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International free trade congress.

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R E P O R T O F T H E
P R O C E E D I N G S O F
T H E I N T E R N A T I O N A L
F R E E T R A D E C O N G R E S S

LONDON, AUGUST, 1908

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PREFACE.

THE Congress, of which this volume contains the Report, was suggested at a private dinner given by Mr. Russell Rea at the House of Commons towards the close of the Parliamentary Session of 1907. The suggestion was made by Mr. John de Witt Warner and Mr. Harvey N. Shepard, two American Free Traders, who were among Mr. Rea's guests on the occasion. It was heartily supported by the late Prime Minister, Sir Henry Campbell-Bannerman, who was also present, and who promised, if the Congress were held, to give every assistance in his power to make it a success. His death prevented him from fulfilling that promise; but the Committee of the Cobden Club, to whom the task of summoning the Congress was entrusted, desire here to acknowledge their great indebtedness to Mr. Asquith for the readiness with which he assumed as his own the promise of his predecessor, and for the manner in which he carried it out.

The Congress was the first of its kind, and was the most important and representative gathering of Free Traders that has ever been held. The United States, Canada, Australia, India, and every country in Europe, except Norway, Switzerland, Portugal, Greece, and Turkey, were represented at it; and the delegations from Belgium, France, Germany, Italy, and the United States were specially large and distinguished.

The discussions were on a high level, and they revealed a startling identity of experience as to the operation and effect of protective tariffs. They showed that everywhere these tariffs operated in the interest of capital and against labour. They showed that wherever the people of a country were dependent on foreign sources for any portion of their food supply,

the tariffs operated to the advantage of a few large landowners at the cost of small landowners, tenant cultivators, and the whole body of consumers. They showed that the producers of the raw materials of manufacture, such as coal and iron and steel, were benefited at the cost of the manufacturers dependent on these materials for the production of the finished articles. They showed that as a means of raising State revenues, protective taxes were enormously costly and entirely unreliable. They showed, with absolute unanimity, that protective tariffs isolated nations and bred ill-will and suspicion among them. And finally, and with equal unanimity, they showed that Protection debased public morals and corrupted government at its very source.

A body of evidence such as this, never before placed at the service of Free Traders, contributed by men distinguished either in the field of theoretical economics or in the actual practice of industry and agriculture, and representing every great country of the world, cannot fail to have a large and, it is hoped, lasting effect on the controversy that is being waged throughout the world on the question of commercial policy, and that finds its centre at the moment in the United Kingdom. In face of it, for the people of this country to adopt a protective tariff would be, not only to restrict their material resources, but to hand themselves over in many of their most sacred interests to the management of narrow, selfish, and corrupting influences.

The Committee of the Cobden Club desire to express their gratitude to the foreign members of the Congress for the very valuable contributions they made to the discussion of the subjects brought under review. If in some cases their speeches are less fully reported than their merits deserve, it is hoped that they will give consideration to the fact that it is always difficult to do justice to speeches delivered in a language different from that in which they are reported.

J. A. MURRAY MACDONALD.

October, 1908.

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
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 EDWARDS, Joseph
 EDWARDS, P. Harrington
 ELKIND, Dr.
 ELLIOT, Hon. A. D.
 ELLIOTT, Rev. M. J.
 ERICSSON, A. F.
 ESSEX, R. W., *M.P.*
 EVANS, V.
 EVENS, Stanley Ewart
 FAHIE, J. J.
 FANOUS, L. A., Egypt
 FARRER, Lord
 FERSHT, B. A.
 FIGGIS, Samuel
 FISHER, R. C.
 FLINT, John
 FORDHAM, Mrs. Mary
 FOX, J. Gurney
 FULLBROOK, C. F.
 FYFFE, Mrs. C. A.
 GANTER, G.
 GARNETT, T., *J.P.*
 GEORGE, Edward W.
 GEORGE, W. L.
 GIBB, Sir George
 GIBB, J.
 GILL, A. H., *M.P.*
 GILLIS, Mr.
 GLADSTONE, Henry N.
 GLANTAWE, Lord
 GODARD, J. G.
 GOOCH, G. P., *M.P.*
 GORDON, J. W.
 GREENING, E. O.
 GREG, H. W.
 GRIFFITHS, Ellis, *K.C., M.P.*
 GUBBINS, J. Russell
 GUTTERIDGE, M.
 GWYTHER, Mrs.
 HALEY, F. G.
 HANCOCK, C.
 HANCOCK, Granville
 HANNA, Col. H. B.
 HARCOURT, Rt. Hon. L., *M.P.*
 HARCOURT, Robert, *M.P.*
 HARRIS, E. H.
 HARRIS, H.
 HARRIS, Hon. John
 HART, Sir I.
 HARVEY, Col.
 HARVEY, Col. E.
 HATCH, E. F. G.
 HAVERSHAM, Lord
 HAWKIN, R. C.
 HAYWARD, Wm.
 HAZELL, W.
 HEMPHILL, Capt. The Hon. Fitzroy,
L.C.C.
 HENDERSON, J.
 HERBERT, H., *F.C.L.A.*
 HETHERTON, John
 HIGGINSON, J. H.
 HILL, Miss E.
 HILL, Miss G.
 HILL, James
 HIRST, F. W.
 HIRST, Mrs. F. W.
 HIRST, Miss
 HOBSON, J. A.
 HODGE, John, *M.P.*
 HODGES, W. D.
 HODGKINS, T. B.
 HOLDEN, E. H., *M.P.*
 HOLLAND, Sir W., Bt., *M.P.*
 HOLMES, James
 HOWARD, F. G.
 HOWARD, Hon. Geoffrey, *M.P.*
 HOWELL, George
 HORSFALL, J. C.
 HUGHES, D. R.
 HUGHES, T. G.
 HUGHES, Thos.
 HULBERT, M.
 HUNTER, Miss Dorothy
 HUNTSMAN, Miss
 HUTTON, Richard H.
 HUTTON, Miss L. Steele
 ILLINGWORTH, Mrs. A.
 IRVINE, J.

GREAT BRITAIN—*continued.*

- IRESON, Frank
 ISAAC, W.
 JACKSON, Fred. Huth
 JARDINE, Sir J., *M.P.*
 JEFFERSON, H.
 JENNINGS, Mrs. W. H.
 JOHNSON, W. C.
 JOHNSTON, Andrew, *J.P.*
 JOHNSTONE, A. O.
 JOHNSTONE, Mrs. A. O.
 JONES, Ald. D.
 JONES, E. Arnold
 JONES, Major E.
 JONES, J. R.
 JONES, Leif, *M.P.*
 JONES, W., *M.P.*
 KARR, Dr. Horst
 KEAY, J. Seymour-
 KELLY, A. C.
 KENT, C. B. Roylance
 KERR, S. P.
 KILGOUR, Miss
 KING, A. W. Waterlow, *J.P.*
 KING, James
 KING, John
 KING, Joseph
 KING, P. J.
 KITCHIN, Dean
 KOLP, H.
 LAIDLAW, R., *M.P.*
 LAMBERT, F. H.
 LANG, R. T.
 LAWRENCE, C. E.
 LEADAM, I. S.
 LEDGER, G.
 LEE, D. C.
 LEIGH, Sir J.
 LENNARD, R. V.
 LEONARD, R. M.
 LEVER, A. L., *M.P.*
 LEVER, W. H., *M.P.*
 LEVEY, M. F.
 LEVY, J. H.
 LIGHT, G. M.
 LISTER, R. A.
 LLOYD-GEORGE, The Rt. Hon. D.
 M.P.
 LLOYD-TAYLOR, W.
 LUBBOCK, J. N.
 LUNN, Miss
 MACDONALD, J. A. Murray, *M.P.*
 MACGREGOR, A. E.
 MACKARNESS, F., *M.P.*
 MACLEAN, D., *M.P.*
 MADDISON, F., *M.P.*
 MARKS, T. E.
 MARPLES, R. M.
 MARSHALL, Mrs.
 MARTIN, W. D.
 MASON, D. M.
 MATHER, Sir William
 MAUDE, Aylmer
 MCGHEE, Richard
 MCINNES, L. Whitton
 MCINTOSH, A. C.
 McLELLAN, G.
 McLELLAN, Norman
 McNEIL, Norman J.
 MENZIES, Mrs.
 MERRIMAN, Frank
 MERTENS, F.
 MIALL, Arthur
 MIALL, J. M.
 MILLS, Col.
 MILNES, Alfred, *M.A.*
 MITRA, S. M.
 MOFFAT, J.
 MOND, Alfred, *M.P.*
 MONK-BRETTON, Lord
 MONTAGU, The Hon. E. S., *M.P.*
 MOON, James
 MOOR, Duncan
 MORSE, L. L., *M.P.*
 MORTON, Alpheus C., *M.P.*
 MORTON, Miss
 MOSCHELES, F.
 MOSES, Mr.
 MOSLEY, Tonman
 MOWATT, James
 MULLINS, W. E., *L.C.C.*

GREAT BRITAIN—*continued.*

- MUNDELLA, A. J.
 MUNRO, Mrs.
 MURRAY, Donald
 MUSPRATT, E. K., *LL.D.*
 MUSPRATT, Horace
 NAPIER, Dr. T. B., *M.P.*
 NAYLOR, J.
 NEILSON, Francis
 NEWLAND, H. O.
 NEWMAN, T. P.
 NIXON, Wm. C.
 NORRIS, Francis
 NORTON, Capt. Cecil, *M.P.*
 NUTTALL, H., *M.P.*
 O'BRIEN, Mrs.
 O'CONNOR, T. P., *M.P.*
 OGDEN, H. J.
 OLDFIELD, F. F. W.
 OPPENHEIM, Henry
 ORR, John
 OVERBURY, J. G.
 OWEN, E. ROGER
 OWEN, Mrs. E. ROGE
 OWEN, Miss
 PARK, Alderman, *J.P.*
 PARKER, CHARLES
 PARSONS, A.
 PAWLE, G. S.
 PEARSALL, H. D.
 PEARSON, Sir W. D., Bt., *M.P.*
 PEASE, J. W. Graham
 PERRIS, H. S.
 PHELPS, L. R.
 PHILLIMORE, W. P. W.
 PHILLIPS, Miss M.
 PICTON, F. H.
 PIERCE, J.
 PIKE, W.
 PITT, St. George L. F.
 PLAYNE, Miss C. E.
 POPE, J.
 POTTER, Arthur Bayley
 POTTER, Miss J. S.
 PRENDERGAST, Miss
 PRENTICE, John
 PRESBURG, S.
 PRESTON, H. W.
 PREVIOUS, Miss
 PRICE, L'ayer de la Haye
 PRURY, J.
 PULLEY, H. C.
 RAE, John
 RANKIN, G. C., *M.A.*
 RATHBONE, A.
 RATTRAY, H. D.
 RAWLINS, W. C., *J.P.*
 REA, Russell, *M.P.*
 REA, Mrs. Russell.
 REA, W. R., *M.P.*
 REDMAYNE, E. B.
 REEVES, Hon. W. Pember
 REID, G. T.
 REYNER, Fred
 RHODES, Thomas
 RHYMER, F. T.
 RICHARDS, T. F., *M.P.*
 RITCHIE, George
 ROBERTS, D. F.
 ROBERTSON, Sir G. S., *K.C.S.I.*,
M.P.
 ROBERTSON, J. M., *M.P.*
 ROBINSON, H. James
 ROSE, George
 ROSENFELD, B.
 ROSENTHAL, A.
 ROTH, Bernard
 ROUPELL, H.
 ROWE, Dr. B. Meredith, *J.P.*
 ROWLANDS, J., *M.P.*
 RUSSELL, J. A.
 SALE, Charles
 SALE, Mrs.
 SALOMONS, L.
 SANDY, A.
 SAYERS, F. Cubitt, *J.P.*
 SCOTT, A. H., *M.P.*
 SEARS, John E., *M.P.*
 SEDDON, J. R., *M.P.*
 SELIGMAN, Isaac
 SHERWELL, A., *M.P.*

GREAT BRITAIN—*continued.*

- SHIPMAN, Dr. J. G., *M.P.*
 SHOTTON, Sidwell
 SHUTTLEBOTHAM, F.
 SMALLWOOD, Dr.
 SMEATON, D. M., *M.P.*
 SMETHURST, S.
 SMITH, Edmund A.
 SMITH, T. Sherwood
 SMITHERS, A.
 SNAPE, Thomas
 SNEAD, F. C. H.
 STAFFORD, Alderman
 STANBURY, Mrs. M. P.
 STANSFELD, Lady
 STEAD, W. T.
 STEADMAN, W. C., *M.P.*
 STEELE, Mrs.
 STERNHEIM, E.
 STEVENSON, D. M.
 STEWART, Robert
 STITT, G. Carlton
 STORER, W. Goodwin
 STRAUS, B. S., *M.P.*
 SWAFFIELD, George
 SYMONDS, A. G.
 TAYLOR, Theo. C., *M.P.*
 THOMAS, Dan
 THOMPSON, J. W. H., *M.P.*
 THOMSON, Miss
 TOY, G. J.
 TRUMBLE, Ald. James, *J.P.*
 TWEEDMOUTH, Rt. Hon. Lord
 UDALE, S.
 UNWIN, Mr. and Mrs. Fisher
 VARCOE, W.
 W. W. VAUGHAN,
- VERNEY, Sir E., Bt.
 VIVIAN, H., *M.P.*
 WALLIS, Henry
 WALTON, Joseph, *M.P.*
 WARD, Dudley, *M.P.*
 WARD, John, *M.P.*
 WARDELL, G. T., *M.P.*
 WATES, C. M.
 WATES, Mrs.
 WATSON, Aaron, *J.P.*
 WATSON, Miss H.
 WATTS, George, *L.D.S.*
 WATTS, Samuel
 WEBB, A. D.
 WEDDERBURN, Sir W., Bt.
 WEISS, C.
 WELBY, Lord, *G.C.B.*
 WILKIE, Alex., *M.P.*
 WILKINSON, Hon. Mrs.
 WILLANS, J. W.
 WILLIAMS, Aneurin
 WILLIAMS, H. M.
 WILLIAMS, Thornton A.
 WILLIAMS, W. D.
 WILLIAMS, W. M. J.
 WILSON, Alex. C.
 WILSON, James, *M.A., F.C.S.*
 WILSON, J. H., *M.P.*
 WILSON, P. W., *M.P.*
 WILSON, W. A.
 WOOD, Graham
 WOODHOUSE, G.
 WOOTTON, A. C.
 WORTHINGTON, G Bayley
 WYATT-SMITH, F.
 YOXALL, J. H., *M.P.*

The following was the Programme of Subjects as submitted to the writers of papers. It was, however, understood that the writers on the second subject were not bound to follow the suggestions submitted to them for its treatment, but were at liberty to pursue the plan that might seem best to them:—

1. Free Trade in its bearing on International relations.
2. The effect on Industrial and Agricultural Development of the Commercial Policy of the State in respect of Tariffs.

It is suggested that a paper on this subject should be prepared by a selected writer from each of the countries represented at the Congress, and that the writer should illustrate the subject by reference to the actual industrial conditions of his own country, special consideration being given to such points as the following:—

(a) The volume of employment of Capital and of Labour, and the regularity and stability of the employment ;

(b) The national loss caused by the uneconomic employment of Capital and Labour ;

(c) The wages of Labour, prices of Commodities, and the consuming power of the people.

It is further suggested that the papers should contain a brief account of the present position and prospects of the Free Trade movement in each country.

3. Political morality, as illustrated in the making and operation of Tariffs, and the establishment of favoured interests within the State.
4. The Revenue Aspects of Protective Duties.
5. The present utility of Commercial Treaties.
6. The establishment of a Permanent International Committee for the promotion of Free Trade.

ORDER OF PROCEDURE.

There were in all eight Sessions of the Congress.

The first and second sessions were devoted to a consideration of the first subject of the Programme, the third and fourth to the second, the fifth to the third, the sixth to the fourth, the seventh to the fifth, and the eighth to the last subject.

Except in the case of the first subject the papers were taken as read, printed copies of them having been previously circulated among the members of the Congress. In most cases, however, the writers opened the discussions by giving a summary of their papers.

In the general discussion a time limit of ten minutes was imposed upon the speakers.

International Free Trade Congress.

REPORT OF PROCEEDINGS.

FIRST SESSION.—TUESDAY, AUGUST 4.

SUBJECT: FREE TRADE IN ITS BEARING ON
INTERNATIONAL RELATIONS.

THE CHAIRMAN: Ladies and Gentlemen,—The Cobden Club tenders to you its hearty welcome at the opening of this great Congress.

It is fitting, I think, that the meeting of the first International Free Trade Congress should take place in the country which originally made Free Trade the maxim and principle of its Government; and we are proud to receive to-day so many celebrated economists, so many eminent representatives of the doctrines which we hold in common.

It is true that at the present moment the prospect of Free Trade throughout the world may be said to be somewhat clouded, and Protection is advancing in very aggressive fashion, but although in the ebb and flow of public opinion the tide for the moment may seem to be setting against us, yet we Free Traders have unflinching faith in our creed. The cause which promotes liberty at home, and friendship and peace abroad, is the cause that must ultimately triumph.

I declare the Congress open, and I will now ask Mr. Winston Churchill, the President of the Board of Trade, and the representative of His Majesty's Government, which is in such cordial union with us upon this great question, to address you.

The Right Hon. WINSTON S. CHURCHILL (President of the Board of Trade) said: I am very glad to come here

this morning, and say, first of all, a word of sincere welcome on behalf of His Majesty's Government to all those representatives of so many countries who have gathered here in support of a great international cause. It is a source of pleasure to all of us, British members of Parliament, that this country should at the present juncture be the scene of such a meeting as this, and that we should find ourselves holding out hands which are grasped in return by Free Traders from every other land.

So far as the subject of discussion which is first upon our agenda is concerned, we in Great Britain have, I think, a substantial contribution to make. When we are asked to consider Free Trade in its relation to international affairs we, at any rate, can produce a substantial object lesson that it is possible for a nation to pursue a Free Trade policy, and yet remain prosperous and powerful.

We bring to this discussion, in the first place, the evidences of successful experiment. During the last sixty years we have indulged in no tariff wars; we have fallen back on no elaborate devices, or shrewdly, too shrewdly, calculated plans for negotiation or retaliation; but yet we find that our goods enter all the other countries of the world on as good terms as have ever been secured by any nation through the most elaborate use of fiscal weapons. We levy no discriminating duties, nor do we seek artificially to stimulate our exports; and yet we find ourselves with a rich and fertile home market, and able, man for man, to export to foreign countries, in spite of all their tariffs, more than twice as much, man for man, as has yet been achieved by any country in the world. In spite of the fact that we levy our customs duties on a very small number of articles, we find no difficulty in raising an enormous revenue from year to year; and so far as our Colonies are concerned, we have found that the extending to them, without any demand or request for exclusive preferences in return, all that we may justly and fairly give from this country, has enabled us to secure loyal,

prosperous and profitable Colonies, and has also enabled us, when we come to consider our great tropical and equatorial possessions and protectorates, to secure for them and for our control over them, the immense support of public opinion all over the world, because they are thrown open freely to the commerce of all mankind, to buy and barter as they will. And lastly, we have found that, without making any provision to protect our coastwise trade, without embarking upon bounties or subsidies for shipping lines, we have been fortunate enough to secure and to preserve, in unexampled measure, the greatest share in the carrying trade of the whole world. *Shippers*

Now, I say that that is a substantial contribution to the discussion of Free Trade in its international aspect, for after sixty years of being ruined, after sixty years of being walled in by hostile tariffs, of paying, as we are assured, the taxes of all other nations besides our own, of being inundated year after year with all the good things from all parts of the world, rushed in upon us in almost measureless abundance, we find ourselves still here unrepentant, still conducting business on a gigantic and unexampled scale, and still with a shot in the locker for a rainy day.

But, as Lord Welby has reminded us, we cannot close our eyes to the fact that many of the most curious delusions still claim a large measure of popular support. We know how numerous is that school of thought, and how powerful, in every country, which believes that a balance, an adverse balance, of imports must be defrayed by an immense drain of golden sovereigns. We know how largely spread is the notion that there is in the world a definite limited heap of trade in which all have to scramble, and which, when it is exhausted, leaves the unfortunate competitors absolutely starving. We know how the delusion, that it is possible for a nation to raise its revenue at the expense of other peoples in other lands far beyond its territorial sovereignty and control, is still widely and persistently shared. How evil in their nature,

how injurious in their character, are all those suspicions and superstitions! Do they not, every one of them, march towards a common point of ill-will, of distrust, and of discord between the nations of the world? We believe that all these misconceptions, which are so sedulously fostered, tend only to breed disunion between all great peoples; we believe that they tend only to delay the march of mankind towards a larger and a more harmonious synthesis. How absurd it is continually to employ the language of war, and the metaphors of war, in relation to the peaceful transactions of commerce! For whereas in war both parties lose whoever wins, in commerce out of every peaceful transaction there is an advantage for both parties. The buyer gains that which he requires, the seller finds a market for the article he has made. Every transaction that takes place upon an equitable basis renders a fresh transaction possible. Every exchange which takes place between nations renders another exchange possible in consequence of it. Multiply exchanges and you multiply goodwill; increase goodwill and you increase international security.

We are often invited to suppose that nations trade with one another as nations. That is a misconception. Individuals, in different nations, trade with one another as individuals, and the most severe competition which the manufacturer has to face is not the competition of the foreign importer, handicapped as he necessarily must be by the freight and the insurance of his goods, and the difficulties of bringing them to the local market; it is the competition of his fellow-countrymen within his own bounds and his own frontiers.

We also realise that the welfare of nations must be judged actually and not relatively. It does not matter very much to a man that he should be able to say, "I have had a much better dinner than you." What matters is that he should be able to say, "I have had enough." And from all these points of view, is there a single one

which upon the Free Trade side does not lead to an increase of goodwill, and trust, and mutual confidence between different races and different peoples? Is there one of the counter-propositions of Protection which does not arrest and delay that great and noble process?

I am prepared to admit, however, that there is a certain conflict between the international and cosmopolitan conceptions of Free Trade, and the highly nationalised, the crudely nationalised, and embattled ambitions which we see around us in the modern world. There is a difference unquestionably, and it must be a part of the constant duty of the Free Trader, of whatever country he may be a subject or a citizen, to labour to abate undue national rivalry, and to dissipate all forms of national jealousies. And there is no form of international rivalry so destructive, so perilous, and so crushingly burdensome, as the international rivalry in respect of armaments, whether by sea or by land. No Free Trader who comes forward to advocate the doctrines of free exchange can possibly have completed his work, his battle in life, unless he also inculcates those doctrines always associated with free exchange—goodwill and peace among nations, retrenchment in public finances, and reduction in the preparations for war.

