress the question was again raised, and the Chamberlain programme thrown out by 1,256,000 to 26,000.

Some of the Board of Trade tables have not been of a sort to attract the English workmen to Mr. Chamberlain's side.

UNITED KINGDOM.	U.S. AMERICA.	GERMANY.	FRANCE.	ITALY.
Principal Trades.	Average of all Trades.	Principal Trades.	Trades.	Manufactures.
1884 83	88·1	—	85	86
1890 90·1	95·5	84·4	—	92
1895 88·2	94·6	84·9	—	98
1896 89·2	94·7	88·6	96	98
1900 100	100	100	100	100

This table shows that wages have risen more rapidly in England than in the United States, though less rapidly than in Germany. The respective rates of wages are as follows:—

AVERAGE OF WEEKLY WAGES (in 40 Skilled Trades).

	United Kingdom.		U.S. America.		Germany. France.			
	s.	d.	s.	d.	s.	d.	s.	d.
In the Capital	42	0	75	0	24	0	36	0
In all other Towns	36	0	69	0	22	6	22	0

RELATION PER CENT. TO UNITED KINGDOM WAGES.

In the Capital	100	179	57	86
In all other Towns	100	193	63	63

Thus German wages are more than a third lower in the towns and 43 per cent. in the capital. The English workman knows that, thanks to Free Trade, he can get manufactured goods and food at the lowest prices. He sees no reason for giving up Free Trade, he had rather go to his Co-operative Society.

When Mr. Chamberlain has once got hold of an argument he sticks to it, however often it has been refuted. At St. Helens on June 3, 1905, he waxed enthusiastic over the condition of the cotton operatives in protected countries, and expressed the hope of seeing English workers similarly placed. Almost the next day the Report of the Tariff Commission on cotton declared "That in these countries the conditions of labour are poor and the wages low." And they count on the lowness of their wages to enable them to compete with England. Inquiries made in connection with the Chamberlain programme have confirmed the following axioms:—

Wages are high in proportion to the cheapness of raw materials. Their rise is conditioned by efficiency of plant and cheapness of transport.

*Free Trade is the policy of cheapness, and therefore of high wages, since on the same selling price they can rise to the full extent of the share that would have been taken by Protection.*¹

The Memorandum has attempted to ascertain the share of export trade in wages. Wages may be estimated as between 40 and 60, say 50 per cent. in exported manufactures, of which the annual average for 1900-4 was £232,000,000—*i.e.*, £116,000,000 in wages; 10 per cent. may be added for repair, secondary labour, &c.; in round numbers wages may be counted as £120,000,000 to £130,000,000. According to the inquiries the total wages of industry in the United Kingdom may be estimated at between £700,000,000 and £750,000,000; consequently wages of the export trade are less than 20 per cent., or a fifth of the whole, and Mr. Chamberlain is thus attempting to upset the whole of English trade to increase, perhaps by a tenth, a fifth of the total wages. It is always the same, this wonderful system of sacrificing the majority to the minority, risking the normal conditions of industry for hazardous advantages.

IX.—

Dumping.

Dumping is the Chamberlainists' favourite argument. The slang term is used to describe the export by a protected industry of goods at or below cost price, which it sells at a much higher price in the home market. Dumping has been employed by the German cartels, but, as Raffalovich has shown in his book on Trusts, Cartels, and Syndicates, at a severe cost to their countrymen. It was said that when the great American trusts found their home markets restricted they would inundate Europe with their products; but this has not been the case. When the United States Steel Corporation became depressed, it did not invade England.

England, say the Protectionists, is the dumping-ground of all nations; but the relative proportion of manufactures to total imports gives them the lie. When the French cotton spinners from the Vosges dumped their cottons in Manchester, they did it to their own loss, and they recognised that a repetition of the process would be their ruin. Mr. Chamberlain and his satellites have all repeated Mr. Byng's dumping theory, but they have either cited no fact or cited them incorrectly. A typical instance—Mr. Alexander F. Acland Hood, Conservative Whip, said at a Unionist meeting at Wellington, at the end of November, 1903: "One of my friends has done a lot of business in the glass trade. Now in France there is a tariff against him. The State Railways carry glass free from Paris to Calais."

As a matter of fact the railway from Paris to Calais does not belong to the State, the tariff is 22 francs per metric ton, and the State gives no bounties on the export of glass.

X.—

The Drain Of Gold And The Balance Of Trade.

In 1902, Mr. Seddon, the Australian Prime Minister, made himself famous by the following statement in a speech he made in London: "The excess of your imports costs you yearly 200,000,000 gold sovereigns."

The facts are so well known that this delightful statement caused an outburst of laughter. Even during the Transvaal War England imported more gold than she exported:—

	Import.	Export.
1899	£32,533,000	£21,536,000
1900	26,190,000	18,397,000
1901	20,715,000	13,965,000
1902	21,629,000	15,406,000
1903	28,657,000	27,766,000
1904	33,876,000	33,099,000

And yet the old Protectionist shibboleths of beneficent exports and ruinous imports were uttered again. Taking the calculation¹ of the Balance of Commerce made by Mr. Robert Barclay, former President of the Manchester Chamber of Commerce, allowing 20 per cent. to cover insurance and freightage on English exports, and subtracting 10 per cent. from imports, we find:—

<i>Imports</i>	£542,906,000
Less 10 per cent. for freight and insurance	54,290,600
Total	£488,615,000
<i>Exports of British Goods</i>	£290,890,000
Plus 20 per cent. for freight and insurance	58,180,000
Total	£349,070,000
Re-exports of Foreign and Colonial Goods	£69,557,000
Add 10 per cent. for freight and insurance	6,956,000
Total	£76,513,000
Total Exports	£425,583,000
Interest on Investments abroad	62,559,000
	£488,132,000

England gains by imports as well as exports, consequently, far from wanting them to decline, she should desire their advance.

XI.—

England Living On Its Capital.

Protectionists represent England as a young prodigal who spends without counting till he is ruined. As a matter of fact England's position to foreign nations is quite different: far from being a prodigal, she is an old usurer. England's revenues from foreign countries have gone on increasing:—

1882-1883	£31,890,000
1886-1887	44,508,000
1891-1892	54,728,000
1896-1897	56,318,000
1901-1902	62,559,000

The example of the Argentine Republic, cited by the Financial Reform Almanac, is decisive. Between 1888 and 1890 England invested a large capital in South American railway construction. For five years, between 1886 and 1890, England's exports to Argentina exceeded her imports, £38,177,000 to £12,628,000. Then the railways began to succeed; the balance changed: from 1891 to 1895 English exports fell to £25,300,000, and imports rose to £28,100,000. Between 1896 and 1901 England had only to draw in profit on the railways; exports rose to £37,114,000, imports to £59,000,000.

If foreign purchases were ruining England and depressing trade returns, the Income Tax schedule would bear traces of it. As a matter of fact it proves the contrary. Taking the most prosperous years:—

Net Revenue (in £1,000,000). Increase. Schedule D.

1868-1869	398}	145	{173
1875-1876	554}		{272
1894-1895	657}	210	{340
1901-1902	867}		{487
1903-1904	903	210	502

“England does not live on its capital, but in part on the interest and profit from capital exported to all parts of the world.”

XII.—

Position Of London.

External trade does not consist solely of goods recorded in the Customs statistics. Mr. Felix Schuster, President of the Union Bank and Vice-President of the Institute of Bankers, has shown with great clearness that Mr. Chamberlain and his friends, in their passion for the unity of the British Empire, forget London, the centre. London is not only the financial centre of the Empire, but of the world. The Chinese merchant who sells tea to Russia or Germany, silk to America or France, sells bills on London to his local bank; and the German merchant who sells his camlet to China does the same. The coffee sent from Brazil to France and Italy, the cotton sent from New Orleans to Poland, the sulphur sent from Sicily to the United States, the agricultural implements sent from the United States to La Plata, are all paid through the City.

Bills on London are the recognised medium of international exchange. The Bank follows trade. Do Mr. Chamberlain and his friends imagine that the means by which they propose to restrict trade will not affect the Bank? If they imagine it, Lombard Street is under no such illusion. Not a single great City banker ranged himself on Mr. Chamberlain's side at the Guildhall, whereas a few days afterwards Lord Avebury and Lord Hillingdon proposed a vote of thanks to the Duke of Devonshire.

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CHAPTER VIII

REASONS FOR MR. CHAMBERLAIN'S DEFEAT

1. Mr. Chamberlain invites 42,000,000 of Englishmen to fine themselves for the benefit of the 12,000,000 inhabitants of the self-governing Colonies; and these 12,000,000 do not elect the members of the House of Commons.

2. The Colonies protect themselves against England; Mr. Chamberlain is deceiving himself when he talks of Free Trade within the Empire, for the Colonies will remain Protectionist.

3. The Colonies will never allow the United Kingdom to dictate their Customs policy for them.

4. On its side Parliament will never allow Canada, Australia, and South Africa to dictate the fiscal policy of the United Kingdom.

5. To give any real advantage to the Colonies the duties on food and raw material would have to be heavier than Mr. Chamberlain would dare to propose.

6. If the duties are light, the bounty which he promises to the Colonies "to cement the Empire" is insignificant and of no avail to open Colonial markets for English goods.

7. The City would as soon cast half of English credit into the sea by adopting bimetallism, as consent to run the risk that bills on London should cease to be the international medium of exchange.

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BOOK VII

PROTECTION IN THE UNITED STATES

CHAPTER I

THE AMERICAN TARIFF

Political questions—Alexander Hamilton, the theory of Protection—Strict and loose constructionists—Protective Tariffs of 1832 and 1861—Tariff of 1883—The McKinley Tariff—The Wilson Tariff, 1894—Retro-active responsibility—Dingley Tariff, 1897—Reaction against Protection.

The question of Protection is not purely economic in the United States or anywhere else: it is always confused by fiscal and political considerations. The first tariff was established in 1789 to ensure the revenue of the Federal Government, although the preamble mentions, among other objects which it had in view, "encouragement and protection to manufacture." The average duty was 5 per cent. *ad valorem*. The theory of Protection was created by Hamilton in his report on manufactures in 1792, but had no immediate effect. In 1808 the Embargo Act forbade American vessels to engage in foreign trade, or foreign vessels to carry cargoes to the United States. In 1809 it was superseded by the Non-intercourse Act, applying solely to England and France. In 1812 war broke out between the States and England. In the midst of these alarms cotton and linen manufactories and hardware factories were established. They had not waited for Protection, but in proportion as they grew stronger they demanded it more and more loudly.

The strict constructionists, holding by the letter of the Constitution, maintained that it only permitted the collection of taxes for revenue purposes. In 1819, however, the loose constructionists, interpreting its spirit more liberally, maintained that the power of regulating trade and providing for defence gave the Government the right of imposing protective taxes. In 1824, having a majority, they passed a tariff definitely framed to exclude foreign commodities; it was followed by the 1828 tariff, so strongly protective that the South protested against what they called "legalised robbery." An attempt to aggravate it in 1832 led to the Clay Compromise in 1833, which provided that the duties were gradually to diminish until 1842, when all were to be reduced to 20 per cent. and a revenue tariff

established. It was completed by the high revenue tariff of 1846. The Republican party, founded in 1856, made Protection an article in its programme, but the fiscal surplus of 1857 caused a reduction to a scale below that of 1816. During the Civil War two tariffs, August 5 and December 24, 1861, raised the duties in order to obtain revenue.

The first revision after the war took place in 1883. The Budget of 1879 showed a surplus of \$100,000,000, and tariff revision was undertaken in order to reduce the revenue. The Commission nominated in 1882 for that purpose was Protectionist: the duties on cheap materials were lowered, but that on wool was maintained; the duties on cheap cotton fabrics were reduced; the duty on pig-iron lowered from \$7 to \$6.72 (29s. 2d. to 28s. 11/2d.), that on steel rails from \$28 to \$17 (116s. 8d. to 80s. 10d.) per ton. There was no change in the duties on agricultural produce. The tariff of 1882 cannot be characterised as embodying any general policy. The majority of the Democratic party tried to obtain a reduction of duties, and the elections of 1888 were fought on the tariff issue. The Republicans came in and passed the McKinley Tariff Act of 1890. The duties on woollen cloth, lowered in 1883, were raised, and the number of taxable articles increased; duties on cottons were raised. The duty on linen cloth was raised from 35 to 50 per cent., on lace from 30 to 60 per cent.; that of 50 per cent. on silk was maintained unchanged. The duty on pig-iron was not raised, and that on steel rails was reduced by \$13.44 (56s. 2d.). The McKinley Tariff revived the 1828 system of minimum assessments and minimum duties, so as to avoid *ad valorem* duties, while making the tariff proportionate to the value of the articles. It was not successful, however, in avoiding them, for the foreign exporter sent goods whose price was just on the minimum, and the importer lowered his price just below it. The complicated nature of the tariff concealed the real relation of the duties to the value of the goods on which they were levied. It was put in operation in October, 1890; by November the Democratic party got Cleveland in as President, and won 236 seats against 88 in the House of Representatives. In the Senate, however, there was a Republican majority of 47 to 39, and even after the 1893 elections the Democrats were only 44 to 38. In 1893, in spite of the views of the Democratic party which had elected him, Mr. Cleveland put an end to the purchase of silver (repealed the Sherman Act), and the Committee of Ways and Means, under the presidency of Mr. Wilson, drew up an amended tariff. Several duties were suppressed, and a general reduction effected, but the policy of Protection was not abandoned. The scheme was passed by the Chamber on February 1st: violently attacked in the Senate, where various amendments were introduced which the Chamber finally accepted. The duty on wool was abolished, and this entailed important modifications of the

duties on woollen cloth. The *ad valorem* duties were reimposed, but for most textiles the changes were unimportant. The duty on pig-iron fell from \$6.72 to \$4 (28s. 11/2d. to 16s. 8d.); that on steel rails from \$13.44 to \$7.84 (56s. 2d. to 32s. 6d.). The duty on sugar, abolished by the McKinley Tariff, was restored in the form of a 40 per cent. *ad valorem* duty, equivalent to 2d. a lb., with an additional tax of 1/4d. per lb. on refined sugars and of 1/5d. on bounty-fed German sugars. If the scale of duties was lower than the McKinley Tariff it was higher than that of 1883. Public opinion, looking to each new Act for a radical change of system, was disappointed. The Protectionists created the theory of retro-active responsibility and blamed the new tariff, put in operation in August, 1894, for the 1893 crisis, whose effects had not immediately ceased to be felt.

