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BRITISH ECONOMICS IN 1904

Industry &
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BRITISH ECONOMICS IN 1904



BY

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'SPAIN OF TO-DAY,' 'AMERICAN INDUSTRIAL PROBLEMS,'
'MONETARY PROBLEMS OF 1904,' ETC.

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BRITISH ECONOMICS IN 1904.



CHAPTER I.

INTRODUCTORY.

FOR the British Empire the next twenty years will be perhaps the most critical period in its long history. Not only may its loose and haphazard organisation have to be recast, but its moral and political qualities may have to be tried again in the fiery furnace of national peril. In this ordeal it is the mother country, the head and centre of the Empire, that will have the heaviest strain to endure. She has not only her own duties and difficulties to prepare for, but she has to share those of the colonies as well. Some authorities are of opinion that she has more than a fair share of the latter to bear. In not a few important respects she will be at a disadvantage compared with the younger

members of the imperial family. As an older country, she is less self-adaptive to new conditions than the colonies are; she is more hampered by ties binding her to the past; her scope for future growth is narrower, and her steady accumulation of inherited burdens impairs her strength to undertake new ones.

But this special strain which the future may throw on her will be no excuse for the mother country to flinch or to seek to escape from her responsibilities. The head of the British Empire she must continue to be so long as there is a British Empire, which, let us hope, will be as long as Christian civilisation endures. In order to secure herself in that proud position, she must be in all things a true leader to the rest of the Empire: an example to them of all the solid virtues indispensable to an imperial race. In industry, commerce, science, art, and all that makes for social and political strength, she should be to them a living pattern. Without these spiritual bonds no material ties, no fiscal policy, no political bargain, can hold the Empire together indefinitely.

To-day the British people at home hold a historical position which Providence has given them doubtless for a great and wise purpose. They stand in a certain relation to British people abroad which must be filled worthily if at all. The question how they are filling it and how they may continue to fill it is the underlying fundamental problem of the Empire. Involved

in it are many secondary problems—political, economic, financial, &c. But the main point is, and always will be,—Are the men at the head and centre of the British Empire proving themselves an imperial race in the highest and most genuine sense of the term? Do they still possess the grand ambitions and the executive powers which distinguish every people born to rule?

To a question like that it is not an adequate reply to say that they have lost none of the dogged courage and the fearless enterprise of their ancestors. In these days dogged courage and fearless enterprise no longer suffice to keep a nation in the forefront of the racial struggle for supremacy. New conditions have come into existence which demand new gifts and qualities. The question is, Have we acquired, or are we acquiring, whatever of these may be essential to the maintenance of our position? Have we duly noted the changes that are taking place in the economic ideals of the most progressive of our competitors? Of all the social and political revolutions witnessed in our time, the upheaval of economic opinion is the most portentous. It is the one for which we were least prepared, and which has taken us most completely by surprise.

In the whole sphere of economic science we find ourselves once more overwhelmed with uncertainty. The strongest argument that can be used against what we call free trade is the intellectual chaos to which sixty years' experience of it has reduced the whole nation as regards

economic questions. The fiscal controversy of the past twelve months has disclosed on both sides the most vague notions of the fundamental principles at stake. It has been a battle carried on without any rule or plan or definite object. It was begun with the haziest possible conceptions of the true aims of economic policy. On one side, the parrot cry for cheap food drowned every other voice; on the other, higher wages were held out as a counteracting bait. But neither cheap food nor high wages, nor even both combined, are the full measure of national wellbeing.

The question on which everything turns—What is national wellbeing?—has never been definitely raised all through the controversy. Nine-tenths of the controversialists have used monetary standards of value only, and few of them have betrayed the least suspicion that there are other and better standards. This one-sided habit of thought has vitiated our political economy for the past hundred years or more, diverting it from the straight path marked out by Adam Smith into a labyrinth of currency problems and artificial theories of exchange. The suspension of specie payments in 1797 opened the door to a flood of monetary discussion which went on for nearly half a century. First the Bullion Committee in 1810, next the adoption of the gold standard in 1816, then the resumption of specie payments a few years later, and finally the grant of a limited monopoly of note issues to the Bank

of England in 1844, all tended to give the country a very exaggerated idea of the functions of money in commerce. The gold, silver, and paper, which should be merely needed for the exchange of commodities, became in the eyes of political economists more important than the commodities themselves.

“To buy in the cheapest and sell in the dearest market” was a very appropriate motto for such an economic system. It found its natural apotheosis in bimetallism—a dream of Laputa for balancing all the commodities in the world at a given moment against the combined stocks of gold and silver. The collapse of bimetallism in 1896 indicated the first turn of the tide against a purely monetary standard of wealth. Almost unconsciously we are drifting away from the old standard—that of the bullionists and the money-changers. It is dawning upon us that money is not wealth, and that market values are only a mercantile, not an economic, measure of prosperity. When we find a new and more natural standard, we may have a clue to the real outlet from our fiscal controversies.

A worthy ideal of national greatness is the soul of national economics. It should embrace all that goes to the making of human life healthy, useful, self-respecting, and in the highest sense productive. If we accept these as the tests of economic efficiency, the fiscal question, the national defence question, the labour question, the education question, and all the collateral

issues arising out of them, will find logical consistent solutions. The best fiscal system will then be the one which produces the healthiest, most useful, and most self-respecting men and women. It will be of little consequence to such men and women whether their loaf be a half-penny cheaper or a halfpenny dearer, whether it be a half ounce lighter or heavier. They themselves will be worth more than thousands of loaves. The best system of national defence will be the one which has most support among the people themselves, and in which they have the greatest confidence. Until we come to that, all our whittling at army and navy estimates will be in vain.

At the root of everything, however, are the education and the labour questions—twin problems which must be studied together and solved together if at all. Education must be treated as a preparation for labour in its widest sense, and labour must be regarded as the end and aim of education. That unfortunate curse of Eden, “in the sweat of thy face shalt thou eat bread,” has been too long misinterpreted as a slur on the dignity and the educating influence of labour. Too long has the man of useless knowledge lorded it over the man who not only knows but can do something. The future of the world is for the doers and not for the mere knowers. It is for action and not for philosophy that education is needed nowadays. Apart from any pecuniary or utilitarian consideration, the best education is

that which best develops the active powers of a man. Whether they be powers of the hand or the head, of the muscle or the brain, the training of them must have an educational effect. And for social conditions like ours there is no other education of national value.

Our foreign critics—French, German, and American—prove every now and again to their own entire satisfaction that the British Empire is played out, and that, as a people, we are losing our virility. By most of us the suggestion is treated with thoroughly British scorn. Very seldom has it ruffled the national self-complacency, even when assisted by sensational diatribes in the yellow press about the decay of our staple industries. But however loth we may be to confess it, these attacks have not been altogether without effect. They have not, as we would fain flatter ourselves, passed harmlessly over our heads. British self-confidence and contempt for foreigners have been just a little weakened by them. All classes among us—politicians, financiers, manufacturers, merchants, and even trade-unionists—begin to feel a vague uneasiness that we may be no longer the strenuous people we were. Can it be that we have lost something of the grit, the energy, the persistence, and the business capacity of our fathers? This is for us the economic problem of the day—a national and an imperial problem, weighted with the heaviest responsibilities, political and industrial, that any people have ever had to face.

THE NEW INDUSTRIAL ERA.

The basis of all modern progress, national and individual, is—Industry.

The main source of human power and wellbeing is—Industry.

The greatest of all educators and civilisers is—Industry.

The best cultivator of the human mind and character is—Skilled Industry.

The strongest of all social and national bonds is—Organised Industry.

The firmest foundations of empire are—Patriotic Industry and Commerce.

CHAPTER II.

THE NEW INDUSTRIAL ERA.

WHATEVER may have been the virtues or defects of the British Empire in the past, both of them are passing through a period of transition. New virtues are being called for, and new defects are being developed. Fresh difficulties and dangers confront us, and our title to be considered an imperial race is more and more disputed by envious rivals. Once more we are at the parting of the ways. The Empire is undergoing changes we cannot prevent, and to which we must adapt ourselves. It is awakening to more practical ideals, and demanding of its children qualities and capacities hitherto rare in the world.

Are we rising to the occasion, or are we faltering over it? Few can return a definite answer to that question even for his own self; and how much more difficult to answer it for a whole people. A feeling is in the air that we are entering on a new era in the history of the Empire. We realise dimly that it is to be in many respects a very different era from all that have gone before.

It is to be an era of scientific, industrial, and commercial rivalry far keener than anything we have yet experienced. Already it has overwhelmed us with questions social, political, and economic, more puzzling than we have ever had to tackle hitherto.

It would be idle to pretend that we welcome such problems, or that we face them cheerfully. It might be sheer hypocrisy to pretend any great confidence in our ability to solve them. Recently we spent nine months in excited discussion of one of these issues,—not by any means the largest or most important,—and at the end of the nine months we were more confused and bewildered over it than we had been at the outset. Any other national issue we have to face—army reorganisation for instance, popular education, public expenditure—is likely to meet with a similar fate. It will be picked up, bandied about for a time in parliament and the press, and dropped again.

There is no national problem of any magnitude that we do not falter and fumble over. Apparently most of us lack either the persistence or the mental power to think out great questions thoroughly. The future of the Empire is staked on controversies which year after year remain unsettled, and are likely to remain unsettled for years to come. We falter not merely in the administration of the Empire, but in our theories and opinions as to how it should be administered.

It would be less perilous for us to go ahead and perpetrate a folly or a blunder, than to shiver, as we do, on the brink of action, unable to make up our minds to do anything. In present circumstances faltering is the worst sin we can commit.

Is it not a bad sign that there should be any need for discussion as to how the British Empire is to be held together? There would be no danger of it falling asunder if the hands which have hitherto held it together had lost none of their strength and their courage. If there were no faltering there would be no doubt or fear as to its future. Were there no weakness and irresolution at the heart of the Empire, fiscal and other bogeys would have little terror even for the party politician.

The British public have now before them three different plans for consolidating the Empire. One is Mr Chamberlain's scheme of preferential duties. The second is Sir Henry Campbell Bannerman's natural bond of affection, which he thinks cannot be improved upon. The third calls on the ruling race at the head of the Empire to prove once more their ability to rule. Personal influence still counts for a great deal in government, and with British colonists it goes much further than anything else. Whoever hopes to exercise any control or ascendancy over them must do it by sheer force of character. Neither negotiation nor affection will bind them to us

any longer than we can command their respect. The latter, we have reason to fear, is no longer so perfect as it was. The joints in our armour disclosed during the Boer war and since have shaken to some extent their old faith in the mother country. If it be not speedily restored, the strongest of all the bonds that hold the Empire together may be relaxed, and a greater peril than even Home Rule may be suddenly sprung upon us.

Only an imperial race can rise to the responsibilities of empire, and people who would be capable rulers abroad must be capable citizens at home. For the sake of the Empire, and no less for the sake of the United Kingdom itself, capable citizens are needed now as they never were before. Never has there been a finer opportunity or greater scope for the kind of statesmanship which produces capable citizens. Never was there less appearance among us of such statesmanship. Neither the people nor their political leaders seem to have a definite idea what capable citizenship is, or how it is to be secured. We have many conflicting ideals which stultify each other, and there is consequently little prospect of any of them being realised. Every one acknowledges that the highest duty of the State is to surround itself with capable citizens who will be at once a support and a bulwark to it. But that our present methods are either achieving that result, or giving much

promise of its achievement, few will venture to assert.

Even in the lifetime of the present generation our circumstances as a nation have altered in many ways, and not always for the better. Wealth of a sort has increased and multiplied among us; millionaires have become plentiful; fortunes can be quickly made in various ways without much effort; work of all kinds is better paid than it ever was before; workmen get more and spend more than ever; everything—from imperial taxes to local rates—is making fresh records. The prosperity we enjoy—on paper—is unprecedented. But if we reverse the shield, and ask ourselves if we are as strenuous as ever, as industrious, as efficient in our work, and as well-disciplined, the answers may not be so confident.

Whatever the causes of our past prosperity may have been, it becomes increasingly evident that we are no longer in undisturbed enjoyment of them. Some of them have disappeared, some have changed with the times, and such as remain are being assailed by many jealous competitors. None of them can be counted on as surely as of old. The international struggle, in which for nearly a whole century we kept the upperhand almost without an effort, is becoming serious enough to alarm even the most inveterate of our optimists. It is high time to consider how we are prepared to meet this new and fiercer rivalry.

The inquiry has already been pressed home in several directions. It has been alleged that our industrial equipment is out of date, our commercial methods behind the time, our railways an incubus on trade instead of a help to it, and the British Legislature itself the most helpless anomaly of all.

However sweeping such charges may seem, no harm can come of treating them seriously and investigating them with proper care. But very great harm might easily come of pooh-poohing them, and abusing their authors as chronic alarmists. The process of investigation will at least have some educational value for us. It may continue and extend the object-lessons in political economy furnished by Mr Chamberlain's fiscal campaign.

If only, therefore, for the sake of educational benefit, why should we not face boldly these doubts which have been raised as to the efficiency of our industrial equipment, our commercial system, our railway methods, and even our legislative machinery? Whether viewed from a practical or a scientific point of view, there is assuredly no more important work open to us at the present moment. It involves not merely the future of our industry, our commerce, and our colonies, but the social progress or retrogression of the people. The latter issue looms in the background, overshadowing all else. Compared with that, it is after all but a

secondary question whether our foreign trade is to grow a little faster or a little slower; whether food is to be a little cheaper or a little dearer, and whether the colonies are to have a few preferential duties more or less.

Economic discussion and economic legislation must always turn ultimately on the question whether or not they are to develop and strengthen the industrial powers of the nation. Many other ideals of national virtue have been tried and found wanting. Legislation has endeavoured to make nations religious, to make them moral, to make them happy. Feeding them, philanthropising them, amusing them, sectarianising them, have all had their turn. Now we appear to be reverting to older-fashioned notions, among others to the oldest of them all,—that the basis of national as well as of personal progress is industry. In the gospel of industry for its own sake even more than for the sake of its products, in the joy of good work honestly done and into which the worker puts the best that is in him, lies the secret of the only education that a man can carry through life with him. Every other kind of learning he sheds by the way, and very often sheds it before it has been of the slightest use to him. What he sheds quickest of all is his school cramming. Whether it hail from Eton or from Islington, that is generally the most ephemeral.

How different it is with the world's oldest

systems of education, which in the pride of our Christianity we look down upon and direct all our missionary zeal against. In the simple mind of the Hindu, labour carries no curse with it and no dishonour. It is an essential part of his religion. His tools and all the primitive instruments of his trade are under the protection of a special god—Sri Pancham. At the beginning of the year a special festival is held in their honour, when he polishes them up and worships them. “Shocking idolatry!” exclaims the narrow-minded Christian; but how glad we might all be to see just a tinge of the same sentiment infused into our “ca’ canny” trade-unionists. Work has long ceased to be a religious function among any class of Englishmen. It has been degraded into a soulless conflict between wage-earners and wage-payers. Industrialism is in too many cases a state of war, or at best of armed neutrality, between two sets of rival organisations—the employers’ federations and the workmen’s unions. They frankly recognise each other as natural enemies. It is understood between them that each will make the utmost use of its means and opportunities on its own behalf, which in effect means against the other. Industry for its own sake or for the sake of the nation as a whole can have no place in such a scheme. And without the right spirit, how can we hope to secure the right kind of industrial education?

A true industrial instinct implies, moreover, a

true economic instinct. By the law of evolution economic and industrial policies must act and react on each other. A very simple illustration of this is furnished by the contemporaneous developments which have taken place in our own country and in Germany during the present generation. Our policy of free imports has given rise to the popular idea that cheap food and cheap clothing are the most important of economic aims. The German policy of subordinating imports to domestic products, even where the latter may not be cheapest, has fostered a producing rather than a mere feeding sentiment. Possibly our free-fooders have some ground for their assertion that the standard of living is lower in Germany than in the United Kingdom. But if so, it may be all the greater credit to the German people that they are more concerned about the extension of their industries than about cheap food.

There are two economic issues before the world at the present time. One is eating and the other is earning. The British public have for half a century been taught to regard cheap eating, and plenty of it, as the *summum-bonum* of wellbeing. Earning power has been a secondary consideration. In Germany it has been precisely the reverse. During the past half century public opinion there has been much more exercised about earning than about eating. Now compare the results, to be clearly seen in the dominant

characteristics of the two peoples. Much broader views of national industry are held in Germany than in the United Kingdom. Consequently greater attention is paid to its development and organisation; there is a larger and more constant demand for industrial skill, and the demand creates the supply. Technical education flourishes in Germany because there is a free and growing market for it.

When typewriting came into vogue in London, and good salaries were offered to girl type-writers, the evening classes of the London School Board soon flooded the City with them. But there was no corresponding demand for technical experts; and if technical colleges had turned them out by the thousand there would have been little or no employment for them. They would have been a drug in the market. And for very simple commercial reasons. In accordance with our economic motto to buy always in the cheapest market, we imported nearly all the technical articles which might have furnished employment for home-bred technical experts. There was not room for both the home-bred experts and the imports, so when the imports were preferred the experts had to go to the wall.

Highly developed technical education presupposes a remunerative field for its exercise, and that in turn presupposes technical industries on a sufficiently large scale to furnish such a field. Technical industries, to have much chance

of success, demand large establishments and very liberal financial arrangements of various kinds. It is not a matter of opinion, but of actual observation, that costly industrial ventures are easier to finance in countries with a protected home market than in countries with a perfectly open home market. The open home market may on other grounds be preferable to the protected one, but it is certainly less favourable to technical industry and everything involved therein, including technical education. Here the people whose economic ideal is "earning" have an unquestionable advantage over the people whose ideal is "eating."

Another test may be applied to the two policies. It may be asked, Which has shown itself more favourable to the development of economical intelligence and the acquisition of definite economic principles? That distinction can hardly be claimed for our *laissez faire* creed after the woful display of sheer ignorance and bewilderment evoked by Mr Chamberlain's fiscal campaign. It was not alone the wild and irreconcilable differences it brought to light among comparatively intelligent people that we had to be ashamed of, but the almost universal lack of definite ideas as to the first principles of political economy. In the science which we had for two centuries regarded as peculiarly our own, we found ourselves completely astray. The simplest economic statistics were put to the most absurd

uses. Figures were manipulated to prove a particular doctrine one day, and were twisted round to prove the very opposite doctrine the day after. The discussion degenerated into a welter of self-stultifying arguments, dogmas, and catch-words.

When a kindred issue was raised in Germany, there was no "raging, tearing propaganda," no brandishing of the big loaf and the little loaf, no electioneering hysterics. The whole question had been put before the people by impartial economists. The rival policies had been examined in the light of history and experience. Each had a numerous body of adherents, and, what was of still more importance, there was a strong man at the head of the Government who did not shrink from the responsibility of deciding between the two. Prince Bismarck's prestige doubtless helped a good deal to shorten the controversy. When he turned against Cobden, the country turned with him, and forthwith began a new economic era. But if the issue itself had not been unusually well understood by the people it could not have been thus cut short. Even all the authority of Prince Bismarck could not have imposed a final decision on the Reichstag had it been all at sixes and sevens on the question, as our own House of Commons is to-day.

Laisser faire, whatever else it may be, is certainly not an educative creed. During the sixty years it dominated British politics we cannot

claim to have made great progress in any branch of economic science. We have not quite carried out Mr Gladstone's suggestion to relegate political economy to the planet Saturn, but we have come perilously near to it. The "dismal science," as it began to be called by men who were too lazy and superficial to study it, grew more dismal than ever. It had almost become a negligible quantity in our political life when Mr Chamberlain gave it a rude awakening. From the triumph of Cobden to the sudden outbreak of last year's reaction against him was one of the most barren periods in our economic literature. It produced very few works of first- or even of second-class importance,—a fact which, however humiliating, is not surprising if we consider how economic thought must have been deadened by the idea that its grand secret had been discovered, and nothing remained for it to do but to hold the key. After 1846, if political economy was not relegated to Saturn, the most vital part of it migrated to Germany.

The two standards of economic prosperity which we have been contrasting—the eating and the earning standards—lead naturally to very different views of national wellbeing, commercial progress, and social development. They diverge so widely from each other in these respects as to produce two irreconcilable schools of political economy. So far has this divergence been carried in recent fiscal discussions, that the

disputants virtually speak different languages. For example, when one set of authorities glorifies the immense volume of our imports as a proof of our great purchasing power, and another set regards them as a sign that we are living on our capital, they stand at opposite poles, and have little prospect of ever reaching a point of agreement. When the growth of our income-tax assessments delights one party and alarms another, a *via media* is likely to be hard to find.

Such discussions are apt to begin and end in the clouds. Even if the bewildering figures they revel in were unimpeachable they might have very little significance in the comparison of one economic system with another. The most essential qualities of an economic *régime* cannot be expressed in figures or measured by statistical curves. Mere magnitude does not prove the soundness of national trade or industry. If it did, the existing forty-two millions of people in the United Kingdom ought to be twice as happy and prosperous as were the twenty-six millions of half a century ago. But even the Cobden Club would hardly claim that much. We may, however, concede to it that the mere growth of a community from twenty-six millions to forty-two millions necessarily creates a new economic and industrial situation. Consciously or not, it opens up a new industrial era with doctrines and methods of its own.

The twenty-six millions who lived under the

old industrial dispensation were educated in Adam Smith's Spartan theory of productive labour, while the forty-two millions of to-day draw their inspiration from the monetary theory which has grown up under the Cobden *régime*. The broad distinction between the two is that productive economy recognises only commodities or services which add to human wellbeing, while monetary or paper wealth is measured by changes in market values, which may be due to a great variety of causes quite apart from commodities or services. Legislation, speculation, and the natural growth of a community, are producing every day artificial values, of no real benefit to mankind. They may be purely accidental, arbitrary, or conventional. Very often they are ephemeral and deceptive.

In primitive communities nearly all wealth is substantial,—that is to say, it consists mainly of houses, food, clothes, and other tangible commodities. There is little or no paper wealth—no bills of exchange, no stocks and shares, very little money, and no income tax assessments. In a chiefly agricultural but partly commercial society such as England was in Adam Smith's time, substantial wealth in the shape of tangible commodities is still predominant. But in a community like the English people of to-day—almost wholly commercial and to a very small extent agricultural—paper values overshadow all others, and not only so, but they increase most rapidly. The

annual produce of our soil, our mines and quarries, and our fisheries, is a mere fraction of our income tax assessments. Even if we add to it the output of our textile factories, iron-works, chemical works, &c., the total will hardly equal the amount of our national debt.

But statisticians disdain to measure our wealth by such prosaic standards. They have discovered forms of intangible riches which throw into the shade all the tangible forms we can see or feel. The riches of the present day consist in an infinitesimal degree of what we can drink, wear, or handle. They are a glorious conglomeration of ground-values, unearned increments, stocks and shares, Turkish bonds, and gambling counters generally. It is on these that the Income Tax Commissioners batten, and that the State has to depend for paying its way. If it had to live on a moderate share of the crops raised in the United Kingdom, the coal and iron mined, and the cotton and woollen goods manufactured, it would be fasting for more than half of the fiscal year.

The Government is quite entitled to make the most it can of all eligible subjects of taxation, whether solid or speculative, durable or ephemeral. But the fact that taxes can be levied on every imaginable kind of property does not prove that all property so called is substantial wealth. At all events there should be some discrimination exercised between tangible and intangible riches,

substantial and nominal, productive and speculative. At present, everything the Income Tax Commissioners can lay hold of is jumbled together as wealth—food, clothing, raw materials, manufactures, buildings, ledger accounts, accommodation bills, mining scrip, and the national debt itself.

No such jumble as that could arise out of any sound economic doctrine of wealth. It is, however, a natural sequel to the theory that “eating” power rather than “earning” power is the true standard of wellbeing.

The Englishman of to-day eats more, plays more, and works less than he did under the more strenuous *régime* of sixty years ago. Employers of all classes acknowledge this, and deplore it. Many men who sympathise with Mr Chamberlain’s advocacy of a moderately protective tariff hesitate to support it because of the bad moral effect they fear it might have on the *personnel* of the industries concerned. Masters and men, they say, are quite slack enough already without giving them any encouragement to become slacker. Which is a much more serious indictment of British industry than any pottering with the tariff can be expected to counteract.

Whether the economic changes which began with the repeal of the Corn Laws and culminated in the repeal of the Navigation Laws had anything to do with this industrial slackness is a question which admits of argument. It deserves to be argued out thoroughly and exhaustively.

Without any dogmatising, it may be said that there is a *prima facie* case against these fiscal changes. If it cannot be alleged against them specifically, it may be against the fundamental principle of *laissez faire*, on which they were all based, that their natural effect has been flabbiness in administration, in law-making, and in our commercial affairs generally.

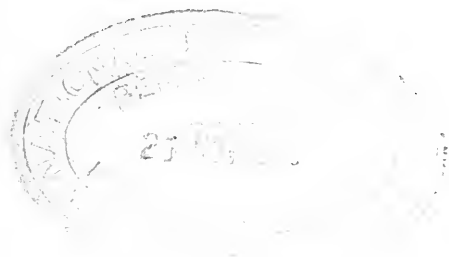
All attempts to exclude the State from the sphere of commerce must necessarily fail; and not only so, but the failure must react injuriously on both. If there ever was a time when trade and industry were better left entirely to individual initiative, we know now that it has long passed. We, the most bigotted of *laissez faire* theorists, have had to abandon it in practice, and our adhesion to it is no longer much more than verbal. Even that is fast disappearing; and however the fiscal campaign may end, *laissez faire* itself is undoubtedly doomed. All thoughtful men begin to perceive not only that commercial questions claim the attention of the Executive and the Legislature more urgently than any other, but that it would have been well for us if they had received greater attention in the past. Not only have much-needed commercial reforms been neglected, but the time which might have been most profitably bestowed on them has been diverted to sectarian and other questions which have gratuitously provoked bitterness and class prejudice.

From this point of view, the legislation of the past sixty years does not compare at all favourably with that of the sixty years immediately preceding. It has been in the main disintegrating, contentious, and often hysterical. Of necessity it has been far from business-like, because it started by denying the right of the State to trouble itself about business. Before *laissez faire* became our national motto the British Legislature was at least workman-like. Whatever it undertook to do was done with a certain degree of thoroughness. It gave us a definite gold standard, Catholic emancipation, a rational suffrage, a sensible poor law, joint-stock banking, and a liberal Colonial policy,—all of which have stood the test of many years' wear.

How do the legislative achievements of the *laissez faire* period compare with these? How many of them have solved definitely and satisfactorily any great national problem? When is there likely to be an end to the wearisome round of bogeys which the House of Commons tries in vain to escape from? Ireland, army reform, popular education, pauperism, the liquor trade, local government, the labour laws, hostile tariffs, crushing taxes, joint-stock frauds, and a score of other vital questions, have been so muddled and remuddled that the nation begins to despair of their ever being settled. Political spirit, business spirit, and industrial spirit seem to be all suffering from a general attack of

flaccidity. How this is to be shaken off is what we have to ask ourselves first and foremost. Until there is some return of the old strenuous spirit among all classes, fiscal reform, technical colleges, and the most advanced economic doctrines can do but little for us.

In the following pages an honest endeavour has been made to illustrate the dangerous position into which we have drifted, and are daily drifting farther. While the strength of the nation may still be great, and its health sound, elements of weakness have crept into both. And the worst symptom of all is the complacent short-sightedness which considers that letting things slide is the only statesmanship for such an emergency.



CHAPTER III.

OLD AND NEW STANDARDS OF NATIONAL
WEALTH.

BEHIND the fiscal question looms one still larger and more formidable, affecting the economic condition of the country as a whole. When Sir William Harcourt appealed from the foreign trade returns to the income tax assessments as proof of our national prosperity, instead of escaping thereby from the old dilemma he only landed himself in a new one. These income tax assessments are as much open to criticism as free imports; more so, in fact, for they are even less understood, and consequently they "lend themselves more readily to misrepresentation." As a measure of national wealth and progress, nothing more unreliable and misleading could be served up to a confiding public.

It was perhaps fortunate for the older economists that they had no income tax statistics to dazzle and lead them astray. Their theories of national wealth were made out of more substantial materials. We can hardly reconcile the

Spartan severity of Adam Smith with the glittering visions of prosperity conjured up by the fashionable statisticians and economists of our own day. His teaching on this as on various other subjects was the very antipodes of what is now being practised in his name. The national wealth which he analysed and described in 1776 was something much more tangible and substantial than the kaleidoscopic millions with which Sir Robert Giffen performs his statistical feats. So clearly did he grasp the problem of national prosperity as it then presented itself, that a few extracts from his Introduction and the celebrated first book should make it plain to almost any reader:—

The annual labour of every nation is the fund which originally supplies it with all the necessaries and conveniences of life which it annually consumes, and which consist either in the immediate produce of that labour, or in what is purchased with that produce from other nations.—‘The Wealth of Nations’: opening sentence of Introduction.

Every man is rich or poor according to the degree in which he can afford to enjoy the necessaries, conveniences, and amusements of human life.—Book I. chap. iv.

Labour was the first price, the original purchase-money that was paid for all things. *It was not by gold and silver*, but by labour, that all the wealth of the world was originally purchased.—Ibid.

The value of any commodity is equal to the amount of labour which it enables him (the possessor) to purchase or command. Labour therefore is the real

measure of the exchangeable value of all commodities.
—*Ibid.*

Wages, profit, and rent are the three original sources of all revenue as well as of all exchangeable value. . . . All taxes, and all the revenue which is founded upon them, all salaries, pensions, and annuities of every kind, are ultimately derived from some one or other of these three original sources of revenue, and are paid either mediately or immediately from the wages of labour, the profits of stock, or the rent of land.—Book I. chap. vi.

The eighth chapter of the first book shows how wages, profit, and rent are developed as labour advances from its individual to its collective stage. By a parallel process of development, wealth rises from individual to collective, and from collective to national. Every step in the progress of both is traced by Adam Smith with characteristic clearness. He never forgets, or allows his readers to forget, for a moment, that it is the thing itself,—the product of labour, whatever it may be,—and not the money price of it, which constitutes wealth. Neither is he led astray, as so many later economists even in our own day have been, by exaggerated ideas of the functions of the monetary metals. He always keeps them in their proper place, which in his scheme is a very subordinate one.

In 'The Wealth of Nations' the producer's point of view is frankly adopted throughout, almost to the exclusion of the distributor and the consumer. This may be a defect according to

modern standards, but it is a more pardonable extreme than that of our own day, which pays almost exclusive attention to the consumer. It gives a more manly tone to Adam Smith's political economy than is to be found in the wail of the little loaf. And it saved him in working out his theory of national wealth from confusion and complications in which later economists have floundered hopelessly. The producer was always a definite fact to hold on to. He could be followed safely through all the intricacies of currency and foreign exchange.

In these matters, as in others, Smith was guided by some happy instinct to the simplest and most workable solution of the problem. He never, like so many of his successors, lost sight of the plain but important truth, that trade in all its forms, from the lowest to the highest, is simply barter, and that the intervention of facilitating media—metallic money, paper money, banking credits, or whatever they may be—cannot change its intrinsic nature. The clear perception which he had of money as a medium of exchange enabled him to avoid the still more dangerous mistake of confounding it with wealth. The following series of extracts will show how carefully he built up his economic scheme on the most elementary and indisputable data:—

Food not only constitutes the principal part of the riches of the world, but it is the abundance of food which gives the principal part of their value to many

other sorts of riches. . . . The increasing abundance of food, in consequence of increasing improvements in cultivation, must necessarily increase the demand for every part of the produce of land which is not food, and which can be applied either to use or to ornament.—Book I. chap. xi.

The land is by far the greatest, the most important, and the most durable part of the wealth of every extensive country.—Ibid.

It is the produce of the land which draws the fish from the waters, and it is the produce of the surface of the earth which extracts the metal from its bowels.—Book II. chap. i.

The gross revenue of all the inhabitants of a great country comprehends the whole annual produce of their land and labour: the net revenue is what remains to them after deducting the expense of maintaining, first, their fixed, and secondly their circulating capital, or what without encroaching upon their capital they can place in their stock reserved for immediate consumption and spend upon their subsistence, conveniences, and amusements.—Ibid.

By stock or capital Adam Smith always means commodities—a narrow view, of course, but for an economic theorist a very safe one. He insists again and again that money is a mere circulator of wealth, and not wealth itself:—

Money by means of which the whole revenue of the society is regularly distributed among its members makes itself no part of that revenue. . . . A guinea may be considered a bill for a certain quantity of necessaries and conveniences upon all the tradesmen in the neighbourhood. The revenue of the person to whom it is paid does not so much consist in the piece

of gold as in what he can get for it or in what he can exchange it for.—Ibid.

The foregoing extracts embody all the main points of Adam Smith's theory of the origin of wealth as published four generations ago. Since then many other theories of wealth have been given to the world. Each of them in its turn appears to have drifted farther from Adam Smith's standpoint, until at last all trace of that has disappeared from contemporary economics. 'The Wealth of Nations' is still much quoted; but it is little read, and its influence on our political life has almost vanished. Not only has its teaching been pushed aside by later and less robust doctrines, but at many points it is out of touch with both current opinion and practice. The economic teachers of to-day talk a different language to Adam Smith's, and think in a different groove. Those who plume themselves most on being his apostolic successors are generally farthest out of harmony with him, and in the essential question of national wealth they might find, if they looked into the matter seriously, that his doctrine and theirs are directly contradictory. While he dealt with substantial wealth—the direct produce of land and labour, they worship paper wealth—the artificial creations of modern credit and speculation.

As we have seen, Adam Smith made labour the starting-point of property, and, consequently, of wealth. The excess of labour over and above

the needs of the hour became the germ of accumulation. Each succeeding year produced a new and larger surplus. As the volume of commodities increased, better arrangements for exchanging them among the various owners had to be devised. Markets were created or grew up of themselves. For purposes of exchange, a circulating medium was required which gradually developed into modern money. As the supply of labour increased it formed natural subdivisions,—some labourers preferring to work on the land, and some at trades. Last of all come the landowner and the capitalist—the two final organisers of labour. One organised the trades into combinations of employers and wage-earners, the other established on the land the farmer and the farm-labourer.

These were the national industries of Adam Smith's day on which he based his system of political economy. In his opinion they were the special charge of the State, whose prosperity must always be bound up with theirs. They were the creators of the only three sources of revenue which he recognised—wages, profit on stock, and rent,—consequently the only true wealth producers. His definition of political economy, with which he opens his fourth book, has to be read with these facts in mind:—

Political economy [he says], considered as a branch of the science of a statesman or legislator, proposes two distinct objects—first, to provide a plentiful revenue or

subsistence for the people, *or more properly to enable them to provide such a revenue or subsistence for themselves*; and secondly, to supply the State or Commonwealth with a revenue sufficient for the public services. —Book IV., Introduction.

It was not the class who figure in income-tax assessments that Adam Smith concerned himself about. He speaks elsewhere of “the revenue of the great body of the people,” and of “those funds which in different ages and nations have supplied their annual consumption.” What was best for “the great body of the people” he held to be best for the nation. Their wellbeing he regarded as true national wealth; and the numerous illustrations of this point scattered through his first book leave no doubt about its paramount importance in his eyes. “Well employed and well-paid labour” might be called his fundamental maxim, the keystone of his economic system. He has thought it out more earnestly than any of his other doctrines, not excepting the celebrated division of labour. In no modern text-book of political economy will the question be so often met with, “Where are the great body of the people to be found most prosperous and contented, the workman best paid, and trade most profitable?”

To that question a present-day politician would inevitably reply—“In the richest countries, of course, where the income-tax assessments are

largest." But Adam Smith's answer was different. He preferred a progressive to a rich country, because the first was creating wealth, while the second might be only spending it. The British people may find a correct picture of their own present condition in the account he gives of Holland as he knew it toward the end of the eighteenth century. It was rich in money, but was losing its trade and manufactures. Like ourselves to-day, it was being driven to the poor consolation that it had still a large income from shipping and foreign investments. Adam Smith would not admit that it was actually decaying, but, as will be seen hereafter, he did not admire the passive prosperity of which Holland was then a shining example :—

During the late war the Dutch gained the whole carrying trade of France, of which they still retain a very large share. The great property which they possess both in the French and English funds—about forty millions, it is said, in the latter (in which I suspect, however, there is a considerable exaggeration); the great sums which they lend to private people in countries where the rate of interest is higher than in their own, are circumstances which no doubt demonstrate the redundancy of their stock, or that it has increased beyond what they can employ with tolerable profit in the proper business of their own country.—
Book I. chap. ix.

In a further reference to Holland, Adam Smith brings out still more strikingly the inferiority of

passive to active wealth—a lesson which we have as much need to learn to-day as the Dutch had in the eighteenth century:—

In a country which had acquired its full complement of riches, where in every particular branch of business there was the greatest quantity of stock (capital) that could be employed in it, as the ordinary rate of clear profit would be very small, so the usual market rate of interest which could be afforded out of it would be so low as to render it impossible for any but the wealthiest people to live upon the interest of their money. . . . The province of Holland seems to be approaching near to this state.—Ibid.

It is not only the trader who suffers from a national glut of capital which cannot be profitably employed. The labourer suffers even more, and here Adam Smith furnishes tariff reformers with quite a new argument. As before, it may be best stated in a few brief quotations:—

The demand for those who live by wages necessarily increases, therefore, with the increase of revenue and stock of every country, *and cannot increase without it.*—Book I. chap. viii.

It is not the actual greatness of national wealth, *but its continual increase*, which occasions a rise in the wages of labour. It is not, accordingly, in the richest countries, but in the most thriving or in those which are growing the fastest, that the wages of labour are highest.—Ibid.

Though the wealth of a country should be very great, yet if it has been long stationary we must not expect to find the wages of labour very high in it.—Ibid.

The most decisive mark of the prosperity of any country is the increase in the number of its inhabitants.—*Ibid.*

The value of children is the greatest of all encouragements to marriage.—*Ibid.*

Having seen what Adam Smith's ideal of a prosperous country was, the reader may be interested to learn that he found his best examples of it in the North American colonies:—

But though North America is not yet so rich as England it is much more thriving, and advancing with much greater rapidity to the further acquisition of riches. . . . Labour is there so well rewarded that a numerous family of children, instead of being a burden, is a source of opulence and prosperity to the parents.—*Book I. chap. viii.*

Secondly, America itself is a new market for the produce of its own mines; and as its advances in agriculture, industry, and population are much more rapid than those of the most thriving countries in Europe, its demand must increase much more rapidly.—*Book I. chap. xi.: Digression on the Value of Silver.*

Adam Smith was not so much addicted to prophesying as Mr Cobden, but he was more fortunate in his prophecies. His forecast of the future of North America, though written nearly a century and a half ago, has been borne out to the letter. If he did not commit himself to any specific predictions about his own country, he laid down principles which apply better to our present fiscal situation than nine-tenths of the diagnosis which is being perpetrated from day

to day. He exploded in advance—nearly a hundred and thirty years ago—the sophistries which are being echoed from platform to platform about clearing-house returns, savings-bank deposits, and income tax assessments as proofs of national wealth. Though he was neither a banker, nor a financier, nor a royal statistician, but only a studious observer of economic phenomena, he perceived the difference between substantial values and paper values expressed in money. In doing so, he avoided the most mischievous economic fallacy of our age—the confusion of private riches with national wealth.

The two are absolutely and irreconcilably different. A poor country may be overrun with millionaires, and a country which has none may enjoy solid and widely distributed wellbeing, which is far better.

By stating and illustrating sound principles of trade, currency, banking, and taxation, Adam Smith pointed out the right road to national prosperity. At the same time, he explained its true elements and characteristics. He distinguished more thoroughly than any other economist has done between the essentials and the accessories. In his time both of these were few and simple compared with what they have since become. The accessories of wealth have, however, increased far more than the wealth itself. We have now thousands of miles of road compared with the hundreds there were in 1776. We

have thousands of miles of railway, all built and equipped long after 1776. We have immense docks and harbours full of shipping—all new creations since 1776. Our royal navy, and still more our commercial navy, would have been appalling to the humble traders of 1776. For every ton of goods they manufactured our factories now turn out a thousand tons or more, while the stocks held have increased in equal proportion.

In every direction the productive power of the country, and also its tangible assets, have increased beyond comparison with those of Adam Smith's time. But their capitalisation has been increased on a still more lavish scale. Shillings have become pounds, pounds have multiplied into hundreds, and hundreds into thousands in the national balance-sheet. For every pound of *bonâ fide* value added to the national assets in the past century and a half, they have been written-up by at least another fifty pounds. The writing-up is by far the most important factor in the case, and it has contributed most to swell the income tax assessments.

Every large city teems with illustrations of the contrast between money values and productive values. A square yard of land in the City of London may in money value be equal to a 300-acre farm in Essex, but land in Essex may have greater economic value than land in the City. It can support a certain number of people, while

the fancy price of land in the City is simply a premium on overcrowding. Nevertheless, in a statistical census of wealth on the Somerset House plan, the square yard of land would be a barometer of prosperity, and the 300-acre farm a barometer of decay!

We have to remember that an entirely new economic *régime* has come into existence since Adam Smith's day, which in an endless variety of ways favours the writing-up process. The mere growth of population has multiplied the value of urban lands fifty-fold. A similar effect has been produced by the multiplication of factories and other industrial works. The development of our coal and iron deposits has furnished not only new sources of revenue but a fresh creation of wealth. Our railways are not only a new and profitable asset, but they have raised the market value of everything they approached. Steam, electricity, and every new factor in our industrial life are not only wealth producers in themselves, but they have opened the door to flights of speculation undreamt of hitherto.

The greatest revolution of all has been effected by the joint-stock system of finance which now controls every British industry. It has completely upset all the old-fashioned ideas of value, and introduced a new scale better adapted to the dignity of millionaires. Then latterly we have had a succession of mining booms, in which fortunes have been made and lost with a facility

and rapidity vainly envied by Monte Carlo. Doubtless most of the fortune winners are paying their income tax with loyal regularity, while the losers have nothing more to fear from either assessors or commissioners. The mining market, which nowadays represents so much fictitious wealth, had not been invented in Adam Smith's time; but he appears to have had a presentiment of it, for he specially warns his readers against the false charms of Potosi, then the champion mine of South America. In his digression on the variations in the value of silver during the previous four centuries (Book I. chap xi.) he says:—

The most abundant mines—either of the precious metals or the precious stones—could add very little to the wealth of the world. A produce of which the value is chiefly derived from its scarcity is necessarily degraded by its abundance.

There is one other passage in this connection which almost entitles Adam Smith to the credit of having anticipated the fall in silver from which the world is now suffering:—

If new mines were discovered as much superior to those of Potosi as these were superior to those of Europe, the value of silver might be so much degraded as to render even the mines of Potosi not worth the working.

Which is exactly what has happened in our own day. But plain as was Adam Smith's warn-

ing, and often as he reiterated it, it seems to have had little effect on his successors. The monetary measures of value against which he cautioned his readers have superseded nearly all others. Not only in practice, but among economic writers of the highest rank, they have become almost universal. Current ideas of national wealth are derived mainly from the series of wealth valuations originated by Sir William Petty more than two centuries ago, and fully developed by Sir Robert Giffen in our own day. The rapidity with which these valuations swell up might very reasonably excite a doubt as to their solidity. At the opening of the nineteenth century the total wealth of great Britain was estimated at 1774 millions sterling. When Sir Robert Giffen first took it in hand in 1865 he figured out a round 6000 millions. Ten years later he increased these dizzy millions by fully 40 per cent, raising the total to 8500 millions sterling. At his third revision, in 1885, he made out a clean 10,000 millions.

Sir Robert Giffen himself has never asked us to accept these calculations as scientific statistics. He has offered them only as estimates based on a "somewhat violent hypothesis," namely, that "the property of a community can all be the subject of sale at a given moment." But the British public, and especially British politicians, never draw fine distinctions in matters of this

sort. Nine-tenths of the readers of these wealth valuations adopt them on Sir Robert Giffen's authority as statistical facts. Even professed statisticians use them as *bonâ fide* material. They acknowledge that "the ratio of estimate to verifiable fact may be still large," but they hasten to add that Sir Robert's method is "so rigid and uniform" that "the results, however imperfect as an accurate summation of the aggregate of exchangeable property, may yet be held to supply a plutometric unit of a comparatively high degree of precision."

The most surprising thing about these plutometric operations, and the reception they have met with in the statistical world, is the large amount of criticism that has been spent on their details, and the infinitesimal amount that has been directed to their fundamental principle. They are obviously open to two preliminary objections of some consequence: first, that their fundamental principle is wrong; and secondly, that they run directly counter to all the teaching of Adam Smith on the subject of public wealth. No intelligible reason is given for asking us to accept these thousands of millions of pounds sterling as a comparative standard of the wealth of a community. There is not even a definition given of the meaning which the author attaches to wealth. Is it wealth of commodities, or of money, or of credit, or of earning power?

If wealth in the narrowest sense is intended, then these valuations can have very little economic interest, and still less bearing on the economic questions of the day. But if wealth in the wider sense of wellbeing be intended, then the valuations cover very little of the ground to be examined, and that little by no means the most important. As an index to the comparative degree of wellbeing in the community at a given time they are far too narrow. As a "plutometric unit" they may sound scientific, but even more scientific are the objections that may be taken to them. They are restricted to an artificial class of economic values—monetary. They lump together a great variety of monetary values. They neither adequately nor correctly represent those conditions the aggregate of which constitutes public wellbeing. In a word, they are not a safe standard of national wealth.

Latterly a new "economic unit," the reverse in many ways of Sir Robert Giffen's, has been suggested by the mathematical school of economists. It is partly "made in Germany," as may be gathered from its metaphysical tinge, but several of our own economic metaphysicians have contributed to it. Starting from the postulate that "the proximate end of economic action is the seizing of matter and energy from surrounding nature and applying it to the satisfaction of human needs," it proposes to estimate the wealth

of a country by "the quantities and kinds of matter and energy available (within its bounds) over a given space and time." These stores of matter and energy are distinguished as exhaustible and perennial. A typical example of the former would be our own coal-fields, and of the latter the supply of rain and sunshine. Natural water-power, like that derived from Swiss waterfalls, might be something between the two.

Undoubtedly a very interesting line of scientific inquiry is foreshadowed in these speculations, and one which may years hence lead to valuable results. But it is a long leap from the existing limits of economic science to the threshold of that ideal age in which the economist will weigh and measure the forces of nature with as much precision as the physicist. Meanwhile every married man has in his own family an "economic unit" by which the progress of the nation may be measured with as near an approach to accuracy as any of the incomplete scientific formula available can promise. The capable citizen develops naturally into the head of a well-cared-for and capable family. A combination of capable families forms a capable community, and a network of capable communities is the basis of a powerful State. Let us assume that the existing population of the United Kingdom (1904) is divided into eight million families of five persons each. In judging of their

economic condition, physique would count for so many points, health so many, working power so many, and the others would follow in natural order—home life, moral character, education, conduct, and so on.

Every such family, well housed, well nourished, well educated, well employed, and with all its social surroundings up to a fair level of Christian civilisation, will be a valuable asset for any country. It is a joy to know that thousands of them exist in the United Kingdom. Whether they are on the increase or on the decrease is the most vital question we can put to ourselves. The man who does his duty by himself, his family, and the State, is the best type of wellbeing and welldoing combined. He and his children, if they take after him, will be national wealth in the highest and most honourable sense—the sense given to it by our greatest political economist.

In the balance-sheet of the nation there should be only two kinds of wealth recognised—solid property and personal capacity. Every person who renders honest service to his fellows, in however humble a sphere, is entitled to appear on the credit side of it; while every waster, loafer, and mere spender should be entered as a debit. The surplus of producers over wasters will be the personal wealth of the country at a given date. Its material wealth will be the

aggregate of its cultivated lands, buildings, railways, shipping, manufacturing plant, &c. The economic value of both classes will depend not so much on numbers or quantities as on their earning power, absolute and relative.

CHAPTER IV.

“STATISTICAL” WEALTH *VERSUS* SOLID WEALTH.

How refreshing it is to turn from a declining national revenue and steadily shrinking deposits in our savings banks to a happy land where statisticians are always piling up millions. While business men ungratefully complain of bad times, dear money, and dwindling profits, the latest wealth census of the nation, taken by its most eminent plutometric authority, proves the depression to be entirely in their own imaginations. If they but knew it, they are rolling up riches more rapidly than ever.

The aggregate incomes of the 42 million people in the United Kingdom are now estimated at 1750 millions sterling. This result has been arrived at, we are told, by a very simple “rule-of-thumb” method, which has been followed since Dudley Baxter’s investigations in 1868. By doubling the gross assessment to the income tax, we get the aggregate income of the people. Nothing could be simpler or at the same time more difficult to verify. If the statisticians who supply the British

Association and other learned bodies with calculations of this kind offered them as statistical curiosities merely, there would be little to say either for or against them. Whether or not other statisticians accepted them as scientific would be a purely academic matter, of little consequence to the public. But when figures which have little if any practical value, and which cannot conceivably get within millions of the exact truth, are offered to the country as a measure of its prosperity, then it is high time to utter a word of caution. The whole basis of the calculation is, for any practical purpose, unreliable. Even in skilled hands it may, and frequently does, give rise to singular delusions. For amateurs, economists, and everyday politicians it may prove the entrance to a maze of errors.

Sir Robert Giffen frankly admits that there is but one set of positive data available for working out his 1750 millions a-year of national income. It is the income tax assessments which he adopts almost without qualification or remark as a gauge of all incomes above a certain minimum— at present £160 a-year. For incomes under £160 a-year, what he very appropriately terms the “rule-of-thumb method” is employed of estimating them at the same gross amount as those over the £160. A sort of equatorial line is drawn between assessed and non-assessed incomes,—in other words, between the revenues of property and trade and the wages of labour.

Every step in this operation is beset with pitfalls and ambiguities. There can be little certainty as to any of the results, and as to many none at all. But the essential question is, What are the results worth when they have been arrived at? Their authors, as a rule, appear to assume that the aggregate incomes of the people represent the income of the nation, and that the progress of the nation may be measured by their increase. For this assumption they have furnished no proof. They do not even seem to have realised that it required proof, or at least consideration. As a matter of fact, there may be a wide difference between an aggregate of individual incomes and a national income.

According to the older economists, the income of a nation was the aggregate of its production and distribution. But not all individual incomes are those of producers and distributors; many are derived from other people's expenditure, and instead of increasing the national income they diminish it. Least of all can safe guidance be obtained from the income tax assessments on such a point. In these all kinds of income are mixed up,—interest on investments, the profits of the manufacturer and the trader, the dividends of joint-stock companies, the earnings of the professional man, the salary of the public official, and, to some extent, the wages of the skilled mechanic. As in fiscal discussion we have to remember that the finished article of one trade

becomes in turn the raw material of another, so here it has to be observed that one taxpayer's expenditure forms a new income for other taxpayers. The two overlap and duplicate each other indefinitely. Adding them all up together, as the Income Tax Commissioners do, is to give us an inextricable tangle of revenue and expenditure.

Strange to say, statisticians base on that mixture the most complex calculations without any preliminary attempt to straighten it out. Though complete separation is impossible, there are some important distinctions that may be easily made between the two antagonistic classes of taxable income, one based on production and the other on expenditure. Nearly every schedule is open to discrimination in this respect. Schedule A, for example, contains two distinct subjects—lands and houses. Land-revenue is of course productive, but two-thirds of the house-rents on which income tax is levied form part of the expenditure of the tenants. In 1901-2 the total assessment on houses amounted to 180 $\frac{3}{4}$ millions sterling. Of this, 66 $\frac{3}{4}$ millions was assessed on business premises of various kinds—factories, warehouses, shops, hotels, public-houses, &c. The remaining 114 millions represented the annual value of residential houses, the rentals of which are virtually assessed twice over, first in the tenant's income and then in the landlord's.

In Schedule D, the duplications and overlap-

pings are most bewildering. It embraced in 1901-2 450,704 persons, 58,906 firms, and 27,702 public companies. Reckoning two persons to each firm, the total number of individual assessments had been 568,516. A comparatively small proportion of the whole had been original producers. More may have been producers in the second or third degree. A considerable number would be distributors—that is, merchants, retailers, transporters, &c. There would doubtless be a good many professional men, but a large proportion would be mere spenders. In such a diversity of incomes there must be a great variety of economic values. They certainly could not all be of equal value to the nation. In the same way there would be important differences in the incomes of the public companies. The profits of a London music hall or of a soda-water company could hardly be put on the same level as those of a shipbuilding or a cotton-spinning company.

But in the income tax assessments they all rank alike, and Sir Robert Giffen accepts them without question or discrimination as the basis of his wealth census of the United Kingdom. The public-company list must be full of anomalies, if they could only be got at, but the published data leave much undisclosed. The total number of companies assessed appears to be 3500 short of the number on the joint-stock register at the corresponding date. Out of 31,249 registered only 27,702 were assessed, the presumption be-

ing that the other 3500 had no income to levy on. Not a few of them may have earned less than nothing, but that is beyond the purview of the Income Tax Commissioners, nor does Sir Robert Giffen take any notice of it.

Per contra, a curious anomaly presents itself when we compare the total assessed income of public companies with the aggregate capital of the companies registered at the same date. The latter was 1726 millions sterling, and the former 234 millions, which would be 13 per cent overhead on the joint-stock capital of the United Kingdom. Such a return is much too good to be true, and an explanation of it must be sought for elsewhere. It may be that the 234 millions of assessed income included interest on debentures and other prior charges as well. Chartered companies and others outside of the joint-stock register may also have swelled the assessment, but after all allowances have been made, 234 millions still seems a relatively large income. It actually exceeds by 15½ millions sterling the aggregate assessment of persons and firms in the United Kingdom, the latter being only 218½ millions against 234 millions.