And, after all, when we come to ask, "What is the bearing of Free Trade upon international relations?" I say that question is very easily answered. It is answered in one word. The bearing of Free Trade upon international relations is "Peace." The fundamental idea of Protection is exclusion and isolation. The fundamental idea of Free Trade is unity and interdependence. The arrangement of Europe or of the Great Powers of the world, which our Protectionist friends appear to contemplate, is that there should be a number of very powerful self-contained States, producing within the circle of their frontiers everything which is necessary for peaceful industry or warlike preparation, independ-

dent of their neighbours, requiring from their neighbours no services, or scarcely any services, rendering them but few in return, and able to break off all relations, whether commercial or diplomatic, at any moment with the minimum of inconvenience. The European arrangement to which the Free Trader looks forward is a co-operative commonwealth, a great banding together of all the peoples of Europe, of Christendom, and ultimately of the world, so that their affairs and interests may become inextricably interwoven, so that they cannot tear them apart even if they would, so that every one of them is dependent upon every other member of the vast confederation.

And which of these two philosophies—if you can apply the word “philosophy” to that which has scarcely ever produced serious arguments in a scientific or literary form—which of those two doctrines or policies, I should like to know, points the more certain path to the peace of great communities? Who can possibly suppose that the Free Trade policy is not the surest, perhaps in the end the only really sure, road to international peace?

My noble friend, Lord Welby, spoke of the Free Trade prospects being over-clouded. I never was more confident than I am now of the victory and triumph in this country, and all over the world, of the ideas which we exalt and respect in common. Which of those two ideas is winning at the present time? Is it the isolation of nations, or is it their union and their intercourse? Why, with every year that passes over the globe, with every improvement in communication, with every decision of a Hague Tribunal, with every meeting of a Peace Conference or an International Congress of any sort or of any kind, the unity of the civilised world, and the interrelation and interdependence of all civilised modern communities, is being steadily and irresistibly advanced. Yes, in spite of the folly of armaments and tariffs, in spite of the unwisdom of so many of our political

and journalistic hot-heads, the unity and solidarity of the civilised world grows stronger from year to year, and almost from month to month. "All the men," as Diderot said, "in all the lands have become necessary to one another." And this process of consolidation and amalgamation which is going irresistibly forward, which is in the centre of the whole movement of the modern world, is taking place, let it be observed, without the slightest loss of national traditions, of love of national characteristics, of the culture and development of each community in itself and for itself. On the contrary, as mankind has become more united and more civilised, you find that study of the past, that introspective examination by each race of its own past, of its own history, of its own innate characteristics, which everywhere is producing a great and innocent growth, a harmless growth, of peaceful nationalism within the larger internationalism of the world.

What is it that preserves the peace of Europe at the present time? Ministers can do something. Kings and Presidents can do much. And we take every occasion to recognise the services which many of those who occupy great thrones and situations of authority in the world have rendered of late years to the cause of international peace. We shall ask our foreign friends who are gathered here to-day to pardon us if, with insular pride, we place as the leading spirit among Sovereigns in the movement for peace His Gracious Majesty King Edward VII.

But, in spite of all the efforts which are being made, and which are growing from year to year, of individuals and of sections of society in this country and in that, I should not feel the assurance which I do of the peaceful development of European politics in the next twenty years, were it not for the blessed intercourse of trade and commerce, in combining the nations together against their wills, in spite of their wills very often, unconsciously, irresistibly, and unceasingly weaving them together in one solid interdependent mass. During nearly

forty years no two great, highly organised, commercial Powers have drawn the sword upon one another. Crises there have been, and quarrels and disputes of all sorts and kinds, grave headlines in the newspapers, long faces pulled by wiseacres, gnashing of teeth by fierce military and journalistic men, but something always happens at the critical moment to smooth away the difficulty before it breaks into actual rupture. And what is that something? It is the prosaic bond of commerce in which all civilised and commercial States are becoming involved. And sure I am of this, that the certain impoverishment of everyone, the crash of exchanges all over the world, the wide-spread ruin which would go through neutral lands, the arrest of industry and trade, the collapse of credit upon which modern communities depend—all these tremendous facts, placed as they are before the eyes of everyone from his own daily experience, do impose an effective caution and restraint, even upon the most reckless and the most intemperate of statesmen.

And we find that the great force of capital, the great subtle, omnipresent influence of capital, is engaged and interested through every channel, during every crisis, in averting the opening of hostilities. Well, if capital is enlisted on the side of internationalism, what of labour? Is there not a similar movement towards unity on the part of the workers all over the world? Is there not a great assertion on their part that the toilers of the world are all members of one great family, are all the bearers of one heavy burden, and that they will not allow the sensational combinations of individuals interested in projects of government or diplomacy to precipitate great masses of human beings at each other's throats in fratricidal strife?

No, I do not think we need be afraid of the clouds which perhaps are gathering. They have gathered before; they have been dispersed before, and Free Trade in this country has always emerged the stronger in every attack which has been made upon it. We may look forward with confidence,

I think, to the days when the rivalries of nations will be limited to attaining that just pre-eminence in the arts and sciences and in learning and in peaceful industry, when their pride will be to boast the highest development and the widest extension of comfort and culture among the masses of the people, and when Custom House Officers and those who are engaged in the purposes of warlike preparation will alike have followed the mammoth into a deserved extinction. When that period arrives, it will be our pride, who are gathered together to-day, to have taken a part in the advancement of such happy and such glorious conclusions; and it will be our part in this small island, I trust, to have kept the lamp of economic truth burning brightly and steadily during years of doubt and disputation, during years of darkness and delay, feeling confident that under the mild calm rays of that lamp the time will come when all the nations of the earth will dwell together in justice and in peace.

The CHAIRMAN: I am afraid we have an inexorable enemy in time, and in consequence of that we have been obliged to lay down the rule that, after the first speaker, speakers should be limited to ten minutes, and I hope our friends whom we are to have the privilege of hearing, will not take it unkindly if, when seven minutes have elapsed, they hear a sound from this bell.

Dr. THEODOR BARTH (Germany): We are sitting here under the motto of the Cobden Club. When Goldwin Smith formulated for the Club the motto, "Free Trade, Peace, Good Will among Nations," he wanted to show the logical cohesion between Free Trade and Peace. The same idea was expressed by Mr. Gladstone 42 years ago in a speech at the first of the Cobden Club dinners. Trade, he told his hearers, is not only a law of wealth and prosperity, but a law of friendship; and then he continued: "Every single transaction, of which thousands and thousands are at this moment going on between this country and every other, is forming one single thread in a web of concord woven between

people and people.” “This,” added Mr. Gladstone, “is one of the ideas now made familiar to us, but permit me to remind you that it is a modern idea.” Would an orator be justified to-day in calling this a modern idea? I doubt it. It seems there is another more modern idea to-day, the idea of economic imperialism, the doctrine that markets are to be conquered not so much by the intrinsic qualities of the goods offered to foreign consumers, but by the force and the prestige, and, if necessary, the arms of the producing country. Protection always has monopolistic tendencies, and monopoly is based upon force. Therefore, I believe we may say, just as there is a logical cohesion between Free Trade and peace, there is a logical cohesion between Protectionism and force. If you look upon the relations of the different nations, then you will find how true this is. Look, for instance, upon the relations between England and Germany. You know that is a very interesting chapter of our political history. In most countries everybody speaks of his own peaceful aims, and the peacefulness of the “Dreadnoughts” of his own country; and he speaks, too, of the absurdity of a war between England and Germany, and of the benefits and the blessings of peace. That is all quite true, but, nevertheless, there is a constant ill-feeling, there is a mutual distrust, based upon the suspicion that some time the open door policy of England would be changed, that the markets of the world would be closed by force and by the battleships of England, and that then it would be necessary to reopen them by arms.

That is, in my opinion, one of the sources of this constant ill-feeling. We Free Traders know that the idea that a Free Trade country could ever come to a policy of shutting the doors, in order to have a monopoly for a certain trade or for a certain market, is a stupid one. We Free Traders believe in competition as a beneficent source of national prosperity. The open door policy in our opinion is, therefore, not primarily a concession to other countries. It is

a concession to the general and national interests of the country that adopts it. If this is true, I believe every leader of peace in the whole world may congratulate himself that Free Trade England has maintained the sound economic principles in a period when all the other great nations have fallen back into the fallacies of Protection.

Free Trade is now by far the strongest guarantee of European peace. It is a stronger guarantee than all the Triple Alliances, and Dual Alliances, and Royal visits and Hague Conferences; and I hope that England will stick to its old policy. This I know, that all the world, and all the leaders of peace in it, will be indebted to England if it does stick to this policy. I hope also that common-sense will be restored on the continent of Europe. There has been some common-sense even there. In Prussia, 90 years ago, there was a customs tariff reform which aroused the admiration even of England. You know there exists a petition of the City of London to the House of Commons, referring to the Prussian customs reform as an example worthy of imitation. A policy based upon such principles, the petition declared, would render the commerce of the world an interchange of mutual advantages. The chief author of this reform was Wilhelm von Humboldt. From his pen are the words in the preliminary report of 1817: "The most prolific source of well-being is trade. Just as in our own country, in order to advance our prosperity, the hindrances to free sale and competition are removed, so it is undoubtedly for the welfare of the nation and a matter of prudence to grant systematic Free Trade in our intercourse with foreign nations." That was what our great statesman Wilhelm von Humboldt said. I am sorry to declare that among our statesmen in Germany now, there is no Wilhelm von Humboldt; but there is something else. There are millions of working men in Germany who understand fully the gospel of the benefits of Free Trade. Our greatest labour party in Germany is the Social Democratic Party, as you all know. At

the last general election this party alone, this working man's party, polled three and a quarter millions of votes; and this enormous army of voters is to the last man, I can say, devoted to Free Trade. They have fully understood that what is called protection of national labour is in reality nothing else than a favouring of capital and rent at the expense of labour. They know that restriction of international exchange of products of labour means restriction of the labour market, and means lower wages.

Between Great Britain and Germany there is now a yearly interchange of goods, which amounts in import and export to about £100,000,000 sterling,—2,000,000,000 marks. It is not an overestimate if we say that the economic existence of at least one million working men, with a capital of hundreds of millions of pounds sterling behind them, is the strongest imaginable guarantee of peace against the passions of chauvinism and jingoism. There is much talk now of the isolation of this and that great Power. We have a good many diplomatists who believe that this isolation is now the principal business of diplomacy. It seems to me that there is much danger in isolation. Protection is economic self-isolation; and it is in this form of isolation that the greatest danger lies. Free Trade is the best antidote against it, even a better one than a formal treaty of alliance. Free Trade is a material alliance in itself.*

Mr. HARVEY N. SHEPARD (United States of America) said: If we were out upon the ocean on a voyage of unknown length, upon a ship we could not leave, how careful we should be to prevent any angry discussion or quarrel to impair the harmony of the company. And yet that is exactly our condition. This world is our ship. It is going through space upon a journey of which we know not the end. We cannot leave it while we live. Nevertheless, very much of the time and effort of men from the beginning has been spent, not in making that voyage peaceful and successful, but in creating disturbances and misery among the people

* See note, p. 17.

on the ship. For a little while, in the providence of God, we are brought together upon this globe. One would suppose that all our efforts would be bent to make the voyage pleasant, profitable and agreeable, but it is not so.

We must seek many causes for this. Some of them are natural, but most of them, I am sorry to say, are of our own making, and one of the most fruitful sources of all the wretchedness and misery which come to us to-day is to be found in protective tariffs—tariffs with their unjust discriminations, and with their teaching of the most selfish principles.

What, then, are we to do, in order to change this lamentable condition of affairs? How are we to win the world to the motto of the Cobden Club? How are we to gain the assent of the common people—the plain, common people, as our great President, Abraham Lincoln, called them—to Free Trade, to peace, to goodwill among the nations? In part, of course, by the teaching of political economy. That has its place. It is something that even in Protectionist countries, in the United States, for instance, you cannot go into one of our universities or colleges and find a single professor of repute in the Department of Political Economy, who presumes to teach anything like a protective tariff. In my native city of Boston we have the largest library in the world that is supported solely by a municipality, and upon the shelves of the library you cannot find one book in a hundred which advocates or supports Protection. Nevertheless the United States is a protective country. There are no better intellectual teachings in the domain of political economy and of the advantages of Free Trade than are found here among your English writers. No one more successfully exploded the fallacies of Protection than that eminent Frenchman, M. Bastiat. And yet to-day France is a protective country; and when Englishmen leave England and go to the Colonies, or go to the United States, they do not remain Free Traders, they become Protectionists. Every English Colony to-day,

with scarcely an exception, if there be one, is a protective Colony.

I was aghast a few years ago at a meeting in Boston of a club called the "Victoria Club," a club which gathered in the evening more than a hundred in number. Everyone present, except myself and one other, were of British birth, and yet I, and I alone, was the advocate of a Free Trade policy. The most pronounced Protectionists in the United States are men who have come to us from Great Britain. Why is this? It is because intellectual conviction is not enough. It is easy to show that there is a waste of capital under Protection. It is easy to show that labour suffers, that wages no longer purchase as much as they used, that there come gluts and strikes and shutting up of factories and misery and distress. It is easy to show that a protective tariff means a tax, the revenue of which does not go simply to the Government, but largely into the pockets of favoured industries. It is possible to show all these things. But these things are not enough. You must appeal to the heart as well as to the head if you are going to triumph in this great cause. You must win the moral, as well as the intellectual, assent of mankind.

We have been through that struggle in the United States upon another subject. It was easy to show the great waste of slavery, that it was an unprofitable kind of employment of labour, but it was not until William Lloyd Garrison and his associates—immortal names in the history of the world—appealed to mankind that it was wrong, morally wrong and indefensible, to hold human beings in slavery, that we won the victory, and human slavery was abolished in the United States. That is the way that we must uplift our banner in this cause. I have no fear in regard to the triumph of Free Trade. Why, it is impossible that Protection ever finally should win the victory—a cause that dare not come out into the light of day, a cause that rests upon deception of the people and the

corruption of rulers. Just as sure as there is a Christianity which teaches us goodwill among all mankind, just so sure will the day come—and the wisest man knows not how soon—when all the world will be won to that proud motto, “Free Trade, Peace, Goodwill among the Nations.”

THE PRINCE DE CASSANO (Italy), who spoke in French, said he came from a country which was as Protectionist as the United States of America. In Italy there was but a very small minority who tried to spread the doctrines of Free Trade. It was true that Protection benefited barely more than a third of the population of Italy; nevertheless, Italians did not understand the situation and their losses. They had an idea that the world ended at the Italian frontier, or, in any case, that there were two worlds—one within the Italian frontier and the other without—and that if anybody within the Italian frontier made £1,000, then Italy was £1,000 richer, but if anybody else outside the limits of the frontier made £1,000, then Italy was £1,000 the poorer. That was their conception.

The words that had been spoken that day, especially by the President of the Board of Trade, in which he intimately connected politics and economics, would be of very great use to their propaganda in Italy.

He thought that one of the means of bringing about peace was to show that Free Trade was based on co-operation, and that led him to consider the greatest step in the way of co-operation, namely, the federation of the States of Europe, not as a menace against, say, America, or as a means of fighting the supposed but non-existent yellow peril, but the federation of Europe as a first step towards the larger federation of all the nations of the world. It was not progress to extend your frontiers, your progress was to do away with your frontiers altogether; and, therefore, he concluded by inviting the members of the Congress to take part at the Congress which would be held shortly at Rome, for the purpose of trying to bring about the federation of the European States.

M. A. DE VARICK (Holland) spoke in French, and said he was more than ever convinced that Free Trade was the barometer of civilisation. Those nations who hedged themselves round with Protection were very often but superficially civilised, and their Protection was based mainly on the desire of having all that was necessary for maintaining those huge armaments which were vestiges of barbarism. The nations had no real antagonistic interest one against the other. Let the nations be free in their intercourse, and there would be an end of causes of quarrel. Twice the Powers had met in official conference with a view to reduce the armaments, and twice they had failed to find any means of doing so. Let there be, then, a conference to restore the natural rights of trade and commerce. Let them endeavour to disarm first from the economic point of view, and then it would be comparatively easy to disarm from the military point of view. He submitted a resolution as follows:—

“The Cobden Club proclaims that the third Peace Conference should inscribe on its programme of subjects Universal Free Trade, as being the most effective means of preventing international conflicts, of arresting excessive armaments, and of securing the peace of the world.”*

Mr. A. ROSENTHAL (England) said that originally he was a Protectionist, and that he contested a seat at the last election as a Protectionist. Closer study and investigation, however, had made him a convinced Free Trader. Nothing, he believed, could stop the march of progress towards universal Free Trade and universal peace.

Mr. T. SHERWOOD SMITH (England) said that he was probably the oldest Free Trader at the Congress, the son of a father who gave evidence nearly a hundred years ago before a Parliamentary Committee on the effect produced by the passing of the Corn Laws on the Colonial

* The committee charged with making the arrangements for the Congress had decided that no resolutions were to be submitted. This resolution was, therefore, not voted upon.

trade and the agricultural industry in the West of England.

Free Trade must be the aim of all who desired to see their country happy and prosperous. The free exchange of commodities was a law of nature and could not be violated with impunity. A tax on any article must, of necessity, increase its cost to the consumer, who would have less money to buy other things, so reducing production and increasing unemployment. Before Free Trade could become universal all monopolies must be abolished. When that time came we should have universal peace and prosperity among all nations, bound together by the ties of mutual interest and goodwill.

Sir WILLIAM BAILY (England) said that he came from Manchester and was proud to be the son of one of the first members of the Anti-Corn Law League, a friend of Mr. John Bright, and also of Richard Cobden. He thought it was a good test of a man's sanity whether or not he was in favour of Free Trade, or in other words, in favour of the utmost utilisation of God's bounty; and maintained that a free interchange of commodities was the best means of uniting the nations of the world.

The Congress then adjourned till 2.30 p.m.

NOTE TO DR. BARTH'S SPEECH.

Sir Frederick Pollock, in a letter which appeared in the *Westminster Gazette* of Aug. 17, quotes the following comment on Dr. Barth's speech from the *Berliner Tageblatt* of Aug. 9 :—

There is no ground for expecting the principles of our [Germany's] economic system to be reconsidered within any assignable time. Still there is no doubt at this day that Germany has been forced into an isolated position chiefly by her protective tariff. Doubtless there were various reasons for Herr Bassermann's complaint, in the speech already mentioned [on the reform of German Imperial finance], that mistrust and unfriendliness confronted us on every side. But one cannot well disagree with Herr Barth's opinion in his discourse at the London Free Trade Congress, that the risk of isolating oneself is far greater than that of being isolated by diplomacy, whereas Free Trade is the best antidote to isolation, and better than a formal treaty of alliance, being a *de facto* alliance of itself.

Certainly no one will assert nowadays that Free Trade is a dogma to which the whole world must submit. The same policy does not suit everybody. But if a man has followed the enormous expansion of German commerce, and learnt to appreciate the present importance of the world's market for us, he will find it indisputable that the German Empire has long outgrown the need for protective duties. . . . At this day the most pressing business of the German Empire is to liberate itself from the isolation it has imposed on itself by Protection.

SECOND SESSION.

DISCUSSION OF FIRST SUBJECT CONTINUED.

Mr. EDWIN D. MEAD (United States of America) said : I should not ask or I should not take the privilege of this platform, but for the reason that since I arrived in London I have received a letter from William Lloyd Garrison in Boston, who is the secretary of our Free Trade League, and who chiefly does the hard work. It was a source of great regret to Mr. Garrison that he could not be with you for this Convention, and he has written in a few words the sentiments which he wished me to convey to you.

Before I read his words I wish, as a representative primarily to the Peace Conference, to express the satisfaction which the American delegates have in the fact that this Congress has immediately, in the same place, followed the Congress of last week. There is every reason why these Congresses should come together. As I opened your programme this morning, and saw, facing the frontispiece, the portrait of Richard Cobden, I felt that that portrait might with equal propriety have faced the title-page of the Peace programme last week, for Richard Cobden was as much the apostle of Peace as of Free Trade. It seems to me that of all Englishmen who worked for the great cause of international justice and progress in the last century his achievements were the greatest ; and they are the most interesting to us because his argument is precisely that argument for the Peace cause which has chief application and chief interest to-day.

Now I wish to say to you that although America has been so long, and is to-day, I regret to say, the home of stiff Protection, the American, and especially the agricul-

turist of America, is getting sick of it. We are having at this moment in America a great Presidential Election, and both parties are promising the American people that if they come into power the first thing they will do will be to attend to a reduction of the tariff. They may not give all that we want, but they recognise the fact that our old tariff is an antiquated and an impossible thing.

As a Peace man, and in this I believe I speak for all our American delegates, I recognise what was so powerfully said both by Dr. Barth and by Mr. Winston Churchill this morning, that the cause of Free Trade is the cause of Peace, as the cause of Protection is the cause of Force.

With this prefatory word on my own behalf I wish now to read the letter which I have received from Mr. Garrison :—

"If I were to be present I should urge concentration on the iniquity of Protection rather than upon its inexpediency. The statistical and economic injury and waste of the system have been exposed a thousand times from Adam Smith down to date. But arguments rarely change convictions.

"The wisdom and power of the Anti-Slavery Movement were shown in its refusal to discuss expedients and in its unceasing assertion of fundamental principles. It is easier to touch conscience than to inform the understanding.

"I hoped to be present at the gathering, simply to arraign Protection as a device for enthroning privilege, corrupting government, debasing public morals, cultivating the war spirit, and undermining democracy. I should have expressed my surprise that England, after her glorious record and the subsequent disastrous example of American experience, should for a moment entertain the re-admission of the evil. As well invite small-pox and leprosy to 'broaden the basis of taxation,' stimulate trade, and elevate the labourer."

Mr. S. M. MITRA (India) said : It gives me great pleasure to address the members of this great International Free Trade Congress. I perfectly know my position as a subject of India ; I know that India is not a self-governing Colony and that India is not a self-governing country ; but its people repre-

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sent one-fifth of the entire human race. Perhaps, therefore, you will allow me to say something as to how this question affects India—my country.

Now, the British Empire consists of 400,000,000 of subjects, out of which we in India represent 300,000,000; that is to say, three-fourths of the British Empire is represented in India. Any fiscal arrangement which affects the British Empire affects India; any fiscal arrangement which overlooks India, how it affects India, three-fourths of the British Empire, is, to put it very mildly, absurd. India's interests must be consulted, because it represents three-fourths of the British Empire, as well as one-fifth of the entire human race.

I would like to point out that in India's interest and for India's vast export trade, with its abundance of raw materials, we want Free Trade; without Free Trade we cannot get on. If you take Free Trade from us one of the chief links between England and India is broken. We are different by religion, we are different by language, we are different by association, we are different by almost everything; the chief connecting link is the link of freedom of commerce between the great Empire of India and England. I want to bring that most prominently forward—that the extension and permanence of the British Empire in the East depends, and almost entirely depends, on Free Trade.

I will give you an instance; it was about a quarter of a century ago—I remember it very well, because I was a journalist then—when Lord Dufferin, the Viceroy of India, sent troops to conquer Burma. Theebaw, the then King of Burma, was in the hands of the French, and the French wanted Burma for the extension of their trade. As soon as the English wanted to take it the French retired, and retired very peacefully. Why? There was no entente cordiale. It was because they knew British territory meant French territory, as far as trade is concerned; so Free Trade is at the bottom of the expansion of the British Empire in the East.