McKinley was elected in 1896, not on the tariff but on the silver question; but at the opening of the session of Congress in March, 1897, a raised tariff, drawn up beforehand by Mr. Dingley, the President of the Committee of Ways and Means, was forced through, amended by the Senate, and signed by the President in July. In spite of the protests of the manufacturers, the duties on wool, wool raw material, with the same duties on woollen cloths and worsteds as in 1890, were reimposed. The duties *ad valorem* were combined with the specific duties of 1890. Duties on cotton slightly lower than those of 1890 were imposed; those on iron and steel remained unchanged with the exception of cutlery and small arms. The duty on coal, fixed at 3s. 11/2d. in 1890 (75 cents) and 1s. 8d. (40 cents), 1894, was raised to 2s. 10 1/2d. (67 cents). This tariff is still in force, and may be regarded as the maximum of Protection which America will support. In the electoral campaign of 1904 the Republicans declared their belief in Protection, the Democrats in Free Trade; but the Democrats made the mistake of not formulating the reforms they would introduce if returned to power, while the Republicans did admit that modifications might be introduced. Theodore Roosevelt declared in the letter in which he accepted the Presidency that "The schedules are liable from time to time to modification and revision to meet changed conditions; that can only be done safely by those who are devoted to the cause of Protection." In certain states, for example Massachusetts, although Roosevelt polled a majority, the Democratic candidate was elected a governor, which showed that there were Free Traders among those who contributed to his overwhelming success. The question was, "Would his message deal with the tariff, and would he call an extra session to deal with it?" He merely said, "The tariff must be applied in a progressive spirit and in accordance with the changing conditions of the times." But it is easy to predict that the tariff will be modified after the next presidential election, and modified in a liberal direction. Optimists quote the American dictum, "You can

fool some of the people all the time, or all the people some of the time, but not all the people all the time.”

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CHAPTER II

PROTECTIONIST ARGUMENTS

Protection demanded by industries in proportion to their strength—The drain of gold—Each buyer a Free Trader.

American Protectionists rely on the authority of List, who followed Colbert in the use of the infant industries argument, but tariff history in the United States, as everywhere else, proves that the demands of any industrial group for Protection grow with its growth. The American Protectionist is no better acquainted with economic laws than the European politician. On December 15, 1904, Senator MacCumber said: "Our receipts rise at the rate of 2 per cent. on our imports; every 20 cents that comes into the Treasury from imports shows that we have sent a dollar from this country to that from which the goods come." Mr. MacCumber evidently has the most profound contempt for economics.

At the Arlington Hotel, Washington, one room was given up to an exhibition of Eastern carpets, which pay a 60 per cent. import duty on coming into America. I saw Mr. Nelson W. Aldrich, President of the Finance Committee of the Senate, among the buyers.

"So," I said, "you are a Free Trader, Senator!"

"Oh no," he said, "far from it."

"Oh yes," I replied, "every buyer is a Free Trader."

This truth seemed startlingly new to him. The Protectionist turns to you, "Statistical Abstract" in hand, and shows you the progress of the United States as proved by each year's return, the development of their foreign trade; all this success he modestly puts down to Protection, giving no credit to America's resources, capacity, and energy.

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CHAPTER III

PROTECTION AND INDUSTRIAL ADVANCE

Increased consumption not due to Protection—Protection diminishes purchasing power—The metal trade in America—Development in response to demand.

To prove the inherent virtue of Protection it must be proved that increased consumption is due to it. The tariff could not have assisted railway development; by raising the selling price it rather restrained it, otherwise for the same cost more lines could have been laid and heavier rails. Protective duties can only increase consumption at the cost of over-production, which sends prices down, as has been the case at crises in American commercial history, when capital is wasted and loses its purchasing powers. Its normal effect is not to encourage but to diminish consumption by reducing the purchasing power of buyers in compelling them to pay 20, 30, 50 per cent. for the things they need above their natural prices. It is a mistake to attribute the increased consumption of iron and steel in America to the Customs duties, which have rather hindered than helped it. Mr. David A. Wells, a former Revenue Commissioner, responsible for the Civil War Settlement, deals in his work, "Recent Economic Changes," with the position of the American metal trade between 1878-1887: "The world's average annual production of pig-iron was, in round numbers, 20,800,000 net tons of 2,000 lbs. each; the average product of the United States was 4,758,000 tons. The average annual import was 1,100,000, to which 225,000 net tons may be added for machinery, hardware, &c. The aggregate excess of cost of iron and steel in these ten years to the consumers of the United States above that paid in Great Britain was 560 million dollars, an average of 56 million dollars a year; for the single year 1887 the disparity in price for the United States was 80 million dollars, while the revenue derived for that year was only 20,783,000 dollars. According to the 1880 census, 300,000 workmen were employed in iron and steel plants at an average wage of 400 dollars a year (about 30s. per week), making a total of 120 million dollars, on which the United States paid 80 million excess."¹

Some one is sure to say, "That proves that Customs duties improve employment." Leaving out of account for the moment the effect of the duties in lowering the wages and diminishing the demand for the labour of the workmen, who, though not producing raw materials, are dependent on its producers, although Mr. Atkinson

estimates at 100 million dollars the loss caused during this period of the restraint placed by the high prices of steel and iron on the manufacture of high-class goods, the question is, Would there have been no furnaces and no production of steel and iron in America without the duties? During this period the output of Great Britain averaged 7,559,000 tons of 2,000 lbs. The United States' consumption, 6,000,000 tons, represented more than three-quarters of this total. But England and Germany could not have continued to satisfy the United States' demands; the price of iron and steel would have risen so high in England as to make the establishment of metal works of their own of the first importance for the States; and arising out of the natural order of things, they would have escaped the intermittent crises caused by the over-production encouraged by high Customs tariffs. Since 1892 the pig-iron trade fluctuated as follows:—

Tons metric.

1892 9,150,000
1893 7,124,000
1894 6,657,000
1895 9,446,000
1896 8,623,000
1897 9,652,000
1898 11,773,000
1899 13,620,000
1900 13,789,000
1901 15,878,000
1902 17,821,000
1903 18,009,000
1904 16,000,000

Pig-iron rose from \$12 to \$24 per metric ton from 1900-1903, and steel from \$16 to \$35. Production, encouraged beyond bounds by Protection, had to be restricted: from 415,400 tons a week in June, 1904, it fell to 250,000 in December; in summer the price of iron fell to \$12.75 and steel bars to \$19. Later, when the price rose again to \$28, large orders were made by the railway companies, and the weekly output again increased to 375,000 tons. In 1902 and 1903 even this supply did not meet the demand. America imported 158,000 tons from England and Germany in 1902, and 956,000 in 1903. The United States' consumption was 18,000,000 tons in 1902, and 18,700,000 in 1903; that of England being 7,875,000, Germany 9,758,000 tons, France 2,749,000, Russia 2,457,000—thus equal to England and Germany together.

Supplies from England and Germany could not have met the American demand. America had great natural advantages for the

development of the metal trade at Pittsburg, Chicago, St. Louis, and the Western regions. There was natural gas at Pittsburg, coal and ore near Lake Superior; and the selling price must be lower than that of coal coming across the sea to ports far distant from the interior. Therefore, though its immediate expansion might not, unassisted, have been so striking, any loss would certainly have been compensated for in the freedom from duties and the enormous prices which they involved; and America need not, any more than England, have been confronted with the problem of trusts. The fallacy of regarding increased consumption as due to Protection is obvious: it increased in spite of Protection, not by its aid, and led in its turn to the development of one industry after another, a development due not to Protection, but to a higher standard of comfort which was the cause of that industrial expansion which Protection, instead of assisting, has hindered and continues to hinder. American modesty is mistaken in attributing prosperity to a tariff which retards it.

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CHAPTER IV

THE BURDEN OF PROTECTION

Incidence—Duty on raw materials equal to £120,000,000.

National expenditure is relatively small; the National Debt also—\$914,500,000; the interest being \$25,541,000, *i.e.*, 32 cents—1s. 4d. per head. The ordinary budget was \$560,000,000 in 1903, of which \$279,800 came from the Customs, and represented a tax of 14s. 8d. per head—according to the Protectionists the total effect of the duty. In so far, however, as the tariff did not raise the price of home products by the full amount of the tax, it failed of its protective purpose; and it is therefore not enough, in increasing the burden it imposed, to look at what the Treasury received: that is found by multiplying the rise in price of dutiable articles by the amount consumed.

The following table gives the value of the imports, dutiable and exempt, and the proportion of duties on the former for the fiscal year ending June 30, 1903:—

	Exempt.	Dutiable.	Total from Duties.	Per cent. on Dutiable Articles.
Food and Live Stock	100·9	111·1	80·8	72·80
Raw Material	283·0	100·5	28·0	27·85
Partly manufactured	26·0	71·1	18·2	25·65
Manufactured	14·2	155·0	76·3	49·22
Luxuries	13·0	132·7	76·2	54·47
	437·1	570·4	279·5	49·03

Thus in 1897 dutiable goods were 50 per cent., the whole more than 58 per cent. in 1901 and 1903, and 54·18 per cent. in 1904—that is, rather more than half the total import. The yield of the duties on food and live stock is higher in proportion than the yield from those on luxuries, since it falls on the necessities of existence. Up to 1897 raw materials were from 20 to 26 per cent. of the imports, since they have been 32 to 38 per cent., while partly manufactured goods are 9 to 12 per cent.

IMPORTS IN MILLION DOLLARS.

	Raw Materials.		Partly Manufactured.		Other Imports.	
	Total.	Per cent.	Total.	Per cent.	Total.	Per cent.
1903	1,007·9	383·6 38·06	97·1	9·64	527·1	52·3
1904	991·0	321·5 32·44	136·6	13·78	582·9	53·7

Thus half of the imports are goods which form the material of the industries of the United States; and all taxes on raw materials are taxes on industry which uses, according to the census returns, 2,391,000,000 dollars' worth of raw materials and 4,684,000,000 dollars' worth of partly manufactured goods—a total of 7,030 million dollars' worth.

According to the commercial tables for 1904, 308 million dollars' worth of raw materials were exempt, while 181 million dollars' worth, *i.e.*, 35 per cent. of the whole, paid a duty of 25 to 30 per cent. Applying this percentage to only a third of the raw materials of industry, there is a tax of over 600 million dollars on the raw materials of the United States; and yet this system is by some strange irony called protective!

While America practises economy of effort in all the daily actions of her industrial life, her Customs duties multiply the efforts necessary to procure her the foreign products that she needs, and even the raw materials that she finds at home.

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CHAPTER V

ASSESSMENT OF THE TARIFF

Wool—Foodstuffs—Agricultural produce exposed to competition—Number of people affected and benefited by the duties.

Some raw materials were specially heavily taxed—for example, wool, of which the two highest qualities paid 5½d. and 6d. per lb. What is the bearing of a tax on wool to the farming interest? According to the census, the produce of 5,500,000 farms was 5,000 million dollars' worth—wool representing 6 million dollars' worth, or less than a quarter per cent. Estimating the return to each farm at 700 to 800 dollars, wool represents the income of 70,000 or 80,000 farmers out of a total of 5½ millions. As a matter of fact, the keeping of sheep was a mere by-product to the farmers; a few capitalists owned large flocks, and for them the duty was established which did so much harm to the cloth trade.

There was a tax of 1s. 1d. (25 cents) per bushel of potatoes; in 1902 7 million bushels had to be imported, with a duty which amounted to nearly 1,500,000 dollars. Nine million dollars came from the duties on eggs, cabbages, oats, and other foodstuffs.

According to the census, agricultural produce was worth 4,739,000 million dollars, an estimate that probably fell below the truth. Mr. Edward Atkinson, in his "Facts and Figures,"¹ made an inquiry into the proportion of produce affected by foreign competition. Taking all together—rice, linseed, tobacco, hops, sugar (24½ millions), wool (45 millions)—the total is some 169 millions; adding skins, fruits and nuts, there is a total of 200 million dollars' worth exposed to foreign competition—about 4 per cent.—which must, however, be reduced to allow for the fact that about half these products would not be affected by the repeal of the duties.

Of the 10 million persons engaged in agriculture only some 200,000 are exposed to foreign competition.

Class I.

Free from Foreign Competition in Agriculture, and listed under that title.

Farmers, Planters, and Overseers	5,674,800
Agricultural Labourers	4,410,800
Gardeners, Florists, and Nurserymen	61,700
Dairy Men and Women	10,800
Other Agricultural Pursuits	5,500
	10,163,600
Lumbermen and Raftsmen	72,000
Stock Raisers, Herders, and Drovers	85,000
Turpentine Farmers and Labourers	24,700
Wood Choppers	36,000
	10,381,300
Less the number subject to competition removed to Class III.	200,000
Total	10,181,000

Also Free from Foreign Competition.