Our joint-stock income, and in fact Schedule D altogether, contains a large foreign element worthy of Sir Robert Giffen's attention. In his great concern about the earnings of British capital abroad, he may be overlooking a no less important factor—the earnings of foreign capital

in this country. With foreign banks overrunning the City and foreigners almost monopolising international finance, the annual revenue on which they have to be assessed may already be large enough to make a show in our income tax returns. What should trouble us still more is that this is one of the few elastic branches of our national revenue. The international banker and financier flourishes in London as he never did before. His influence increases steadily, and year by year he becomes a larger income tax payer. This is another source of our wonderful prosperity which may have its drawbacks. What the Treasury gains in income tax the City may have to pay dearly for in keener competition, to say nothing of increasing dependence on foreign capital.

Salaries cut a considerable figure in Schedule D, besides having Schedule E all to themselves. The number of salaried persons in private employment in 1901-2 was 95,330, and about four times as many (342,259) were employed by the Government, Corporations, and public companies, making a total of 437,589.

Like professional incomes and trading profits, salaries may, from a national point of view, differ widely in value. Both in their earning and their spending they may vary greatly. The most significant point about them is that they constitute nearly one-eighth of the aggregate assessments—101½ millions sterling out of 867 millions. The

same distinctions that obtain among salaries are also to be found in the much larger wage-fund of the country, and the two may be conveniently studied together. Without accepting Sir Robert Giffen's rule-of-thumb estimates that the unassessed incomes are equal to those assessed, we may admit that they reach a stupendous figure. They chiefly consist of wages which, if estimated at 550 to 600 millions sterling a-year, would, with the 101½ millions paid in salaries, represent a total of say 700 millions sterling a-year derived from service.

Nearly the whole of the incomes, assessed and unassessed, of the British people are built up on that 700 millions a-year. More wonderful still, only a small part of the 700 millions need ever be in circulation at one time. It is continually passing between employer and employed, and back again through the intermediate links of shopkeepers, tradesmen, publicans, savings banks, &c. Most of the latter may be income tax payers, and every time that some of the wage-fund passes through their hands they may earn a profit on it on which they will be assessed. Thus the same money may to-day be wages, to-morrow part of a tradesman's profits, next day it may be in a bank till, and the day after it may be back in the hands of an employer of labour. As it circulates it creates new income for an endless chain of receivers, and at the end of the fiscal year most of these incomes have to be separately reported to

the Government. They may mount up to an enormous sum, and yet may have been attended with an absurdly small amount of production. Moreover, when all accounts are balanced, and every man's expenditure is set off against his nominal earnings, the surplus added to the savings of the nation may be infinitesimal.

Our income tax assessments are not income alone, but income and expenditure combined. The interest of the State is not in their total amount during a given period, *but in the surplus of permanent benefit that remains when the balance has been struck between income and expenditure.* This may assume various forms,—an increase in the number of capable and efficient producers, a general improvement in the condition of the people, an addition to the national means of well-being, an advance in its industrial capacity, or a fresh development of its resources. All these would be real progress and *bonâ fide* wealth, as distinguished from the paper wealth in which statistical Aladdins revel.

However carefully and skilfully applied, monetary standards of national prosperity must be more or less misleading. They cannot escape from special risks and fluctuations inherent in themselves, as, for instance, changes in prices and in currency. Suppose that from some violent cause prices of commodities were suddenly doubled, and wages and salaries had to be increased in a similar

proportion. Sir Robert Giffen's national income of 1750 millions a-year would immediately become 3500 millions a-year without the actual conditions of life having undergone any material variation. Neither is a monetary standard of much value for measuring economic changes spread over long periods. The community itself offers a much better test in the growth of population, improved conditions of life, larger productive power, and a general advance in all the essentials of good citizenship.

But if a monetary standard of prosperity be unreliable in itself, it becomes tenfold more so when complicated with such a medley of income and expenditure as the income tax assessments exhibit. Money which, as it rapidly passes from hand to hand, is expenditure to one man, income to a second, expenditure again to a third, and so on in an endless circle, can never have any fixed character. It absolutely precludes the idea of stability. The 867 millions sterling of income tax assessments which were held up to the admiring envy of the British Association should be treated as a statistical kaleidoscope. So far as realised wealth goes, it is a mere mirage. Three-fourths of it, and possibly more, disappeared in the process of being earned. Sir R. Giffen estimated the concurrent expenditure of the nation at 1360 millions sterling. So that even his sanguine mind could not place the yearly surplus at more than

400 millions sterling. Few practical financiers would put it anything like so high.

Even if the income tax assessments could be accepted as a genuine test of national prosperity, the 867 millions a-year given as their aggregate would again be open to challenge on other grounds. In the official returns, many deductions are made from it which, if taken into account, would materially reduce the total. All these are not only specified but explained in the Annual Report of the Inland Revenue Commissioners, so that there can be no excuse for ignoring them. Their sum total in 1901-2 of 259 millions sterling was nearly a third of the original amount brought under review, and income tax was paid not on 867 millions but on 607½ millions. Every schedule exhibits large deductions and allowances, Schedule D of course having by far the largest. A few examples of them are given below, beginning with the incomes exemplified as being under the minimum of £160:—

EXEMPTED INCOMES UNDER £160.

Schedule A, Lands and Houses	£25,806,833
" B, Farms	11,042,765
" C, Foreign Securities	893,397
" D, Trades and Professions	7,637,649
" E, Public Salaries	4,131,356
	<hr/>
	<u>£49,512,000</u>

Here is nearly 50 millions sterling of exempted income, which may be taken as representing the income of the lower middle class—the nondescript belt between income tax payers on one hand and wage-earners on the other. Possibly it may not be quite enough for the purpose; but a moderate addition to it of, say, 30 or 40 millions would render it ample. That is far too small, however, for the statisticians. Having counted in the original 867 millions without deduction, they add a good round sum, according to taste, for the “lower middles.” Professor Leone Levi’s special supplement for lower middle class incomes in 1867 was 120 millions, and in 1883 140 millions. Sir Robert Giffen, in 1885, was content with 67 millions extra under this head, but he would doubtless now put it considerably higher. He might double it at least, and that, with 50 millions of assessed income under £160, would form a liberal estimate indeed for the “lower middles.”

Another important deduction from the assessments should be made for the abatements on incomes between £400 and £700, but that does not affect the present question, and may be passed over. The remaining deductions are of a promiscuous sort, including remissions, allowances, and “adjustments,” which appear to be the official pseudonym for refunds. Those under Schedule A form a good sample of the whole:—

MINOR DEDUCTIONS, SCHEDULE A.

Charities, colleges, hospitals, &c.	£5,217,467
Adjustments on appeal	2,838,372
Empty property	5,683,388
Agricultural depression	591,768
Repairs—	
Lands	6,405,454
Houses	27,855,114
Other deductions	3,194,261
	<u>£51,785,824</u>

Here is another 50 millions a-year which the statisticians, harder-hearted than Somerset House itself, decline to allow to their paper tenants. They must in all cases have the full rack-rent, to enable them to get in their visionary 1750 millions sterling a-year. It might have been supposed that men who think and write in millions as they do could afford to be generous—on paper—but they begin and end as unrelenting rack-renters. If the assessed incomes were being dealt with as a matter of business, at least 100 millions would be written off them for wear and tear, empties, overcharges, and privileged property (churches, colleges, and hospitals). Even then the advance in sixteen years from the 429 millions sterling of 1885 to 769 millions in 1901 would be so great as to strain all ordinary credulity. If taxed incomes had really been growing at the rate thus indicated, say 21 millions sterling a-year, there should have been confirmatory signs of it in

our trade and industry which, sad to say, are wanting.

The record of our foreign trade in these sixteen years does not at all accord with the income tax assessments as interpreted by Sir Robert Giffen. That, however, has not in the slightest degree discouraged or embarrassed the statistical optimists. They had the home trade to fall back upon, and the comfort they have got out of it would have made Mr Cobden wince. He was by no means a strong believer in the home market or in any home industry save his own, which was cotton.

The least useful and, we might add, the least scientific class of statistics imaginable is the aggregate incomes of wage-earners taken *en bloc*. Without the most careful and minute analysis, it tells us little worth knowing either about the wage-earners themselves or their special industries. Valuable information might be obtained by taking a particular industry—say wool, cotton, or metal—and attempting to frame a balance-sheet for it, setting on one side all its outlays and on the other all its returns. From this we might learn not merely the average earnings of the employees, but the average profits of the employers, the relative cost of the product, and the comparative importance of the industry as a whole in our national economy. These would be facts worth recording systematically, as our forefathers a hundred years ago recorded the results of their

staple manufactures. But a jumble of figures professing to show how much money wages half a million or a million of persons earned in a given twelve months is only Laputian science.

Or a particular community might be selected, say a manufacturing district, and its industrial operations might be methodically registered. It would debit itself with cost of raw materials, labour, and indirect expenses, and credit itself on the other side of the account with the value of its produce. The surplus would be so much definite gain to the community,—gain that would remain with it in many forms more useful and valuable than money. For investigations like this we require a preliminary definition of wealth as expressed in social and economic rather than in monetary values. Whatever the ideal of a community may be, that should be its standard of wealth or wellbeing. As yet we have not got beyond the millionaire standard, the most vulgar and uninteresting that could be devised. Even our chief statisticians are but theoretical millionaires: they worship figurative millions.

A single glance at a census of our industrial population will show how superficial and unconstructive this view of the case really is. In 1901 England and Wales contained 12 million males and 13 million females over ten years of age. Of the males, fully 10 millions had more or less regular occupations, and of the females over 4 millions, leaving 1,977,233 males and 9,017,834

females as a sort of non-industrial residuum. The census politely describes them as “retired or unoccupied,” and it may surprise the reader to find so many people under that heading. But we have to do now with the industrials only. The census divides them into twenty-two groups, covering all the known trades or professions in the country. We arrange them here in five groups, according to their economic importance :—

	Males. (England and Wales.)	Females.
I. Agricultural	1,071,040	57,564
II. Manufacturing	4,409,285	951,431
III. Distributing	1,779,685	78,769
IV. Spending	2,215,950	3,022,484
V. Undefined	681,016	61,503
	<u>10,156,976</u>	<u>4,171,751</u>

Total, 14,328,727 out of a population of 32 millions, or rather less than 45 per cent. In every line the above figures are significant. Only one person in 14 of the workers and one in 32 of the whole population are engaged in agriculture! More than a third of the workers—the exact proportion being 37 per cent—and fully one-sixth of the total population are engaged in manufacturing. The distributing force, which includes all employed in commerce and transportation, numbers 1,858,454, or one in 8 of the workers and one in 17 of the total population. Thus not much more than one-half of the working com-

munity is productively employed. The other half, numbering nearly 6 millions in all (5,980,900), is engaged in ministering to our expenditure rather than in producing. In this class may be counted all public functionaries, imperial and local military professionals, domestic servants, dressmakers of all kinds, purveyors of food, &c. It constitutes 47 per cent of the workers and fully 19 per cent of the total population!

The Government officials alone form an army of close on two hundred thousand—namely, 171,687 males and 26,500 females. In the income tax assessments, Government, corporation, and public company officials number 342,259; and in 1901-2 they were assessed for incomes aggregating the handsome sum of 79 millions sterling. They appear to be one of the most progressive classes of income tax payers, having during the past decade (1892-1901) increased in number from 246,768 to 342,259, and in amount of assessment from 51½ millions sterling to 79 millions. With the single exception of Schedule D (Trades and Professions), this is the highest rate of increase recorded. While the gross amount of income from land diminished during the decade by 4½ millions sterling, or nearly 8 per cent, and agricultural income by 1¾ millions, or over 9 per cent, the salaries of public officials gained 27½ millions, or at the rate of 53 per cent! And Sir Robert Giffen would have us be thankful for such proofs of national progress and prosperity!

Schedule E, with its aggregate of 79 millions sterling a-year,—very nearly a tenth of the whole assessed income of the country,—represents what may be termed parasitical as distinguished from productive incomes. Its 342,259 taxpayers live on the expenditure of others, and capitalising their incomes is in fact capitalising expenditure. The State does not derive the same benefit from their earnings as from those of the industrial groups. Their 79 millions, or at least the greater part of it, ought to be set on the debit rather than on the credit side of the national profit-and-loss account.

Nevertheless, in statistical calculations of national wealth public officials are all lumped in with the genuine income earners. If we exclude them, our 14 million active earners will drop at once to 9 millions, which is about the real size of the industrial force of England and Wales. It is the 9 millions of capitalists, manufacturers, traders, transporters, and work-people who keep the whole 32 millions going. Their incomes, assessed and unassessed, are the point of the pyramid on which our entire industrial organisation rests.

We have seen how heavily the fashionable estimates of assessed income require to be discounted in order to bring them within the limit of credibility. A still more drastic sifting has to be applied to estimates of wages or unassessed income. The three industrial groups proper,—agri-



cultural, manufacturing, and distributing,—even with all the undefined occupations thrown in, do not on a fair estimate show much more than half of the earning power suggested by Sir Robert Giffen. Taking their average incomes about 10 per cent higher overhead than Professor Leone Levi's averages in 1884, we obtain the following result:—

PRODUCTIVE WAGE-EARNERS, 1901.

Agricultural	1,128,604	£40	£45,144,160
Manufacturing	5,360,716	50	268,035,800
Distributing	1,858,454	50	92,922,700
Undefined	742,519	40	29,700,760
	<u>9,090,293</u>		<u>£435,803,420</u>

The above is for England and Wales alone, and a round 100 millions may be added for Scotland and Ireland. The total for the United Kingdom would thus be about 536 millions a-year of industrial earnings under the income tax level. Above that level, if we exclude Schedule E (official salaries) and make the proper deductions already indicated on the other schedules, we get an aggregate of rather less than 700 millions sterling. The grand total of productive income for the United Kingdom should, on Sir Robert Giffen's own basis, be about 1200 millions sterling instead of his 1750 millions. This takes no account of the duplications and overlappings of income and expenditure which form our chief

objection to Sir Robert Giffen’s method of valuation. No conceivable skill or care can remedy the vice of a radically unsound calculation, which any calculation must be that treats as income pure and simple what is sometimes income and sometimes expenditure.

So far we have viewed the income tax assessments in their national rather than their individual aspect. But the latter is equally open to criticism. Very erroneous ideas are entertained of the income tax as a barometer of private no less than of public prosperity. In its administration it is confessedly far from perfect. Its incidence has been denounced as unfair and unjust ever since it was imposed. Its administration is erratic, and produces many contradictory results. It is as far from being an ideal tax as it is from being popular; but what it is of all things least suitable for is a gauge of national wellbeing.

CHAPTER V.

OUR DECLINING RATIO OF INDUSTRIAL
POPULATION.

BRITISH industry stands to-day between two revolutions. It is emerging from one and entering upon another. The British public know almost as much about the revolution they are emerging from as about the one they are drifting toward. They take no sustained methodical interest in either of them. Their power of retrospection is about as weak as their power of prevision. If they were to study intelligently the past sixty years of their industrial history, they would be amazed at their unfortunate faculty of ignoring the most obvious lessons of national experience. Nine-tenths of them sum up the second half of the nineteenth century—the most eventful period that any commercial nation ever passed through—in two words: free trade. One incident in a long chapter of momentous episodes—the repeal of the Corn Laws—overshadows in their minds all else.

How shabbily and unjustly such people treat

their own history! A strange infatuation has seized them to minimise and belittle what they should rather regard with patriotic interest and admiration. How many nations have such a record of political and industrial progress as Great Britain achieved in the half century from 1840 to 1890, when we seem to have reached the zenith of our success! Nevertheless it was not a period of unqualified gain. It had also its losses, and these of no small consequence. In the economic transformation it has produced, all the changes have not been for the better. Some of the most notable of them have been for the worse, and on many others a doubtful verdict must be passed.

The industrial revolution of the past sixty years has on one hand immensely broadened our national life; it has multiplied our economic resources; it has furnished us with many new utilities and means of enjoyment; it has vastly increased our powers of distribution if not of production; it has created forms and varieties of human activity of which our grandfathers had no conception. But, *per contra*, it has worked a complete change in our social, political, and industrial organisation; it has in many ways lowered the physical and moral tone of the people; it has destroyed most of the old relations between masters and workmen, without putting anything in their place fit to bear the strain of the new conditions; it has loosened many old

ties which, however rude or illogical, served their purpose fairly well, and has provided no adequate substitutes; it has thrown over us a glamour of artificial prosperity underneath which lurks no small amount of sham and even positive rottenness.

Our grandfathers lived hard frugal lives under the old *régime*, but they were more self-dependent than we are. They had fewer interests and excitements than we have, but they had also fewer risks and dangers. Their resources were comparatively small, but they were under full control. Ours are beyond comparison larger, but few of them are in our own absolute power. Everything nowadays is more pretentious and on a grander scale, but not more solid and secure. In growing larger and to all appearance stronger, we have developed the usual defects of overgrowth. Neither our finance, nor our foreign trade, nor our home industry, nor our labour market, nor our education system, nor the condition of the people as a whole, commands public confidence. Most of them, on the contrary, are regarded with serious misgiving and mistrust. The success of the industrial revolution is not so self-evident that it can be accepted without further question or scrutiny. On the contrary, there is a growing demand for both. The time has come for a thorough course of retrospective criticism.

First of all, then, let us ask what the industrial

revolution of the past sixty years has done for British labour. It has, as we all know, dislocated immense bodies of it, and we ought, in accordance with the doctrines of the *laissez faire* school, to assume that the displaced labour has found equal or better employment elsewhere. That, however, is a point we have no right to assume. Our duty is to find out what actually has become of the displaced labour. We have not only neglected this preliminary duty, but we have not even troubled to ascertain the amount of the displacement. Few people have any idea of its magnitude, and the examples we are about to exhibit will probably be rather staggering even to the most complacent of prosperity politicians.

Doubtless the present generation of English people consider themselves more efficient industrially than their grandfathers were. They may also flatter themselves that they contain a larger proportion of producers to total population. Comparisons with very early census returns—for example, 1821 and 1831, which were notoriously imperfect as regards the occupations of the people—may give some countenance to that idea; but it vanishes in the first really scientific census, that of 1851. The following tabular statement of the number of persons with specified occupations in 1851 and at all later census periods gives it flat contradiction:—

ENGLAND AND WALES. PROPORTION OF PRODUCERS
TO TOTAL POPULATION, 1851-1901.

	Total population.	Specified occupations.	Percentage.
1851	17,927,604	8,886,695	49'5
1861	20,066,224	9,668,704	48'15
1871	22,712,266	10,593,466	46'6
1881	25,974,439	11,187,564	43'7
1891	29,002,525	12,899,484	44'5
1901	32,527,843	14,328,727	44'0

PROPORTION OF MALE PRODUCERS TO TOTAL MALES.

	Total Males (England and Wales).	Producers.	Per cent.
1851	8,781,225	5,828,443	66'4
1861	9,776,259	6,418,232	65'6
1871	11,058,934	7,270,186	65'7
1881	12,639,902	7,783,646	61'6
1891	14,050,620	8,883,254	63'2
1901	15,728,613	10,156,976	64'6

PROPORTION OF FEMALE PRODUCERS TO TOTAL
FEMALES.

	Total Females (England and Wales).	Producers.	Per cent.
1851	9,146,383	3,058,252	33'4
1861	10,289,965	3,249,872	31'6
1871	11,653,332	3,323,280	28'5
1881	13,334,537	3,403,918	25'5
1891	14,950,398	4,016,230	28'6
1901	16,799,230	4,171,751	24'8

Two standards of comparison have to be applied to the above figures, one absolute and

the other relative. It was inevitable that the half century should produce a large numerical increase in the industrial class. An increase of 80 per cent in the population made that almost inevitable. But the industrial class might have been expected, during such a period of expansion as we have been passing through, to do even more than keep pace with the population. In this, however, we meet with a strange disappointment. Far from going ahead of the population, the industrial class has lagged behind it. This would not have been so remarkable had it been limited to male industrials, but it is even more striking on the female side.

Fifty years ago, practically one-half (49·5 per cent) of the entire population of England and Wales had definite occupations of one kind or another. Two-thirds (66·4 per cent) of the male population and one-third (33·4 per cent) of the female were specifically employed. In the succeeding thirty years all three ratios suffered an appreciable decline. That of the entire population shrank to 43·7 per cent, that of the males to 61·6 per cent, and that of the females to 25·5 per cent. Since then some recovery has taken place on the male side, but not enough to wipe out the early declines. On the female side there was a fresh relapse in the last decade of the century, and the final result is a large loss compared with 1851.

These are anomalies which a generation that has always plumed itself on its industrial energy may find rather hard to explain. That the producing class of the population should in times like these be contracting instead of expanding is indeed a paradox. Seven million males added to the population since 1851 have produced only $4\frac{1}{4}$ million workers, while fully $6\frac{1}{2}$ millions more females brought into the world have furnished little more than a million workers. This is a poor account of the sex which has professed such a longing for industrial independence. As regards female industry, the census returns are rudely disillusionising.

There has been for a good many years past a popular idea that women were striking out for themselves in every direction. An alarm was raised that they were crowding out men in a variety of employments. All that also turns out to have been much exaggerated. The ratio of female workers to the whole female population is still very small, and it is not growing. On the contrary, in the latest census (1901) it shows a drop of nearly 4 per cent—from 28·6 per cent to 24·8 per cent. In the past decade (1891-1901) female workers have increased much more slowly than the sex itself has done. The gain in female population was fully a million and three-quarters, but the addition to the number employed was only 150,000.

The industries of a nation undergo many changes in the course of half a century. One of the partners in a large shipping firm once remarked that during the twenty-five years he had been in the business it had undergone a complete transformation: nearly everything they used to trade in had gone out, and new things had taken their place. A similar remark, though not quite so sweeping, might be made of English industries generally in the past sixty years. They have undergone a great transformation, and the labour they employ has changed along with them. In many respects, but not in all, the revolution may have been beneficial. In one important respect it has certainly been prejudicial. The primary industries of the country—agriculture, mining, and manufacturing—have developed much more slowly than the secondary industries—transportation, building, feeding, clothing, &c. Some of the primary industries have not progressed at all, and the most important of the whole has suffered a virtual collapse.

The foregoing tables show $14\frac{1}{4}$ million producers in a total population of $32\frac{1}{2}$ millions,—a wealth-creating army of almost incalculable power if it were all productively employed. But that can be said of only a small portion of it. Less than a fourth of the twenty-two groups in which the census experts classify our industries deal with primary producers in the strict eco-

nomic meaning of the term. These, all told, number little more than $2\frac{1}{4}$ millions, or 14 per cent of the whole. Secondary producers are arranged in half-a-dozen groups, aggregating rather more than three million persons, or 22 per cent of the whole. Only 36 per cent, or a little over a third, can rank as commercial distributors. The work in which the other 64 per cent are engaged may be more correctly styled "service" than production. Much of it is purely personal service, and even where it assumes a productive form the commodity is invariably intended for speedy consumption.

The housing, feeding, and clothing of the people are in a sense industries, but not at all in the same sense that agriculture and mining are. They are not even on a level with the secondary industries of the mechanical engineer and the manufacturer. Agriculture and mining are creative functions; they produce forms of wealth which did not exist before. Manufacturing and machine-making are adaptive functions; they give greater efficiency, variety, and value to forms of wealth already existing. But public-houses, hotels, and feeding and clothing establishments generally are neither creative nor adaptive. They work for the consumer rather than for the producer. The differences between them and the agricultural, mining, and manufacturing industries are many and varied.

The latter do not merely render services, but are producers in the strictest economic sense. What they produce becomes the means of further production to an indefinite extent. It contributes largely both to our home and foreign trade. But the housing, feeding, and clothing services are only in a conventional sense industrial. They are spending rather than producing services. A large portion of their output is absorbed by the non-producing classes. It contributes little or nothing to commerce, home or foreign. It leads to very little fresh production. Nine-tenths of it enters into immediate use or consumption, and so passes out of the sphere of national economy.

The distributing industries, embracing the commercial and transportation services, are again on a different footing from all these others. Though not directly productive, they enhance the value of products by bringing them within reach of a larger number of consumers, and thereby extending their market. A rapidly growing service is that of transportation, or conveyance as the census calls it. It now employs the largest number of persons in any single industry in the country. Lastly, we have the public and professional groups, aggregating nearly a million persons.

The following tables show how our classification of English industries has been carried out:—

ENGLAND AND WALES, 1901.

A. Primary Producers.

Census groups.		Males and Females.	Totals.
VII. Agriculture—	M.	1,071,040	1,128,604
	F.	57,564	
VIII. Fishing—	M.	23,725	23,891
	F.	166	
IX. Mines—	M.	800,179	805,185
	F.	5,006	
XI. Precious metals—	M.	130,731	149,438
	F.	18,707	
XIV. Bricks, &c.—	M.	142,365	175,513
	F.	33,148	
Total Primary Producers			<u>2,282,631</u>

B. Secondary Producers.

X. Metals—	M.	1,174,180	1,237,196
	F.	63,016	
XIII. Wood—	M.	233,000	257,592
	F.	24,592	
XV. Chemicals—	M.	101,938	128,640
	F.	26,702	
XVI. Skins—	M.	80,071	105,341
	F.	25,270	
XVII. Paper—	M.	188,057	278,957
	F.	90,900	
XVIII. Textiles—	M.	492,175	1,155,397
	F.	663,222	
Total Secondary Producers			<u>3,163,123</u>

Declining Ratio of Industrial Population. 81

C. Housing, Feeding, and Clothing Services.

Census groups.	Males and Females.	Totals.
IV. Domestic Service—M.	304,195	
F.	1,690,722	
	<hr/>	1,994,917
XII. Housing— M.	1,042,864	
F.	702	
	<hr/>	1,043,566
XIX. Dress— M.	414,637	
F.	710,961	
	<hr/>	1,125,598
XX. Food— M.	774,291	
F.	299,518	
	<hr/>	1,073,809
XXI. Gas— M.	71,284	
F.	141	
	<hr/>	71,425
XXII. Undefined— M.	681,016	
F.	61,503	
	<hr/>	742,519
Total Housing, Feeding, and Clothing Services		<hr/> <u>6,051,834</u>

D. Distributing Services.

V. Commercial—M.	530,685	
F.	59,944	
	<hr/>	590,629
VI. Conveyance—M.	1,249,000	
F.	18,825	
	<hr/>	1,267,825
Total Distributing Services		<hr/> <u>1,858,454</u>

E. Public and Professional Services.

I. Government—M.	171,687	
F.	26,500	
	<hr/>	198,187
II. Defence— M.	168,238	
F. . . . .	...
	<hr/>	168,238
III. Professional—M.	311,618	
F.	294,642	
	<hr/>	606,260
Total Public and Professional Services		<hr/> <u>972,685</u>

SUMMARY OF ENGLISH INDUSTRIES, 1901.

I. <i>Of Production—</i>		
A. Primary or creative	2,282,631	
B. Secondary or adaptive	<u>3,163,123</u>	5,445,754
II. <i>Of Service—</i>		
A. Housing, feeding, and clothing	6,051,834	
B. Distributing	1,858,454	
C. Public and professional	<u>972,685</u>	8,882,973
Total Industrial Population, 1901		<u>14,328,727</u>

SUMMARY OF ENGLISH INDUSTRIES, 1851.

I. <i>Of Production—</i>		
A. Primary or creative	2,914,813	
B. Secondary or adaptive	<u>2,326,718</u>	5,241,531
II. <i>Of Service—</i>		
A. Housing, clothing, and feeding	2,476,174	
B. Distributing	528,601	
C. Public and professional	<u>356,634</u>	3,361,409
Total Industrial Population, 1851		<u>8,602,940</u>

PERCENTAGES OF RESPECTIVE INDUSTRIES TO
THE WHOLE, 1851 AND 1901.

	1851.	1901.
I. <i>Production—</i>		
A. Primary or creative	34·0	16·0
B. Secondary or adaptive	27·0	22·0
II. <i>Service—</i>		
A. Housing, feeding, and clothing	28·8	42·2
B. Distributing	6·1	13·0
C. Public and professional	4·1	6·8
	<u>100</u>	<u>100</u>

The last table should be carefully read in connection with our previous remarks on the gradation of industries according to their economic value: first, creative production; second, adaptive production; and third, services of various kinds, neither productive nor commercial. They involve consumption to a much larger extent than production, and spending more than earning. The table shows that the superior industries form a much smaller proportion of the whole, and the inferior industries a much larger proportion than they did half a century ago. Primary production has fallen from 34 to 16 per cent, and secondary from 27 to 22 per cent; while "services," as distinguished from production proper, have undergone an immense expansion.

The distributing service has more than doubled its proportion of the whole (13 per cent against 6.1 per cent). "Public and professional" services have increased their ratio by one-half; but the most significant change is the preponderance assumed by the "housing, feeding, and clothing" services. They have gone up from 28.8 per cent to 42.2 per cent, and at their present rate of growth the next census may see them up to 50 per cent. Imagine the unique condition of our national industry when one-half of all the men, women, and children with definite occupations are engaged either in cooking, dressmaking, waiting, shopkeeping, or house-building!

CHAPTER VI.

RURAL DECAY AND URBAN CONGESTION.

ECONOMIC optimists may not care to admit that declining ratios of the productive population to the total population have much significance. After all, they may argue it is only natural that in a prosperous and progressive community the leisured class should be continually growing. But they will not find it so easy to explain away the violent changes in the distribution of labour which have accompanied the relative decline in productive activity. When a single industry, and that the foundation of all the others, loses almost one-half of its labour in the course of half a century, it is natural to inquire where such a mass of displaced labour can have gone, and what the ultimate effects of the dislocation have been on our industries as a whole.

Between 1851 and 1901 agricultural labourers in England and Wales underwent the enormous

diminution of 873,000 out of two millions—a loss of nearly 44 per cent. History has no parallel to such a gigantic collapse in a vital branch of industry. In any other country than our own it would be investigated and discussed as a portentous danger to the commonwealth, but all we do is to shrug our shoulders and console ourselves with the reflection that the food we no longer grow we can buy cheaper from foreign producers! The figures, however, are so appalling, that when set out together they may disturb even British phlegm:—

ENGLAND AND WALES. AGRICULTURAL
LABOUR, 1851-1901.

	Total.	Decrease in preceding decade.
1851	2,011,444	...
1861	2,010,454	990
1871	1,657,138	353,316
1881	1,383,184	273,954
1891	1,311,720	71,464
1901	1,128,604	183,116
	Total decrease, 1851-1901	<u>882,840</u>

The corresponding figures given in the Fiscal Blue-Book (Table XXIV. page 362) show a still more serious decrease, but the principle on which they have been selected from the census returns

we have failed to discover. No doubt, however, they present a fair and just comparison of the respective census years:—

AGRICULTURAL LABOUR, 1851-1901 (according to the Fiscal Blue-Book).

	Total.	Decrease in preceding year.
1851	1,904,687	...
1861	1,803,049	101,638
1871	1,423,854	379,195
1881	1,199,827	224,027
1891	1,099,572	100,255
1901	988,340	111,232
	Total decrease, 1851-1901	<u>916,347</u>

But in order to hold its position, agricultural labour should not merely have maintained its numbers: it should have kept pace with the growth of the population. The latter increased during the half century from under 18 millions in 1851 to 32½ millions in 1901—a gain of 80 per cent. The same volume of agricultural labour that existed in 1851 would consequently have represented a heavy relative decrease in 1901. In order to make this clear we append a table showing the various percentages of agricultural labourers to total population in successive census years:—

PROPORTION OF AGRICULTURAL LABOURERS TO TOTAL
POPULATION, 1851-1901 (ENGLAND AND WALES).

	Agricultural labourers.	Total population.	Percentage of col. 1 to col. 2.
1851	2,011,444	17,927,609	11'2
1861	2,010,454	20,066,224	10'0
1871	1,657,138	22,712,266	7'3
1881	1,383,184	25,974,439	5'3
1891	1,311,720	29,002,525	4'5
1901	1,128,604	32,527,823	3'5

The loss of nine hundred thousand agricultural labourers during the past half century, contemporaneously with an increase of 14½ millions in the total population, means in fact a reduction of two-thirds (11'2 per cent to 3'5 per cent) in the proportion of agricultural labourers to total population. In appraising such a loss, we have to take into account the peculiar character of the labour and of the industry in which it was engaged. Agriculture, it must be remembered, is food-growing in the most essential and distinctive sense of the term. It is the most fundamental of all industries,—the only one that is completely reproductive. No other industry periodically replaces all that has been expended in the process of production, adding, as a rule, a handsome surplus for the producer. We mean, of course, a food, and not a money, surplus. No other industry directly feeds all who are engaged in it,

and renders them in that respect almost independent of outsiders.

Agriculture is the one self-contained industry in the world. It approaches closest to the source of all natural wealth. Its claim to this distinction was recognised by the earliest economists, and it received full acknowledgment from Adam Smith himself, partisan as he was of town rather than of country life. In his chapter on "The Produce of Land, which always affords Rent," he says:—

Land in almost any situation produces a greater quantity of food than what is sufficient to maintain all the labour necessary for bringing it to market, in the most liberal way in which that labour is ever maintained. The surplus, too, is always more than sufficient to replace the stock which employed that labour, together with its profits.

Farther on in the same chapter he comments on the relative importance of food over that of all other commodities:—

Countries are populous not in proportion to the number of people whom their produce can clothe and lodge, but in proportion to that of those whom it can feed. When food is provided, it is easy to find the necessary clothing and lodging. But though these are at hand, it may often be difficult to find food. In some parts even of the British dominions, what is called a house may be built by one day's labour of one man. The simplest species of clothing, the skins of animals, require somewhat more labour to prepare them for use. They do not, however, require a great deal

Among savage and barbarous nations a hundredth or little more than a hundredth part of the labour of a whole year will be sufficient to provide them with such clothing and lodging as satisfy the greater part of the people. All the other ninety-nine parts are frequently no more than enough to provide them with food.

Smith proceeds to show how the universal necessity for food, and the difficulty of providing it in sufficient quantity, give the strongest stimulus to social progress:—

But when by the improvement and cultivation of land the labour of one family can provide food for two, the labour of one half the society becomes sufficient to provide food for the whole. The other half, therefore, or at least the greater part of them, can be employed in other things, or in satisfying the other wants and fancies of mankind. . . . The poor, in order to obtain food, exert themselves to gratify these fancies of the rich. The number of workmen increases with the increasing quantity of food or with the growing improvement and cultivation of the land; and as the nature of their business admits the utmost subdivision of labour, the quantity of materials which they can work up increases in a much greater proportion than their numbers. Hence arises a demand for every sort of materials which human invention can employ, either usefully or ornamentally, in building, dress, equipage, or household furniture; for the fossils and minerals contained in the bowels of the earth, the precious metals, and the precious stones.

The above graphic description of the secondary wants of mankind is much more true of the society of to-day than it was of Adam Smith's

own time. Hence we might infer that the fundamental distinction he drew between the prime commodity of all—food, and the secondary commodities which it renders possible—would be realised with proportionate vividness. But exactly the reverse is what we see around us. The raising of food from his own soil by native labour is about the last thing that the average Englishman thinks of nowadays. He has discovered a new standard of national prosperity—cheapness. So intent is he on buying in the cheapest market that he puts himself up to tender before all the world. Whoever will feed him, clothe him, house him, entertain him, and bury him at the lowest rate will be sure of the job.

The result is that the Englishman of to-day eats foreign bread and meat, drinks foreign wine and beer, dresses in foreign raiment, doses himself with foreign drugs, copies foreign methods of education without understanding them, employs foreigners to build his electric railways, and bolsters up his money market with foreign bills of exchange. He runs after every imaginable form of paper wealth, and neglects only the substantial wealth which lies at his feet. Millions of bushels of grain, thousands of tons of meat, which he might grow on his own land, are left un-grown because foreign articles of the same kind can be imported a few pounds per ton or a few pence per bushel lower than the native product would cost. The loss of the food which might

have been produced at home and of the labour which might have been employed in raising it never seems to trouble him! Nevertheless it is so much absolute and irretrievable dead loss to the nation.

If Adam Smith's argument be correct, that food-growing stands on a higher level than any other national industry, and that labour employed in food-growing has greater economic value than any other form of labour, then it follows that the ruin which has overtaken British agriculture cannot be fully retrieved by any new industry which may have sprung up in its place. There has been a certain amount of production sacrificed which neither our coal mines, nor our iron works, nor our cotton and woollen mills can adequately replace. Wherever the nine hundred and odd thousand labourers lost to agriculture may have drifted, we know that their new employment, though it may be better paid in money and better supplied with beer, cannot possibly be as good either for themselves or the country as their original work was.

The agricultural problem is thus something more than the party cry of a cheap loaf. It is a question of cultivation or no cultivation, of production or no production, of labour or no labour applied to English soil. It is a question of the primary source of wealth in all countries being in our case resuscitated or allowed to die out. Meanwhile we may, with some effort, be able to

trace part of the valuable labour which has been diverted from the soil. Which of our other staple industries has had the chief benefit of it, and how does its new employment compare from the point of view of national economy with that from which it has been driven? It is well known that our mines and iron works are to a large extent manned from the rural districts. Among them we should therefore find some compensation for the rural exodus. The following table shows how our mineral industries have progressed since 1851—in the first place absolutely, and in the second relatively to the growth of population:—

PERSONS EMPLOYED IN THE MINERAL INDUSTRIES OF ENGLAND AND WALES, AND THEIR RELATION TO TOTAL POPULATION.

	Mineral workers.	Total population.	Percentage of col. 1 to col. 2.
1851	830,660	17,927,609	4·6
1861	1,012,997	20,066,224	5·0
1871	1,156,621	22,712,266	5·0
1881	1,277,592	25,974,439	4·9
1891	1,430,478	29,002,525	5·0
1901	1,509,207	32,527,823	4·6

Here we have a very singular fact, that though the number of persons employed in our mineral and metal works was very nearly doubled during the half century, the increase only sufficed to maintain the original ratio of this class of workers to the total population. The ratio shown in 1901 was virtually identical with that of 1851

—say 4·6 per cent. It never at any time rose above 5 per cent, which, for a country that till lately headed the mineral producers of the world, was not a huge proportion. Nor does the growth of our mining and metal-working population console us much for the loss of nine hundred and odd thousand farm-labourers. The labour diverted to them from the land has only helped to keep them up to the level of half a century ago.

Our textile industries must also have received a considerable share of the labour that has been lost to agriculture. But in their case it has not even sufficed to maintain their labour standard of half a century ago. Taken as a whole, textiles exhibit a moderate increase in the number of persons they employ, though it is far from keeping pace with the corresponding growth of population. The increase, small as it is, has drawbacks and qualifications. It is limited, as we shall see, to a few special branches, against which have to be set some significant decreases:—

PERSONS EMPLOYED IN THE TEXTILE INDUSTRIES OF ENGLAND AND WALES, AND THEIR RELATION TO TOTAL POPULATION.

	Textile workers.	Total population.	Percentage of col. 1 to col. 2.
1851	890,618	17,927,609	5·0
1861	1,025,870	20,066,224	5·0
1871	1,036,544	22,712,266	4·5
1881	1,036,488	25,974,439	4·0
1891	1,128,588	29,002,525	3·9
1901	1,155,397	32,527,823	3·5

The only branch of our textile industry which provided a substantial increase of employment during the half century was cotton. Its labour census rose from 414,998 in 1851 to 582,119 in 1901, having passed its high-water mark in 1891, when it reached 605,755. The woollen and worsted branches experienced very trifling fluctuations throughout the half century, and ended with twenty thousand less than their original numbers—236,106 against 255,750. The linen, lace, and silk branches had at the end of the half century but small remnants of the labour force with which they started. The *personnel* of the silk trade dropped from 130,723 in 1851 to 39,035 in 1901, that of the linen trade from 27,421 to 4956, and that of the lace trade from 61,726 to 36,349. The combined result of cotton, woollen, silk, linen, and lace manufacturing is a gain of only eight thousand hands in the five decades.

A few subsidiary manufactures achieved a moderate degree of expansion during the half century. Furniture-making, for instance, employed in 1901 121,531 persons, as compared with 47,958 in 1851; earthenware and glass, 92,556 against 46,524; printing and bookbinding, 149,793 against 32,995; but the boot and shoe trade was, like our textiles, almost stationary so far as employment was concerned. Its employees figure in the census of 1851 at 243,935, and in that of 1901 at 251,143,—a gain of less than seven thousand in half a century. Evidently these industries had

little occasion to draw on new supplies of labour. The natural growth of our urban populations should have been well able to provide all the increased labour required for such modest progress as they exhibit.

The diversion of agricultural to industrial production has been mainly toward the mines. The number of miners recorded in 1851 was only 265,000, and by 1901 it had more than trebled itself, having risen to 805,185. But on searching further we discover a large number of semi-industrial changes. During the half century no kind of labour has multiplied at such a rate as that employed on railways. The transportation service as a whole, including railways, steamers, road vehicles, &c., has developed immense proportions. In 1851 it was still on the old stage-coach lines, and its employees did not number two hundred thousand. In 1891 they got very close up to a million, and during the last decade of the century they passed a million and a quarter. The first of the subjoined tables gives the actual increase in each decade, and the second compares it with the contemporaneous increase of population :—

[ENGLAND AND WALES.

ENGLAND AND WALES. PERSONS ENGAGED IN
TRANSPORTATION, 1851-1901.

	Total numbers.	Increase on preceding decade.
1851	181,351	...
1861	440,067	258,716
1871	528,260	88,193
1881	663,263	135,003
1891	983,370	320,107
1901	1,267,825	284,455
Total increase, 1851-1901		<u>1,086,474</u>

RATIO OF TRANSPORTATION SERVICE TO TOTAL
POPULATION, 1851-1901.

	Persons employed.	Total population.	Percentage of col. 1 to col. 2.
1851	181,351	17,927,609	1'1
1861	440,067	20,066,224	2'2
1871	528,260	22,712,266	2'3
1881	663,263	25,974,439	2'6
1891	983,370	29,002,525	3'4
1901	1,267,825	32,527,823	3'9

A glance at these two tables will show that the railways have been very powerful and also very successful competitors with the farmers for labour. But even more irresistible have been the attractions of town life. What may be distinguished as urban industries—building, tailoring, dress-making, purveying, municipal service, and casual labour—employ to-day thousands of people for

every hundred they needed at the middle of last century. This is the more noticeable, as such industries are not reproductive in the same sense that agriculture is, or mining, or textile manufactures. They more frequently represent expenditure of existing wealth than the creation of new wealth. Labour employed in them may add greatly to the comfort and the culture of a community, but can have little or no influence on its economic strength and stability. They would be of little help to it in a great national emergency. In a case of threatened invasion, for instance, a few stacks of wheat would be worth more than miles of buildings.

It can hardly be claimed even for the railways that they are reproductive in the sense that food-growing is. They are no doubt a very speedy and convenient means of distributing goods; but distributing is not production. Advanced as we may be in the industrial arts, our primary products are still very few,—almost as few as they were half a century ago. Our soil, mines, quarries, forests, fisheries are still our only original wealth. Their produce is the foundation of all other forms of wealth. The latter are but manipulations of it, and the money values we put on them are mere symbols, which may mean hundreds to-day and thousands to-morrow, and next day hundreds again.

The most serious feature of the industrial

revolution we have endeavoured to describe is that the minds of the people have been diverted by it from substantial wealth to symbolic wealth. Men measure their fortunes by houses, pictures, jewels, stocks, bonds, and a thousand and one other counters which change their value from day to day. For the sake of these they neglect the primitive rock-bottom industries which not only enrich a country but feed and clothe it. During the past half-century we have steadily retrograded as regards primary production, while our secondary industries, which are mere parasites of the primary ones, flourish amazingly. If we no longer trouble ourselves to cultivate the soil, we can create new cities, build ships, docks, and railways, exploit mines, organise joint-stock companies, and do anything in the way of financial conjuring. The only drawback to these brilliant feats is that they cannot be carried on indefinitely without something more solid to support them. The cleverest financial conjurer cannot live long on his own illusions; neither can a nation flourish for ever on paper values.

For years past the "spending" industries of the country have overshadowed its *bonâ fide* producing industries. Whoever doubts this may observe what a wonderful expansion the building trade has undergone. Since 1851 the number of persons it employs has been nearly trebled:—

PERSONS EMPLOYED IN THE BUILDING TRADE OF
ENGLAND AND WALES, 1851-1901.

	Total employees.	Increase in preceding decade.
1851	398,756	...
1861	472,222	73,466
1871	583,019	110,797
1881	686,999	103,980
1891	701,284	14,285
1901	945,875	244,591
Total increase, 1851-1901		<u>547,119</u>

Note the immense increase in the last of the five decades. Nearly a quarter million additional hands found employment in the building trade during the 'Nineties. In *bonâ fide* production the decade was not so phenomenally prosperous as to call for such a violent expansion of building operations. We are forced, therefore, to the alternative conclusion that a considerable portion of it was speculative. Then note how the tailoring business has flourished since we gave up growing more than a few odds and ends of our own food. In 1851 there were only 139,219 tailors in England and Wales. In 1901 they had increased to 259,292, or very nearly double. If growing food has become an insignificant business with us, cooking and serving it has become a huge industry. Hotels, restaurants, chop-houses, tea-shops, are all as short roads to fortune as farming is a short road to ruin. The contributions they make to the income tax returns and

the death duties are rapidly overhauling those of the Kaffir millionaires.

The industrial revolution is running its course gaily, and it may be only a question of time when we shall be able to dispense altogether with such archaic industries as agriculture, engineering, machine-making, and manufacturing. Music halls and A B C shops may be the future cornerstones of our national prosperity.

CHAPTER VII.

OUR DEGENERATING LABOUR.

THE British Empire in 1904 finds itself in a swirl of labour agitation. At home and in the colonies alike labour problems are in the ascendant. They may not all have reached such a state of acute crisis as in South Africa, but everywhere they are causing anxiety. At the antipodes they are assuming an ominous appearance,—all the more so that home politicians seem to be quite unconscious of their gravity. While the mining industry of the Transvaal calls out for Chinese labour as its only hope of salvation, the trade-unionists in Australia have got the upper hand of the local Legislatures, and practically claim the whole continent for themselves. They are closing the door as fast as they can against not only Asiatic but European immigration.

India has labour difficulties to contend with in her tea and indigo industries. Even in the West Indies we are far from being done with labour troubles, though they were supposed to have been closed for ever by the emancipation of the

slaves seventy years ago. Noble as its intention was, that measure was far from proving an economic success. The ultimate place of the negro in our economic system is still undetermined; but if it should be any consolation for us, the same may be said of the American negro in the southern States. Neither the Americans nor the British have yet made much real advance toward a final solution of the coloured labour problem.

It is not for home-staying Britons, however, to reproach the colonies with unsolved labour questions. We are not without our share of them at home. Though we have had no special difficulties to overcome, as so many colonies have had, and notwithstanding our much larger experience of such questions, our labour organisation is far from being a credit to us. Not only so, but it is doubtful if we are making very rapid progress toward improvement. It is not even impossible that we may be retrograding. The number of workpeople in the United Kingdom increases steadily year by year, but the proportion of skilled workers among them is surprisingly small and the proportion of unskilled is painfully large. There is also reason to fear that the unskilled are multiplying faster than the skilled.

But a more ominous development than either of these is the falling off in the percentage of working males to the whole population. In the decade 1891-1901 the decline was over 6 per

cent, and, but for a small increase on the female side, our industrial progress might have been decidedly backwards. The census of 1891 showed a total population for England and Wales of 29 millions. Above the working limit of ten years old there were 10½ million males and 11½ million females. Of these, the numbers returned as having specific occupations were 9,569,000 males and 3,330,000 females. The ratio of "occupied" males to the total number at or over the working limit was 90 per cent, and of females 29 per cent.

Ten years later the census of 1901 disclosed great changes both in totals and ratios. The population had increased from 29 millions to 32½ millions, and the number above the working limit from 22 millions to over 25¼ millions. But the males with definite occupations had risen little more than half a million—from 9,569,000 to 10,157,000; and the females only 800,000—namely, from 3,330,000 to 4,171,000. The ratio of occupied males to the total at working age had fallen from 90 per cent to 83·7 per cent. The "occupied" females had, on the other hand, improved their ratio from 29 per cent to 31·6 per cent. The work done by men in England and Wales had fallen to 70 per cent of the whole, and the other 30 per cent had been taken over by the women. Moreover, the men seemed to be rapidly reducing their share still further. In the ten years 1891-1901 no less than 6 per

cent of them had quitted work and joined the ranks of the "unoccupied."

This cannot be said to look well for the future either of Englishmen or English industry. It is surely a matter of sufficient importance to engage the attention of the State. Were it for no other reason than the enormous and costly responsibility which the State has assumed for popular education, it has a right and a duty to inquire what the people are being educated for. If not to be useful, industrious citizens, what else? It is only by applying their education to some productive industry that they can make any return to the State for it. And this return should be traceable in the labour supply of the country, either in its enlargement or its improved quality, or both. Schooling that does not produce more and better workers is not only being wasted, but it is an indirect fraud on the taxpayers.

Even where our labour supply is growing, it fails to keep pace with the growth of the population; but the increase is much more marked in the lower than in the higher grades of labour. This, again, implies not only inferior workmen but a general weakening of our whole labour organisation. Under the most favourable circumstances it is only a small proportion of the aggregate labour of a country that admits of high organisation. Ordinary crafts and industries require very little of it, and even in advanced

communities these form a preponderating percentage of the whole. In England and Wales (to which, in order to avoid excessive intricacy, we confine our attention for the present) there is a great variety of industries, most of them on a small scale, and that is another obstacle to high organisation. Advanced as we may consider ourselves industrially, not much more than a third of our active labour has got beyond the primitive handicrafts of tilling the soil, preparing food, dressmaking, and house-building, which cannot be called very complex industries.

From the $14\frac{1}{4}$ millions of persons ten years old and over having definite occupations, the following considerable deductions have to be made for these primitive handicrafts:—

Agriculture	1,128,604
Domestic service	1,994,847
Dressmaking	1,125,598
Food service	1,073,809
Building	1,043,566
	<u>6,366,424</u>

A second series of deductions should be made for the professional classes and those engaged in the public service, national defence, &c. :—

General and local government	198,187
National defence	168,238
Professional	606,260
Lighting, water, and sanitary service	71,254
	<u>1,043,939</u>

Nearly $7\frac{1}{2}$ millions have thus to be deducted from the original $14\frac{1}{4}$ millions in order to get at the industrial population. And even then the remaining 7 millions are not all industrial, in the strict sense of the term. The commercial class numbers—or at least did in 1901—590,629, and in the transportation service more than a million and a quarter (1,267,825) were employed. Between these there were 1,858,474 persons engaged in distribution. If we combine the three non-industrial groups we get a total of $9\frac{1}{4}$ millions, thus:—

Domestic	6,366,424
Government and professional	1,043,939
Distributive	1,858,474
	<u>9,268,837</u>

Only 5 million persons out of the original $14\frac{1}{4}$ millions are left for the English industries which require a certain degree of trained labour. Three groups absorb 60 per cent of these 5 millions, namely—

Metals, machinery, &c.	1,237,196
Textiles	1,155,397
Mines and quarries	805,183
	<u>3,197,776</u>

The whole of our secondary manufactures—chemicals, paper-making, woodwork, furniture, bricks, earthenware, &c.—employ considerably less than two million persons,—not many more, in

fact, than a million and three-quarters. If our labour organisation be far from perfect, its magnitude can hardly be pleaded in excuse, for, setting aside the primitive crafts, the public service, the transportation service, and the professional class, the quantity of trained labour required for our proper industries is comparatively small. And not even all this can be called skilled labour. Mining and textile manufactures are entitled to the distinction only in a limited degree. Our one staple industry that demands the highest form of organised labour is the iron and steel trade, including machinery, shipbuilding, &c. But it employs less than a million and a quarter of hands altogether.

Two-thirds of our English labour thus belongs to the lower grades. Only one-third is fully trained and organised, while little more than a fifth reaches the highest grade of organisation. Even the least exacting standard of skilled labour allows us a very small proportion, and the proportion of unskilled must consequently be large. It is a very significant fact, and one throwing a good deal of light on the increase of "unclassed" workmen among us, that 681,000 men returned themselves as labourers or mechanics without any further particulars—a large percentage of odd hands. There are not a few other symptoms of deterioration and disorganisation in our skilled trades. The tighter that trade unions close their doors the more men are kept outside who have

to make shift for themselves. They take to jobbing, or they set up as small masters, or they emigrate. In any case, the country does not get from them the best service of which they might have become capable.

But that is a slight misfortune compared with the growing numbers who learn only a bit of a trade or none at all. Boys leave school too old or with too grand ideas to submit to a regular apprenticeship. They prefer being well paid for one branch of work to learning all the branches, and they end by becoming human machines. Manufacturers rearrange their works to suit the new conditions thus imposed on them. Then workmen complain of the deadly monotony thus introduced into their lives, forgetting that they themselves are mainly responsible for it. If they suffer, so also do the work and the employer. In a special report by Messrs Campagnac and Russell on "The School-Training and Early Employment of Lancashire Children," issued in 1903, a timely warning is given against this new danger. Describing the mental effects of the routine which boys undergo in a typical iron foundry, they say:—

Once admitted, he is set to some work which either calls for no intelligence whatever, except perhaps of the meanest kind, or which demands so little intelligence that all that needs to be learned for its discharge is very quickly got. At this work he remains week after week and year after year, his mind dormant while

his hands are moving with the precision and the dullness of an engine, and by the time he has reached the age at which he thought he would be worthy of a better wage, he discovers that, except in physical strength and endurance, he is of no more value either to his employers or to himself than he was on the day he began his work.