Take a later instance--the conquest of the Sudan. We have it on the authority of Lord Cromer, a great statesman himself, that with regard to the conquest of the Sudan there was a danger of international complication. But when the flag of Free Trade was hoisted all international jealousies were at once removed. The British Empire will last as long as her commercial policy is conducted on Free Trade lines.

M. LOUIS STRAUSS (Official Delegate of the City Council of Antwerp) said: My intention in coming here was to listen and not to speak. I wish to thank the Committee for the cordial welcome we have had here, to express to the British nation the great sympathy of the Belgian people, and to you all the gratitude of the great majority of the Belgian people for this useful Free Trade demonstration.

You will have in London, in a few days, a Constitution Congress. I hope that the members will compare the present state of things in the most highly civilised countries with those fundamental conceptions of justice which form the basis of their organisation. If they do this they will see that there is a great difference between the two. All countries have laws that are contrary to the spirit of the fundamental laws which give the common right to all of equality in matters of taxation. Governments have the right to impose taxes which are necessary for the maintenance of the State, but not the right to tax the people for the protection of private interests. When a Government makes a law to benefit some private interest, it attacks the natural right of the people. Behind this great question is the Social Question. What the people principally ask for is an improvement in their condition. They ask to have the means to satisfy their wants in the best and most economical way. But when Governments tax commodities and thus artificially raise prices they make living more difficult. They are not protective in the real sense of the word. They are giving an advantage to the few and oppressing the many.

In many countries Free Trade has far too long left the field to the Protectionists. As we have right on our side we ought to take up the battle; we ought to fight; we ought to fight with energy, so as to exterminate all favouritism and all Protectionism, and really secure an adherence to the principle that everyone shall be taxed only in proportion to his means. Everyone ought to pay to the State, in proportion to his means, what is needed for good administration, but not be exploited for the benefit of private interests; and, therefore, I wish good success to the present Congress and the realisation throughout the world of the maxim of the Cobden Club, "Free Trade, Peace, and Goodwill amongst the Nations."

M. F. DOLLÉ (France) delivered a speech in support of currency reform.

M. CH. M. LIMOUSIN (France), speaking in French, said: The difficulty in this Congress is that we are all of the same opinion. I deeply regret that the organisers of this Congress did not contrive to inveigle, under some pretext or another, a handful of Protectionists to come here so that we might have somebody with whom we might argue. This morning, once or twice, I thought somebody was going to say something in favour of Protection, but it was a false alarm; nothing was said, so I have got nothing to reply to.

The Protectionists are people of good faith, they honestly believe in what they say, though the scope of their investigation and knowledge may be somewhat limited. The fault, however, with them, and with all persons, is that of taking a one-sided view. We think we are all in the right so long as we never meet anybody to contradict us.

Protection is an excellent thing if it is applied to one trade. Say, for instance, that the bootmaking industry of this country succeeded in imposing a strong and prohibitive tariff on all boots imported from abroad; there is no doubt that everybody connected with that trade would for the time being make a great deal of money, and, if they

look at it only from that point of view, they are right. But Protection is contagious, and if the boot trade is protected, some other trade will want to be protected, and yet another trade, and still more trades, and then, when all the trades are protected, all goods would become very dear, and the working men would find that their wages were totally insufficient. As the working men represented the body which, after all, governs in the long run, they would demand, and they would be absolutely right in demanding, an increase of wages. They would obtain that increase of wages, and then everything would be dearer from every point of view.

Now, that is not an imaginary statement ; it is exactly what has happened in France, and the terrible thing is this, that, having reached this point, instead of realising the error that has been committed and doing away with these protective tariffs, the only remedy the French have been able to find is to begin the whole business all over again, to re-protect the interests, to put further taxes and to protect still more and still more protect, and thus render things dearer and dearer ; and so they have involved themselves in a vicious circle from which there is no means of exit.

It is true that the people who do this know nothing of Political Economy. They do not even realise that you cannot buy without selling. They say, "Oh, if we had Free Trade, such a lot of goods will be dimped down in our country from other countries." But other countries will not send goods to our country unless we pay for them, and we cannot pay for them in cash because there is not enough cash in the country to pay for any large amount of goods. If we pay for them at all, it is because we have sold something, and it is by selling that we are able to buy, and the more we import the more we shall export, and that is the real sum of the matter.

M. SCHILTHUIS (Holland) said : The Dutch Tariff is not what you would call in England a Free Trade Tariff,

but it is the nearest approach to a Free Trade Tariff on the Continent of Europe, and I want to say that we are very proud of that, and that we, as delegates from Holland, like to say it here in this meeting, that we are the representatives of the nation in Europe that has a Tariff approaching nearest to a Free Trade Tariff. We have not kept, and we have not got, that Tariff by sitting down in our chairs, but by fighting for it. The Dutch Tariff was a Protective Tariff in the time of Richard Cobden. Following his example, however, we abolished the Corn Laws. After that we further improved our tariff; and our present tariff dates from 1862.

We have had to fight in order to keep that tariff, because the people of Holland are not all Free Traders. There are six Dutchmen here at this meeting who are; but there are a great many more Dutchmen at home who are not. We have not 300,000,000; we have only nearly 6,000,000 of Dutchmen here in Europe, and about three-quarters of them, nearly three-quarters of them, rather more than one-half of them are Free Traders, and the smaller half of them are Protectionists. That is why we have to fight for it—because many agriculturists are Protectionists, while the people engaged in trade in the large industries of the sea-ports and the towns are Free Traders. We have an election again in 1909, and then we shall have to fight for it in order to get a majority that will stick to the present tariff.

One other thing I wish to say is this, that not only in Holland, but I think in all the countries on the Continent, one cannot exaggerate the influence that England exercises in regard to this question. We ask you to fight for your Free Trade here in England. We ask you to continue to give us a good example; and we, who are Free Traders, promise you that we will do our utmost to follow that example.

Professor DALLA VOLTA (Italy), speaking in French, said: In Italy the State of Tuscany was first to attempt to carry out the principles of Free Trade. I come

from Florence, and I represent the Academy there which was founded in 1756. The principle of Free Trade, as propagated many years ago, before Italy was a United Kingdom, has been described in England by Mr. Montgomery Stewart in a pamphlet published by the Cobden Club in 1876, and there you will find the full details of the struggle of the Italian Tuscans in trying to maintain their principles of Free Trade. This enabled Tuscany to open up most friendly and cordial relations with Great Britain many, many years before the foundation of the Italian Kingdom. Indeed, in the fourteenth and fifteenth centuries there was active trade between Tuscany and Great Britain, and depôts of wool, in connection with the British trade, were established at Pisa.

If you look back to ancient Consular Reports from the British Consul at Florence you will observe how frequently they allude to the Free Trade action and policy of the ancient and little State of Tuscany. But so small a State, of course, could not influence the policy of Europe. Free Trade is the cause of justice, and justice is more important than the interests it represents. No one within a country should be protected to the disadvantage of his neighbour; there should be Free Trade at home and Free Trade in the relations abroad. I am proud to think that the State of Tuscany has done a good deal in this direction, and several Tuscan statesmen have contributed to this end, and I wish for the triumph of Free Trade as assuring the triumph of justice.

M. LEO VOSSEN (Germany) urged the adoption of a commercial agreement between Germany and England as the first step towards a condition of complete Free Trade between all the States of Europe. He believed that this would be of as much benefit to the peoples of Europe as Free Trade between the different States of the Union had been to the people of the United States of America. Many friends of his in the German Reichstag had expressed their full sympathy with the idea, and he expressed the hope that

the time was not far distant when it would become an accomplished fact.

The Hon. JOHN W. HARRIS (England) spoke on the prospects of Indian trade, and said that a little education in the real principles of Free Trade would seem to be very necessary for many of our officials, who, before they go out to India, ought to pass examinations in Mill and Adam Smith.

Dr. HORST KARR spoke as a Russian who had lived for a considerable time in England. He quoted export and import statistics to prove that Great Britain would suffer by a reversion to Protection, and urged that the English members of the Congress should find means of educating the working classes about the dangers of Protection and the advantages of Free Trade.

The Congress then adjourned till Wednesday, at 10.30 a.m.

The following letter from Mr. Edward Bernstein, Germany, was addressed to the Committee of the Cobden Club, and is inserted here as the place that seems most appropriate to it :—

THROUGH your member, Mr. Fisher Unwin, I have received an invitation to attend your Congress. Other engagements previously arranged prevent me from following it, but I feel it my duty to express my fullest sympathy with the movement for the establishment or re-establishment of free intercourse between the nations. There was, in my opinion, perhaps no time when such a movement was more necessary than at present. More than at any time before is the question of free international exchange a working-class question.

The German Social-Democratic party, the party to which I belong, has recognised this. At its Congress, held at Mayence in 1900, it laid down in a comprehensive resolution its firm determination to fight all hindrances to free interna-

tional exchange, and to promote or support any measure intended and calculated to further this end. To this effect the party has supported all commercial treaties that lowered the import duties of the German empire and tended to knit together Germany and other civilised nations, and with the utmost vigour opposed the new tariff of 1902, which increased the German import duties on a great number of commodities.

As a consequence of this new tariff, other countries also increased their duties.

Thus the beginning of the twentieth century has seen movements in regard to the fiscal or commercial policies of the nations which are in complete contradiction to the best tendencies of modern social evolution.

A network of industrial, commercial, scientific, artistic, literary, and other social ties and associations, covers the civilised world. Means of communication, which lead the nations to a closer intercourse, are continually being improved. People are proud of this, and in glowing terms praise each new achievement of the kind. But at the same time we see civilised nations build up tariff walls in face of all this, and from time to time these are increased one after the other in order to counteract as much as possible the constantly increasing facilities of international communication.

No doubt, as long as society is divided into monopolising capitalistic and working classes respectively, who have to compete for their livelihood, no technical progress of any kind will be an unmixed blessing, and free exchange will have its drawbacks for many members or sections of the community. But the remedy lies not in the return to the erection of tariff walls and toll gates. These will only impede progress and deflect the eyes of people from measures of real progressive reform. They tend to enrich some sections of the community at the expense of others. They represent a movement which knows no limits, each Protectionist nation trying to outrival the others in higher and more elaborate tariffs. And last, but not least, they are one of the

main factors of rivalry and enmity between the nations. Based on the idea that the industrial progress of one nation is detrimental to the welfare of the other, or at any rate fostering this notion, they create international distrust, and are greatly responsible for the formidable increase of armaments which we witness in these days of much vaunted civilisation, and more particularly in the case of those nations who pride themselves on their civilisation. Most of the questions which separate these nations and make a continuous increase of armaments appear an inevitable necessity are directly or indirectly connected with the question of commercial policy. This uninterrupted increase of armaments, which presses with growing severity upon the wealth of the nations, everywhere draining the revenues and depriving us of the means for thoroughgoing reforms, is a blot on humanity, and makes it the slave instead of the master of its destinies. But this will never be stopped or effectually reduced unless the nations return from the policy of tariff walls to that of free intercourse. Tariff walls make colonial questions and the questions of our relations to semi-barbarous countries and subject peoples much more complicated than they would be of their own nature. They hamper and even prevent peaceful solutions and increase the incitement to wars and warlike dispositions.

A small minority only is really benefited by this state of affairs. The great majority of people are damaged by it. If at a former period it was a debatable question whether the wage-earning classes are vitally interested in free international exchange, in my opinion this time has ceased to exist. Under present conditions free international exchange is, I hold, before all, a working-class question ; and all impediments to this exchange artificially create new interests against thoroughgoing industrial reforms.

For these reasons I look upon your Congress with the greatest sympathy, and wish it every success in its work of dissipating jealousies and sowing the seeds of true and lasting friendly relations between the nations.

The following paper, on the first subject of the programme, was written by Senator Pulsford, of Australia; but unfortunately it was not received till the morning of August 5, and could not therefore be submitted to the Congress:—

THE words “my country,” rouse the best that is in a man, and it is when a man is at his best that he is most ready to be friendly with “your country.” When “my country” and “your country” open, each to the other, their doors and their hearts, then civilisation touches a higher level, and “our world” is a happier home for the human race. In this Congress “my country” and “your country” shake one another’s hands, smile into one another’s eyes, and from the heart and without mental reservation wish one another increase of prosperity. Each member of this Congress will be free from any feeling that “my country” can be enriched by restricting the trade of “your country”; and all will agree that, if there be any poor relations in the family of nations, it will be good, even for the other members of the family, if these ascend in the scale of prosperity.

In view of the tariffs, and rumours of tariffs, that to-day afflict the commerce of the world it may be thought to be rash to say that this Congress can look forward to the future with confidence. Yet a calm survey of the position, a comparison of the past and the present, will show that reasonable grounds exist for such confidence. Commerce, the part of the world’s trade that crosses political boundaries and can be attacked by customs tariffs, has during the past century, and specially during recent years, increased at an ever accelerating speed. Spite of tariffs the volume of the world’s commerce grows by leaps and bounds. This growth is the entirely natural result of various causes operating concurrently: first, the marvellous triumphs of science, specially in the direction of steam and electricity; second, the increase of population, the old world having in a cen-

② tury more than doubled the number of its people ; third, the increase in the average spending power of the individual ; and fourth, the fact that country after country in Europe, ④ and finally, Europe as a whole, has found its food supplies insufficient for its own people. Mouths to be filled, backs to be covered : food and clothing wanted. More and more the world's old countries are driven to look to the new in order to supplement their own deficient supplies, and the new countries to rely on the old for the purchase of their surplus production.

Look back only some two or three centuries. *Then*, a paltry commerce was confined mainly to commodities that were the specialities of the rich—such as skins, furs, silks, flax, spices, oils, wines ; *now*, the bulk of to-day's vast commerce consists of the necessaries and tools of the toiling masses, and what were the specialities of the rich in bygone days are now brought within reach of the multitude. *Then*, there being no steamers, a sailing vessel took a year or more for one voyage even between Europe and America ; *now*, note the number, the size and the speed of the steamships that to-day cover the waters. *Then*, replies to letters could not be received under months or years, according to the distance ; *now*, electricity will flash a question to a distant country and flash back the answer within a few hours at most.

Compare closely the world of to-day with the world of only one century ago. Population, as stated, shows an enormous increase, that of Europe having more than doubled in the interval. But, strange to say, the world's aggregate income, divided amongst these increased multitudes, actually gives a higher and not a lower average sum to each family. The millions have helped, not injured, one another. What bright hopes for the future lie in this simple fact, and what a reproof also for those who look with dread on great populations. Everywhere the number of the people, and the average individual well-being, have both increased, in varying degrees it is true, but in Europe,

America, and Asia alike the changes have been upward in both the aggregate of the numbers and in the average individual well-being of the people.

We hear boasts of countries being self-contained, independent of others, and yet there is rapidly growing, under our very eyes, an interdependence among the nations that is simply startling. The sensibility of trade in one country to the conditions existing in another is one of the features of the day. Look at the break in the prosperity of the United States which marked the close of 1907, and how quickly it was reflected throughout the world. Look at the launching out of Japan into commerce a few years back and what influence it had in many directions. Look how a specially large or a specially small harvest in one country promptly affects the value of wheat in other countries. Look how speedily the money market of one country responds to the conditions of the money markets of other countries. These, and many other things that could be named, indicate to what a remarkable extent the interests and the welfare of the various nations are being linked together. Even one single century ago there was nothing like it; the interests then in common were trifling to what they are to-day. Now the money spent abroad by travellers exceeds in amount the aggregate value of the whole of the world's commerce in the early part of the eighteenth century. We are blind indeed if we cannot see the tendency of these momentous changes. They portend greater freedom for commerce—its tide is rising too high for restraint; indeed, all the forces of civilisation are fighting against tariff obstructions.

With the growing interdependence of nation and nation there is an obvious connection between the fiscal policies of the world and the growing cost of living, especially in regard to food. At the creation the command was given to man to "subdue" the soil, yet we find that in new countries, with countless acres of virgin soil, people crowd into towns, and their politicians talk about manufactures till they forget that the primary duty of a new country is the

subjugation of the soil. Food has been for some time rising in price, not one article only, but many ; not in one country only, but in all ; and the increased cost hurts even when no tariff burden be added. It might be said that if more money is being paid for food, then more money is being received by the food-exporting countries, and that, therefore, the policy of the new countries has turned out well for them. But price and profit are different things. If, freed from the expense of a restrictive system, food were produced at one-fifth less cost, then a corresponding reduction in price would leave results equally profitable to the producer, whilst the world's toiling millions would enjoy that inestimable boon—food at its cheapest. It is well to bear carefully in mind the fact that a country's tariff has a world-wide as well as a local effect. The restraint of commerce that exists both in old and new countries affects every part of the world.

A bird's-eye view of the world's industry in this twentieth century reveals some singular things. Certain countries have more people than they have food for, yet they are seen making it as difficult as they can, or at least as difficult as they dare, for anyone to bring in further supplies of food. Other countries have vast regions of virgin soil that have waited for the hand of the cultivator since the day of creation. Yet every possible impediment is put in the way of the bringing in of the machinery and tools needful for the cultivation of this soil. In the wants of each lie gains for the other, but the folly of both prevents this being seen. However, we are in the twentieth century, events move fast, and the glare of light is getting too strong for the legislation of the dark ages.

Take another bird's-eye view. Look at the world's waters. Notice the vessels everywhere ploughing their way through the trackless deep. What mutual employment, wealth, and well-being for the nations they represent ! Yet, pick out any ship you like, with any cargo you like, from any port you like, to any port you like,

and you can be sure that when that ship reaches its destination there will be some people—and perhaps many—who will see in that cargo only loss of employment, wealth, and well-being. Then remember that this view will be held with regard to the cargoes of every one of the other vessels you now see afloat, and that the objectors everywhere claim to speak for “national industry.” If in all countries the objectors could have their way, the seas would soon be swept bare, and every country would find the aggregate of its employment, wealth, and well-being lessened. Of course, this spirit has always been in evidence since there was the least bit of commerce at which to kick. Now that commerce has attained to dimensions so vast, the kickers are very numerous, and the kicking very noisy. It is also worth noting that in nearly every restrictionist country at present an organisation exists to promote the expansion of exports. This is an entirely modern movement, and it makes the organisation for restricting imports look very silly. It is a search for open doors by the advocates of the shut door. The farce of it all is getting rather transparent. It may also be profitably remembered that the special development of fiscal policy called “preference,” supported by Canada, Australia, and New Zealand, has not yet been brought into operation by these very countries—that is, between themselves. Not one of the three will give real live preference to either of the other two. Preference as a policy seems, therefore, to lack any element of longevity. Whatever restriction may profess, it obviously does not know how to give.

The price of a commodity is naturally lower in a country that exports and higher in a country that imports. Bearing this fact in mind, it is singular that the boasted policy of so-called Protection bestows its favours where the higher and not where the lower price prevails. Both the United States and Germany are high tariff countries, and both grow wheat. The former produces beyond its own needs

and exports the surplus ; the latter produces less than it needs, and imports the balance. But the farmers of the United States must sell at the European price minus freight charges, yet their tariff gives them nothing. The farmers of Germany are able to get the full European price (which is practically the American price and freighting charges from America added together), and on the top of this extra price, Protection enables the German farmers to place the full amount of the customs duty on imported wheat. If your industry be in a country where the lower, or export, prices prevail, you get nothing ; if it be in a country where the higher, or import, prices prevail, then Protection, save the mark, says you are the man for its money. If you wish to participate in the gains, the gold, which the "national policy" offers, keep clear of industries in which you must bravely seek for customers in other and perhaps distant countries. Choose an industry in which all your customers are on your doorstep, and in connection with which your Government agrees to inflict a penalty on your customers if they buy elsewhere.

The last half-century has been marked by notable changes in commerce. Thus Germany, formerly a seller of grain, is now a buyer, and, conversely and naturally, a seller of the manufactures of which formerly she was only a buyer. Twenty years ago it looked as if the United States, single-handed, could supply all Europe with meat and grain, but the rapid growth of internal consumption has changed the outlook. The lesson is that the world, and not any particular part of it, is at once every country's market and source of supply.

Big as the world's commerce is to-day, it is probably but yet in its infancy. Practically the whole future increase of population in Europe must be fed with imported food, and the new countries will need this demand for their due development.

The continuous growth of commerce, spite of all tariffs, is a convincing proof that the policy of restriction fails of

its avowed object, and that a country which imposes a tariff must itself bear the burden of it. But it must be remembered that, after all, there is scarce one Protective country in the whole world that does not pay frequent tribute to the soundness of the principles of Free Trade. Thus Germany and France each have millions of sheep and produce much wool, yet both put imported wool on the free list, and not wool alone, but various other articles produced internally.

The greater the quantity of goods that a given sum of money will obtain from abroad, the better for the importing country. Yet when the commodity is one that is also produced internally, there is apt to be local loss when a sharp break occurs in the price. The local loss ought not to shut our eyes to the national gain, and, on the other hand, the fact that there is a national gain need not close our eyes to the local suffering. It may be that the twentieth century has in store for us some system of insurance against both market losses and want of employment that will meet many of the troubles alike of capital and labour. It is certain that there are elements at work at present tending to the world-distribution of commodities such as was once never dreamt of. The cheaper and quicker that transit becomes, the more easily are commodities brought within the operations of commerce. A hundred or even fifty years ago a much larger margin of possible profit than is required to-day would have had to exist before a merchant would have run the risk of bringing goods from abroad. To-day the prices of any important commodity in all the principal markets of the world are known, and the rates of freight likewise. A merchant, therefore, can make ventures on margins of profit that are small because the risks are also small. This influence is world-wide, and the benefits universal, providing at once the best means of making all the world share in prosperity and contribute to the relief of depression. The profits that arise in purely internal trade, unaffected by external com-

petition, are constantly accompanied by local losses, but no one is foolish enough to suggest that internal trade should be prevented in future, and there is no more wisdom in blocking external trade because of local losses. The national gains far outweigh all possible local losses in both internal and external trade.