All Persons in Professional Service	1,258,700
All Persons in Domestic and Personal Service	5,580,000
All Persons in Trade and Transportation	4,766,900
	21,800,000

Free from Foreign Competition in Manufactures and the Mechanical Arts.

Building Trades	1,212,000
Oil	24,000
Brick and Tile Makers (with a few exceptions)	49,900
Miners and Quarrymen (with a few exceptions)	563,800
Bakers	79,100
Butchers	113,900
Confectioners (with a few exceptions)	31,200
Millers	40,500
Blacksmiths	226,400
Iron and Steel Workers (with few exceptions)	290,600
Steam Boilermakers	33,000
Stove, Furnace, and Grate Manufacturers	12,400
Wheelwrights	13,500
Boot and Shoe Makers (with few exceptions)	208,900
Leather Curriers and Tanners (with few exceptions)	42,600
Cabinet-makers (with few exceptions)	35,600
Saw and Planing Mill Operatives	161,600
Printers and Engravers (with few exceptions)	155,000
Miscellaneous Industries	696,000
Fishermen and Oystermen (except the small number in deep-sea fisheries, transferred to No. III.)	60,100
Engineers and Firemen (except some 23,000 under II. and III. in part or fully subject to foreign competition)	200,000
Total	4,300,000

Class II.

Persons occupied for Gain who would be practically Free from Foreign Competition if Materials of Foreign Origin used in their Processes were Free of Duty.

Machinists	283,100
Textile Industries (except those occupied in the finer and fancy fabrics, 67,000)	500,000
Tailors, Seamstresses, Milliners, Shirtmakers, and makers of other clothing (except those employed on fancy and fashionable goods, 7,400)	900,000
Tobacco and Cigar Makers (with few exceptions)	131,400
Manufacturers and Officials (except 3,000 in Class III.)	240,000
Minor Industries	653,000
	2,707,500
Minus luxuries, to go to Class III.	312,000
Total	2,395,500

Class III.

Subject to Foreign Competition.

Agriculture	200,000
Deep-sea Fisheries	8,000
Textile Operatives	67,000
Clothing	7,400
Glovmakers	2,200
Manufacturers and Officials	3,000
From Classes I. and II.	312,000
Total	600,000

According to the census the total population engaged in industrial enterprise is 29,074,000. Deducting 600,000, there remain 28,474,000 persons with nothing to gain from Protection, who are engaged in trades which are dependent on the protected industries, which form 2 per cent. of the whole.

Thus in an intelligent and educated democracy, conscious of its rights, the majority, voting by manhood suffrage, elects representatives to lay upon them private taxes for the benefit of a negligible minority; the same blindness afflicts them that leads the French democracy to assure the profits and guarantee the rents of a minority of less than 5 per cent.

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CHAPTER VI

AMERICAN TRADE

Export of manufactures—Share to Europe—Share to France—Development of French imports in spite of the McKinley Tariff—Contradictory dangers—High and low wages—Share of export in industry.

American foreign trade has considerably developed. Its exports not only include food and raw materials, *e.g.*, cotton, they also show a great increase in manufactured articles.

	Total Exports in Dollars.	Exports of Manufactures in dollars.	Proportion per cent.	Increase on the Previous Period in dollars.
1880	823,946,953	102,856,015	12·48	34,576,251
1890	845,293,828	151,102,376	17·87	38,246,361
1900	1,370,763,571	433,851,756	31·65	282,749,380
1904	1,455,171,251	452,445,629	31·52	18,593,873

The following are the ten articles which form 80 per cent. of the exports of manufactured goods:—

	1902.	1904.
	Dollars.	Dollars.
1. Paper and Paper Goods	7,312,030	7,543,728
2. Paraffin	8,858,844	8,859,964
3. Wooden Articles	11,617,690	12,981,112
4. Foreign Goods (re-exportation)	12,141,011	13,355,694
5. Agricultural Products	16,286,740	22,749,635
6. Leather Goods	29,798,323	33,980,615
7. Collar Yarn and Textiles	32,108,362	22,403,713
8. Copper	41,218,373	59,142,079
9. Mineral Oils	66,218,004	72,487,415
10. Iron and Steel Goods	98,552,562	111,948,586

Turning to the share of Europe in United States trade, we find that she supplies 50 per cent. of their imports:—

Total Importation U.S.A.	Europe.	Per cent.
1904 991,090,000 dollars	498,172,000	50·26

and Europe takes nearly three-fourths of the United States exports.

Europe. Per cent.

1904 1,057,901,000 72·42

Of manufactured goods she takes less, 40 per cent., or 206,800,000, out of 396,400,000 dollars' worth; while South America only takes 6 or 7 per cent.

The share of France is shown by the Customs of the United States:—

	France.	Europe.	Total.
	Dollars.	Dollars.	Dollars.
U.S. Exports, 1902	71,512,900	1,008,003,900	1,381,719,400
U.S. Exports, 1903	77,285,200	1,029,526,600	1,420,141,600
U.S. Exports, 1904	85,005,700	1,057,901,000	1,460,868,000
U.S. Imports, 1902	82,880,000	475,161,900	903,320,900
U.S. Imports, 1903	90,050,000	547,226,800	1,025,719,300
U.S. Imports, 1904	81,134,000	498,172,600	991,090,900

When imports and exports are taken together—and their proportion is very nearly equal—France stands third among the nations trading with the United States. The McKinley Tariff did not succeed in checking French imports; they rose 25 per cent. between 1896-7, when they stood at 67,530,000 dollars, and 1902-04, when they were 84,680,000; and in spite of the Méline Tariff the exportation of American manufactures to France rose from 6,049,000 dollars in 1892 to 26,775,000 dollars in 1900, and to 16,786,000 in 1903.

These figures prove that Customs tariffs do not prevent people buying the things they need from one another; they pay more for them, that is all, and therefore must either buy less at home or less abroad, or save less. Some continental Protectionists are quite ready to sell to the States as long as they buy nothing from them; they really deplore Columbus' discovery of America. All the same, the annual exportation thither of £16,666,000 worth of French goods is by no means a matter of indifference to many Frenchmen, representing as it does nearly one-eighth of our total exports. Only, as soon as America sends us nearly as much in return, they cry out about the American Peril and the Yellow Peril! The Yellow Peril: that means the invasion of Europe by Chinese and Japanese goods, imminent because labour is so cheap in China and Japan—and yet the same people talk about the American Peril, although certainly it cannot be the cheapness of American labour that encourages their exports, since wages there are 100, 200, and 300 per cent. higher

than those of European countries. *If the foundation for the dread of the Yellow Peril is the cheapness of labour, there is no American Peril; if, in spite of the high rate of wages, the American Peril does really exist, there is no ground in the lowness of wages for apprehending the Yellow Peril.*

It is worth while to find out the proportion of the export of manufactured products relatively to the whole production of the United States. 9,858 million dollars of capital is engaged in industry, producing 13,050 million dollars' worth of goods per annum. 5,064 millions of this capital are in the hands of eighteen industries; they are, therefore, the most important. They may be divided into three groups—1

A. Internal industries: gas, electric light, printing, bricklaying, railway carriage building, &c. This group represents a capital of 1,651 million dollars, or 33 per cent. of the whole.

B. Industries exporting food and raw materials: timber, pressed meat, flour, &c. This group represents 1,159 million dollars, or 23 per cent.

C. Industries whose products can compete with the manufacture of other countries: *e.g.*, steel and iron, textiles, cotton and woollens, chemical products, leathers and shoes, agricultural implements and machinery, carriages and carts. This group represents a capital of 2,252 million dollars, or 44 per cent.

Taking now the annual value of these products—

A. 1,080,000,000 dollars, or 171/2 per cent.

B. 2,272,000,000 dollars, 391/2 per cent.

C. 2,493,000,000 dollars, 43 per cent.

Let us put ourselves in the place of the manufacturers who evoke the American Peril, and compare the value of the output and exports of the third group (in million dollars)—

	Output.	Export.	
	1900.	1900.	1903.
Steel and Iron and Machinery	835·7	121·9	96·6
Textiles (Cotton)	339·2	24·0	32·2
Textiles (Wool)	427·9	1·3	1·7
Chemicals	202·6	13·2	13·6
Leather and Shoes	465·0	28·0	31·6
Agricultural Machinery	101·2	16·0	21·0
Carriages and Carts	121	9·9	10·4
Total	2429·6	214·3	207·1

That is to say, this industrial group produces primarily for home consumption; its exports are only 8 to 9 per cent. of its output, and they are forcibly restricted by the rise in selling price which follows from the Customs duties.

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CHAPTER VII

CONCLUSIONS

1. High wages are not due to Protection, but to the scarcity of skilled labour; of the emigrants few are skilled artisans, the majority being casuals or agricultural labourers, the best of whom become farmers.

2. Americans are too modest in attributing their success to Protection. In their case, as in that of every other nation, it is due to great natural resources in pasturage, forests, and mines, and to the energy, mechanical genius, and capacity for organisation shown by their people. When they replace their protective by a revenue tariff they will advance by leaps and bounds.

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BOOK VIII

GERMAN NATIONAL ECONOMY

CHAPTER I

NATIONAL POLITICAL ECONOMY

Friedrich List—Colbert *redivivus*—National entity and the suppression of the individual—Against Adam Smith—His principles—Schmoller's Orthodoxy—Failure.

In 1841, Friedrich List, a German who had for long resided in England and the United States, published a book entitled "A National System of Political Economy." When no one paid any attention to it, he killed himself.

List revived the old Colbertism. According to him buying and selling is not done by separate individuals, but by nations. Anticipating the Collectivists, he made a single entity of the millions of men that form a nation, and set up this idea in opposition to the individualist school of economists who say that it is not the Government which creates the taxpayers, but the taxpayers who support the Government. He accused Adam Smith of cosmopolitanism when he asserted that the laws of exchange do not alter at every frontier; of materialism when he freed economic science from political and other considerations; of individualism when "he failed to understand the nature of social effort." He himself formulated a principle that certainly was not new: "A nation should be self-sufficient: its statesmen should protect its industries against the competition of those of more developed nations."

His imitation of Colbert made List a great man in Germany: since 1879 his spirit has governed its Government and inspired its professors. Schmoller, in his inaugural address as Rector of Berlin University, took care to warn the professors that "disciples of Adam Smith were no use there: if they did not wish to resign their chairs, their science must conform to the exigencies of politics." At the Berlin International Statistical Institute, I heard Wagner, in a lecture on the incidence of Customs duties, speak of Bismarck as an infallible authority to whom every statistician must bow the knee. And what are the results of this national political economy, which is an *instrumentum regni*, and not a search for truth? what

are the results of its axioms and the means employed to realise them?

In 1879 Bismarck embarked on a fiscal policy which led to the shipwreck of his political enterprise: until 1890 the Emperor William II. was faithful to his plans, only to throw them overboard; by a more than Swiftian irony the measures employed to assist national as a matter of fact assisted foreign industry: and all this forces us to the conclusion that the national Political Economy was but a will-o'-the-wisp: its pompous title a glittering covering for the old fallacies.

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CHAPTER II

TWO CONTRADICTIONARY FISCAL SYSTEMS

I. Complaints of the agrarians—II. Bismarck fights against Socialism and helps it to expand—Milk-and-water Socialism *v.* Democratic Socialism—The Caprivi Treaties—Division of the population according to occupations—Back to the land. Taxes on food—III. North, East, and South Germany against Westphalia and the Rhenish provinces—Changed outlook—Posadowsky—Wheat and rye—Incidence of duties—IV. Small and large holdings—Calculation of incidence—Mr. Arnold White on reality and political institutions.

I.

In 1894, when France raised the duty on corn to 2s. 10d., Germany lowered it to 1s. 11d. per cwt. The agrarians complained that they were being sacrificed to the manufacturers: they, the solid foundation of Europe in general and Prussia in particular. The aim of the Chancellor, Caprivi, was to open markets to German manufactures; the aim of the Emperor in introducing the 1902 tariff was to close Germany to agricultural competition. The 1902 tariff is an attempt to check the flow of the population to the industrial centres and keep it on the land.

II.

When Bismarck tried to stamp out Socialism in 1879, he attempted to do it by imposing Customs duties which acted as a hothouse for industry, and spread Socialism far and wide; the logical completion of this delightfully illogical policy was the establishment of the Imperial Insurance Bureau as a soothing poultice in the form of bureaucratic Socialism, under whose application he imagined that the Social Democrats would melt away.

The result was that they polled three million votes at the 1904 election.

Caprivi, rightly judging that a protective policy which encourages production without providing for commercial expansion naturally leads to crises, pursued the Bismarckian policy in the commercial treaties of 1891, and with success, as the German census returns testify. In 1871 the rural population living in groups of less than 2,000 inhabitants was 64 per cent. and the urban population 36 per cent. of the whole; in 1898 they were equal. Now, whereas the

urban population is more than 54 per cent., the rural has fallen to 46 per cent. The division into occupations was as follows, according to the 1896 census:—

	1882.	1895.
Agriculture	43·38 per cent.	36·19 per cent.
Industry	33·69 per cent.	36·14 per cent.
Trade	8·27 per cent.	10·21 per cent.