If such a boy started, as he very likely would, with a prejudice against work, it would certainly not be lessened by his first year's experience. It can be readily imagined what a bad effect such a feeling will have on him when reinforced by the many unsettling and disorganising influences now operating on the working classes. The latter are systematically encouraged by sentimental legislation, shortsighted philanthropy, and, to some extent, by school regulations to regard work as a hardship and an evil. The more that boys feel its drudgery the deeper is this prejudice burnt into them. In other words, the more monotonous the work, and the less interest that can be taken in it, the worse its reaction on the workman himself.

Three-fourths of the English poor regard labour as the badge of poverty, and three-fourths of the rich, by indiscreet philanthropy, confirm them in that unmanly sentiment. The Church, the School, and the Legislature itself all set a premium on laziness and improvidence. At the bottom of much of our legislation, our preaching, and our school teaching lurks the emasculating idea that

the labourer is a man to be pitied and coddled. The less he works and the more beer he consumes, the more coddling he and his family receive. This mawkishness, applied to school children, forbids them nowadays to do anything out of school hours except cultivate hooliganism. Half the day caged in class-rooms, and the other half running wild in the streets, is the educationist's ideal life for them up to thirteen or fourteen years old.

When such children reach the statutory limit of idleness the right sort of work for them is not easy to find, and, when found, they may have very little taste for it. How could much eagerness to settle down and learn a useful trade be expected of boys who up to their thirteenth or fourteenth year have been practically forbidden by law to use their hands except at cricket or in carpentering classes. They will be in a hurry to get the job that pays best, which in all probability will be something that teaches them little, and is to be of no help to them in their manhood. They may even be fortunate if it is not something that demoralises and unfits them for higher work.

Industrial degeneracy will be the inevitable result of such a policy if it be persisted in without check or qualification. Every year it will make immense additions to the ranks of the poor clerk and to other genteel but starving professions. At the same time, the recruits to the artisan

classes will dwindle until, by - and - by, skilled mechanics will be like the remnant of the Light Brigade. Even now they do not cut a very imposing figure in the census returns. In 1901 they constituted only 20 per cent of the total number of employed persons in England and Wales. Taking productive occupations as a whole, they do not embrace much more than 25 per cent of the males and females over ten years of age having specific employments. The proportion of skilled labour to the whole is already too small to be safely exposed to avoidable risks of further depletion.

These are facts which humanitarian legislators and county councillors should not altogether ignore in their efforts to restrict child labour. Their motives are undoubtedly commendable, and the abuses of child labour which they aim at correcting are beyond dispute. But it were very desirable that the abuses should be corrected without raising a prejudice against work *per se*. Where children are overworked by their own parents,—as thousands of them have been to such an extent as to endanger their health and render them unfit for their school duties,—the parents should of course be severely dealt with. Or where children of their own accord engage in work unsuited to their age and strength, they should be saved from themselves. There must be no revival of the cruelties of the old factory system.

Difficulties like these are, however, to be handled with very great care and discretion. The dividing line between work not permissible for children and work which may be not only permissible but worthy of encouragement is very narrow. Again, what may be very objectionable in one district may be the reverse in another. And what may be comparative cruelty in one case may be perfectly harmless in another. These distinctions were very clearly pointed out by Mr Jesse Collings in the protest he made last year against the Employment of Children Bill, which has since become law. He objected to the Bill, that it treated town and country alike, and put the same restrictions on the children of the honest labouring poor in our rural districts as on the waifs and strays of our large towns. One clause he particularly condemned, which would prevent any child under fourteen being employed even at harvest time, or in fruit-gathering season, or in dairy-work before six o'clock in the morning without permission from the County Council. Nor could any girl be employed before six o'clock in domestic or nursery work!

That boys under fourteen ought not, as a rule, to be working before six o'clock in the morning, especially if they have to attend school afterwards, no one but a bad parent will deny. But the bad parents who thus maltreat their children generally maltreat them in other ways as well. They neither lodge nor feed nor clothe them as they

ought to do. Our very logical and consistent law permits children to be half starved by their parents, but makes it a crime—in certain districts—to set them to work before six o'clock in the morning! The effect of this curious law on the minds of the children may be that they will regard going to work early in the morning as a greater wrong than being half starved. Thus there will be one more prejudice against honest labour implanted in them, never perhaps to be eradicated in after life.

Though, on the one hand, it may be a great and growing evil that bad parents should try to live on their children, it is no less an evil that very poor but honest parents should be rigidly denied any help from their children, however great their necessity may be. Always premising that the child is not overtasked, and that its school work is not interfered with, a certain amount of light work might often be healthful for a boy. To lay down a hard-and-fast rule, as has been done by many school authorities, that up to the age of thirteen or fourteen children are to be kept in a state of practical uselessness, with their whole attention concentrated on lessons which they learn only to forget, will not make them better scholars, but it may go far to spoil their after lives from a working point of view.

Another possibility has to be considered, that if a moderate reduction were made in the age limit for leaving school, or even if a half-time

system were adopted under which a boy or girl of say twelve could work a few hours a day and go to school for two or three hours, parents would be deprived of any excuse for the cruelties which the Employment of Children Act was intended to prevent. To send out a small boy at four o'clock in the morning on a milk round, or a little later with the morning papers, is a heartless abuse of parental authority, and as such should be prohibited. But if the boy himself had the alternative offered him of working a few hours during the day and having his school time proportionately shortened, he might be all the better for it both in health and intellect.

If the skilled trades and handicrafts of the country are to be maintained even on their present level, which is by no means too high, systematic training for them must be resumed in some form or another. If apprenticeship cannot be restored in its original form there must be some substitute found for it. A beginning might be made at the school itself by adapting the later years of the school course to the scholar's future work. Even if the amount of technical training given were small, it would at least turn the boy's mind in the right direction. There would be less danger of his leaving school without any definite plan or prospect, and of his whole future being sacrificed, as it too often is now, to the first six- or eight-shillings-a-week job that falls in his way.

For more than half a century the British public

have ignored a truth with which their ancestors were familiar,—that efficient labour does not grow wild, but has to be trained. In the old days of the trade guilds labour training was the principal form of education. The educationists of our own day replaced it by the reading and writing test, which does not necessarily make either a good workman or a good citizen. It has cut off the former sources of labour supply, and left it altogether to chance what new ones may open up. Thirty years' trial of the new system has begun to excite doubts as to its efficacy. It is becoming evident that the kind of labour most needed nowadays has to be carefully cultivated; and if not cultivated, it soon runs to seed.

The British labour situation is at present full of paradoxes. It bristles with ironies and contradictions. The more money people make, and the more they are assessed for income tax, the less they seem to work. The faster the population grows, the smaller the proportion of workers. The greater the demand for labour in one place, the larger the glut of "unemployables" in another. While the right sort of labour grows more and more scarce, the weedy sort multiplies on all hands. Every winter the problem of the unemployable reappears in a more distracting form, only to be worried over and pushed again into the background unsolved. Crop after crop of human weeds comes along and has to be put away somewhere—no one is very curious to know where.

But it is not only at home that the quality of British labour is being called in question. Its reputation, never too high, in the colonies is sinking lower still. Comments on it, which are none too flattering, come home to us from various parts of the Empire where the strenuous life is still in fashion. It is hard to say whether these are more galling when made by a colonist or by a foreigner. We get them by turns from both. One that we should lay specially to heart occurred in the speech of a Rand magnate at a shareholders' meeting a few months ago.¹ Mr Schumacher, who ably represents German interests on the Rand, in discussing the labour question, thus explained why white labour had so far proved a failure. First, a large proportion of the white labourers employed were not of English nationality; second, Englishmen disliked this class of work; third, "*the employment of untrained Englishmen was not satisfactory or economical.*"

How far Mr Schumacher's disappointment with "untrained Englishmen" may have been due to their dislike for the work or to their constitutional unwillingness to learn anything they are unaccustomed to was left untold. But whatever qualities they lacked were found in the young Dutchmen who succeeded them as subjects of experiment. "One bright feature of the reports," added Mr Schumacher, was "the Dutch youths, whose labour was most promising."

¹ Rose Deep Company, 'Financial Times,' 18th March 1904.

It is not, however, by foreigners alone that our young men are allowing themselves to be pushed out. Reference has been made to the increasing ratio of female workers to population as contrasted with the decreasing ratio of males. The subject of female encroachment on male preserves has more than once engaged official attention. In connection with the census returns of 1891, it was deemed worthy of special investigation by the Labour Department of the Board of Trade. This was very ably carried out by the lady entrusted with it, Miss Collet. So thoroughly did she do her work that, in addition to the official report which was published as a parliamentary paper in 1897, she read a still more elaborate paper on the subject before the Royal Statistical Society in 1898. Her materials were copious and varied. The census sheets relating to the employment of women and girls in urban sanitary districts with over 50,000 inhabitants were placed at her service. Special returns were called for by the Labour Department from cotton, woollen, and worsted manufacturers as to the married women in their mills. The data thus obtained were collated with the occupation returns in the census returns of 1891, and these again were compared with the census returns of 1881.

The conclusions arrived at by Miss Collet were to some extent reassuring, which is more than could be reasonably expected if the investigation had to be made over again to-day. There were

found to be eighteen occupations, each employing more than one per cent of the employable total. Nine of these showed an increase during the decade of 90 per 10,000, and the other nine appeared to have decreased to a rather larger extent—namely, 126 per 10,000. Female labour in the following lines—tailoring, millinery and dressmaking, shoemaking, hotel service, boarding houses, sick-nursing, shop-keeping, and teaching—had increased at a greater ratio than population. On the other hand, it had diminished among sempstresses, silk workers, farm servants, domestics, textile workers—cotton, woollen, and worsted—and laundry service.

In the cases which showed an increase of female labour, Miss Collet proceeded to inquire further to what extent, if any, this increase had been secured at the expense of male labour. In four branches of occupation—tailoring, shoemaking, teaching, and shop-work—male employees had not kept pace with the growth of population. In that sense they had suffered from female competition, though their numbers had not actually decreased. But in order to see the full effect of female competition on male labour, we must turn to the minor occupations employing less than 1 per cent of the total number of female employees. Miss Collet passes over these rather lightly, and the “City Girl,” one of the latest object-lessons in misdirected education, receives no mention from her at all.

The "City Girl" is a distinctive product of the cheap night-school which the London School Board and the County Council vied with each other in distributing all over the metropolis. For a few shillings a complete course of lessons in stenography and typewriting were offered to both sexes. About the same time lady typewriters came into vogue in City offices. The young men were too busy cricketing and footballing to learn any sort of new work. Their sisters seized the golden opportunity, and had soon snapped up most of the tempting salaries that were at first offered to capable stenographers. They invaded the City by train-loads, overran all the lunch shops, and displaced thousands of male clerks. For a time they seemed to be sweeping all before them, and they still hold their footing fairly well, but the movement has outgrown itself.

There are various reasons for coming to that conclusion. Male clerks condescended to learn shorthand when they found that they could no longer get on without it. This and the constant inrush of new girls so increased the supply that wages rapidly fell. Nowadays a typewriter can be got for little more than the pay of a waitress. How either of them can live upon their wages, and how they can stand the strain of long hours added to all the discomforts of a hybrid existence, puzzles their best friends.

The County Councillors, who are chiefly responsible for the "City Girl," are now half in-

clined to admit that she is a mistake. She is receiving significant hints from her former patrons to return to domestic life, which she should never have been tempted to quit. Already she is being excluded from certain departments of the General Post Office, and that is the first sign of a turn in the tide against her. In the Civil Service she held in 1901 no less than 16,000 places, or nearly one-seventh of the whole. In the commercial service she was even stronger, having held about 60,000 places out of a total of 590,000, or about one in ten.

But if the reign of the "City Girl" be threatened, women will still have several important spheres left to them. For educated women there will be two honourable professions—teaching and nursing. For the uneducated, domestic service, dressmaking, and the factory will always remain open. It may surprise the reader to learn that female teachers outnumber the males by almost three to one (172,873 against 61,899). In the medical profession they outnumber the males by about two to one (68,984 against 35,043). Female nurses are now an army of 67,269, fully seven thousand more than the "City Girls." Unskilled female labour includes 1,690,000 domestic servants, 711,000 dressmakers, 663,000 factory hands, and 299,000 persons engaged in cooking or serving food.

Very probably it would only irritate our readers to quote to them musty proverbs about "women's

proper sphere." Carefully avoiding these, we would put the case on more practical grounds. It is a maxim which applies to all kinds of labour, male and female alike, that the most important work in life should be done first. If therefore the present craze for female typewriting, clerking, barmaiding, and running messages is to justify itself, it can only be on the plea that these occupations are of greater value to society than old-fashioned ideals of healthy, happy, and well-ordered home life.

CHAPTER VIII.

FOREIGN *VERSUS* HOME-GROWN FOOD.

FOR all communities the food question is the first and most important. For us, depending as we do far more on foreign than on domestic food-supplies, it is of vital importance. But, true to our national partiality for the illogical and anomalous, we have given it less attention than any other economic problem of the day. Food is a tabooed subject in politics: one can only allude to it at the risk of being at once suspected of sinister designs on the sacred settlement of 1846. We have heard lately some strange confessions from a Chancellor of the Exchequer as to the liability of food taxes to misrepresentation. We have also seen how ready a certain hysterical section of the press is to raise, on the slightest pretext, a shrill outcry against stomach taxes. The consequence of these morbid ideas and susceptibilities is that the British public know actually less about how they are fed from day to day than they do about wireless telegraphy or the chemical properties of radium. The only thought they associate with food—and especially

foreign food—is that it must not be taxed, or some terrible judgment is sure to befall us.

The time has indeed come when we must look the food question in the face,—when we must study it like any other public question, and regard it not from one small point of view but from all points. The cheap loaf is not the beginning and the end of it. Apart from that, there are many other considerations connected with it, as for instance—

The health and physical strength of the people.

The proper cultivation of the soil, and the full utilisation of all our food-growing resources.

The importance of home-grown food as the basis of our home markets.

The fact that a large section of the taxpayers—say, about 70 per cent—can only be reached through their consumption of food and drink.

The huge and rapidly growing item that food-supplies represent in our imports.

The large proportion of our annual income that is spent on foreign food.

The slow progress of our home industries, both agricultural and manufacturing, compared with the rapid increase of our food imports.

The smallness of our exports as contrasted with the enormous consumption of foreign food.

The steady retrogression of our home agriculture compared with the immense expansion given to foreign agriculture through our food purchases all over the world.

The preference hitherto shown for foreign food-

supplies over those of our own colonies, which are only beginning to be appreciated as they deserve.

The stimulus which our purchases of foreign food have given to the development of certain foreign countries, notably the United States, when similar encouragement might have been as easily given, and with better effect, to our own colonies—to say nothing of our own farmers.

All these considerations may be summed up in a single question—Are we not using the vast power and influence of the national stomach to enrich foreign food-growers, while we are impoverishing ourselves? From the voluminous statistics which follow—all carefully compiled from the Board of Trade returns—it appears that our foreign food-bill in 1903 amounted to 221½ millions sterling. In order to give flavour to it, we ran up in the same year a foreign drink-bill of 6¾ millions, and a tobacco-bill of 4¼ millions.

Grand total, 232½ millions sterling in one year for foreign food, drink, and tobacco! Four and a half millions sterling a-week—nearly £640,000 a-day—paid to foreign food-growers to eke out the shortcomings of our own despised and neglected soil! That is some people's idea of national prosperity! It may add to their happiness to learn that for every British subject born hereafter, and every alien Anglicised, so much more food and drink will have to be imported. Twenty years hence there will be at least ten million more mouths to feed, and probably another hundred millions sterling a-year to pay. At that rate the

next generation will have to be prepared to meet a foreign food and drink bill of nearly a million sterling a-day, Sundays included!

Our statistics also give the weights of the principal imports, which are even more stupendous than the values. Leaving out eggs and other specialities, which are not weighed, the aggregate quantity exceeded *three hundred and twenty million cwt., or sixteen million tons*. Grain and flour answered for two-thirds of the whole, or 218½ million cwt. out of 321½ millions. Imagine being flooded with foreign bread-stuffs at the rate of 36,000 tons per day—excluding Sundays—and with other foreign foods at the rate of 16,500 tons per day! And yet, according to Sir Henry Campbell-Bannerman, twelve millions of us live perpetually on the verge of hunger!

OUR IMPORTED FOOD, 1903.

	Quantities. cwt.	Values. £
I. <i>Butcher-Meat.</i>		
Cattle (522,546)	3,657,000*	9,209,122
Sheep (354,241)	236,000*	546,063
Beef, fresh	4,159,606	8,366,141
" salted	173,692	245,605
Mutton, fresh	4,016,622	7,826,062
Pork, fresh	705,844	1,555,452
" salted	237,583	319,264
Bacon	5,156,988	13,619,140
Hams	1,141,332	3,142,574
Meat, unenumerated	663,261	1,206,152
" preserved	767,557	2,435,826
Rabbits	475,645	723,881
Poultry and game	400,000*	1,203,086
Lard	1,732,715	3,870,849
	<u>23,523,845</u>	<u>54,269,217</u>

* Estimated weights.

OUR IMPORTED FOOD, 1903—*continued.*

	Quantities. cwt.	Values. £
II. <i>Fish.</i>		
Fresh	874,246	681,416
Salted	211,980	531,463
Canned—		
Salmon	440,264	961,895
Lobster	61,184	362,432
Other	43,381	100,250
Not canned	529,259	578,255
	<u>2,160,314</u>	<u>3,215,711</u>
III. <i>Grain, Flour, &c.</i>		
Wheat	88,130,634	29,940,545
" meal and flour	20,601,191	9,722,596
Barley	26,548,078	7,219,314
Oats	16,281,914	4,263,928
Oatmeal	729,087	537,415
Maize	50,097,877	12,464,184
" meal	590,416	176,622
Peas	1,829,853	690,737
Beans	1,765,202	594,634
Other corn and meal	1,824,118	586,227
Starch, farina, &c.	2,937,521	1,753,026
Offals, &c.	2,616,223	535,879
Rice	4,689,478	2,050,573
	<u>218,641,592</u>	<u>70,535,680</u>
IV. <i>Dairy Produce.</i>		
Butter	4,060,684	20,798,706
Margarine	883,193	2,316,354
Cheese	2,694,214	7,054,305
Milk, condensed	829,647	1,739,078
Eggs (2,825,239,000)	3,028,049*	6,617,619
	<u>11,495,787</u>	<u>38,526,062</u>

* Estimated weights.

OUR IMPORTED FOOD, 1903—*continued.*

	Quantities. cwt.	Values. £
V. <i>Vegetables.</i>		
Onions (8,619,719 bushels)	3,500,000*	1,003,026
Potatoes	9,150,202	2,602,904
Tomatoes	1,068,435	951,499
Unenumerated	800,000*	396,957
Hops	113,998	578,739
	<u>14,632,635</u>	<u>5,533,125</u>
VI. <i>Fruits.</i>		
Apples	4,568,413	2,781,348
Pears	271,483	326,463
Plums	596,182	622,948
Cherries	110,192	167,142
Strawberries	32,644	49,362
Currants	76,419	110,535
Gooseberries	34,312*	28,444
Bananas (3,087,516 bunches)	270,000	1,196,887
Grapes	687,938	717,830
Oranges	6,176,789	2,275,480
Lemons	978,318	406,728
Nuts	688,876	1,122,876
Unenumerated . . . . .	...	449,213
	<u>14,491,566</u>	<u>10,255,256</u>
VII. <i>Groceries, &c. (for home consumption).</i>		
Tea	2,280,000	9,666,790
Sugar, raw	10,129,032	5,496,842
" refined	17,601,688	9,962,015
Molasses	1,583,914	302,039
Glucose	1,288,984	616,174
Cocoa	456,320	2,437,387
Coffee	275,330	3,210,938
Chicory	77,032	39,949
Dried fruits	1,711,153	2,151,901
Spices	312,730	856,957
Yeast	162,984	345,972
	<u>35,879,167</u>	<u>35,086,964</u>

* Estimated weights.

OUR IMPORTED FOOD, 1903—*continued.*

	Quantities.	Values.
	cwt.	£
VIII. <i>Wines, Spirits, &c.</i>		
Spirits gals.	8,145,608	1,725,984
Wine "	13,944,093	4,699,602
Mineral waters . . dozs.	1,366,204	286,330
		<u>6,711,916</u>
IX. <i>Tobacco</i> lb.	<u>83,590,466</u>	<u>4,177,944</u>
X. <i>Unclassified</i>	<u>...</u>	<u>4,357,474</u>

Summary of Quantities and Values.

	Quantities.	Values.
	cwt.	£
I. Butcher-meat . . .	23,523,845	54,269,217
II. Fish	2,160,314	3,215,711
III. Grain, flour, &c. . .	218,641,592	70,535,680
IV. Dairy produce . . .	11,495,787	38,526,062
V. Vegetables	14,632,635	5,333,125
VI. Fruits	14,491,566	10,255,256
VII. Groceries	35,879,167	35,086,964
VIII. Wines, spirits, &c. .	...	6,711,916
IX. Tobacco	746,000	4,177,944
X. Unclassified . . . . .	...	4,357,474
	<u>321,570,906</u>	<u>232,469,349</u>

A community of forty-two millions importing foreign food at the rate of 321½ million cwt.—fully sixteen million tons—a-year would not seem to have much need to grow food at home at all.

A community of forty-two millions paying 232½ millions sterling a-year for foreign food, drink, and tobacco, would seem to be in danger of one day having very little money to spare for growing home food. Such an enormous consumption of foreign food must on the face of it be a great discouragement to home-growers, which is exactly what we find in our own case. Whoever will examine carefully and impartially the history of British agriculture since this flood of imported food set in will find that it has been retrograding all the time. It looks like an industry which has had the heart taken out of it, and in which everybody has lost faith — landlords, farmers, and labourers.

Nevertheless British agriculture was in its time a great industry. It carried the country through more than one deadly peril. It furnished the sinews of war for more than one campaign in which our national existence was at stake. Less than two generations ago it continued to provide nearly the whole of the food required by the inhabitants of these islands. On the eve of the repeal of the Corn Laws—as will be proved shortly from public records—the United Kingdom was still very nearly self-supporting. To-day it imports more than it grows of the principal necessities of life. As to some of them, it grows at home only a fraction of what it consumes. The latest report of the Board of Agriculture (1903) states that the cultivation returns of Great

Britain (excluding Ireland) account for only 85 per cent of the measured surface. The total area according to the Ordnance Survey is 56,786,000 acres, of which 588,000 acres are inland water. Deducting the latter and the $2\frac{3}{4}$ million acres occupied by woods and plantations, there should still be $53\frac{1}{2}$ million acres of utilisable surface. But the cultivated area is only about 32 million acres.

The United Kingdom as a whole has a superficies of 77,682,000 acres, of which only 60 per cent (47,760,000 acres) is under crops and grass. The corn and root crops aggregate only $12\frac{1}{2}$ million acres, hay 6 million acres, and the remaining 28 million acres are in permanent pasture.

Last year (1903) the food-growing area of the United Kingdom was subdivided as shown in the following tables, which give the aggregate yield of each of the principal crops:—

CULTIVATED AREA AND PRODUCE OF THE UNITED
KINGDOM, 1903.

I. <i>Corn Crop.</i>	acres.	bushels.
Wheat	1,619,053	48,818,788
Barley	2,017,275	65,309,685
Oats	4,237,780	172,940,555
Beans	240,941	7,535,314
Peas	181,148	4,811,745
	<u>8,296,197</u>	<u>299,416,087</u>

CULTIVATED AREA AND PRODUCE OF THE UNITED KINGDOM, 1903—*continued.*

II. <i>Green Crops.</i>		acres.	tons.
Potatoes		1,184,679	5,276,949
Turnips		1,890,849	23,523,205
Mangold		477,625	8,211,840
		<u>3,553,153</u>	<u>37,011,994</u>
III. <i>Grasses.</i>			cwt.
Hay		<u>9,390,885</u>	<u>299,104,706</u>
IV. <i>Small Crops.</i>			
Hops		<u>47,938</u>	<u>421,048</u>

The first series of tables given above show our foreign food-supplies and the second our home supplies. It may now be interesting and instructive to compare them, as far as they admit of comparison. The foreign foods are of course much more varied than the domestic. Many of them, such as tea, sugar, coffee, and semi-tropical fruits, could not be grown at home; but these form a small proportion of the whole—say, 50 millions sterling out of the whole 232½ millions. The butcher-meat, of which we imported last year 54¼ millions sterling, fish 3¼ millions, grain and flour (excluding rice) 70 millions, dairy produce 38½ millions, and vegetables 5¼ millions, could all be produced at home as well as abroad. Of the fruits imported about one-half is within the capabilities of our soil and climate, while the other half is beyond them. The chief interest of the comparison will centre, however, in bread-

stuffs and meat, which together constitute a full half of our imported foods, their aggregate value being nearly 125 millions sterling. In the next pair of tables the reader will find the home and foreign quotas of these two groups compared—first in respect of quantities, and second in respect of values.

COMPARATIVE SUPPLIES OF HOME AND IMPORTED
CEREALS, 1903.

	bushels.	Home Crop. cwt.	Imports. cwt.
Wheat . . .	48,818,788	26,152,922	108,731,825
Barley . . .	65,309,685	30,321,460	26,548,078
Oats . . .	172,940,555	61,764,484	16,281,914
Maize . . . . .		...	50,097,877
Other corn and meal . .		...	7,377,862
Rice and rice-flour . .		...	4,689,478
		<u>118,238,866</u>	<u>213,727,034</u>

COMPARATIVE VALUES OF HOME AND IMPORTED
CEREALS, 1903.

	Home Crop.	Imports.
Wheat } £8,545,287	{ £29,940,545	
" meal and flour . . . }		9,722,596
Barley	11,429,194	7,219,314
Oats } 18,014,559	{ 4,263,928	
Oatmeal }		537,415
Maize } ...	{ 12,464,184	
" meal }		176,622
Other corn and meal . .	...	2,875,132
Rice and rice-meal . .	...	2,050,573
	<u>£37,989,040</u>	<u>£69,250,309</u>

It will be seen that we import fully four times as much wheat as we raise at home (108¾ million cwt. against 26 millions). Foreign wheat furnishes five-sixths of our total consumption, foreign barley nearly one-half, and foreign oats a fifth. The foreign grower has, moreover, a practical monopoly of maize in our market. Last year's consumption, amounting to over 50 million cwt., was all foreign. Taking the whole of the cereals together, the home crop was only 118 million cwt., against 213 millions imported. Two-thirds of our bread-stuffs, therefore, are foreign-grown.

Years ago, when wheat-growing at 45s. to 50s. a quarter became almost impossible for the British farmer, he was told that he had still the meat market in his own hands. There at least he was said to be well protected against foreign competition. But of late that too has all been changed by cheap ocean freights and cold storage. Our meat-growers are now quite as hard pressed by foreign and colonial competition as our wheat-growers. Not only have they lost control of their market, but their share of the supply is rapidly growing smaller, while the foreign share grows larger. The best data available on the subject renders it doubtful if more than half of the total supply has not already passed out of the hands of native growers.

Calculations as to the meat trade of the United Kingdom cannot in the nature of the case be so

definite as those relating to cereals. It was not till 1901 that they became even practicable. Previously the live stock returns of Ireland had been differently arranged to those of Great Britain, but since then they have been uniform for all three kingdoms. This improvement rendered possible what had often been vainly longed for by statisticians, namely, a definite inquiry into our meat production and consumption. On the issue of the first uniform returns, a committee was appointed by the Royal Statistical Society "to inquire into the statistics available as a basis for estimating the production and consumption of meat and milk of the United Kingdom." It consisted of a dozen well chosen experts, who devoted to the task several years of most painstaking and skilful labour. Three reports have been published—the first indicating the methods of inquiry employed, the next giving the results relating to meat, and the third, which has just appeared, dealing with milk, butter, and cheese.

The estimate of cattle slaughtered yearly in the United Kingdom had for its starting-point returns obtained from 175 herds, comprising over 17,000 animals. These showed the average number of calves born in each year and the average rate of mortality from natural causes. By taking the official numbers recorded at the beginning of the year, and adding on one hand the estimated births and deducting on the other

the estimated deaths, the number which should have survived at the end of the year was obtained. By comparing with this the number actually surviving, the number that had been slaughtered during the year was approximately ascertained. The average for the five years 1898-9 to 1902-3 was found to be 2,118,000 beef cattle and 907,000 calves. A similar calculation applied to sheep showed the average number slaughtered in the same five years to be 9,373,000, and of lambs 2,343,000. In the case of pigs it gave an average of 4,474,000 per annum.

The second part of the inquiry determined the average carcass weights of the three classes of animals, from which the total quantities of meat produced could be easily reckoned. For 1902-3 the totals arrived at by the Committee and the averages per head of the population were as under:—

HOME-GROWN MEAT, 1902-3.

	Tons.	Per Head. lbs.
Beef and veal . . .	665,679	35·40
Mutton and lamb . .	306,241	16·28
Bacon and pork . . .	250,594	13·32
Grand total	<u>1,222,514</u>	<u>65</u>

The Committee has also furnished the corresponding imports for the same year (1902-3), less exports:—

IMPORTED MEAT, 1902-3.

	Tons.	Per Head. lbs.
Beef and veal	360,923	19·19
Mutton	204,496	10·87
Pig meat	350,257	18·62
Unenumerated	26,389	1·41
	<u>942,065</u>	<u>50·09</u>

Finally, we have the home and foreign supplies combined in the following table:—

COMBINED HOME AND FOREIGN MEAT-SUPPLIES, 1902-3.

	Tons.	Per Head. lbs.
Home	1,222,514	65·00
Foreign	942,065	50·09
Grand total	<u>2,164,579</u>	<u>115·09</u>

Thus the proportion of our meat-supply which remains in the hands of home growers has dwindled down to 56½ per cent overhead. As regards beef, the relative proportions are 65 per cent home and 35 per cent foreign; mutton 60 per cent home, against 40 per cent foreign; and pork 41½ per cent home, against 58½ per cent foreign. All three are the reverse of creditable to native industry, and the last especially so. Why three-fifths of our pork and bacon should

have to be imported is a point that calls for some searching of heart.

Before leaving this part of our inquiry there is another striking contrast that may be presented to the reader. It lies between our agricultural income as a whole and the mass of our agricultural imports. The first and most difficult part of this calculation has been attempted before by more than one competent statistician. The most successful, perhaps, was Mr W. J. Harris, who, in a paper read before the Royal Statistical Society in 1894, estimated the total produce of the soil of the United Kingdom at rather less than 172 millions sterling. His method was commended at the time for its simplicity and comprehensiveness, while his figures stood the test of keen criticism. An abstract of them is subjoined, and appended to it is a summary of the corresponding imports in 1903. The latter, it will be seen, exceeded the agricultural income of the United Kingdom by fully two millions sterling. One point in Mr Harris's summary requires explanation. It contains no allowance for live-stock converted into food. Mr Harris considered it the clearest and most logical method to value the root and grass crops in the form in which they were ultimately marketed, whether meat, milk, or cheese. His argument was—and it found general acceptance—that the risk of duplications was thereby greatly reduced.

AGRICULTURAL INCOME OF THE UNITED KINGDOM
(W. J. Harris, 1894).

Cereals	£50,367,649
Roots, at consuming value*	27,620,323
Other crops	17,181,000
Grass crops, at consuming value*	75,267,955
Pigs and poultry	1,500,000
	<u>£171,936,927</u>

Imports in 1903 corresponding to above.

Grain and flour	£70,535,680
Butcher-meat	54,269,217
Dairy produce	38,526,062
Vegetables	5,333,125
Fruit	5,658,331
	<u>£174,322,415</u>

* That is, value in the shape of meat and dairy produce.

How we have so far contrived to pay for 462½ millions sterling of imports with 283 millions of exports will be a standing conundrum in political economy for years to come. But the paradox can be expressed in another and more definite form. For example, can it be considered satisfactory that a community of forty-two millions of people, consuming 232½ millions sterling of foreign food and drink, besides 170 to 180 millions sterling of home-grown food, should not have more than 283 millions sterling a-year of its own surplus produce to send abroad? Are we doing our duty either by ourselves or by the rest of the world in consuming over £10 per

head per annum, and exporting only £7 per head per annum, if so much?

In conclusion, here are a few facts connected with the food-supplies of the United Kingdom to reflect upon:—

On imported food and drink we are spending at the rate of over 228 millions sterling a-year, or including tobacco 232½ millions.

At the same time the whole of the home-grown food we can muster has been valued by competent authorities at only 173 millions sterling a-year.

We are rapidly killing off our domestic agriculture, driving our farmers into bankruptcy, and our farm-labourers into city slums.

We are, by means of unwholesome living, overcrowding in cities, excessive smoking, betting, and other urban excitements, emasculating the manhood of the country at such a rate that the Director-General of the Army Medical Service, in a special memorandum, dated 2nd April 1903, declares “a large proportion of the men who offer themselves for enlistment in the army to be physically unfit for military service.”

Our foreign food-bill, if it could be all spent at home, would furnish £4, 10s. per acre of additional capital for every acre under crop and grass in the United Kingdom.

And if all food imports not producible at home were excluded, the average would still be over £4 per acre.

Such a sum might give permanent employment to nearly four million farm-labourers, at an average wage of a pound per week.

Wisely spent, it might bless our decaying rural parishes with a faint reflection of the prosperity which our enormous purchases of foreign food have shed on the United States, the Argentine Republic, and other grain-growing countries.

And it might give us some relief from the burden of direct taxation, which is crushing the productive powers of the country more than the highest conceivable amount of tariff protection ever could.

The income tax, which was revived in 1843 in order to lighten the tariff, has become far more oppressive than the worst tariff in our fiscal history ever could have been.

From small beginnings our food imports have now swelled to such an enormous bulk that they give a misleading character to our whole foreign trade, exports and imports alike.

Moreover, they give a fictitious magnificence to our imports by grossly exaggerating their productive value.

And they contribute much less than they ought to do to our exports, because such a large proportion of them vanishes in luxury and smoke.

Finally, they mystify and confuse all estimates of the economic progress of the country in the past sixty years. If they were eliminated, so that our industrial imports could be brought into

direct comparison with our industrial exports, not a little of the glamour of the free-trade *régime* might evaporate.

The above formidable array of facts we have endeavoured to put clearly and honestly before our readers, in the hope that they will be studied without preconception or prejudice. We make no attempt to weigh and measure them by any narrow standard set up beforehand in our own minds. *Per contra*, we trust that no reader will try to turn them off with a party catch-word or a stereotyped maxim. As yet we are only on the threshold of the problem they raise. The solution is still far off, and it may be none of those which are being bandied about in the fiscal controversies of the day.

The first step toward a solution will be to realise the overwhelming gravity of the facts themselves, and the portentous future which they are preparing for us. The discussion of them may produce great diversity and even extravagance of opinion. But everything will be pardonable save systematic distortion and the smug self-complacent dogmatism which assumes that the only remedy for economic dangers is to explain them away.

CHAPTER IX.

OUR FOREIGN FOOD BILL, 1840-1903.

FOR two-thirds of our bread-stuffs, and more than half of our butcher-meat, we are now dependent on foreign and colonial sources. A still more grave question, however, is the rapid increase of our dependence on foreign food, combined with the relative shrinkage of our home supplies. On both these points the tables which follow make startling revelations. The first set exhibit the progress of our food imports, both as to quantity and value. The sixty-three years—1840-1903—which they cover have been divided into two periods, practically corresponding to two generations. The former extends from 1840 to 1873, and the latter from 1873 to 1903. The second set of tables show how the home production of bread-stuffs and butcher-meat has fluctuated during the same period—generally downward. To these tables as a whole we invite the most careful attention. They betray an economic situation which may be very mildly described as critical. Judging from the facts

here presented, the Royal Commission, which is now inquiring into our supplies of food and raw material in time of war, might very usefully extend its investigation to our food-supplies in time of peace.

OUR FOREIGN FOOD-SUPPLIES, 1840, 1873, and 1903.

A. Quantities in cwt.	1840 {	.	23,163,952
	1873 {	.	138,483,503
	1903 {	.	320,824,906

	1840.	1873.	1903.
	cwt.	cwt.	cwt.
I. <i>Butcher Meat.</i>			
Cattle . . . . .	...	100,401	3,657,000
Sheep . . . . .	...	570,000	236,000
Beef, fresh . . . . .	...	260,554	{ 4,159,606
" salted . . . . .	...	...	{ 173,692
Mutton, fresh . . . . .	...	...	4,016,622
Pork, fresh	29,532	289,695	{ 705,844
" salted . . . . .	...	...	{ 237,583
Bacon	6,180	2,987,229	{ 5,156,988
Hams . . . . .	...	...	{ 1,141,332
Meat, preserved . . . . .	...	...	767,557
" unenumerated . . . . .	...	...	663,261
Rabbits . . . . .	...	...	475,645
Poultry and game . . . . .	...	...	400,000
Lard	92	626,090	1,732,715
	<hr/>	<hr/>	<hr/>
	35,804	4,833,969	23,523,845
II. <i>Fish</i> . . . . .	...	718,174	2,160,314
III. <i>Grain, Flour, &c.</i>			
Wheat	8,637,993	43,863,098	88,130,634
Flour	1,546,523	6,293,918	20,601,191
Barley . . . . .	...	...	26,548,078
Oats . . . . .	...	...	{ 16,281,914
Oatmeal . . . . .	...	...	{ 729,087
Maize	6,416,258	44,244,331	{ 30,097,877
" meal . . . . .	...	...	{ 590,416
Peas . . . . .	...	...	{ 1,829,853
Beans . . . . .	...	...	{ 1,765,202
Other corns and flour . . . . .	...	...	1,824,118
Starch, farina, &c. . . . .	...	...	2,937,521
Offals, &c. . . . .	...	...	2,616,223
Rice and rice-flour	443,918	6,559,090	4,689,478
	<hr/>	<hr/>	<hr/>
	17,044,692	100,960,437	218,641,592

OUR FOREIGN FOOD-SUPPLIES—*continued.*

	1840. cwt.	1873. cwt.	1903. cwt.
IV. Dairy Produce.			
Butter	252,661	1,279,566	4,060,684
Margarine . . . . .	...	...	883,193
Cheese	226,462	1,356,622	2,694,214
Milk, condensed . . . . .	...	...	829,647
Eggs	106,832	733,860	3,028,049
	<u>585,955</u>	<u>3,370,048</u>	<u>11,495,787</u>
V. Vegetables.			
Onions . . . . .	...	...	3,500,000
Potatoes	2,293	7,506,615	9,150,202
Tomatoes . . . . .	...	...	1,068,435
Hops . . . . .	...	...	113,998
Unenumerated . . . . .	...	...	800,000
	<u>2,293</u>	<u>7,506,615</u>	<u>14,632,635</u>
VI. Fruit, Green.			
Lemons and oranges . . . . .	...	769,400	7,155,107
All others in Group VI. . . . .	...	...	7,330,459
	<u>...</u>	<u>769,400</u>	<u>14,491,566</u>
VII. Groceries, &c.			
Tea	250,000	1,462,200	2,280,000
Sugar, raw	4,035,844	14,243,328	10,129,032
" refined	17,388	2,273,490	17,601,688
Molasses	458,631	520,815	1,583,914
Glucose . . . . .	...	...	1,288,984
Cocoa	31,245	173,000	456,320
Coffee	256,200	281,300	275,330
Chicory . . . . .	...	...	77,032
Dried fruits	445,900	1,370,727	1,711,153
Spices	Not stated		312,730
Yeast . . . . .	...	"	162,984
	<u>5,495,208</u>	<u>20,324,860</u>	<u>35,879,167</u>
VIII. Wines, Spirits, &c.			
	galls.	galls.	galls.
Wines	9,311,247	17,905,129	13,942,092
Spirits	8,657,505	10,259,798	8,145,608
Mineral waters (dozens)	...	...	1,366,204
	<u>17,968,752</u>	<u>28,164,927</u>	<u>23,453,904</u>

OUR FOREIGN FOOD-SUPPLIES—*continued.*

Summary of Quantities.

	1840. cwt.	1873. cwt.	1903. cwt.
I. Butcher-meat . . .	35,804	4,833,969	23,523,845
II. Fish . . .	...	718,174	2,160,314
III. Grain, flour, &c. . .	17,044,692	100,960,437	218,641,592
IV. Dairy Produce . . .	585,955	3,370,048	11,495,787
V. Vegetables . . .	2,293	7,506,615	14,632,635
VI. Fruit, green . . .	...	769,400	14,491,566
VII. Groceries, &c. . .	5,495,208	20,324,860	35,879,167
	<u>23,163,952</u>	<u>138,483,503</u>	<u>320,824,906</u>
	galls.	galls.	galls.
VIII. Wines, spirits, &c.	<u>17,968,752</u>	<u>28,164,927</u>	<u>23,453,904</u>
	lb.	lb.	lb.
IX. Tobacco—			
Manufactured . . .	1,406,054	1,208,425	...
Unmanufactured . . .	36,680,887	44,142,791	...
	<u>38,086,941</u>	<u>45,351,216</u>	<u>83,590,466</u>

B. Values	{ 1840 . . .	£33,784,793
	{ 1873 . . .	131,512,133
	{ 1903 . . .	232,669,349

	1840. £	1873. £	1903. £
I. <i>Butcher Meat.</i>			
Cattle . . .	...	3,354,043	9,209,122
Sheep . . .	...	1,822,531	546,063
Beef, fresh . . .	...	519,815	8,366,141
" salted . . .	...	...	245,605
Pork, fresh . . .	...	...	1,555,452
" salted . . .	58,818	644,014	319,264
Mutton, fresh . . .	...	...	7,826,062
Bacon . . .	14,657	6,245,230	13,619,140
Hams . . .	...	...	3,142,574
Meat, preserved . . .	...	...	2,435,826
" unenumerated . . .	...	...	1,206,152
Rabbits . . .	...	...	723,881
Poultry and game . . .	...	...	1,203,086
Lard . . .	258	1,388,881	3,870,849
	<u>73,733</u>	<u>13,974,514</u>	<u>54,269,217</u>
II. <i>Fish.</i>			
All kinds . . .	...	1,003,326	3,215,711

OUR FOREIGN FOOD-SUPPLIES—*continued.*

	1840. £	1873. £	1903. £
III. <i>Grain, Flour, &c.</i>			
Wheat	5,880,480	28,538,746	29,940,545
" flour	1,391,653	5,912,286	9,722,596
Barley			7,219,314
Oats			4,263,928
Oatmeal			537,415
Maize			12,464,184
" meal	2,171,691	17,286,772	176,622
Peas			690,737
Beans			594,634
Other corn and meal			586,227
Starch, farina, offals, &c.	...	...	2,288,905
Rice and rice-flour	277,449	3,278,974	2,050,573
	<u>9,721,273</u>	<u>55,016,778</u>	<u>70,535,680</u>
IV. <i>Dairy Produce.</i>			
Butter	934,846	6,955,264	20,798,706
Margarine . . . . .	...	...	2,316,354
Cheese	424,616	4,061,456	7,054,305
Milk, condensed . . . . .	...	...	1,739,078
Eggs	220,342	2,359,022	6,617,619
	<u>1,579,804</u>	<u>13,375,742</u>	<u>38,526,062</u>
V. <i>Vegetables.</i>			
Onions . . . . .	...	...	1,003,026
Potatoes	516	3,120,154	2,602,904
Tomatoes . . . . .	...	...	951,499
Unenumerated . . . . .	...	...	396,957
Hops . . . . .	...	...	578,739
	<u>516</u>	<u>3,120,154</u>	<u>5,533,125</u>
VI. <i>Fruits.</i>			
Oranges and lemons	150,137	1,124,248	2,682,208
All others in Group VI.	...	...	7,573,048
	<u>150,137</u>	<u>1,124,248</u>	<u>10,255,256</u>
VII. <i>Groceries, &c. (for home consumption).</i>			
Tea	3,502,735	11,372,595	9,666,790
Sugar, raw	9,053,770	15,106,538	5,496,842
" refined	25,809	3,700,601	9,962,015
Molasses	600,949	245,766	302,039
Glucose . . . . .	...	...	616,174
Cocoa	73,168	599,432	2,437,387
Coffee	956,476	1,050,448	3,210,938
Chicory . . . . .	...	...	39,949
Dried fruits	688,423	1,944,235	2,151,901
Spices	Not stated	Not stated	856,957
Yeast	345,972
	<u>14,901,330</u>	<u>34,019,615</u>	<u>35,086,964</u>

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OUR FOREIGN FOOD-SUPPLIES—*continued.*

	1840.	1873.	1903.
	£	£	£
VIII. <i>Wines, Spirits, &c.</i>			
Wines	6,734,809	4,699,602
Spirits	2,317,953	1,725,984
Mineral waters	286,330
	<u>...</u>	<u>9,052,762</u>	<u>6,711,916</u>
IX. <i>Tobacco.</i>			
Manufactured	404,532	...
Unmanufactured	1,420,462	...
	<u>...</u>	<u>1,824,994</u>	<u>4,177,944</u>

Summary of Values.

	1840.	1873.	1903.
	£	£	£
I. Butcher-meat . .	73,733	13,974,514	54,269,217
II. Fish . . .	...	1,003,326	3,215,711
III. Grain, flour, &c.	9,721,273	54,016,778	70,535,680
IV. Dairy produce . .	1,579,804	13,375,742	38,526,062
V. Vegetables . . .	516	3,120,154	5,533,125
VI. Fruits . . .	150,137	1,124,248	10,255,256
VII. Groceries . . .	14,901,330	34,019,615	35,086,964
Unclassified . . .	...	...	4,357,474
Total of foreign foods	<u>26,426,793</u>	<u>120,634,377</u>	<u>221,779,489</u>
VIII. Wines, spirits, &c.	<u>5,800,000*</u>	<u>9,052,762</u>	<u>6,711,916</u>
Total of foreign foods } and drinks }	<u>32,226,793</u>	<u>129,687,139</u>	<u>228,491,405</u>
IX. Tobacco . . .	<u>1,558,000*</u>	<u>1,824,994</u>	<u>4,177,944</u>
Total of foreign food, } drink, and tobacco }	<u>33,784,793</u>	<u>131,512,133</u>	<u>232,669,349</u>

* Estimated at the prices of 1873.

In contrast with the enormous and rapidly increasing volume of our foreign food-supplies

observe how our home-grown food dwindles both relatively and absolutely:—

ACREAGE UNDER CROP IN THE UNITED KINGDOM,
1871-75 AND 1903.

	1871-75. acres.	1903. acres.
I. <i>Corn Crops.</i>		
Wheat	3,737,140	1,619,053
Barley	2,598,713	2,017,275
Oats	4,233,277	4,237,780
Beans	565,295	240,941
Peas	341,543	181,148
	<u>11,475,968</u>	<u>8,296,197</u>
II. <i>Green Crops.</i>		
Potatoes	1,507,118	1,195,879
Turnips	2,476,352	1,898,862
Mangold	377,843	478,386
Cabbage, &c.	221,070	231,717
Vetches	491,390	{ 147,949
Others . . . . .			{ 193,934
	<u>5,073,773</u>	<u>4,146,727</u>
III. <i>Hay</i>	not recorded.	<u>9,390,885</u>

LIVE-STOCK IN THE UNITED KINGDOM, 1871-75
AND 1903.

	1871-75.	1903.
I. <i>Horses.</i>		
Agricultural . . . . .	...	1,478,009
One year and over . . . . .	...	387,827
Under one year . . . . .	...	204,136
Total horses	<u>1,820,113</u>	<u>2,069,972</u>

LIVE-STOCK IN THE UNITED KINGDOM—*continued.*

	1871-75.	1903.
II. <i>Cattle.</i>		
Cows in milk . . . . .	...	4,100,505
Two years and over . . . . .	...	2,467,803
One to two years . . . . .	...	2,413,298
Under one year . . . . .	...	2,426,954
Total cattle	<u>9,932,443</u>	<u>11,408,560</u>
III. <i>Sheep.</i>		
Ewes for breeding . . . . .	...	11,485,435
One year and above . . . . .	...	6,197,130
Under one year . . . . .	...	11,976,275
Total sheep	<u>33,192,418</u>	<u>29,658,840</u>
IV. <i>Pigs.</i>		
Sows for breeding . . . . .	...	539,989
Other pigs . . . . .	...	3,545,775
Total pigs	<u>3,782,134</u>	<u>4,085,764</u>

From the above tables it may be learned that on the eve of the repeal of the Corn Laws the United Kingdom was virtually a self-supporting country. It imported only 23 million cwt. of foreign foods, as compared with 139½ million cwt. in 1873, and 321 million cwt. in 1903. Its food and drink bill payable abroad rose during the same period of sixty-two years from 33½ millions sterling a-year in 1840 to 131½ millions in 1873, and 232½ millions in 1903. Concurrently the population of the United Kingdom increased by only 63 per cent—namely, from 26½ millions in 1840 to 31½ millions in 1873, and to 42¼ millions in 1903. Notwithstanding

an increase of productive power, represented by 16 million people, the expenditure on foreign food rose 200 millions sterling a-year! Of this about 160 millions a-year was in food-stuffs which can be produced at home—not, of course, in sufficient quantity for all our wants, but in much larger quantity than at present.

The tables further show, as to our home production, that instead of advancing by leaps and bounds as our food imports do, it is declining in most of its principal branches. The acreage of our corn crops has, in the past thirty years, shrunk from $11\frac{1}{2}$ million acres to $8\frac{1}{4}$ millions—a decrease of fully 26 per cent, or 1 per cent per annum. Though our farmers were supposed to be finding compensation in live-stock for their losses on cereals, the acreage of our green crops is also on the decline. In the past thirty years it has fallen from 5 million acres to under $4\frac{1}{4}$ millions, a decrease of 16 per cent. The shrinkage has been universal among our principal root-crops, with the one exception of mangolds. Saddest and most disappointing of all are the live-stock returns. They show in one or two classes small gains, but in others heavy decreases. Our cattle have in the past thirty years multiplied to the very moderate extent of a million and a half—from under 10 millions to nearly $11\frac{1}{2}$ millions. But in sheep there has been a loss of fully $3\frac{1}{2}$ millions.

Whether we regard these figures from a fiscal,

a commercial, or an economic standpoint, they are full of serious portent for the future of the country. We have actually a smaller cultivated area to-day than we had before the repeal of the Corn Laws. For sixty years it has been receding, while with equal persistence the quality of the cultivation has degenerated. The area under crop has shrunk year by year, and permanent pasture has extended. Eighty years ago the total cultivated area was stated before a Select Committee of the House of Commons (1827) to be 46,139,000 acres. The population then numbered 23,061,000; consequently there were on an average two acres of cultivated land for every man, woman, and child in the three kingdoms. Now, we have 42½ millions of people living on a cultivated area only a fraction larger than that of 1827, and the average per head has sunk to about nine-tenths of an acre. Even at the beginning of the last century we had almost as much land under cultivation as there is to-day. The area then was computed at 42,881,000 acres, and as the population numbered only 16,338,000, the average per head was nearly two and three-quarter acres, against nine-tenths of an acre to-day.

A hundred years ago we were making the most of our agricultural resources. George III. well deserved his title of "Farmer King," for during his sixty years' reign (1760-1820) no less than six and a half million acres of waste land were

enclosed and brought under cultivation. How many acres, we wonder, were enclosed during the longer reign of Queen Victoria? Her enlightened subjects preferred developing the American prairies to growing an extra blade of wheat on their own prairie lands at home. If they had been told that as recently as 1821 and 1822 the United Kingdom raised all the corn it consumed, they might have scouted the idea as incredible. The additional information that it was only in 1808 we ceased to be a corn-exporting country might have been received with still greater incredulity. But what would the people of 1808 have thought of their great-grandchildren paying, as they do to-day, *two hundred and thirty-two millions sterling a-year, or four and a half millions sterling per week, for foreign foods, while whole parishes at home are running to waste!*

Are our people as a whole so much better off as is generally assumed in all the main requisites of health and comfort than they were under the old *régime*? Passing over the landowners, who, if they have suffered heavy losses, have also enjoyed large compensations in other directions, let us consider only the hard cases of the farmer and the farm-labourer. Sir Henry Campbell-Bannerman claims our tears for an imaginary twelve millions of people, living, he says, on the verge of hunger. How and why they came to be living on the verge of hunger he does not explain. But there is no ambiguity or vagueness

about the sorry plight of the farming interest. For thirty years it has lived on the verge of bankruptcy, and has not simply hungered but has toiled and struggled and suffered for the preservation of an apparently doomed industry. Not only have farming profits for the most part disappeared, but in too many cases farming capital has followed it.

Strange as it may seem, the British farmer was at one time a considerable contributor to the income and property tax. But nowadays the income tax payers of his class are few and far between. The assessments under Schedule B (profits from the occupation of land) have shrunk wofully since they were first made on the revival of the tax by Sir Robert Peel in 1843. We give here the figures for that year alongside of those for 1901-2.

ASSESSMENTS UNDER SCHEDULE B (FARMING PROFITS),
1843 AND 1901-2.