The essential strength, the fighting power, of Free Trade is, too, often forgotten : it is time to insist upon it. Not only is it good for a country to be Free Trade in a Free Trade world, but it is good for a country to be Free Trade in a restrictionist world. Where there are no customs duties goods are at their cheapest ; the cheaper goods are the more of them people consume ; the more people consume the bigger the buying power of the country, and the bigger the buying power of a country the more it is able to take advantage of those special opportunities which arise in one part of the world after another, and in regard to one commodity after another. The larger the purchases the lower the freights, and the greater the volume of shipping entering the ports. Out of these conditions arise ability to sell for export at the lowest prices and the provision of the cheapest means of transit. In view of the general dearness of food it is worth noting that the Free Trade United Kingdom is clearly benefiting at present through various restrictive countries in Europe limiting, by their duties, the imports of food into their respective countries, and so leaving larger supplies available for the United Kingdom. Marked as the strength of Free Trade is from the economic, it is still more marked from the moral point of view. Where favouritism to both classes and individuals is stamped out, as one would stamp out the plague, there may you hope for pure government and a happy people. The principles that underlie freedom of trade are allied to the highest national qualities. When a nation has cast out the coward fear of commercial competition its moral fibre is strengthened, and ultimately it is moral fibre that keeps a nation alive and great. Liberty of speech and liberty of religion are everywhere

granted by civilised nations; that liberty of trade is anywhere denied only shows that self-interest and privilege fight to their last ditch to maintain their power of spoliation. But when almost unanimously the students of political economy assert the soundness of Free Trade, when the teachings of religion urge it upon us, and when poetry and art speak its praise, its supremacy is only a question of time, unless, indeed, the world is to see the destruction of all the civilisation that has been gained. The world is moving very fast, developments tending to increase material prosperity are on every hand, but grave danger exists lest in the pursuit of the material the real beauty and sweetness of life should be lost sight of. The International Free Trade Congress can assuredly claim that its objects tend to the peace of the world and the welfare and happiness of mankind.

REPORT OF THE SPEECHES
AT THE
DINNER IN CELEBRATION OF THE FIRST
INTERNATIONAL FREE TRADE CONGRESS.

THE members of the first International Free Trade Congress were entertained by the Cobden Club at dinner at the Hôtel Cecil on Tuesday, August 4.

The toast of "The King" was given by the Chairman, LORD WELBY, and enthusiastically honoured.

THE PRIME MINISTER'S SPEECH.

Mr. ASQUITH, who was received with prolonged cheers, proposed "The Cause of Free Trade." He said:—

Lord Welby and gentlemen, we are to-night the guests of the Cobden Club; and when I survey these tables, and, still more, when I examine the list of the guests, I feel satisfied that our gathering will give fresh currency and colour to the legend that the Cobden Club is an insidious anti-national institution, to a large extent sustained and subsidised by foreigners, who see in its successful efforts to persuade the people of this country to adhere to the antiquated and suicidal policy of Free Trade their best hope for the industrial and economical development of their own countries. Well, for my part, although I wish in what I say to-night to speak mainly of our own experience here of the results of Free Trade, I am delighted to be associated with men of other nations in a cause whose fortunes I believe to be bound up with the best interests of the world.

Gentlemen, this club was founded in honour of Richard Cobden. He was, as I believe, a great patriot, by which I mean a man who always gave the first place to what he conceived to be the real interests of his own country. But he was also a great international statesman—one of the first to understand and to proclaim that ever-growing community of interests which, with the development of locomotion and of the transmission of intelligence and of ideas, is bringing about, every generation, a more intimate interdependence between all the nations of mankind. Cobden was a Free Trader primarily because, for reasons to which I will in a moment advert, the abolition of Protection had become a matter of vital necessity for this United Kingdom ; but amid many disappointments and discouragements he never fell back from the belief that universal Free Trade, the breaking down of tariff walls, the discontinuance of tariff wars, would be found in the long run to be one of the most effective safeguards both for the progress and for the peace of the world. And you and I share that belief, though with Europe bristling, as it does to-day, both with tariffs and armaments, it seems to many excellent people to make an almost excessive draft on the bank of faith. Gentlemen, we in this country, who have not only preached, but practised, Free Trade for more than 60 years, are often told by our own Protectionists—I may inform our foreign guests that they do not call themselves by that name (laughter) ; they call themselves Tariff Reformers—a body of gentlemen who have a gift amounting almost to divination for unearthing buried fallacies—we are often told by them that if our policy was a wise one the rest of the world would by this time have shown some sign, at any rate, of following our example. They invoke the old ecclesiastical formula, *Securus judicat orbis terrarum* ; and poor little England, containing as it does upon a comparatively small area of ground over 40 millions of population, with an average of comfort and prosperity to which there is no parallel anywhere in the rest of the world—poor little England is

represented almost as an isolated heretic from the orthodox creed.

FREE TRADE IN FOREIGN COUNTRIES.

I wonder sometimes whether these critics of ours realise over how large a part of the surface of the industrial globe there is absolute Free Trade, and to what a degree the rapid development during the last century of its productive energy is due to that simple fact. Long before Cobden was born, the framers of the constitution of the United States provided for all time that between the constituent States of that union no Customs barrier should exist. The result is that for more than 100 years, over a territory of about, I suppose, three million square miles, anything in the nature of internal Protection has been an impossibility. The American tariff is protective enough, heaven knows, as regards the outside world, and some of us, with all respect for the judgment of our kindred across the seas, think that it is not either in their interests or in the interests of mankind a very wise arrangement. But if you look at the trade of the United States as a whole, you will find that their foreign commerce is a comparatively insignificant factor ; and who can deny that a large share of the credit for their abounding productiveness is due to the wise foresight which secured complete freedom of interchange between the cotton-growing States of the south, the corn-fields of the middle and the west, and the manufacturing communities of the east ? In France, again, the Revolution accomplished that which the sagacity of Colbert and of Turgot had anticipated, and practically put an end to the existence of internal Customs barriers. And in Germany, which is sometimes held up as the *enfant terrible* of the Protectionist world—in Germany, by a series of stages, perfectly familiar to every student of economic history, the same process was accomplished, and complete internal Free Trade exists. I am quite aware that these examples have nothing to say to the political argu-

ment, such as it is, for national Protection ; but when you come to consider Protection upon purely economic grounds, they are in the highest degree relevant and instructive.

FREE TRADE AN ECONOMIC NECESSITY.

I come back, however, to the question as to which I feel more competent to speak :—How it is and why it is that in this United Kingdom of ours our people have become, and, whatever may happen elsewhere, intend to remain a Free Trade people? Here again it seems to me that our Protectionist critics live and move in a fog of illusion. One of their favourite superstitions is that we became, and that we have continued to be, Free Traders out of deference, while he was alive, to the arguments, and, since he was dead, to the authority of Mr. Cobden. Another and an equally fanciful notion is that we, the most practical nation, I suppose, upon the whole face of the globe, are in this matter, which most closely touches our material interests, the blind slaves of an abstract economic formula. These are both pure imaginations. It is perfectly true that the cause of Free Trade owed an immense debt to the lucid and convincing arguments of Cobden. It is perfectly true, as every one here knows, that the principle of Free Trade is but a particular application of the economic doctrine of the division and the specialisation of labour ; but the conversion and the adhesion of Great Britain to Free Trade has been due, not to theories and not to personal influences, but to the teachings of actual experience. Free Trade was, is, and will continue to be to us what in a growing degree I am satisfied myself it will be found to be to many other countries—an economic necessity. What is that necessity? It arises out of two very simple facts—out of our inability, in the first place, to produce here at home, even under the shelter of the highest and the most insuperable tariff that Protectionist architecture could design, the requisite food for our people and the indispensable materials for our

industries. It arises out of the further and closely related fact that we can only maintain our industries and find employment for our people by receiving the goods which foreign nations are willing to send us in exchange for our own. It was under the stress of that necessity that the old tariffs broke down in the years between 1840 and 1846, and, as time has gone on, that necessity coerces us with an ever-increasing stringency to follow along the same path.

OUR FOREIGN TRADE.

I will not dwell on our enormously growing dependence on foreign sources for our food supply, but it may be interesting to state—and I got the figures only to-day from the Board of Trade—that our net imports of raw wool, which 50 years ago were about 90 million pounds avoirdupois, have now risen to an average of over 350 million pounds, and that in regard to raw cotton in the same period—a period of 50 years—our net imports have risen from 8 million cwts. to 16 million cwts., or exactly double. I need hardly point out to instructed economists, like those who are here to-night, that the proportion of our imports which consists of finished manufactured goods is relatively small, that to a substantial extent they are goods which we cannot under any circumstances produce ourselves, and that to a still larger extent, which accounts for almost the whole of the surplus, they are goods for the production of which other countries enjoy enormously preponderating natural advantages. The truth is that the Protectionist disputants in this country can only keep themselves controversially alive by imputing to Free Traders positions which are not only not necessary to the Free Trade case, but which no rational Free Trader has ever attempted to maintain. Let me give you two illustrations. No one, no sane Free Trader that I have ever come across, has ever contended that we are, or that by any possibility we could be, as far ahead of our great industrial rivals now as we were 50 or even

20 years ago. We had the start in the race ; and when you think of the then enormous unexploited and undeveloped resources, both material, mental, and moral, of countries like Germany and the United States, I believe it would be the highest tribute you could pay to the Free Trade system that we have kept ourselves as far in front as we have at the present moment. Nor, again, does any Free Trader that I have ever come across contend that the tariffs of Protectionist countries do not do our trade a substantial injury. They do ; but the more our experience widens and expands, the more do we realise the wisdom of the advice given 60 years ago by Sir Robert Peel that the best weapon with which to fight Protectionist tariffs is free imports. It sounds a paradox, but the reason is not far to seek. Free imports secure for us, and for every Free Trade country, a supply of untaxed raw or half-finished material, and, if need be, of machinery ; and the result is that, as experience shows—this is not a matter of abstract dogma, but of every-day experience—our finished goods, against which the Protectionist tariffs of other countries are mainly directed, can not only compete at an advantage in neutral markets, but are able to overleap the tariff walls themselves, and very often to undersell the protected manufactures in the domestic markets of those countries.

FREE TRADE AND SOCIAL REFORM.

I turn lastly to another aspect of the matter, which both from the economic and from the political point of view, is of the highest importance. I mean the capacity of a Free Trade fiscal system to provide the growing revenue which every civilised country now stands in need of for the purpose of social reform. There are many people, and among them I am sorry to say in these days some faint-hearted Free Traders—my poor weebegone friend the editor of the *Spectator* is one of them—there are some people who point to what they conceive to be the impending bankruptcy of Free Trade finance, and

declare that the choice between us in the immediate future will lie between the abandonment of social reform and the adoption, in some form or other, of Protective duties. In regard to that, what I have to say is this—that in my view there is nothing in our recent experience which lends any countenance or colour to these counsels of despair. Let us just look for a moment at what has been happening during the last three years. All the world, Free Trade and Protectionist countries alike, have had the opportunity of benefiting by a short but remarkable cycle of exceptional prosperity. Now, from the financial point of view, how have we in this Free Trade country made use of these abnormally favourable conditions? I can speak with some confidence on the matter because for some three years past—I have given up the task now—I was mainly responsible for the financial policy of this country. What have been the features of that policy during those three years? First of all, we abandoned, and I think you will all agree we rightly abandoned, the practice of borrowing money for expenditure which ought to be met, not out of capital, but out of annual revenue. We have remitted during those three years many millions of annual taxation which fell in varying degrees of severity upon a number of different classes in the community. We have in the same time provided for an absolutely unexampled reduction in the principal, and therefore in the annual charge by way of interest, of our National Debt. I rehearse these facts not in any spirit of boastfulness. It was the policy which it was the plain duty of any Free Trade Minister of Finance to pursue. But I am not aware, and I shall be very much obliged if some of our guests to-night will correct me on the point—I am not aware of any Protectionist country in Europe or elsewhere which during those same three years of abounding and world-wide prosperity has been able to offer any equivalent or similar boon to its taxpayers, present or prospective. We have now entered, it would seem, upon an

era of comparative depression. I am not going to be foolish enough to attempt a prediction as to whether that era is likely to be long or short. The collapse last autumn of the whole fabric of credit and, as a result, to a large degree of the whole mechanism of production in the United States of America, was certain to produce serious and deep-seated consequences. Free Trade countries, no more than Protectionist countries, can escape from these periodical slackenings in the wealth-making power of the world. We may have here in England to relax the rate at which we have been reducing our Debt. We may have, instead of remitting, to impose taxation. But I see nothing—and I say it deliberately and after a very careful survey of the whole field—I see nothing which leads me for one moment to doubt that our Free-Trade finance is capable of bearing the strain of any reasonable programme of social reform. We have at any rate this satisfaction, that whatever taxation we may be compelled to resort to, it will yield its whole proceeds to the national Exchequer, and that no part of it will be retained or diverted to serve the particular purposes of special and privileged interests. I have dealt in what, in an international gathering like this, may seem to be a somewhat selfish and egotistic spirit, with the experience of our own country. But it is the best we have to contribute. We can tell you of the benefits of Free Trade. You can tell us in return of the evils of Protection.

A COMMON MEETING GROUND.

But I repeat what I said at the beginning of my remarks—and it is here that the Free Traders of all nations, whatever may be the special conditions of their several countries, can find a common meeting ground—that the controversy between Free Trade and Protection has both a domestic and an international aspect. That is the point I want in conclusion, if I may, to emphasise and to bring home to you—that it has both a domestic and an inter-

national aspect. On the domestic side what is it? In the long run it is a struggle for relative preponderance between, on the one side, private and special interests, and upon the other side the general and the public interest. Private interests are strong, militant, acquisitive, retentive. The public interest, on the other hand—which is not the particular care of anybody—the public interest is apt to be weak and inarticulate, and is often ill-organised whether for defence or for attack. Free Trade is on the side of the public and of the community, as against special interests and particular classes. But there is another side, and that is the international side. And upon that I may make a stronger and perhaps a wider appeal to you who are assembled here. On the international side Free Trade is bound up with peace and with friendship among peoples. Trade, gentlemen—this is the essence of our Free Trade gospel and creed—trade is not a warfare in which one man's gain or one people's gain is another man's or another people's loss. Keep it free and open, allow it to follow an unrestricted course along its natural channels, and you will find sooner or later—and sooner rather than later—that it widens and deepens the common stock both of riches and of good-will.

Mr. JOHN DE WITT WARNER (United States) said: I am fortunate indeed in my theme, for in this presence, the little I may say will be added to and transfigured by what will occur to each here of the word that might well have been brought to you from the United States. For more than one motive has brought us.

In the first place our selfish interest is involved. Our conditions are changing from those in which we have thus far prospered—as often in spite of our folly as because of our prudence—until under our fairy godmother tariff, that was to make our industry perpetually prosperous and our treasury for ever overflowing, our business is but slowly recovering after a long paralysis, and our revenue deficit is as serious as our late surplus was demoralising to

public economy. We have not exhausted the resources with which nature has dowered us, but we now see their limits : we have not solved the problems before us, but we can now see some of them that Great Britain has met. We see that trade between intelligent men is founded on the gain that each gets therefrom—the most to the ablest ; and self-respect leads us to believe that any wall between us and our neighbour cripples our own enterprise far more than it protects us against his. We have also found that we can get most from those who have most ; and not for Europe's good, but for our own, we have sought commerce with Europe, and especially with Great Britain. We have found it so profitable that we want more of it. You, too, have thrived upon it. We hope you want more of it.

Second, we have learned much from your experience ; we offer you ours in turn. We have tried protective tariff taxation, and we find it produces the least revenue of any known system in proportion to its burdens. We have tried to assist by law certain groups of our manufacturers, and find that we have made them incapable instead of enterprising. We have tried to reserve more of labour for our workmen, and find that we have thus given them less of the rewards of labour. We have tried paternalism in legislation, and found that it has bred corruption in politics. Such are the lessons we have learned ; they are at your service.

Finally, we believe that war is a curse and peace a blessing. We know that international commerce is so growing that in trade restrictions will be found more and more of risk to peace, and in Free Trade more and more of insurance against war. In London this year there will have been held two Peace Congresses—one just closed, of prayer by those whose eyes are straining to see the universal brotherhood before us—the other, that in which we are met, of those whose feet are marching thither.

But one word more. The crisis of our cause is past, and the very stars are now fighting with us. From the dawn of

time until our day the world's peoples have known too little of each other to trust each other—have been too little dependent on each other to need to do so. But with acquaintance has come appreciation, with progress has come inter-dependence. And the round globe is to-day more essentially a single country than one hundred years ago was any of the great nations that lived upon it. If, therefore, it were well—and who doubts it?—that there should be free intercourse between the several parts of each nation as it was then, must it not be well that there shall be more of intercourse between all nations as they exist now? To us, who are here from the United States, restriction of commerce seems as obsolete for the world at large as are the ruined castles that still witness how your ancestors once feared their neighbours; and we believe that the new dispensation is to be that of Free Trade and good-will toward all nations, of which your name-saint, Richard Cobden, was the prophet.

Dr. THEODOR BARTH (Germany) said: In ancient Rome, as we all know, the doors of the temple of Janus were open when a war was going on, and they were closed when peace was restored. If there existed temples of Janus in our times, the rite would have to be reversed. To-day the open door means peace, means good-will among nations. This conviction is the moral basis of our Free Trade creed. Since the beginning of human civilisation the moral standard of a nation could be measured by its treatment of strangers. It is an old barbarian conception that a stranger has no rights, that he and his goods are subject to the arbitrary will of the natives. In the Protectionist creed, there are some traces of this old barbarism. Among the altruistic principles of Protectionism the foremost is this: Knock him down, he is a foreign competitor! He comes not as an enemy: he brings cheap food, cheap clothes, cheap iron. Still, knock him down, he ruins national prices. Shut the doors, even his sweetest sugar is poison for the national prosperity.

Warfare against the welfare of others, to promote their own welfare—that is the essence of a policy which bears such a fine title as Protection of national labour, or fair trade, or something equally good. Can anybody be surprised that the seed of such ideas produces crops of international jealousy? The disarmament, which everybody wants and nobody carries out, will remain a pious desire without the disarmament of the tariffs. If, in all Europe, customs duties were raised for revenue only, the chief reason for investing the resources of the nation in battleships and other peace-securing instruments would vanish. It is not so much Protection itself which leads to jingoism, but the Protectionist spirit—the spirit that sees in every foreign competitor a national enemy and in the Cobden Club a body of economic anarchists. When, twenty years ago, I became an honorary member of the Cobden Club, there were plenty of patriots who believed firmly that honorary members of this dangerous Club were bribed by English gold, stored in the immense vaults of the Ship Hotel in Greenwich. Some years later, to our great satisfaction, we Continental members of the Cobden Club were told by a famous English statesman, that we bribed the Cobden Club by Continental gold. We did not know before that we were so rich. This little experience shows that common-sense is not a Protectionist article. Let us try to put this most valuable article on the free list in every tariff of the world, and so form an international federation of common-sense. You may believe that this would be a hopeless task; but we must not despair of its fulfilment in a time when everything is possible, even the transformation of Turkey into a constitutional commonwealth. Why should we Free Traders despair of an international restoration of economic common-sense?

M. YVES GUYOT, speaking in French, said that his friend Louis Strauss, President of the Supreme Council of Commerce and Industry of Belgium, had asked him to

reply in the name of the Belgian delegates as well as in the name of those of France. Belgium had sent to the Congress, relatively speaking, more supporters than France. It was true that whereas French trade averaged 282f. per head, that of Belgium averaged 882f., or 250 per cent. more. It followed, therefore, that Belgium ought to be better represented than France in a Free Trade congress. Belgium was teaching her neighbours a great lesson. Still more was England teaching a great lesson to all nations. In France the Protectionists were very proud of the figures of the export trade for 1905, 1906, and 1907. Of course, in the midst of the general improvement, France had not been left entirely behind, and Protectionists placed this strange phenomenon to the credit of the Protective administration. They spoke with pride of the 56 per cent. of their total exports represented by manufactured goods; but they were very surprised when they were told that manufactured goods represented 85 per cent. of English exports. But if a group like that of the Society of Political Economists of Paris remained faithful to Free Trade, the Protectionists had gone so far as to elect Protectionist professors to the chairs of political economy, as if they could give their students any other instruction than this—"Wield political power in such a way as to lay taxes upon your compatriots of which you will reap the benefit." States like France asserted that they taught morality in the schools and the tenets of Protection in Parliament. As if public morality and Protection did not contradict one another! In France they were a Democratic Republic, having the most extended form of universal suffrage, and yet all their political economy was worse than that of the great proportion of the 200,000 electors under the Government of Louis Philippe at the Restoration. The English people, in the last electoral conflict, once more taught all nations a great lesson. He did not for a single moment doubt that they would again resist the attractions of Mr. Chamberlain's programme of

May 15, 1903. If all nations understood, as the English did, the stupidity of trying to combat industrial progress and means of transport and communication by customs duties, such questions would not arise, and there would be no need for a Free Trade congress. But the passion for Protection seemed to excite the various nations in direct ratio to their progress; and that was why, imitating Cobden's example, they sought commercial treaties. They demanded commercial treaties as safeguards, to preserve Governments for a certain number of years from the pressure of Protection, and to ensure stability for a definite period. They hoped that the English Free Trade Government would do its best to make agreements and treaties which, if they did not suppress the customs difficulties, would at least lessen them. Not daring to hope for Free Trade for his own country, he drank, at any rate, to certain commercial agreements, in the hope that they might lead to a commercial treaty.

Mr. JOSEPH MARTIN, K.C. (Canada), said he desired to deny the statement that Canada was a Protectionist country. It was a Free Trade country. He said that because in the general election of 1896, which took place after the Protectionist and Conservative party had been in power for 19 years, the chief principle of the Liberal party was Free Trade, as it prevailed in England, and that principle, having swept the country, returned Sir Wilfrid Laurier with a majority of 60 in a House of 213. It was true that the Government had proved somewhat recreant to the trust of the people. But if they had not eliminated from the tariffs all vestiges of Protection, they had not increased the tariffs. It was said in England by the Protectionists that in order to retain Canada in the Empire it would be necessary to give Canadian wheat preferential treatment. He did not say that if the Mother Country offered that gift to Canada, Canada would not take it. But he did say that no Canadians had ever asked for anything of the kind. Canadians would never ask

the Mother Country to impose taxation on herself for the sake of the gain of a few dollars to them. They were too proud to do anything of the kind. It was said that England was going to lose Canada. It was too big a country for England ever to lose it. But the only way the Empire could lose Canada was for the Empire to eject Canada, just as the suffragists had been ejected from the Congress. But he doubted whether such harsh treatment would be applied to Canada, no matter how badly Canada might act.

The toast was honoured with great enthusiasm.

THIRD SESSION.

WEDNESDAY, AUGUST 5.

SUBJECT: THE EFFECT ON INDUSTRIAL
AND AGRICULTURAL DEVELOPMENT OF THE
COMMERCIAL POLICY OF THE STATE IN
RESPECT OF TARIFFS.

M. GIRETTI (Italy) submitted a summary of the following paper :—

THE opinion is fairly widespread among the general public, and carefully encouraged among the minority, who profit by it, that the unquestioned material progress made by Italy during the last 10 or 15 years must be ascribed mostly to the Protectionist Tariff Reform of 1887.

This opinion, however, is altogether false and misleading, as we hope to prove in this paper.

The chief characteristic of the reform to which reference has been made has been an abrupt and violent revolution in the system of Italian customs, in order to favour the special interests of a small group of privileged industries, more or less artificial, at the expense both of consumers and of industries closely connected with agriculture, which is

the most natural means of livelihood and the most evident source of wealth for the great mass of the Italian nation.

It is curious to note that it was under the mask, and in the name of Protection for agriculture, that the Tariff Reformers succeeded in accomplishing their basely selfish designs.