The Emperor, whose speeches at Essen and Breslau in 1902 showed his hatred of the Socialists, saw that it was suicidal for a Government, such as he intended to maintain, to encourage the growth of an industrial population in Germany: reversing the political traditions of the last quarter of a century he aimed at an agrarian policy. But it is certain that taxes on food have never operated to send workmen from factories and mines back to the land; nor does any better success attend the policy of artificially retaining on the soil the labourers who are anxious to leave it, by means of taxes which make the town workers dependent on the agricultural interest. The 1902 tariff contained a minimum tariff for cereals which narrowed the field of possible treaties of commerce. The duty on rye and oats was raised to 2s. 6d. per cwt. (a rise of 43 per cent. on the first and 78 per cent. on the second); that on wheat to 2s. 10d. (a rise of 57 per cent.); that on brewing barley to 2s. (a rise of 100 per cent.); while the duty on other barley was 7d. The duty on beef was raised to 6s. per cwt., the average weight of an ox being reckoned in Germany as 12 cwt., of which 58 per cent. can be used as food. When Von Bülow laid the commercial treaties before the Reichstag on February 1, 1905, he took care, in order to curry favour with the agrarians, to announce a rise in the duty on bacon from 2s. 6d. to between 6s. and 7s. The trebling of the duty was greeted by violent protests from the Extreme Left. "You protest against the increase in Customs on foodstuffs? Follow the example of the Radical majority in the French Republic. They passed a duty of 2s. 10d. on wheat—higher than ours, that is. In 1903 they raised the duties on live stock to 8s. per cwt., making the tax on meat 14s., and raised the duties on pork to 6s. and 10s. What have you to complain of when they pay more than you will have to do?" Von Bülow was right. French fiscal policy was as incoherent as the German; but there is no logic in imitating some one else's want of logic.

Naturally, the proposers of such an imposition make it quite small, which in itself condemns it. The preamble declared that the average duty on the German tariff was 9·4 per cent., that on the French 9·6 per cent., and the Italian 13·7 per cent. The new tariff represented an increase of 2·26 per cent., but M. Posadowski added that the commercial treaties would involve a farther rise of

from 1 to 1 1/3 per cent., affecting 241 out of 946 items—a quarter of the whole. The tariff was strongly opposed by the Socialists, Liberals, the Liberal League, and the Southern Democrats, and of course the agrarians found it inadequate, since, if they wanted to prevent other people from eating, they are always greedy enough on their own account. Von Bülow, addressing the Reichstag, declared that he considered that it was of first-rate importance to preserve the agricultural population in the north, east, and south of Germany as the granary of Germany and the recruiting ground for the army. The Emperor allowed himself to dream that a few shillings on corn, rye, beef and bacon could alter the movements of the population.

III.

There is a tendency in Germany for the centre of gravity to shift westwards. Lübeck still keeps some of the glory of the old days when it was head of the Hanseatic league, but it has now but 82,000 inhabitants. Two lines can be drawn across the map to indicate the maximum density of population: one from Aix-la-Chapelle to Breslau goes from the foot of the mountains to the centre of Germany, the other follows the Rhine Valley from the Swiss frontier to the mouth of the Rühr. Berlin has 1,888,000 inhabitants, Hamburg 705,000, Munich 500,000, Dresden 476,000, Leipzig 456,000, Breslau 422,000. Breslau is the only town east of Berlin with more than 400,000 inhabitants; of eight towns with more than 200,000, Stettin is the only eastern one. Berlin stands midway between the eastern and western frontiers of Germany, but the living forces are all to the west; the Emperor, regarding them with suspicion, tried to counteract them and prevent their expansion.

The agrarian policy of the Government was expounded by Posadowski, the Home Secretary, at a meeting of the Reichstag, on February 23, 1905, as intended to balance the impatient and “hysteria” of German public and political life by the agricultural interest which he called “the solid anchor of the ship of state”; the stable element of agriculture was to act as a counterpoise to the floating population of the towns which formed the unprecedentedly large Radical majority in the Reichstag. He admitted that such a policy, aimed against the representatives of trade and manufacture involved an increase in the cost of living; and though he did not say that the Government imagined that such a result would enlist support, he did, like Mr. Chamberlain at Glasgow, affirm categorically that it would raise wages.

Von Bülow’s argument against the Socialists from the example of France was really brilliant. “They tax wheat,” he said, “and yet

wheat is a much more important item of diet in France than it is in Germany." As a matter of fact, the German wheat crop in 1903 was only 70 million cwt., an allowance of 124 cwt. per 100 inhabitants, while in France it was 440 cwt. per 100. Germany imported 44 million cwt., or 62 per cent. of the total consumption, while the export was negligible in amount; and this made an allowance of little more than 1 cwt. per head. Adding a quarter to arrive at the ordinary ration of the French soldier, and allowing for the lower diet of women, children, and old people, the German allowance of bread is only 275 lb. instead of nearly 790 lb., the normal French allowance.

Wheat, which does not grow at all in the north, is a luxury in Germany. For a long time the staple food of Central Europe was oats, now it is rye in Germany, which can be grown on the poor land and bare hillsides which are not fit for wheat, but even of that there is not a sufficient supply. Germany imported 8,800,000 metric tons in 1902-3, and 3 millions tons in 1903-4.

Potatoes, difficult to transport, are used for distilling as well as for food; they are grown over 11/2 million acres, an area twice as large as that devoted to them in France. Germany is not self-sufficing. In 1903 the import of agricultural produce was 154 million cwt., worth £51,050,000, and in 1904, 146 million cwt., worth £50,900,000; while the export was only some 20 to 24 million cwt., worth £7,000,000 to £8,000,000; *i.e.*, 14 per cent. of the imports. Mr. Noel said: "Germany's herds have improved, for imports have declined." As a matter of fact, there might be many other causes for a decline in the imports, which have, however, as a matter of fact, not declined: between 1892-1902 they increased from £950,000 to more than £3,650,000.

The incidence of Customs duties received some attention in Germany: from a comparison between corn prices in London and Berlin, Professor Conrad, of the latter university, established an excess of the Berlin prices as follows:—

s. d.

From 1886-1890 31 6 per ton

From 1891-1895 46 0 per ton

From 1896-1899 34 3 per ton

The price of rye on arrival at Dantzic rose as follows when placed on the German market:—

Dantzic. German Market. Duty.

	s.	d.	s.	d.	s.	d.
1885-1889 per ton	97	6	134	0	30	0
1888-1891 per ton	113	8	167	3	50	0
1892-1895 per ton	102	3	138	0	35	0
1896-1899 per ton	98	9	134	0	35	0

Of course, in Germany, as in France, it is said that the consumer of bread does not feel the Customs dues on corn or flour: but Professor Hirschfeld, in a monograph on the prices paid for flour and rye-bread in Berlin between 1886-1895, and Dr. Paul Mombert, in a book called "The Annual Burden laid on the Workman by the Corn Taxes," have proved that the price of the product depends on the price of its raw material. A tax on rye of 35s. per ton takes 4·5 per cent. from the income of a workman's family of ten, and the figures prove that duties on food are a bounty on small families.

IV.

Of course, only the great landowners have an interest in Customs duties. The *Vossische Zeitung* asks how they can benefit the small owners who have no corn to sell. A small farmer produces 10 tons of rye and sells 1 ton; supposing that he gets the full profit of the duty of 2s. 6d. per cwt., the tariff gives him 50s., which, spread over his 10 tons, leaves him a profit of 3d. per cwt. The great owner producing 2,000 cwts. can sell 1,800 of them; Protection gives him £225, a profit on his total production of 2s. 3d. a cwt. Thus the small farmers cannot buy at a profit; they must buy at a loss.

The following table summarises the burden that would be imposed upon Germany by the rise in duties:—

	Duty.		Home Harvest.	Share of the Landlords.	Import.
	Per cwt.				Million cwt.
	s.	d.	Million cwt.	£	
Wheat	2	9	74	210,175,000	40
Rye	2	6	190	23,750,000	16
Barley	1	3	66	4,125,000	30
Oats	2	6	150	18,700,000	8

Amount of Import Duty received by State.

Wheat £5,200,000

Rye 2,000,000

Barley 1,875,000

Oats 1,000,000

That is, a total for the landed proprietors of £56,800,000, and for the State of £10,275,000. Subtracting about one-third to cover the farmers' expenditure, and adding their gains from other forms of agricultural produce, one would not be far out in assessing the total at £40,000,000 for them, and more than £10,000,000 for the State—a total of about 50 millions, or an increase of 25 millions on existing burdens.

Much, indeed, would be gained if the Emperor, instead of running off on schemes for sanatoria, would allow his subjects wheat and rye enough to eat; if the Socialists of the chair of the type of Mr. Schmoller would turn their philanthropy from the service of Imperial paternalism to defending the great majority of the poor from his hunger tax. As a matter of fact the population, "protected" by Customs duties which make it the slaves of the rich, is in a condition which has been described by Mr. Arnold White, former United States Ambassador to Berlin: "The food of the poorer classes in Germany is wretched; in many of the great industrial centres human beings live like animals. The condition of the peasants in Prussia, Silesia, and Thuringia is fearful. This terrible misery is hidden by the humanitarian political institutions which deceive the superficial foreign inquirer, but they are the merest disguise for the all-directing state, and already falling into ruins."

Such are the results of German Protection from the point of view of the food and "general well-being of the working classes."

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CHAPTER III

GERMAN FOREIGN TRADE

Customs statistics worthless up to 1880—Inclusion of the free towns after 1889—Statistics from 1889-1904—Export—Payment of debt—Iron—Imports increase in spite of efforts to restrain them.

Nevertheless a great deal has been made of the industrial development of Germany, and although her imports exceed her exports, those who weigh the balance of commerce are never tired of admiring the increase at each end of the scale; they even go as far as to compare the trade of Germany in 1870 with that of 1904, although since the German Empire only came into existence in 1871 any calculations up to 1880 are quite worthless. Hamburg and Bremen did not enter the Imperial Customs Union (Zollverein) till 1888. Customs statistics before 1888 cannot be compared with that of to-day; those who undertake such a comparison may obtain some very striking percentages, but all their conclusions are nullified by their mistaken premises. Glancing over the statistics for German imports and exports since 1889, we find:—

Year.	Imports.	Exports.	Total.
1889	£199,450,000	£158,250,000	£357,700,000
1892	200,950,000	147,500,000	348,600,000
1895	206,050,000	165,900,000	382,250,000
1896	215,035,000	176,250,000	381,200,000
1897	234,050,000	181,750,000	415,800,000
1898	254,050,000	187,750,000	441,850,000
1899	274,150,000	210,350,000	484,500,000
1900	288,750,000	230,550,000	518,300,000
1901	271,500,000	221,550,000	517,700,000
1902	281,550,000	233,850,000	510,400,000
1903	300,150,000	250,750,000	550,900,000
1904	314,550,000	258,600,000	578,150,000

The increase in exports from 1895 on is due to Caprivi's policy of commercial treaties, which, however, the Emperor did not hesitate to sacrifice to agrarians. The increase of exports in 1902-3 is not due to prosperity, but to the liquidation of the stock incurred at the time of the crisis of 1902, as the following table of the production and trade in iron proves—(·000 tons):—

Year.	Production.	Imports.	Exports.	Excess of Exports
1899	8,143	846	1,510	670
1900	8,520	933	1,549	566
1901	7,880	401	2,347	1,946
1902	8,403	269	3,309	3,040
1903	10,086	916	3,481	3,165
1904	10,104	345	2,770	2,425

If the prosperity of an industry were measurable by its exports the metal trade in Germany would never have been so prosperous as in 1902 and 1903. This was due to the crisis when the impossibility of selling at home forced goods on to the foreign market. Business looked up; there was an increase in home consumption, as is shown by the fall in exports. In spite of the two years of crisis and a persistent attempt to extend exportation, its total only reached 30 per cent. over the four years, and in 1904, when there was a maximum output of iron, the export of iron actually diminished, which only proves that more was consumed at home, and that this accounted for the increased industrial activity. The sworn believers in the balance of commerce had to see here the ruin of Germany, since imports continued in excess of exports in spite of the Cartels and export bounties. The average importation between 1900-1904 was £290,000,000, while that of exportation was £240,000,000—£50,000,000 less. And yet—oh, irony!—all the efforts of the national system of political economy were directed to the encouragement of exports.

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CHAPTER IV

EXPORT BOUNTIES AND CARTELS

Bounties in sugars and alcohol—Military organisation of industry—Export bounties to the mining and metal Cartels; an advantage to foreigners—“Giving work to foreign workmen”—“The National System of Political Economy” subordinates German industry to the foreigner and gives him presents—Cartels develop into trusts—Industrial confusion—Constitution of an industrial oligarchy—Ineffectual effort to fix prices—The Campanile of Venice and industry on stilts.

Up to September 1, 1903, there was a bounty on the export of sugar, and alcohol has still a bounty of 8½d. per gallon. Other bounties were granted by Cartels, associations of producers which marshalled industry under the benevolent eye of the Government, on the military system of the “flogging corporal.” Raffalovich’s recent work on “Trusts and Cartels” gives the truly wonderful results of this system. In 1891 the mine and metal Cartels agreed to give bounties on exportation in order to clear the home market, the amount of the bounty being calculated with reference to the distance of the factory from the frontier; those factories which wished to share in the benefits had to submit their books to the distributing official. In 1901 the mines of the Ruhr were over-productive; the theoretical reduction of output which was 15 per cent. in October, was carried to 20 per cent. It was found necessary to stimulate export, and the Syndicate raised the margin reserved for covering losses on export from 3 per cent. in 1900 to 6 per cent. in 1901-2. The bounty paid by the mines producing more than this specified tonnage and the indemnity allowed to those producing less was raised from 6d. to 1s. Cartels could increase home consumption by lowering prices, but that was not their aim; they reserved all their favours for the foreigner: the price of blast furnace coke was only lowered from 17s. to 15s. a ton, and that of coke from 10s. to 9s. 6d. a ton, although the sales in 1901 were 13 per cent. lower than those in 1900. The coke sold at home at 15s. was sold by the Cartel in France, Luxembourg, and Belgium at 12s. 6d., and a contract has been produced referring to a sale to a factory in Bohemia at 11s.