	1843.	1901-2.
England and Wales	£41,558,559	£12,369,909
Scotland	5,211,365	1,969,804
	<u>£46,769,924</u>	<u>£14,339,713</u>

A loss of thirty-two and a half millions per annum in sixty years! But the loss to the public revenue was even greater than that of the farmers. The above £14,339,713 assessed in 1901-2 was the gross amount that came under the review of the

Income Tax Commissioners. Actual payment was received on only a fraction of it, the amount having been reduced by exemptions, remissions, and abatements to £4,411,746,—including Ireland, which had not been subject to income tax in 1843. British agriculture has become such an unprofitable industry that even the Government can make very little out of it. If farming paid as well to-day as it did in 1843—when the price of wheat was by no means excessive—the Chancellor of the Exchequer might be getting 1s. in the £ on farming profits of over fifty millions sterling, including Ireland, instead of on a beggarly £4,411,000. The difference—namely, 1s. in the £ on £42,258,000—would be £2,112,900 a-year, or very nearly as much as the shilling duty on corn was producing when Mr Ritchie abolished it. When the free importers are counting up their gains, let them not forget to set off against them over forty millions of depreciation in agricultural incomes, and fully two millions of consequent loss to the Exchequer.

But there is another and larger question at issue between the income tax and the corn laws. Most people seem to have forgotten, and the free importers are particularly careful not to remind them, that the income tax was reimposed by Sir Robert Peel in order to make good the losses anticipated from the reduction of the tariff. It was, in short, the price the country had to pay

for free trade and corn law repeal. Sir Robert thought it would only be needed for seven years, but now we seem likely to have it for even seventy times seven. Great Britain without an income tax is one of the remotest visions of the remotest corner of an unborn fiscal paradise. The British public have been so skilfully and systematically fooled over the tariff reforms of 1840-46 that they entirely forget the price they have had to pay for their so-called free trade. They never put any inconvenient questions to the Cobden Club about the five and a half millions a-year of income tax which was levied on them in lieu of customs duties nominally remitted. We say nominally remitted, because though the list of duties was greatly curtailed, their gross produce increased instead of diminished. In the first seven years of free trade the Exchequer obtained as large customs revenue as ever, *and five and a half millions a-year of income tax in addition.* How many hundred millions of income tax it has under various pretexts levied since, some obliging statistician might reckon up for us.

Even if the income tax had proved a temporary arrangement, as Sir Robert Peel intended, the taxpayers would have found at the end of the seven years that they had made a very bad bargain with the Government. The figures given below show how the customs and income tax

receipts of these seven years compared with the year 1842—the last under the old *régime*.

	Customs.	Income Tax.
1842	<u>£23,492,884</u>	<u>...</u>
1843-44	22,609,957	£5,821,878
1845	24,085,442	5,345,582
1846	21,801,198	5,190,997
1847	22,185,582	5,543,057
1848	21,674,721	5,604,407
1849	22,645,493	5,496,195
1850	<u>22,264,259</u>	<u>5,558,919</u>
	<u>£157,266,652</u>	<u>£38,561,035</u>

The average customs revenue of the seven years was £22,466,665, and the average yield of the income tax was £5,508,716. As compared with the customs receipts of 1842, there was a saving of about a million a-year, which had to be paid for with new taxation to the amount of five and a half millions a-year. If we enlarge our survey from the first seven years of free trade to the first sixty years, the fact that the taxpayers have had to pay smartly for the cheap loaf will become still more obvious. It may be a matter of historical interest to them to learn that they are contributing in the year 1903 exactly the same amount per head of customs duties as their grandfathers did in 1842, before Sir Robert Peel's tariff reforms came into operation. The coincidence is indeed remarkable, as the subjoined figures indicate.

	Population.	Customs Revenue.	Per Head.
1842	27,052,000	£23,492,000	17s.
1902-3	41,952,000	36,400,000	17s.

Suppose that Sir Robert Peel had left the tariff alone and spared us the income tax, or had reformed the tariff gradually, in such a way that no income tax had been needed, how much greater a financier he would have been, to say nothing of how much nobler a public benefactor. Among the great fiscal errors and misfortunes of the nineteenth century the revival of the income tax must be considered one of the worst. Its effect on the morals of our public finance has been deplorable, and on our public expenditure disastrous. Without the easy and seductive help of the income tax, bloated armaments, and still more bloated Budgets, could never have become possible.

The growth of direct taxes, which has now reached so alarming a height, coincides with the no less alarming increase in our annual bill for imported food. The two are so closely associated as to be counterparts of each other. When we are told, as we so often are nowadays, to look to our "magnificent imports" and let our exports take care of themselves, we may reply that the "magnificent imports" are apt to assume a different colour when analysed. We reproduce below a series of them, which was recently paraded with pride in a Cobdenite organ.

BRITISH IMPORTS SINCE 1850, IN MILLIONS OF £.

Average of		Average of	
1851-55	£145	1876-80	£382
1856-60	182	1881-85	389
1861-65	247	1886-90	389
1866-70	292	1891-95	417
1871-75	359	1896-1900	474

We are not told however that nearly one-half of these "magnificent imports" consist of food, much of which we ought to grow ourselves. The Cobdenites at one time measured the prosperity of the country by our food imports. It was their favourite and, as they supposed, their most invincible argument. The 'Financial Reform Almanack' of thirty years ago used to sing pæans of triumph over the fact that the food imported in 1873 exceeded by 102 millions sterling the imports of 1840. It must have fallen since into degenerate hands, for we observe no rejoicings over the fact, which should have been still more exhilarating to it, that the food imported in 1903 exceeds by over 200 millions sterling the imports of 1840. The influx of foreign food is no longer regarded as an unqualified benefit even by the most "convinced free trader." It begins to be realised that there are two sides to the question.

Whether or not it is a sign of prosperity to have the greater part of our food-supplies raised for us abroad must depend in the first place on how they are paid for. It may be out of earnings

or out of capital, or partly both. This is an intricate branch of the problem, which the free importers are to have trouble with hereafter. But the simplest mind will see at a glance how much of the magnificence will be stripped from our "magnificent imports" if we deduct imported food. In the above list the average of 1871-75 will be reduced by 130 millions, and the average of 1896-1900 by about 200 millions. The industrial imports of the two periods will then be 229 millions sterling for 1871-75, and 274 millions for 1896-1900. An increase of 45 millions sterling in a quarter of a century—less than two millions a-year—can hardly be called terrific progress. Allowing for increase of population, it is not progress at all, but the reverse. In order merely to maintain in 1896-1900 the same average per head of the population as in 1871-75, the industrial imports ought to have increased by nearer 70 millions a-year than 45 millions. The proper comparison would be as follows:—

	Population.	Industrial Imports.	Per Head.
1871-75	31,513,000	£229,000,000	£7 5 0
1896-1900	41,164,000	274,000,000	6 13 0

So much for the magnificent growth of our magnificent imports! If it were not for Sir Henry Campbell-Bannerman's twelve millions who are "continually on the verge of hunger," notwithstanding the £5 per head per annum

spent on foreign food for them, our imports would be growing downward. In the last quarter of the nineteenth century that portion of them which we can neither eat nor drink nor smoke seems to have in some unaccountable way declined from £7, 5s. per head per annum to £6, 13s. per head. Thirty years ago it was said that we drank ourselves out of the Alabama indemnity. But now the free importers tell us a still more wonderful thing, that we are eating ourselves—on tinned beef and frozen mutton—into a state of phenomenal prosperity.

CHAPTER X.

OUR GROWING INCUBUS OF RATES AND TAXES.

THE national revenue for the current year (1904-5) has been estimated at 143½ millions sterling. But rather more than one-seventh of the amount will be derived from sources other than taxation—namely, the 22½ millions receivable from the Post Office and Telegraphs. Taxation proper will therefore be about 121 millions sterling. In the shape of loans there may be a further 40 or 50 millions sterling needed by the Government. As soon as the money market is considered favourable the second Transvaal loan of 30 millions will be issued. Special military and naval expenditure out of capital may reach 10 millions. Taxation and borrowing together may easily amount to 160 millions.

And that is only the national side of the question. While the Government are taking 160 millions out of one pocket the local authorities will be busy extracting nearly as much more from the other pocket. In the form of rates they will levy about 80 millions, and the taxes

transferred to them from the Treasury will exceed 16 millions. Their share of public taxation will consequently be at least 96 millions, possibly more. It may be confidently predicted that they will borrow 30 millions additional. The Chancellor of the Exchequer, in the very opportune reference he made in his Budget speech to municipal finance, stated that "in the three years ended 31st March 1902 the local authorities of the United Kingdom had borrowed over 103 millions sterling," or at the rate of 34 millions a-year. Though the drag is now being put on, municipal prodigals cannot be pulled up all at once, and the current year's borrowing is not likely to be much, if any, under the recent average. This (say 34 millions), combined with the 96 millions of rates and subsidies from national revenue, will make a round 130 millions sterling. National and municipal demands of all kinds will not fall much, if any, short of 290 millions sterling for the current fiscal year.

Usually rates and taxes are regarded only as affecting the individual taxpayer. They are traced no farther, though as a matter of fact their effects are far wider reaching. The majority of taxes not merely take so much money out of the pocket of the taxpayer, but they disturb his business operations and lessen his earning power. This is specially true of direct taxes, and in a very special sense it applies to the death duties. They impair not only the resources of the indi-

vidual contributor, but the industrial power of the country. There is so much diverted from the industrial fund; and all interested in that fund, workmen and employers alike, are the poorer for it.

A shareholder in a joint-stock company—say a railway, a bank, a manufacturing or a trading concern—has the keenest experience of how modern industry is affected by such multifarious and oppressive taxation as is now in force among us. At every step in the company's history it is being levied on in some form or another. It has to pay local rates on the rental value of its premises,—anything up to 12s. in the £. If it owns land, it has also to pay on that. The business it carries on may be one that requires to be licensed; so much more for that. The materials it uses may be subject to duty—either excise or customs. Its net earnings, when it has any, will have to pay income tax before a shilling of them can reach the shareholder. When the latter buys his shares he has to pay a heavy stamp duty, and at every subsequent transfer more stamp duty is called for. Finally, when his estate passes to his children or his nearest of kin, a slice is taken off it varying from 1½ to 10 per cent.

Thus the “incubus of rates and taxes” may assume many protean forms. To borrow a favourite phrase of Chancellors of the Exchequer, it “presses on the springs of industry” at many points. In prosperous times it may not be

greatly felt, but in times like these the strain is heavy and harassing. In every industry, rates and taxes have become a material item in the cost of production. Where the margin of profit is small it may, and often does, turn the scale the wrong way. Unfortunately this is as yet only a matter of private experience among the industrial classes themselves. It has never, so far as we know, been investigated scientifically, though a more interesting or important subject does not offer itself to statisticians. In the case of very large ratepayers, like the railway companies, the available data are sufficiently full to give some idea of the relation of rates and taxes to the cost of service. On the premier railway of the country they amount to nearly 7 per cent of the total working expenses!

As to the pressure of rates and taxes on our manufacturing industries, an indirect clue is furnished by the returns of inhabited house duty. These show that in the year 1902-3, out of a total annual value of 180 $\frac{3}{4}$ millions sterling, "houses used solely for trade" represented 40 $\frac{1}{2}$ millions. Taking the average amount of local rates at only 8s. in the £, the result would be a levy of over 16 millions sterling on the trades and industries affected,—in other words, an addition of 16 millions to the cost of production of their goods. It would require a 15 per cent *ad valorem* duty on the whole of our manufactured imports to offset this one branch of our internal taxation.

And after it comes a long procession of excise duties, stamps, income tax, and death duties.

If the pressure be severe on comparatively profitable industries like mining, manufacturing, and shipbuilding, what must it be on our moribund agriculture? The income tax assessments for 1901-2 give the amount of income derived from ownership of land as 52½ millions sterling. That may be regarded as a rough equivalent of the rentals on which the tenants had to pay local rates. The same average as has been assumed for manufacturing premises—8s. in the £—would make the total agricultural rate about 20 millions sterling a-year. The annual value of our agricultural produce of all kinds—meat, grain, dairy-produce—is estimated at from 180 to 200 millions sterling. If farmers were rated on their full rentals, their local rates would add 10 per cent to the cost of everything they put on the market. Fortunately for them, they enjoy various allowances and qualifications.

Local rates and subsidies, 96 millions sterling; national taxes, 121 millions; and loans, local and national, fully 70 millions,—form a grand total of 290 millions to be withdrawn this year from the fund with which not only our industrial and commercial operations, but our shipping, banking, and financial business has to be carried on. A few comparisons will show how disturbing and disorganising an effect such a drain may have on these operations. Two hundred and ninety

millions sterling is about the value of the British and Irish produce we export annually. It is many millions more than the value of all the meat, grain, and other produce raised in the United Kingdom. It is considerably more than double the value of all the minerals and metals we produce annually. It is nearly one-half of the total income on which income tax is paid in the United Kingdom. It is equivalent to fully 35 per cent of the national debt, and is very little short of one-third of our total banking deposits.

Wide differences of opinion may exist as to the probable effects of a new fiscal policy, but on this question of rates and taxes we are nearly all of one mind. Two hundred and ninety millions sterling a-year of a drain on our trading capital is more than it can bear without risk of being crippled. And what might naturally be expected to happen in the circumstances has actually happened, and continues to happen, under our very eyes. No Lord Welby is needed to tell us that a crushing weight is being thrown on the springs of industry. Bankers, bill-brokers, stockbrokers, and whoever else has his finger on the pulse of the markets, can testify to this. Still more eloquent testimony is borne to its truth by the utter stagnation that has overtaken all kinds of financial business. On the Stock Exchange there was never within the memory of the oldest member such widespread depreciation

of securities as has been going on for the past two years.

The stock barometer of 'The Bankers' Magazine,' based on a selected list of 325 principal securities, indicates a loss of *two hundred and fifty-three millions sterling since the close of the war*. On the 20th June 1902—three weeks after the treaty of peace was signed—these 325 securities had an aggregate market value of 3149 millions sterling. On the 20th February last their market value was only 2896 millions sterling, or 253 millions less. The greater part of that depreciation has taken place in the past twelve months—in fact, since Mr Ritchie's budget-day (23rd April 1903). The market value of the 325 representative stocks was then 3077 millions sterling, as compared with 2896 millions now—a depreciation of 181 millions.

These securities embrace all classes dealt in, from Consols to Kaffirs. They furnish a fair index to the losses that investors generally have suffered. There are, besides, thousands of minor securities that have depreciated, but it would be impossible to value them all. The above 253 millions sterling is perhaps not even a half of the total shrinkage, but in itself it is appalling. It shows that security-holders have had to pay for the Boer war twice over—once during the war, and again since it closed.

All other propertied classes have had more or less of the same experience as these security-

holders. The active capital of the country has lost quite 10 per cent of its effective power within the past twelve months, and excessive taxation has been one of the causes, possibly the main cause. If unchecked, its effect in the next twelve months may be even more disastrous, for it will fall on a body seriously weakened by past losses. If the public authorities, national and local, persist in squeezing out of the taxpayers 4 millions sterling per week in rates and taxes, with as much more as they can raise by loans, they may speedily discover that it is not a purse of Fortunatus they are drawing upon. Apparently this truth is beginning to dawn on some of the younger and more open-minded occupants of the Treasury bench. It was cheering to hear our latest War Minister, Mr Arnold Forster, in introducing the Army Estimates, express his opinion that "the capacity of the nation to spend money on armaments was not infinite." The nation itself has never thought so, but too many of its rulers and legislators have hitherto acted on that assumption.

Complaints of municipal and parochial extravagance are no longer casual and intermittent. They are no longer isolated grumblings of individual taxpayers. More influential voices are beginning to be heard in the chorus of dissatisfaction and protest. Ravenous and ever-increasing rates have of late been the theme of railway chairmen and others in the City. At

last half-yearly meeting of the London and North-Western Railway shareholders, their Chairman, Lord Stalbridge, horrified them with the announcement that the Company's rates and taxes now amount to £600,000 a-year,—equal to $1\frac{1}{4}$ per cent of dividend. The Chairman of the Midland Company on the same day told his shareholders that their rates and taxes had been more than doubled in the last twenty years. In 1883 they had amounted to £191,000, and in 1903 they were £417,000—an increase of 118 per cent.

The railway shareholder is doubly hit by rates and taxes, and it is natural that he should begin to think it time to protest. As a railway shareholder he was mulcted last year (1903) in at least a quarter of a million sterling of additional rates. The twelve principal lines had to pay £116,534 more in the first half of the year and £103,748 in the second half, making for the whole year £220,282. The smaller companies would more than make up the quarter million of increase. In their private capacity, railway shareholders very probably had another quarter million of rates dumped on them. On this one class of ratepayers the extra burden imposed last year may have been not far short of half a million sterling.

But railway chairmen are not alone in their indignant complaints about the rating incubus. Sir George Livesey, in addressing the shareholders of the South Metropolitan Gas Company

on the 10th February last, struck out vigorously on the same subject. "The rates," he said, "are continually going up. During the past year £38,000 was paid—that is to say, £76,000 in the year—for parochial rates. I think it is a great anomaly, a very great hardship in public companies, that they should be rated in this way. I am not talking about the amount of the rates, but the largest ratepayers have no voice whatever in the spending of them, though it is a cardinal principle, I believe, of the British Constitution that there shall be no taxation without representation. The railway companies, the water companies, the gas companies, and the electric lighting companies have to pay rates, and have not even a vote."

Sir George Livesey is evidently not very hopeful of getting that anomaly corrected by the Legislature. Nor does he expect that the rates will stop growing of their own accord. He begins to contemplate the possibility of the unrepresented ratepayers being driven to special measures of self-defence. Half in joke, he said: "I think we might take a leaf out of the book of the passive resisters in this matter. If they have a case, surely we have a very much stronger one; and one would rather like to see what would happen supposing we refused to pay the rates. What would they do? Distrain? Well, I should rather like to see them distrain—take away a gasholder, for instance, or something of

the sort which would at anyrate bring the matter to a point."

This would be an interesting development of passive resistance, though perhaps a not very agreeable one for the Progressives. A combined demand of the great railway and other joint-stock ratepayers for representation on the rate-spending bodies would hoist some busy politicians with their own petard. But ere it comes to such a pass there may be various indirect forms of passive resistance tried.

It may be asked, How and where is a thorough-going process of retrenchment to begin? To the taxpayer it will be equally welcome whether it opens its attack on local or national extravagance. Of the two, local extravagance is perhaps the more assailable. It offers a greater variety of vulnerable points; its assailants are more numerous and resolute; public opinion is more ripe for drastic action. Local spendthrifts have few friends outside of the circle directly or indirectly benefiting from their expenditure. The vested interests and sympathetic influences arrayed behind the spending services of the nation are still too powerful for the most determined economist even within the Cabinet itself to produce much impression upon.

For one who could hope by any amount of argument to make a substantial cut in the army estimates, there are scores who would readily join in a combined effort to clip the wings of the munic-

ipal socialists. Even many who do not object to municipal socialism in principle might join in putting the drag on it now, partly because it is imperatively needed and partly to make a practical beginning with a retrenchment crusade. When the local spendthrifts have been curbed, it will be so much easier to curb the national spendthrifts.

There are also technical reasons of some weight for beginning with local expenditure. The Treasury and the local authorities have many cross accounts open between them which have contributed greatly to the financial chaos now existing. There could be no thorough reform on one side or the other without simplifying these cross accounts, or, better still, clearing them away. It is misleading to the taxpayers to speak of national taxation as being 121 millions sterling per annum (exclusive of post office, telegraphs, and Suez Canal shares), when it is in fact nearly 10 millions sterling more. The actual amount levied in the form of national taxes is 132 millions sterling, but various pickings from it are handed over to the local authorities. Out of the customs revenue they get a dole of nearly a quarter million a-year, from the excise five and a quarter millions, and from the death-duties over four millions.

When the national treasury was overflowing, and the local authorities were more frugal than they are now, no great harm came of these semi-charitable subsidies. They were confessedly at

variance with sound finance, and a roundabout way of doing what had better been left alone. But they staved off awkward questions affecting local rates, and were quite in harmony with our hand-to-mouth methods of party government. It was calmly ignored that their effect on the taxpayer was to saddle him with a disguised income tax of nearly 4d. in the £. In other words, when he appeared to be paying 1s. 3d. in the £ he was actually paying 1s. 7d. Or to put it in another way, if the Treasury had retained the whole of its customs, excise, and death duties for its own use, it might have dispensed with 4d. in the £ of income tax.

As if the doles to the local authorities were not complication enough, a series of local charges were transferred to the Treasury. Of these, the Consolidated Fund now bears above £1,156,000, and nearly three and a half millions more is specially voted. Between subsidies aggregating ten millions sterling a-year, and transferred liabilities amounting to five millions, the local authorities milk the Treasury to the extent of fifteen millions a-year. The local authorities themselves put it even higher than that. In their annual accounts for 1900-1—the latest published—they return their contributions from the Government at close on sixteen millions sterling (£15,987,256).

Considering the present position of the Treasury, and how much it has changed for the worse since

the above eleemosynary arrangements were entered into, is there not good ground for intimating to the local authorities that they must be reconsidered? The mixing up of local and national revenues had never but one feasible excuse—that the national Treasury could well afford it—and that has now ceased. The national Treasury can no longer afford it: it requires every penny that it can safely levy for its own expenses. The policy of unduly and unnecessarily increasing national taxation in order to disguise the increase of local expenditure has become wasteful as well as foolish.

Bad as our methods of national expenditure may be, our local methods are even worse. The one demands as severe restraint as the other, and national doles have had the opposite of a restraining effect. Local authorities quite frankly, and even cheerfully, admit that the benefits derived from them are dubious. Not long ago it was stated by an educational critic at a county meeting that the “whisky money” had been simply thrown away. But whatever specific results the doles may have yielded, it is undeniable that the general effect of them on local administration has been evil. They have encouraged the costly amateur scheming in which local authorities have so freely indulged. It is doubtful if they have saved a penny to the ratepayers, and in many cases they may have instigated expenditure far in excess of their own amount.

At all events, here is a tangible fact for the financial reformer to lay hold of. Between fifteen and sixteen millions sterling a-year is being diverted from the national revenue to aid local expenditures of a very miscellaneous kind. They are virtually so many millions removed beyond reach of public control. The House of Commons has surrendered its jurisdiction over them, and the ratepayers can exercise none. The doles are nobody's money, and are treated accordingly; in plain terms, they are being to a large extent frittered away. Let the national Treasury resume possession of this fifteen or sixteen millions a-year and it will come once more under public control. A mystifying and misleading cross entry will be wiped out of the public accounts. Both local and national expenditures will appear at their true figures, and there will be no disguised taxes.

It would be awkward, no doubt, for the municipal and parochial socialists to have their income docked by fifteen or sixteen millions at a stroke; but it need not be done quite so abruptly. Fair notice might be given to them in the first instance, and afterwards the doles might be cut off gradually. When the whole were withdrawn the local authorities would still enjoy an income which not many years ago would have been considered princely. Only twenty years since their total resources—rates, subsidies, loans, and trading returns—were less than one-half of what they are now. In the year 1879-80 they raised

31 millions sterling by means of rates, about 13 millions from tolls, dues, rents of property, &c., £3,397,000 by Government contributions, and 15 millions by loans,—grand total £62,947,000. In 1900-1—the latest year for which we have complete official returns—the rates had risen to 67 millions sterling; tolls, dues, rents, &c., to nearly 17 millions; Government contributions to close on 16 millions, and new loans to 35½ millions,—grand total, £135,427,000.

Assuming only a moderate rate of growth in the four years since 1900-1, the current income of the local authorities must now be in the neighbourhood of *one hundred and fifty millions sterling*, of which about one-half will be derived from rates and the other half from loans, Government contributions, rents, dues, and trading receipts. If rates continued to increase at the rate which obtained during the decade between 1890 and 1900, they will have swelled by two and a half millions sterling a-year. For four years that would make 10 millions, which, added to the 67 millions of 1900-1, would raise the existing levy to 77 millions.

Doubtless borrowing has also been very progressive, if not up to the present moment, at least until lately, when a sharp check was given to it by influential lenders. In the decade 1890-1900 new loans increased from 8 millions sterling to 35½ millions per annum. In one year (1899-1900) they jumped 6 millions, and the next

(1900-1) more than $7\frac{1}{2}$ millions. According to the Chancellor of the Exchequer they have been less expansive in the past few years, and we may assume that they still remain about 34 millions. The Government contributions may be taken again at 16 millions a-year. Assuming that the trading and miscellaneous receipts are similar to those of 1900-1, say 17 millions, the following will be the

LOCAL GOVERNMENT BUDGET FOR 1904-5.

Estimated income from rates	£80,000,000
" " loans	34,000,000
" " subsidies	16,000,000
Trading and miscellaneous	17,000,000
Grand total	<u>£147,000,000</u>

Without the loans, the amount levied by local authorities in various ways will still exceed one hundred millions sterling a-year. The direct drain on the householder, partly in rates and partly in taxes transferred to local authorities, is 96 millions sterling,—nearly a million more than the entire cost of the army, navy, and civil service. These, as set out in the budget, will amount for the current year to $96\frac{3}{4}$ millions, namely—

Army	£28,900,000
Navy	36,889,000
Civil Service	27,984,000
Customs and Inland Revenue	3,104,000
	<u>£96,877,000</u>

If from that $96\frac{3}{4}$ millions we deduct 7 millions of net earnings from the Post Office, Telegraphs, and Suez Canal shares, the net cost of national administration will be $89\frac{3}{4}$ millions sterling, as against 96 millions sterling, the cost of local administration. There are, of course, the charges on the national debt to take into account, but these are not a matter of administration. The only question before us is the comparative cost of national and local government at the present day,—in other words, how much the taxpayer is mulcted by the central authorities on one hand and by the local authorities on the other. It will be seen that there is much of a muchness between them. In both cases the call for retrenchment and reform is urgent; of the two, local taxation offers a better field for immediate attack. It ought to be less difficult than a crusade against national taxation; and there are fewer risks of failure or miscarriage, less danger of doing more harm than good.

As regards national expenditure, there are various important considerations which stay the hand of the economic reformer. More than half of that section of it which has to be defrayed out of taxes is applicable to national defence. No loyal and prudent citizen would lightly interfere with the defences of the country. Whether he approve or disapprove of their actual administration, he would not rush in where military and naval authorities fear to tread. Only in a

desperate emergency could the House of Commons be expected to force the hand of the Government in so grave a matter. Such things have happened in English history, and it is not inconceivable that they may happen again.

The present House of Commons is not strung up, however, to so heroic a pitch. There is no saying what the next one may be capable of, but as yet we have to deal only with the usual hum-drum criticism of the estimates in Committee. For all practical purposes the estimates might just as well be discussed in Convocation or before the British Association as in the House of Commons. Even if effective discussion were possible it would be limited in various directions by public opinion. The latter, for instance, would not tolerate any reckless or sweeping changes in the navy. Neither would it, in its present humour, permit any drastic reduction in the education vote, which constitutes one-half of the net expenditure on the civil service.

In round figures the civil service costs 28 millions sterling a-year net, but less than $9\frac{1}{2}$ millions is for administration proper. Over 12 millions forms the national contribution to popular education, and $4\frac{1}{2}$ millions more goes in relief of local government. All the margin that the civil service offers for retrenchment is less than 10 millions sterling. Setting aside the navy and the Board of Education as close preserves—for the present at least,—only the army and the

local subsidies offer much scope for new Joseph Humes.

But two openings for substantial retrenchment appear to be left—the army and local administration. At present two contradictory demands are being made on army reformers—one for greater efficiency and the other for economy. It is clear that they cannot be secured simultaneously. The new reorganisation scheme, which is being served up to the country piecemeal, will have to be put on its feet before much retrenchment can be expected. The five million odd of nominal savings shown in the estimates for the coming year may be accepted as an earnest of what the reformed War Office will be able to do by-and-by.

So we come back to our starting-point, that effective reform must begin with local taxation. It is monstrous on the face of it that streets and highways, public health, elementary schools, paupers and tramps, should cost the country as much as the army, the navy, and the whole national administration combined. Before this plague of parochial parliaments arose our streets and highways were better maintained than they are now, and at a tithe of the cost; the poor were as well cared for; there were fewer tramps; and if the elementary schools were neither so numerous nor so pretentious, many taxpayers are beginning to think that they provided a more useful kind of education.

The money market has already thrown out a

hint to the larger municipalities that it may have something to say hereafter about municipal borrowing. The principal dealers in corporation stocks, by agreeing among themselves to underwrite no more new issues until the old ones are better digested, have closed one of the main doors to such borrowing. The joint-stock banks, following that prudent example, have become much more fastidious regarding over-drafts secured on rates. This check to municipal Hooleyism is of special significance. Not only is it a sign of uneasiness on the part of the joint-stock banks, but it may also be an act of belated repentance for the eager rivalry with which they threw open both their tills and their ledgers to the new-born county councils.

The latest sign of economy and retrenchment being in the air is a remarkable notice just issued by the Public Works Loans Commissioners to the local bodies whom they finance. It raises by a half per cent the rate of interest henceforth to be charged on all such loans. It only remains now for the Local Government Board to announce that its sanction of new capital outlay by local authorities will in future be restricted to such as are indisputably necessary to the district and within the legitimate functions of the petitioning body.

When the local spendthrifts have been to some extent curbed the national spendthrifts may be taken seriously in hand. The new War Office

may be induced to begin life with a new motto. Instead of spending first and thinking afterwards, as the old War Office seems to have invariably done, it may think first and spend afterwards.

Anyhow, our latest War Minister has pledged himself to drastic changes throughout—in the financial methods of the army as well as in its administration. The golden rule of finance, and indeed of all successful business, is the legend which has figured for centuries on our commercial bills—"for value received." We have reached a point at which that legend must be honestly, consistently, and resolutely applied to all forms of business—public as well as private.

CHAPTER XI.

OUR JOINT-STOCK DIRECTORS.

WHEN millionaire philanthropists were giving away fortunes for the promotion of technical education, the most necessitous class of all was entirely overlooked. At the present juncture in our industrial life a well trained joint-stock company director would be worth a whole year's crop of technical experts. Moreover, the scope for technical experts in our industrial organisation is limited—much more so than the millionaire philanthropists seem to have any idea of—while the scope for first-rate company directors is simply boundless.

Perhaps nine-tenths of our existing directors have had no education whatever for duties demanding the highest skill and judgment. For every expert among them there are at least a hundred unmitigated amateurs. At last this happy-go-lucky system begins to produce its natural results. Our joint-stock finance is threatened with a breakdown bad enough to satisfy the War Office at the opening of a new

campaign. To judge from the number of important companies now in a state of crisis or worse, there would seem to be a painful dearth both of conscience and capacity in nearly all grades of joint-stock administration. Shareholders have had one scandal after another sprung on them, until in their wrath they must be almost driven to the conclusion that by a mysterious law of his being the up-to-date company director has to be either a rogue or a fool.

The rottenness disclosed in such wrecks as those of the London and Globe, the British America Corporation, and the Standard Exploration Company goes to the very root of our joint-stock finance. No community however wealthy could long persist in such squandering of its resources without impairing its financial strength and vitality. The most moral people in the world would soon be corrupted to the core if financial practices of that sort were to be tolerated. The credit of an individual or of a class is not all that is being compromised. Far greater harm than that is being done to the finance and commerce of the country as a whole.

Our joint-stock system has been on its trial for three-quarters of a century, and in that period it has passed through more than one severe crisis. It has developed many abuses and undergone not a few drastic purgations; nevertheless, it does not seem to improve with age. Popular revolt and parliamentary tinkering have equally failed to make much impression on it. In scope

and bulk it has grown enormously, but neither its intelligence nor its conscience has kept pace with its numerical increase. Honest and capable administration is as rare to-day as when the joint-stock system was in its infancy.

The crying want of modern commerce is for joint-stock directors combining high character and practical experience. How scarce they are may be gathered from the very poor financial results produced by our joint-stock companies, taken all round. Not only do a large proportion of them come to grief, but of those which remain solvent amazingly few ever become strong and healthy. How grave a consideration this is will be clearer to the reader when we remind him that at least three-fourths of the capital employed in our staple industries is now under joint-stock control. If our joint-stock companies do not flourish, neither can our staple industries, and if they languish the nation will soon be following their example.

Bearing on that point here are a few significant figures. In the official list of the London Stock Exchange will be found the securities—bonds, preferred and ordinary shares—of 1143 commercial and industrial companies. We have analysed these at two different periods—first at the end of 1901, and secondly at the end of 1903. In both cases *nearly one half of them were quoted at a discount*. The directors of course cannot be held responsible for the whole of that ruinous shrinkage. The company promoter may have caused some

of it by extravagant capitalisation. Adverse markets may have been to blame for another part. Sheer bad luck may have done its share, but when all non-administrative defects have been eliminated a large surplus will still remain at the debit of incompetent directors.

Taking the above investments class by class as they stood at the end of 1901, we find in the "Financial Land and Investment" group 148 different securities, of which 87, or nearly 60 per cent, were at a discount. Among the 71 financial trusts 32 were at a discount, or not far from one-half. From breweries and distilleries nothing very cheerful could be expected, but few will be prepared for anything so bad as the actual result. In a total of 353 quoted securities, 176, or almost exactly one-half, were at a discount. It is more surprising to find a still larger proportion of our foreign railway investments under par, namely, 142 out of the 214 officially quoted, or almost 70 per cent.

That may seem about as low a standard of financial health as is consistent with solvency, but a lower depth still was reached by our tea and coffee companies. Four-fifths of them, or in actual figures 41 out of 51, were under par, and some of them very much under it. Here, however, it is not a question of mere management. The shortcomings of tea company directors, whatever they may be, have caused only half the mischief. The other half has to be laid at the door of the Chancellor of the Exchequer

and his ruinous increase of the tea duty. The only group exhibiting even a moderate degree of health was gas and electric lighting. It contained 116 securities, of which only 24 were below par—less than a fifth.

In order to focus the foregoing instructive results we tabulate them below in three parallel columns, the first giving the number of companies in each group, the second the number of securities, and the third the number of securities at a discount :—

INDUSTRIAL AND COMMERCIAL SECURITIES,
DECEMBER 1901.

	No. of companies.	No. of securities.	No. under par.
1. Foreign railways	96	214	142
2. Breweries and distilleries	175	353	176
3. Commercial and industrial	499	850	357
4. Canals, docks, water-works, &c.	32	81	25
5. Financial land and investment	93	148	87
6. Financial trusts	49	71	33
7. Gas and electric lighting	40	116	24
8. Iron, coal, and steel	35	64	24
9. Shipping	31	56	26
10. Tea and coffee	31	51	41
11. Telegraphs and telephones	26	51	20
12. Tramway and omnibus companies	36	67	25
	<u>1143</u>	<u>2122</u>	<u>980</u>

For the later period (December 1903) we are able to give rather more detail, having separated the three chief classes of securities—debentures,

preferences, and ordinary stocks. This table (see below) contains nearly fifteen hundred different securities, and they are almost equally divided between under and over par—794 of the former and 718 of the latter. Some groups are rather better than the general average, while others are considerably worse. At the bottom of the list, breweries and tea and coffee shares form strange bedfellows. Over 60 per cent of brewery securities and 70 per cent of the tea and coffee group are under par. “Iron, Steel, and Coal” are pretty equally divided between under and over. In “Spinning and Weaving” the overs are two to one of the unders (19 to 9). Between 50 and 60 per cent of “under pars” is the rule in land mortgage and finance, also in steamships and shipbuilding. The only group showing a decided majority over par is industrials, the proportion in them being nearly 60 per cent as against fully 40 per cent under.

INDUSTRIAL AND COMMERCIAL SECURITIES,
DECEMBER 1903.

<i>Industrials.</i>	Total number.	Under par.	Par or over.
Debentures	126	74	52
Preferences	210	68	142
Ordinary	212	95	117
	<u>548</u>	<u>237</u>	<u>311</u>
<i>Breweries.</i>			
Debentures	132	105	27
Preferences	103	50	53
Ordinary	64	29	35
	<u>299</u>	<u>184</u>	<u>115</u>

INDUSTRIAL AND COMMERCIAL SECURITIES,
DECEMBER 1903—*continued.*

	Total number.	Under par.	Par or over.
<i>Iron, Steel, and Coal.</i>			
Debentures	40	26	14
Preferences	72	27	45
Ordinary	90	53	37
	<u>202</u>	<u>106</u>	<u>96</u>
<i>Land Mortgage and Finance.</i>			
Debentures	58	32	26
Preferences	26	13	13
Ordinary	73	36	37
	<u>157</u>	<u>81</u>	<u>76</u>
<i>Trusts.</i>			
Debentures	39	14	25
Preferences	33	21	12
Ordinary and deferred	48	32	16
	<u>120</u>	<u>67</u>	<u>53</u>
<i>Steamships and Shipbuilding.</i>			
Debentures	18	14	4
Preferences	16	10	6
Ordinary	55	28	27
	<u>89</u>	<u>52</u>	<u>37</u>
<i>Tea and Coffee.</i>			
Debentures	9	5	4
Preferences	25	19	6
Ordinary	35	24	11
	<u>69</u>	<u>48</u>	<u>21</u>
<i>Spinning and Weaving.</i>			
Debentures	2	1	1
Preferences	4	2	2
Ordinary	22	16	6
	<u>28</u>	<u>19</u>	<u>9</u>
Grand total	<u>1512</u>	<u>794</u>	<u>718</u>

In the table just given each of the 794 securities below par implies a considerable loss to original subscribers, and possibly even a larger loss to purchasers in the open market. The loss may range from a comparative trifle to something disastrous. There are joint-stock companies that linger on with a shrinkage of hundreds of thousands of pounds in the market value of their securities. Often a single year's depreciation on one of the eight groups amounts to millions, and the bulk of the loss will be due to amateur directors. How vast the scope these costly amateurs have for mischief may be gathered from the number of joint-stock companies registered. At the end of April 1903 the aggregate number of registrations on record was nearly thirty-six thousand, representing a nominal capital of 1849½ millions sterling. If the same average rate of depreciation applied all round as is shown by the above 1143 representative companies, the terrific total would be fully 900 millions sterling of wasted capital.

A considerable portion of the 900 millions sterling may have been only water originally, but even that would be a shameful slur on our joint-stock administration. Too often, however, the public have paid the price of wine, often the price of champagne, for company promoters' gas and water. On the other hand, the thirty-six thousand existing companies are only a remnant of a much larger number which have finished their career of plunder. Between 1879 and 1900 no

less than seventy-four thousand new companies were registered, consequently a bare half of them survive. The aggregate sum of their capitalisation was *four thousand seven hundred millions sterling*,—seven times the amount of the national debt.

A glance at the rapid growth of company registrations will show what an enormous demand there must be for directors. As not the slightest provision has ever been made, or even proposed, for the training of directors, it can be imagined what a huge number of incompetents there must be among them. Subjoined are the annual registrations in 1903 as compared with a quarter of a century ago:—

COMPANY REGISTRATIONS, 1879, 1903.

	Number.	Capital.
1879	1034	£75,500,000
1903	4100	124,000,000

To the latter have to be added a new and very inferior breed of companies which have lately come into vogue—the Guernsey sort. These have an obviously sinister look, and already they have developed some ugly abuses. In 1903 the Guernsey registrations numbered eighty, with an aggregate capital of thirty-three millions sterling. They have a double charm in the eyes of the company promoter and the incompetent director. Companies can be either hatched or buried under

them without any of the legal formalities which involve inconvenient responsibility in London. At first they were chiefly used for "prospectus-less companies," but lately they have been found applicable to a still more equivocal purpose.

Nowadays there are many tinpot companies, especially in the mining and exploratory business, which come to grief before they have called up all their capital. In order to wipe out their liability, and at the same time to defeat their creditors, they make a bogus sale of the whole concern to a Guernsey company organised and registered *ad hoc*. It is a practice that sails very close to the wind. One of those days it may sail a little too close and get caught, but so far our guileless joint-stock law has kept its eyes shut. That there should be over thirty millions sterling of nominal capital registered by these Guernsey counterfeits shows how unscrupulous as well as incapable the joint-stock director of the period can be. To follow him through all his reorganisations and disguises would be a life's work. We must limit ourselves here to the industrial director, whose power of mischief is perhaps greatest of all.

Industrial securities belong, as it were, to the middle register of our joint-stock finance. They occupy the broad zone between banks, insurance companies, and home railways, which are supposed to be managed by experts, and mining wild cats which are the *feræ naturæ* of finance.

Industrial companies have not the wildness of the Kaffir circus, nor are they so tame as a well-conducted bank or insurance board. They hold a very indefinite and ambiguous position between the two. Their organisation is of the crudest and most haphazard sort. Nine-tenths of them have no acknowledgable pedigree. The public know little of their origin, and their shareholders least of all. Where their directors come from, how they have been selected and what their qualifications may be, are questions seldom raised. So long as they can pay dividends, or offer plausible excuses for not paying them, they are safe from inconvenient curiosity. To the possible badness of their management there is no limit save the bankruptcy court, and it is a melancholy fact that shareholders often learn more in half an hour from a clear-headed official receiver than all their own combined wisdom could have discovered in twenty years.

The British director of the period is the dodo of joint-stock finance, and the industrial director is the oddest variety of a strange species. He appears to be born, bred, and brought up in an atmosphere of mystery, qualified only by half-yearly meetings and occasional revolts of too sorely tried shareholders. He must surely be heaven-born, for he has no traceable earthly origin. No commercial city has a monopoly of his production. No public school or university lays itself out to train him. No organised profession

receives him into its bosom and undertakes to be responsible for him. From first to last he is a waif in the community: often a very clever waif, and admirably fitted for his peculiar work, but to the end of his days he remains a mere accident—a self-made fortuitous trustee for people to whom he is a mere name.

The City knows many different kinds of directors—good, bad, and indifferent. The largest, and perhaps least mischievous, class are the tame cats, while the most select, and at the same time most dangerous, are the wild cats. The former are the nominees of promoters, or the understudies of financial magnates in the background. The latter generally combine the functions of promoter and managing director. They are the counterpart in finance to the actor-manager on the stage, but very few of them have the actor-manager's luck. There has lately been before the public a sensational specimen of the wild-cat director. For tame cats one has only to glance at the directorate of the first industrial company that turns up.

Allow the above 1143 companies an average of five directors apiece, and we shall have nearly six thousand men professing to act as trustees for others in the most onerous and responsible positions. In theory they are all experienced financiers, but in practice only a small minority of them can be. The majority have not had time

or opportunity to learn the duties which they discharge with such indifferent success. Considering the scant training that the best of them have for their work, it is wonderful that they should succeed even as well as they do. That the great bulk of them, however, are amateurs is indisputable. It is proved not only by results, but in a variety of other ways. In the first place, by the very small number of men of outstanding ability to be found among them; in the second place, by the frequent demand there is for "emergency directors," who have to be sought for outside the regular ranks; thirdly, by the feeble way in which they flounder about in a difficulty; and fourthly, by the eagerness with which they seek shelter from responsibility behind their legal advisers and scientific experts. They hate responsibility as heartily as any Cabinet minister can.

We have been careful to portray the British director of the period as he actually is, in order to point more forcibly the contrast between the ambiguity of his position and the ill-appreciated importance of the interests intrusted to him. Next to capable generals in the field, the British Empire has greatest need at the present moment of company directors equal to the gigantic task devolving on them. Compared with this task, which is nothing less than the financial and commercial building up of the Empire, there are few others to which the highest and best-equipped

intellects of the Empire may be more worthily devoted.

Can any one suppose that if the right sort of joint-stock financiers were as plentiful as they ought to be, fully one-half of our commercial and industrial securities would be standing at a discount? There is no imaginable kind of misfortune which, unaided by other causes, could have produced among them such a widespread blight. But other causes have undoubtedly operated, and they are not difficult to discover. The worst of them are indeed notorious. Every now and then they are being forced on the attention of the world in a ghastly manner. Flagrant examples of all the peculiar evils and abuses that beset joint-stock finance are in evidence almost daily. They are flaunted in the face of the nation wherever shareholders and directors meet. Winchester House and the Cannon Street Hotel echo them to each other, and official receivers at Carey Street hold grim inquest on them.

Nor is it petty and insignificant companies only that have given birth to these scandals. Among the wrecks are to be counted concerns with millions of capital. And it is not mushroom upstarts alone that have come to grief. Businesses which had been handed down from father to son in ever-growing prosperity have had ruin and discredit brought on them by a few years of reckless extravagant financing. Of course in the general chaos the financial char-

latan, the plunger, and the market-rigger have all been busy. Every conceivable kind of noxious adventurer has been trying his hand at company management, and the yearly toll he levies on stock shareholders might go a considerable way towards wiping out the income tax.

It is not suggested that the dishonest and inefficient directors should be held responsible for all these stupendous losses. Two other prominent figures in the financial world have to share the blame with them. The promoter is the original sinner, with his mania for over-capitalisation, which the public are just beginning to discover to be bad finance as well as bad morals. And behind him lurks the company solicitor, often the real Mephistopheles of the drama. Three sets of confederates are needed to "rope in" the investing public thoroughly—promoters, solicitors, and directors all equally unscrupulous. They have to work into each other's hands in order to produce a perfect mouse-trap. And it is the solicitor who is most dangerous, because he does the fine work. It is invariably he who steers when there is any sailing close to the wind to be done.

If the present race of joint-stock directors are to be superseded by better qualified and more reliable men the existing system must be attacked as a whole. From the promoter to the liquidator everything needs to be overhauled and radically amended. Under the present system good di-

rectors cannot be looked for, because those who have the greatest interest in getting them have the smallest voice in their selection. At the outset the promoter has the right of appointment, and naturally he exercises it in his own interest. While he chooses to trouble himself about the company he will have a great deal more influence in its management than any score of shareholders. When he gets tired of it, or is fired out, the nominees whom he leaves behind him may hold on to their seats for years. Unless they laugh too openly in their sleeves the stolid shareholders will re-elect them every time they are proposed. A directorship of a fairly prosperous company is an old age pension with a weekly or fortnightly lunch thrown in.

The first step towards better joint-stock administration is to get rid of the promoter's nominees. It is difficult to see how that can be done without getting rid of the promoter himself in his present irresponsible form. We might conceivably have company promoters to whom the original selection of directors might be safely intrusted. They would, however, have to be raised to a much higher financial plane, say to the level of a first-class bank or insurance company. The mention of insurance companies suggests an analogy which might be very advantageously extended. It is well known that before they can begin business in the United Kingdom they must deposit £20,000 in Consols

with the Board of Trade as a guarantee fund. Such a guarantee is at least as much needed in the case of company promotion as of life assurance. If the amount were raised to £50,000, so much the better. It would shut out the tramp promoter all the more effectually, and bring real capital and brains into the business.

If it be difficult to see how the promoter is to be curbed or reformed, or in some way rendered less harmful, much more so will it be to deal with the company solicitor. He cannot be treated like a financial adventurer or a guinea-pig, for he has the prestige of a learned and honourable profession behind him. Not only does he throw the mantle of his professional respectability over shady promoters and incapable directors, but he is a persistent and powerful obstacle to any genuine reform of our incoherent company laws. What lawyers as a class have done in Parliament and in the courts—on the bench as well as at the bar—to render the execution of these laws costly and ineffectual cannot be fittingly characterised without danger. What they have done in the City as bonnets to the trickiest kind of company promoters is better left unsaid. Nor need we recall recent examples of the sleek dexterity with which they spread the net of voluntary liquidation when midnight burial becomes imperative, and throw dust in the eyes of hot-tempered mourners in danger of giving way to their feelings.

Neither the greedy promoter nor the incompetent director would be a very dangerous character if he stood alone. Without his legal ally and accomplice he could do comparatively little harm. The average director takes no legal risks if he can avoid them, and he would never trifle with the law unless under legal advice. In this respect he has a marked advantage over the ordinary shareholder. He can have any kind of law to suit himself at the shareholder's expense, while the shareholder who attempted to oppose him would have to pay for his own law in addition. This may help to explain why the legal decisions of our highest courts in joint-stock actions are so much more frequently in favour of promoters and directors than of shareholders.

Our joint-stock laws are most forcibly and persistently presented both to the bar and the bench from the promoter's and the director's point of view. That view seems to have become most deeply impressed on the legal profession. Possibly an unconscious professional bias grows up in favour of a very lucrative class of clients. At all events, very little bias is ever shown towards shareholders, however badly they may have been victimised. In saying this we express a sentiment of very widespread force in the City. Every City man has in his recollection unsuccessful attempts to enforce the rights of the public against promoters or directors, where his Majesty's judges have taken much more elastic views of

financial morality than a committee of the Stock Exchange or of the London Chamber of Commerce would have done in the same circumstances.

Practical students of joint-stock abuses—many of them taught by painful experience—all agree in regarding the legal aspect of the subject as the most hopeless. Instead of steadily increasing, as they do now, the worst of these abuses might soon be stamped out if the Legislature and the courts of law were to address themselves in real earnest to the task. But they have never done it yet, or if they have there is wonderfully little to show for it. Is the “Companies Act of 1900” a signal proof of reforming zeal? Is it a noble result for Select Committees to have laboured over, we forget how many years, and both Houses of Parliament to have sat on for weeks as if it were to be a new financial decalogue? The verdict of a City member upon it was, we fear, too true—“a milk-and-water scheme to start with, and any little strength there was in it squeezed out by company solicitors and their friends in committee.” What did it do for the cause of financial honesty in the Whitaker Wright affair, for instance?

In Germany, when a company is wrecked by its directors, the next thing heard of it is that the managing director has gone to gaol. In London, when a similar disaster happens, the next thing heard is that the directors have called a meeting of shareholders and blandly proposed to them to

bury the whole concern. In two notorious cases within every one's memory resolutions in favour of voluntary liquidation were actually adopted by the shareholders. But for once a court of law was kinder to them than they deserved. A judge, who has some inkling of commercial sentiment as well as of company law, granted orders for compulsory winding-up of two of the wrecks. Other judges might have refused, and in that case two of the most astounding object-lessons ever given in joint-stock jugglery would have been lost to the world. Had the revelations made by Official Receiver Barnes been offered by any private individual they would have been scouted as wildly extravagant and incredible.

Wild-cat companies we have become pretty familiar with by this time, but wild-cat directors of the sort that have broken out in the past year or two are a novelty. Apparently the law or at least the law officers of the Crown do not know what to make of them any more than the City does. They have yet to be classified and located in our joint-stock hierarchy. Fortunately there are few of them, and their career is generally short and sharp—sometimes ending in tragedy.

America offers a much more congenial soil to the wild-cat director than this played-out old country, and he flourishes greatly there. Our speciality is the tame-cat director, sometimes flippantly spoken of as the guinea-pig. Thanks to him, many more of our joint-stock companies die of dry-rot than

of brain fever. Some specimens of the guinea-pig are so piquant that they would not be believed in a novel. They have to pass through Carey Street before they become credible. Three fine examples were brought to light at the public inquiry into the failure of a Fulham brewery company. The first director examined admitted frankly that Mr —, the manager, had been too clever for him. The next said "he had exercised very little independent judgment, and mainly relied on Mr —, who had persuaded him to go on the board of the new company against his will." The third director disarmed criticism by declaring himself "an absolute schoolboy in company matters." "He had learned more about the company's affairs since they were in the hands of the Official Receiver than he ever knew before." The capital of the company thus brilliantly directed was fully three-quarters of a million sterling!

What has the maimed and emasculated Companies Act of 1900 done so far to justify the hopes it raised? What can it do towards checking or abating joint-stock company abuses? Are these not more rampant to-day than ever before, and more cynically flaunted in the face of the world? When did directors ever gamble away their shareholders' money, lie to them, hoodwink them, and defy both them and the law as openly as they are doing now? An anonymous German critic has taunted us lately with being a nation of make-

believes, and so we certainly are in many ways, above all in our joint-stock laws and their administration. Three-fourths of the industrial capital of the country is in the keeping of amateur trustees—so-called directors, few of whom have any technical training for their duties or pay more than casual attention to them, many of whom owe allegiance to other persons than their shareholders and can safely disregard both their rights and their feelings.

It is sometimes said in the City, and there is bitter truth in the sarcasm, that our joint-stock companies are better managed in the Bankruptcy Court than anywhere else. Several notable instances will suggest themselves of financial wrecks that have emerged from the Court not only purified, but reorganised and refitted for a fresh start in life. Jabez Balfour's estate, for example, is in a stronger position to-day than it might ever have reached had it remained solvent. The Bankruptcy Court has in consequence acquired a reputation as a training school for financial administrators, so much so that when emergency directors are needed, as they have too often been lately, all eyes turn to Carey Street to see if an official receiver is available.

CHAPTER XII.

OUR FOREIGN-CONTROLLED MONEY MARKET.

IT will be remembered that the City bankers took up a strong and somewhat peculiar line in opposition to Mr Chamberlain. For a time it was successful, and its authors might fairly claim to have given Mr Chamberlain his first and only decided check. But the means they employed were no less dangerous for themselves than for him. If they were to press their opposition to its logical issue they might end by hoisting themselves with their own petard. They have as much to fear from foreign competition as any British manufacturer, though for the present it does not suit them to admit the fact even to themselves.

The position they have taken up on the fiscal issue is certainly against their own ultimate interest. In the long-run they might have been wiser to welcome Mr Chamberlain's assistance, for by their own admission the London money market is not in a perfectly happy state any more than our other markets. Inquiry might

have brought to light not a few dangers and disadvantages under which it labours. The eager haste with which inquiry has been declined may not imply that there is no need for it. It may equally well bear the opposite meaning. In fact, the City bankers have not declared absolutely against any new departure. They have only objected to Mr Chamberlain's as being inopportune.

Very probably they were themselves surprised at the remarkable effect of their protest. If they were to be quite candid they might admit that it was not their arguments which produced it so much as the alarm they caused in the public mind for the safety of the money market. To the average Englishman the money market is a sacred and mysterious thing,—an enchanted temple which might collapse at the touch of rude unprofessional hands. Useless to tell him that banking credit is simply a commodity like Dutch cheese, subject to the same economic laws and demanding the same exercise of common-sense in dealing with it. The only difference is that it is neither tangible nor visible.