They had clearly perceived the impossibility of reaching their cherished aim unless they previously flattered and won over to their own cause the Agrarian members of Parliament.

An excellent pretext for this was offered by the crisis which arose from the increasing competition of the newly farmed lands of America, and which had resulted in a sudden falling off in the price of wheat in Europe.

Strictly speaking, one could not speak seriously of an agricultural crisis in a country like Italy, where the bulk of agriculturists are not sellers of wheat but buyers of bread, and the owners of very little patches from 0.01 to 1 hectare of cultivated land represent over 66 per cent. of the whole landed property.

A League was nevertheless set up in order to oppose by legislation the decreasing price of wheat affecting large and medium proprietors, who had then, perhaps more than now, strong and decided political and electoral influence.

To characterise plainly the real object of this pretended "Agrarian League," it is sufficient to say that its chief promoter and subsequent president was the late Senator Alessandro Rossi, a large wool-manufacturer of Schio (Vicenza), and a prominent supporter of Protection for industries.

The avowed purpose of the League was to increase the duty on wheat, which had been hitherto little more than a statistical duty of 1 lire 40 per metrical cwt. (100 kilos.), sufficiently to enable Italian farmers to compete in growing wheat with their rivals from abroad, favoured by greater fertility of soil and by lighter taxation.

But the astute and secret design of the manufacturers (who, led by Senator A. Rossi, had joined the League) was to make a first and decisive infringement in the moderate tariff with which the liberal and far-sighted policy of Count Cavour had endowed the new kingdom, and to render possible, by this indirect and rather questionable means, a considerable increase of the duties on foreign manufactures competing in the home market with those of native produce.

Unhappily for the Italian consumers and tax-payers, the Protectionists found a very powerful ally in the financial policy of the time, just then engaged in the most thoughtless extravagances of militarism and public expenditure.

The duty on wheat was first increased to 3 lire per metrical cwt. (100 kilos.) on April 21, 1887, and the new Protectionist Tariff was enacted by a law on the subsequent July 14.

Other increases of the duty on wheat have taken place subsequently as follows:—

February 10, 1888, to 5 lire per cwt.

February 21, 1894, to 7 lire per cwt.

December 10, 1894, to 7.50 lire per cwt.

We have endeavoured, in the following table, to summarise in some comprehensive figures the real increase of industrial duties enforced by the tariff of July 14, 1887, and by subsequent legal enactments.

The reader, however, must not be mistaken as to the real meaning of the figures, for they represent only a part of the increased prices the Italian consumers have had to pay through the working of the tariff.

Indeed the numerical averages cannot keep account of the fact that, in each group of protected commodities, the bulk of the imports is formed by less protected items, which do not arouse so much the attention, or jealousy, from the influential home-producers.

AVERAGE DUTY COLLECTED ON PRINCIPAL IMPORTED
MANUFACTURES.

Per metrical cwt. (100 kilos.).

	Lire and 1886.	Centimes. 1896.	Increase. per cent.
1. Cotton yarns and warps	37·59	74·04	96·96
2. Cotton piece goods and cotton mix- tures	98·31	132·64	34·92
3. Other cotton manufactures	128·64	184·17	43·16
4. Wool yarns	67·52	75·05	11·
5. Wool piece goods	145·99	219·49	50·34
6. Other wool manufactures	124·38	136·34	9·06
7. Piece goods and other silk manu- factures	465·76	929·72	99·57
8. Coloured and tapestry paper	19·96	41·26	106·71
9. Tanned skins	47·96	63·37	32·13
10. Boilers, machines, and accessories..	6·32	10·52	66·45
11. Railway carriages	8·64	9·99	15·62
12. Wrought iron and steel, including rails	5·64	8·17	44·85
13. Pottery, earthenware and china	5·	9·58	91·60
14. Glass works	8·31	12·10	45·67
15. Panes of glass and looking-glasses..	11·42	16·03	40·36
Averages	78·96	128·16	62·31

The immediate consequence of the tariff reform enacted in 1887 was a series of grave troubles in the external trade relations of Italy, and a sudden breaking off of the old commercial treaty with France.

A disastrous tariff war ensued, of which the effects are shown by the following figures :—

ITALIAN STATISTICS.

(Exclusive of Precious Metals.)

		Italian Imports from France. Million Lire.		Italian Exports to France. Million Lire.	
1884	.. ..	282	.. ..	415
	1885	288	.. ..	367
1886	Commercial treaty	311	.. ..	446
	1887	326	.. ..	405
1888	.. ..	155	.. ..	170
	1889	167	.. ..	165
1890	.. ..	163	.. ..	161
1891	.. ..	144	.. ..	150
1892	Tariff war	168	.. ..	147
	1893	158	.. ..	148
1894	.. ..	131	.. ..	144
1895	.. ..	162	.. ..	136
1896	.. ..	134	.. ..	153
1897	.. ..	161	.. ..	116
1898	.. ..	116	.. ..	146
1899	.. ..	152	.. ..	201
1900	.. ..	167	.. ..	169
1901	.. ..	179	.. ..	175
1902	New "entente"	184	.. ..	168
	1903	193	.. ..	171
1904	.. ..	200	.. ..	182
1905	.. ..	224	.. ..	194
1906	.. ..	244	.. ..	219
1907	.. ..	—	.. ..	—

This other table has been drawn up to give a comprehensive idea of the manner in which the external trade of Italy has been affected through the alteration of the system of commercial policy.

SPECIAL TRADE OF ITALY.
(Exclusive of Precious Metals.)

YEARLY AVERAGES.

	Imports.	Exports. Million Lire.	Total.
1884-86, previous to the Tariff Reform of 1887 ..	1,412	1,016	2,429
1888-91, new duties, Tariff war with France	1,253	903	2,156
1892-98, ditto, new treaties with Central Europe ..	1,203	1,049	2,252
1899-1901, ditto, new "en- tente" with France ..	1,642	1,381	3,023
1902, ut supra	1,776	1,472	3,248
1903, ,,	1,862	1,517	3,379
1904, ,,	1,914	1,597	3,511
1905, ,,	2,065	1,731	3,795
1906, ,,	2,567	1,929	4,496
1907, ,,	2,760	1,851	4,612

Some remarks seem necessary for the better understanding of the above figures.

(1) The ultra-Protectionist tariff of 1887 resulted immediately in a reduction of the external trade of Italy from a yearly average of 2,429 million lire during the period 1884-86 to a yearly average of 2,156 million lire during the period 1888-91, namely, a loss of 273 million lire in the yearly average between the two periods, equalling 11·24 per cent.

(2) This loss affected both the imports, which were reduced from 1,412 to 1,253 million lire, or 10·11 per cent., and the exports, which fell between the two periods mentioned from 1,016 to 903 million lire, or 12·51 per cent.

(3) The revival of the export trade that took place in the years 1892-98 was the result of the new commercial treaties with the States of Central Europe; these arose

from the liberal influence of the German Chancellor, Count Caprivi, and have in some degree moderated the rigour of the Italian customs system enacted in 1887.

(4) The more noticeable progress of Italian external commerce, both imports and exports, shown by the following table for the years subsequent to 1898, must be attributed partly to the new commercial "entente" with France which began to work in 1889, and still more to the high prices, which were a characteristic feature of that period up to 1907.

(5) Another cause has doubtless exercised a beneficent influence on the development of Italian trade:—that is the better administration of public revenues after a period of lavish and reckless expenditure, as shown by the figures below:—

GENERAL RESULTS OF THE ITALIAN STATE BUDGET.

Financial Years.	Deficit. Million Lire.	Surplus. Million Lire.
1887-88	57·1	—
1888-89	230·4	—
1889-90	—	23·5
1890-91	—	45·7
1891-92	48·1	—
1892-93	—	9·3
1893-94	58·8	—
1894-95	—	0·4
1895-96	1·6	—
1896-97	—	0·1
1897-98	1·1	—
1898-99	—	15·0
1899-00	—	5·2
1900-01	—	41·2
1901-02	—	32·5
1902-03	—	69·7
1903-04	—	33·8
1904-05	—	47·7
1905-06	—	63·5
1906-07	—	101·8

It would, of course, be rather difficult to discriminate the special influence of the different factors in developing the external trade of Italy, but one thing is clear and indisputable: Protection, which was the real cause of the trade depression of the years 1888-91, can in no way claim any share of the merit of its subsequent revival.

The other current opinion is equally without foundation, namely, that Protection, in spite of the suffering incident at its commencement, has finally exercised a beneficent influence by creating an "industrial Italy" side by side with the old "agricultural Italy."

The only possible argument for such an opinion is the incessant bustle and trouble which protected industries continually make to monopolise for themselves the favourable attention of public powers.

The witty distinction made by the great French economist, Bastiat, between "ce qu'on voit" and "ce qu'on ne voit pas" must never be forgotten.

The progress of protected artificial industries doubtless strikes at first the eye of a careless observer, and prevents him from taking a fairer and deeper view of the reality of things, by considering also the far more important progress of those industries which Protection has thwarted and handicapped in their natural scope.

In this respect we agree heartily with the judgment of Mr. Bolton King in his excellent work, "Italy To-day," from which we extract some passages:—

"It [Protection] has given a sickly life to a number of industries, which are not likely to have any permanent stability, and by whose disappearance the country would rather gain than lose. Shipbuilders, with an eye to the bounty, have built for tonnage rather than for carrying efficiency. And Protection has strengthened the evil connection between politicians and speculators, a connection which manipulates tariffs and bounties for purposes of political corruption. It goes without saying that the con-

sumer has suffered heavily, and the whole purchasing power of the community has diminished.”*

SILK.

Silk reeling, spinning, and throwing is, by far, the most important manufacturing industry of Italy.

Silk worms are reared in almost two-thirds of the Italian provinces. Their yearly produce amounts to about 60 million kilos. of cocoons, which correspond to a minimum income for Italian Agriculture of from 180 to 200 million lire, and, when cleverly reeled, to a mass of about 5,500,000 kilos. of raw silk.

We must, moreover, take into account an additional 800,000 to 900,000 kilos. of raw silk produced in the Italian filatures from cocoons imported and 2,000,000 to 2,500,000 kilos. of raw silk imported to be reduced into “Organzine” or “Tram” in the Italian throwing mills.

Of this huge production in raw and thrown silk, about one-third of the world's production, one-sixth, say, 1,000,000 kilos. or little more, is absorbed by the national weaving industry, the centre of which is at Como, and all the rest is exported, representing about one-third of the total value of Italian exports.

Before the Tariff Reform of 1887, the principal outlet for Italian silk was Lyons. In 1888 France resorted to a complicated system of bounties and retaliations against Italian exports, which resulted in a great deal of trouble and a serious crisis for the Italian silk trade.

Reeling and throwing, the two principal branches of the Italian silk industry, very largely influenced by the principle of the “freest and cheapest market,” were seriously hindered by a policy which imposed upon exportation trades a heavy and iniquitous tribute in favour of protected industries.

* “Italy To-day.” By Bolton King and Thomas Okey. London : James Nisbet & Co., Ltd., 1901. Page 154.

But the silk trade, though forgotten and neglected by the ruling Protectionist party, continued to struggle valiantly, and proved, in the midst of the severe trials it had experienced, that it was possessed of a power of increase far superior to that of any other privileged industry.

This statement is fully borne out by the figures of the following table :—

RAW SILK (REELED AND THROWN).

Years.	Imports into Italy.						Exports from Italy.	
	Million Lire.						Million Lire.	
1888	32	..	..	..	254
1889	50	..	..	..	295
1890	36	..	..	..	269
1891	34	..	..	..	243
1892	65	..	..	..	296
1893	62	..	..	..	252
1894	53	..	..	..	268
1895	74	..	..	..	297
1896	51	..	..	..	258
1897	68	..	..	..	270
1898	62	..	..	..	316
1899	102	..	..	..	421
1900	74	..	..	..	350
1901	84	..	..	..	396
1902	108	..	..	..	446
1903	105	..	..	..	419
1904	105	..	..	..	418
1905	111	..	..	..	492
1906	117	..	..	..	586
1907	114	..	..	..	482

Silk weaving is protected against foreign imports by heavy duties. But, the trade being chiefly export, it is certain that the benefit received from a comparative monopoly of the home market is in no way comparable to that which the policy of "the open door" would have gained,

by which the progress of exports is far more efficiently secured.

In perusing the figures of the following table, the reader must moreover bear in mind that it is very doubtful whether the diminution, consequent on taxes on imports of silk piece-goods, has been compensated by the increase of national manufactures.

The impoverishment of the consumers, through the increase of taxes by Protection, has in most cases proved an insurmountable obstacle to the extension of the business of national protected producers.

SILK PIECE-GOODS AND OTHER WOVEN MANUFACTURES.

Years.	Imports into Italy. Million Lire.			Exports from Italy. Million Lire.		
1886 50	..	..	.. 17
1887 55	..	..	.. 17
1888 29	..	..	.. 17
1889 28	..	..	.. 20
1890 25	..	..	.. 19
1891 21	..	..	.. 16
1892 22	..	..	.. 18
1893 22	..	..	.. 19
1894 13	..	..	.. 23
1895 22	..	..	.. 30
1896 21	..	..	.. 33
1897 22	..	..	.. 34
1898 22	..	..	.. 40
1899 24	..	..	.. 61
1900 19	..	..	.. 67
1901 23	..	..	.. 75
1902 24	..	..	.. 74
1903 23	..	..	.. 68
1904 25	..	..	.. 75
1905 26	..	..	.. 78
1906 30	..	..	.. 87

COTTON.

The cotton industry is one of those which have been most favoured by the tariff reform of 1887.

In considering this industry, one must not be beguiled by the Protectionist fallacy, which wrongly attributes to the tariff every progress cotton manufacture has made since 1887, in spite of the fact that this industry (contrary to many others) does not lack in Italy a solid natural foundation on which it would also thrive under a sound and honest system of Free Trade.

The following figures indicate the

CONSUMPTION OF RAW COTTON IN ITALY.
(Imports less Exports.)

	In Quintals (100 kilos Yearly averages.			
1885-1887	576,966
1888-1893	756,729
1894-1901	1,166,822
1902-1904	1,474,280
1905	1,566,339
1906	1,745,297
1907	2,109,934

In 1906, raw cotton imported was—

Quintals 1,830,194 for a value of lire 245,245,996

The exports of cotton waste were—

Quintals 84,897 for a value of lire 5,518,305

Therefore the home consumption resulted in—

Quintals 1,745,297 for a value of lire 239,727,691

Taking the figure of 240 million lire as the effective value of raw cotton consumed in 1906 by Italian mills, we may roughly estimate at 430 million lire, the total value of yarn and piece-goods produced, calculated at an average value of 330 lire for a bulk of about 1,300,000 quintals ($\frac{1}{4}$ being allowed for waste).

In this calculation we do not take into consideration the cost of other materials, such as coal, oils, bleaching pow-

ders, dye-stuffs, &c., which (together with the wages of the workmen, which are likewise not taken into account) go to form this estimated value, and we admit *ad abundantiam* that the annual output of the Italian cotton industry, less the outlay for raw cotton imported and converted into different manufactures, may be represented by a maximum figure of 200 million lire.

The British Board of Trade in the Fiscal Blue Book of 1904 (Second series of Memoranda, Statistical tables, and Charts) (Cd. 2337), page 300, has thus calculated the average incidence (*ad valorem*) of the import duties levied in Italy on the under-mentioned classes of goods of British cotton manufactures exported from the United Kingdom in 1902.

COTTON MANUFACTURES.

Piece-goods :	Per cent.
Unbleached	34
Bleached	33
Printed	52
Dyed, &c.	29
Cotton thread for sewing	18
Cotton yarn :	
Grey	14
Bleached or dyed	19

Noticing that the highest Protection taxes are precisely those established in the tariff for the inferior classes of goods produced throughout Italy, we consider ourselves very moderate in estimating at 30 per cent. the average over-price which Italian cotton manufacturers are authorised by the tariff to receive from national consumers.

It is true that this monopoly, legal but not at all legitimate, has in itself a kind of imminent sanction for those who are invested with it, because it tends to impoverish the consumers and also to reduce the home outlet or protected national industries.

Thus, in spite of increased production, in spite of the growth of population by nearly 4,000,000 persons during

the last 20 years the Italian consumption of cotton yarns and piece-goods has undergone no substantial change. It remains at a very depressed level, averaging less than 3 kilos. per year per head.*

This undeniable fact furnishes a very disheartening explanation of the increase of exports of cotton manufactures of which Protectionists are so proud.

Unable to sell their whole output in the home market without lowering their prices beneath the extremest possible limit of the tariff, Italian cotton spinners and weavers have found it more expedient to export their superproduction in competition with the produce of English manufacturers, and at the same prices, thanks to the policy of Free Trade.

It happens, therefore, that the unfortunate Italian consumers are taxed in order to compensate for those losses which Italian cotton manufacturers prefer to sustain rather than reduce their prices in the home market.

We have said the Protectionist tax levied upon the poor Italian consumers averages about 30 per cent. of the value of cotton yarn and piece-goods consumed in the country.

The following figures will give the means of calculating the actual amount of such a tax :—

* For 1906 these figures are available :—

Yarn and piece-goods of cotton retained for consumption in Italy :

	Quintals.
Production of the Italian mills, roughly	1,300,000
Imports of Yarn	8,406
" Piece-goods	35,995
Total Imports	44,401
	<hr/>
	1,344,401
Exports of Yarn	103,799
" Piece-goods... ..	280,169
Total Exports	383,968
	<hr/>
HOME CONSUMPTION	960,433
	<hr/>

VALUE OF THE COTTON MANUFACTURES CONSUMED IN ITALY.

				1906.		Million Lire.	
Home production (yarns and piece-goods)						430	
Yarn imported	..	..	..	..	5		
Piece-goods imported	..	..	..	..	24		
Total imported	..	..	..	..		<u>29</u>	
				Total	..	459	
Yarn exported	..	..	..	..	24.7		
Piece-goods exported	..	..	..	..	107.6		
Total exported	..	..	..	..		<u>132.3</u>	
Home consumption	..	..	..	..		326.7	

We are convinced that we do not exaggerate the truth of these facts in estimating at a minimum of 100 million lire the yearly tax imposed upon the Italian people by Protection for the cotton industry.

We append, to complete this chapter, the statistics of imports and exports in cotton manufacture since 1902.

COTTON YARN.

Years.	Imports into Italy.				Exports from Italy.	
	Exclusive of thread for sewing.		Thread for sewing.		Exclusive of thread for sewing.	
	Quintals.	Million Lire.	Quintals.	Million Lire.	Quintals.	Million Lire.
1892	.. 13,312	3.3	3,558	1.8	5,655	1.1
1893	.. 8,667	2.7	3,982	2.1	6,909	1.5
1894	.. 6,836	1.5	3,556	1.7	11,120	2.3
1895	.. 10,586	2.4	3,606	1.6	10,711	2.1
1896	.. 6,014	1.5	3,635	1.7	15,348	3.3
1897	.. 5,408	1.3	3,736	1.7	36,474	6.4
1898	.. 4,093	0.9	3,140	1.3	78,821	11.3
1899	.. 4,140	1.1	3,967	3.6	81,823	12.9
1900	.. 4,798	1.7	3,422	3.4	58,602	11.5
1901	.. 4,488	1.5	3,688	3.3	95,001	18.4
1902	.. 4,750	2.1	3,566	3.2	87,279	17.6
1903	.. 5,267	2.1	3,707	3.3	90,905	19.3
1904	.. 5,445	2.2	3,927	3.5	92,480	21.8
1905	.. 4,486	1.7	3,772	3.4	100,331	21.2
1906	.. 4,651	1.8	3,755	3.2	102,460*	24.1

* Thread for sewing exported, 1906 Quintals 1,339
 Million Lire 0.6

COTTON PIECE-GOODS AND OTHER COTTON MANUFACTURES.

Years.	Imports into Italy.		Exports from Italy.	
	Million		Million	
	Quintals.	Lire.	Quintals.	Lire.
1892	70,647	34·9	26,392	10·7
1893	64,619	33·2	34,047	14·8
1894	41,831	22·4	44,010	16·8
1895	47,409	23·-	55,734	20·4
1896	31,171	16·6	67,847	25·4
1897	39,360	14·8	67,652	23·3
1898	25,963	13·1	118,954	38·8
1899	25,172	13·8	138,909	42·4
1900	24,617	14·6	138,269	49·6
1901	23,472	13·6	162,995	53·-
1902	26,480	15·5	151,634	49·8
1903	25,801	15·8	189,540	67·4
1904	27,019	17·8	244,088	90·3
1905	29,612	18·8	248,933	83·6
1906	35,995	24·-	280,169	107·6

WOOL.

According to the confession of the Protectionists themselves, the woollen industry has not made any considerable progress during the last quarter of a century.

Professor Fontana-Russo, an avowed defender of the Tariff Reform of 1887, admits plainly that "proportionately, the improvements made by the Italian woollen industry during the years between the inquiry of 1876 to that of 1894, ought proportionately to have exceeded those realised since 1894."*

Availing ourselves of trade statistics and other official sources of information, we have arranged the following comparative table of raw wool used in Italian mills.

The following figures include raw or dirty wool, washed and dyed wool, combed and worsted wool, and the waste and noils of wool.

* Prof. Luigi Fontana-Russo: "I Trattati di Commercio e l'Economia nazionale," con prefazione dell'on. Luigi Luzzatti. Roma, 1902. Page 173.

RAW WOOL USED IN ITALY.

Yearly Average in Quintals (100 kilos.).

PERIOD 1885-87.

Imports	..	..	..	..	114,610
Home grown	..	..	..	..	100,000
					<hr/>
Total	..	..	..	..	214,610
Exports	..	..	..	..	14,631
					<hr/>
Home consumption	..	..	..	..	199,979

PERIOD 1888-90.

Imports	..	..	..	..	91,207
Home grown	..	..	..	..	100,000
					<hr/>
Total	..	..	..	..	191,207
Exports	..	..	..	..	15,001
					<hr/>
Home consumption	..	..	..	..	176,206

PERIOD 1894-96.

Imports	..	..	..	..	108,799
Home grown	..	..	..	..	100,000
					<hr/>
Total	..	..	..	..	208,799
Exports	..	..	..	..	29,891
					<hr/>
Home consumption	..	..	..	..	178,908

PERIOD 1904-06.

Imports	..	..	..	..	155,755
Home grown	..	..	..	..	100,000
					<hr/>
Total	..	..	..	..	255,755
Exports	..	..	..	..	37,312
					<hr/>
Home consumption	..	..	..	..	218,443

Allowing an average waste of 25 per cent., this consumption by the Italian wool industry manufactures

corresponds to an approximate average yearly output of wool yarn and piece-goods as follows :—

Period 1885-87	..	..	Quintals 150,000
„ 1888-90	..	..	„ 132,000
„ 1894-96	..	..	„ 134,000
„ 1904-06	..	..	„ 164,000

It must, however, be observed that the increase of home product of about 14,000 quintals (as shown by the figures of the last period compared to those of 1885-87) has not made good the decrease of imports consequent on the higher duties.