The panegyrists of the German Cartels would lead one to suppose that they worked in perfect harmony without the slightest friction; as a matter of fact, some of the Cartels tyrannised over those which used their raw materials. In 1899, for example, the Rehmschied

canal builders bought sheet-iron at the Essen dock for 200s. per ton, which was sold to a Dutch timber-yard for 180s., and the Manchester cutlers got their iron cheaper than those in Solingen. The Rheinisch-Westphalian Cartel sold iron at home for 95s. which they sold abroad for 80s., and 72s. in September, 1902. The English and Belgian rolling mills fixed their selling price in relation to the lowest cost at which they could get German iron; and the German rolling mills, which exported 60 per cent. of their output, had to sell abroad at this price, although they paid 18 and 20 per cent. more for their raw materials. A Cartel which sells semi-manufactured goods with a bounty to foreigners is robbing the industry of its own country of these goods, and especially in giving labour in proportion to the degree of finish of the product. Far from protecting "national labour," Cartels give work to foreign workmen.

Here is a striking example of the different phases through which a Cartel may pass: In 1900 the Paper Syndicate raised the price of paper 33 per cent.; this rise naturally produced its normal effect—increased output, creation of new works, installation of new machinery. The competition of factories outside the Syndicate compelled it to lower its output to 45 per cent. The members submitted to this reduction only on condition that it applied solely to the qualities of paper included in their agreement, and then devoted all their energy to the production of the other qualities, the result being over-production. To clear the home market the Syndicate forced exportation; paper was offered abroad at 10 to 15 per cent. reduction; the Hamburg wholesale dealers paid 2d. or 21/4d. for goods that cost the home consumer 21/2d. or 23/4d. Since some of these consumers were manufacturers of paper goods, exporting half their output, their position with regard to foreign competitors was one of marked inferiority.

In September, 1904, the Association for the Defence of Steel Consumers protested against the action of the Syndicate in selling them couplings at 5s. 6d. and plates at 4s. above the selling price in England, and demanded the reduction of the price of partly manufactured steel to 5s. As ground for their refusal the Syndicate alleged the 15s. bounty.

The export bounties made it possible to throw partly-manufactured goods on the foreign market much below the German selling price. Many of these products of German origin, for example coke and iron, enable England to compete with Germany in the market for finished goods, not only abroad but in Germany itself. Hotbed German industries count on getting rid of their surpluses in foreign markets, and are therefore dependent on them. List's system of national economy subordinates German industry to the foreigner, and gives him presents.

To listen to the admirers of the Cartel system one would imagine that a Cartel has only to establish itself to kill all competition. It has been shown above that it provokes it, and it does so in another way also.

The metal factories wanted to shake off the tyranny of the Mining Cartel: those who were able worked their own mines, and the output from the non-Syndicate mines grew steadily—11,900,000 tons in 1899, it was 12,600,000 in 1900 and 13,100,000 in 1901. Meanwhile, the factories that were subject to the Cartel found themselves at a disadvantage compared to those which provided their own raw material. The heads of the Cartel had, of course, taken care to repeat that they must be distinguished from a Trust, that they would not destroy moderate or small producer; of course the exact reverse is the case. In the Ruhr basin the Coal Syndicate had one competitor, the State coal mines. It carried the subordination of the metal industry to such a pitch that a high-power furnace could only be worked in conjunction with its own coal mine. Having crushed a combined steel factory and rolling mill, they established the principle that every establishment must contain in itself blast furnace and steel manufactory. This is the effect of the trust tyranny, confusing industry instead of specialising it according to the law of the division of labour. Thus, out of nineteen independent businesses at Rote Erde coal mines—blast furnaces and iron mines—sixteen have been absorbed by three companies, Gelsenkirchen, Schalke, and Aachener Hutten.

M. Gothein, a member of the Reichstag, and the Commission on Cartels, declares that the great combinations have crushed the little firms—for example, the rolling mills, which received no benefit from Protection. And yet, he said, no country is capable of producing such cheap coal as Germany. Protection, therefore, does not assure the success of its mining industry, but it does create that industrial oligarchy which ruins the small and middling manufacturer.

According to M. Oppenheimer, English Consul at Stuttgart, “the Syndicate’s price policy is in the interest of capitalists producing their own partly-manufactured goods and owning their own mines and blast furnaces, since, producing his material at a reasonable cost, he can compete favourably in his output of finished goods with those who have to go to the Syndicate for their raw material.” The ideal of all Protectionists is to fix prices; it is one of the objects of the Cartels; but the price of different mineral products shows that they have not been more successful in attaining this than any other of their objects.

1890. 1894. 1901. 1902.

Puddling Iron	90	45	85	60
Iron Bars	187	95	130	85
Sheet Iron	260	120	200	160
Steel Rails	165	110	120	95
Iron Wire	180	93	150	120

The Syndicate thus failed either to fix prices or keep them to the high standard of 1890.

Protectionists and Socialists agree in denouncing the middleman; the Stuttgart Chamber of Commerce, in its Memorandum on Cartels, recognises the value of his services as a buffer between producer and consumer; Cartels try to suppress him or restrain his liberty of action with regard to the price, quantity, and quality of goods. In times of crisis, which the example of Germany proves that they stimulate rather than prevent, Cartels delay the recovery of the market and the re-establishment of equilibrium of supply and demand.

Mr. Chamberlain threatened a downfall for English industry like that of the Campanile in Venice—an inapplicable comparison, for while the fabric of English trade, without Cartels or export bounties, stands firm in a position which can be gauged by the market returns, that of Germany shows cracks, at times like the crisis of 1902-1903, which foreshadow a fate like that of the Campanile for an artificial trade, not resting upon solid foundations, but founded upon piles.

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CHAPTER V

FRANCE AND THE NEW TARIFF

I. The alarmists and the new tariff—Exception of special goods—What we buy from Germany and what we sell to Germany—Difference in price between exported and imported goods—II. Commercial treaties of February, 1905—III. Clause 11 of the Frankfort Treaty—“The vigilant attention of the public authorities.”

In France, of course, there was a great throwing about of ink. The alarmists, always sure of commanding a ready hearing, immediately began to scream like eagles, calling for the vigilance of the public authorities. The German tariff was conceived in the rigid spirit of the Prussian bureaucracy, with the intention of evading some of the consequences of the most favoured nation clause of the Frankfort Treaty, as it affected France, by so raising the Customs tariff as to exclude from the commercial treaties specialities which France sends to Germany. Such measures were certainly not likely to assist the expansion of French trade, but an examination into the nature of our commerce proves that they could have no very far-reaching effect upon it. What do we sell to Germany, and what do we buy from her? Taking Mr. Noel’s report:—

French Exportation to Germany.	German Exportation to France.
1901 £16,048,600	£17,736,000
1902 16,968,000	19,592,000

I admit that these figures do not exactly tally with those of the German Customs tariff returns:—

1902 £12,240,000 £10,120,000

It would be interesting to be given some explanation by Mr. Noel for his use in a Parliamentary Paper of figures given first by the French and then by the German Customs House.

Confining ourselves to the French Commercial Table,¹ and giving amount as well as price, our imports from Germany fall into nine classes, at more than £600,000 for each class:—

	Cwt.	£
Machinery	603,800	1,391,200
Coal	34,368,400	1,468,000
Paper Goods	126,200	928,000
Cottons	23,000	800,000
Chemicals	780,000	812,000
Jewellery	276,000	664,000
Skins and Furs	87,600	640,000
Pottery Glass	508,000	624,000
Ore	21,492,000	620,000

Our exports are less concentrated. There are only six classes of goods whose value is above £600,000: wool and woollen waste, £2,960,000; fur and leather (undressed), £1,200,000; and raw cotton, £600,000.

Over and above the raw materials above there are three classes of characteristically French goods:—

	Quantity.	Value.
Wines	5,588,000 gallons	£981,280
Silks	5,372 cwt.	737,920
Clothes and Underclothes	3,196 cwt.	758,960

The rest of our exports is composed of small units. Mr. Noel declares, "German competition seriously threatens our charcoal, machinery, paper, books, and engraving." Since charcoal is a raw material of which our mines cannot supply the necessary quantity, we have no reason to complain of its importation. If machinery is imported it is presumably for use; and if it is imported in spite of duties the probable cause is that those who wish to use it cannot get it in France. As for paper, the Report of the Customs Commissioners declares that the importation of paper is increased 40 per cent. to 50 per cent. by duties in the consuming country. In printing, lithography, and engraving we do not suffer from lack of talent; it must be that what is produced is too expensive, and it is worth while examining the cause of this, which Protectionists neglect to do. We import some £5,000,000 of chemicals and only send Germany £625,000 worth. Germany has certainly made extraordinary progress in an industry for which her industrial skill seems pre-eminently adapted. Utilising the aid of science, she has gone to the laboratories to reinforce her practice with theory. But the chemicals that we buy are raw materials, and since we sell to Germany an amount almost equal to a quarter of our total import, Germany certainly possesses no monopoly there.

Germany buys £560,000 worth of silk from us and sells us £477,600 worth: probably the quality is not the same in each case, since pure black silks are valued at 38s., and on export at 60s., and cream silk at 54s., and 60s. on export. In clothes and underclothes we export £758,960 worth and get £205,800 worth from Germany; and here again it is probable that the same name covers a difference of quality and price. The richer Germany grows the greater will be her demand for our high-class wines and the articles of luxury and elegance in whose production we excel all other nations. In 1887 we sold her £529,320 worth of silk and £155,480 worth of clothes and made-up linen goods. Germany's industrial progress has stimulated, and not repressed, our exportation. The commercial treaties concluded by the German Government with Italy, Belgium, Russia, Roumania, Servia, Switzerland, and Austria Hungary were passed in February, 1905; they take effect in 1906 and terminate on December 31, 1917.

The Protectionist crisis in Germany has not gone beyond the creation of commercial treaties; it changed the spirit of Caprivi's policy while preserving his methods. It would have been interesting if Mr. Noel, in his historical sketch of German commercial progress, had shown the development of the Franco-German exchanges: he would then have seen that neither nation had any reason to complain of that eleventh clause of the Frankfort Treaty which imposed on each "a system of reciprocity on the basis of the most favoured nation clause." The Paris Chamber of Commerce observed that this article only took into account six nations—England, Belgium, the Low Countries, Switzerland, Austria, and Russia—while Germany apparently extended it to cover more than 40: a horrible misfortune indeed!—including San Marino and Hawaii; and that if Germany extended most favoured nation treatment to 34 nations over and above the six cited in the Frankfort Treaty, France would find herself in a position of inferiority. In proof of this the arrangement concluded between Germany and the United States on July 10, 1900, was brought forward. Certainly the United States was not included in Clause 11, but Clause 1 declares that Germany concedes to them the reduced duties granted to the nations enumerated in Clause 11. Mr. Noel calls the "attention of the authorities" to the tariff of the new treaty. Why? The new tariff might affect French fruit—that would certainly be annoying; but what use would there be in our attacking German fruit, which does not come into France? The new tariffs threatened our wines. Mr. Noel spoke of the arrangement concluded between Germany and Spain. That is all very well, but are we to imitate Spain in offering something to Germany? He proposes to retaliate by an increased duty on leather; apparently we are too well shod. We are free, of course, to make any tariffs we like, since we are not bound by the commercial treaties; but does Mr. Noel think that this

sort of teasing policy is likely to open German and other markets? while it would affect all our international relations through the most favoured nation clause, which by an extraordinary piece of good fortune was inserted in the Frankfort Treaty by Bismarck and Pouyer-Quertier, without their foreseeing any of its results. No French Foreign Minister would ever dream of demanding any modification of Clause 11 as long as the treaty stands—the reason it is surely needless to state.

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CHAPTER VI

CONCLUSIONS

The German Government, entering in 1789 on a policy of Protection, created a hotbed of Social Democracy in the developing industrial centres. In entering in 1902 on an agrarian policy it strengthened the Socialists by providing them with new arguments; by encouraging the formation of Cartels it went a long way to justify Karl Marx's theory of the concentration of Capital. When the Prussian Government bought mines and took shares in the Potassium Salt Syndicate and the Tube Syndicate it put in practice Marx's theory of Collectivism, which it is part of its political creed to deny. Cartels are the active negation of freedom of labour facing every independent manufacturer with the Inquisition's formula, "*Compelle intrare.*"

Price is the barometer of economics, indicating dearth or abundance. Protection attempts to check the fluctuations of the market; Cartels so falsify them that every one under their influence, whether as manager or victim, is far away from the truth. The German system of National Economy, directed to the development of national labour by the organisation of Cartels and bounties on export, ended by encouraging foreign labour and arousing competition not only in foreign markets, but even in the home market. Every export bounty is a present made at the expense of the country that gives it, just as every Customs duty is a private tax. A factitious increase in exports reduces a country to bankruptcy. It is the condition described in Article 585, paragraph 3, of the Commercial Code—"buying to sell at a lower price."