City bankers, as dealers in credit, are simply traders like other City men. It is not the magnitude of the business they do, but the enormous mass of deposits they hold for the public, that gives them their special importance. As bankers they are in fact hampered by the immensity of their deposits, which have to be protected by holding huge cash reserves against them. They can do

only the safest class of business, which is necessarily the easiest and plainest class. Anything in the slightest degree risky has to be passed on by the joint-stock banks to outside financiers, most of whom happen to be foreigners. By the conditions of their existence and their conservative traditions joint-stock banks are almost shut out from the most interesting and important branch of their calling—international exchange.

When the very able men who dictate—or shall we say suggest—the opinions of the Institute of Bankers undertake to speak for international exchange they are going a little outside of their province. Most of them are local bankers only, who cannot speak with personal authority on international finance. Their unexpected adhesion to the Cobden Club may not therefore be such a formidable event as it looked at first sight. In view of Mr Cobden's disrespectful criticism of the London bankers of his day, it has a humorous aspect. Lombard Street was about the last place in the kingdom where he would have looked for recruits. As a Manchester man he regarded London only as a temporary obstacle in the path of Lancashire's predestined supremacy. On this point he was characteristically outspoken, both privately and in public. His correspondence, especially in the early years of his business life, contains many carping allusions to metropolitan manners and customs. One quotation will serve as a sample of many. During the

commercial crisis of 1837 he wrote as follows from London to the brother with whom he was in partnership:—

I begin now to fear that our distress will be greater and more permanent than I had expected at first. It will be felt here too, for some time, in failures amongst those old merchant princes, who are princes only in spending, but whose gettings have been and will be small enough. The result of it all will be that Liverpool and Manchester will more and more assume their proper rank as commercial capitals. *London must content itself with a gambling trade in the bills drawn by those places.*

Even stranger things have happened than Cobden anticipated. Not only does London content itself with “a gambling trade in bills drawn on those (and a few other) places,” but it has become proud of the noble function! And fully sixty years after Cobden’s prediction London bankers protest against the slightest interference with his *laissez faire régime*, lest the “gambling trade in bills” should be disturbed! It is certainly a noble revenge they have taken on their harsh critic of 1837. Had Cobden proved a true prophet, where might they have all been to-day? And where might the money market now be which they are all defending so zealously on Cobdenite principles? Should we have to look for it at Liverpool, Manchester, or perchance at New York?

Our readers will be shrewd enough to suspect

that the London bankers did not take up the cudgels for Cobdenism out of mere chivalry, or for any other abstract motive. It will be guessed that they had reasons of their own for it—professional reasons, of course, and not personal. The fact is that they have cause to be somewhat uneasy about the maintenance of their monetary supremacy in the world. Anything which threatens to open up that tender subject and expose it to the uncertain ordeal of promiscuous discussion is resented.

In the British economic situation there are two phenomena—one commercial and the other financial—which are causing concern among thoughtful people. Naturally they come to the front pretty often in banking discussions. The first is our steadily increasing excess of imports over exports. The second is the large amount of foreign capital—also steadily increasing—which finds more remunerative employment in Lombard Street than it can at home. Bankers, financiers, political economists, and even politicians, ask each other with some anxiety what is the meaning of these peculiar conditions. And that question subdivides itself into many smaller ones: Have the two movements any connection with each other? do they influence each other in any way? would changes in the one disturb the other? are they to be regarded as healthy symptoms and encouraged, or as unhealthy ones and, as far as possible, checked?

It is very significant how the fiscal controversy begins to revolve more and more round these two questions. They have pushed aside the old-fashioned academic issue as between abstract free trade and protection. Tacitly and almost unconsciously they have become the dividing lines between Mr Chamberlain and his opponents. He of course holds them to be unhealthy symptoms, while they, to be consistent, must maintain the contrary. Any one who considers our existing fiscal system perfect must perforce consider it a good thing for the United Kingdom to import almost twice as much as it exports, and to be able to finance these imports to a large extent with money borrowed from abroad. That we are doing both these things, and doing them on a larger scale each year, are facts which no one ventures to deny. Not a few attempts are made to explain them away, but the Institute of Bankers is too important a body to stoop to evasions. It accepts the situation frankly, with all its anomalies and perplexities. It has undertaken to reassure plain people who have not time or ability to solve their own doubts. Its advice is that though the conditions look bad they are not so in reality.

The City bankers seem to have forgotten their old fears and misgivings about our lopsided foreign trade, and to have discovered that after all it may have redeeming features. Is it not, for instance, the basis of London's magnificent

position as the money market of the world? Does it not draw foreign capital from all parts of the world to London, and render money so much cheaper than it would otherwise be? These, and many other comforting things of a similar kind, were suggested by Mr Schuster to his brother bankers, in his paper on "Foreign Trade and the Money Market." Most of them accepted them eagerly, and were only too happy to receive such reassuring counsel from so high an authority. In the perfunctory discussion which followed, only one or two weak voices were raised in opposition.

Mr Schuster's paper may now be regarded, therefore, as a semi-official summary of the existing opinions of London bankers on the position and prospects of the world's money market. It sets forth their latest views of their relations as bankers to our foreign trade on one hand, and to foreign finance on the other.

The importance of the subject and its intricacy alike demand the utmost possible precision of language on both sides. In describing Mr Schuster's case we shall therefore use his own words. His fundamental proposition was thus stated:—

The fact of our being the recognised financial centre is undoubted. That this is so, is a matter of the very greatest moment, for it will be admitted that the prosperity of the whole of the United Kingdom must in a great measure depend on our being able to main-

tain that position. A bill of exchange on London is the recognised medium of settling international transactions, which is made use of in all parts of the world.

As a matter of fact, it is disputable that "the prosperity of the whole of the United Kingdom must in a great measure depend on our being able to maintain that position"—namely, the recognised financial centre of the world. It is begging the question to say so without the slightest proof, or even a clear explanation of what the statement is intended to mean. What is Mr Schuster's standard of prosperity for the United Kingdom as a whole? Is it bill discounting merely? money lending exclusively? a glut of bills of exchange? high dividends for bank shareholders? Are there not other standards of prosperity than these—older and more substantial ones, as, for instance, the economic condition of the people, the abundance or scarcity of employment, the earnings of the workman, the profits of the employer, and the progressive or stationary character of the community as a whole?

In passing on to other points in Mr Schuster's case, let us note the fact that he merely lays down his main proposition without stopping for a moment to establish it. Any one who chooses to differ from him may say quite as positively the very reverse of his proposition. He may with equal right affirm that the prosperity of the whole of the United Kingdom is

in a comparatively small degree dependent on our being able to maintain our position as the money centre of the world. To begin with, the position in question is a very artificial one; it has arisen out of a long series of events more or less accidental, and many of them not due to any action or policy of ours. It is not exclusively maintained by our own efforts, whether commercial or financial, and the least active factors in it are the London joint-stock banks, of which Mr Schuster is a special representative. It is not a purely advantageous arrangement for us. A high price has to be paid in various ways for the honour of possessing it, and it is attended with not a few drawbacks.

Meanwhile let us develop Mr Schuster's argument by means of a second quotation:—

The fact of our being the only free market for gold, and also the credit and high standard of our bankers and merchants, have contributed largely to our attaining and keeping our position as the financial centre of the world. But this cannot be the only reason, nor even the main one. The banker who buys a bill on London, say in Valparaiso, does not buy it because he wants the gold; but he knows that if he has no other use for the bill he can obtain gold for it, though probably at a small loss to himself; he buys it because he always finds a ready market for it: *he can always sell it to a merchant in his own place or in some other country who requires it in order to pay for goods or for services rendered to him here* (namely, in the United Kingdom), or to some Government that has to remit

it in payment of interest. There is an absolutely free market, *because there is always a supply and there is always a demand, and that really in every part of the world.*

It is to be regretted that for the sake of the non-professional reader Mr Schuster did not elaborate the above point a little more. He might have explained, for instance, how in every part of the world there should be always a supply and always a demand for bills on London. Why should there be such a universal supply of bills on London, and not on New York or Hamburg or Berlin? The chief reason is our enormous imports of foreign food, raw materials, and manufactures, valued last year at 543 millions sterling. It will be seen farther on that this is also Mr Schuster's opinion, though he puts it in a somewhat different form. He attributes the world-wide circulation of bills on London to our "vast foreign trade," which we have shown to be only a more euphonious name for huge imports.

Bills on London can, it is true, be bought and sold all over the world, because the United Kingdom is always more or less in debt to all the world for goods bought, chiefly food. It is not, however, equally accurate that there is always a demand in every part of the world for bills on London. Taking our foreign trade by itself, 543 millions sterling of imports must furnish more bills of exchange than 293 millions

sterling of exports. But without any theorising, we know from actual experience that London cannot always provide exchange for the liquidation of its debts abroad. Periodically it has to make remittances of gold to New York, Egypt, and the Argentine Republic in settlement of debit balances otherwise unadjustable. "The recognised financial centre" is not so perfectly automatic in its operations as Mr Schuster would have us suppose. But that is a detail which need not be pressed.

Our next quotation from Mr Schuster brings us to the new banking doctrine, that our "vast foreign trade" and our monetary supremacy are the twin pillars of the prosperity "of the United Kingdom":—

But in addition to the amount of foreign money employed in these bills of exchange (London bills held by Continental banks), our vast foreign trade must result in the temporary employment here either of the proceeds of those bills, or of goods sold in our market, to be used in the purchase of goods here, or for investment or for safe keeping in time of trouble, and must greatly add to our available resources.

From beginning to end the above statement is purely hypothetical. It is quite safe to assert, in a general way, that with so many foreign banks as we now have in London, and such a large business going on in bills of exchange, there must be a considerable amount of foreign

balances always lying here. But how much or how little it may be Mr Schuster does not even hazard a guess. Its relative importance must therefore be left in a problematical state. In other words, it is useless either for banking or commercial calculations. The only magnet that can retain foreign capital in London for an appreciable length of time is the rate of interest that can be earned on it. Its owners will not keep it here earning 3 per cent if they can get $3\frac{1}{2}$ per cent on it anywhere else. Regardless of this elementary fact in banking experience, Mr Schuster proceeds to argue that cheap money is one of the natural results of a large foreign trade. This disputable proposition he states as follows:—

It is quite clear to my mind that the effect of our large foreign trade has been distinctly in the direction of lowering the value of money in our market, and consequently an undoubted aid to our industries. In fact, I believe that to it is in a great measure due the fact that until quite recently our money market has been the cheapest in the world, though of course other causes have contributed.

This is another novel proposition, and Mr Schuster has no specific evidence to adduce in support of it. There are many facts inconsistent with it, of which he notices only one or two. He puts it forward as a pious opinion and leaves it to its fate. One's first impulse is to treat it as a mere paradox. Neither in British experience nor

in any other does cheap money often coincide with a large volume of trade. If the trade were particularly profitable it might for a time increase the supply of money, and consequently cheapen it. But as the profitable trade was extended new money would be sunk in it until the level of normal profit was reached.

As regards British foreign trade, it is still an open question whether or not it is profitable in proportion to its bulk. And the whole issue turns on that. If Mr Schuster had first proved it to be a healthy money-making business, he might have had some warrant for his dictum that the effect of its immense volume is to lower the value of money in the London market. But as the argument stands in his paper he has begged the essential part of the question. This too in face of later admissions he makes that everything is not perfectly satisfactory on the export side. "I think every one," he said, "will agree that it is most desirable that there should be greater elasticity and expansion in our exports. The difficulty is to find the true reason for this comparative lack of expansion and the true remedy for improving it."

It is significant that the end of all these ingenious theories as to the reciprocal benefits which foreign trade and foreign money bestow on each other in the United Kingdom should be a reluctant confession that in one branch of foreign trade there is still room for elasticity and expan-

sion. Which is undoubtedly correct. Still more significant is the readiness with which London bankers have adopted Mr Schuster's roseate picture of the existing situation. They may be quite right in declaring against any rash changes either in the fiscal or the monetary policy of the country. Bankers as a class have not much to expect from changes of any kind, hence conservatism is their natural *métier*. In this case, however, they have rather overdone it. They may have gone farther than they suspect in committing themselves to the remarkable doctrines propounded by Mr Schuster.

That the prosperity of the United Kingdom depends on its being able to maintain its position as the money centre of the world; that the enormous amount of bills drawn on London from every part of the world is an unqualified advantage; that the foreign money thus attracted to London can be safely regarded as "adding greatly to its available resources"; that a large foreign trade tends to lower the value of money without reference to whether the trade be good or bad in itself, healthy or unhealthy,—these are all propositions more remarkable for ingenuity than for provability. If Mr Schuster had limited his zeal to arguing that the presence of large amounts of foreign money in London tends to moderate rates in times of pressure, as for instance during the Boer war, he would have scored a good point, and few would have challenged it. Every Lon-

don banker will admit that but for foreign subscriptions to our war loans and foreign holdings of sterling bills money might during the strain of the Boer war have been one or two per cent dearer than it was. This, however, is a monetary question only, and has little connection with our foreign trade.

So far from our huge imports having in these days tended to cheapen money, if non-productive imports had been greatly curtailed that would have had much more of a cheapening effect. The spokesman of the London bankers, in opposition to Mr Chamberlain, has looked at only one side of the money market. He has seen only its supposed advantages, and taken no account of its drawbacks, which are also substantial. He speaks of the tendency of the foreign exchanges "finding its best expression in the average market rates of discount." This is a favourite phrase among London bankers, but it is hardly so popular with their customers. The latter never hear it without recalling the fact that home trade is often penalised by advances in the bank rate, due to no cause for which it is itself responsible but to some disturbing influence abroad. In carrying out its self-imposed duty to keep an open money market for the whole world, London has to bear the brunt of every fluctuation of supply and demand in all other money markets. Such cosmopolitan business is not all profit. On the contrary, it is often a rather expensive privilege.

The home trade of the United Kingdom might have cheaper money for its own use in a smaller money market than it enjoys now as the "financial centre of the world." And London banks might be able to make better use of their resources than they now do if the Damocles' sword of foreign demands for gold were not always hanging over their heads. It will hardly be credited that they seldom have much more than one-half of their deposits actively employed. The other half has to be kept liquid, in the shape of cash balances, call loans, Consols, and other readily realisable securities in order to be prepared for contingencies inherent in "the world's money market."

The New York banks may go a little too far in the opposite direction, but it must add materially to their earnings to have every dollar of their deposits loaned out, as they sometimes have. Continental banks can also utilise a very large proportion of their deposits in loans and discounts—sometimes 100 per cent, and rarely less than 80 per cent. The Deutsche Bank has at times had bills receivable and current accounts to the full amount of its deposits. But the London joint-stock banks seldom utilise a larger proportion than 60 per cent of their deposits. At the end of 1903, the latest date up to which complete returns are available, they had aggregate resources amounting to 523 millions sterling, of which only 293 millions were employed in discounts, loans, and advances. If home require-

ments alone had to be considered, a much smaller amount of liquid capital would suffice, and so much more of their resources would be at the service of the trading community.

The proportion of bank money earning little or no interest is far greater in London than in any other financial centre,—an obvious effect of having “the money market of the world” to take care of. Still more strange, these London bankers who already hold a far larger proportion of liquid capital than any class of bankers elsewhere are always more or less fidgety about their gold reserves. Their president, Mr J. H. Tritton, has quite lately propounded to them a scheme for establishing a second gold reserve of fifteen millions sterling. If they should adopt it, which, to do them justice, is rather doubtful, that will be another half million sterling a-year to pay for the honour of financing “the money market of the world.” But evidently Mr Schuster’s idea that “the prosperity of the whole of the United Kingdom” depends on their being able to maintain that position has taken possession of them, and is not to be shaken off.

If our London banks really controlled “the world’s money market,” and derived the principal benefit from it, their pride in it might be understood; but they have not even that practical satisfaction. The joint-stock banks never did much of the actual work of foreign exchange. Most of it has always been done by foreign banks,

who employed London banks simply as their agents. Latterly foreign banks have come over to London in crowds, and are now acting as their own agents. Even the agency business is being gradually taken away from the London banks, and their share of the world's money market is becoming rather honorary. Not long ago a business house in the City received by a single post bills of exchange to the amount of a million sterling. It was found that three-quarters of a million was drawn on foreign banks in London and only a quarter of a million on London banks! The nominal managers of the "world's greatest money market" are, it would seem, merely keeping a ring for the real managers—the foreign banks.

Nevertheless the Institute of Bankers continues to talk about "our vast foreign trade" and the money market, as if they were two pillars of national prosperity which the profane hands of tariff reformers must not be allowed to touch!

At the end of 1903 the joint-stock and private banks of London had aggregate resources exceeding 523 millions sterling. Some of the joint-stock banks have country branches at which a certain amount of their resources may be employed, but any deduction which should be made on that account will be more than counter-balanced by the resources of Scottish, Irish, and provincial banks employed in London.

If the whole of the above 523 millions sterling

were available for bills of exchange it can be easily imagined what a power such a fund would be in the money market. But when cash in hand, cash at call, investments, and miscellaneous assets have been eliminated, the 523 millions is found to have shrunk by nearly one-half. In other words, not much more than one-half of the total resources of the London banks is actively employed at all. In December 1903 the aggregate of bills discounted, loans, and private securities was under 293 millions sterling. But it may be said that a considerable variety of employment is needed to absorb even 293 millions sterling. Unfortunately our search cannot be carried further, for lack of particulars. After cash on hand, cash at call, and investments in Government stocks have been specifically stated, the whole of the business proper of the banks is lumped together.

A few of the London joint-stock banks distinguish in their balance-sheets the bills of exchange held at a given date from loans, advances, &c. Half-a-dozen of these, selected from the published reports for the second half of 1903, indicate that bills of exchange average about $12\frac{1}{2}$ per cent of the total amount of deposits. This is decidedly smaller than what is said to be the customary proportion of bills to deposits among the London banks, namely, one-sixth. If, therefore, we take it at one-sixth we shall not be underrating it. The total amount of deposits held at the date of the latest complete returns

was 450 millions sterling, of which one-sixth would be 75 millions. A further estimate must be made of the bills held by discount companies, private bankers, bill brokers, &c. This will be liberally covered by an additional 45 millions, making a total of 120 millions of bills held in London by all classes of domestic banks.

But a very large proportion of these will, of course, be inland bills, having little or no connection with our foreign trade. It is difficult to guess what the respective proportions of the two may be, but if we say one-third foreign and two-thirds inland, we cannot be far out. On this assumption our domestic banks and discount companies would hold on an average 40 millions sterling of foreign bills. Liberal as this estimate may appear, it is but a moderate part of the grand total. The lion's share of such bills is generally understood to be in the hands of foreign banks and finance houses. They may be held either abroad or by foreign banks and banking agencies in London. Their amount, whatever it is, represents money lent to us for the time being. Such bills are bought chiefly as investments for the sake of the interest they yield, but they have a secondary value as a convenient means of remittance. They vary greatly in volume, increasing as money rises and decreasing as it falls.

This foreign holding of sterling bills, which is virtually so much foreign money placed here on

short loans, is known to have undergone an abnormal increase in the past few years. It was causing anxiety in financial circles long before Mr Chamberlain incurred the displeasure of the City bankers by springing his fiscal campaign on them. A moderate decline in the value of money or any one of half-a-dozen other causes might lead to its rapid withdrawal. Our only hold on it lies in paying a comparatively high price for it. In other words, it is a sort of emergency money, very convenient in abnormal times such as we have been passing through, but not to be safely counted on as a permanent element in our banking resources.

Mr Schuster declined even to guess at "the amount of bills so held abroad at the present moment; the figure has been estimated at anything from 50 to 100 millions sterling. In any case," he added, "it is a very large figure, and means temporary indebtedness to other nations, which has prevented calls on our gold reserves and, in consequence, higher rates for money and disturbance of trade."

If necessary, that money might, of course, have been borrowed in other forms, but bills of exchange were the most available. The 50 to 100 millions sterling came here because we needed it. It was lent to us because we paid a sufficiently tempting rate of interest for it. If we had not required to borrow so many millions sterling at exceptional rates of interest, foreigners

would not have purchased and held sterling bills simply to oblige us or to demonstrate the beautiful interdependence there is between our foreign trade and the money market of the world.

When our market rate of interest returns to $1\frac{1}{2}$ or 2 per cent, very probably a proportionate reduction will take place in the foreign holdings of sterling bills. Let us hope that our own banks will then be able to take them over and, without much inconvenience, add them to the very modest holdings which most of them appear to have at the present moment. If there be such a vital connection as they now allege between our foreign trade and the money market, it seems rather strange that the bulk of that trade should be left to the foreign banks to finance, as appears from the above figures to be the case. That all the London banks, discount houses, and private bankers together, should hold only 40 millions sterling or thereabouts of our foreign bills, while they credit foreign banks with a holding of from 50 to 100 millions sterling, is an anomaly to be investigated. No less anomalous is it that the whole of the bills, inland and foreign, held by domestic institutions—amounting to, say, 120 millions sterling—should be little more than one-fifth of the total resources of these institutions.

So far it has been assumed that the whole of these sterling bills have arisen out of our own trading. No allowance has been claimed for the very considerable quota that may represent deal-

ings in securities, transfers of capital, and operations of various kinds other than commercial. Nothing has been said of bills arising out of commercial transactions between foreign countries which are simply adjusted in London. If we went still further and credited the whole 120 millions sterling of bills of exchange to our foreign trade, should their influence on the money market be so dominating as we are here asked to believe? And even then, would it not be a rather far-fetched conclusion that a moderate change in our import duties might render money dearer, as well as food and all the other elements in the cost of production? If that were an inevitable consequence why has it not happened in New York, where short money is always in normal times much cheaper than in London?

The ordinary view of the relations between our foreign trade and the money market differs materially from that in which they have been exhibited at the Institute of Bankers. It knows that the financing of our enormous imports is not all centred in London. Neither has London complete control over our banking resources. Lombard Street has never been the absolute dictator of money rates. Our domestic industries have something to say on the subject, as well as our "vast foreign trade." Certainly a much larger amount of our banking resources is employed in them than in discounting foreign trade bills.

The statistics by which we have endeavoured

to test these Lombard Street dicta show that even in London a comparatively small percentage of the total banking resources is represented by foreign trade bills, and that in the provinces the percentage is still smaller. A large proportion of our banking resources in London, and a very much larger one in the provinces, are devoted, as they should be, to home trades and industries. The alleged great addition to our available resources resulting from our foreign trade, however liberally it may be estimated, can, after all, be but a fraction of the whole.

Then again, as three-fifths of our foreign trade consists of imports, three-fifths of the foreign bills arising out of it must be drawn on ourselves. They are proofs of debt,—in other words, debit entries in our national account. Without any qualification, they are nevertheless included among the valuable additions to our banking resources. Such a treatment of private debts would be so obviously dangerous that London bankers would be the last to countenance it. But somehow, when a nation is in question, the rules and principles that govern private life no longer apply.

To bankers as such, bills drawn against imports are, of course, available resources, but to the nation they may be quite the opposite. Whether our imports do or do not become available resources depends manifestly on the use made of them, whether productive or unpro-

ductive. To bankers one bill may be as good as another, provided it represents a genuine commercial or financial transaction, but its value to the drawer and acceptor will be determined by the result of the transaction in which it originated. Thus activity in bill business and in foreign exchange may not always coincide with public prosperity. Two entirely different and often antagonistic points of view are here treated as one—that of the banker and that of the public. Their results are not necessarily identical or even similar. Bill discounters may be making money when the creators of the bills are losing it. In no case can banking operations by themselves be accepted as conclusive signs of general wellbeing.

CHAPTER XIII.

OUR CONSERVATIVE RAILWAYS.

FROM the clash of fiscal controversy two points of comparative agreement have emerged. They are, that our most formidable competitors in international trade have two great advantages over us,—more practical education and cheaper transport. Better education was the card with which the academic free traders tried to overtrump Mr Chamberlain. It is a good card, doubtless, but it has a serious drawback, in so far as the quality of education must always depend on the receiver more than on the giver. Every model school, gymnasium, and technical college in Germany might be exactly reproduced in the United Kingdom without effecting the slightest improvement in our business methods. While the youth of the country continue in their present philistine frame of mind, palatial colleges, lavishly equipped laboratories, and the most scientific teaching will appeal to them in vain. They are not in the humour for scientific teaching, and nine-tenths of them will have none of it.

Nor are we on much firmer ground with our railway managers. They too, like the youth of the period, are in a philistine humour which brooks no criticism. If they had years ago discovered that transportation is a science and not a rule-of-thumb operation, they might now be working their traffic for 20 or 30 per cent less than its present cost, and their customers as well as their shareholders might be enjoying the benefit of the saving. Even a 10 per cent reduction on freight rates from inland to the seaboard would be a very substantial boon to the whole of our export trade. If it were supplemented with a 10 per cent reduction in municipal rates, the cost of home production might be so materially lightened as to counterbalance any ordinary foreign tariff. If the free importers could definitely pledge themselves to one or other or both of these reforms, they might take the wind out of Mr Chamberlain's sails. They appear, however, to be as much afraid of municipal rates and railway rates as they are of reciprocity and preferential duties.

But it is only a question of time when every item in the cost of production will have to be seriously studied in all our staple industries. When that time arrives, railway rates and local rates will have to be treated no longer as political but as business questions. On other grounds everything relating to transportation will be of growing interest to the public. Simply as a

science it will make its way against all the official lethargy and conservatism that can be opposed to it. It has in fact made quite appreciable progress in the past two years. A distinct advance can be perceived on comparing the railway situation of to-day with that of eighteen months ago, when railway shareholders first ventured to suggest to their directors the possibility of improved methods. It will be remembered that in the beginning of 1903 a committee of London and North-Western shareholders was organised by the Marquis of Tweeddale and Mr Spens in order to bring this question formally before the North-Western Board. One of the suggestions made by this committee was that a conference of railway authorities should be held, partly to consider the general question of greater co-operation between the various lines, and partly to consult on some special subjects of interest on railway working—to wit, American methods of handling freight and of accounting. Of course, the irrepressible bogey of local rates also figured in the committee's programme.

The reply of the North-Western directors, as given by Lord Stalbridge, was throughout negative. In the first place, they thought careful and confidential negotiation a better means of securing co-operation than a formal conference. The big waggon proposal they met with a plain and direct *non possumus*. It was unsuited to the retail traffic of British railways as well as to the retail equip-

ment of our docks and collieries. Moreover, few of the railways owned their waggons or had the right to alter them if they wanted to. American accounts were dismissed even more summarily. "We are of opinion that no good result would be obtained by the showing of accounts other than those which are published half-yearly in the form prescribed by legislation." Then as to local taxation, railway chairmen and directors were already doing all they could,—“at the half-yearly meetings,”—and if more was wanted the shareholders themselves “can usefully exert their influence in municipal affairs as well as in Parliament.”

The North-Western episode found a speedy sequel in another quarter. A few days later a paper on railway statistics was read by Mr W. M. Acworth before the Royal Statistical Society. What he, an independent and impartial expert, had to say on the question may be instructively contrasted with the corresponding deliverance of Lord Stalbridge, the chairman of our premier railway. His lordship, it will be remembered, is of opinion that “no good result would be obtained by the showing of accounts other than those which are published half-yearly in the form prescribed by legislation.” These accounts, which are so satisfactory to Lord Stalbridge and such models of perfection that they cannot be improved on, possess, according to Mr Acworth, the following peculiarities:—

1. They have been virtually stereotyped for over thirty years.
2. During that period their inadequacy has been condemned over and over again both by statisticians and by railway authorities like the late Sir Julian Danvers.
3. They are confessedly much inferior to the statistics of our own Indian railways, to say nothing of American and Continental lines.
4. They perpetuate certain old forms which are of no value or interest whatever, while they ignore important data—ton and passenger mileage for instance—which are indispensable to the most elementary study of railway operations.
5. They carefully avoid furnishing to traders any clue to the principle on which rates are charged.
6. They avoid with equal care giving shareholders any clue to how dividends are earned and how they fluctuate with the conditions of the traffic.
7. They keep every one—shareholders and public alike—in the dark as to the quality of the management, whether it is wide-awake and progressive or the reverse.

Mr Acworth illustrated these defects in a great variety of ways which need not be detailed here. It will suffice to mention his chief illustration, which was an elaborate contrast of our Board of

Trade accounts with those of a leading American railroad, the Pennsylvania. He showed, by tables taken from the annual reports of the latter road, what a variety of well-digested and well-classified details it publishes as compared with the chunks of big figures which British railway shareholders have served up to them. The moral of the contrast he pointed in these very moderate but significant words: "No one who has lived in the atmosphere which surrounds American railway officials will, I think, doubt that precise statistical figures, enabling accurate comparison to be made between one company and another, have been the main cause in producing this marvellous result"—namely, an increase in seven years of 81·6 per cent in the volume of goods carried on United States roads, with an increase of only 6·3 per cent in the train mileage.

The general reader may wish to know why the old-fashioned Board of Trade figures, which are good enough for Lord Stalbridge, should not be good enough for everybody. Simply because without common denominators there can be no comparison drawn between the thousands of different kinds of work done by the railways. Passenger journeys of from five to five hundred miles at all kinds of fares must have a unit of measurement, and one has been adopted by railway accountants which they call the "passenger mile." Ten passengers carried ten

miles each are equal to one hundred passengers carried one mile. Twenty passengers carried fifty miles each are equal to one thousand carried one mile, and so on. Similarly, ten tons of goods carried ten miles are equal to one hundred carried one mile; twenty tons carried twenty miles are equal to four hundred tons carried one mile.

By this very simple formula all the passenger traffic on a railway during a given period can be reduced to a common denominator—the passenger mile—and by dividing the aggregate number of miles into the aggregate receipts, the average receipt per mile can be arrived at. In the freight department substitute tons for passengers and their common denominator—the average yield per ton per mile—will also be forthcoming. Some railway statisticians push these calculations still farther, and attempt to analyse working expenses into their mileage elements. For obvious reasons this is much more difficult and less reliable than the analysis of receipts. If there were railways exclusively for passenger business, and others exclusively for freight, so that all working expenses could be charged to the particular traffic in question, their expenses per mile could be as easily calculated as receipts. But as a matter of fact all railways have both classes of traffic to conduct. Working expenses have consequently to be allocated between them, and no two managers could agree as to how it should be done. A line running twelve passenger

and eighteen goods trains per day would have to allocate very differently to a line with eighteen passenger and twelve goods trains per day.

The actual running expenses of the two classes of trains might without great difficulty be kept separate. But the expenses common to both—signalling, shunting, maintenance of way and station terminals, administration, &c., would have to be divided between the passenger and freight services according to their relative mileage, or their receipts, or by some other standard. Such allocation must always be to a certain extent arbitrary; a good deal of estimating must be admitted into it, and it can have but a brief validity seeing that the traffic conditions must be always changing. Therefore while ton miles and passenger miles may be considered scientific units in relation to traffic receipts, they can at best be only estimates in relation to working expenses. Cost per ton mile or per passenger mile may be an adequate standard of comparison between different periods on the same railway, because the principle of allocation may in such a case be uniform. But it cannot be strictly applied as between two different railways, seeing that both the traffic conditions and the methods of allocating expenses between goods and passenger trains might be entirely divergent. It would be still less reliable if applied to a group of railways, and would have little if any value in international comparisons.

Ton mile or passenger mile tests have thus to be used with judgment. They are not absolutely scientific, but they come nearer to it than is often possible in business. Such as they are, they have been immensely useful to railway operators in every part of the world—except, of course, Great Britain. Just now, when everything business-like and up-to-date is supposed to come from America, they are frequently regarded as an American invention. They are, in fact, a British idea appropriated and developed by foreigners. For over thirty years they have been in use on our Indian railways. They were well known long before they reached the United States, and so far are they from being excessively modern, that Lord Stalbridge's pet argument against them is that they were used years ago on the Great Western and given up. It is none the less true that many other railways have since adopted them and have no thought of giving them up. All depends on how they are used.

Whatever advantage the Americans have derived from them is due to the characteristic energy and success with which they have applied them. In achieving the brilliant result above referred to by Mr Acworth they did not employ formulas only. It was with no talisman or magician's wand that they raised their railroads in a few years from bankruptcy to the highest earning power on record. It was not the big

waggon alone or the heavy train-load or the scientific statistics that won for them their victory. It was all these and other factors working together in strong and able hands. The big waggon, the heavy train-load, and the scientific statistics were but means to an end. In themselves they have no miraculous power, and if other countries were to adopt them without borrowing also something of the energy which the Americans threw into them, the results might be as disappointing in the copy as they have been brilliant in the original.

The progressive party in this movement regard the ton mile and the passenger mile merely as symbols of statistical methods which, when exercised with personal skill and vigour, make for greater efficiency in railway operations—larger plans, greater foresight, better organisation, closer supervision, and important economies in every department, especially in the handling of freight. This is not a theoretical reform, for it has been tested in two widely separated parts of the globe. The oldest country in the world shares the credit of it with the youngest. India challenges comparison with the United States in scientific railway management. We have been frequently reminded of this before, but we always contrive to forget it again. Sir A. M. Rendel, Consulting Engineer to the Secretary of State for India, recommended ton mile and passenger mile

statistics for use on the Indian railways as long ago as 1868, the very year when the British Parliament prescribed the archaic form of accounts to which our railways have still to adhere. They were actually introduced in 1870, and have ever since formed part of the official reports. Of their practical value let Sir A. M. Rendel speak for himself:—

It is, in fact, in my humble opinion, not too much to say that the present satisfactory condition of Indian railways is largely due to them, for to them India principally owes the low railway rates she enjoys. They are not more than a third of those current in England.

If it hurts the *amour propre* of our railway managers to appear to be copying American methods, here is some consolation for them. Ton mile and passenger mile statistics did not originate in America. If any country deserves special credit for their development it is India. But when the Americans took them up they boomed them more than sedate Indian officials ever could have done or would have thought of doing. When adopted in the United States they met a want specially felt there. The enormous amount of railway building then in progress, the rapidly-growing mileage to be worked, and the fierce competition there was for traffic, taxed the strength of both managers and financiers. Efficient personal supervision over such a vast area was impossible. Automatic aids and sub-

stitutes for it had to be invented. Some roads solved the difficulty in one way and some in another.

By universal admission of railroad men themselves the most successful solution was that of Mr J. J. Hill, President of the Great Northern Railway. It was based on ton mile and passenger mile statistics. These he developed and extended in a variety of ways until he could have before him at his head office a complete map of the operations of the road month by month. Not only for the road as a whole, but for each division on it, he got a sort of monthly profit and loss account, showing how much traffic had been hauled over it, with the receipts and the working expenses. For purposes of quick and accurate comparison freight receipts and expenses had all to be reduced to ton mile averages, or as regards passenger business to passenger mile averages. Experts soon learned to work them down to decimals of a cent per mile. In their youthful ardour they cut them even a little finer than there was any need for. A reaction has of late set in against the *reductio ad infinitum* of ton mile and passenger mile expenses. As above explained, these cannot be carried very far without admitting too large a percentage of estimate.

But though open to criticism in details, the new statistics soon found extraordinary vogue. Their moral influence was particularly strong, for they gave the president of a road a new hold

not only on his staff but on the whole *personnel* of the road. Superintendents of divisions were judged by the results recorded for or against them in the monthly financial abstracts. They had a chance to make a reputation for themselves very rapidly, and good results always meant promotion. By-and-by it produced tempting offers from other roads, and the first generation of "Hill's young men," as they were called, are now scattered all over the States.

Without dragging the reader through a maze of technical details, a sample or two may be offered him of the general results achieved on the American roads. The following table, based on official returns for both countries,—those of the Board of Trade for the United Kingdom, and those of the Inter-State Commerce Commission for the United States,—shows the comparative progress of the two railway systems in the decade 1891-1901. The increases are stated in percentages:—

COMPARATIVE GROWTH OF BRITISH AND AMERICAN
RAILWAYS, 1891-1901.

	Increase per cent.	
	British.	American.
Gross earnings	31	44
No. of passengers	40	14
Tons of freight	40	54
Receipts per mile	19	19
Passenger train miles	31	25
Freight train miles	25	10
Total train miles	28	13

It will be observed with some surprise that where the American roads have got farthest ahead of our own is not, as might have been expected, in growth of business or in gross receipts. The latter gained during the decade 31 per cent in the United Kingdom as against 44 per cent in the United States—not a serious difference. Receipts per mile of line operated showed an identical increase of 19 per cent in both cases. On the older roads in the United States it may have been much higher than on our older roads, but the American average would be pulled down by large additions of new mileage. The chief growth of the American lines was in freight—namely, 54 per cent against our 40 per cent. But that is offset by an increase in our passenger business far exceeding the American—40 per cent in the decade against 14 per cent. The most significant part of the comparison, however, is the increased train mileage. This was more than double on the British roads to what was found necessary on the American ones—28 per cent compared with 13 per cent. Though the American roads handled a larger freight tonnage by 54 per cent, their freight train mileage increased only 10 per cent, while ours increased 25 per cent for a gain of 40 per cent in freight tonnage.

Train mileage has none of the controversial subtleties of “ton miles” and “passenger miles.” It is an absolute test of efficiency in handling

freight or passengers which cannot be got away from. The most fossilised of railway directors understand and acknowledge it. Any one may see the advantage of a system which more than doubles its tonnage, while adding only 10 per cent to its train mileage, over one which adds 25 per cent to its train mileage for an addition of only 40 per cent to its tonnage. There must in the former case be more efficient and economical methods of haulage. This is the cardinal fact which our railway managers ought to be pinned down to.

Almost the only incident worth recalling in the Spens campaign of 1903 is the report of the two official delegates of the London and North-Western Company who had recently returned from a tour of railway inspection in the United States. It was given out on the eve of the meeting, and no doubt had considerable influence in the defeat of the reform movement. Its present interest lies, however, chiefly in the contrast it offers to a later report on the same subject made by an equally distinguished and more open-minded railway authority.

The Government of India has from the first been very much alive to the possibilities of cheap transportation. Its railway officials have received every encouragement to study the problem both at home and abroad. Within the past few years it has sent three or four experts to the United States on a similar mission to that of the London and North-Western delegates above referred to.

The latest was Mr Neville Priestley, Under Secretary in the Railway Department. He did his work so thoroughly, and his report contained such a mass of valuable information, that it has been thought worthy of reproduction in this country. The last word and the fullest on the subject of American railway methods is Mr Neville Priestley's. We propose now to compare it with the report of the London and North-Western delegates in order to show how differently railway experts may treat the most vital issue connected with their profession. The difference between them involves nothing less than this—is there or is there not a science of railway transportation? The English experts seem to think that there is not, while the Indian expert testifies not merely to its existence but to the wonderful development it has received on the largest and most progressive railway system in the world.

According to the North-Western delegates, “the American system is admirable under American conditions of working,” but it could only be applied to a very limited extent in England, where in the principal yards trains have to be marshalled and despatched one after another on the same sidings at intervals of a few minutes. From the context we gather that this formidable-looking objection simply means that English railways make up their goods trains in too great a hurry to be able to do it properly. The loading of the individual waggons is sheer

matter of chance; one may contain five tons and another half a ton. At a certain hour a train has to go out whether full loaded or only half loaded. On American roads every train goes out with a full load, and the despatchers know exactly how much is in every waggon. This the two "principal officers" of the North-Western Railway explicitly state, at the same time forestalling the very natural inquiry why they cannot be as methodical as American railroad men with the stale excuse that British traders are in a greater hurry for their goods than American traders.

Before accepting such a plea we should like to hear the British trader's own view of it. He may neither endorse his alleged partiality for speed over all other considerations, nor may he admit that he secures it under the existing system. It is a point open to discussion all round. Even if quick service were conceded to our main lines—and only a very choice few could have the assurance to claim it—the British trader might object that he has no alternative offered him. If he could have a slower service at lower rates he might in many cases prefer it. But our railway magnates have decided for him that his heart is set on quick service, however costly to himself and wasteful for the railway; so we presume he must continue to have it or to think he has it.

Such is virtually the argument of these two high officials of the London and North-Western. They appear to be quite unconscious how com-

pletely they give themselves away by some of their statements, both as to the American system and their own. Their plea, for example, about English trains having to be despatched one after another on the same sidings at intervals of a few minutes may be true of a certain class of traffic, namely, the lighter kind of merchandise. But it cannot possibly apply to mineral, agricultural, and other heavy traffic, as to which there is the greatest need for more efficient and economical methods. The official defenders of our English system are always careful to set their merchandise rates against American merchandise rates, as if that were the whole issue. They avoid with equal care any comparison of heavy traffic rates, which is the main question both for the railways and the traders.

Another plea which has done good service to our conservative railway managers is that American freight is of much larger volume than ours—that ours, in fact, is mere retail business in comparison. There is certainly something in this, but too much is made of it. If, on the one hand, it be true that American railroads have some advantages over ours in their larger volume of traffic and their longer hauls, on the other hand it is no less true that they derive a still larger number of advantages from superior organisation. The essential difference between the two systems is not their relative magnitude, but the fact that English railwaymen devote most of their atten-

tion to the lighter traffic, while American railwaymen concern themselves most about the heavy traffic. The natural result of this is to be seen in the comparative cheapness of our light traffic rates, and the incomparable cheapness of American heavy traffic rates.

Readers of the late Sir George Finlay's book on English railways will remember that his principal illustrations of the working of the goods department are drawn from the fast night-trains between Broad Street and the North. He says little or nothing about the working of the mineral traffic, and still less about agricultural traffic. An American railroad manager, in describing his experience, would reverse that arrangement. He would have a great deal to say about mineral and agricultural traffic, and very little about light merchandise of the Broad Street Station sort. The latter, in fact, is hardly treated as railway business on American roads. It is worked by the Express Companies, the railroads simply doing the haulage.

When English railway managers set themselves to compare their rates on merchandise and light goods with the corresponding rates of American express companies, they may easily find proofs of their own superior moderation. But that is a very small part of the issue between English and American roads. Single package rates, to say nothing of parcels, can have very little effect on the cost of our staple commodities,

compared with the charges on minerals, metals, farm produce, building materials, and heavy goods generally. It is the latter that turn the scale against the home manufacturer when he is hard pressed by foreign competitors.

As to the value of statistics in the operation of American roads, Mr Priestley iterates and reiterates a most emphatic opinion:—

It was a noticeable fact [he says,] that the railways which have devoted most time and attention to evolving some reasonable system of statistics are those which have succeeded in securing the best results—results here being low cost of operation per ton per mile, with increased profits to the undertaking and increased dividends to the shareholders.

Referring to the fable which has been current of late in certain of our railway circles that a reaction against statistics had set in among the Americans, Mr Priestley declares that he could see no trace of it:—

I inquired [he says,] what foundation there was for the statement, and of the numerous officials of all grades, from presidents down to district superintendents, whom I consulted, *I did not meet with one single person who spoke in any way disparagingly of statistics. On the contrary, they said they could not get on without them.*

Far from losing ground, statistical methods are continually being extended on American railways. They are now in full use in the mechanical as well as in the traffic departments. Some of the

most remarkable results they have achieved relate to the haulage power required for different sizes of waggons. On this point Mr Priestley furnishes interesting and valuable information, which it is to be hoped our railway engineers and traffic managers will appreciate. It may be somewhat technical for the average shareholder, but it will pay him well to make an effort to master it. The practical gist of this information is given in the following paragraphs of Mr Priestley's report:—

Both practical and theoretical tests have shown that if the load of three 17-ton waggons be concentrated in one 51-ton waggon, there is not only a saving in the dead-weight hauled but there is a saving of 43 per cent in the demand made on the engine, and the engine can haul 53 per cent more of paying load without any increased effort or expense. It would seem, therefore, that the best results can only be obtained by concentrating the load in as few vehicles as possible.

As a specific illustration of this, I was told that when the steel or 50-ton cars were first introduced the average load of a train on this division with a given gross tonnage was 57 cars. The same gross tonnage could be carried in 32 steel cars, but upon trial it was found that the same engine could haul 38 steel cars as easily as it formerly hauled the 57 lighter capacity cars. *The same engine consequently moved 300 additional tons of paying freight without any extra cost to the railway.*

Hitherto our railway authorities have treated the big-and-little-waggon controversy in a rather academic spirit, but unless they can traverse the

above statements they will hereafter have to take it more seriously. If it be true, as this Indian expert alleges on the authority of equally capable experts in the United States, that the concentration of train loads not only economises dead weight but increases the hauling power of the locomotive, then our 6- and 8-ton waggons stand finally condemned. They should have gone to the scrap-heap years ago.

When asked for explanations on this point the English railway manager may find himself in a peculiar dilemma. Either he was not aware of the above scientific discovery, in which case he was not keeping abreast of his profession, or he knew it and has neglected to live up to it. Which horn of the dilemma is he to choose? Is it or is it not true what Mr Priestley here says?—

The more the load is concentrated—that is, the fewer the vehicles in which the load is placed—the smaller proportionally will be the draw-bar pull and the greater the load which the engine can haul without increased strain or expense.

If that be true, either we in this country have been very late in discovering it, or we have deliberately sacrificed all the advantage we might have gained from acting on it. The old, old plea may be set up again, that English railways have too much retail traffic to deal with to admit of concentrated train-loads. Probably they have, and they will continue to have it as long as they

do little or nothing to encourage wholesale traffic. American railroads could never have adopted 50-ton cars if they had not beforehand helped to create local trade capable of furnishing 50-ton consignments. It is an easy matter to build a 50-ton car and not very difficult to run it, but some hustling is required to keep it loaded. Our railway officials are not "hustlers,"—they would be scandalised at the suggestion,—and the primary requisite of cheap haulage, namely, full loading for large waggons, has yet to be provided. Traffic-collecting agencies which have not been called on hitherto for more than for 8-ton loads cannot be expected to jump all at once to 50-ton loads. Even our mineral traffic, which has greatest capabilities of concentration, has not yet got much beyond 15- or 20-ton loads.

But there are signs of progress, and among them may be reckoned the fact that railway chairmen, without exception, have of late shown themselves more open-minded than ever before. They have taken more trouble to explain, and, as far as they could, to justify their methods of administration. It has been done in many different ways, according to the temperament of the speaker, and with varying degrees of success. But the attempt itself is a sign of progress, an important concession to shareholders and the public.

Evidently there has been more method introduced of late into our railway operations. Even

directors and managers who scout the 50-ton waggon and the ton mile statistics are now earnest converts to the full waggon-load, which is the real desideratum. It has no opponents in principle, but many difficulties in practice. Fuller loading has become the order of the day, and hence the decrease in train mileage. If the traffic departments are given a fair chance, and smart men get proper opportunities, lost ground may soon be recovered. To mention only a few possible improvements in our freight service—there are the combined cartage system, suggested by Sir Alexander Henderson, which in London alone would save the railway companies thousands of pounds a-week, besides relieving the streets of their noisiest traffic; better separation of fast and slow freight, and more choice to traders of slow service at lower rates; increased facilities for full loading of through trains, either by transfer centres or otherwise; more use of local goods trains as feeders to through trains; and greater reciprocity between railways in the interchange of freight at connecting points where one may be able to handle it cheaper than another.

In the freight department of our railways there are at present openings for bold innovation which might satisfy the most ambitious manager. He has his choice of a dozen much-needed experiments—an adaptation of the American express system; a special agricultural service; a joint

collection and delivery agency to act for all the chief railways; a direct freight line to connect the docks present and future on the Lower Thames with the principal goods depots in North London; and various others to follow when these are finished. Now that he is awake the British railway manager will find that, notwithstanding all the invidious comparisons to which he has been subjected, he has still a great future before him.

CHAPTER XIV.

OUR FOREIGN TRADE.

I. ITS STATISTICAL DEFECTS.

IF the fiscal campaign should have no other effect, it is, at least, waking up the Board of Trade to the urgent necessity for improved commercial statistics. To give the Board its due, it is taking great pains to render its official returns fuller and more intelligible than they have ever been hitherto. Equal praise may be extended to the Statistical Department of the Custom House for the improvements it is introducing into the foreign trade returns. Last year a beginning was made with a new classification of imports and exports, which greatly facilitates the difficult task of analysing and comparing them. This year there is a great increase in the number of detailed articles. New forms have also been issued to traders, with a view to obtaining more exact declarations as to countries of origin and destination. The modernising spirit which has taken hold of the Statistical Department of the

Custom House may go far. By-and-by we may obtain positive data on many points which are still left to the ingenious conjecturing of polemical statisticians. We may even hope for a speedy end to all that beating of the air there has been over "invisible exports," and to the mixing up of trade, shipping, and banking operations in one insoluble medley.

The more data that the Board of Trade can supply the less room will be left for scientific statistics so called. It is tantalising for economic students to have to argue backwards and forwards on important points which the public authorities should put beyond doubt or question by furnishing precise facts. Several such points are now at issue in connection with the Board of Trade returns—for instance, whether or not the declared values of our exports include all that they ought to do; whether or not the declared values of our imports do not include more than they ought to do; whether or not large adjustments are needed on both sides before they can be fairly compared; and whether or not our foreign trade statistics as a whole deserve to be regarded as more than rough approximations to actual quantities and values.

These, and kindred questions, are agitating not only statistical but also commercial circles. They have been more discussed in the City than almost any other aspect of the fiscal inquiry. Business men are growing sick of party-coloured arithmetic,

and of flexible figures which can be made to contract or expand to suit any political climate. They wish to see in the plainest possible light what is to be best for the nation and the empire. One thing they are all agreed about—that much fuller and better digested information as to every staple trade and industry will have to be officially provided before fiscal discussion can be placed on solid ground. There is a bewildering mass of theory, hypothesis, and vague estimate to eliminate before we reach a really scientific basis of inquiry.

If such a being could be imagined as a capable economist well grounded in the principles of his science and familiar with the actual economic conditions of the day, but unaffected by political and polemical vagaries, his views of our foreign trade in 1903 would be both interesting and valuable. Probably what would first strike him in examining these returns is the huge disparity between our imports and our exports, the one amounting to 291 millions sterling and the other to 543 millions. He would see in this a very suspicious anomaly. Various explanations of it might be offered him by certain economists whose function nowadays seems to be not to investigate scientifically, but to explain difficulties away in the easiest and most plausible manner. It is highly improbable that he would be satisfied with any of these makeshift solutions. The anomaly would, in his opinion, demand a more thorough

inquiry. To his mind it would present a dilemma something like this: either a country with such a formidable excess of imports will find them every year more difficult to pay for, or it must have other resources sufficient to cover the annual deficit on its foreign trade.

The latter alternative raises, however, large and intricate questions, extending far beyond the commercial sphere. An independent economist, who had nothing but scientific truth to consider, would decline to drag in larger questions in order to explain smaller ones. He would say, "Let us first exhaust the foreign trade data in so far as they can be studied by themselves, and then proceed to the wider subjects." Standing by itself, a yearly importation of 543 millions sterling, against an exportation of only 291 millions, would not look commercially healthy. Nor, indeed, is it in fact. There would be no doubt or difference of opinion as to the speedy fate of a private business conducted on such lines. The universal inference would be that there was too much buying and too little selling for the maintenance of a solvent balance.

Our impartial economist might have another preliminary question to ask—What guarantee is there for these huge totals of imports and exports being accurate? He would have to be told that all the valuations both of imports and exports are, and can only be, approximate. In the case of food and raw materials they may come pretty

near the truth, but with manufactured articles there must be a large margin of possible error. The figures, therefore, should be taken as relatively, and not absolutely, correct.

The valuations of imports and exports are made on two different principles, which, according to some critics, have the effect of understating the one and overstating the other. This is a qualification of some importance, and one requiring to be carefully investigated; but so far little or nothing has been done with it. To what extent it vitiates the comparison of exports and imports is still quite problematical. But the fact that business men are directing their attention to it is so far a gain. The point was clearly put by Mr Felix Schuster, in his now famous address to the Institute of Bankers on "Foreign Trade and the Money Market." The difference between our exports and imports is, he said, "much greater in appearance than in reality, because of the difference in values, the imports being charged at their value on arrival here, while the exports represent their value here, not the price at which they are eventually sold. The profits of our merchants should be deducted from the value of the imports and added to that of our exports respectively."

At the first blush this sounds plausible, and it might be convincing if the question rested entirely with importers and exporters. But the nation itself has also to be taken into account, and its standpoint differs from that of the traders.

If our foreign trade were being conducted for us by a chartered company like the old East India Company, it would be entitled in making up its accounts to deduct its profits from the imports and add them to the exports. In its case these would be actual profits derived from third parties. But a nation as such makes no ultimate profit out of the marketing of its imports at home. What its merchants earn on them the rest of the community have to pay. Their profits on import business are, as a rule, money taken out of one set of pockets and put into another set. If the value of imports could be fairly reduced by the profits of importers and merchants, why not also write off the profits of the retail distributors and the freight earned by railways and other distributing agents?

Moreover, is it not a mere assumption on the part of those who have taken to explaining away our excessive imports and inventing excuses for them, that the profits of merchants are actually included in the Customs valuations? The Custom House authorities have given no sanction to such a view. On the contrary, they have of late been careful to explain where necessary that import values represent the cost of the goods up to the moment of their arrival in port, while export values represent their cost up to the moment of the vessel leaving port. Such are the intended meanings of the cabalistic letters "c.i.f." (cost, insurance, and freight) applied to imports, and

“f.o.b.” (free on board) applied to exports. In neither case is there any mention of merchants’ profits, and whether these be included or not would depend on the merchants individually, or rather on the importers. As to their general practice in the matter, there is hardly a scrap of evidence yet available.