The yearly consumption of Italians in woollen manufactures averages scarcely 0.57 kilos. per head, as is shown by the following figures :—

· YEARLY CONSUMPTION OF WOOLLEN MANUFACTURES IN
ITALY

(Yarn, Piece-goods, &c.), in Quintals

Calculated home production (1904-06)	..	..	164,000
Yarn imported (1906)	..	..	4,292
Piece-goods, &c., imported (1906)	..	..	38,310
			<hr/> 42,602
Total	..	..	206,602
Yarn exported (1906)	..	..	4,330
Piece-goods, &c., exported (1906)	..	..	13,871
			<hr/> 18,201
Home consumption	..	..	188,401
Population (1905): Million persons	..	..	33.3

According to the calculation of the British "Board of Trade" (Fiscal Memorandum of 1904, Cd. 2,337), the average incidence (*ad valorem*) of the Italian import duties on the woollen goods of British manufacture exported in 1902 may be stated as follows :—

WOOLLEN PIECE-GOODS, BROAD.

				Per cent. ad valorem.
Heavy, all wool	..	..	..	15
„ mixed	..	..	..	35
Light, all wool	..	..	..	14
„ mixed	..	..	..	33
Worsted, coatings, all wool	..	..	..	23
„ „ mixed	..	..	..	39
„ stuffs, all wool	..	..	..	35
„ „ mixed	..	..	..	35
„ yarn	..	..	..	22

HEMP, FLAX, AND JUTE.

Other textile industries are not of great importance in Italy, and the following tables render sufficiently evident the plain truth that the more natural industries of hemp and flax, depending principally on home-crops, have been sacrificed to the less natural jute industry, which, however, has not received very great advantage from Protection, which has imposed so heavy a burden on the shoulders of the national consumers :—

HOME-CROPS OF HEMP AND FLAX.

Quintals of Harl

		Hemp.			Flax.
1886	..	842,000	..	..	166,000
1896	..	757,000	..	..	203,000

INTERNATIONAL TRADE OF HEMP, FLAX, AND JUTE.

Quintals.

Years	Net Imports.		Net Exports		
	Raw Flax.	Raw Jute.	Raw Hemp.	Combed Hemp, Flax, and Jute.	
1886	..	881	32,019	297,375	19,941
1890	..	—	96,364	368,480	26,367
1896	..	3,668	182,277	472,200	32,235
1901	..	1,028	247,774	394,353	20,014
1904	..	1,474	296,424	551,203	26,668
1906	..	4,394	325,883	430,860	25,267

SUGAR.

The sugar industry is perhaps the most striking and scandalous feature of the system, which has set up in Italy an artificial industry exclusively at the expense of the deluded consumers.

A Member of Parliament, Signor Emilio Maraini, has been the political father of the Italian sugar industry, and (what ought to be a proper case of impeachment for more than one of our Government men) he was chosen as official Italian delegate to the Brussels Sugar Conference of 1902.

From the Convention which followed, Signor Maraini, in the name of Italy, eagerly accepted all the clauses which advanced the interests of thirty-three Italian sugar factories—namely, the repeal of foreign bounties and the counter-vailing duties—but he curtly refused to sign the only clause which would have given relief to Italian consumers, by the reduction of Protection to a maximum of 6 francs per quintal on refined sugar, and of 5 francs 50 cents on raw sugar.

Such an exception, so-called, in favour of Italy, was accepted without difficulty by the delegates at Brussels from other States, *provided that Italy does not export sugar in large and continual quantities*, and the net result of M. Maraini's diplomacy was that, since September 1, 1903, the thirty-three Italian sugar factories, forming a Syndicate known as "Unione Zuccheri," are enabled to regularly extract from Italian consumers the whole difference between the import duty and the excise tax according to these figures:—

		Refined Sugar.	Raw Sugar.
		Lire per Quintal.	
Import duty .. ..	.. ..	99·00	.. 88·00
Excise tax .. ..	.. ..	70·15	.. 67·20
		<hr/>	<hr/>
Protection .. ..	.. ..	28·85	20·80

The excessive cost of sugar, consequent on this enormous fiscal and protective tax, forms an insuperable

obstacle for many far more natural industries, by which those fruits most favoured by the Italian soil and climate can be made into marmalade, jam, syrups, candies, &c.

Although the policy of Free Trade has established in the United Kingdom a marvellous system of sugar-using industries, in spite of the necessity of importing the raw material from southern countries, it often happens that Italian farmers must watch with bitter regret oranges, lemons, peaches, and other produce of a warm and generous sun, rotting on their trees, in order that the thirty-three manufacturers of the Sugar Syndicate may levy upon consumers a yearly tribute of more than 30 million lire in addition to the 80-90 millions of State revenue, of which about 75 millions come from the excise and the rest from the import duties.

It is therefore not surprising if the consumption of such an appetising and hygienic nourishment as sugar is restricted in Italy to scarcely 3.30 kilos. per head yearly, and if, in order to preserve during three or four months of the year irregular employment for some thousands of workmen in the thirty-three protected factories, the labour of a far larger number is sacrificed in agriculture and in indigenous industries, which are prevented from thriving and prospering by the artificial dearness of sugar.

Italy is very poor in metallic resources. The influence of some important financial and political combinations has been nevertheless strong enough to gain for Italian iron and steel works a heavy measure of Protection, which, according to the British Fiscal Memorandum of 1904 (Cd. 2337), can be estimated as follows :—

IRON, STEEL, AND MANUFACTURES.

	Per cent. ad valorem.
Pig-iron	13
Rails	45
Galvanised corrugated sheets	65
Tinplates	47
Steel bars, angles, shapes, &c... .. .	21

The protection of this industry weighs heavily on Italian consumers, for it increases by millions of lire the yearly State expenditure for defence, railways, and public works, in which any foreign competition is rendered practically impossible by an almost insuperable preference in favour of home contractors.

Besides, Italian consumers of the working classes are dependent on the iron and steel monopoly for their household furniture, agricultural implements, blacksmiths' and carpenters' tools, &c.

It is a remarkable fact, and it furnishes a striking evidence of the fundamental injustice of the protective system, that the more skilled mechanical industries are comparatively less protected than the industries from which they draw their half-manufactured elements of production. The evident explanation of this fact is that the textile protected industries are politically the stronger and it is to their interest that they should buy their working machines in a cheap market.

As for shipbuilding, it costs very much to Italian taxpayers by reason of bounties on construction and by drawbacks. This industry would quickly have realised its superior advantage in a policy of free imports, had it not been cleverly monopolised into the combination of iron and steel works and privileged companies of navigation.

It is not possible for us, without exceeding the limits of this paper, to extend our survey to many other industries, such as leather, paper, &c., for protection of which Italian consumers are taxed yearly by millions of lire in addition to the great burden of fiscal taxation on the necessities of life.

Agriculture is the chief industry of the large bulk of the Italian people.

According to the Census of February 10, 1901, among 25,387,507 Italians aged 9 years and more, a total of 9,611,003 persons is formed by manual agriculturists—

namely, farmers, wood-cutters, cattle and dairy attendants, shepherds, &c.

None of these is in the least degree benefited by industrial Protection, and every one of them is a forced tributary to the monopoly of the protected manufacturing enterprises.

Other important classes of trades have equally no interest in industrial Protection, which raises the price of living, and diminishes the buying power of their wages and laries.

We note especially, according to the Census of 1901 :—

	Persons.
Building trades	564,798
Transport trades, post, telegraph, &c.	423,791
Selling trades	484,614
Domestic attendance	482,080
Civil services	178,241
Army and Navy	204,012
Teaching	103,430
Hotel keeping, bath keeping, &c.	192,856
Hunting and fishing	55,464
Porters, shoeblacks, chimney-sweepers	92,775
Total	2,782,061

The Census of 1901 also includes 8,355,773 persons without salaries, living at the expense of their families, among which are:—

6,443,803 female housekeepers,
1,560,890 students.

We do not exaggerate in calculating that among this number at least 7,000,000 persons have neither direct nor indirect interest in industrial Protection; we may add another 500,000 persons from among the following classes of liberal professions and from among persons of independent means :—

Sanitary professions	69,913
Legal professions.. .. .	33,743
Literature and Sciences.. .. .	29,152
Fine Arts, Music, Dramatic and Public Performances	39,877
Independent Persons	600,752

By summing up the results of these various statistics we find that, roughly speaking, 20 millions of Italians from 9 years and upwards only experience the disadvantages caused by Protection for manufacturing industries.

It would also be a great mistake to assume that the remaining population (of a little over 5,000,000) is quite differently situated as regards the effects of industrial Protection.

We have shown in this paper that the chief Italian industries, silk reeling and silk throwing, have been seriously hampered by Protection.

It is the same with many other industries, notably clothing and millinery, boots and shoes, furniture, printing and painting, as well as with small local trades such as blacksmiths, carpenters and joiners, &c., which would all suffer less from the increase of foreign competition than they actually do from the artificial dearness of raw materials.

Taking everything duly into account, we are sure that only two million people have interests more or less connected with the protected industries, and for the majority of these any temporary loss resulting from a bold Free Trade reform would be compensated by the development of other more natural industries at present handicapped by the tariff.

We confess, however, with regret that, at any rate at present, there is no serious prospect that this just and beneficial reform can be accomplished.

There are great difficulties in the way. The first is the immense political influence acquired by the group of protected manufacturers during the last 20 years of ultra-Protection.

Another difficulty arises from our unfortunate anti-democratic system of finance, which, being based chiefly on indirect taxation, tends to delude tax-payers and to prevent them from giving special attention to that part of

the revenue which is diverted from its natural destination into the pockets of some able but unscrupulous politicians.

But, above all, the great obstacle which the Free Trade movement in Italy must surmount is that general distrust which the leaders of different political parties have in a policy which would have no immediate chance of success, but would require from them, on the contrary, an unaccustomed effort and a long, incessant popular propaganda in order to throw down one by one the Protectionist prejudices carefully fostered by a Press the slave of dominant interests.

The greatest of these prejudices is that Protection is no less necessary to agriculture than it is to manufacturing industries.

We have already shown that the tariff of 1887 was the practical result of a political compromise between industrial Protectionists and large influential landed proprietors.

It must be readily acknowledged that the price of that compromise, the duty on wheat, has certainly obtained its result in accordance with the purposes and hopes of its interested supporters; it has, until recently, continually increased by this duty the price of wheat in the home market, and consequently the rents of arable lands.

But, according to a fiscal inquiry of the Ministry of Finances, the average extent of Italian landed property can be stated as follows:—

	Hectare.		Proprietors.
Farms from	0·01 to 1	.. ..	3,275,000
„ „	1·01 to 2	.. ..	614,000
„ „	2·01 to 4	.. ..	450,000
„ „	4·01 to 8	.. ..	342,000
„ „	8·01 to above	.. ..	250,000
Total proprietors			4,931,000

In point of fact, it must be remembered that small landed properties are far more usual in the wine-cultivating and fruit-growing provinces.

Among the 3,275,000 farming proprietors, cultivating with

their families a maximum of 1 hectare of land, hardly any are in a position to sell in the market some bushels of wheat.

On the contrary, most of these small proprietors and the majority of the 1,064,000 proprietors whose estates exceed 2 but not 4 hectares in extent, are compelled to buy a considerable part of the wheat they eat, and consequently pay an unreasonable tribute to some thousands of large and medium landed proprietors.

In spite of this enormous protection, Italian wheat-crops have been till 1907 far below the home consumption. Italy has, therefore, continued to import regularly a large supply of wheat, especially from Russia, and the duty has constantly increased by the whole of the tax the price of the home crops.

We give in the following table, in accordance with the variations in the duty, the

WHEAT IMPORTS INTO ITALY.
(Lessened by the Exports.)

Periods.	Duty. Lire and Centimes.	Averages. Quintals 100 kilos.)
1881-83 ..	1.40	910,510
1884-86 ..	1.40	6,520,980
1888-90 ..	3 from April 21, 1887 5 from February 10, 1888	} 7,279,650
1891-93 ..	5	
1894-96 ..	7 from February 21, 1894 7.50 from December 10, 1894 7.50 from January 1, 1898 5 from January 25, 1898	} 6,138,930
1898-1900 ..	duty suspended from June 6, 1898 7.50 from July 1, 1898 5 from July 4, 1898 7.50 from August 16, 1898	
1901-03 ..	7.50	1,024,330
1904 ..	7.50	8,057,020
1905 ..	7.50	11,711,280
1906 ..	7.50	13,732,620
1907 ..	7.50	10,310,250

From this table it is evident that Protection has not yet succeeded in rendering Italy self-supporting as regards her supply of wheat.

The last wheat crop (1907) was exceptionally abundant in Italy; during the autumn months the imports fell to a very low level, and consequently, for the first time, the duty failed to influence prices so much as before. But this abnormal condition rapidly disappeared as soon as the market was freed from the extraordinary supplies of wheat offered for sale, and the result has been that large dealers have been able to realise during the spring months enormous profits at the expense of both consumers and small producers who have not been able to wait for better conditions of sale for their crops.

We can estimate, in an average year, that the consumption of wheat in Italy is a little more than fifty million quintals, on which, by reason of the duty, Italians are taxed at least 375 million lire.

The fiscal revenue has been on an average during the last four years a little below 75 million lire.

The feudal private tribute which Protection imposes on Italian consumers in favour of some thousands of large landed proprietors is consequently about 300 million lire yearly.

To be absolutely correct, we must deduct at the maximum one-third of this sum for home crops of wheat not sold on the market but consumed directly by the producers and their dependants. But even with this deduction the duty on wheat remains a terrible burden for consumers, and it reduces to a very low level the living standard of the Italian people.

Millions of Italians never eat wheaten bread except in cases of illness or on special festivals, and their nourishment day by day is from inferior kinds of corn, especially maize, which, when badly ripened (according to the discovery of the learned Professor Cesare Lombroso), is often the cause

of "pellagra," that terrible and hideous wound, in the very midst of many of the richest and most flourishing provinces of Italy.

But, apart from the depressing influence which the duty on wheat has exercised on Italian consumers, it has not been of unmixed profit even for the protected landed proprietors, who have reaped a bitter harvest from their short-sighted and base policy of immediate self-interest.

The high prices which, because of the duty on wheat, the working classes are forced to pay for their daily bread is an insuperable obstacle to the increase of the consumption of other national agricultural produce.

Thus the pretended protection to agriculture, which is in reality only a protection of the landed proprietor, has directly and indirectly tended to limit both the internal and external outlets for the staple Italian crops, some of which, such as that of the vineyards, are in a permanent condition of crisis.

Cattle-rearing, which might be a remunerative trade for a large portion of the lands under cultivation, is seriously checked by the impossibility of making up with cheap corn the frequent scarcity of the home grass crops.

Nor is the whole mischief of the duty on wheat confined to materialistic things alone.

The progress of Italian revolutionary socialism, with its sad sequel of long and often seditious strifes, is due in a great measure to the example of class policy made by the coalition of agrarian and industrial Protectionists.

To-day in Italy, as well as in the time of Cobden in Great Britain, "the corn law is the great tree of monopoly, under whose baneful shadow every other restriction exists."

This is the great and simple truth which Italian Free Traders desire to propagate without ceasing and by every means in their power, even if for the moment they are prevented from exerting a more efficient political action.

It is in the name of Italian Free Traders that we hope to gain the cordial sympathy of this Congress, and particularly that of English Free Traders, remembering with gratitude how greatly the sympathy of English Liberals aided Italian patriots in the past century in their efforts to regain national independence.

Professor ARNDT (Germany) submitted a summary of the following paper by Herr Gothein (Member of the Reichstag, Germany)* :—

THE German policy of protective duties came into force in 1879 by the coalition between the great industrial and landed interests. The great landed proprietors, who chiefly grew corn, were Free Traders as long as Germany was a country exporting corn. Conditions changed in the seventies of the last century, when, owing to the growing industrial development, employment could be found at home for the increase of population arising from the excess of births. Moreover, owing to the foundation of the Empire, the inner political situation underwent a decided improvement, and this led to a decline in emigration for political reasons, which, especially in the fifties, had assumed big proportions.

Within the area of the Empire to-day, the population in the ten years from 1850 to 1860 only rose from 35·3 to 37·6 millions, *i.e.*, only 2·3 million souls ; in the following decade the increase amounted to 3·2 million souls ; in 1870 to 1880, moreover, in spite of the detrimental influence of the war, it rose steadily to 4·1 million souls, and thereby a density of population was reached so that, even in years of good harvests at home, the imports of corn out-balanced the exports.

This change in the balance of German corn coincided with a considerable fall of the price of corn in the world's market, in consequence partly of the opening up of virgin soil in the Central Territories of the United States by railways and partly by the strong fall of shipping freightage. Whereas

* Herr Gothein was unfortunately prevented by illness from attending the Congress.

the large German landowners for the past three or four decades had made steadily rising profits, conditions now changed, and those who, in the expectation of the continued increase, had bought or rented large landed estates were no longer able to realise through agriculture a commensurate rate of interest on the invested capital, or make sufficient profit to cover the rent.

Although the farmers took up a sceptical attitude when the question of duties on corn was first raised, they were soon won over by the influence of Bismarck's powerful personality and the vigorous agitation of the "revenue and tariff reformers." Those who were in favour of duties on industrial products did not regard with favour duties on corn, fearing that they would react on the wages of the labourers. They accepted them as part of the bargain, as only thereby could they hope to obtain the duties on industrial products that they wished for. There was no majority in the Reichstag for an industrial tariff pure and simple.

The Government proposed a duty of 0·5 mark on corn for 100 kilograms; it was raised to one mark by the Reichstag. The fear that it would be gradually raised to 3 marks was ridiculed by Bismarck in the words, "Even the wildest agrarian would never dream of a duty of 3 marks on corn." But even whilst he was in power the duty on rye and wheat was raised to 3 marks in 1885 and to 5 marks in 1887; on oats to 4 marks, on barley to 2·30 marks.

Contrary to the predictions of Free Traders, the duties did not always find expression in the prices of corn. Thus the average annual price of wheat in the years 1885 to 1888 stood in Berlin at only 7·46 marks, 5·86 marks, 12·36 marks and 22·17 marks per ton higher than in London, although the duty was 3 marks in 1887, and even 5 marks per 100 kilograms in 1888, and wheat from over the sea, in consequence of freight and expenses, stands about 5 marks per ton higher in Berlin than in London.

Germany produces chiefly wheat which is soft, white, yields much flour and little gluten, and requires the

admixture of hard corn rich in gluten, and in years when the harvest is rich or it has to be gathered moist, there is not sufficient use for it at home, and it has therefore to be exported. But in the world's markets it will only realise international prices. Whenever there was a good harvest the competition at home depressed prices. On the other hand, in times of bad harvests, the duty found almost full expression in the price; thus, in Berlin in 1889 to 1891, the average annual price of wheat stood at 48 marks, 46.28 marks, and 51.24 marks per metric ton higher than in London; but with the good harvests of 1892 and 1893 the tension at once ceased, and prices fell to 34.59 and 28.20 marks, even to 20.5 marks in May, 1894.

By the Caprivi Commercial Treaties, which came into operation on January 1, 1892, the duty on wheat and rye was lowered to 3.5 marks, on oats to 2.8 marks, and on barley to 2 marks per 100 kilograms. In the case of the Russo-German Commercial Treaty, which came into force by the middle of the year 1894, the necessity to furnish the so-called identity-certificates (proof of place of origin) was done away with in the case of exported corn home grown and mill productions made at home. That is to say, the exporter of corn or flour received an import certificate (warrant) or receipt for the sum which the commodity would have had to pay in duty if it were imported. These certificates were received by the custom house authorities on payment when import duties had to be paid. The exporter of home-grown corn thus received an export premium equivalent to the duty, with the result that the surplus quantity of home-grown corn not required for immediate consumption at home was exported. Hence, there could be no depression of prices in consequence of home competition, the duty on the contrary always finding full expression in the inland price of corn. Although the lowering of the duty in force from 1887 to 1891 on corn used for bread from 5 to 3.50 marks was hereby more than counterbalanced, the agrarian party opened a furious agitation

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against the lowering of duties, which led to the Bülow Custom Tariff of 1902. By this the minimum duties were raised to 5.50 marks for wheat, to 5 marks for rye, 5 marks for oats, and 4 marks for malt barley; the duty on barley used for feeding animals was lowered to 1.30 marks. These duties are still in force to-day, having been ratified also by the new commercial treaties.

The duties on agricultural products have not been able to check their increasing import. Naturally, the volume of imports is to a large extent dependent upon the result of the harvest; but even in years of very rich harvests an increased excess of imports is required in most kinds of corn.

As regards wheat, imports rose between 1889 and 1907 from 516,887 tons to 2,357,340 tons, and the import surplus by 1.65 million tons, its value by 305,000,000 marks.

The importation of rye has, however, decreased, whilst the export trade has increased; the former has declined from 1,059,000 tons to 608,267 tons, a shrinkage of 690,000 tons; in value 70,000,000 marks.

On the other hand, the importation of barley between 1889 and 1907 rose from 651,000 tons to 2,115,000, leaving an excess of even 1,487,000 tons, the value of which is 200,000,000 marks.

The importation of oats from 1889 to 1906 rose from 257,700 tons to 401,000 tons, worth 15,000,000 marks. In 1907, after a record harvest, exports exceeded imports by 125,000 tons, valued at 2.23 million marks.

Of the four principal kinds of corn, Germany's imports amounted in 1906 to 710,000,000 marks in excess of her exports; the imports of 1906 exceeded those of 1889 to the amount of 430,000,000 marks, although in 1905 and 1906 abundant harvests were gathered. At the same time the importation of maize rose from 314,000 to 1,252,000 tons, showing an increase to the value of about 100,000,000 marks.

Altogether the importation of food, luxuries, and cattle,

increased from 1,513,000,000 marks in 1891 to 2,490,000,000 in 1907, showing a rise of 977,000,000 marks, whilst the export trade in these goods, rising from 438,000,000 to 562,000,000 marks, yielded an increase of only 124,000,000 marks. In spite of the fact that in 1891, owing to bad crops, a specially large amount of foodstuff was imported, and prices were exorbitant, in 1906-1907 there were good harvests and Germany had to pay foreign countries for food and luxuries more than three-quarters of a thousand million marks more. The enormous agricultural duties have not been able to prevent this increase of imports, though the increase on the importation of luxuries has been very slight.

The corn duties benefit exclusively the agricultural industries worked on a large scale. The moderate-sized farmers and small farmers are obliged to buy additional stores of corn, flour, bread, peeled oats, and fodder. These latter, in Germany, concentrate their energies in the rearing and breeding of cattle, in the fattening of pigs, and in dairy farming. The cultivation of fruit and vegetables only plays an important part in a few districts of Germany; poultry breeding is still more insignificant and is greatly handicapped by the dearth of grain through the tariff duties. Eggs are chiefly imported from abroad (Russia, Austro-Hungary, Italy), geese are brought from Russia and fattened in Germany. With the exception of the latter, poultry is rarely seen upon the tables of the lower middle and working classes with whom the consumption of vegetables (with the exception of cabbage, salad, and carrots) is very small.