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BOOK IX

CUSTOMS STATISTICS—THE BALANCE OF TRADE, AND THE BALANCE OF INDEBTEDNESS

CHAPTER I

CUSTOMS STATISTICS

I. The use of statistics—Ignorant use—What underlies the figures—Work of the International Statistical Institute—Major Craigie and international statistics for agriculture—Mr. Alfred Neymarck and statistics of income—II. Value and quantity: The *Economist's* annual table—III. Determination of values—IV. Destination and place of origin—V. Customs House contempt for statistics—VI. Transit—VII. French and Belgian figures: their difference—VIII. Exotic national products—IX. Mysteries—X. Belgian and English systems—XI. Ignorant belief in the balance of trade.

I.—

The Use Of Statistics.

When statistics are only used in support of some preconceived notion, figures are produced with a great air; but very often the unaccustomed instrument proves a two-edged weapon, and proves exactly the opposite of what is wanted. Thereupon statistics are dismissed as valueless.

Figures by themselves have no significance. Since 1887 the International Statistical Institute has done splendid work in attempting to unify and control statistics. The reports of Major Craigie, Secretary to the Board of Agriculture, show the difficulties involved in preparing agricultural statistics, and the lacunæ that remain there. A yearly report on the statistics of incomes is presented to the Institute by Alfred Neymarck. With their help Sir Alfred Bateman, who was at the head of the Board of Trade, has tried to attain such a unification of method as should permit of the establishment of statistics of international trade; but though some progress has been made, his 1903 report shows how far we still are from the desired end. Since 1903 an attempt has been made in

England to classify the imports and exports in the Statistical Abstract in identical groups on the system employed in most countries, except the United States, where a different classification is employed for exports and imports; but tobacco is still classed under food. Pig-iron, which is classed with manufactures in England and the United States, is a raw material in France and Germany.

II.—

Value And Quantity.

It is not enough to know the amount of exports and imports in one year, and compare it with that of another year, unless we know the prices given for the two years in the returns, and the method by which they have been discovered.

Every year the *Economist* gives a table comparing the quantity and value of the trade of the year with that of the preceding year.

	1904.	1903.
	Reported value.	Reported value.
	Price value (1903 prices).	
Net imports	£481,040	£473,026
Exports of British products	300,818	290,800

If England had paid the same price for her imports as she did in 1903, their value was £480,000,000—an increase of 11/2 per cent.; and so for exports, an increase of 2·8 per cent. Then taking imports and exports together, we find the actual figures for British trade to be:—

In 1903 £763,826,000

In 1904 779,078,000

—a quantitative difference of £15,252,000, or 2 per cent.

Now turning to price, there is a difference of 0·62 per cent. on imports and 0·35 on exports:—

	£
Actual total value of British trade in 1904, at 1903 prices	779,078,000
Actual total value returned	781,858,000
Increase due to rise in prices	2,780,000 (or 0.36 per cent.)

Thus in the net increase of trade for 1904, relative to 1903, more than 5/6, or £15,252,000, is accounted for by the increase in the quantity of imports and exports, and less than 1/6, or £2,780,000, by the rise in prices.

III.—

Determination Of Value.

How do we get at the values given in the Customs Returns? Up till 1854 they were based, in England, on the prices of nearly two centuries back; between 1854-1870 the Board of Trade figures were taken from existing prices; after 1870 on the returns made by the merchants of their transactions, which could be relied upon, since there were no Customs duties, except in the case of some dozen articles, to prevent their making straightforward returns. And it is due to this freedom from fiscal pre-occupation that the English figures are more reliable than those of any other country. The English Customs House does not value; it merely registers declared values at the port of arrival or departure. The Board of Trade does not measure; it simply states. But even here an average has to be struck to allow for fluctuation in price and seasonal variation. The same positive system is followed in Russia and Portugal.

In Belgium there is a mixture of the two systems: in the case of goods subject to *ad valorem* duties the merchant makes a declaration, in other cases an annual Commission fixes the official values. These Commissions are too often composed of men who are personally interested in the prices they have to fix, as can be seen from the remarkable reports issued in France. In Greece and Holland revision only takes place at long intervals. The allowance for freight, insurance, and the difference between gross and net weight varies in different countries.

IV.—

Destination And Place Of Origin.

In neither case is determination always easy.

V.—

Customs House Contempt For Statistics.

The Customs House officer is a revenue agent, not a statistician. He has practically no control over the declaration of exporters; he is perfectly indifferent to them, since they are of no importance from the point of view of revenue.

VI.—

Transit.

Goods in course of transit are very difficult to place: in the United States and Spain they are not included in general trade at all, in England they are placed in a separate column.

VII.—

French And Belgian Figures.

The returns furnished by the French and Belgian Customs Houses rank among the most reliable; but comparing them together we find that, while the Belgian returns give their exports to France at above £15,720,000, the French Customs House only estimates Belgian imports at £11,360,000, a discrepancy of £3,760,000, or more than 23 per cent., while there is a difference of 14 per cent. in the returns for French exports and Belgian imports.

VIII.—

Exotic National Products.

A further source of confusion lies in the fact that re-exports are sometimes included in exports and imports and sometimes not. For example, in 1903 £640,000 worth of indigo was included in French exports, whereas in Belgium the cotton imported for re-exportation is deducted from the imports.

IX.—

Mysteries.

There is a constant confusion between specific trade and general trade. The returns for general trade in France include the export of £445,360 worth of pearls, those for specific trade the export of £441,576 but pearls are not a national product; the word is not found at all in the Belgian list. In France the word “diamond” is not in the list, nor are diamonds included under the head of jewellery; apparently France neither imports nor exports diamonds. However, there is a note to the Belgian commercial return which explains the position: “The excessive value of diamonds in proportion to their small weight allows them to be imported and exported without the cognisance of the Customs House officer. . . . As a matter of fact the Antwerp merchants imported some £3,200,000 worth of uncut diamonds in 1905 and exported some £3,400,000 worth of cut stones.”

X.—

English And Belgian Systems.

I would have the Belgian Commercial Survey imitated by all other nations. It appears about June 15th. At the beginning are preliminary observations indicating the system according to which amount and prices have been estimated. Allowance made for the difference between gross and net value, the movement of currency assessed, and goods classified which have been temporarily admitted. A *resumé* is given of the total trade of Belgium with foreign countries since 1831; and a table showing the machinery and plant of the country, illustrated by graphs and diagrams. On the same page you can see imports and exports, specific and general trade, transit, quantity and value, and the measure of value employed. But what is the advantage of retaining the French system with its double columns for general trade? The English plan of giving the total of exports and distinguishing re-exports from exports of home goods is infinitely preferable. The Belgian figures are given as follows:—

1904.

Imports £177,040

Exports 133,960

As Pouyer-Quertier said, “If a friend comes into my house, and then goes out, that makes two, so when a ton comes in, and then goes

out, that makes two tons." According to the English method the table should stand:—

Imports	£177,040
Export of Belgian goods	87,320
Re-exports	66,640

XI.

I have now shown the inaccuracy which may be involved in the use of Customs returns and the difficulty of comparison; they are useful, but it is absurd to regard them with superstitious reverence.

The Tables of Foreign Trade appeal most strongly to those who have not yet grasped the fact that if the Balance of Trade were really everything, to be rich would be a sign of ruin and to be in debt a mark of wealth.

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CHAPTER II

THE BALANCE OF TRADE AND THE BALANCE OF INDEBTEDNESS

I.—

Definition Of The Economic Balance.

When imports exceed exports, M. Edmond Théry at once cries out, Deficit! In every country, not excepting England, Protectionists base their arguments on the Balance of Trade: they see nothing unnatural in the fact that the balance is always favourable to Haiti, Peru, Spain, Greece; always unfavourable to England, France, and Germany. It is true, indeed, that it is still favourable to the United States, but that will change when they have fewer debts in Europe.

At the meeting of the International Statistical Institute held in London papers on the Economic Balance were communicated by M. E. de Foville and M. Ignaz Gruber, permanent secretary to the Austrian Finance Department. Both repudiated the Balance of Commerce, and although there were present distinguished German officials, believers in List's National Economy, and English followers of Chamberlain, not one of them dared to maintain that the Balance of Trade was in itself sufficient criterion of the economic position of any country.

To define the Balance of Indebtedness, the Economic Balance, one must begin by eliminating. It must not be confounded with the wealth of the country: only that part of capital must be taken into account which is used in economic relations with nations in general or certain specified nations; it is found by analysing the gains and losses resulting from the coming into or going out of a country of four classes: (1) Men; (2) merchandise; (3) mineral wealth; (4) incomes and credit. In a work on the Foreign Exchanges, published in 1863, Mr. Goschen stated that the debts of one country to another were the first and most important factor in the determination of the movement of the Exchanges. A German, Adolf Sætbeer, celebrated for his investigation into the prices of precious metals, replaced the name "Balance of Trade" by that of "Balance of Payments," which M. Ignaz Gruber has defined in the following terms: "The arithmetical representation in terms of money of the total of one nation's economic relations to others in a given period, and the different debit and credit transactions between them, is the

determination of the balance.” One could put it more simply: The Economic Balance of a given country at a given time comprises all the payments and promises to pay made or received by it.

The Government of Austria-Hungary has undertaken the task of determining its Balance of Indebtedness: from the table drawn up as a result of the inquiry made under the direction of M. Ignaz Gruber, it is clear that in the case of every nation credit is the excess of her imports, debit the excess of her exports, and the more a country has to pay in interest and on loans contracted by the Government or the individual citizens, the more does the Balance of Indebtedness send its exports up and its imports down. In considering the Economic Balance of any nation its assets consist of the excess of its imports of goods and precious metals, the interest on invested capital (incomes) at home and abroad, and the whole of its credit; and this definition explains once more why rich countries have an excess of imports and poor or heavily indebted countries an excess of exports. Contrary to the old theory of the Balance of Trade, it is proved that an excess of imported goods is an element on the credit side of the Balance of Indebtedness. It verifies the demonstration made by J. B. Say and Frederic Bastiat: “Excess of exports when a ship is wrecked; excess of imports when it returns after a profitable voyage.”

I demand that the Finance Minister in every country undertake a task similar to that performed by Austria-Hungary.

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BOOK X

MÉLINE'S CONFESSION

CHAPTER I

CONCEPTION—DRAMATISING BY M. MÉLINE

In the summer of 1905 a book appeared called "Back to the Land, and Industrial Over-production," by M. Jules Méline; in it, assuming Colbertism to be a new invention, he indulges in some very astonishing statements of a pseudo-historical sort, to the effect that the United States, by suddenly renouncing their former policy of free imports, closed what had been a huge market for European goods, while their exports to Europe continued to increase; and worse than that, having lost America, we are now threatened from Asia: the Yellow Peril is decked out in all its horrible unreality. Indeed, M. Méline's interpretation of the "civilising mission" of Europe in general and France in particular seems to consist in the suppression or holding back of all less civilised nations, and more especially of the Asiatic races. M. Méline is a melodramatist: that is why he is so successful in France. Regardless of realities he plays upon the people's appetite for terror, hatred, and fear: he weeps tears over those two poor orphans, national industry and national agriculture, and works himself into a fury of denunciation of the traitors who plot against them, first England, then America, and then Japan.

After this imaginative exercise he expounds his "new idea." Charity, he says, begins at home, and every nation ought to be self-sufficing. This does not seem very new, but the new idea is as old as the hills: it is only the Balance of Commerce—the Protection which consists in building tariff walls to prevent foreign goods from coming into the country and to allow the home producer to sell things dear which could have been bought cheap abroad. Encouraged by high profits, they produce more than they can sell, and have to get rid of their surplus abroad, where Protection cannot follow them, and where the poor quality of artificially produced goods puts them at a disadvantage in competition. Protection organises crises and leads to that over-production which M. Méline bewails. Real over-production cannot exist; what is meant by the word is that more things of a particular sort are produced than people have money or desire to buy: and Protection, by destroying the division of labour

which assigns to different nations the production of different goods, leads directly to over-production of this sort. The market for any commodity depends on three factors—intensity of demand, absence of equivalent substitutes, and abundance of exchangeable articles. Méline and the other followers of Colbert, neglecting the economic law, bend all their energies to the diminution of demand, the multiplication of equivalent substitutes, and the reduction of articles of exchange. Instead of reducing the tariffs which have provoked over-production, he proposes to limit it by Cartels, which are the outcome of Protection: an enthusiastic admirer of the 290 German Cartels, he longs to see them reproduced in France. After getting rid of foreign competition he would like to get rid of competition at home. It is logical enough, but not progress. Méline speaks with horror of crises, the same horror with which he speaks of over-production; but the protective policy of which he is the exponent leads directly to both.

His remedy for all the evils that he sees is not the abandonment of the system which causes them, but something much more idyllic. “Back to the Land,” that is it. He is full of admiration for the scheme of Van der Velde, the Belgian Socialist, of removing factories into the country. M. Méline is not good at producing evidence for his views: he cites two English factories, one of soap and the other of chocolate, which have been set down in the country. He did not need to go so far: three-quarters of a century ago Menier planted in a country district of France the largest chocolate factory in the world. This is all very well, but all industries cannot be ruralised. People talk about the marvellous results of the employment of “white coal,” but they forget these industrial enterprises have to be in reach of their raw materials, of an abundant supply of skilled labour, and of consumers. M. Méline’s lively imagination pictures the workman returning from the factory to work in his garden with his children; but if he would go and see the mining villages in the country he would see that to have a garden and to be a gardener is not the same thing. The tired miner is little attracted by the charms of horticulture. And to put down factories in the country would not mean that the miner returned to the land, but that the agricultural labourer left it to go to the mine. There is not much good in suggesting a return to the land to the people in the clothing trades, who suffer from the Protection given to the textile industries: agricultural labour, like every other sort, requires exertion and a certain training and physique which do not come all at once. This is a fact which Robert Owen and M. Méline alike overlook. Méline declares that agriculture has been ruined by taxes: it has been long ago demonstrated that there are no specific taxes on agriculture, and his further statement that all taxes fall upon landed property, and not on income, has also been refuted by Mr. Neymarck.