This is a virgin field of inquiry for Mr Chamberlain’s Tariff Commission. It might render a real service to our foreign trade by ascertaining how the values of both imports and exports are fixed, and by suggesting possible improvements in existing methods. But so far as public information goes at present, there is little ground for believing that merchants’ profits affect the comparison seriously either way. They are at best but a hypothetical factor in the case, and one which in the interest of reliable trade statistics it would be well to get rid of, if possible. What the nation wants to know about its imports is their original cost to the nation itself, and not how much profit its merchants may get on them afterwards. What it wants to know about its exports is how much the nation itself is getting for them, without reference to further profits that may be made on them after they leave our shores.

Freight is another disturbing factor in our official valuations of imports and exports. It is a more tangible one than merchants’ profits, because we know as a matter of fact that in some cases it is counted, while in others it is not. The

practice of leading commercial nations differs considerably on this point. According to the Fiscal Blue-Book, the Americans are the only people who treat it logically. They exclude freights from their imports as well as from their export valuations. We, along with France and Germany, have taken up an illogical half-and-half position. We exclude freights from our exports but include them in our imports. In order to make us, if possible, still more illogical, some fiscal experts now propose to count in freights a second time, by way of eking out certain hypothetical sources of income to which they have given the very appropriate title of "invisible exports."

British shipping is, without doubt, an important national interest. In normal times it is more profitable for the country than our whole export business. Why it should be treated as a mere accessory of our foreign trade is curious. In the good old days the ship ruled the cargo, and it is only since our enormous consumption of foreign food swelled our imports to an unhealthy extent that the cargo has ruled the ship. In our trade statistics ship and cargo have got mixed up unnecessarily, and it would be a useful reform to separate them. Our shipping industry is large enough and valuable enough to have detailed statistics of its own. Instead of being told merely about tonnage and cargoes, why not have some information also about earnings and expenses?

An impartial economist might consider this a highly desirable addition to our commercial statistics. The experts, official and otherwise, are evidently of the same opinion. If they were logical, they would call on the Board of Trade to commence a special record of our shipping business, giving prominence to essential facts which have hitherto been always left out—namely, the earnings. But the experts prefer guesswork to positive data, and instead of trying to improve the official records, they offer us, as a substitute for them, ingenious figuring of their own. Mixing up freights already included in our import valuations with those earned on our exports and in trading between foreign ports, they offer us an estimate of 90 millions sterling a-year, which may well be called generous. Sir Thomas Sutherland, the chairman of the Peninsular and Oriental Company, has characterised it even more strongly. In addressing his shareholders at their last half-yearly meeting he said:—

It was constantly asserted—and perhaps with considerable accuracy—that the revenue of the merchant ships under the British flag amounted roundly to 80 millions sterling per annum, and that this revenue was available to pay for an equivalent amount of imports into this country. But in view of the great disbursements which had to be made by shipowners, not only in this country but in every quarter of the world, he ventured to say that that statement was an absolute fallacy. It would at all events be a more correct

estimate that only half the amount of this revenue was available for the payment of imports.

Between 80 millions a-year and 40 millions a-year there is a rather substantial difference, but Sir Thomas Sutherland and the statistical experts are wider apart even than that. In his 40 millions a-year net he includes the whole earnings of ships sailing under the British flag, whether in our own over-sea trade or in trading between foreign ports. But Sir Robert Giffen's estimate of 90 millions a-year should be only for the earnings of British ships in trading between foreign ports. It will be remembered that freights on imports into Great Britain are already added to the cost of the imports, and cannot therefore be reckoned a second time. If Sir Thomas Sutherland had been asked for an estimate of the restricted earnings which the statistical experts were dealing with, he would very probably have said 40 millions sterling gross instead of 80 millions, and 20 millions net instead of 40 millions. At all events, he has effectually exploded the 90 millions a-year estimate, which was extravagant on the face of it.

This is a matter of interest, not merely because of its magnitude and its importance as a factor in our foreign trade statistics, but owing to the peculiar use that has been made of it by some fiscal authorities of no ordinary rank. Lord Goschen, in a speech at Liverpool on the 5th November 1903, calmly assumed the 90 millions

a-year of shipping revenue—in excess of freights on our own imports—to be beyond doubt. In attempting, after the usual fashion, to explain away the huge excess of imports over exports—182½ millions sterling in 1903—he remarked: “It is now acknowledged, I think, that freight and interest from investments cover this 180 millions in almost equal proportions—90 millions for freights and 90 millions for interest on various investments.”

Sir Walter Pease, who knows something about the subject, challenged both of these estimates, and Lord Goschen had to write to ‘The Times’ in their defence. He gave the Board of Trade as his authority, and referred Sir Walter Pease to “a separate memorandum on pages 99-104” of the Fiscal Blue-Book for the figures “contained in his speech.” The memorandum in question is well known to students of the Fiscal Blue-Book, and any one able to read between the lines will see at once that it is not an official document, but an outside contribution. Most of the figures and estimates relative to shipping revenue are quoted from Sir Robert Giffen’s well-known papers on the subject. Sir Robert, if not the actual writer of the memorandum, is made responsible for its conclusions.

In view of the fact that the 90 millions sterling a-year of estimated shipping revenue rests solely on Sir Robert Giffen’s authority, and has not been indorsed by the Board of Trade farther than

by a mere description of it as his scheme, was it quite candid of Lord Goschen to put it before the public as an essential part of the Board of Trade Blue-Book? Be that as it may, there can be no doubt whatever about the much-criticised estimate being purely personal and without any official authority whatever.

True, the Board of Trade may not be wholly beyond criticism in the matter. It might have intervened long ago with good effect, and taken steps to obtain a proper official estimate of our shipping revenue. The question was first raised by Sir Robert Giffen in 1882, and he deserves great credit for the hard and protracted labour he has bestowed on it. But it was too large and important a matter to be left indefinitely in private hands, however able. The Board of Trade officials might have taken counsel over it with a few representative shipowners, and a result might thereby have been reached in which the public could have had confidence. They might, in short, have had Sir Thomas Sutherland beforehand as an adviser, instead of having him afterwards as a destructive critic. After his recent declaration fully one-half of the 90 millions a-year of shipping revenue with which Lord Goschen and Sir Robert Giffen thought they had filled up the gulf between our imports and exports vanishes into thin air.

The gulf between our imports and exports still yawns at our feet, demanding to be filled up or

explained away. The question of freight earnings has also for its own sake to be put on a better footing. Lastly, more uniform methods of valuation are urgently required in all international trade. It is not only in charging or not charging freights against imports that the Custom Houses of various nations differ from each other. There must be many other diversities among them, to produce the wild discrepancies exhibited in international trade returns. The valuation of the exports, say, from A. to B. seldom tallies with the valuation of the corresponding imports by B. from A. Not only so, but the divergencies between them are often absurdly large—so large as to cast doubt on the whole system of Custom House valuations.

As a first step toward uniform statistics of international trade, an agreement might be made to value all imports and exports on one basis. That already in use in the United States would be perhaps the simplest. Under it freights are excluded both ways, but separate records may of course be kept of them. The exporting country would under such an arrangement continue to value all shipments "f.o.b." (free on board), and the importing country would repeat that valuation or come as near to it as possible. Freight and charges at port of destination would become separate items, and there would be no further need to attempt the impossible task of estimating merchants' profits.

Whether or not these suggested reforms are

practicable, and if so, how they might be carried out, are questions for the Custom House experts. But it is evident that without them there can be no really scientific comparison of the movements of international trade.

Those interested in our foreign trade may, however, console themselves with the thought that, imperfect as their statistics are, they are better than having none at all, as in the home trade. Some of the largest of our home industries have no official statistics whatever. It must have hurt the dignity of the Board of Trade statisticians who compiled the Fiscal Blue-Book to have to resort to brokers' circulars for the only available data as to the annual production of our cotton and woollen factories.

Lord Goschen is so scrupulously fair-minded that, unlike some of his free food associates, when he happens to overstrain a point he often atones for it a little later. In the House of Lords, on the 14th March 1904, he spoke in quite a different key to the one he had struck at Liverpool in the preceding November. Speaking in favour of the motion of the Earl of Wemyss for "a small Commission to inquire into and report on the present state and prospects of our trade," to the surprise of his brother peers he put in a very emphatic plea for more and better digested information than was yet available.

Any new contribution to facts and figures [he said,]

was now made not so much with a view to elucidate the subject as from a desire on the part of one side to score off the other side. What, he believed, a great portion of the community would like, would be an orderly, exhaustive, and impartial marshalling of the facts, and he was confident that a body which would undertake such a marshalling of the facts would be welcomed.

Even the Board of Trade Blue-Book, lauded as it had been on its first appearance,—among others, if we mistake not, by Lord Goschen himself,—did not on closer acquaintance prove altogether satisfactory to him:—

The Blue-Book issued by the Government did not profess to cover the whole ground, and in these circumstances he considered that the people of the country had a right to ask that the rest of the ground should be covered, and that further information should be placed in their hands before being asked to decide this important question for good or ill. There was no systematic arrangement of materials in the Blue-Book. Why were special subjects selected and others left out? There was, for instance, a memorandum with regard to the iron trade in the north-east of England. Why was that selected and other parts of the country omitted? It would appear that the country was a haphazard amalgam of notes and statistics which had been asked for by different Ministers. . . . Then more information was wanted in regard to our home trade, which had not been examined in the same way as our foreign trade, though it was as important an element to consider in this connection.

Lord Goschen concluded with a reiteration of

his opening statement, that "he dealt with the subject from the point of view of the commercial classes—the men who wanted to be informed and who almost anathematised party warfare, which only obscured their judgment." In cordially endorsing this point of view, we may be permitted to regret that his lordship did not adopt it a little earlier in the fiscal campaign. It might have had more effect in the early days of the agitation, when he stumped the suburbs and the provinces on free food. But his demand for fuller and better statistical data as to both our home and our foreign trades, though late, will be none the less welcome. All along we have asked, as Lord Goschen now does, for "orderly, exhaustive, and impartial marshalling of the facts." Many necessary facts will have to be collected before they can be marshalled. And if the greatest deficiency of them be, as many people think, in the home trade, they may also be most beneficially increased with regard to our exports and imports. But the most urgent need of all is greater uniformity in foreign trade records.

The commercial classes, for whom Lord Goschen claimed "orderly, exhaustive, and impartial marshalling of the facts," are not actuated solely by academic reasons. They want fuller and better commercial statistics, not merely to enable them to make up their minds for or against Mr Chamberlain's programme, but to act on as business men. They know how much less systematic and

complete our official figures are than those which our German and American competitors have at command. Their desire for more business-like statistics is part of a larger desire for more business-like government generally. It seems to them that if the Board of Trade would condescend to borrow the principles and methods of large private firms, the statistical difficulty and many others would soon be greatly simplified. To-day there are trading corporations with a much larger turn-over than many second-rate states. They manage to do it without a fraction of the fuss that governments make over their commercial operations. They never need to call in either statisticians, economists, or politicians to advise them, because they have intelligence departments of their own always in active service.

Another important advantage of treating fiscal questions from a business point of view would be that bald statistics would not be allowed to take the place of the things themselves, as they have hitherto done. Our readers will remember that the opening stage of the fiscal discussion was almost entirely statistical. Statisticians of greater or less authority pelted each other with figures, without even stopping to ask themselves what the figures represented. They diligently selected years and periods to suit their own side of the argument, and each in turn convicted the other of unfairness. They seldom even split up their huge totals into manageable divisions: still

more seldom did they attempt a systematic analysis of them. The whole operation was a farce—a mere beating of the air and a throwing of dust in weak eyes.

The fact is, that the big totals which are bandied about on platforms and in newspaper columns tell us next to nothing worth knowing with regard to our foreign trade. The things worth knowing are—as any business man would soon show us—the nature of the trade, the number and value of the accounts open, the degree of competition, the average profit earned, the stability or otherwise of the markets dealt in, and so forth. In short, quality as well as quantity has to be taken into account. An over-sea trade may consist of a few large and well-established markets or of many small and uncertain ones. The markets may be easy or difficult to deal with; they may be regular and reliable or the reverse; they may be progressive or stationary; they may be safe or highly speculative. All these points, and many more of a similar kind, would have to be considered in a critical appreciation of our exports, but mere statistics do not give the slightest clue to them.

The pending inquiry will have to go far beyond figures if it is to achieve results of any value. But even adequate figures are as yet lacking. What statisticians have been fighting over hitherto are heterogeneous data without any uniform standard of comparison. The number of pounds

sterling in which last year's exports were stated meant something radically different from the number of pounds sterling in which the exports of 1873 were stated. Nearly every export differed in market price at the two periods, and in order to compare them fairly, one price level should be adopted for both,—whether that of 1873 or of 1902 would not matter, so long as it was the same for both years. The Board of Trade officials are well aware of this discrepancy in their statistics, and for their own information they calculate the imports and exports of each year at the prices of 1873. Why these supplementary valuations have not been regularly published we can only conjecture. To judge from a few examples of them which questions in the House of Commons elicited in the closing days of last session, they would be instructive as well as interesting. They give an entirely new aspect to our foreign trade returns, which must be rather disconcerting to the experts who have wasted so much time in wrangling over the misleading figures issued month by month.

The general effect of revaluing our imports and exports on a uniform price level—namely, the current prices of 1873—is to greatly increase both, the imports especially. It has also a special and very noteworthy effect in magnifying the excess of imports over exports. The President of the Board of Trade, in answer to Mr H. Samuel, gave the following as the readjusted totals for

1883, 1893, and 1902, the standard year being 1873:—

	Imports at 1873 prices.	In million £. Exports at 1873 prices.	Excess of imports over exports.
1873	£371	£255	£116
1883	526	295	231
1893	611	329	282
1902	797	418	379

It will be observed that the much more rapid growth of our imports than of our exports is greatly emphasised in the above table. The imports of 1902 exceeded the exports by 179 millions sterling ($462\frac{1}{2}$ millions less $283\frac{1}{2}$ millions) taken at the current prices of the year, but at the current prices of 1873 the excess would have been the enormous sum of 379 millions. Its growth has been, and is still being, disguised to a great extent by the fall in prices since 1873. A return of high prices would greatly—we might even say dangerously—aggravate the disproportion between our imports and exports. Which, with all deference to the statistical experts who wrangle over their special assortments of meaningless figures, is the crux of our foreign trade problem. Our present volume of business, based on the prices of 1873, would make a yearly balance of 379 millions sterling against us,—almost double the adverse balance officially admitted in 1903.

As regards imports and exports, the most urgent reform in view is a uniform method of valuation for statistical purposes. Goods leaving

one country as exports should bear some intelligible relation to the same goods when they reappear in another country as imports. At present they seldom do, and the discrepancies between them are sometimes so great that the most ingenious statistician would be hard put to it to explain them away. The excuse generally made for them is, that at the import end new charges for freight, commissions, &c., have to be added. But it might be possible to extend Custom House statistics so far as to keep a separate record of landing charges.

Uniformity can only be attained by a special scheme of statistical valuations, the starting point of which would be the declared value of the goods at the original port of shipment. The same value might be recorded at the port of destination, thereby securing uniformity between the exports of the exporting country and the corresponding imports of the importing country. In order to distinguish freight, commissions, and other charges, a supplementary record might be made, and the two together would represent the new value at the port of destination. This supplementary item might, besides simplifying the method of valuation, serve a useful function of its own. It would furnish data for a reliable estimate of the earnings of international shipping, which again might be tested by information obtained from other sources.

The Income Tax Commissioners might con-

tribute effectively to the same object by extending their analysis of Schedule D to shipowners. There is no obvious reason why income derived from salt-springs and cemeteries should be stated separately under that schedule and not income derived from shipping. The list of industries which are specialised—namely, railways, mines, gas - works, iron - works, water - works, canals, quarries, market-tolls, fishings, cemeteries, salt-springs, and alum-works—was doubtless deemed complete when it was drawn up, but it might now be enlarged with advantage. The Income Tax Commissioners, by adding together all the assessments of shipping profits, sea-going and coasting, could give us a safer idea of their annual amount than can be got from piles of “rough” estimates. Here, as elsewhere, improved data are much more needed than theorising and manipulations of dubious figures.

CHAPTER XV.

OUR FOREIGN TRADE—*continued.*

II. ITS NATURAL AND ARTIFICIAL RESTRICTIONS.

IN discussions on the regulation of our foreign trade it is generally assumed that the whole of the trade is under legislative control, and that it may be diverted from one channel into another by diplomatic conventions or a few changes in a fiscal tariff. The first step toward a practical understanding of the subject is to rid ourselves of this delusion. As a matter of fact, it is only a small part of our foreign trade—less than half—that is subject to purely commercial laws, and in dealing with which political and personal initiative has free scope. The other and larger part has grown up under a variety of historical influences which no Government or Parliament or Chamber of Commerce has much power to modify. Physical and national peculiarities have marked out the original channels of trade for every country, and unless they undergo some radical change they tend to keep it within those

channels. To alter them materially the politician and the trader are equally powerless, but they may do much to widen the channels or to quicken the stream flowing through them.

Every trading nation enters the sphere of international competition subject to advantages and disadvantages. It is handicapped at some points, and favoured at others, by special causes. It may have a poor soil, combined with great mineral wealth. It may be well situated for the carrying on of large and profitable industries, or the reverse. Its commercial position and surroundings may be favourable or otherwise. Its people may have special aptitudes for some particular branch of industry or trade. Its form of Government and its political traditions may tend to encourage or to discourage enterprise. All these are natural limitations of the great forces engaged in carrying on the commerce of the world. Compared with them, the individual nation, and still more the individual trader, is a very secondary agent. Fiscal policies and commercial ventures have to conform to them at the risk of proving futile.

Whether we look at the staple articles of international trade or at its chief markets, their most striking feature is the physical limitations to which they are all subject. Every staple product—food-stuffs, cotton, wool, &c.—has a circuit of its own, to which it conservatively adheres as

long as it possibly can. Every country has special produce or manufactures for which it must find an outlet abroad. Conversely there may be many necessaries which it has to get from abroad. In some cases the percentage of indispensable imports is large and the percentage of indispensable exports is small; in others the indispensable exports are large and the imports small. Nature herself had imposed many restrictions on international trade before the tariff-monger came along to do his share. Every single restriction, natural or artificial, has some effect on the course of trade. It alters more or less the terms of the international contest, improving the position of one country and injuring that of another. It affects the whole area of commercial competition in ways which cannot be forecast. It creates striking diversities in the foreign trade of different countries from a competitive point of view. Some staple exports appear to be much harder to sell than others, and some countries have greater difficulty than others in pushing their foreign trade. Among closely matched rivals minor chances and accidents often turn the scale.

International trade being subject to a multiplicity of conditions and influences, it follows that these conditions must vary for every nation taking part in it. No two nations are or could be exactly alike in respect of natural resources,

commercial situation, industrial development, quality and cost of labour, command of raw materials, and access to foreign markets. Nor can any two nations be alike in the degree of competition they have to encounter in their foreign trade, any more than they can be equally fit and well-equipped for the contest. For that they would have to be on equal terms not only commercially, but in their banking, shipping, and railway services as well. Such equality, however, is inconceivable. In place of it we have a constant tendency toward increasing national differences and disparities. In the first stage of commercial development we find the physical qualities of a country creating a distinctive class of products. In the second, these products create a distinctive class of industries. In the third, these distinctive industries produce certain varieties of foreign trade.

A glance round the commercial world shows us a few favoured nations brimming over with natural wealth, and able to export at the same time food-stuffs, minerals, raw materials, and manufactures. It shows us also less fortunate nations, which have to import the bulk of their food and raw materials. The former, having the greatest variety of commodities to sell, have the largest number of foreign markets open to them. In international trade the most difficult position is that of the country which has to rely on a few

staple exports of almost universal production, such as textiles and metal manufactures. They meet with keen rivals at every step, and if every market in the world be open to them, all are full of competitors. For typical examples of these two kinds of foreign trade we have but to place ourselves and the Americans side by side. Time was when foreign markets were at our feet, but the conditions—partly political and partly commercial—to which we owed that distinction are changing and will continue to change. A quarter of a century ago our foreign trade could compete everywhere under favourable conditions. We had the largest command of special wares which other nations could not do without, consequently the best markets of the world were open to us. We could pick and choose among all the products of the earth for our imports. To-day our imports are to a large extent determined for us by our physical necessities. Forty - two millions of people have to be fed and clothed before anything else can be thought of. And how to pay for so much food and clothing is a question that must largely influence the volume and character of our exports.

There is no such thing as perfect freedom in the foreign trade of any nation. It is only after a series of physical conditions and another series of political conditions have taken effect that the personal energy of the trader comes into play.

Before he arrives on the scene the scope for his skill and enterprise may be considerably narrowed. Physical conditions will have decided that certain imports have to come into the country and certain exports have to go out. But he may vary and supplement these natural currents of international trade. The classification of imports and exports adopted in the Board of Trade returns illustrates in a rough way the distinction we are endeavouring to point out between the compulsory and the optional sections of our foreign trade. The latter may also be distinguished as the competitive section,—that in which foreign rivalry is keenest and the call for personal energy is greatest.

In the subjoined table of our imports and exports in 1903 there are four classes of which it may be said that our full freedom of action is limited to the last two—manufactures and miscellaneous. It is in these that international competition spends itself most vigorously. The more that the foreign trade of a nation depends on manufactures, the keener the competition it is likely to encounter; and the more universal the character of its manufactures, the greater will be the number of its competitors. Moreover, the competition of manufacturers is likely to intensify year by year. There is no physical limit to it, as in the case of food and raw materials. Ere long the struggle may be to buy these and not to sell them.

BRITISH IMPORTS AND EXPORTS, 1903.

	Imports.	Exports.
1. Food, drink, and tobacco	£232,505,757	£16,362,490
2. Raw materials	173,558,796	35,380,239
3. Manufactures	134,659,090	234,891,447
4. Miscellaneous	2,182,682	4,256,105
	<hr/>	<hr/>
	£542,906,325	£290,890,281
Foreign and Colonial } re-exports	}	69,557,035
	<hr/>	<hr/>
Gross imports and exports .	£542,906,325	£360,447,316
Excess of imports . . . .	...	182,459,009
	<hr/>	<hr/>

In international trade it is our misfortune to be buyers of what there is always the best market for—namely, food, drink, and raw materials; and sellers of what there is generally the most difficult market for—namely, manufactured goods. The Board of Trade returns distinguish twelve groups of our manufactured exports, every one of which will be recognised as of a very competitive character:—

OUR COMPETITIVE IMPORTS AND EXPORTS, 1903.

	Imports.	Exports.
Texiles	£38,255,095	£111,659,704
Metal manufactures	31,409,290	42,050,949
Machinery	4,448,963	20,065,916
Chemicals	8,846,688	12,079,554
Apparel	3,476,439	7,561,321
Leatherware	11,313,921	4,955,735
Ships	57,985	4,285,485
Earthenware and glass . . .	4,780,700	3,278,797
Telegraph apparatus	57,360	1,808,136
Paper	4,843,682	1,797,861
Manufactures of wood	2,344,918	1,510,516
Miscellaneous	27,006,931	28,093,578
	<hr/>	<hr/>
	£136,841,972	£239,147,552
	<hr/>	<hr/>

By adding these two totals together,—137 millions sterling of imports and 239 millions of exports,—we get the complete range of our competitive foreign trade—namely, 376 millions a-year. The rest of the 903 millions a-year is governed by physical much more than by political or fiscal conditions. In looking through the twelve groups, it will be seen that in most of them a very considerable amount of business is done both ways—a proof of the British and foreign manufacturer being on pretty equal terms. It further indicates keen and vigilant rivalry all round. On balance we are fully 100 millions sterling a-year to the good, which, however, is not enough to cover the cost of our imported raw materials. A combined comparison of raw materials and manufactures puts us nearly forty millions a-year on the wrong side:—

	Imports.	Exports.
Raw materials . . .	£173,558,796	£35,380,239
Manufactures . . .	134,659,090	234,891,447
Miscellaneous . . .	2,182,682	4,256,105
	<u>£310,400,568</u>	<u>£274,527,791</u>

So far from our food and drink bill of say 232 millions sterling a-year being payable out of our manufacturing account, the latter can barely balance itself. In some by no means insignificant industries which not so long ago were peculiarly our own, we now import more than we export. In exactly half of the dozen groups—textiles, metal manufactures, machinery, chemicals,

apparel, and ships—we have still a marked predominance. But in four of the secondary groups—leatherware, earthenware, paper, and manufactures of wood—the foreigner has got the upper hand, and sells more to us than we sell to him. It is a rather invidious and unedifying question who benefits most by such changes—whether the foreign manufacturer or the British consumer, or somebody else. But as between British industry and the foreign industry which thus supplants it a very serious issue arises. Does it not mean that one progresses while the other is retrograding? Does it not also imply that the range of our competitive power is being shortened?

Every branch of our foreign trade in which a hitherto favourable balance is turned into an unfavourable one suggests, if it does not actually prove, an industry on the decline. It is a weak spot that has developed in our foreign trade, and which is almost certain to react on the corresponding branch of our home trade. Whatever individual interest may benefit by the disturbance, there is a national loss either of resources or efficiency, or both. And such a loss cannot be estimated in money only or in cheap loaves. It may be a matter that threatens to compromise our industrial future, in which the future of the Empire itself is involved.

We have thus ascertained that the competitive section of our foreign trade sets an importation of 136 millions sterling against an exportation of

239 millions sterling. Within these limits the fiscal issue is practical; outside of them it is mere politics. The smaller the amount per head of manufactured goods that we have to import and the larger the amount per head that we can send abroad, the better presumably will be our industrial position. With this comparison food imports have little or nothing to do, and it will be affected by raw materials only in so far as the supply of them is uncertain and precarious. Henceforward the essential question as to raw materials will be one of supply. The less we control them ourselves, and the greater control over them we leave to foreigners, the heavier the prices we shall have to pay for them in the end. Taxing raw materials is a futile idea compared with ensuring a cheap and constant supply of them. Instead of hindering in any way their influx, it ought to be encouraged by every possible means. Financial aid to the colonies to enable them to produce all they can of every kind of raw material we require will be the appropriate counterpart to preferential duties on other imports.

As regards our manufactures, the issue lies between forty-two millions of people, of whom nearly one half are engaged in active production, and the millions outside of the United Kingdom similarly employed. The struggle for existence between these producing millions—the millions who must produce something exchangeable in order to live—is every year growing fiercer and

more intense. It is bound to be cruel even when carried on under the most favourable conditions. Carried on as it is, at present under the most erratic and unequal conditions, it is a prolonged tragedy for the weak and helpless. Doubtless it might be better if Governments did not interfere, but left the struggle entirely to the people themselves. Even then there would be risks and perils which private enterprise might not be able to cope with. All parties, however, will agree that when Governments do interfere it should be with intelligence and on a definite system.

Let us assume the United Kingdom to be a great commercial institution having current accounts with every other civilised State. Of these there are about fifty outside of the British Empire, and within it thirty-seven, including colonies and protectorates. Eighty-seven current accounts embrace the whole of our foreign and colonial trade. If they were all pretty large accounts, the keeping of them would not be such a very gigantic task, provided they were recast in a more intelligible form. As a matter of fact, only ten or a dozen are really large, and the others taper down to mere trifles. Montenegro has the honour of being the smallest customer in our foreign ledger. Last year it was debited with £171 for purchases by parcel post, against which no credit is visible. We do not appear to have had either the gratitude or the good taste to buy anything from Montenegro in return.

Possibly Montenegro had nothing in our line that could be conveniently spared. How the £171 was collected there is no record. Neither is it explained why in this case the free trade axiom did not hold true that imports create exports. The £171 worth of British goods imported by Montenegro in 1903 ought on Cobden principles to have stimulated an export trade. The only entry, however, on the credit side of the Montenegro account is *nil*.

Though Montenegro stands alone, it is by no means our only small customer on the foreign list. Of the whole fifty, twenty-seven, or fully one half, fall short of a million sterling per annum. Several average between one and two millions a-year, leaving only eighteen foreign countries whose purchases from us exceed two millions sterling a-year. Of these eighteen the majority range from four to eight millions a-year, and only three (the United States, Germany, and France) exceed fifteen millions a-year. In short, the bulk of our foreign trade is of a very retail description. To illustrate its distribution among a few large customers and a host of small ones, we have prepared the following three tables showing—

1. Our ten largest foreign customers in 1902 and 1903.
2. The ten next largest.
3. The twelve largest customers among our Colonies.

The total value of the produce and manufactures of Great Britain exported to foreign countries in 1903 was 179½ millions sterling, and to British colonies 111 millions sterling. Our ten largest foreign customers took 118 millions, and the ten next largest 39½ millions; together, 157½ millions out of the total 179½ millions. Only 22 millions was thus left for all other foreign countries. The twelve colonies in Table 3 had 106¾ millions out of the total 111 millions, leaving little more than four millions a-year for the whole of the minor colonies. The effective area of our foreign trade thus embraces only twenty foreign countries and a dozen colonies. Moreover, less than half of these foreign and colonial export accounts exceed the annual turnover of individual firms in the City.

I. OUR TEN LARGEST FOREIGN CUSTOMERS.

British exports to—	1902.	1903.
Germany . . .	£22,850,295	£23,550,631
United States . .	23,760,913	22,656,900
France . . .	15,587,300	15,800,011
Russia . . .	8,635,393	9,114,434
Belgium . . .	8,409,659	8,797,812
Holland . . .	8,445,915	8,686,410
Argentina . . .	5,871,096	8,010,585
Italy . . .	7,409,984	7,801,211
Sweden and Norway	7,194,525	7,201,327
Egypt . . .	6,161,627	6,439,936
	<hr/>	<hr/>
	£114,326,707	£118,059,257
	<hr/>	<hr/>

2. OUR TEN NEXT LARGEST FOREIGN CUSTOMERS.

British exports to—	1902.	1903.
China	£7,142,021	£6,740,637
Brazil	5,389,956	5,605,795
Turkey	6,050,495	5,534,617
Japan	5,065,526	4,591,619
Spain	4,785,214	4,574,687
Denmark	3,621,866	3,991,660
Chile	2,839,254	3,009,040
Portugal	1,840,636	2,036,286
Austria-Hungary	1,922,997	1,743,915
Greece	1,716,317	1,565,964
	<u>£40,374,282</u>	<u>£39,394,220</u>

3. OUR TWELVE BEST COLONIAL CUSTOMERS.

British exports to—	1902.	1903.
India	£32,681,979	£34,477,099
Cape Colony	16,737,847	17,676,375
Australia	19,530,118	16,144,438
Canada	10,345,256	11,112,577
Natal	7,698,892	7,611,236
New Zealand	5,677,576	6,361,390
Straits Settlements	2,744,555	3,125,945
West Africa	2,737,486	2,858,589
Hong Kong	2,136,202	2,719,614
West Indies	2,009,101	2,130,772
Ceylon	1,446,382	1,440,284
Malta	1,195,830	1,041,972
	<u>£104,941,224</u>	<u>£106,700,291</u>

We are apt to think of our foreign trade as having the run of the whole world, but after all it is only a small part of the world that

is sufficiently developed to furnish important markets for British goods. Only two foreign countries are worth over twenty millions a-year to us as customers for our exports; only three are worth over ten millions a-year; only thirteen are worth over five millions a-year. Relatively speaking, our colonies provide us with a greater number of large individual markets. Among a dozen principal colonies there is one—India—worth more than thirty millions a-year to us, four worth over ten millions a-year, and half a dozen above five millions a-year each.

The area of our export trade is thus relatively smaller in foreign countries than in the colonies. We have only ten foreign markets of the first class and an equal number of the second class. Our tariff difficulties originate mainly with seven or eight of our largest markets. Fair and reasonable treaties of commerce with the United States, Germany, France, Russia, Italy, and Argentina might take the edge off Mr Balfour's alternative policy of retaliation. They might also do much to relieve the theatrical alarm of Lord Rosebery (Sheffield, October 13, 1903) that "Mr Chamberlain's proposals, if insisted on, would bring us into a battle with the whole civilised world, compared with which Armageddon would be a friendly jest." After all, there are but half a dozen combatants outside of the British Empire fit to take part in the dreaded Armageddon.

The above six countries are our main channels of international trade, and on the broadest ground of international comity we have a right to object to their being gradually closed against us. Why should our Foreign Office not be provided with the most primitive and indispensable weapons of self-defence in such a case. Either these channels must be opened wider or they will be farther closed. All depends on the diplomatic formula which is to be used to solve the dilemma. If our Foreign Office should under stress of party politics have to adhere to the old formula, the same old results with which we are all so familiar will repeat themselves. The competitive area of our export trade, already painfully narrow, will be further restricted. But if a new formula be used, adapted to the occasion, these six foreign doors, already more than half closed against us, may yield a little. They have not for years been in such a yielding mood as now, if only we had courage to put some pressure on them.

How greatly exaggerated popular ideas of our foreign trade are apt to become is illustrated by the fact that only two-fifths of our fifty foreign customers have a substantial interest in our fiscal policy. By this we mean a sufficient interest to render alterations in it matter of serious concern to them. It can hardly be imagined that States purchasing from us only a million a-year or less would take the trouble to resent moderate taxes

on what we get from them in exchange. Even if it pinched them a little they would have insignificant opportunities to retaliate. Three-fifths of our foreign customers are in that situation. Twenty-seven of them, including Montenegro, buy from us less than a million sterling per annum. With a considerable number our annual bills never exceed a few hundred thousand pounds.

The bogey of a tariff war being started by Mr Chamberlain and running like wildfire round the world is consequently a figment of free-trade imaginations. It is cheap bunkum of the same class as the small loaf, and quite as much beneath serious argument. If Mr Chamberlain were to be given a free hand to frame a new customs tariff for the United Kingdom, not half a dozen foreign countries would find it worth their while to retaliate against it, however much they might dislike it. A few more might be sufficiently affected by it to grumble a little, but a very moderate amount of diplomacy could conciliate them, all the more so as most of them have hitherto been our very good friends.

Men with free imports on the brain have got into a habit of thinking and talking about foreign trade as if it were a universal scramble for the philosopher's stone in which all the nations of the earth were engaged. As a matter of fact there are not more than half a dozen States whose fiscal policy is of more than local interest.

The others may have any kind of tariff they like without interfering with the main currents of international trade. But tariff-mongering and pottering with commercial treaties is an old-established fad among politicians. When the great commercial States invent something new in that line all the smaller States hasten to copy it, and the latest fashion circulates till it reaches Servia and Montenegro. Three-fourths of the commercial treaties now in existence might be put in the fire with very little loss either to commerce or mankind.

Less politics and more plain business sense is what is wanted in the fiscal relations of commercial States. They might get on a great deal better if they would treat each other as business houses do. They are all to a certain extent rivals and competitors, but they need not be always trying to hurt each other. Each country has its specialities, the same as business houses have, and a large proportion of foreign trade as well as of home trade is non-competitive.

CHAPTER XVI.

OUR FOREIGN TRADE—*continued.*

III. ITS COSTLY ECONOMIES.

A YEAR ago the average man was to be pitied as the fiscal storm gathered round his devoted head and burst in torrents of conflicting statistics. For eight consecutive months he struggled with tables, charts, and curves; he made wild clutches at the "balance of trade," tried in vain to penetrate the mystery of "invisible exports," and ended by being unable to see any difference between the big loaf and the little one. A person reduced to such a mental condition as that welcomes relief from any quarter. He does not stand on ceremony when a commission of experts holds out a helping hand to guide him through the maze in which he finds himself entangled.

Undoubtedly the public have had enough of promiscuous discussion. They have heard as much as they want to about fiscal theories and doctrines. They have learned all that is of practical importance to them about the origin

of free trade, its originators and their motives. They realise the saving truth that no generation can lay down economic laws for its successors in perpetuity, but that each generation must frame an economic policy for itself. We in our turn have to frame a fiscal policy adapted to our special needs and circumstances. Granted we have much to learn from the past, and in justice to ourselves we may claim to have been of late diligent students of fiscal history. But it can no longer be said that we are rash or premature if we now come nearer home and apply ourselves to the economic questions of our own day.

Not for years have the foreign trade returns been so keenly discussed as were those for 1903. Seldom too have they undergone such a variety of interpretation. The free importers, looking simply at the larger totals of imports and exports, have gloated over them as Heaven-sent proofs of the prosperity which we are being asked to be foolish enough to throw away. The $14\frac{1}{2}$ millions sterling increase in our imports, and the $7\frac{1}{2}$ millions sterling advance in our exports, have been hailed as a triumphant answer to "protectionist pessimism." But a discreet silence has been observed as to the qualifying circumstances that more than half of the increase in imports is due to our having required larger food-supplies from abroad in consequence of a bad harvest; that a few millions more represent the higher prices we have had to pay for raw materials; and that the apparent

improvement in our exports is due more frequently to higher prices than to larger quantities.

But the most serious qualification has yet to be mentioned. Not only have our imports and exports increased, but the balance of trade against us has gone up another three millions sterling. It was last year 182 millions sterling—a new record. This skeleton at their feast ought to remind the free importers that the United Kingdom is not a mere shop, and fiscal policy not a mere matter of shopkeeping. There is a great deal more involved in national economy than the volume of imports and exports.

The fundamental fact from which fiscal inquiry ought to start is that there are in the United Kingdom forty-two millions of people, nearly all dependent on the earnings of fourteen or fifteen million workers. We have either to grow at home or import from abroad raw materials for the fourteen or fifteen million workers; also food for the forty-two millions of people. Whatever we import has to be paid for either by exports or by additions to our domestic wealth, for which we should have vouchers of one kind or another available in international exchange. The crucial points in the case are not the paper values set on the imports and exports. They are—

First, the economic condition of the people as a whole.

Second, the condition of the workers in respect of employment and wages.

Third, the condition of the country itself as regards the cultivation of its soil and the utilisation of its other resources.

Fourth, its status among the nations, including its powers of self-defence and its opportunities of development.

These are the four cardinal points of a genuine national economy, to which all questions of trade, domestic or foreign, must be subordinated. If domestic industry is flourishing, labour well employed at living wages, pauperism on the decline, and production well maintained in all its chief branches, then we have a prosperous country, no matter whether our foreign trade be shrinking or expanding. But if we have the opposite conditions—domestic industry dwindling, labour poorly employed, production declining, and pauperism increasing,—the conditions, in fact, which characterise the close of 1904—it is hard to see how a slight improvement in our imports and exports can afford us much consolation.

There are, however, polemical statisticians who assert that it should. In the Board of Trade returns for 1903 they found not a little comfort and encouragement. Serenely ignoring the flat contradiction that exists between the depressed state of our home industries and the apparent elasticity of our foreign trade, they lustily reiterate their old advice to us to keep an eye on our imports and they will see us through. But the facts which we know from painful experience may well make us chary of accepting hasty in-

ferences from untested figures. Until the Board of Trade returns have been carefully analysed, it is always unsafe to draw conclusions from them. Increases or decreases on either side mean little until we have found to what they are due. They may arise from variations in the volume of our imports and exports, or from variations in price, or from a combination of the two.

But the practical results are very different in the three cases. An increase in imports due to higher prices may be against the importer, while a decrease due to lower prices may be in his favour. Conversely, an increase in exports due to higher prices will be in favour of the exporter, while a decrease due to lower prices will be against him. *But the interest of the nation is much less in the money values than in the quantities, and it is by the latter that we propose to test our foreign trade in 1903.* This is not, we know, the method favoured by polemical statisticians. They shun it because it ties them down too closely to figures which cannot be twisted about at pleasure or to suit the requirements of a favourite argument. It does not lend itself to graphic illustration or to ingenious trimming as money values do.

To concentrate one's attention on imports and exports, to the exclusion of more important factors in national wellbeing, is to take the narrowest possible view. It is worse still to measure and compare them by their money values only. Money values have in foreign trade statistics three risks of error, as compared with only

one if we compare quantities. They may express variations in price, or in quantity, or in both. In the present case the vaunted improvements in our imports and exports will be found on closer inquiry to be due in most cases to higher prices. There is, moreover, one notable case in which foreign trade may be incompatible with, and almost antagonistic to, domestic wellbeing. We refer, of course, to our enormous imports of foreign food.

Of the 14½ millions sterling increase recorded in the total imports of 1903, over 8 millions (£8,102,000) occurred under the heading of "Food, Drink, and Tobacco," leaving only 6½ millions for industrial imports proper. That increase was a direct consequence of the bad harvest at home, and the greater part of it took place in the four months between harvest-time and the close of the year. Between the 1st September and the 31st December the comparative imports of 1902 and 1903 were as under—

		September 1 to December 31.	
		1902.	1903.
Wheat	cwt.	29,353,267	32,261,100
Wheat meal and flour	"	7,223,028	8,644,545
Barley	"	14,174,132	15,124,800
Oats	"	6,068,008	5,771,900
Peas	"	525,482	829,585
Beans	"	893,405	916,440
Maize	"	11,125,905	19,636,200
	"	<u>69,363,227</u>	<u>83,184,570</u>

Fourteen million cwt.—seven hundred thousand tons—of an increase in four months! One poor harvest called for an extra fifty thousand tons per week of foreign bread-stuffs to fill up the gap. And we are asked to regard a calamity like this as a brilliant expansion of our import trade! On the same principle an addition of fully half a million cwt. to our imports of dead meat is represented to us as another signal mark of progress. The grand total of imported meat advanced from 16,971,000 cwt. in 1902 to 17,498,000 cwt. in 1903. Foreign butter, cheese, eggs, fish, fruit, and vegetables make new records every year. Last year quite a sensational advance was scored by foreign potatoes—another direct result of failure in the home crop. The aggregate of 1902 was 5,699,000 cwt., while last year's rose to 9,150,000 cwt.,—a gain for the foreigner of over 60 per cent. In hard cash it amounted to fully one million sterling—£2,603,000 against £1,589,000.

We may be forbidden to grudge the foreign food-grower his good fortune, or to envy him, or to cherish any uncharitable feeling towards him, but at least we should not be asked to consider the misfortunes of our own farmers a matter for congratulation.

The increase in our imports of raw materials, amounting to $4\frac{1}{2}$ millions sterling, is happily free from that objection; but it has drawbacks of another kind. Here most of the increase is

due to higher prices, and the improvement we are asked to congratulate ourselves upon means in effect that our manufacturers have had to pay more for most of their staple materials. For smaller quantities received they have had a good deal more to pay. This appears very clearly in the subjoined comparison of quantities imported in the two years 1902 and 1903—

DECREASED IMPORTS OF RAW MATERIALS.

	1902.	1903.
Iron ore tons	6,439,757	6,313,236
Scrap iron and steel "	38,959	16,781
Copper ore "	88,590	84,295
Cotton, raw cwt.	16,220,874	16,009,322
Wool, raw lb.	637,129,733	599,509,732
Alpaca "	6,168,291	5,460,432
Mohair "	30,028,108	28,068,379
Jute tons	414,553	240,090
Tallow cwt.	1,782,098	1,395,174
Hides "	661,198	493,781

To these heavy decreases there are few offsets of importance in the shape of increases. It may therefore be fairly said that during the past year our manufacturers have had to pay considerably more money for reduced supplies of raw material.

The last of the three groups of imports—"Articles Wholly or Mainly Manufactured"—exhibits a good many irregular changes which tend to counterbalance one another. The net result of them is an increase in value of a little over two millions sterling. In the fourteen sub-

divisions only three show changes of any magnitude, and curiously enough they are all in textiles. Cotton fabrics show an advance on the preceding year of £1,368,000. *Per contra*, woollen fabrics are down £1,643,000, and fabrics of other materials than cotton or wool £1,980,000. The changes in quantity, so far as they are given, correspond pretty nearly with the changes in value. One of the decreases may be interesting to the watch trade. There would seem to be a slump going on in foreign watches, the number imported last year having decreased by nearly half a million (1902, 2,103,115; and 1903, 1,620,619). This following a decrease of about 380,000 in the previous year might have been regarded as a hopeful sign of recovery in the home trade, but for the explanation that imported watches and jewellery make increasing use of the parcel post, and thus escape registration.

On the export side we find a moderate gain of $7\frac{1}{2}$ millions sterling, which the free importers, of course, have made much of. Though it is only $2\frac{1}{2}$ per cent of the total of 1902, still let us be thankful for it. It is exactly double the increase of our exports in 1902, and, what is more, it has not been derived from coal. That item shows on the contrary a small decrease in value, combined unfortunately with an increase in quantity. Last year we shipped 46,662,700 tons of coal, coke, and patent fuel, against 44,897,948 tons in 1902, and 43,765,912 tons in 1901. The

declared values in the three years were—1903, £27,262,779; 1902, £27,581,136; and 1901, £30,334,748. Thus our coalmasters obtained last year £300,000 less money for 1¾ million tons more coal than they shipped in 1902. As compared with 1901 they shipped nearly three million tons more coal, and received the same number of pounds sterling less for it. Bunker coal should be added to the exports, in order to show what an enormous foreign drain our reserve of steam-power is being subjected to. In 1903 it aggregated 16,799,848 tons, making close on 63½ million tons of coal sent out of the country in a single year.

A satisfactory feature in the increase of exports is that most of it was realised on “articles wholly or mainly manufactured.” The largest gains were—

Woollen fabrics	£2,078,812
Iron and steel manufactures	1,575,853
Machinery	1,311,101
Cotton fabrics	1,168,697
Metal manufactures, other than iron and steel	691,501
Leather and leather goods	544,907
Chemicals, drugs, &c.	520,497
Fabrics other than wool or cotton	455,986
Earthenware and glass	281,268
Cutlery, hardware, &c.	251,934
Paper	125,157

The net increase might have reached nearly ten millions sterling but for two large and important

offsets. There was a reduction on new ships built for foreign account of over a million and a half (£1,586,090) as compared with 1902, and of fully a million (£1,030,505) on telegraph cables and apparatus. These two decreases neutralise to a large extent our satisfaction with the previous eleven increases. The latter may be further discounted when we find that they owe more to higher prices than to larger quantities. In this respect there is a significant similarity between the two branches of our foreign trade. Both manufactured imports and exports seem last year to have expanded more in value than in volume—two very different things from the workman's standpoint.

For example, our exports of "iron and steel and manufactures thereof" increased by less than 100,000 tons—the exact figures were 97,728—but the official values rose from £28,877,000 to £30,453,000—an increase of fully $1\frac{1}{2}$ million sterling. Our textile exports exhibit even more striking divergences between quantity and value. Grey cotton yarn declined from $123\frac{1}{2}$ million lb. to $113\frac{3}{4}$ millions, while the aggregate value rose from £5,403,000 to £5,595,000. Piece goods of all kinds, grey, bleached, dyed, and printed, decreased from 5331 million yards to 5157 millions, while the aggregate value showed a slight advance, the respective totals for 1902 and 1903 having been £55,215,344 and £55,280,612. Woollen and worsted tissues are up both in

quantities and values, but proportionately more in the latter. Exports of linen goods were eight million yards less than in 1902 (155 millions against 163 millions), but the value, so far from shrinking to a similar extent, was slightly larger—£4,078,000 in place of £4,050,000.

There are, in fact, very few striking improvements in the volume of our exports, but there are many shrinkages, and a still larger number of stationary items. British candles appear to be spreading their light in foreign lands with exceptional vigour. They are now being exported at the rate of over 30 million pounds a-year, and the demand for them is rapidly growing. In 1901 the total was 24,586,000 lb., in 1902, 26,119,000 lb., and in 1903, 31,161,000 lb. The gain in a couple of years has thus been $7\frac{1}{2}$ million lb., equal to rather more than 30 per cent. Whatever may be the secret of our candlemakers' success, the fact should be taken note of. It is about all we have to console us for serious losses elsewhere.

How our chemicals have fallen from their high estate since the time when Lord Beaconsfield held them up as a trade barometer! Nowadays we have nothing of that kind to export but the coarsest and cheapest. For our bleaching materials there is still a good outlet—1,102,000 cwt. last year against 902,700 in 1902. Sulphate of copper is one of our few modern specialities, and our export of that has grown to 53,000 tons a-year. In chemical manures we barely hold

our own, the export of them having fallen last year from 479,000 tons to 445,000 tons. Dye-stuffs we have let the Germans elbow us out of almost completely. Our beggarly export of £346,000 a-year challenges ironical comparison with their millions a-year. But we are still fairly strong in soda compounds. That branch of our foreign business has been rather on the increase lately. In 1901 the quantity shipped was 3,726,453 cwt., which increased in 1902 to 4,345,859 cwt., and again in 1903 to 4,447,311 cwt. But even for these remnants of a once flourishing industry we are largely beholden to German settlers in England! In much the same way Lombard Street—"the money market of the world"—is managed for us by foreigners!

At the present time some very interesting and instructive comparisons may be drawn between our imports and exports from an economic point of view. In this field an endless amount of useful work awaits the purely scientific, non-political, and non-polemical economist. In searching for explanations of the huge and growing preponderance of our foreign purchases over our foreign sales he may make a few significant discoveries. At first glance he will perceive that our imports consist of food-supplies to the enormous extent of nearly one-half. In 1903 their gross amount was returned at 232½ millions sterling, from which 16 millions has to be deducted for re-exports, leaving net imports of 216½ millions sterling.

The items of food, drink, and tobacco thus formed 46 per cent of the whole.

The gravest and most difficult question confronting our economists at present is what ultimate effect these enormous food imports may have on our economic condition? Is it wholly beneficial, as some authorities allege, or is it prejudicial, as other authorities contend, or is it partly both? The real issue is one of ultimate results—of the use made of such food-supplies, whether productive or non-productive. Free importers maintain that they are productively used; but if they are asked for proof they put us off with vague generalities about food imports being raw materials, Great Britain being the workshop of the world, and so forth. If food imports are raw materials of industry, then the industries on which they are expended should show some tangible permanent addition to the wealth of the country. Where are their products? Are we to look for them in our home or our foreign markets?

Labour applied to raw materials increases their value in proportion to the degree of skill required of the labourer. In a manufacturing country like ours, taking an all-round average of skilled and unskilled labour, a three-fold increase will be a moderate estimate. Excluding from the food imports of last year wines, liquors, tobacco, and luxuries generally, the value of the food proper would be, in round numbers, 222 millions sterling. If the whole of this had been consumed

productively there should have been, on the foregoing basis, new values created to the amount of 666 millions sterling. Out of that very substantial additions might have been made both to our exports and to our domestic stock. Moreover, every annual increase in our food imports should, on the above reasoning, be accompanied by a corresponding increase in our industrial output.

But there is another, and, we confess, more probable, alternative—that these rapidly growing imports of foreign food are simply supplanting equal quantities of home-grown food. In the absence of positive data every person must choose his own alternative. If the first were true—namely, that our industrial output keeps pace with our food imports—we might, with the greatest complacency, see these imports increase by millions from year to year. But is the faintest shadow of such a result observable? Judging by the present state of our home industries, our food imports can be yielding only a mere fraction of their full economic value. In other words, they are being, to a large extent, unproductively employed.

This is quite a distinct question from the one most frequently raised with reference to our huge imports—namely, whether or not we can pay for them out of our annual earnings. We might be so inconceivably rich as to be able to go on for half a century overspending ourselves, but

that is not the present issue. It is an economic question we now raise—namely, whether or not our enormous food imports are being in a just and proper degree productively used? Apart altogether from national solvency there should be in all communities a healthy balance between the food consumed and the new wealth created by the consumers. Does such a healthy balance exist at the present time in the United Kingdom, or are we becoming, as our foreign competitors assert, a nation of large eaters and small workers? Does our industrial output bear a fair proportion to our food consumption? If it does, the effects should be visible both in our home and in our foreign trades. In the latter it is certainly not discernible. On the contrary, the ratio of our industrial exports to our food imports steadily declines.

Our foreign trade is dangerously lop-sided, and growing every year more so. The chief cause of this is perfectly obvious to all who can look unpleasant facts in the face. It is the huge preponderance of our food imports, combined with the absence of any relative counterweight in our exports. The value of the food, drink, and tobacco we export is a mere bagatelle to what we import—16 millions sterling in 1903 against 232½ millions. If the latter is to be paid for with British produce, it can only be with raw materials of domestic origin or articles of domestic manufacture. We have, however,

only two raw materials—coal and iron—which we can sell abroad in appreciable quantity. Both of them we sell with considerable misgiving, knowing them to be parts of our national capital which we cannot replace. As it is, our coal exports—last year they were valued at $27\frac{1}{4}$ millions sterling—cover less than an eighth of our food imports. No iron ore appears to have been shipped, but nearly $3\frac{1}{2}$ millions sterling went abroad in the shape of pig-iron.

Thus the raw materials we were able to exchange for foreign food formed only a trifling offset of $30\frac{3}{4}$ millions a-year, against $232\frac{1}{2}$ millions a-year, or, deducting food exported, $216\frac{1}{2}$ millions a-year. The other $201\frac{3}{4}$ millions a-year had to come out of our manufactured exports, or to be met in some other way outside of our foreign trade.

On glancing down the long list of our manufactured exports, we may well be startled to find only two groups large enough to bear comparison with our food imports. They are textiles and iron and steel manufactures. The first had in 1903 an aggregate value of $111\frac{1}{2}$ millions sterling—namely, $73\frac{1}{2}$ millions for cotton goods, $25\frac{1}{2}$ millions for woollens, and $12\frac{1}{2}$ millions for other materials. In this connection our silk exports have almost ceased to be worth reckoning. Last year they did not reach a million and a half sterling—yarn, lace, ribbons, and piece goods all included.

Metals furnish the most numerous and varied group of our exports, though not the most valuable. It aggregated in 1903 42 millions sterling, against 111½ millions for textiles, and to make up even that moderate amount cutlery and hardware have to be included.