Corn-growing for sale is profitable only when carried out upon a big scale, because the modern mill requires large quantities of uniform quality, which the small farmer cannot furnish; the latter therefore does not obtain such good terms as the big landowner who can, besides, produce corn cheaper, being able to procure artificial manure at wholesale prices, and to use with advantage in his extensive fields machines for ploughing and reaping, while the small farmer has to depend upon manual labour, and can either not buy machines

owing to want of means, or cannot make effective use of them.

The result of the high price for corn in Germany has been to maintain, or even to extend, the high unsound ratio of large agricultural concerns to the medium-sized and small farms.

For instance, originally the "Rittergüter" occupied at most one-fifth of the fields, four-fifths were in possession of the peasants, a proportion which, in South Germany and on the Rhine in part, still prevails, though it is a part due to the working out of the right of free division of the land under which small landowners are increasing. In the whole of the north, more especially in the region east of the Elbe, after the thirty years' war, the big landed proprietors annexed first the farms that were without owners, and then infringed upon the right of ownership by the peasants, unduly increasing their socage and taxes, and with the rise of the price of corn during the last thirty years of the eighteenth century, they declared much of the land owned by the peasants to be part of their private estates, converting the former owners into serfs. The culture of corn on a large scale was far more remunerative and rational than on a small scale. When in the first quarter of the eighteenth century the Prussian serfs were emancipated, the still remaining peasantry had to assign to the owners of the estates additional portions of the land in compensation for the abolition of the socage and other dues laid upon them during the long centuries of their bondage.

In periods when the price of corn was high, particularly in the sixties and seventies of the past century, this growth of the large estate continued by their owners acquiring further lands. The type of estate to be found in those districts of Prussia, Mecklenburgh, and the Kingdom of Saxony wielding the greatest political influence in the Empire, is not that to be met with in England, but rather that of medium-sized estates of 300 to 1,000 hectares, which are, in the greatest number of cases, managed by the

owner himself. As to how many estates are united in one hand we have no evidence. The number of owners of entailed estates who own numerous separate agricultural concerns, which they either let or have managed by appointed stewards, is steadily on the increase. Thus entailed property, which in 1896 comprised 6.1 per cent. of all the land, had increased to 6.4 per cent. in 1905. On the other hand, it is not infrequently found that several estates have been amalgamated by the proprietors (or companies) possessing sugar plantations. One of these companies, having a beet-sugar factory in Silesia, owned some twenty of the best sugar plantations. There are no statistics with regard to the division of landed property. Every attempt made by the Free Traders to have them compiled have been thwarted by the active opposition of the Agrarians, and the passive resistance of the Government.

But at any rate it may be safely assumed that the concentration of agricultural property is making further progress in Germany. The big estates seek to extend themselves by the purchase of further land; men grown rich in commerce acquire landed property for political and social reasons. In Bavaria the possession of an entailed estate of a certain size confers on its owner the membership of the "Reichsrat" (Upper House), in Mecklenburgh, the possession even of a "Rittergut" (manorial estate) entitles its owner to make the laws of Mecklenburgh, and so forth. In Prussia, the possessor of a few thousand acres, so long as he belongs to the Conservative party, has the sure expectancy of being ennobled. It is true that for the last twenty years there has been a movement to render possible the acquiring of estates upon a small or moderate sized scale. It aims principally at the formation of small or moderate sized "Rentengüter" (rented farms). This form of ownership, necessitating, in the first instance, only a small sum to be paid on account, further payments being made as yearly rents which at any time may cease, has been warmly welcomed in Germany. Through it numerous rich properties belonging to the

State, but also many private properties, have been cut up by Government officials and private companies. The properties thus divided were chiefly those with poor soil, which did not yield sufficient to make corn growing remunerative, but such soil might be expected to be considerably improved on a small farm where in proportion to the size a larger number of cattle would be kept. In the Prussian provinces of Posen and West Prussia several large estates have been sub-divided by the Prussian Land Settlement Commission and assigned to German-speaking settlers, in order to strengthen the German element at the cost of the Polish. For this purpose the State has latterly received authorisation for the compulsory expropriation of Polish landowners. For some years past the Poles have successfully tried to counteract this policy by breaking up large estates and settling Polish farmers on them.

Possibly all these proceedings in recent years have somewhat arrested the tendency towards any further concentration of property in the hands of a few. Still, from 1891 to 1906 only 137,618 hectares have been cut up into rented estates, whereas from 1896 to 1903, the area of entailed estates (*Fideikommissfläche*) increased by 188,000 hectares. And in places where this systematic "Internal colonization" had not been taken up by the State, a further increase of large landed estate must have taken place.

The high prices for corn, artificially maintained by the taxes, caused a most unhealthy extension of corn-growing. When, in the early nineties, comprehensive inquiries were made by the Government in the various allied States as to the actual facts and causes of the distressing condition of German agriculture, it became evident that where this existed it was due to the excessive extension of corn-growing, to the insufficient attention paid to the growing of food stuff for animals, and to the small number of cattle reared.

Nevertheless, owing to the woeful complaints of the Agrarian party, the duties on corn were increased. In spite of the withdrawal of considerable tracts of land from agri-

cultural use, owing to the extension of towns and centres of industry, and to the development of the network of railways and roads, the land devoted to the growing of the four principal species of corn increased from 1890 to 1906 as much as 360,625 hectares, the land used for growing potatoes, a crop following corn like a shadow, was increased by 249,211 hectares, while at the same time the increase in meadow land only amounted to 42,000 hectares.

The increase of cornfields is mostly due to the bringing into cultivation of meadow and pasture land as well as waste land and forest land; now, in accordance with the law of diminishing returns, a far greater outlay is required to render such soil productive, and hence only unsound prices can render such cultivation profitable.

But the preservation of agricultural industry on a large scale undoubtedly means stagnation in agricultural productivity. It is true that in the above-mentioned decade rye increased from 14.3 q. (at 100 kg.) to 15.8 q., wheat from 17.7 q. to 20.3 q.; summer barley from 16.5 to 18.3, and oats from 15.00 to 20.07 q. per hectare, but 1906 was an unusually good harvest, and a later estimate showed even greater results. In any case, however, the same quantity of land could certainly have been made more remunerative by farming on a small scale, with its more intensive cultivation than by that on a large scale, where cultivation is extensive, though capital can be employed more effectively. The stock of cattle on a large farm is extraordinarily small; according to the cattle census of 1895 in farms of more than 100 hectares there were 24.99 head of cattle, 11.35 pigs, 78.73 sheep to the hectare, while on those between 20 and 100 hectares there were 47.12 head of cattle, 26.93 pigs, 35.45 sheep to the hectare.

Farms from 5 to 20 hectares showed 64.05 head of cattle, 43.31 pigs, 19.25 sheep.

Farms from 2 to 5 hectares showed 85.30 cattle, 71.17 pigs, 14.89 sheep.

Farms under 2 hectares showed 78.26 cattle, 191.66 pigs, 31.39 sheep.

The breeding of animals is to this day the essential part of German agriculture. According to the returns of the net receipts of agricultural industries, it was proved that on the average only 26·4 per cent. was derived from the sale of corn, 16·3 per cent. from the sale of roots or bulbs (Hackfrüchten), whilst 40·6 was obtained from cattle breeding. In this taxation, the large farms were decidedly favoured, while small farms and medium sized farms were flagrantly neglected. We may, therefore, justly assume that at most only 18 per cent. of the revenue derived from German agriculture comes from the sale of corn, whereas cattle and animal products account for 50 per cent.

The agrarian party now deemed it necessary to introduce a considerably larger protective duty on cattle and animal products in order to preserve or to arouse the interest of small farmers in the Protection movement. Large numbers of the people engaged in small farms are being injured by the high duties on animals, principally by those on horses, which in the case of draught horses amount to 120 marks; in the case of horses for breeding to 360 marks, for only few of the small farmers can devote themselves to breeding horses.

It is much the same so far as dairy-farming is concerned, for the price of milk-giving animals is not only enhanced by the taxes, but far more so by the embargo laid upon them. By these means the importation of the very productive Dutch milch cows and the improvement of the native animal by the introduction of good breeding stock are rendered impossible. The dry climate of Germany and the feeding in sheds which is necessary, owing to the extensive arable land and the consequent scarcity of pasturage, prevent the native cows—except in the districts near the sea and mountains—from being very productive of milk, and they therefore require the introduction of new blood from abroad to strengthen the breed. The policy of taxation and the embargo laid on foreign cattle under the pretext of a possible epidemic add to the price and make this introduction a matter of great difficulty. In spite of the fact that milk is very dear in Germany, so that the

children suffer in their feeding, dairy farming is not very lucrative, because of the exorbitant price of cattle and the heavy taxes on maize, barley, and rye—food-stuff which the dairy farmer may be obliged to buy. Added to this, it must be remembered that after each bad harvest—potatoes, corn, or hay—the stock of cattle must be reduced, and then when the harvest is good it is impossible to increase the number of cattle to a corresponding degree. Thus the proportion of cattle kept per head of population shows a substantial decline. In 1860 and the first few years following, to 100 inhabitants there were to be reckoned 39·2 head of cattle; in 1873, 38·4; in 1883, 34·5; in 1892, 35·5; in 1900, 33·6; and in 1904 only 32·2. Since then a further decline has to be recorded. Even more marked is the decline in sheep. At the beginning of the sixties, the proportion stood at 73·3 to one hundred people, in 1904 it had fallen to 13·2. It is only in regard to pigs that we find a gradual increase from 17·4 in 1873 to 31·6 in 1904.

If earlier, one might have concluded that this declension in cattle was compensated for by an improvement in the quality; we can no longer entertain this theory, owing to the absence of fresh blood the strain must deteriorate again.

Large farming establishments, whose principal industry is the cultivation of corn, keep cattle less for breeding than for fattening, and require the cattle mainly for the production of manure. At the same time, the bullock or bull is utilised for the plough. Hence the big agricultural employer, as he buys the cattle when they are lean and sells them when they are fattened, has an interest in low prices for lean cattle and high ones for fattened cattle ready for the butcher; whilst the interest of the small farmer is chiefly concentrated on dairy-farming, and that of the medium-sized farmer is again mostly taken up with the breeding of cattle. Both small and moderate sized farms, especially when compelled to buy additional fodder, suffer most severely by a tax on fodder; for the importation of maize and rye for the purpose of fodder is reduced to its smallest

possible quantity, the duty on the former being 30 marks per ton and that on the latter 50 marks per ton.

In an even greater measure than is the case with cattle, the average sized farmer and the small farmer are concerned in the keeping of pigs. In 1905, 74 per cent. of the entire number of swine were in the hands of farmers owning less than twenty hectares of land.

The smallest farmers do not go in for breeding them themselves ; they buy sucking pigs or lean swine and fatten them. The breeding of swine has of late been more and more taken up by the large farmers, especially those landed proprietors who are members of co-operative dairies, and use the skim milk or the whey sent back to them for feeding the pigs.

On the smallest farms pigs are kept chiefly for home consumption, though it is not unusual to find that one is sold when two are kept. The number of pigs kept in Germany is subject to extraordinary fluctuations, according to the yield of the potato harvest and that of other fodder ; in this way the price of pigs is in correspondence. If the harvest is a poor one, the small farmer must either give up his pigs or considerably reduce their number, as he cannot afford to buy their food. Young pigs are then difficult to sell and their prices drop enormously. Brood-sows also have to be killed owing to lack of fodder. Thus for a short period pigs are killed in large numbers, and therefore the price of pork remains very low, after which there is a longer period of scarcity of swine with strong rising prices, but the small pig-keepers and breeders do not benefit, as they have then none to sell. The big agriculturist can weather this time more successfully, since he has in any case garnered enough to feed his own pigs, and he has compensation in the enormously increased prices. In such times a much bigger proportion of the supply of pigs to the abattoirs is provided by the large wholesale farmers. At the next good harvest the high prices are a great inducement to people to increase the number of their pigs ; the price of young pigs goes up to an inflated

degree, and after a time, usually after two years, over-production sets in, prices fall, and with the next bad potato harvest the phenomena named above are repeated. Meanwhile the people suffer greatly from these fluctuations in the meat market.

Quite recently an increase in the consumption of meat has been computed, because a greater number of pigs and young cattle has been killed.

One must, however, regard with some scepticism statements relating to the increase of the consumption of meat, seeing that it has been left out of consideration that the slaughtered animal would yield less meat than was the case in the period prior to this meat famine ; whilst the weight of bones, skin, hoofs, horns, and blood has not undergone any change. The complaint of butchers and managers of slaughter-houses about the reduced weight of animals has been very strong, and it is from them that the statement has issued that the feeding and fattening of the animals has not up to the present time attained its former high standard. Though the meat consumption in Germany does not compare unfavourably with that of England and France, it must not be overlooked that the consumption of fresh fish (fish not smoked or dried), which occupies so important a place in England, is very insignificant in Germany, and the same may be said of poultry. The meat consumption of the poorer classes is mainly confined to pork, and it is exactly in this that fluctuations are extraordinarily great.

The importation of preserved meat and sausages is altogether prohibited by the operation of the law which requires that all meat should be examined ; this law was nominally made for hygienic reasons. Fresh meat can hardly ever be imported, owing to the danger of contagious disease, and when importation is permitted, the duties and the chicaneries of the tariff render its importation almost impossible. The taxes on fresh beef, veal, and pork amount to 27.00 marks per 100 kilogs. For meat free of bones

an additional 20 per cent. is put on ; for frozen meat, which is so largely imported into England, and forms such an important article of food for the poorer classes, the duties amount to 35·00 marks per kilog., with an additional 20 per cent. for meat free of bone, with the result that the importation of this important food is simply rendered impossible. Upon salt meat the duty is 35·00 marks, upon bacon 36·00 marks, and the regulations issued by the meat inspection law further increase the duty whenever they do not render the importation entirely impossible. Even lard, the fat used by the poorest people, is burdened with a duty of 10·00 marks. As before mentioned, all these duties have not even resulted in rendering the breeding and fattening of cattle particularly profitable for agriculture, since the duties have raised the cost of fodder and the importation of breeding cattle has been almost entirely prevented. They have had the effect, like the corn duties, of raising the prices of estates enormously. Before the last raising of the duties, the Settlement Commission in Posen and West Prussia paid on an average 1,007 marks per hectare ; after, in the year 1907, they paid 1,508 marks per hectare. On the whole, we may presume that since the introduction of the agrarian duties in 1879 the price of German farms has doubled, and even trebled. In many instances, however, the last raising of the duty has alone led to the raising of the price of farms by 130 per cent. That is an advantage to the owner who wishes to let or sell and there-with ceases to be a farmer ; but it is a great disadvantage to those who are taking up, or are engaged in farming either as purchasers of land or as tenants. Even the successor to a property is placed at a great disadvantage through these artificially forced up prices. Because, as in Germany the greater part of the landed property is not entailed, the heir who enters into possession of the estate has to pay his brother and sister, in dividing the inheritance, a sum which is higher in proportion to the enhanced value of the estate. Thus, in times of a bad harvest, or with epidemic amongst

his cattle and so forth, he is therefore much worse off than formerly.

Every rise in duties has expressed itself in the prices and rents of farms, and the new owners and tenants, who bought or rented at the higher rates, declared after a little time that their farming did not return the cost of production.

Owing to the dearness of bread, that staff of life, the consumption of the higher nutritive articles of food, as, for instance, that of meat, milk, butter, poultry, eggs, vegetables, and fruit, has been extraordinarily reduced, whilst at the same time the unsound development of corn-growing has been favoured artificially. The cost of agricultural production has, moreover, gone on increasing through this policy, not only by reason of the higher cost of land and ground, but also owing to higher wages, dearer coal, and so forth. It is true that wages have not risen upon the great farms in the east and north in proportion to production. Owing to the employment of great numbers of cheap foreign labourers, particularly from Galicia and Russian Poland, who every year come to Germany for temporary work (they are called "Sachsengänger," from their original destination, *i.e.*, Saxony), that is, from the beginning of the ploughing to near the end of the gathering in of the turnips and potatoes, the wages of the home labourers are permanently depressed, which has resulted in an extensive drifting of the rural population into the industrial towns and centres.

The agrarian duties were to a great extent advocated upon the ground that in promoting the prosperity of agriculture a check would be placed upon the drifting of the country folk into town districts. As a matter of fact, exactly the contrary effect was achieved, and it is well known that in periods of high-priced corn great landed estates have always increased, and with it the rural depopulation. Thus the rural population diminished in 1882 from 19,225,455 souls to 18,501,433 souls in 1895; that is, by about 724,148 persons, or 3.24 per cent., whilst at the

same time the total population increased at the rate of nearly 15 per cent. In 1882 the rural population amounted to 42·05 per cent. of the whole population, in 1895 not quite 35·6 per cent. ; to-day one might reckon it at from 28 to 29 per cent. at the highest.

The depopulation of the rural districts is chiefly limited to those parts where the large landed estates and important middling-sized ones prevail, for it is here that the countryman finds it difficult to acquire land for himself and make himself independent. In those districts where small properties predominate, and where land is freely cut up, no depopulation is to be found. Between 1882 and 1895 there was, consequently, only a decrease in farm labourers, but a small increase in the number of independent farmers.

Agriculture that is carried on upon a large scale with corn-growing preponderating, requires the employment of much machinery and few permanently employed labourers ; for potato and turnip cultivation labourers are only required during the season, and there is no work for them in the winter. Small farmers, upon the other hand, concerned with the keeping of cattle, with vegetable and fruit cultivation, can make a much more effective use of labour, even in winter.

In the decades in which high prices for corn prevailed, even before the introduction of the duties on corn, emigration was also very considerable, for at that time it was profitable to buy up peasant lands, and increase the area for extensive corn-growing. The extent of the emigration to North America is shown by the following figures :—

In the Decades	Men.	Wheat. Prices in Prussia. Per Ton.	Rye. Prices in Prussia. Per Ton.
1841-1850	434,626	167·8	123·0
1851-1860	951,667	211·4	151·5
1861-1870	822,007	204·6	154·0
1871-1880	757,698	223·2	172·5

In the last period, it was only in the years succeeding the war that there was any strong current of emigration ; in

these years the price of corn was very high. In 1876 only 29,664 people emigrated; in 1877 only 22,898; in 1878 only 25,627; in 1879 again 35,888 people went to the United States. In this connection it must be remembered that in the second half of the seventies the economic condition of Germany was unfavourable. The outlook completely changed with the inauguration of the policy of protective duties. In 1880 the emigration figure reached 117,007. In the following years it attained the enormous height of 220,902 individuals; in 1882 the numbers stood at 203,585, and maintained during 1883-1885 the still very considerable levels of 176,616, 147,065, and 110,119; in the second half of the eighties it was somewhat reduced, and stood at 83,225 in 1886 and remained near the hundred thousand (104,787, 96,070, 97,103) in the following years, and then in the years of scarcity, 1891 and 1892, it again rose to the immense height of 120,089 and 116,339—equal to .241 and .231 per cent. of the population. During the thirteen years of a policy of growing High Protection, Germany lost almost 1.7 million people by emigration, the great majority of them in the prime of their working years.*

A complete change took place only with the relief of burdens which was brought about by the Caprivi Commercial Treaties; and in recent years the number of emigrants, which in 1901 reached 22,073, its lowest figure, and in 1903 again rose to 36,310, remained below the number of immigrants. The mighty development in industry dates from this period, and it was only through its means that it was possible to find work at home for that part of the population for whom agriculture could provide no employment.

Germany suffered enormous loss through the immense

* American statistics return the number of emigrants from Germany considerably higher than the figures given in the German returns for the total emigration over seas; thus, according to the former, the number of immigrants into the United States of America from Germany amounted to 245,972 persons in 1887, and to 232,269 persons in 1882. On the whole the American returns in this instance may be regarded as more accurate than the German, because the latter are unable to trace every emigrant who leaves Europe from a non-German port.

volume of emigration. It must be borne in mind in connection with this, that the great majority of emigrants were men of an age rendering them most fit for work, for whose rearing and education their native country had borne all expenses. These seem to be under-estimated at 3,000 marks per head, and would thus represent by themselves a sum of five milliards of marks in round figures presented by Germany to the United States. For the New World reaped the benefit of the working power of all these people, whilst Germany lost it, and all the money spent upon them whilst young was wasted. In addition, the emigrants took with them considerable sums of money from their native country. This especially applies to the emigrants belonging to the small peasant class, who sold their farms to the large land-owner and took the money they realised for them with them to America.

THE PROTECTIVE CUSTOMS DUTIES AND INDUSTRIAL DEVELOPMENT.

To the casual observer it may appear that the great industrial development of Germany during the past few decades is due to the policy of protective duties. This is affirmed by its defenders, who especially trace to it the development of the great iron industry (Grosseisenindustrie, that is, producers of iron and heavy iron goods). It is said that before 1879 the German iron industry was on its last legs, and that it was through the policy of protective duties that it took another lease of existence. But this statement breaks down on a closer investigation. It is true that at the end of the seventies of last century, the German iron industry was in a feeble condition, because the home demand, amounting to 2,954,000 metric tons expressed in pig-iron in 1873, fell as low as 1,520,000 tons, or to about one half, in 1879, although the population in the meantime had grown by $2\frac{2}{3}$ millions. At the same time, however,

the demand for pig-iron for the iron exports rose from 421,000 to 1,350,000 tons. Germany's production of iron therefore for iron had improved by 1,253,000 tons between 1873 and 1879. Expressed in pig-iron, the demand was already in 1879 a balance of 706,000 tons in excess of Germany's production. Germany, therefore, was even then already a pig-iron-exporting country. She was only dependent on England and Scotland for her pig-iron supply required for foundry purposes. In 1873 she was still obliged to purchase there 77·4 per cent., and in 1878 still 69·7 per cent. of the total quantity required by her for that special purpose.

The total production of the German blast furnaces now rose from 2,227,000 tons in 1879 to 3,687,000 tons in 1885. It showed a slight decrease the following year, but exceeded 4,000,000 tons in 1887, and then constantly rose to 8·52 million tons in 1900. During the crisis in 1901 it fell to 7·88 million tons, but steadily rose again since to as much as 12·875 million tons in 1907.