His own ideal is to fasten the labourer to the land. He declares that peasant proprietors are diminishing, though statistics prove that such is not the case. There were 2,150,000 in 1882, and 2,199,000 in 1892. Peasant proprietorship is the ideal of all reformers who believe that the well-being of a nation consists in a state of somnolence. Peasant proprietors are a good sort of people, easily governed, very respectful to authority; but as a matter of fact neither they nor the great landowners are the real representatives of agriculture; it is in the hands of the farmers. The farmer is not an owner: he has to spend all his capital on his implements, his cattle, and his expenses: most farmers, finding it easy to rent land, take more than they can really cultivate, and go in for extensive rather than intensive cultivation. In spite of agrarian alarmists the number of farmers has not diminished: there were 968,000 in 1882, 1,061,000 in 1892.

Méline confuses living in the country with agriculture: agricultural life is not an idyll or a bucolic: its aim, like that of every other industry, is profit, and by profit everything relating to it must be judged.

Neither Méline nor Chamberlain will draw people away from the towns by praising the charms of the country: when such a return does take place it will mean the decay of the nation. A nation's progress has always been measured by the importance of its towns.

One way of depopulating the towns, indeed, has been discovered by Méline and the other followers of Colbert. Méline himself has expressed it: "In the great towns where people live crowded together and workers require a very high standard of diet, their food very often leaves much to be desired." They certainly return to the soil of the cemetery. Who are responsible for the ravages of tuberculosis and anæmia but those agrarians who have taxed bread and meat for the profit of the capitalist landowners?

M. Méline's strength lies in "going blindly ahead." But when the great majority sees how it has been deceived and duped; when it realises that only 5 per cent. of the population stands to gain by Protection, by imposing a private tax on 95 per cent. of their countrymen, then M. Méline will have to cease his palinodes on the "triumph of Protection." The attempt to abolish foreign competition has led to over-production: we are told that agriculture is ruined, and therefore the workmen and capitalists who have been ruined by over-production are to go "back to the land." It is Colbert's system, and two centuries and a half of experience have condemned it.

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BOOK XI

PROTECTIONIST POSTULATES AND ECONOMIC REALITIES

CHAPTER I

PROTECTIONIST POSTULATES

A nation ought—

- I.
 - i. To be self-sufficient.
 - ii. To keep out foreign goods by a rise in duties.
 - iii.
 - (α) Always to buy at home rather than abroad, even where the commodities are inferior and more expensive.
 - (β) To prevent money from going out of the country, so as to give it to workmen at home rather than to the foreigner, and thus avoid enriching its neighbours. (Colbert and Méline.)
- II. To develop the wealth of the country by encouraging production through Protection given to home industries against the more advanced industries of other countries. (List.)
- III. To abolish the conflict of interests at home, and by assuring work to the workmen to defend the interests of the majority when the Government is based on a wide electoral franchise.
- IV. Foreign trade is not carried on between individuals, but between nations. (List.)

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CHAPTER II

ECONOMIC REALITIES

I.

1. Every protective tariff means increased taxation. A country's wealth cannot be increased by increased taxation. (W. Smart.)
2. A protective tariff ought to bring in as little as possible to the Treasury, since its object is to prevent the importation of goods. It ought to bring in as much as possible to those who produce the protected goods.
3. The effect of a protective duty on any commodity is to raise the price, not only of the amount imported, but of the whole quantity sold in the country; it is a private tax placed upon consumers for the benefit of producers.
4. A protective duty increases the price at which the protected article can be purchased, and diminishes the purchasing power of the buyer to the same extent.
5. Customs duties are not Revenue duties unless they are only imposed on goods which are not produced in the country (as is the case in England).

II.

1. Protection may encourage the establishment of new firms, but it cannot cause an increase in consumption; therefore, since the object of every industry is to sell at a profit, Protection cannot cause industrial development. It may cause the factitious development of particular industries at the expense of capital as a whole.
2. A country's industrial development is not due to Protection, but to an increase in wealth and a higher standard of comfort. Protection delays or checks it.
3. Every hindrance to exchange involves a diminution of profits.
4. When a nation can freely choose the market in which it will buy its goods, and has only to add the cost of transport to the price it pays, it can buy everything that it needs at the lowest possible cost. England has thus acquired a monopoly of cheapness.
5. In a country which can get everything at the lowest possible price and at the lowest cost of transport, the share of raw material and plant in cost of production is reduced to a minimum, and a proportionately larger

share remains over for wages and profits. Free Trade means high wages.

III.

1. Protection creates two wages—real and nominal; the difference between them is absorbed by Protection.

2. “Protection to national labour” means that every wages earner, in buying the things he needs, has to pay according to the duty 20, 30, 60, sometimes even 100 per cent. more of the produce of his labour than the normal price fixed by the free play of supply and demand. While he is earning the money that goes to pay for the increase in cost of living effected by Protection, he is not working for himself nor for his family, but in order to pay a private tax which goes to increase or assure the rent of the capitalist landowners and a few great manufacturers.

3.

(α) In France those industries in which labour contributes most to the value of the finished product are dependent on the protective duties acquired by the industries that supply them with raw materials, industries representing a far smaller number of workmen, concentrated in a few big firms.

(β) With the exception of the linen and cotton spinners and a few metal factories, all the industries in France are interested in having Free Trade, in a low cost of living for themselves and their *employés*, and in getting a supply of the materials which they transform in a free market.

(γ) Protection in France, by subjecting some industries to the importunity of the protected industries, has made them dependent; and it has thus checked the development of healthy for the sake of sickly industries.

(δ) Protection in France can only be of use to 5 per cent. of the population—one person in twenty; in the United States to 2 per cent.—one person in fifty. (Atkinson.)

(ε) Protection is always oligarchic: established at the expense of all for the benefit of a privileged minority.

IV.

1. The burden of agricultural Protection is the more felt that in France the food of the people shows a deficiency of 30 per cent. in cereal and 50 per cent. in

animal matter on the standard ration of the soldier in time of peace.

2. Agricultural Protection can only be of advantage to the great landowners.
3. The cost of food is higher in France than in England or the United States.
4. The world's production of corn and meat falls much below Atwater's standard of consumption.
5. The increase of population in Europe during the last seventy years has been so great that without imports of corn and meat from other continents there would be a dearth.
6. The British Colonies and possessions cannot supply the United Kingdom's demand for food.
7. The great majority of workers who stand in most need of a generous diet are insufficiently fed.
8. The relative diminution in the consumption of meat in most great French towns proves the evil results of the Customs duties, which raise its price 21/2d. per lb.

V.

1.
 - (α) In the countries where the civilisation is fluid, Protection will fix things as they are.
 - (β) Every attempt to protect existing advantages against changes in production or competition at home, from machinery, or from abroad, is bound to end in atrophy or ruin.
2. Even the apparent prosperity of a protected industry is gained at the expense of the rest of the nation and maintained by a loss of capital.
3. Traders of one nation buy from producers of another, not to give but to gain an advantage.
4. One nation buys from another for its own profit.
5. Profit is the object of all industry and trade. An industry sells abroad in order to get more than it gives, otherwise it loses. Therefore imports should exceed exports.
6. In all rich countries with the exception of the United States imports exceed exports in spite of all the efforts of Protectionists, Cartels, and export bounties.

VI.

1. Protection leads first to over-production, and then to stoppage. Thus organises crises.
2. A protective tariff cannot keep out necessaries but by raising the price of all similar goods on the market, and of all the goods into which they enter, it

constitutes a surcharge on all production, and therefore on all exportation.

3. Protection cannot increase normal exportation: a rise in the export of protected goods means the payment of debts: to clear off the stock it is sold abroad at a loss. It is a case of bankruptcy.

4. Export bounties reduce the industry dependent on them to bankruptcy in the sense in which article 585, paragraph 3, of the Commercial Code says, "A bankrupt has made purchases which he has to sell at below cost price.

5.

(α) "National Economy" subordinates German industries to the foreigner and makes him presents.

(β) "German National Economy" not only favours foreign labour by Cartels and export bounties, which give him certain commodities at a lower price than they are sold to the home consumer, but it provokes competition which invades the home market.

VII.

1. In a free state of industry the producer is more dependent on the consumer than the consumer on the producer.

2. In an industry which has been made a monopoly by Protection, trusts, and Cartels the consumer is the bondslave of the producer.

3. Market price is the barometer of economics. Prices indicate the state of the market, abundance or dearth. Protection attempts to stereotype prices, Cartels falsify them: their prices are always either above or below the true price.

4.

(α) The market for any commodity depends on three factors—intensity of demand, absence of equivalent substitutes, and abundance of exchangeable articles.

(β) A large supply of commodities where there is a corresponding demand proves not superabundance, but the absence of substitutes owing either to cost of production or such natural obstacles as distance, or artificial ones such as protective and revenue preventives of exchange.

5.

(α) All the efforts of Protectionists result in the diminution of demand, the multiplication of

equivalents, and the reduction of articles of exchange.

(β) Protection resorts to an artificial stimulus to raise the level of production, while they check its expansion, and say there is over-production.

(γ) There is no exchange of commodities without circulation.

(δ) Free circulation is the only effective method of preventing over-supply.

(ε) Not the desire, but the power to purchase is lacking to all the people who long to be rich.

6.

(α) Free Trade is an aspect of the freedom of labour.

(β) It is the duty of the State to maintain freedom. (Molinari.)

(γ) Taxes are only due to the State. (Molinari.)

(δ) Free trade is the territorial division of labour. (Torrens.)

(ε) The motive force in economics is free competition. (Quesnay.)

(ζ) The traders of other nations are the people for us to trade with. (Quesnay.)

(η) A nation without Customs absorbs the world without respect of frontiers. (Cairnes.)

(θ) Free trade spells expansion and increase of population.

(ι) England's extraordinary economic progress is due to the fact that since 1846, when steam power began to be of predominant importance, her fiscal system has been in harmony with modern machinery of production and transportation.

VIII.

1. List was wrong. Foreign trade is not carried on between nations, but between individuals.

2. Comparison of imports and exports does not show a nation's relations to others: it often leads to the fallacy of the Balance of Trade.

3.

(α) Whenever goods are sent from one country to another a debt is incurred.

(β) A country's imports must be balanced against its exports to the rest of the world.

(γ) Freightage and exchange variations must be taken into account.

(δ) Payment for exports is not made directly by imports to the exporting country, but through

other countries with whom commercial relations exist.

(ε) Debts are bought and sold, cancelled by reciprocal exchange or liquidated through other groups of nations. The only balance that need be regarded is that between a country's total exports and total imports—the equation of indebtedness.

4. The Balance of Trade must be replaced by an analysis of the Economic Balance, which comprises the reciprocal exchange of (1) men, (2) merchandise, (3) gold, (4) shares and bonds, credit instruments, &c.

5. The Economic Balance of a given nation at a given time comprises all the payments and promises to pay made and received by it.

6. In considering the Economic Balance of any nation, its assets consist of the excess of its imports of goods and precious metals, the interest on invested capital at home and abroad, and the whole of its credit.

7. It is much to be desired that every Government should follow the example of Austria-Hungary in establishing an Economic Balance.

IX.

1. In the good old days kings would give their favourites monopolies at the public expense: nowadays Parliament gives a producer, by means of protection or bounties, the right of collecting taxes for his private profit.

2. Protection in any country puts political in the place of economic competition: industries are protected not because they are important, but because their representatives are influential. Its effect is to sap political life: the general good is subordinated to coalitions of vested interests.

3. Commercial treaties are useful because, by binding nations together, they preserve them, for a time, from protection, and give stability to their industry and commerce; and while they last they safeguard the Government against Protectionist tyranny.

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BOOK XII

MY IMMEDIATE PROGRAMME

CHAPTER I

A SIMPLE PROGRAMME

The sugar precedent—A single question—Suppression of taxes on goods of extra European origin imported from a European country.

I will now sketch the programme which I should like put in operation next session, one much simpler to realise than that for which I worked between 1897-1902. Indeed, every one told me at the time that I was breaking my head against a stone wall in attacking the sugar question; most of the delegates at the Brussels Conference thought that it would end in nothing, and yet March 5, 1902, crowned it with success.

I am not now going to fight the agrarians affected by the duties on wheat and meat; I am only trying to prepare public opinion by proving to the small owners that, far from gaining anything, they are being hoodwinked, removing the scales from the eyes to show them that while they eat wheat they do not grow and meat that they do not pasture they are paying a tax to the landowners who have monopolised their food supply.

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CHAPTER II

TAXES ON EXTRA EUROPEAN GOODS IMPORTED FROM A EUROPEAN COUNTRY

Clause 2 of the Act of January 11, 1892—Inequality—Retention of differential duties—As impediments to trade—Effects on raw materials—Transit dues on Colonial produce—Delay and inaccurate appraisement of goods—Duty on oranges—The English Chamber of Commerce in Paris—Exceptions to the duties—Advantages of abolishing the duties—“Abolition of duties on extra European goods imported from a European country in return for a reduction by England of the duties on wines.”