It will be interesting now to see how far the above principal groups of British exports may go toward payment for our food imports. Their respective totals in 1903 were:—

Food, drink, and tobacco imported, less exported	£216,143,267
Absorbs the following exports:—	
Raw materials (chiefly coal)	£35,380,239
Textiles	111,659,704
Iron and steel (including cutlery and hardware)	42,050,949
Machinery	20,065,916
Ships	4,285,485
	<u>£213,442,293</u>

Thus every penny we receive for our raw materials, textiles, coal, iron and steel, machinery, and ships exported, has to go toward the payment of the food, drink, and tobacco we import, and even then a balance of two millions remains against us. Though the above constitute more than 70 per cent of our aggregate exports, they still fall short of counterbalancing our food imports!

Our other exports, or what may be termed the secondary groups, amounted to 59½ millions sterling, as follows:—

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Apparel, &c.	£7,561,321
Chemicals	12,079,554
All other articles, manufactured or unmanu- factured	35,677,002
Parcel post	4,256,105
Total	<u>£59,573,982</u>

Contrast with that paltry total the large bill we have to meet for industrial imports—that is, imports other than food, drink, and tobacco. It is officially subdivided thus:—

IMPORTS OTHER THAN FOOD, DRINK, AND
TOBACCO, 1903.

Raw materials—	
Textiles	£80,496,492
Sundries	93,062,304
Total raw materials	<u>£173,558,796</u>
Metals manufactured	£31,466,650
Wood "	2,344,918
Machinery and ships	4,506,948
Textiles	38,255,095
Apparel	3,476,439
Chemicals	8,846,688
Leatherware	11,313,921
Earthenware and glass	4,780,700
Paper	4,843,682
Miscellaneous (including parcel post)	27,006,731
Total manufactures	<u>£136,841,772</u>
Total raw materials and manufactures	£310,400,568
Less re-exports	69,557,035
Net imports of raw materials and manu- factures	<u>£240,843,533</u>

In 1903 our exports, after paying for the foreign food, drink, and tobacco we consumed, left only 59 millions to pay for the 241 millions sterling of raw materials and manufactured goods which we imported in the same year. There was consequently a balance of trade against us of 182 millions sterling on the year, which, if we mistake not, is a new record in its way. The free importers had evidently overlooked this detail when they started their jubilation over the continued elasticity of our foreign trade—14½ millions increase in our imports and 7½ millions in our exports. If they had carried their comparison of 1903 with 1902 to its proper issue it might not have proved so gratifying to them. But it may save them some trouble to supply the omission:—

THE BALANCE OF TRADE AGAINST US IN 1902 AND 1903.

	1902.	1903.
Total imports	£528,391,274	£542,906,325
Less re-exports	65,814,813	69,557,035
Net imports	<u>£462,576,461</u>	<u>£473,349,290</u>
Exports	283,423,966	290,890,281
Balance of trade against us	<u>£179,152,495</u>	<u>£182,459,009</u>

A worse balance for us than that of 1902 by more than three millions sterling!

Here is our foreign trade position in a nutshell: Imports dominated by food, drink, and tobacco; exports dependent on two industries—

textiles and iron and steel, Apart from these, our secondary exports do not reach 60 millions sterling, and even with coal added they fall short of 100 millions. We may look at the figures from other points of view, but the result will not be more reassuring. For example, our manufactured exports amounted altogether last year to $234\frac{3}{4}$ millions sterling, of which textiles, metals, and machinery furnished 178 millions, or exactly three-fourths. Our chief interest as exporters—in fact our only interest of any magnitude—centres in textiles and metals. Unfortunately for us these are nowadays the most precarious and erratic of all international commodities. Both of them are subject to the keenest competition, and are exposed to illegitimate as well as legitimate risks. It is their fate to be always running to extremes. At one time they are on the highest tide of prosperity, and at another they are in the depths of depression.

In the forcible language lately attributed to Mr Carnegie, "iron is either prince or pauper," and the same may be said, in a milder degree, of cotton. No tariff could do much for either of them without modifying the commercial conditions under which the industry is carried on. It is questionable if these conditions could be greatly modified by any legislation or by any State intervention, however well intended. For cotton and iron there appears to be no middle course between absolute control of their markets

and no control at all. They must either be cornering or getting cornered. At the present moment we have before us striking examples of both evils. The greatest iron and steel producer in the world, the United States Steel Trust, has cornered itself, while the Lancashire cotton-spinners have been cornered by gamblers in their raw material.

CHAPTER XVII.

OUR FOREIGN TRADE—*continued.*

IV. ITS TARIFF WALLS.

THE sketch given in the foregoing chapter of the competitive area of our foreign trade was a necessary preface to the comparative study of present-day tariffs, on which we are now about to enter. Tariffs are among the most complex of economic problems. They are not, as many theorists assume, the arbitrary creations of Governments and Legislatures. They invariably reflect certain national and industrial conditions out of which they have grown. Every tariff is the special and peculiar offspring of the country to which it belongs. It furnishes a more or less exact picture of the country's commercial status, as well as of its economic aims and ideals.

Tariffs have during the past half century undergone a very large and important development. They have a much wider scope than was allowed them in the days of Cobden. Then they were very simply divided into free trade and protec-

tionist, but to-day we find many more varieties of them. In their application they are also greatly enlarged. In most countries they have become an integral part of the national policy, influencing both their domestic and foreign relations. Even high diplomacy has had to stoop to the service of commerce, and foreign ministers no longer consider it demeaning to their dignity to engage in contests over import duties and "most favoured nation" clauses. Treaties of commerce are with many of them the staple part of their work.

The sweet simplicity of the "tariff for revenue only" has departed, never perhaps to return. The foreign trade from which fiscal revenue is derived has become of greater consequence than even revenue itself. One class of statesmen—and certainly not the least capable or the least successful—think more of the ulterior than of the direct effects of a tariff. They study not merely what it may bring in to the public treasury but the general influence it may have on the community. Whether they be right or wrong in this, they have created a new form of statecraft with which all trading nations have got to reckon.

There is nothing sentimental or cosmopolitan about the latest type of foreign tariff. It is essentially national, born of national conditions and necessities. The tariff of a huge empire like Russia has nothing in common with that of a rich republic like France, except that they are both ultra-protectionist. The United States

Custom House taxes quite a different kind of imports to that of Germany; and the German Custom House again has little in common with that of India or Australia. No two tariffs can be measured by the same rule, and no "most favoured nation" clause ever fits two countries alike. But general comparisons are possible which may be both interesting and instructive. The customs duties of different nations may be studied from various points of view—in relation to the gross amount of the imports, in relation to the taxed imports excluding free lists, and in the bearing of specific duties on particular imports.

Broadly speaking, the commercial world may be divided into high tariff areas, moderate tariff areas, and low tariff areas. The first are not very numerous as yet, though they steadily increase. Russia and the United States share the invidious distinction of having built up the highest tariff walls against the trade of other nations. Both of them have already got so high that it is difficult to see how they can rise much more without ending in absolute prohibition. A few of our own colonies have also walled themselves in to an unreasonable height, but with the exception of New Zealand these are chiefly small colonies. The tariffs of the larger colonies are moderate compared with those we have to encounter in our principal foreign markets.

The ratio of customs receipts to total imports is a very rough measure of tariff walls, but it shows at a glance the relative fiscal positions of

the countries compared. For this purpose we have collected a dozen of the leading foreign States into one group, and have formed a second group from the home and colonial divisions of the British Empire. Imports and customs receipts are placed side by side, and in a third column will be found the percentage of the one to the other. The first of the two tables appended illustrates the operation of existing tariffs within the British Empire, and the second their operation outside of it,—to wit, in a dozen foreign States with the largest volume of imports.

RATIOS OF CUSTOMS DUTIES TO IMPORTS.

A. BRITISH EMPIRE.

	Total imports.	Customs revenue.	Percentage of customs to imports.
United Kingdom	£528,860,000	£35,926,000	6·7
Natal	9,789,000	700,000	7·0
Ceylon	7,508,000	556,000	7·4
India	59,161,000	5,032,000	8·5
Australia	68,901,780	6,128,000	9·0
Trinidad	2,651,000	275,631	10·6
Cape Colony	21,416,000	2,375,000	11·0
Canada	38,083,000	5,685,000	15·0
Gold Coast	1,801,000	351,000	19·0
New Zealand	11,817,915	2,201,000	20·0
Jamaica	1,756,000	350,534	20·0
British Guiana	1,393,000	310,600	22·0
Malay States	3,952,460	919,130	23·6
Straits Settlements	31,038,000*	...	...
	<u>£788,128,155</u>	<u>£60,809,895</u>	<u>7·7</u>

* Chiefly transit trade.

RATIOS OF CUSTOMS DUTIES TO IMPORTS.

B. TWELVE FOREIGN COUNTRIES.

	Total imports.	Customs revenue.	Percentage of customs to imports.
Holland . . .	£170,600,000*	£801,500	0·4
Belgium . . .	88,840,000*	1,754,080	1·9
China . . .	32,760,000	1,125,000	3·4
Japan . . .	30,412,000	1,814,000	6·0
Austria-Hungary . . .	68,860,000	4,702,000	7·0
Germany . . .	285,500,000	23,479,000	8·2
France . . .	176,600,000	18,080,000	10·3
Italy . . .	68,740,000	9,098,000	13·2
Spain . . .	33,871,000	5,280,000	15·6
United States . . .	180,664,000	50,889,000	28·0
Argentina . . .	22,697,000	6,796,000	30·0
Russia . . .	66,400,000	21,650,000	32·8
	<u>£1,225,944,000</u>	<u>£145,468,580</u>	<u>11·9</u>

* Including a large transit trade to Central Europe.

In these two tables rather more than 2000 millions sterling of imports is combined. The British Empire possesses more than a third of the whole—788 millions sterling against 1226 millions for the twelve foreign States. The total amount of customs duty levied on 2013 millions is 206 millions, or almost exactly 10 per cent. But while the imports into the British Empire are more than 2 per cent under the average of the whole, those of the twelve foreign States are about 2 per cent over it. In the area of high tariffs (nearly all foreign by the way) the average ratio of customs receipts to total imports is 11·9

per cent, while in the area of moderate tariffs—chiefly British territory—it is only 7·7 per cent.

This, though interesting in its way, is only a provisional kind of comparison. It gives merely a geographical indication of the high and low tariff areas. Many possible qualifications have to be taken into account in estimating the real value of the variations shown. A high ratio of customs receipts to total imports may be caused by the imports in one case containing a large proportion of fine goods, and in another a large proportion of coarse goods. United States imports are of the former kind, and German imports are of the latter. In other words, extravagant Americans buy many luxuries abroad, while the frugal German prefers raw materials, especially coal and iron.

The ratio between total imports and total customs receipts may also be affected by free lists. When these are large they diminish proportionately the amount of the dutiable imports and the average rate of customs duty on the whole. Comparisons may be disturbed by another cause—the transit trade. This is a considerable item in foreign countries like Belgium and Holland, as well as in some of our entrepôts in the Far East. Over thirty millions sterling worth of goods pass free through the Straits Settlements every year. A large amount is distributed in the same way through Hong Kong, but most of it reappears in the imports of adjoining countries—China, Japan, Siam, &c.

When all these qualifications are made in the most careful manner, there will still remain a wide range of variation in both the imperial and the foreign groups. The latter has, it will be seen, a maximum of 32·8 per cent (Russia) and a minimum of less than one half per cent (Holland). Three members of the group show ratios exceeding 20 per cent—the United States 28, Argentina 30, and Russia 32·8. At the lower end of the scale there are half a dozen countries with ratios under 10 per cent—Holland 0·4, Belgium 1·9, China 3·4, Japan 6, Austria-Hungary 7, and Germany 8·2 per cent. In the British group there are five with ratios under 10 per cent—Natal 7, Ceylon 7·4, India 8·5, and Australia 9, while the United Kingdom itself beats them all with only 6·7 per cent. On the other hand there are four colonies with 20 per cent or more, including New Zealand. The rest are of small account, and their high ratios do not prevent the British Empire as a whole keeping down its average to 7·7 per cent of customs duties to total imports.

We have now got two generalisations of some value—that the import trade of the British Empire, constituting nearly a third of that of the world, has to bear an average customs duty of only 7·7 per cent overhead; and that on the other two-thirds of the world's import trade,—the foreign part of it,—the average rate of customs duty is close on 17 per cent overhead. That is how British and foreign tariffs compare

at first glance. There would be no need to go farther if all countries taxed their imports so much per cent *ad valorem*, or according to actual value. Such simple and uniform tariffs did exist at one time. They were frequently adopted by our self-governing colonies at the outset of their semi-independent careers. But to-day few, if any, of them survive. They have all been superseded by very intricate lists of specific duties, which are still further complicated by being charged by weights instead of by values. Confusion is again worse confounded by graduating every class of imports into innumerable degrees of quality. Thus the customs tariffs of to-day have reached a pitch of intricacy compared with which the protective duties of sixty years ago were simplicity itself.

We may get a step nearer to practical results by separating the dutiable imports from the non-dutiable, and measuring the customs duties against the former alone. This makes an important difference in nearly every case, but it cannot be followed out in each of the above-named countries and colonies. We must be content with two examples—the United Kingdom and the United States. The American free list at the present time averages about 40 per cent of the total imports, leaving 60 per cent dutiable. Under the Wilson tariff the free list ranged from 50 to 60 per cent of the total imports, leaving only 40 to 50 per cent dutiable. The customs receipts under the existing tariff work out about 50 per cent of

the value of the imports on which they are actually levied. British imports in 1903 were divided into $43\frac{3}{4}$ millions sterling dutiable, and $499\frac{1}{4}$ millions free. Their respective ratios to total imports were consequently 92 per cent free and 8 per cent dutiable. The whole weight of fully 33 millions sterling of import duties levied fell on $43\frac{3}{4}$ millions, or less than a twelfth of the gross imports. The ratio of duty to the value of the imports actually levied on was 76 per cent—half as much again as the United States average!

The recent outcry against food taxes may lend interest to the fact that nearly every penny of our existing customs revenue is derived from food and drink of one kind or another. The only item of importance outside of these is tobacco.

BRITISH IMPORT DUTIES, 1903.

Coffee, cocoa, chicory	£499,570
Corn, grain, &c.	1,022,381
Fruits	447,910
Sugar	5,806,392
Tea	6,387,571
Tobacco	12,815,105
Spirits	4,715,900
Wine	1,382,655
	<u>£33,077,484</u>
Other articles	<u>40,715</u>

For people who are supposed to have a hereditary horror of taxed food our customs revenue is a pretty bit of irony. More than 99 per cent of it is derived from food taxes, and less than

1 per cent from taxes on other imports! This fiscal anomaly has been little, if any, affected by the repeal of the inauspicious corn duty. What we save on that is being dearly paid for by an additional two millions sterling of tea duty,—an impost which combined scientific taxation and “justice to India” with a sarcastic sop to the free fooders! With a beam in our own eye like this 120 per cent tea duty we should now be prepared to face the highest of high tariff Governments.

The crux of the tariff problem we have shown to be the infinite subdivisions and gradations of imports in an up-to-date protective tariff—that of France, Germany, or Russia for example. The special memorandum of the Board of Trade on this subject sets out with a few examples of classification in textiles. The first gives, for plain unbleached cotton, six divisions according to weight, and each of these has four subdivisions according to the number of threads in a square of 5 millimetres. Altogether there are twenty-four specific duties. A similar classification is applied to linen, woollen, and other textiles. Metals are divided and subdivided quite as laboriously for the Custom House, and as vexatiously for importers.

The Board of Trade officials are liable to be called on at any moment by an inquiring Minister or member of Parliament for an estimate of the average incidence of the import duties of various foreign countries on some British export, say,

cotton or woollen goods. In this memorandum they take the opportunity of explaining how much easier inquiries of that sort are to make than to answer. Examples are given of various embarrassing and misleading elements which are sure to intrude into such calculations. First there is the paradoxical effect of prohibitive duties, which, instead of raising the general average percentage of duty to total value of imports, may diminish it. Supposing the total value of the imports to be five millions sterling and the aggregate amount of duties levied to be half a million, the average rate overhead will be 10 per cent. The tariff may include several prohibitive duties, say, of 80 or 100 per cent, but there will be no trace of them in the average rate of duty, for the reason that no imports enter under them. If they be cut down to 40 or 50 per cent, and imports to the value of a million sterling get in under them, the average duty will be raised by the reduction of these prohibitive duties, thus:—

£5,000,000 @	10 per cent	.	.	£500,000
... @	100 "	.	.	...
£5,000,000 @	10 "	.	.	<u>£500,000</u>

But the result of lowering the prohibitive duty to 50 per cent might be this:—

£5,000,000 @	10 per cent	.	.	£500,000
1,000,000 @	50 "	.	.	500,000
6,000,000 @	16'6 "	.	.	<u>£1,000,000</u>

Prohibitive duties may thus have a similiar effect to a free list on the general ratio of duties to total imports. While the free list reduces the general average by admitting duty-free goods, prohibitive duties produce the same result by excluding dutiable goods. Both are incalculable and misleading factors in the working out of averages. These are examples of preliminary difficulties and risks of error arising on the threshold of inquiry. But as we advance into the maze of details which form the substance of every modern tariff, comparison becomes more and more formidable. It would be a hopeless task, our Board of Trade statisticians inform us, "to calculate the duties imposed by each country on *all* the articles of British export, because we have often no information as to the exact qualities exported, and the tariff rates enforced in many countries are minutely subdivided and classified according to quality."

They propose to circumvent these difficulties by an ingenious adaptation of the "index number" method. The arrangement, which is necessarily rather complex, may be best described by stages. First they make a list of the principal classes of British export, and "weight" each group according to its relative importance. Next they select from each group a few leading articles which may be taken as fairly representative of the whole, and the tariff rates on these they treat as fairly representative of all the rates in the group. Finally

they “weight” the several groups of tariff rates to correspond with the weights of their respective groups of exports, and thereby obtain an index number to represent near enough for general use the average percentage of duty levied by each foreign country on our exports as a whole. The technical name they give it sounds Teutonic—“estimated average *ad valorem* equivalent”—but we trust that the reader has obtained from our explanation a glimmering of what they mean. In effect it is the reduction of an appalling diversity of duties, specific and *ad valorem*, to a common denominator. Subjoined is the list of selected British exports on which their calculations are based:—

BRITISH EXPORTS (1902) GROUPED AS BASIS OF
INDEX NUMBERS.

Class of Articles.	Value of exports in 1902. Million £.	Weight attached to each class in forming the average.
Cotton yarns	7'4	4
Cotton manufactures	65'0	39
Woollen and worsted yarns	5'0	3
Woollen and worsted manu- factures	15'3	9
Linen manufactures	5'4	3
Machinery, hardware, &c.	21'0	12
Iron and steel manufactures	29'2	16
Ships	5'9	3
Apparel	6'3	4
Leather and manufactures thereof	4'4	2
Chemicals	9'6	5
	<u>174.5</u>	<u>100</u>

In a second table—too long for reproduction—the Board of Trade statisticians set out the articles selected to represent each group, with the average export price of each article for 1902. The typical classes of cotton goods are bleached, unbleached, printed, and dyed, the prices of which range from 2'0d. to 3'40d. per yard. The typical machinery includes textile machines, locomotives, and sewing machines. Iron and steel manufactures are represented by pig-iron, rails, galvanised sheets, tinplates, and steel bars. The three typical chemicals are sulphate of copper, caustic soda, and bleaching powder. Eleven tariffs—seven foreign and four colonial—are brought under review of the test list thus formed, and against each typical export is marked the percentage of duty to market value it would have to pay at eleven principal customs houses. The results arrived at are curious, and, we believe, indicate pretty accurately the incidence of the principal foreign and colonial tariffs on our export trade as a whole. The following numbers give the percentage of import duties to market values which our staple exports have to pay in the countries named:—

[PERCENTAGE

PERCENTAGE OF DUTIES TO VALUE OF IMPORTS FROM
UNITED KINGDOM.

Russia	131
United States	73
Austria-Hungary	35
France	34
Italy	27
Germany	25
Belgium	3
Canada	16
New Zealand	9
Australia	6
South Africa	6

This is one of the few original pieces of statistical work in the Fiscal Blue-Book, and its authors deserve more credit for it than they have yet received. It clears up quite a number of important points on which the public mind has hitherto been rather hazy. Even the short list of our staple exports which forms its starting-point will be valuable. Still more so will be the average prices of the selected articles. The calculation of the import duties and index numbers for eleven principal tariffs must have been a laborious task, and statisticians will welcome it not only for itself, but as a clear and definite example of how this kind of work may be most accurately done. Valuable help may be obtained from it in our present inquiry. It enables us, for instance, to illustrate a very significant contrast in the incidence of foreign and colonial tariffs on British goods. The

tendency among foreign tariffs is to bear most heavily on our special exports; among colonial tariffs it is the reverse. Below we tabulate the average percentages of customs duties to total imports on one hand, and to imports from Great Britain on the other, for two groups of countries—seven foreign and four colonial. The colonies, with one exception, treat British goods better than their average tariff. The foreign countries, without exception, treat them very much worse:—

INCIDENCE OF FOREIGN AND COLONIAL TARIFFS
(1) ON ALL IMPORTS; (2) ON BRITISH GOODS.

	Percentage of import duties.	
	To total imports.	To imports from U. K.
Russia	32·8	131
United States	28·0	73
Austria-Hungary	7·0	35
France	10·3	34
Italy	13·2	27
Germany	8·2	25
Belgium	1·9	3
Canada	15·0	16
New Zealand	20·0	9
Australia	9·0	6
South Africa	9·8	6

The above two columns exhibit contrasts full of significance. In nearly every case there is a substantial difference between the general level of import duties and the special level of duties on imports of British staples. Among the foreign tariffs this difference is invariably against British

goods, and among colonial tariffs it is always, with one exception, in their favour. The Russian average on British goods is no less than four times as high as the general average; the American is two and a half times as great; that of Austria-Hungary is five times, Germany three times, France fully three times, and Italy more than double. With colonial tariffs the difference, as a rule, is in the other direction. The average level of duties on British goods is in New Zealand less than one-half of the general average, in Australia a third less, and in South Africa the same. The one exception happens to be Canada, the colony which has posed lately as voluntary and gratuitous donor of preferential duties to the mother country. Her average scale of duty on imports of British goods is 16 per cent, as compared with a general average on all her imports of 15 per cent.

To some extent the exceptionally heavy tariffs applied by foreign countries to the special exports of Great Britain may be accounted for on ordinary protectionist grounds. They are comparatively high-priced articles, and high-priced articles naturally invite high duties. But allowing for this, there would seem to be also a certain amount of anti-British jealousy at work. The excess of these duties over the average level of the tariffs in question is too marked to be explained away on purely business principles. Even the most protectionist of our colonies show

no corresponding excess. With them the tendency is the other way, and that fact should be noted for whatever it may be worth.

Foreign tariffs on what may be called British specialities in international trade are undoubtedly much higher than colonial tariffs. As this point deserves clear illustration we have prepared two tables showing the specific duties levied on a number of representative British exports in the foreign and colonial markets now under comparison. They cover the chief groups included in the Board of Trade index list—to wit, cottons, linens, woollens, iron and steel, and machinery. The first selection of duties is from the tariffs of four of our principal foreign customers (United States, Germany, France, and Russia), and the second is from the tariffs of four of our leading colonies :—

[IMPORT DUTIES

IMPORT DUTIES ON BRITISH GOODS IN OUR LARGEST FOREIGN MARKETS, 1903.

	UNITED STATES.	GERMANY.	FRANCE.	RUSSIA.
A. Cotton Goods.				
Yarn cwt.	14/ to 112/	6/1 to 35/7	6/1 to £6 6 0	£2 17 2 to £5 4 4
Twist "	28/ " 112/	24/5 " 35/7	7/11 " 8 3 10	5 18 3
Tissues, unbleached . . . }	25 to 45 % <i>ad valorem</i>	26/ " £7 12 5	25/2 " 12 12 0	7 10 9 to 29 3 3
B. Woollen Goods.				
Yarn cwt.	£6 8 4 to £8 19 8, plus 40 %	4/1 to 6/1	11/5 to £2 2 8	£4 5 9 to £4 16 7
Twist "	£5 2 8 to £10 5 4, plus 30-50 %	12/2	13/10 " 2 9 2	4 16 7 " 5 12 4
Tissues "	£7 14 0 to £10 5 4, and 50-55 % <i>ad valorem</i>	1/6 to £11 8 8	20/4 " 5 17 10	10 16 3 " 26 16 9
C. Linen Goods.				
Yarn cwt. {	4 8 to 60/8 and 10-1	2/6 1/2 to 10/2	6/6 to £2 0 8	£3 4 11
Twist " {	40 %	18/4 " 30/6	8/5 " 3 9 1	5 18 3
Cloth "	4d. per sq. yard and 15-60 % <i>ad valorem</i>	6/1 " £7 12 5	9/7 " 14 14 7	28/2 to £28 6 2
D. Iron and Steel.				
Unwrought cwt.	rod. to 4/8	18 1/2 d. to 7/7	7 1/4 d. to 6/11 1/4 d.	2/11 1/2 to 7/10 1/2
Wrought "	4/8 " 5/6	12/4 " 30/6	12 1/4 d. " 32/6	13/9 1/2 " 39/5
Cutlery "	40 % <i>ad valorem</i>	5/1 " £4 8 11	8/2 " £9 15 2	10/10 " £6 14 0
Machinery "	45 % "	4/1 " 18/4	4/10 1/2 " 3 1 0	13/9 1/2 " 2 2 7
Brassware "	11/8 to 25/8	6/1 " 30/6	8/2 " 30/6	24/ " 6 14 0
Copper "	45 % <i>ad valorem</i>	6/1 " 30/6	8/2 " 30/6	24/ " 6 14 0

IMPORT DUTIES ON BRITISH GOODS IN OUR LARGEST COLONIAL MARKETS, 1903.

	INDIA.	AUSTRALIA.	SOUTH AFRICA.	CANADA.
A. Cotton Goods.				
Yarn	Free	Free	7½ % <i>ad valorem</i>	Under No. 40 15-25 % <i>ad valorem</i>
Tissues	Free, 3½ and 5 % <i>ad valorem</i> .	5-25 % <i>ad valorem</i>	Free to 20 % "	25-30 % "
B. Woollen Goods.				
Yarn	5 % <i>ad valorem</i>	5 % <i>ad valorem</i>	7½ % <i>ad valorem</i>	20-30 % <i>ad valorem</i>
Tissues	5 % "	Free to 25 % <i>ad val.</i>	7½-25 % "	25-35 % "
C. Linen Goods.				
Yarn	5 % <i>ad valorem</i>	Reaper Twine 5/ per cwt., others free.	7½ % <i>ad valorem</i>	Free to 25 % <i>ad val.</i>
Tissues	5 % "	Free to 20 % <i>ad val.</i>	Free to 7½ % <i>ad val.</i>	5-30 % <i>ad valorem</i>
D. Iron and Steel.				
Unwrought	1 % <i>ad valorem</i>	Free	Free	8/2 to 28/9 per ton.
Wrought	1-5 % "	12½-20 % <i>ad valorem</i>	Free to 7½ % "	30-35 % <i>ad valorem</i>
Machinery.	Free to 5 % <i>ad val.</i>	12½-20 % "	Free to 7½ % <i>ad val.</i>	10-30 % "

At first glance striking differences will be observed between the two tables of duties. The colonial rates are invariably much lower than the corresponding foreign rates. They are also much simpler, most of them being *ad valorem* duties, while the foreigners' are specific, with an occasional combination of the specific and *ad valorem* principles. Only Canada makes any approach to the average level of the four foreign tariffs. Australia holds a middle position, her 10, 15, and 20 per cent rates being only about half of the American scale, and less than half the Russian. On the other hand they are much higher than the South African average, and compared with them India's 1 to 5 per cent *ad valorem* duties look like free trade. The Indian tariff is one of the lightest in existence, hardly excepting our own. It is in fact a large free list, modified by 1 to 5 per cent *ad valorem* duties on some special imports. Yet this is the country which the Imperial Parliament has selected for penalising with 120 per cent duties on one of its chief exports!

The modern tariff problem has been greatly aggravated by the largest importing nation in the world having pharisaically and pedantically abstained from using its influence to check the growth of exorbitant tariffs among its commercial rivals. Years ago it might have said to them, "You are going too far; we don't object to fairly stiff tariffs, say, average duties of 20 or 30 per

cent, but 70, 80, and 130 per cent duties we protest against as inconsistent with friendly feeling among nations. They are as contrary to the principles of sound commerce as export bounties are, and if not reduced to a reasonable level we shall answer them with countervailing duties."

If the British Government were to put the case that way to half a dozen of the high tariff States, there would very soon be some climbing down amongst them. It would be quite as logical and as business-like on our part to enter a practical protest against excessive import duties, dumping, and other unfair methods of commercial competition as it was to revolt against sugar bounties. To insist on being treated by other nations as we treat them is a sentiment so strong in human nature that one day it will assert itself in spite of all our cosmopolitan sentiments and legends. When the provocation of hostile tariffs has been carried too far even for our abnormal patience, a British Legislature will declare that we can no longer submit to be penalised by prohibitive duties specially directed against British exports.

In justice, not only to ourselves but to the many nations which share our ardent desire for friendly commercial intercourse with the rest of the world, we shall have to raise the standard of fiscal equity and moderation. On a purely free-trade platform we can hope for no influence over other nations. In the present state of national armaments, and with the heavy expenditure they

entail, a large customs revenue is indispensable to every country which has anything of value to defend. To induce them to throw open their ports is a vain dream, but by the employment of suitable pressure, moral or fiscal, or both, they might be persuaded to return to a reasonable level of import duties.

CHAPTER XVIII.

OUR FOREIGN TRADE—*continued.*

V. ITS FUTILE TREATIES.

RESPONSIBLE public men who took part in the recent fiscal controversy did not always remember that they were giving pledges to fortune. It appears sometimes to have escaped their memory that platform maxims may, like curses, come home to roost. At the time, ear-tickling phrases about “fighting tariffs with free imports” and “making treaties by moral suasion” told well on a sympathetic audience, but they may fare very differently when put to a practical test.

On one side of the controversy it has been assumed—a little too confidently perhaps—that in fiscal matters we have a perfectly free hand, and may either advance or sit still as we feel inclined, regardless of what the rest of the world may do. This is a mistake which has often been made by our party politicians in like circumstances. They imagine that if they get a favourable verdict from the British electors all will be

well, and the action of foreign countries need not be taken into account. But this is a case where foreign countries may be more important factors than even the British electors.

For more than thirty years foreign governments have been taking a line of their own in fiscal affairs. They have been very little influenced by either our precept or our example. Not only do they intend to continue on this independent tack, but they are going faster and farther on it than they ever did before. Protectionist States were never so resolutely protectionist as they are to-day. Fighting tariffs were never so openly and frankly pugnacious. Treaties of commerce were never in such an unsatisfactory and perplexing condition. Never were so many of them in suspense, or under revision. Never were such a variety of commercial negotiations in progress, or waiting to be begun. Rarely have there been so many great and perhaps serious changes impending in the fiscal relations of the commercial Powers. The whole commercial world, in fact, is in a state of transition. It is passing from a fiscal *régime* that has been outlived into one which is but struggling into life.

With the single exception of Great Britain, all the great Powers are committed to new fiscal developments, and its passive resistance will not delay or retard them for a day. Even our own colonies may insist on taking part in these movements, with or without the sanction of the Home

Government. In the past decade several new forms of tariff have come into existence. Treaties of commerce are being negotiated to suit them, and when they are completed a new fiscal *régime* will have come into being. The Cobden form of treaty, dating from 1860, with its most favoured nation clauses, will go out of fashion like a last year's bonnet. No amount of passive resistance or of negative theory can stave off the coming changes. If we look on with folded hands the current will simply sweep past us. If we offer active opposition we may be swept away by it. The few treaty rights and privileges which our foreign trade retains may finally disappear, and we may be left high and dry to fight foreign tariffs with free imports in a more literal sense than we ever contemplated.

In international trade we have half a dozen of the keenest possible rivals not only working against us, but taking every advantage of the Quixotic altruism which we persist in regarding as free trade. Hitherto they have been held to some extent in check by commercial treaties, for which we furnished a model in 1860. The latter was framed on English ideas, and did the utmost possible at the time for English interests. Some of its safeguards—for instance, the most favoured nation clause—proved illusory in practice; nevertheless they were better than nothing. But under the new *régime*, which will be based on ideas quite foreign to us and our

fiscal system, both shadow and substance will disappear. The English type of commercial treaty will be superseded by a German type, which will give away as little as possible and get as much as possible in return.

What the German type of commercial treaty is to be under the latest imperial tariff we are left in no doubt whatever. It has been described to us in advance by German economic writers. Its spirit and aim can be learned from the numerous discussions in the Reichstag and elsewhere. A recognised fiscal authority, Dr Lotz, has thus described the ideal toward which "a country using protective tariff duties, and which does not wish to exclude itself from the commerce of the world," tends: "Perfect freedom to impose duties upon foreign products which compete with home agriculture or industry must be maintained, *but the country must also strive to prevent foreign countries from doing the same*"—that is, the utility of the protective tariff is advocated at home, *but every effort is made to prevent this idea from being exported.*

That goes even farther than the American M'Kinleyites have ever done. They were always prepared for a straight bargain with any foreign State, dealing with each separately and according to its special circumstances. They never believed in the "most favoured nation" principle or any other roundabout arrangement. And if our commercial treaty negotiators had had a little more

American shrewdness they might have long ago detected the hollowness of the "most favoured nation" proviso. It has been, in fact, a double illusion, having made the givers think they were giving away too much, while the receivers generally found that they were getting very little. In our own case it has produced an almost absurd amount of self-deception. Our chief exports are textiles and metal ware,—the two most competitive branches of international trade. Only the most advanced commercial nations are large exporters of textiles and metal ware. They would all much rather export than import them, consequently the last concessions they would make to each other are on such goods.

From an exporting point of view we need not greatly regret the threatened lapse of the "most favoured nation" clause. We have in practice gained very little by it, while it has often done us harm. To say the least it has been a check on the freedom of action which academic free-traders, like Mr Asquith, profess to value far beyond any commercial treaty. The Germans will take care to have as little of it as possible in the new type of commercial treaty they are preparing to introduce. The latter will have no make-believe about it, nothing but plain hard business. The Chamberlain movement may, however, operate as a warning to Continental protectionists not to push John Bull up into a corner lest he strike back in defiance of Cobden. His special

exports will, in any case, be most jealously watched, and wherever possible will be handicapped by commercial treaty-makers.

That the tendency of the future will be to build tariff walls higher and higher goes without saying, but there is another new danger in the air. The tariff wall-builders and commercial treaty-makers have learned their business very thoroughly of late. They know it much better than they did forty years ago, and it will be so much more difficult for our empty-handed negotiators to cope with them. They build much more ingeniously than they did, and their walls are not only higher but harder to get round. There will be few "most favoured nation" trap-holes or other openings left in them. They will be solid continuous walls, which the Cobden Club may knock its head against in vain.

The tariff of the future both in Europe and America is to be a fighting tariff, without any false modesty or affectation. For the same reason, the commercial treaty of the future is to be an uncompromising hard-and-fast bargain, with a minimum of diplomatic *finesse*. Both of them will be as different from their Pickwickian prototypes of 1860 as these were from the tariffs and treaties of an earlier day.

A very interesting and instructive comparison may be made of the successive types of commercial treaty to be found in our national history.

The Cobden group of 1860 had for their real object the bolstering up of the fiscal policy of 1846, which was already showing signs of weakness. Equally characteristic of the old *régime* were the Canning-Huskisson group of treaties negotiated in the decade 1820-30. These again differed from the eighteenth-century treaties, which form two separate divisions. The early part of the century is distinguished by the Methuen treaty with Portugal in 1703, while at the end of the century we have a wholly new group of commercial arrangements following the American Revolution, and necessitated by the appearance of a new independent State midway between our Canadian and West Indian colonies. This may be distinguished as the Pitt group, that far-seeing statesman having originated most of them, though he lived to complete only a few. They were a premature and, on the whole, not very successful attempt to apply the doctrines of Adam Smith to international trade.

These four successive groups of commercial treaties differed widely from each other, and great confusion of thought has resulted from not appreciating their respective peculiarities. The commercial treaty of to-day deals mainly with customs duties on foreign merchandise. The Huskisson treaties of 1822-26 dealt more with shipping, and were, properly speaking, treaties of navigation. The Pitt group were for the most part colonial in their objects, while that typified

by the Methuen treaty was partly political and partly economic. Portugal was then a desirable ally for sundry reasons, among others, the large gold revenue she drew from Brazil. She had no particular use for gold herself, while England had, and it was considered worth special concessions to Portugal on her wine and other exports.

Even the earliest ages of national trade had commercial treaties suited to their time, which, needless to say, was neither delicate nor scrupulous. In the thirteenth and fourteenth centuries the foreign trader was an enemy pure and simple. When he left his own country to travel or settle abroad he took his life and property in his hands. If he got wrecked on a foreign shore he and his goods were the lawful spoil of the natives. When he landed, it was only to encounter fresh risks and liabilities. He had to answer not only for his own debts but for those of his compatriots in the country. He could even be punished for the crime of a fellow-countryman. If he died, his whole property became forfeit to the Crown. Such outrageous conditions naturally provoked measures of self-defence. One of those was the organisation of foreign traders into leagues or guilds. Another was the appointment of agents or commissaries to act for them. In course of time these were recognised by their own Governments, and acquired a semi-official status. The name generally given to them—consul—had been

in commercial use from the time of the Crusades, if not earlier. Crusading expeditions invariably had an official who acted as banker and commissary. He took charge of property acquired either in war or by other means, and on the return home of the expedition he might remain behind as administrator.

This office suggested itself to the commercial towns and communities of a later age as a good example to follow. By-and-by nearly all towns of commercial note had their own agents or consuls in foreign States with which they traded—a custom which has its counterpart in the Chinese empire at the present day. The earliest treaties of commerce were made by these consuls, and, properly speaking, were “consular conventions”—a term that still survives in diplomatic terminology. But the conventions themselves have passed into oblivion. Modern commercial statecraft began with the Navigation Laws of Cromwell, and received its greatest development in the following (eighteenth) century. From the Methuen treaty of 1703 down to Pitt’s abortive convention with the new-born United States of America it made great strides. But all through the century ships and colonies predominated over goods. It was not till the middle of the nineteenth century that customs duties on goods superseded shipping dues as the chief concern of commercial diplomacy. When the free traders threw overboard the last remnant of the Navi-

gation Laws in 1849, they fancied that they were freeing trade for ever from the trammels of politics and diplomacy alike.

No small amount of legendary history has been put in circulation lately as to the period of fiscal transition, extending from Sir Robert Peel's first tariff reform in 1842 to the Cobden treaty of 1860. During this period Great Britain had to perform a double somersault at the instance of its fiscal reformers. It was first rushed from treaty-regulated trade into absolute free trade, and then back from absolute free trade to treaty-regulated trade. The main facts of this double change of front might have been expected to be familiar to all professed historical critics. One reads, therefore, with more than surprise, statements like the following in a recent number of 'The Edinburgh Review':¹—

Sir Robert Peel endeavoured for years to bargain with the assistance of a tariff, and it was only when wearied by unsuccessful efforts, as he himself stated, that he threw away his weapon and decided to fight hostile tariffs with free imports.

After his sudden conversion to free trade, Sir Robert Peel may in self-justification have used some casual phrase or two to which the above meaning can be attached, but right down to the date of that sudden conversion he expressed quite different views as to the value of commercial

¹ "Back to Protection," July 1903.

treaties. They were very forcibly stated in his historical speech introducing the new tariff and the revived income tax in March 1842. After specifying the chief reductions he proposed to make in the existing customs duties, he added that he was reserving a number of important articles for use in pending treaty negotiations. One passage deserves to be quoted in full, not merely for the benefit of the Edinburgh Reviewer, but for a still more important reason,—to show that the position which has been taken up by Mr Balfour is virtually identical with that adopted by Sir Robert Peel on the threshold of his fiscal reforms in 1842.

While Sir Robert was delivering the prologue of his speech, Mr Gladstone sat beside him with the schedules of the proposed reductions. Then, taking the handful of schedules from Mr Gladstone and laying them on the table, “amidst great cheering from all sides of the House,” as Hansard records, he proceeded thus:—

Now, Sir, speaking generally, I think that out of the 1250 articles in the tariff it is proposed to reduce the duty on 750. On all those articles which enter into manufactures as chief constituent materials there remain about 450 articles on which it does not appear necessary for the interests of commerce and for the interest of consumers to make any deduction of duty. But on 750 duties out of 1200 I do propose deductions—some of them most material. Now there are some very important articles on which we do not propose to make any reduction, partly from considerations of

revenue exclusively, and partly on this account, that we found on entering office there were negotiations pending with many States in respect of proposed commercial treaties, and we have done all we could to continue these negotiations, commencing also some with other States. We have at this moment a treaty pending—commenced under the auspices of the noble lord opposite—with Portugal, and I firmly believe that had it not been for recent events disturbing the peace of that country this treaty would ere now have been completed. We have opened communications with Spain for the purpose of forming a commercial treaty with that country; strongly urging on it the policy of encouraging international commerce. As to this treaty, I can only say that the proposition was favourably received. We have, further, negotiations pending with Sardinia and with Naples, and we have commercial treaties arranging with South American States. We have, moreover, intimated to France our earnest desire to resume negotiations for the completion of a commercial treaty founded on principles, as I believe, of reciprocal benefit, and having a tendency to strengthen the ties of amity and friendly feeling between the two countries.

In the above extract there is not much sign of Sir Robert Peel “having endeavoured for years to bargain with the assistance of a tariff,” and then been forced by failure and disappointment to throw away his weapon. He had at this time (1842) just come into office, and it was only four years later that he repealed the Corn Laws. He must have been easily “wearied by unsuccessful efforts” if he could not hold out for three or four years. And he must also have been rather

hard to please, because a fair proportion of his commercial negotiations ended successfully. In 1842 he took credit for keeping something in hand to negotiate with, and he was consequently in a much better position to bargain than his successors are at the present day. If his commercial treaties were so disappointing to him, what would he have thought of the futile efforts—the brick-making without straw—to which our Foreign Office is now condemned?

He may have been right or wrong in his new policy of free imports, but in any case he was logical enough to see that free imports and commercial treaties could not live together. The one had to be sacrificed to the other, and commercial treaties were in fact given up until Mr Cobden, fourteen years later, discovered that they might give a much-needed fillip to free imports. They did for a short while; but the comedy of bargaining with an empty hand has now been played out for all but political philosophers like Mr Asquith, the negotiator *par excellence* “by argument, by free, full, and unfettered discussion of the economic facts of the present day.”

Whatever Sir Robert Peel's final opinions about commercial treaties may have been, we may be sure that he would always have preferred flesh-and-blood treaties to anything that could be produced by Mr Asquith's sentimental process of “free, full, and unfettered discussion of the economic facts of the present day.” With him,

as with all genuine statesmen, an ounce of solid fact was worth a pound of rhetorical theory. We may judge so at least from the following further extract from his tariff speech of 1842 :—

Now [he said], while these treaties are pending, there are several articles which would enter into discussions with these States, and in respect to which, therefore, I shall humbly advise the House not to make any material relaxation. *I will not now enter upon the question whether it be or be not wise to make reductions of duties on imports without reference to corresponding relaxations, but I do think that when we make such reductions we ought to do our utmost to procure from foreign countries benefited thereby corresponding relaxations. Nor can I deem it wise to diminish the hope of satisfactorily arranging these relaxations with foreign nations by rashly reducing the amount of duties on articles which must form the bases of negotiation.*

It is true that four years later, in 1846, Sir Robert Peel reduced or abolished other duties, including that on corn; but there was nothing inconsistent in that with the theoretical position he took up in 1842. The corn duty had seldom if ever been a subject of treaty negotiation with foreign States. It had never been of sufficient importance from a revenue point of view. The Corn Laws having been protective pure and simple, the idea of revenue had never been associated with them. Their frankly expressed object was to keep out foreign grain until home-grown grain rose to a certain minimum price. Their repeal— which by the way did not take effect till 1849—

was the removal of a prohibition rather than of a duty.

The Edinburgh Reviewer would have been nearer the mark had he said of his own friends, the Whigs of Peel's time, that they threw away their fiscal weapons and resolved to fight hostile tariffs with free imports. That is exactly what they did do as soon as they got the chance. They not only cleared the decks of customs duties and Navigation Laws, but they announced that trade was in future to be quite independent of diplomatic assistance. They threw away the last of their fiscal weapons, and then glorified in their defencelessness. So pig-headedly consistent were they that a considerable section of them objected to the Anglo-French treaty of 1860 as being at variance with the true gospel of 1846, and a dangerous relapse from the pure altruism of free imports. For doing so they brought down on themselves a heavy and well-merited rebuke from Mr John Morley. In his biography of Cobden he said of them: "It is absurd to quarrel with the treaties because they do not sound in tune with the verbal jingle of an abstract doctrine."

Undismayed by Mr Morley's sarcasm, the old Whigs persisted in being more Cobdenite than Cobden himself, and when the Anglo-French treaty was being renewed twenty years later, the last survivor of them, Earl Grey, once more raised his testimony against it. In August 1881,

his lordship wrote two long letters to 'The Times' on the pending negotiations for the renewal of the treaty. Referring to the rumour that they had been suspended, he expressed his conviction that "what would be best for the country would be that the negotiations should be at once finally closed, and that we should avail ourselves of the opportunity of reverting to the rule which used to guide the measures of our Government with reference to trade,"—in short, to the original platform of 1846. This he proceeded to define as follows:—

When the general policy of free trade was sanctioned by Parliament, the rule was adopted as an essential part of that policy that duties of customs were in future to be imposed only for the purpose of raising revenue; that the rates of duty to be charged on imports were to be the same on the same articles wherever they might come from; that the amount of the duties charged on British produce by other nations was not to be considered in determining what duties were to be levied by ourselves; *and that these were not to be made a subject of negotiations or of treaties with foreign Powers.*

Such was the free trade creed as originally understood and interpreted by the Whig party. On these lines it was practically administered for the first fifteen years of its operation—1846 to 1860. These same principles the Whig leaders had preached and acted on for years before free trade was carried. Differential duties and commercial treaties were alike anathema to them as well as to their Manchester allies. Non-inter-

vention in foreign politics was as fervid a shibboleth with them as no tariffs. During their ten years of office after the Reform Bill they had various opportunities of negotiating most favourable treaties of commerce, but philosophical consistency forbade them to touch the forbidden fruit. They were so sternly unbending, that now and then a follower with some glimmering of practical sense and experience would revolt against them. The late Sir John Bowring—then plain Mr Bowring—gave some curious evidence of this sort before the Select Committee on Import Duties in 1840—the once celebrated Deacon Hume's committee. He had been employed on a confidential mission to the continent, and appeared before the committee as a foreign trade expert. Among other things, he gave them the following account of the lately formed Prussian Zollverein :—

When the German Commercial Union was first established in 1832 many attempts had been made by the German States to bring about a change in the British tariffs, and it is my belief that the Union itself never would have been formed if liberal commercial treaties could have been entered into with the States individually composing the Union.

Here we have it on the authority of one of the most active free trade pioneers—a philosopher of the philosophers and a Radical of the Radicals—that the smaller German States were driven into the arms of Prussia, both commercially and polit-

ically, by our “non-intervention” pedants, who would have nothing to say to them in the way of business because, forsooth, Governments should not interfere in commercial affairs either home or foreign. If it be untrue of Sir Robert Peel that he wearied himself out with unsuccessful negotiations, it is much more untrue of the Whig leaders. Their public record is perfectly innocent of commercial treaties, but it abounds in opportunities of securing reciprocal concessions from other Governments which they deliberately sacrificed. They disdained to bargain about anything that could be given away for nothing.

Some of their diplomatic exploits, in the first glow of fiscal self-denial, might almost have suggested that they had adopted as their motto, “Never bargain about things that can be thrown out of the window.” As an actual fact, while they were engaged in wiping from the statute-book the last remnant of the Navigation Laws, which would have saved us the £150,000 a-year now being paid to the Cunard Company for flying the British flag on the Atlantic, the Whig Ministers of 1849 received again and again from foreign Governments offers of reciprocal concessions. They were too magnanimous, however, to entertain them. Nothing worldly or selfish could be allowed to interfere with the working of their newly discovered fetish. An episode recorded by Mr W. S. Lindsay, in his ‘History of Merchant Shipping,’ amusingly illustrates

their superhuman disregard for ordinary business principles.

In the autumn of 1847, when Earl Grey's Cabinet had decided to deal with the Navigation Laws, though it was still unknown how far they were prepared to go, the American Minister in London, Mr Bancroft the historian, broached the subject to the Foreign Secretary, Lord Palmerston. In a personal interview he said, "We are ready to do anything you like: if you can do but little, we must do little; if you can do much, we will do much; if you shall do all, we shall do all." Some difference of opinion arose afterwards as to the scope of the last clause, but the United States Government was certainly prepared to go a long way in reciprocal concessions. Nearly twenty years before (1828) the President had been authorised by Congress to grant by proclamation shipping privileges in the States to any nations willing to reciprocate. All that time the offer had been open to Great Britain as to other maritime countries, but no notice had been taken of it. It was still open in 1847, and a reciprocity treaty of navigation with the United States would have practically neutralised the worst defects of the Navigation Laws.

But the Whig leaders thought this too short a cut to their goal. They preferred to take a roundabout way. To Mr Bancroft's formal offer of reciprocity Lord Palmerston replied (17th November 1847): "It is our intention to propose

to Parliament, without unnecessary delay, measures which would enable us to place our commercial intercourse in regard to the matters to which your note refers on the most liberal and comprehensive basis with respect to all countries which shall be willing to act in a corresponding spirit toward us." Clearly, neither Lord Palmerston nor Earl Grey had at this time any thought of sweeping away the Navigation Laws entirely. It was only when the Radical wing of their party rushed them into it that they screwed up their courage to complete abolition. The astute Americans, who had offered little for little and much for much, were, two years later, given the run of our whole shipping trade, without a suggestion of *quid pro quo*. France, which had politely declined beforehand to reciprocate, was also agreeably surprised in 1849 at having all our trump cards handed over to her as a free gift. By simple use of the weapon in hand, reciprocity might have been made so general that the Navigation Laws would have been suspended as regards all important branches of the shipping trade and all the principal shipping countries. But pedants preferred a clean slate to a *quid pro quo*.

Mr Cobden, to do him justice, was not a pedant, nor did he ride consistency to death like the Whig leaders. When, after fourteen years of unqualified free trade and non-intervention, he found that they were not making the headway he had anticipated, he was not too proud to look

around for auxiliary aids. The Emperor of the French appeared to furnish what he wanted. For reasons of his own he was cultivating British goodwill, and Mr Cobden, like a practical statesman, turned his friendly disposition to account. He picked up again the diplomatic weapon which had been too hastily thrown down in 1846, and concluded a treaty which was a *coup* in its way. Though openly at variance with the free trade creed as hitherto preached, he induced his followers to accept it as the genuine article. It brought commercial treaties into fashion again, and fifteen years later (1875) we find the Cobden Club rejoicing over a long array of them as the ripest fruits the Cobden doctrine had yet produced.

What if the Whig Buddhists should grumble and denounce the Anglo-French treaty as heterodox: all the stalwart free-traders could be easily convinced that it was not. Moreover the emergency was urgent. The flood-tide of foreign trade had begun to turn. Europe, on which Mr Cobden had built his principal hopes, was responding least satisfactorily of all to the new gospel. In 1859 its purchases of British goods had not only ceased to increase but were actually declining. Something had to be done to prevent the cause falling into discredit, and France offered the best available opportunity.

These and other curious confessions were made years after in the annual report of the Cobden Club for 1875. By this time treaties of com-

merce were more popular among regulation free-traders than free trade itself. Unlike it, they were tangible and definite facts, not theoretical doctrines. The commercial treaty *régime* is consequently to be distinguished from the original fifteen years of pure Cobdenism. It was quite a different era, and, on the whole, a more fortunate one than its predecessor. But it too has had its day, and the ever-increasing difficulty of renewing commercial treaties, whether on a free trade or a protective basis, bodes ill for their future. Diplomats who have had the greatest experience in negotiating them have least faith in their permanence. The most important of them are at present in a sort of purgatorial state. They have legally lapsed, and are only renewed from year to year by way of marking time.

By some of their many foreign correspondents the Cobdenites might well be cautioned against overdoing their abuse of Mr Chamberlain as a disturber of their peace and self-complacence. He has only precipitated a crisis which was gathering already, and would have had to be faced anyhow. The fabric of commercial treaties founded by Mr Cobden in 1860 was tottering long before Mr Chamberlain laid a finger on it. A deadlock had arisen which would have compelled us, whether we liked it or not, to reconsider our fiscal position—we do not say policy, because free imports are not a policy, and never have been. The second stage of

Cobdenism is breaking down as the first did, and even if the Cobdenites had had a free hand, undisturbed by fair-traders, or preferentialists, or imperial reciprocity men, they would still have required to alter their course to some extent. If they were to defeat Mr Chamberlain at the poll they would find Banquo's ghost waiting for them when they came into office. The first question they would have to tackle as Ministers, would be the one they are trying to choke off as leaders of Opposition. Our fiscal system, in so far as it rests on moribund treaties of commerce, requires to be completely overhauled.

The Cobden Club itself is our authority for the statement that there was an essential difference between the original *régime* of pure Cobdenism (1846-1861) and the second *régime* (1861-1902) of Cobdenism qualified by treaties of commerce. In the introduction to its annual report for 1875 the two are most carefully distinguished, and the confession is frankly made that the second was called for by the shortcomings of the first:—

The reforms which preceded and followed the repeal of the Corn Laws, as well as that decisive measure itself, were made without any attempt to secure the co-operation of other countries. This may have been at the time and under the circumstances the best policy to pursue; but at all events the hope that foreign nations would profit by our experience and follow our example was signally disappointed. *During the fifteen years which succeeded the repeal no reductions of any importance were made in the tariffs of Europe:* and great as

was the impulse given to our export trade by the independent remission of duty upon our imports, the restrictions upon our trade still maintained in foreign countries began after a time to be seriously felt. The value of the trade in British exports to the European countries with which treaties have since been concluded amounted in 1847 (the year after the repeal) to £18,394,000. In 1856 it had advanced to £35,936,000. *In 1859 it had fallen to £32,489,000.* It was at this period that Cobden and Chevalier conceived the idea of the Anglo-French treaty, and the Governments of England and France had the wisdom and the courage to conclude it. A necessary consequence was the conclusion of fifty or sixty similar treaties, to which reference has already been made, and by which the tariffs of Europe have been reduced by about 50 per cent.

There is here an explicit admission of a change of ground, together with an elaborate list of excuses for the change. If the present leaders of the Cobden Club were to be as candid as their predecessors of 1875, they would admit to-day that the treaties of commerce called in to supplement free trade have been as disappointing as free trade itself was without them. It is no doubt a painful dilemma they find themselves in, and it entitles them to the deepest sympathy even of their opponents. But rhetoricians, like ordinary mortals, are subject to the historical law of evolution. If free imports have had their day, and commercial treaties have had their day, we must look out for something else. And if, instead of looking out for the coming change,

we prefer to scream about the big and the little loaf, the law of historical evolution will simply march over us and leave us screaming.

All the commercial nations, small and great, are being drawn into an economic vortex which the strongest of them is powerless to resist. The creeds and catchwords of a past age, the legends and the maxims of a bygone generation, will be of no avail against it. Neither the dead Cobden nor the living Chamberlain can rule the storm that is gathering over us. Only clear heads and brave hearts can hope to struggle through it. And the end may be a very different world to that of 1846.

If Mr Cobden had been alive to-day, how would he have dealt with the existing situation? Would he have stuck like a Whig pedant to a form of treaty which experience has proved to be futile and useless, or would he have exercised his practical sense and tried to find something better? To borrow his biographer's sarcasm on the Whigs of 1860, would he have opposed any change which "did not sound in tune with the verbal jingle of an abstract doctrine," or would he have moved with the times as he did in 1860? There is one question, however, as to his possible line of action which hardly need be asked, the answer is so obvious to every man of business. It is quite superfluous to speculate on what he might have thought of Mr Asquith's treaty-making by moral suasion.

CHAPTER XIX.

OUR FOREIGN TRADE—*continued.*

VI. ITS DEBIT BALANCE.

IF the Board of Trade returns represented the whole of our trading account with foreign nations we ought long ere now to have been in a bad way. It is exactly eighty years since our exports and imports balanced each other, and ever since then the balance has been going steadily against us. Nor have the gold and silver movements of these eighty years done much to correct it. On the contrary they have almost invariably shown an adverse balance of their own; small, it is true, compared with the adverse balance in commodities, but large enough to form another puzzling factor in the problem. Very moderate study of the gold and silver movements will lead us to the conclusion that they have little influence on, or connection with, our foreign trade. They have a sphere of their own, more closely associated with international finance than with exports and imports of goods.

In order to correct exaggerated ideas of the balance of trade, it should be approached from the side of international finance. Inasmuch as the volume of banking and financial transactions passing between nations is far larger than the volume of commercial transactions, the former must of necessity have greater effect on international balances. There are no data available to show or even to give us the vaguest idea of the aggregate value of banking and bourse securities which are exchanged between nations in the course of a year. We may be sure, however, that it immensely exceeds the value of the merchandise so exchanged. But of the latter we have some definite records more or less reliable. In default of better we must begin with them, and proceed in the hope that fresh light may arise later on. Our adverse trade balance, or, as we generally call it, the "excess of our imports over our exports," is now a notorious indisputable fact. It is also well-known to be a steadily increasing balance, but how rapidly it is growing few suspect. Its progress from 1823 onward may be seen at a glance in the following tables:—

[TABLES

Foreign Trade—Its Debit Balance. 367

A. OUR FOREIGN TRADE, 1823-1903.

Year.	Imports for home consumption.	Foreign goods re-exported.	Domestic exports.
1823	£35,798,000	£8,604,000	£35,373,000
1828	45,167,000	5,946,000	36,813,000
1833	45,944,000	9,834,000	39,667,000
1838	61,258,000	12,711,000	50,062,000
1843	70,215,000	13,956,000	52,280,000
1848	93,547,000	18,377,000	52,849,000
1853	123,099,000	27,745,000	98,934,000
1858	164,584,000	23,174,000	139,783,000
1863	248,919,000	50,300,000	196,902,000
1868	294,694,000	48,100,000	227,780,000
1873	371,287,000	55,840,000	311,005,000
1878	368,771,000	52,635,000	245,484,000
1883	426,891,000	65,637,000	305,437,000
1888	387,636,000	64,043,000	298,577,000
1893	404,688,000	59,043,000	277,138,000
1898	441,809,000	60,655,000	294,014,000
1903	473,349,000	69,557,000	290,890,000

B. EXCESS OF IMPORTS OVER EXPORTS.

Year.	Excess of merchandise imports.	Excess of gold and silver imports.	Total excess.
1823	£425,000	...	...
1828	8,354,000	...	...
1833	6,277,000	...	...
1838	11,196,000	...	...
1843	17,935,000	...	...
1848	40,698,000	...	...
1853	24,165,000	...	...
1858	24,801,000	£9,864,000	£34,665,000
1863	52,017,000	3,487,000	55,504,000
1868	66,916,000	4,632,000	71,548,000
1873	60,282,000	4,700,000	64,982,000
1878	123,287,000	5,737,000	129,024,000
1883	121,454,000	810,000	122,264,000
1888	89,059,000	558,000*	88,501,000
1893	127,570,000	2,656,000	130,226,000
1898	147,795,000	6,186,000	153,981,000
1903	182,459,000	265,515*	182,193,485

* Excess of exports.

Starting from 1823, when our imports and exports were in practical equilibrium, we may divide the subsequent eighty years into four periods of twenty years each. In the first of these periods an adverse balance was developed, which, beginning in 1823 with less than half a million sterling, had by 1843 swelled to 18 millions. In the second period (1843-63)—the infancy of free trade—it shot up from 18 millions to 52 millions sterling—almost a threefold increase. In the third period (1863-1883) it again doubled itself, having risen from 52 millions to 121 millions sterling. The fourth twenty years (1883-1903) has witnessed a further increase of 50 per cent.

A problem involving one hundred and eighty-two millions sterling a-year, and growing larger every year, is not to be lightly treated. Not only has it absolute magnitude, but it has even greater relative magnitude. The excess of our imports over our exports in 1903 is considerably larger than the total amount of our imports at the close of the Crimean War. It is very nearly as large as the gross value of our exports—home, colonial, and foreign—in 1863. It is larger than the total value of our domestic exports in 1869—little more than thirty years ago. It is fully two-thirds of the total value of these exports in 1893—only ten years ago. It is not far from two-thirds of their total value to-day.

The excess of our imports over our exports

is in fact the most progressive feature of our foreign trade. Since 1863, when it first became a very substantial fact, it has multiplied almost fourfold, though in the same period the imports themselves have gained only 80 per cent and the exports exactly 50 per cent. Comparisons starting from 1872 are nowadays tabooed, therefore we pass on to 1873. Since that year the excess of imports over exports has multiplied fully threefold, while the imports themselves have increased barely 40 per cent and the exports have materially diminished. As compared with 1883, the imports show an increase of 25 per cent, while the exports are stationary, but the adverse balance has gone up quite 50 per cent.

This continually growing adverse balance is the problem of our foreign trade, and little wonder that it should cause some concern to thoughtful economists. It has sent many of them to the Board of Trade returns to search anxiously for a possible explanation. Everything that promises to throw any light on the problem has been scanned with eager eyes. Every investigator has made discoveries which he thinks important. Each has fixed on some particular item, or group of items, which may prove to have a certain bearing on the adverse balance. The most plausible of these theories is the one which assumes a possible connection between it and our food imports—by far the largest factor in our foreign trade. In the above Table B it will be noticed that up to the

end of the protectionist *régime* the adverse balances were very trifling. In 1833 they were only $6\frac{1}{4}$ millions sterling, and in 1838 little more than 11 millions.

It is an odd coincidence, if nothing more, that the first adverse balance of any size immediately followed the initiation of Sir Robert Peel's tariff reforms. Between 1838 and 1843 there was a jump from 11 millions to 18 millions sterling. But that was thrown into the shade by the much larger advance made in the next five years. The adverse balance of 1848 approached 41 millions, and simultaneously our food imports started on the rapid development which in the course of two generations has multiplied them about eight-fold. All through these sixty years there has been a remarkable correspondence between the two movements. The food imports and the adverse balances have from 1843 onward moved as it were on parallel lines. Whether we take short periods or long ones, or even single years, a singular correspondence is to be observed between these two principal features of our foreign trade.

In the last thirty years their progress has been almost identical. Between 1873 and 1903 food imports increased from less than 130 millions to 232 millions, a gain of 102 millions. In the same period the adverse balance of our foreign trade rose from 60 millions sterling to 182 millions. That our general imports apart from food were not to blame for this unfavourable result is proved by their comparative stagnation. It will be seen

from Table C that, instead of increasing, as our food imports did, they were actually smaller in 1903 than they had been in 1873. They have had sharp rises and falls, having gained nearly 60 millions sterling in the quinquennium 1868-73, lost 40 millions in the next quinquennium, 1873-78, recovered fully 56 millions in 1878-83, and dropped about 43 millions in 1883-88. From 1888 to 1898 they remained stationary in the neighbourhood of 220 millions sterling, while in the past five years of flourishing trade they have gained only 13 millions.

C. EXCESS OF IMPORTS ANALYSED.

	Total excess, including specie.	Food imports.	Imports other than food.
1853	24,165,000	56,992,000	£66,107,000
1858	34,665,000	...	...
1863	55,504,000	...	...
1868	71,548,000	110,247,000	184,447,000
1873	64,982,000	129,920,000	241,367,000
1878	129,024,000	167,065,000	201,706,000
1883	122,264,000	165,522,000	261,369,000
1888	88,501,000	169,520,000	218,116,000
1893	130,226,000	184,664,000	220,024,000
1898	153,981,000	214,122,000	227,687,000
1903	182,193,000	232,505,000	240,844,000

The above table leads us to the very important conclusion that our general imports, and especially our industrial imports, have had little or no effect on the growth of our adverse trade balance. A trade which does not vary more than twenty millions sterling in fifteen years can have contributed little to a movement which in the same

period has expanded by nearly one hundred millions. It is in our food imports that the bulk of the additional hundred millions is to be found. But, says the rigid economist, food is also raw material. That depends, however, on the eater. If he be a *bonâ fide* producer his food is raw material, and becomes replaced by a tangible or intangible product for which society may be in some way better off than it was before. But if the eater be a non-producer, his food must be equally non-productive.

Even granting the contention of the rigid economist that food may be raw material, it must be restricted in practice to the comparatively small section of the community who use it productively. In the United Kingdom, notwithstanding its high-developed industrial organisation, only about one-third of the population are regular and systematic workers. According to the census of 1901, no more than $14\frac{1}{4}$ millions out of 42 millions were returned as having definite professions or occupations. The food of these $14\frac{1}{4}$ millions might be fairly regarded as raw material, in the sense of making a direct industrial return. But the food of the other $27\frac{3}{4}$ millions has to be classed as expenditure without any industrial result. That portion of our imported food which they consume—and it is quite two-thirds of the whole—has to be met out of income which does not reproduce itself. As to the other third which does, or at least may, reproduce itself, there should be some means of tracing it either in the

increase of our exports or in additions to our stock of domestic commodities. But here, again, official statistics completely fail us.

At one time the precious metals were popularly regarded as the mysterious adjusters of our foreign trade balances. That delusion may still survive in the Minorities or at the antipodes, but it has vanished from business circles. Specie movements are insignificant compared with those of mercantile exports and imports. The net balances they show year by year are still more insignificant, and latterly they have been as a rule on the import side. Instead of helping to solve the problem of our excessive imports, they tend rather to aggravate it.

In the course of nearly half a century (1858-1903) the total movement of the precious metals—namely, imports and exports combined—has never reached 100 millions sterling, less than a ninth of the annual value of our merchandise imports and exports. The net balance has seldom reached 10 millions sterling in any year, and frequently it has been under one million. The silver movement by itself shows very irregular results—in some years an equilibrium between imports and exports, in some an excess of imports, and in others an excess of exports. Since the depreciation of silver became acute an excess of exports appears to have been the rule. Instead of adding to our stock, as in the case of gold, we are reducing it. But at best the yearly balance is insignificant. While London continues

to be the silver market of the world, in the limited sense that silver prices are fixed here daily, the proportion of the total output that actually passes through London is very small.

The movements of gold are more regular than those of silver. Imports are almost invariably in excess of exports, and the excess has shown of late a marked tendency to increase. In 1893, 1898, and 1903 a considerable share of the total importation was retained, so that the national stock of gold must be growing steadily, while our stock of silver is as steadily diminishing. But, as has been already stated, the whole movement of the precious metals is unimportant beside the movements of securities and merchandise. The following tables show that even when specie movements are largest the net annual balances are comparatively small. Only once in the past half century did the net import of gold and silver combined approach ten millions sterling, and four or five millions was the normal average:—

SILVER MOVEMENTS, 1858-1903.

	Imports.	Exports.	Excess.
1858	£6,700,000	£7,062,000	£362,000 (exp.)
1863	10,888,000	11,240,000	352,000 "
1868	7,716,000	7,512,000	204,000 (imp.)
1873	12,988,000	9,828,000	3,160,000 "
1878	11,551,000	11,718,000	167,000 (exp.)
1883	9,468,000	9,323,000	145,000 (imp.)
1888	6,214,000	7,615,000	1,401,000 (exp.)
1893	11,913,000	13,590,000	1,677,000 "
1898	14,678,000	15,624,000	946,000 "
1903	10,310,000	11,466,000	1,156,000 "

GOLD MOVEMENTS, 1858-1903.

	Imports.	Exports.	Excess of imports.
1858	£22,793,000	£12,567,000	£10,226,000
1863	19,143,000	15,303,000	3,840,000
1868	17,136,000	12,708,000	4,428,000
1873	20,611,000	19,071,000	1,540,000
1878	20,871,000	14,968,000	5,903,000
1883	7,756,000	7,091,000	665,000
1888	15,788,000	14,944,000	844,000
1893	24,835,000	19,502,000	5,333,000
1898	43,723,000	36,590,000	7,133,000
1903	28,657,000	27,766,000	891,000

MOVEMENTS OF GOLD AND SILVER, 1858-1903.

	Imports.	Exports.	Excess of Imports.
1858	£29,493,000	£19,629,000	£9,864,000
1863	30,031,000	26,544,000	3,487,000
1868	24,852,000	20,220,000	4,632,000
1873	33,599,000	28,899,000	4,700,000
1878	32,423,000	26,686,000	5,737,000
1883	17,224,000	16,414,000	810,000
1888	22,001,000	22,559,000	558,000*
1893	35,748,000	33,092,000	2,656,000
1898	58,400,000	52,214,000	6,186,000
1903	38,967,000	39,233,000	266,000*

* Excess of exports.

A clearer demonstration could not be asked for than the above figures give that the precious metals are an insignificant factor in our foreign trade, and quite incapable of doing much toward the redress of its adverse balance. It is equally clear from Table C that our merchandise imports—meaning imports other than food—are respons-

ible for a very small part of the adverse balance. In the past thirty years they have only fluctuated up and down without making any permanent advance. The one item that has been progressive, and the progress of which has been sufficient to account for the whole adverse balance, is food. The growing excess of our imports is simply and entirely due to the food-supplies we draw from abroad. As these increase, the excess of our imports will have to increase along with them. And that is a somewhat appalling prospect.

Seeing that we have long ceased to trouble ourselves about our home supplies of food, and that they tend downward instead of upward, it follows that every addition to the existing population will have to be fed from abroad. The next census will find at least four million more people in these islands than there were in 1901. If we estimate the cost of their foreign food at only £8 per head per annum, it will amount to 32 millions sterling. That is the minimum increase we may expect to find in our food imports, and consequently in our adverse balance of trade in 1911. It may easily be twice as much, but an increase of 32 millions sterling every ten years will become in course of half a century a decidedly embarrassing problem.

CHAPTER XX.

OUR INVISIBLE EXPORTS.

STATISTICIANS have seldom got into such close touch with practical politics as in the discussion of our excessive imports. Since they first took up the question fully thirty years ago, it has grown steadily in interest as well as in magnitude. Now it is generally recognised as one of the questions of the day. It has had a front place in the recent fiscal controversy, and several prominent politicians have taken it under their special care. Lord Goschen frequently patronises it, and Mr Shaw Lefevre may almost be regarded as a competitor of Sir Robert Giffen in the new branch of speculative statistics to which it has given rise.

The late Mr Newmarch started the inquiry in 1878, and in 1881 Mr Giffen, as he then was, undertook to teach us the scientific use of export and import figures. He read before the Royal Statistical Society a voluminous paper, in which the vagaries of foreign trade statistics were strikingly illustrated. He gave prominence to

the question which was then as puzzling as it is still—"How is the large excess of our imports over our exports paid for?" And he found a sort of answer to it in a number of items outside the Board of Trade returns which he christened "invisible exports."

Whatever may be thought of Sir Robert Giffen's calculations and conclusions, it is indisputable that he rendered one invaluable service to this discussion. He first surveyed the field of inquiry and marked out its boundaries. He defined the issues to be contested and specified the principal factors to be taken into account. The nomenclature he adopted would alone have been a valuable contribution, and statisticians have shown their appreciation of it by using it ever since. Nearly all the technical terms employed in this controversy we owe to Sir Robert Giffen. Technical terms and definitions appear to be his special forte. They are also the root of his special weakness. He makes too much of them, and is often led far afield in hunting for proof of a favourite definition.

Twenty years ago, when he first broached the subject, Sir Robert Giffen's main plea in extenuation of our adverse balance of trade was that we should not consider it peculiar to ourselves. It was more or less common to all commercial nations, as he proceeded to illustrate by a gigantic tableau of the imports and exports of eighty-seven different countries. Their aggregate imports

were 1768¾ millions sterling and their exports 1606 millions sterling, showing an adverse balance for the whole group of 162½ millions. But the force of this plea was greatly weakened, if not wholly destroyed, by the fact that one nation out of the eighty-seven—Great Britain—was chargeable with 104¾ millions of the excess, leaving for the other eighty-six only 57¾ millions. This induced Sir Robert to make two or three rather damaging admissions. His anxiety to state everything with judicial fairness often leads him into such tactical errors.

He confessed that it was possible the United Kingdom was specially unfortunate in such a comparison, as “we have always had an excess of imports in this country.” Historical accuracy compels the remark in passing that the excess of imports only began in 1823, and did not become serious till forty years later. Sir Robert has still another weakness which he indulged on the occasion in question. He cannot always resist the temptation—often very strong in intricate calculations like his—to shape the issue to suit his figures. After admitting the magnitude of the adverse balance, he turned it off with another consoling reflection—“The only novelty to be inquired into is clearly *the increase of the excess.*”

But since 1881 the “increase of the excess” has ceased to be a novelty; it has become monotonous. The 104 millions sterling of 1881 has in the

intervening twenty years wellnigh doubled itself. The "invisible exports" which sufficed in 1881 to fill up the gap between exports and imports are not more than half enough nowadays. Worse still, serious doubts have arisen as to the scientific value of Sir Robert Giffen's method of filling up the hole. As, however, it is still the only method available, and as it has been freely used in a recent revival of the old controversy, it merits careful description. He suggested two answers to the question—"How was the excess of imports to be accounted for?" The first was that there must be a large sum due to us annually as a carrying nation; and the second that another large sum must be coming to us annually as interest on foreign investments.

Very elaborate and peculiar calculations had to be resorted to in order to arrive at discussable estimates of these respective amounts. The 162 millions sterling of aggregate excess of imports over exports ascertained for the eighty-seven nations above referred to was taken as a starting-point. Sir Robert parcelled it out into so much for commissions and miscellaneous charges (32 millions sterling) and so much for freight (130 millions). Then he assigned to the United Kingdom 50 per cent of the freight earnings, that being its proportion of the world's total shipping. He made out our share of the 130 millions of freight money to be $71\frac{1}{2}$ millions sterling. From this he deducted one-sixth for

outlays of British ships in foreign ports, reducing it to 60 millions. Finally, he added 16 millions for our share of trading commissions and general charges, which gave him 76 millions of "invisible exports" from these two sources.

His excess of imports was now reduced to a bagatelle of 40 millions sterling, which he balanced by "from 40 to 60 millions (at least) of interest from foreign investments." These figures are all out of date, and we shall come by-and-by to the later figures that have superseded them. They are recalled here for two special reasons—one to illustrate their evolution, and the other to recall the searching criticism to which they were subjected at the time. The paper was read and discussed before the Royal Statistical Society on the 21st March 1882. The fair-traders of that day accepted it as a challenge, and answered by no means ineffectively the few points in it that could be brought to a practical business test. The imaginary millions had to be allowed to pass.

Both the freight earnings and the interest on foreign investments were objected to as extravagant. The former were shown to be at the rate of $12\frac{1}{2}$ per cent on the capital employed in shipping, which was at least double the actual rate. Mr John Glover, shipowner, was "disposed to think that all the estimates from the 50 millions to the 68 millions were greatly exaggerated." Mr Stephen Bourne pointed out to Sir Robert Giffen a strange oversight he had

made, in forgetting that all the freights on our inward cargoes were already included in the cost of our imports. That cut off at once a full half of the freight earnings included in his "invisible exports." Other duplications were challenged, as for instance Government mail subsidies, freight on exports paid at home, passage-money paid at home, export freight and passage paid abroad but not returning to this country in the form of imports. In a word, the calculation was shown to be much more intricate than Sir Robert had had any idea of.

Assuming Sir Robert Giffen to be the author, or at least the editor, of the Memorandum on Invisible Exports in the Fiscal Blue-Book, it is satisfactory to find that since 1882 he has greatly modified his ideas of the scientific value of this class of calculations. His second paragraph is a warning against undue confidence in them. A statistician who frankly informs us at the outset that "any answer of a statistical nature to this inquiry can only be of the roughest kind," disarms criticism at once. The Memorandum opens with a tabular exhibit of the excess in value of our imports over our exports during the decennial period 1893-1902. Though the amount of the excess had in 1902 reached 161 millions sterling—50 per cent more than the 109 millions which Sir Robert had had to deal with in 1882—he makes no allusion to the startling increase. Also, though he bases his calculations, as before, on the aggregate

imports and exports of all the principal countries of the world, he does not stop to notice that our share of the adverse balance is much larger than it was in the 1882 estimate, and that the share of foreign countries is a good deal smaller than it was then.

The total excess of imports for all the principal countries in the years 1891, 1896, and 1901 was 249, 249, and 224 millions sterling respectively. The British excess in the year 1901 was 180 millions, or four-fifths of the world's total. This left for all the other principal countries combined an excess of only 44 millions. The writer of the Memorandum appears to assume that his method of conjuring away excessive imports will apply equally well to the large excess and to the small one. But, so far as we know, this method has never been adopted in any other country than the United Kingdom. It was specially planned and fitted for our own foreign trade.

Without the slightest attempt to verify or check the 224 millions sterling of excess imports, it is assumed to represent the gross earnings of the world's shipping. The proportion of British tonnage entered and cleared at all the principal ports of the world is found to be 50 per cent of the whole (against 57 per cent in 1891 and 1896), therefore a similar percentage of gross earnings is claimed for British shipping. Thus 112 millions a-year is arrived at as the gross income of our commercial navy. But several reductions

and allowances have now to be made—(i) for colonial shipping included, 10 millions; (ii) for outlays abroad, 12½ millions. This 22½ millions deducted from the original 112 millions leaves 89½, or in round numbers 90 millions sterling a-year, as the earnings of British shipping. An alternative estimate is offered in this case, under which the earnings of our foreign-going ships, steam and sail, are calculated at an average of so much per ton—£12 per ton for steamers and £4 per ton for sailing ships. The corresponding averages used by Sir Robert Giffen in 1882 were £15 and £5 per ton respectively, so that his optimistic ideas would appear to be toning down under the influence of fuller experience. The estimate now put forward is for

6,954,000 tons, steam, at £12 . . .	£83,448,000
1,469,000 " sail, " 4 . . .	5,876,000
Total . . .	<u>£89,324,000</u>

The two estimates being taken to confirm each other, British shipowners are now asked to believe that they earn on an average 90 millions sterling a-year. So far they have shown surprisingly little interest in the subject, and it was not till the Memorandum had been before them for several months that an authoritative opinion was expressed upon it by one of their number. When it came, however, it was decisive. There could be no appeal on a point of shipping finance

from an authority like Sir Thomas Sutherland, the chairman of the Peninsular and Oriental Company. He declared in so many words that an estimate of 90 millions sterling a-year for the earnings of British shipping abroad was too much by one-half. So one-half of the airy fabric of our invisible exports fell to the ground.

Sir Thomas Sutherland would have greatly enhanced this service to the public had he offered to assist the Board of Trade in making a proper inquiry. But it has not occurred to the leading shipowners to attempt an investigation of their own. They are the proper persons, and, we may add, with all respect for Sir Robert Giffen, the only qualified persons to make it. If it is to be done—and it would certainly be a useful addition to our economic statistics—they ought to do it, either on their own responsibility or in conjunction with the Board of Trade. If the Board were to undertake such an inquiry officially it would have no difficulty in getting shipowners of position to act as its advisers. In fact, why should it not have assessors, permanently associated with it, representing all the principal branches of commerce under its jurisdiction? This shipping question offers it a good opening to enter into closer and more practical relations with the business community.

The 90 millions a-year of hypothetical shipping income covers almost exactly half of the excess of imports (184 millions) which has to be ex-

plained away. For the other half, the author of the Memorandum resorts as before to interest on our foreign investments. On this point there is a certain amount of positive data furnished by the income-tax assessments. Five groups of these relate to income from British capital invested abroad, and their respective totals are:—

Indian stocks and guaranteed railways . . .	£8,880,908
Colonial and foreign government stocks . . .	19,245,888
Other colonial and foreign securities . . .	9,367,766
Coupons on foreign bonds	10,454,343
Railways out of the United Kingdom . . .	14,610,574
	<hr/>
	£62,559,479

This $62\frac{1}{2}$ millions a-year added to the 90 millions of estimated revenue from shipping makes $162\frac{1}{2}$ millions. But the “excess of imports,” or “shortage of exports,” which might be a better name for it, was in 1902 184 millions. A small gap of $22\frac{1}{2}$ millions still remains therefore. It is easily explained away at the cost of a little ingenuity. Quite a large choice of hypothetical suggestions is offered us for that purpose. Two or three of them will serve as samples of the whole:—

It is, moreover, certain that the profits assessed to income tax form only part of the whole, and that some of these profits escape assessment, while others are not identified as foreign. . . .

We are justified in concluding that $62\frac{1}{2}$ millions is a *minimum* figure, which is probably largely exceeded, though we are unable to say by how much. . . .

In particular years the excess may also be increased or decreased by transitory conditions which cannot be adjusted within the limits of the year itself. . . .

That may be the reason why the Memorandum does not attempt to account for the 184 millions of excess in 1902, but prefers the average of the ten years, 1893-1902, which furnishes the more manageable total of 161 millions. After giving due weight to all the qualifications and offsets mentioned, we can cordially agree with the final judgment of the writer himself on the estimate, that "it is only approximate, with a very considerable margin of error." Practical criticism of such calculations is almost superfluous. Or rather we might say it is precluded by the crudeness and vagueness of the data employed. A preliminary question arises whether it is quite worthy of an official department like the Board of Trade to issue such hypothetical material to the public, when positive information is wanted on the subject. It might have accorded better with the proper functions of the Board to see if the data could not be improved before drawing theoretical conclusions from them, which have to be apologised for as "being only of the roughest kind."

Other preliminary objections to dealing seriously with such rough materials are numerous. It seems to us that they misconceive the essential question involved in our rapidly growing excess of imports. It is not so much how the excess

is paid for as what becomes of the imports themselves. What have we done with them? Have they vanished? or if not what have we to show for them? A third objection is that this kind of inquiry mixes up accounts which can be best examined separately. Our foreign investments and the earnings of our shipping trade are not so bound up together that they must be studied collectively. On the contrary, each of them can be investigated to greater advantage apart. Each of them presents problems and difficulties of its own which we have hardly got to close quarters with yet.

Mr Shaw Lefevre has been mentioned as a coadjutor or competitor of Sir Robert Giffen in this fascinating sphere of statistical speculation. He does not, however, like Sir Robert, attempt to cover the whole ground. He specialises on the subject of our foreign investments, and long practice has made him so expert a calculator in this connection that he can estimate year by year the growth of British capital abroad and the returns it yields, whether they pay income tax or not. To his latest publication¹ he has appended a sort of Gregorian calendar of the balance of trade, extending from 1865 to 1902. It bears the familiar stamp of the Cobden Club, and has consequently semi-official prestige.

The calendar is divided into seven columns,

¹ 'The Balance of Trade. An Explanation of the Growing Difference between the Values of Imports and Exports.' By the Right Hon. Shaw Lefevre. Cassell & Co., 1903.

with most interesting but somewhat intricate headings, a few of which must be quoted in order to illustrate the curious nature of the calculations:—

1. Value of imports after deducting re-exports and 5 per cent for freight on British ships, insurance, and commissions.

2. Value of exports after adding 10 per cent for freight on British ships, insurance, &c., and for exporters' profits.

3. Difference between 1 and 2, the net excess of imports over exports.

4. Estimated interest on British capital invested in foreign and colonial securities bearing income tax.

5. Estimated annual remittances to England from Indian Government, and other remittances from Englishmen abroad and in colonies, not paying income tax.

In column 3 the balance is struck between our "corrected" imports and exports, while in column 5 the estimated returns on British capital abroad paying income tax and not paying income tax are added together. The final column (7) shows the excess of returns from our foreign investments over the "corrected" balance of imports and exports. It triumphantly disposes of the fear that our excessive imports are being paid for out of capital, and substitutes for it the much more comfortable doctrine that they are proofs of "the enormous profits made by this country in the

last fifty years, of which it has invested a large part in foreign securities, and which has resulted in this country being the creditor of all the world."

If we could be sure that there is no mirage about these "enormous profits," Mr Shaw Lefevre's picture of them rolling up year by year like a snowball would be gratifying indeed. Unfortunately there is from beginning to end little else than mirage in it. Its smallest ingredient is *bonâ fide* statistics. Of that the proportion is quite homœopathic. Such calculations may have been interesting and even useful in the Royal Statistical Society, where most of them originated, but as the basis of a fiscal policy for the United Kingdom they are distinctly diaphanous.

For the proposed "correction of our import and export valuations" there is, we admit, some statistical authority. It was first suggested by a keen statistician, the late Mr Newmarch, who in 1878 worked out the adjustments for the imports and exports of that day. On his share of the idea it need only be remarked that he was addressing himself to theoretical statisticians and not to Government officials. Had he been addressing the Board of Trade he would very likely have drawn a different moral from his figures. As a practical man he would have pointed out the imperfect and ambiguous character of the valuations, and argued for fuller and more uniform data.¹

¹ For further elucidation of this point see p. 255, "Our Foreign Trade: Its Statistical Defects."

Speaking as ordinary persons, and not as expounders of statistical riddles, we may be allowed to suggest that any kind of an adverse balance may be successfully treated by the Newmarch-cum-Shaw Lefevre method. Mr Mantalini would have had no difficulty in proving himself solvent, or even a millionaire, had he been allowed to add 10 per cent to his assets and deduct 5 per cent from his liabilities. If Mr Newmarch's "corrections" had commended themselves to foreign trade experts, official and commercial, some notice would surely have been taken of them at the time. A system of valuation which was said to require such extensive adjustments might with advantage have been reformed, but from that day to this no idea of the kind seems ever to have occurred either to the Board of Trade or the Custom House authorities. Even now it might be more business-like to consult them on the subject than to flood the Cobden Club with fanciful readjustments of official figures.

In his search for British capital and British revenues abroad Mr Shaw Lefevre has to go far beyond readjustments. In one branch of his inquiry—remittances from abroad which escape income tax—he has little or no actual data to readjust. Even the 17 millions sterling a-year remitted by the Government of India, which he assumes to be clear income for the United Kingdom, dwindles considerably on analysis. He summarises it as being "for expenses incurred in England in con-

tributions to the military home establishment, pensions to retired Indian civil and military servants, and many other items." One of the largest items, however, he does not specify—namely, the stores and material purchased at home by the Government of India, not for the army alone but for State railways and public works generally. These stores and material appear, of course, in the ordinary exports, and Mr Shaw Lefevre, by including them in his 17 millions a-year of Government remittances, counts them twice over. The pensions to retired Indian civil and military servants, in so far as they are subject to income tax in this country, are also duplicated. And the 6 millions sterling a-year of public debt charges which India has to pay here—is not that also part of the 17 millions?

The payments and cross payments of the Government of India in England are so complicated that it would be impossible to say in any one year how much is clear tribute apart from goods purchased, money borrowed, and treasury operations in gold and silver bills, &c. It is certainly very much less than Mr Shaw Lefevre's 17 millions sterling a-year, but even if it were 17 millions it need not be all paid, as he assumes, in goods, and if it were it would not account for 10 per cent of our excess of imports. A political statistician must be hard up for materials to fill a hole with when he catches at a disputable trifle like this.

Mr Shaw Lefevre claims tribute not only from the Government of India but from Englishmen in India and the colonies. Their remittances home, which escape income tax, he estimates as having started at 8 millions sterling in 1865 and risen by degrees to 23 millions in 1902. The total untaxed remittances, including those of the Indian Government, would on this imaginary basis have been 25 millions sterling in 1865 and 40 millions in 1902. If in a matter so very ethereal Mr Shaw Lefevre prefers 40 millions to 50 or 60 millions, there is no reason why he should not. It rests entirely with himself where the line is to be drawn. True, some other transcendental statistician may demur, as Mr Shaw Lefevre himself demurs, to one of Sir Robert Giffen's "estimates." In 1878 Sir Robert, it seems, made a guess of 65 millions sterling as the amount of interest we then received on our foreign investments. Mr Shaw Lefevre gravely expresses his opinion that "it should not have been put at more than 52 millions," and in order apparently to prevent similar mistakes being made about 1865, he adds his "estimate" for that year—namely, 25 millions.

We do not presume to criticise his well-rounded and imposing totals. Still less do we question the high authority on which they are given to the public. On the other hand, we can hardly be blamed if certain anomalies and difficulties have to be got over before accepting them.

First of all, Mr Shaw Lefevre's grand total of British income received from abroad—132 millions sterling—runs far ahead of any official authority. The whole amount of taxed income from foreign and colonial sources which the Inland Revenue Commissioners can definitely trace is (as shown above) 62½ millions sterling. According to a statement made by Sir Michael Hicks Beach in 1901, they estimated the amount taxed but not distinguishable at nearly 30 millions more, making 90 millions in all. The 42 millions which Mr Shaw Lefevre adds for untaxed income earned abroad is a little affair of his own, which we have already seen does not bear analysis.

Even if we conceded to him his 132 millions a-year of income from British investments abroad, it would only land us in another paradox—namely, that 132 millions a-year of our national income is not earned at home, but is derived from foreign and colonial sources. To that extent we are living on our countrymen abroad and in the colonies. It may not be quite the same as living on our capital, but neither is it in any proper sense of the term making our own living.

Our total income assessed under Schedule D (commercial, industrial, and professional), was in 1902 487 millions sterling—an obviously moderate sum compared with Mr Shaw Lefevre's 132 millions sterling of foreign and colonial tribute. The zeal of these eminent statisticians in discovering supplementary income for us

abroad rather overshoots the mark in leaving so very little for us to earn at home. In order to refute the impertinent suggestion that our excessive imports are being partly paid for out of capital, they present us with a catalogue of the interests, dividends, profits, and what not derived from our foreign investments, which of course are accumulations of capital either saved or inherited. Even any new earnings they may include are not ours; they belong to our countrymen abroad.

It is not at all a flattering picture that Mr Shaw Lefevre gives us of the British nation living partly on its ancestors, partly on foreign and colonial tribute, and—to a small extent—on its own earnings. The difficulty is to distinguish its own modest earnings from the foreign and colonial contributions.

The main objection to invisible import and export statistics has, however, yet to be stated. They are based entirely on money values, which are an unsuitable and misleading standard of foreign trade, or indeed of any great economic interest. Our huge imports do not necessarily come to us in liquidation of money debts owing to us abroad, though to Mr Shaw Lefevre that is a self-evident axiom. Nor can we pay for them with gold and silver, as Mr Seddon would have us do. They must undoubtedly absorb a large amount of our domestic produce, our manufactures, our shipping freights, and our in-

ternational earnings of various kinds. Without falling back at once on our foreign dividends, interests, rents, profits, and so on, we have a few *bonâ fide* commercial offsets to our excessive imports,—our home crops, our mineral products, the produce of our fisheries, our manufactures, the profits on our foreign trade, our shipping freights, our banking and financial business, to say nothing of many minor industries and sources of income.

In striking a true balance of foreign trade, commodities have to be set against commodities and industries against industries. Between these, solid comparisons can be made. But to set money values against money values is to play with counters only. The same old rule applies to international trade as to currency. There is one clear and definite idea to hold on to—that all trade is barter. No amount of monetary theory or of credit machinery can deprive it of that character. In London, with all its commercial and banking appliances, trade continues to be the exchange of commodities, the same as it was in the days of the Ancient Britons. Commercial statistics should keep close to the commodities, and be very chary of mere money values. These yield different results in every country of the world. For instance, the official values of our exports to France or Germany never by any chance tally with the official values which France or Germany place on their imports from the United Kingdom. No amount of ad-

justment can bring the correlative amounts close together.

Any statistician who has seriously tried this equation of international trade returns must have given it up in despair. The monetary test can never be made either simple or reliable; neither, perhaps, could the quantitative test, but it would at least bring us nearer to correct conclusions. One great advantage it would certainly have—it would keep more clearly before us the true issue involved in our foreign trade. It would compel us to look at our imports from a broad standpoint, and to ask ourselves what benefit they are doing to the nation at large; also what use the nation as a whole is making of them; and, further, whether or not many of them could not be more usefully provided at home.

If paper values could for a moment be eliminated, and our foreign trade could be viewed simply as a question of supplying the nation with desirable commodities from abroad in exchange for domestic commodities of which we may have a surplus, the problem would be greatly simplified. It would resolve itself into a production and consumption account, from which all trading, banking, and financial factors would be eliminated as belonging to a later stage.

Viewed from this standpoint the United Kingdom is an enormous consumer, and though also a large producer, its producing powers do not compare with its powers of consumption. If it

could be thought of as a primitive country living from hand to mouth, it would be a chronic bankrupt. Reduced to the barter stage of civilisation it could not go on for a week. Its production and consumption accounts, both home and foreign, exhibit from year to year huge debit balances. Happily it has other accounts which make a better showing, but they are not industrial.

In its commercial, its banking, and its shipping departments the United Kingdom may be doing well, but as a producer it is the least solvent country in the world. Its own soil no longer supplies a tithe of its many and various requirements. Its mountains of imported food vanish as it were by magic, and when they are consumed we have no idea how they have been paid for or what is left to represent them. It surely seems unnatural that so much food and raw material should enter the country from abroad and leave so little mark either on its exports or its stock of domestic commodities or the physical condition of the people. That it should resolve itself entirely into paper values and income-tax assessments is disquieting as well as mysterious.

The vital question as to our excess of imports is not how it is paid for, but how it goes on growing year by year at the expense of home producers. Not only does our industrial progress not keep pace with our imports, but there is no longer any visible relationship between the two.

The 460 millions sterling of foreign produce which we annually absorb is a threefold enigma. The wisest among us are utterly at sea as to what becomes of it: by what earning power of our own it is counterbalanced: and how long we may hope to stave off the economic crisis which its steady increase unmistakably foreshadows.

CHAPTER XXI.

SINISTER OMENS.

THE foregoing survey of British economics in 1904 has strongly impressed the writer, and he hopes it will equally impress most of his readers, with a sense of the critical condition into which both the nation and the Empire are drifting.

At home we have overcrowded cities growing rapidly into uncontrollable centres of debility and disease; deserted country less and less cultivated every year; compulsory schools stuffing sickly children with Chinese knowledge and unfitting them for the simplest functions of everyday life; trades-unionised workshops restricting the supply of skilled labour as well as the output of the skilled labourer; solid old-fashioned industries dying out, and quick money-making, luxury-breeding schemes taking their place; company promoters and mining speculators by the thousand, but intelligent and enterprising capitalists few and far between.

What can all these sinister developments possibly end in but an economic crisis? And

when we have beggared the small islands we live in, how are we to hold the British Empire together? Talk of giving preferences to the colonies: we may soon have to appeal to them to save us from our degenerate selves! Our past prosperity we may have owed quite as much to them as to Cobden. The "tribute" of India and the colonies has possibly been of late a larger factor in our national income than we had any suspicion of. If we take no trouble to retain and develop it, but allow ourselves to be thrown back on our insular resources, we may have a rude awakening as to the real extent of our own earning powers.

THE END.

PREVIOUS WORKS BY W. R. LAWSON.

SPAIN OF TO-DAY. (Out of Print.)

AMERICAN INDUSTRIAL PROBLEMS.

(W. BLACKWOOD & SONS, Edinburgh and London, 1903.)

PRESS OPINIONS.

TIMES (*First Notice*).—"This survey, which seems well arranged and comprehensive, stands apart from the numerous books on American economics as being the independent view of a capable English observer."

TIMES (*Second Notice*).—"Mr Lawson has collected a mass of more or less interesting, more or less connected facts about American trade, railways, trusts, banks, and the chief industries of the United States. He writes with care and good sense. He avoids sensational conclusions, and he will be a help to any one who seeks for light as to the future of American industries."

STANDARD.—"The author is an Englishman who has studied economic and social questions—especially with regard to commercial rivalry between this country and the United States—to some purpose."

DAILY CHRONICLE.—"His grasp of commercial and especially financial questions is of the most resolute order, and he has not only delved deeply for his information, but he possesses the art of making it really interesting. On the whole, and deducting something for over-emphasis, his book may be pronounced the best survey and the acutest criticism of the industrial situation in the United States that has yet been published."

DAILY TELEGRAPH.—"Those who are puzzled, as well as those

who are alarmed, by the 'American Invasion' will find in a volume entitled 'American Industrial Problems,' just published by Messrs Blackwood, a careful, temperate, impartial, and, we believe, accurate presentment of a most fascinating and important problem."

DAILY NEWS.—"This book is a keen and vigorous survey of the whole field of American industry. The author is not concerned too much with prophecy or theory, but just tells us in straightforward fashion how different are American methods from our own. . . . His book is a lesson to Europe."

DAILY MAIL.—"Mr Lawson deals with all the varied industrial problems of America, and on every head he has much to say that is worth attention. His book deserves the study both of investors and publicists, while it will be found of great interest by the general public."

FINANCIAL TIMES.—"Mr W. R. Lawson, in his work entitled 'American Industrial Problems,' has endeavoured—not unsuccessfully—to review the factors which have made the United States what they are to-day."

FINANCIAL NEWS.—"It is a book on a subject which every one is agog to be familiar with, and the style carries the reader on even where the matter seems statistical or technical. In a word, it is both live and lively."

FINANCIER AND BULLIONIST.—"We must congratulate Mr Lawson on the way in which he has accomplished his task. He is a deadly enemy to dulness, and even into the dry bones of statistics, when he invokes their aid, he infuses an amount of vitality they seldom possess for the average reader."

SPECTATOR.—"A thoughtful and informing book."

SUNDAY SPECIAL.—"An authoritative work."

M. RAFFALOVICH, IN THE JOURNAL DES ECONOMISTES.—"Several more works have appeared lately on the future of the United States, and among the most instructive we note 'American Industrial Problems,' by W. R. Lawson."

THE BANKERS' MAGAZINE.—"One of the chief characteristics of this book is its *thoroughness*. . . . The author has contented himself with no mere superficial view of the problem, but presents his readers with an exhaustive analysis of its many phases."

PROFESSOR PRICE, IN THE JOURNAL OF THE ROYAL STATISTICAL SOCIETY.—"He writes with a graphic pen, and if his account is necessarily executed with rapidity, it is of engrossing interest, and cannot fail to be instructive."

MANCHESTER GUARDIAN.—“Mr W. R. Lawson’s exceedingly clever book on ‘American Industrial Problems’ . . . shows an unusually close knowledge of a certain side of American industry and finance, and his capacity for marshalling statistics and finding new meanings in them gives his book a quality of interest and suggestiveness in which most books of the kind are deficient.”

MANCHESTER COURIER.—“In view of the numerous and conflicting opinions regarding the commercial position of the United States, considerable interest attaches to the able and comprehensive survey of industrial questions across the Atlantic by Mr W. R. Lawson under the title of ‘American Industrial Problems.’ . . . His work—well planned, admirably arranged, unbiassed and lucid—will undoubtedly do good service in moderating British fears, in showing the weak places in our armour, and in encouraging advances along the best lines of our industrial system.”

LIVERPOOL POST.—“No more complete and enlightening contribution to the study of American competition has been offered to the British public than is to be found in ‘American Industrial Problems,’ by W. R. Lawson. Mr Lawson more than most writers has got to the inside of things in America. . . . One does not know whether to admire most the universality and completeness of the knowledge of facts shown in this volume or the unflinching judgment with which the good and the bad, the advantageous and the dangerous, features of American resources, institutions, and methods are weighed up.”

LIVERPOOL DAILY COURIER.—“One of the best works we have come across on the subject is ‘American Industrial Problems,’ by Mr W. R. Lawson. The writer has studied nearly every aspect of American industry, and his work gives the impression of solidity and calm judgment. . . . His book should act as a tonic on this side of the Atlantic. It has many lessons for our politicians and our men of commerce, and Mr Lawson enforces them impartially.”

YORKSHIRE POST.—“Mr Lawson’s volume deserves well of readers, for it handles a very difficult and complex subject in a judicial spirit and with a fine understanding of the many modern forces which have gone to make up the American industrial system of to-day.”

BIRMINGHAM GAZETTE.—“Mr Lawson’s essays are characterised throughout by a thorough knowledge of his subject, sound judgment, and strict impartiality. It is a book every Englishman should read.”

SCOTSMAN.—“A readable essay on an interesting chapter of economic history. . . . At once reassuring and instructive, the book will be read with profit by every one interested in its subject.”

GLASGOW HERALD.—“It is a pleasure to handle a book like this, for although one cannot always agree with Mr Lawson’s opinions or accept his conclusions, one cannot fail to recognise the ‘grippiness’ of his method and to admire the force and lucidity of his style.”

DUNDEE ADVERTISER.—“These references will show the manner in which the author deals with this all-important subject. He goes through the whole commercial gamut in the same thorough way, and gives the European workman and employer an idea of the kind of competition they must prepare themselves to meet.”

DUNDEE COURIER.—“To any one interested in the United States—and who is not?—this volume will be worth perusal, and whatever the nature of the interest it is sure to be found dealt with here. The book is thoroughly up to date.”

ABERDEEN JOURNAL.—“Mr Lawson is an expert and past master in the intricacies of trading and industrial finance, in every way qualified for the task to which he has addressed himself.”

BELFAST WHIG.—“Mr Lawson’s thoughtful and well-written book is full of valuable information throughout.”

THE JOURNAL OF POLITICAL ECONOMY (U.S.).—“Among the many attempts which foreigners have made to describe the industrial and financial situation of the United States, this book is worthy of a high place. The author has accurately comprehended the significance of the great industrial expansion of the United States during the past five years, and sees, much more clearly than many of his contemporaries, its bearing upon the European commercial situation.”

NEW YORK WORLD ALMANACK’S NOTABLE BOOKS OF THE YEAR (1903).—“Many-sided views of the relations between capital and labour found expression in Mitchell’s ‘Organised Labor’ (argument for Unions), Lawson’s ‘Industrial Problems’ (from an English point of view), &c.

NEW YORK COMMERCIAL ADVERTISER.—“If the ‘Saturday Review’ finds any flaw in this latest picture of America it must be hard to please.”

NEW YORK TIMES.—“Mr Lawson’s able and lively book seems to be intended as an anodyne to those Britons who have fallen into a panic at the prospect of American competition.”

NEW YORK PUBLIC OPINION.—“It is no more than the truth to say that the service Mr Lawson has done for us on the industrial side of our development is in no small degree comparable to that rendered us by Mr Bryce on the political side in his ‘American Commonwealth.’”

PHILADELPHIA POST.—“Americans should feel that by the production of this volume Mr Lawson has paid them a great compliment, for that a writer of his standing should recognise the occasion for such a book can be taken in no other way. The writer handles these problems in a lucid manner, which denotes a thorough grasp of the details of the situation.”

PHILADELPHIA INQUIRER.—“‘American Industrial Problems,’ by W. R. Lawson—apparently a Scotchman—is the sanest book on this subject that we have seen from a foreign pen, and in many respects from any pen whatever. . . . A very important contribution to contemporary world-politics.”

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BOSTON TRANSCRIPT.—“The book of an intelligent, keen, and sagacious observer.”

CHICAGO RECORD HERALD.—“Quite the most up-to-date survey of the business life of America is that presented in ‘American Industrial Problems,’ by an Englishman, W. R. Lawson.”

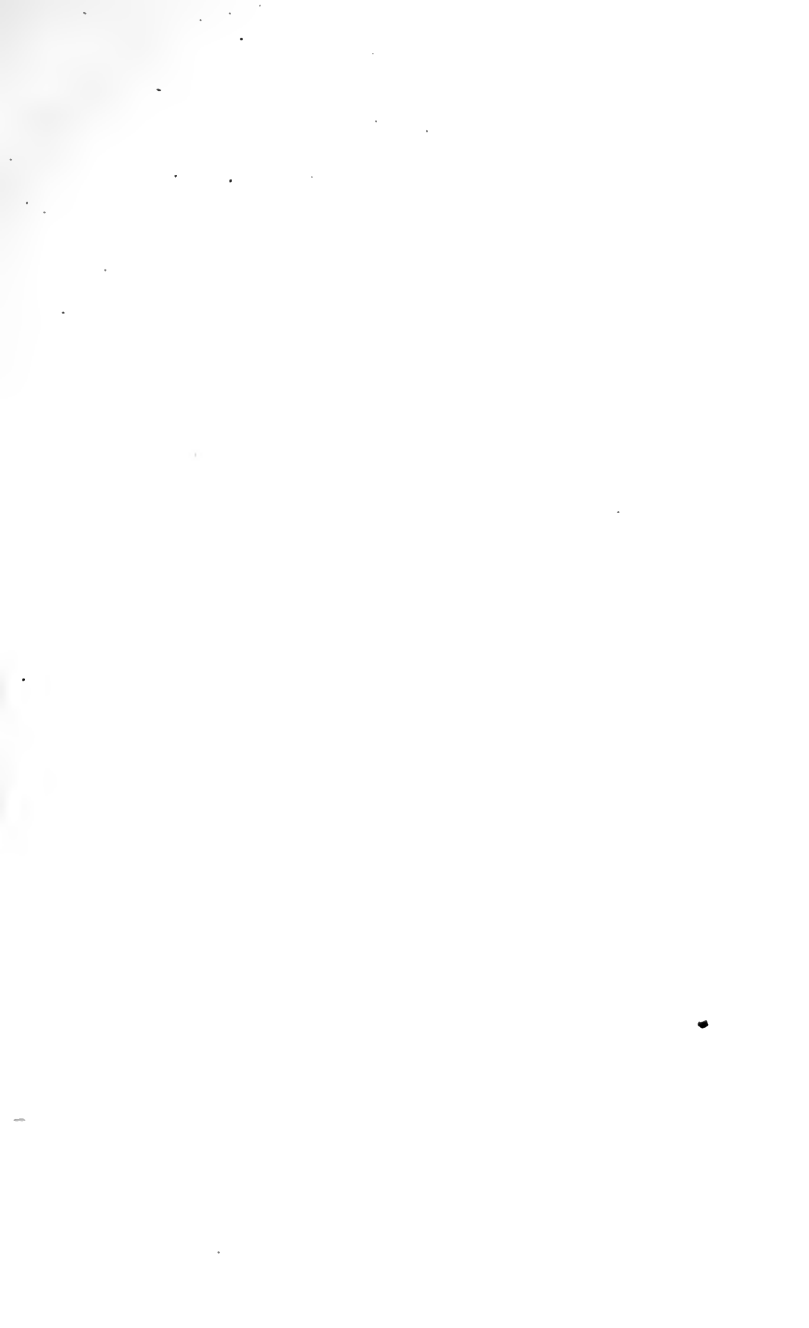
ST PAUL DISPATCH.—“Mr Lawson is just the Englishman to express the English view of us. He is a trained and thorough economist, with the advantage of years of contact with leading American men and industries. His book is on the whole a true bill, vivid, accurate, keenly analytic, and largely fair and just.”

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SOUTH AUSTRALIAN REGISTER.—“A competent financial authority, and a keen and reflective observer of current events, has just published a work called ‘American Industrial Problems,’ which is of special interest at present.”

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