Clause 2 of the law of January 2, 1902, establishing a general Customs tariff, runs as follows: “The surtaxes in Schedule C of this Bill apply to goods of extra-European origin imported from a European country. The surtaxes in Schedule D of this Bill apply to goods of European origin imported from a country other than that of origin.”

The first schedule comprises surtaxes *d’entrepôt*, the second surtaxes *d’origine*. As a matter of fact, the word “surtax” is quite inapplicable, since these duties, being levied on free goods, as well as on dutiable goods, are not surtaxes, but special taxes.

When a sack of coffee from Brazil touches at London or Hamburg, instead of going straight to Havre, it pays 4s. per cwt. over and above the Customs; cocoa nibs pay 10s., pepper and spice 16s., tea 24s., isinglass 2s., silk textiles 40s., furniture 12s., and other goods 1s. 4d. But this surtax is not a Customs duty; it is not proportional to value. Thus, as M. Pallain observes in his “Treatise on Customs,” “it puts the same tax on copper at 5d. a lb. and attar of roses at £15; it bears no necessary relation to the Customs duties, being levied on free and dutiable goods alike; it is not taken into account in the collection of the Customs.”

Surtaxes *d’origine* only apply to raw materials: raw skin and leather goods, 1s. 3d. per cwt.; raw wool, 1s. 4d.; raw and prepared hair goods, 1s. 4d.; natural fats (exc. fish), 10d.; raw cotton, 1s. 3d.; mineral essences and oils, 2s.; potash, 11d.; wax, 10d.; bones, horns, and wooden shoes, 10d.; ground dye nitrates, 1s.; plain woods, 5d.; worked woods, 5d.

The surtax *d'entrepôt* is a survival of the old differential duties, its object being to assure for French ships the carrying trade in certain goods. But there are some goods which French ships will not carry. The following instance is taken from the 1900 Minutes of the French Chamber of Commerce in London:—

“A dealer in Calcutta telegraphs to his London correspondent that he has two hundred tons of desiccated blood, to be sold at £6 10s. per ton c.f.i. in Havre and transmitted by a ship sailing directly to Hamburg—the total freightage from Calcutta to Havre being 30s. to 32s. The French consignee refuses to accept the goods sent by this route, since he would incur a surtax on goods *d'entrepôt* of 36s. a ton. There is no steamboat service between Calcutta and Havre; the packet service, which would refuse such goods on account of their odour, goes to Marseilles, and the cost of freightage from there to Havre, much higher than that from a North European port, would in itself prevent importation to France, although the goods are an ingredient in the manure needed for our agriculture. The same difficulty is found in the case of other goods of a similar class coming from Australia and Japan. The only French service from these places is the packet-boats, primarily for the use of passengers, which are obliged to refuse all odoriferous goods.”

The transit dues raise the price of raw materials needed by French agriculture, and they hamper industry by raising the prices of its materials. Like the majority of the existing protective and revenue taxes, they act as a bounty to the great manufacturers and traders at the expense of the small men; they fall heavily on our imports from our colonies, since London is their principal market. Burdensome in themselves, they are very difficult to collect and a disturbing element in commercial transactions.

Yet the Protectionist fever is such that two or three years ago transit duty was imposed on oranges, at 1s. 4d., in order to give a monopoly to a firm at Boulogne and one at Dunkirk, although the total turnover involved was very small. England imports £2,000,000 worth and sends us £500 worth.

Mr. Pollock, of the English Chamber of Commerce in Paris, got the Associated English Chambers to pass the two following resolutions in 1898:—

1. That the Foreign Office make representations to the French Government in view of obtaining that goods coming *viâ* an English port with a bill of lading from an English colony possessing no direct service with France, be considered as coming directly and admitted without the surtaxes on the goods in course of transit

which are imposed on commodities of extra-European origin not coming through a French port.

2. That the Foreign Office arrive at an agreement with the French Government with regard to the value of certificates of origin delivered in England for France.

These propositions were certainly modest enough: the partial abolition of “surtaxes” *d’entrepôt*, in so far as they affected English colonies, would have been of advantage to France, since from them she gets the raw materials of her industry. Indeed, the duties had proved so inconvenient and difficult to apply that exceptions had already been made to them—*e.g.*, in the case of Persian carpets coming through Constantinople, and goods from beyond the Caspian Sea. On Schedule D. Russian products coming through Königsberg pay no surtax; nor does Russian wood imported from Dantzig, nor Bulgarian products coming from Amsterdam and Rotterdam. And there are many other exceptions.

Why, then, keep the surtaxes at all? From the revenue point of view they hinder commercial transactions, and therefore cannot be productive. Between 1900-1904 their average yield was £62,080. There is no reason for their maintenance, every reason for their abolition. The future of free zones is bound up with their abolition. Their abolition would mean increased facility in the importation of the raw materials of industry. Finally, since they hamper the shipping industry and carrying trade of Great Britain, their abolition would enable us to negotiate with Great Britain for the reduction of the duties on wines which were raised at the time of the Transvaal war. This is my modest programme of reform. It need not alarm the terrible metal manufacturers, the even more terrible cotton kings; it does not affect the agrarians. I have no longer to face the serried ranks of the sugar-makers, masters since 1869 of a political industry; and all wine-growers ought to be on my side, since it is to their interest to extend the English market for their wines.

Summing it up in two words it is this: “After Mr. Chamberlain’s defeat at the coming election to obtain from the Liberal Government a remission of the duties on wines, or at least a reduction to what they were before the war, in return for the abolition in France of the surtaxes on extra European goods imported from a European country, and of the surtaxes on goods of European origin imported from a country other than that of origin.”

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CHAPTER III

THE EXPORT OF WINES

Diminution in Quantity—Exports of cheap wines in the last five years—Export to England—Comparison of two quinquennial periods—Loss on the second—The 1899 duties—“Reduction of the English duties on wines in return for the abolition of the surtaxes on extra European goods imported from a European country.

Since the reconstruction of the French vineyards export has been at a standstill.

	Annual Average Exportation.
Period of great productivity (1872-1889)	70,400,000 gallons.
Period of Phylloxera (1880-1891)	48,000,000 gallons.
Period of reconstruction (1892-1900)	35,200,000 gallons.
Period of reconstruction (1901-1904)	35,760,000 gallons.

Here is the export of *vin ordinaire* for the last five years:—

	Gironde Wines.		Other Wines.	
	Gallons.		Gallons.	
	In Casks.	In Bottles.	In Casks.	In Bottles.
1900	15,296,600	882,200	18,854,000	1,036,000
1901	14,894,400	961,400	22,110,000	1,067,000
1902	14,621,200	1,249,600	22,616,000	882,200
1903	14,069,000	1,001,000	16,214,000	840,400
1904	13,079,000	924,000	15,466,000	858,000

The quantity is not great relatively to our total production, but when its value is looked at it is worth considering.

	Gironde Wines.		Other Wines.	
	In Casks. In Bottles.		In Casks. In Bottles.	
1900	£2,656,000	£401,200	£1,884,000	£236,000
1901	2,594,000	408,000	2,212,000	240,000
1902	2,548,000	568,000	2,260,000	200,000
1903	2,892,000	452,000	1,800,000	188,000
1904	2,616,000	420,000	1,344,000	192,000

£3,400,000 must be added for champagne, and between £3,200,000 and £3,600,000 for liqueurs. Our average export of vin ordinaire for the last five years has been £5,120,000; both as to amount and value a downward tendency is apparent.

Taking our export of wine to England for the last two periods of five years, we find:—

	1895-1899.	1900-1904.
1895	£2,688,000	1900 £2,352,000
1896	3,084,000	1901 2,256,000
1897	3,288,000	1902 2,392,000
1898	3,088,000	1903 2,204,000
1899	2,576,000	1904 1,708,000
Total	£14,704,000	£11,012,000
Annual average	£2,940,000	£2,200,000

There is thus an annual difference of £740,000, amounting to £3,692,000 over the five years. Such a falling off cannot be regarded with equanimity, the less so that England is still our best customer.

Many different explanations for the downward tendency might be discovered; there is one, however, obvious and indisputable, if not the sole cause.

In 1900, to meet the expenses of the Transvaal War, the taxes on wines were raised in the following manner:—

Per Gallon.	Before 1899.	Since 1899.
Wines—Not exceeding 30° of Proof Spirit	1/-	1/3
Wines—Exceeding 30°, not exceeding 42°	2/-	3/-
Additional duty on Sparkling Wine imported in bottles	—	2/6
A Still Wine imported in bottles	—	1/-

Since the imposition of these duties the export of French wine to England has diminished; it is therefore logical to conclude that were the duties suppressed the consumption of wines would rise to its old level or above it. Consequently all wine-growers should support my programme: “The reduction of English duties on wines in return for the abolition of surtaxes on extra European goods imported from a European country, and of the surtaxes on goods of European origin imported from a country other than that of origin.”

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CHAPTER IV

CONDITIONS OF EXPORT

Export to England—High-class wines—Champagne—Belgium—Need of commercial honesty—The wine-growers ought to support my immediate programme.

In the export of so-called *vin ordinaire* to England, Gironde bears the predominant share, as the figures for 1903, an average year, prove.

Gironde.

	Quantity—Gallons.	Per Unit.	£
Bottles	3,080,000	41/2	563,200
Casks	320,100	103/4	135,000

Other Districts.

	Quantity—Gallons.	Per Unit.	£
Bottles	598,400	21/2	60,000
Casks	127,600	51/4	2,880

The gross total is 1,628,000 gallons, worth £1,480,000, for the champagne wines.

The followers of Méline, dreading any breach in Protectionist *régime*, are very contemptuous of the over-production of inferior wines which they have caused. "What does a tax of 2s. 6d. on sparkling wines and 1s. on still wines in bottles matter? It cannot affect the exporters of expensive wines, *e.g.*, Champagne, Bordeaux, and Burgundy. Or, if it does, at the price at which they are sold, 2s. 6d. on champagne or 1s. more or less per gallon, cannot make much difference.

Even if the premises on which this reasoning is based were correct, its conclusions would be false. If a modification in the tax creates an English demand for Gironde wines, the wines of lower quality will profit by the opening of the home market. Nothing can be more fallacious than the attempt to shut up different sorts of products in watertight compartments; such divisions do not exist in a free state of commerce: there is a continual endosmosis and exosmosis between different qualities of the same commodity, which varies supply by means of countless ingenious combinations to meet the demand of consumers on the one hand and the eagerness of producers to sell on the other. Combinations must be honest; that is understood. My long and varied experience in England, Belgium,

and the United States has proved to me again and again that there is nothing so sure to extend the market of our high-class products, and especially of our brandies and expensive wines, as the belief in the honesty of French traders. Any suspicion excited by the mere appearance of incorrectness produces effects that act harmfully on our whole production.

The popularity of champagne is not merely due to the fact that it is a delightful, exciting, soul-stirring wine, capable of rousing the most sluggish and cold-blooded of men. The brand is inviolate; when the cork is out the bottle must be drunk, and if you ask for Pommery Greno you are sure that you get what you pay for. Champagne inspires complete confidence, and a great deal of its popularity is due to that.

The best customers of our most expensive wines are the Belgian connoisseurs, men of exquisite taste in wines. Honesty is the best, the necessary policy in the French wine trade, above all others. But for our best wines we must go further than that; must sacrifice the mediocre harvests of the best vineyards, sell them off under some other undistinguished name, keep the true name for the really good years. They must be sold for their value: it is not their cheapness, but the reliability of their quality, that makes customers believe in them. "Then," says one follower of M. Méline, "what difference can a 2s. duty make? None at all, surely." On the contrary. However small the duty, it produces an effect, and an effect which people try to escape. They send out wine in casks instead of bottles, and then they are liable to all sorts of miscarriage.

And moreover, we have not got to consider our best wines only. The exportation of Gironde wines in casks is more important than that in bottles, which proves that the larger part of its *clientèle* want wines of moderate price. With the existing duties it is impossible to extend its consumption, and leads people who take port or whiskey to enjoy French wine. And yet to ensure the market for our best wines we must teach people the habit of drinking *vin ordinaire!*

They must be taught by drinking wines which are what they profess to be, so that they can come to really good wine with confident appreciation. For any one who drinks wine daily a Customs duty cannot be matter of indifference; and *vice versâ* to wine-growers who want to extend their custom. That is why I count on their support for the realisation of my programme: "Abolition of the surtaxes on extra European goods imported from a European country, and of the surtaxes on goods of European origin imported from a country other than that of origin, in return for a reduction of English duties on wines."

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[1]“The Elements of a Nation’s Economic Balance” (International Statistical Institute, 1905).

[1]“Protectionism”—by Graham Sumner.

[1]Yves Guyot. Introduction to the “History of Italian Unity,” by Bolton King.

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[1]Cf. Yves Guyot, “The Separation of Church and State.”

[1]See Yves Guyot, “The Sugar Question in 1901” (*Journal of the Royal Statistical Society*, Sept. and Oct., 1902).

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[1]*La Réforme Économique*, June 26, 1904.

[1]*Journal of the Statistical Society of Paris*, 1901.

[1]Camille Rousset, “History of the Crimean War,” Vol. I., p. 95.

[1]“Back to the Land and Industrial Over-production,” p. 245.

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[1]“Facts and Figures. The Basis of Economic Science,” 1904.

[1]W. R. Lawson, “American Industrial Problems.”

[1]Made for the Commission of Enquiry into Foreign Customs Tariffs, June 19, 1903.