This enormous increase had altogether very little to do with the protective duties, and was rather due to a change in the processes of manufacture. Germany is poor in ores free from phosphorus, and suitable for the acid Bessemer process, but on the other hand she is rich in deposits of iron ores containing a high percentage of phosphorus. So long as the latter could not be used for homogeneous iron (mild steel) and the ores free from phosphorus had to be brought at great costs from abroad, the blast furnace and homogeneous iron industries of Belgium and England had an essential advantage over that of Germany. But positions were reversed the moment that, thanks to Thomas Gilchrist's invention, it was found possible to convert iron containing a high percentage of phosphorus into homogeneous iron in the Bessemer apparatus. A glowing future was thereby secured for the Bessemer steel industry in Germany. In 1879 a total quantity of only 461,253 metric tons of pig-iron was converted by either the acid or the basic Bessemer process throughout Ger-

many. In 1883, besides 495,920 tons of pig-iron converted by the acid process, 369,685 tons were converted into steel by the basic process, the production of the latter class of steel rising steadily to 4,826,459 tons in 1900; owing to the crisis it dropped in 1901 to 4,452,950 tons, but again rose to as much as 8·34 million tons in 1907. To a small extent, of course, this increase took place at the cost of the puddling process. The development of the English pig-iron industry did not keep pace with that of Germany, because the natural conditions favouring the basic Bessemer process did not exist to the same extent in England, the iron and steel industry of which country now ranks as third, coming after that of the United States and Germany.

The question of the amount of pig-iron imported into Germany depends essentially on the state of the market in that country. Imports grow in years when iron prices are high, and the demand for articles of iron or steel is very brisk; they fall in years when the demand is small and prices are low. During the brilliant year of great prosperity, 1900, they reached 671,191 tons, whereas they fell to 116,245 tons in the year of depression, 1902. In 1900 it was greater even than in 1873, although a duty of 10 marks per ton had in the meantime made the importation more difficult. This tax has undoubtedly considerably interfered with the importation of pig-iron from abroad into Germany. The proportion of foreign pig-iron imported to meet the demand in Germany, though fluctuating, is constantly decreasing. The falling off would be considerably greater still, if the German pig-iron syndicates did not keep prices so high in the country as to make the importation evidently still profitable.

The cost of production at the Lorraine, Luxemburg, and Saar works and at Peine-Ilsede, is so extraordinarily low that it probably hardly exceeds that of the most cheaply producing American works.

The development in the manufacture has led to the fine rolling of the material in one heat, whereby a great

saving in fuel and labour has been effected. This, however, necessitates the grouping together in one and the same hand of blast furnace, steel works, and rolling-mills. By this means the cost of production of the German combined steel rolling mills has been considerably reduced, and this enables them to export large quantities of billets, rails, metal sleepers, beams, special iron, &c. Of billets alone the export in some years amounted to as much as 638,000 tons (in 1903), while the export of rails and sleepers reached 535,000 tons (in 1906). Altogether, Germany exported in 1900 not less than 2,163,000 tons of purely rolling-mill products, besides 966,359 tons of billets and 409,083 tons of pig-iron. Her demand for pig-iron for the iron and iron goods export trade must have amounted to 5 millions at least in 1906, besides 300,000 tons (in round figures) of iron in machinery, ships, and instruments, which required perhaps three times that quantity of pig-iron, so that it may be assumed that one-half of the pig-iron produced in Germany is exported in a worked-up state.

If the method of manufacture in the case of heavy rolling-mill products, as rails, sleepers, joists, shapes, &c., necessitated the combination of blast-furnaces with steel converters and rolling-mills within the same works, there was no necessity for it in the case of the manufacture of lighter articles—like, *e.g.*, sheets, bars, wire, &c. It was only the protective customs duties that created a combination in this branch of the iron industry too. In the first two decades the duty in most cases did not make itself felt, either in the price of pig-iron or in that of half-finished material, or in that of the finished goods. As production exceeded demand at home, competition reduced prices to their natural level. It was only in the middle of the nineties, when the iron industry began to form kartells, that it became possible to bring the influence of the tax to bear upon the price. Such kartells, however, could easily be formed for pig-iron, billets, material, rails, sleepers,

wheel-hoops, joists,—that is to say, for large, heavy articles which could only be produced by a few combination works. But they could not be formed in the case of lighter rolling-mill products, such as bar-iron, sheets, and tin plates, which were produced by the smaller concerns, which are purely rolling mills. The combination works which produced these lighter articles also do not consider it necessary to their interests to form the smaller mills into their kartells; on the one hand, because they do not wish to be tied down, but to retain a free hand on that portion of their manufacturing business, and on the other hand it does not matter to them if the competition of the purely rolling mills continues permanently. The latter, however, who are obliged to buy their pig-iron and billets in the market, have to purchase it from the former, at the high prices fixed by the kartells, whereas the combination works can provide themselves with those materials at a considerably reduced cost of production. In addition to this, the large combined iron and steel works are throughout owners of collieries, and are consequently independent with respect to their coal-supply, whereas the smaller firms, which are obliged to get their coals elsewhere, especially the purely rolling mills, are handicapped by the cost of their fuel, which they are bound to buy at the prices artificially raised by the coal syndicates. Their condition, therefore, is an exceedingly sad one. At times, when the demand is more brisk, they are, it is true, able to recuperate in consequence of the strongly enhanced prices of their finished articles; the moment, however, that there is a falling off in the demand, the prices of finished articles begin to sink, the more so because at such times the larger works are in the habit of cutting down considerably their prices for bar-iron and sheets against the smaller works with a view of securing employment for their own establishments. The prices, however, for pig-iron and billets are even then maintained high by the syndicates. Although the raw material syndicates, to further the export trade, grant, at best, quite inadequate export

premiums to the purely rolling mills for coal, pig-iron, and billets, these small works are unable to keep up competition at home, and many of them have consequently been obliged to close altogether, or have been bought up at a low price and merged into the larger combined works. Nowadays the purely rolling mills have, in consequence of the stress of times, and the policy of manipulating prices pursued by the kartells, become Free Traders. They are agitating for the abolition of the duties on iron, because in that event they would be in a position to purchase their pig-iron and billets abroad without the increasing of their costs by duties, and to resume the competition with the larger combined works. Without such abolition of customs duties, they are bound to go under without any hope of rescue.

The syndicates in the iron industry are the outcome of the duties on iron which have not protected the weaker concerns, but have ruined them. They lead to the formation of kartells, of Trusts, and the gigantic amalgamations of the various iron industry branches (mixed works).

Nor does this development further the interests of the workmen employed in the German iron industry. The outcome of the price-manipulating policy of the steel works combine is that, not only billets, ingots, bars, plates, but even joists, shape s(tee-angles and other bars), rolled wire, and certain sheets controlled by a syndicate are sold abroad, but at considerably lower prices than they can be had by manufacturers at home, who require them for working them up into goods. For instance, the Belgian wire tack industry owes its existence to the fact that the German rolled wire works supplied to them the material at a much lower price than to the wire tack makers at home. Many English sheet-mills flourish because they are able to obtain their material so cheaply from Germany.

Thus we find the following statement in one of the most responsible of the English trade journals, the "Iron

and Steel Trades Journal" of November 14, 1903 :—
 "The imports of German steel at Newport have lately been at the rate of 200,000 tons a year. The greater part is taken by the large works at Newport and the neighbourhood, namely, Lysaghts, Nettlefolds, and Baldwins; the Lydney and Lyndbrook works in Gloucestershire; and by manufacturers in South Staffordshire and the Birmingham districts. Lysaghts are probably the largest consumers of German steel in the United Kingdom, and they employ thousands of men at their works in rolling the steel bars into black sheets, which are afterwards corrugated, galvanised, and sent from Newport to all parts of the world. The difference in price of the German and British steel is from 10s. to 12s. 6d. a ton. The importation of the cheaper article makes all the difference to manufacturers, who are thus enabled to retain their trade and compete in the markets of the world."

At the very same time tin-plate mills complained that the material to be rolled into sheets was sold at 75'00 marks f.o.b. Antwerp, whilst its price at home in Germany stood 19'00 marks higher. They pointed out that if for the export trade the material had only been sold to them as cheaply as to the foreigner, they would have been able to work up 130,000 tons more of it, and *would not have been obliged to discharge workmen.*

The situation in the rolled wire trade was exactly similar. On this subject the Düsseldorf Chamber of Commerce, in their Annual Report for 1902, reported as follows :—
 "In the rolled wire trade English competition asserted itself, because German works supply the English with the necessary material at such cheap rates that the Englishman can produce wire much more cheaply. In English works German billets were permanently 10 shillings per ton cheaper than English, which fact caused a notable decline in the German export of finished wire."

Owners of German wire-drawing and wire-nail mills complained that they had no chance of competing with the

Dutch and the Belgian factories, who were supplied by the German rolling-mills at a so much lower rate than they. This the owners of the rolling-mills attempted to justify by saying that in the foreign markets higher prices could not be realised, since wire obtained from German and American iron bars and drawn on English benches was offered so cheaply in Dutch and Belgian markets.

The chairman of Palmer's Shipbuilding and Iron Company in Newcastle, who, in addition to their shipbuilding trade, have some furnace and steel works, said :—

“As regards the dumping of German goods, I am bound to confess that we shipbuilders on the North-East Coast may congratulate ourselves on being able to purchase the best material in the world so cheaply. We are steel manufacturers, we manufacture plates and angle iron, consequently in our own interests we ought to object to these goods being dumped. Yet, as shipbuilders we say to the foreigner, ‘Dump as long as you can!’ I should like to point out this fact, that during the last three years we have very frequently bought German special steel pieces and German billets 30 per cent. cheaper in price than the same quality of English goods. In many instances this singly and solely has put us into the position of being able to take shipbuilding orders which otherwise we should have had to refuse.”

At the same time, complaint was made at the German shipbuilding yards that they lost orders because, notwithstanding the most careful and minute calculations, their estimates would reach 20 per cent. more than that of English yards to whom the German ironworks delivered the material at a so much lower rate. German shipbuilding for interior navigation cannot compete with that of the Dutch, because the latter procure the German plates and angles for 15 to 20 per cent. less than the former.

Finally, the large German factories making locomotives and locomobiles, allege as a grievance that in the world's markets they cannot successfully compete with

English engines, because the duties on materials add so considerably to the cost of their goods; to compete successfully, therefore, they demand the repayment of duty on exporting their goods.

The finished article requires a great deal more labour than the production of pig-iron and half-finished goods or rolled wire. Our machinery works produce more dearly than the foreigner, because they have to pay more for the raw material. In spite of these drawbacks, this industry has attained a very high level in Germany, and carries on a large export trade—facts which are due to the intimate co-operation of science and manufacturing with the excellent training of the German engineers in our German technical institutes. Thus electrical engineering especially has made such rapid progress that it may be considered to stand first in the world.

This co-operation of science and manufacturing has also brought about the great success achieved by the chemical industries, and it is worthy of note that the chemical dyes branch, which forms its most brilliant example, is not protected by any kind of duty, and thus gives proof positive that German industries are not in need of crutches to support them. True, one branch of the chemical industry, the soda trade, still enjoys protection, though the duty is somewhat lower than formerly. Only two companies, in fact, which make enormous profits, paying as a rule dividends of 40 per cent. and more, reap any advantage; but all consumers suffer through these duties, and those who use in large quantities acids and alkalis in the manufacture of chemical dyestuffs are thus compelled to supply their needs by manufacturing these raw materials themselves. Here, again, protective duties tend to the amalgamation of various branches of industry into one establishment, for which there would otherwise be no necessity. The great capitalist manufacturer can make himself independent of these combinations; the small and middle-sized one, who is not in a

position to build his own factory for the materials he needs, has to pay tribute to the larger manufacturer ; here again Protection leads to an unhealthy concentration, to the protection of the strong and the injury of the weak.

In the textile industry the circumstances are similar. The master weaver is not able to take advantage of the duty by raising the price of his goods correspondingly, as home competition prevents this ; but the Spinning Kartell can do so, as, with the exception of a few specialities, the German spinning mills cannot supply sufficient yarn, whether it be silk, wool, linen, or cotton. The consequence was here again that the large weaving concerns built their own spinning factories, and that spinners opened their own weaving mills, and thus again mixed concerns were created.

The dry German climate, with its varying temperatures, is not favourable for spinning a very fine thread. To obtain a serviceable fine thread, warm, moist air must be introduced into the spinning rooms by artificial means, and this involves a disproportionately high expenditure. German fine spinning has, therefore, developed very little. Instead of abandoning an industry for which the natural conditions of the country are not suitable, and supplying the weavers with the necessary fine yarn without increasing its price by the imposition of a duty, the new duties for fine yarn have been raised again on a progressive scale. For single plied or damp cotton yarn up to No. 11, only 6 marks are paid ; from 11 to 17, 8 marks ; from 17 to 22 they have already reached 11 marks ; from 27 to 33, 14 marks ; from 33 to 47, 17 marks ; from 47 to 63, 22 marks ; from 63 to 83, as much as 25 marks ; from 83 to 102, 28 marks ; and above 102 the duties rise as high as 40 marks. Notwithstanding these high duties, we had to import 166,333 q. during last year. The German textile industry should in its own interest insist unanimously upon Free Trade ; for the slight benefit the spinners themselves derive from being able to express the yarn duties in the price of their goods is not to be compared with the rise in the cost of production due to the taxes on spinning machines, on

bleaching stuffs, and, above all, the tax on food, which considerably raises the rate of wages, or—what practically amounts to the same thing—reduces the working capacity of the labourer on account of insufficient nourishment.

Even should the weaving and knitting firms buy their looms and machines at home without any increase in cost owing to the duty, they are all the more handicapped by the rise in wages which play so decisive a part in this industry. Besides, dearness of food has restricted in a high degree the purchasing power of the masses for woven goods. It has been remarked that even in chiefly agricultural districts the sale of cotton goods was largest when the price of corn was low, and this is, of course, to a much greater extent in towns and manufacturing places.

What has been said of weaving industries holds really good likewise for all the other branches of industry, and also for handicrafts and commerce in general. In all these enterprises, high prices for food increase the cost of production and limit the purchasing power of consumers.

ON CAPITAL INVESTED IN THE COUNTRY.

A correct statement of the total capital of Germany involves insurmountable difficulties at the present time, as the foundations upon which to base such a statement are still lacking. However, it is possible to give an estimate of incomes derived from certain sources.

(A) AGRICULTURE AND FORESTS.

In Germany 26,257,310 hectares were cultivated in 1900 as arable and gardening land. The average value of the land might be rated at about 1,500 marks per hectare, somewhat too highly rated for North Germany, especially for the North-east, where the very big estates occupy the greater part of the country, and rather low for the South and the West of Germany, but it may be taken as an average.

The total value of this land would accordingly represent the sum of about 40 milliard marks.

The vineyards, occupying an area of 135,210 hectares, might be rated at about 5,000 marks the hectare, thus representing a capital of 675 million marks.

Meadow land, consisting of 5,956,100 hectares, must be rated at about 2,000 marks per hectare, and this represents a capital in round figures of 12 milliard marks.

The 2,706,110 hectares of pasture land, reckoned at only 500 marks per hectare, represent a capital of 1·35 milliard marks, and waste and barren lands, roads, rivers, yards, houses, &c., representing 5,013,520 hectares, need not be taken into consideration, their value having been, no doubt, sufficiently taken into account in the above estimate.

The total volume of area used for gardening and agricultural purposes thus represents a capital of $40 + 0·675 + 12 + 1·35 =$ in round figures 54 milliard marks. The value of farmhouses and buildings may be taken as included in the sum.

The value of the stock of cattle will probably not exceed the sum of 7 milliard marks—that of the rest of the inventory hardly 4 milliard marks; so that the capital value of agriculture (including the cattle and beasts not kept in connection with agriculture proper) reaches at most 65 milliard marks.

The nearly 14 million hectares of forest and woodland may be approximately represented at 10·5 milliard marks; the 2·63 million hectares of Prussian State forests yield a net profit of 70 millions. Consequently the total net profits of German forest land would amount to at least 350 millions, and on a basis of $3\frac{1}{2}$ per cent. interest, the capital value is found to be 10·5 milliard marks. In making these statements the fact has been taken into consideration that the intrinsic value of the forests is enhanced by afforestation exceeding the clearing operations; besides, the utilisation of wood in the non-Prussian parts of Germany is a higher one.

The non agricultural population of $43\frac{1}{2}$ million people may be assumed to pay an average yearly rent of 100 marks per head, which, at a rate of interest of 5 per cent., means that the whole property in dwelling houses represents a capital of 87 milliard marks. This sum scarcely appears too high in comparison with the results of fire insurance. The sum assured by public Fire Insurance Companies alone was in 1905 not less than 54·87 milliard marks for immovable property. Private companies do not separate insurance of movable and immovable property. In 1904 the total German risks from fire undertaken by these societies amounted to the sum of 90,589 million marks. With the public companies the movable property insured formed about 10 per cent. of the total sum. This percentage would probably have to be doubled in the case of private companies, and would then amount to 18 milliard marks, leaving an insurance sum of 72·6 milliards for immovable property—a total amount, therefore, of 127·5 milliard marks. At the present moment the sum is likely to have increased to 147 milliard marks, as with private companies the amounts insured showed an increase of 3,575 million marks in 1904, whilst public insurance societies showed a rise of 2·09 milliard marks from 1904 to 1905.

The insurance of immovable property comprises buildings belonging to public bodies, also factories, business premises, hotels, restaurants, &c. On the other hand, neither building ground and the foundations, nor part of the gas, water, and drain pipes, as far as they are laid in the cellars, are comprised in the insurance amount. The value of the site would be 20 per cent. at least, and that of the cost of building not insured, also nearly 10 per cent. of the total amount of insurance. Hence an additional 30 per cent., or, in round figures, 45 milliard marks would have to be added, and this would increase the total value of all buildings to 192 milliard marks. It is difficult to say how much of this is to be credited to public buildings, how much to business places, and how much to private

buildings; but it must, however, be mentioned that neither the Empire nor most of the Federated States insure their buildings with the companies; they insure themselves.

The statistics of the Prussian income tax are also of little use to give an idea how much income is derived from house rents, and what is the rental value of houses occupied by the owners. Such a distinction, namely, is only made in the case of persons paying income tax on incomes of more than 3,000 marks. Of the gross income of this class of taxpayers, amounting to the total value of 6,038 million marks, only 768 million marks were derived from rents. In industrial neighbourhoods and many large towns the house-owners, especially those who let flats of the humbler kind, are mostly not well-to-do people; the house is encumbered with mortgages and building debts, and the majority of them are merely the managers of their creditors. The bulk of these houseowners, therefore, should not be classed among the taxpayers with incomes of more than 3,000 marks. The total income of the taxpayers with incomes of from 900 to 3,000 marks amounted in Prussia to 6,591 million marks. One may perhaps assume that one milliard at least of their income is derived from rents or rental values of their own houses, so that in round figures 1·8 milliard marks represent the declared rental values. In the non-Prussian States belonging to the Federation, the sums spent on house and apartment rent must be somewhat higher in the average; thus in the Hanse cities, Hamburg, Bremen, and Lübeck, in Oldenburg, the kingdom of Saxony, and especially in South Germany. We may therefore assume for the whole of Germany that the annual rent for houses and apartments, including the rental values of those inhabited by the houseowners, amounts to at least 3·2 milliards. But, as experience proves that the rental values of houses inhabited by the owners themselves are invariably declared at too low a figure, they will fall below the rate fixed by supply and demand. Even if we assumed a rate of interest of only 4 per cent., the invested capital would only

represent 80 milliards of marks; it must, however, be borne in mind that in the declared rents those for business purposes and often for factories are also frequently included. It must therefore be assumed that, on the one hand, the rental values put down in the income tax declarations are far too low, and that, on the other hand, a large portion also of tax-payers with incomes of less than 900 marks live in their own houses or even let to others. At any rate, the value of all buildings in Germany, including the land, but excluding those owned by the Empire and the preponderating part of the Federated States, may be put at 190 milliards of marks at least.

The value of the insured movables must at present be nearly 30 milliard marks. We must, however, call special attention to the fact that insurance of furniture has as yet made comparatively little headway among the less well-to-do population.

It will be of interest to know that the annual increase in the insurance sums for immovables amounted in 1904, in the case of private fire insurance companies, to 3,575 millions, or 4.11 per cent.; in the case of public companies, on the other hand, to 2,088,226 marks—that is, to a total of 5,660 million marks. In recent years this increase must have been considerably greater, because building operations were carried on with special vigour in 1906 and 1907. In the same way, insurance of movables must also show an annual increase of $1\frac{1}{2}$ milliard, which to some extent may be explained by the fact that its growth is being promoted by increased offers for insurance. At any rate, an increase in the possession of movables, excluding, of course, securities, amounting to at least $1\frac{1}{4}$ milliard marks per annum, must take place, because obviously a large portion of the annual increase will for the future also remain uninsured. Of the insured value of movables not more than about 15 milliards may be apportioned to the dwelling-houses and farm-buildings of the farming population, which, as

stated, has already been included in the estimate of the land.

Considerably more accurate data can be arrived at as regards the capital value of German joint-stock companies.

On December 31, 1907, there were in Germany 5,147 active joint-stock companies, with a nominal capital of 14,218·33 million marks, as against 5,050 companies with 13,767·67 million marks nominal capital on the same date in the previous year. The greater part of the German joint-stock companies have been very honestly managed. They have laid by large open reserve funds, and most of them can lay their hands on considerable secret reserve funds. The average quotation of shares dealt with at the Berlin Stock Exchange stood within recent years above 165. At the present time it may, indeed, be somewhat lower. But the actual capital value on the basis of a quotation at 160 may, in round figures, be put at 22·75 milliard marks. The shares are almost wholly in German hands, at any rate, at least, to the value of 21 milliard marks.

The German saving banks show deposits of 83 milliard marks, to which must also be added reserve funds to the amount of 5·43 million marks.

The German mortgage-banks possessed at the end of 1906 mortgages to the value of 9,286·83 million marks, with a bond circulation to the amount of 8,758·83 million marks.

The paid-up capital of the 116 mining corporations in Prussia amounted in 1907 to 730·5 million marks, and realised a surplus of 58·7 million marks, of which nearly 46 million marks were distributed as profits.

The capital value of these concerns may be put at 900 million marks in round figures, and, including the value of those outside Prussia, the total amount for the whole of Germany may be put at 1 to 1·2 milliard marks.

There are no statistics available in respect of the amount of capital borrowed or bonds issued respectively by Joint-Stock Companies, "Kommanditgesellschaften," Mining

Corporations, and Limited Liability Companies. Of bonds issued by German Industrial Companies there were admitted for dealing at the Stock Exchange bonds of the total value as under :—

				Millions.
1897	..	..	..	53·6
1898	..	..	..	180·8
1899	..	..	..	94·6
1900	..	..	..	173·5
1901	..	..	..	236
1902	..	..	..	75
1903	..	..	..	92
1904	..	..	..	130
1905	..	..	..	190
1906	..	..	..	38
1907	..	..	..	147·8

Total in 11 years .. 1,411·3 million marks.

Bonds were issued by German banks at home to the following total values :—

				Millions.
1897	..	..	..	9·7
1899	..	..	..	71·5
1900	..	..	..	10
1902	..	..	..	28
1905	..	..	..	6
1906	..	..	..	30

Total .. 155·2 million marks.

Bonds of the under-mentioned values were issued by German Transport Companies :—

				Millions.
1897	..	..	..	26·5
1898	..	..	..	44·7
1899	..	..	..	39·3
1900	..	..	..	46·7
1901	..	..	..	82·8
1902	..	..	..	86·6
1903	..	..	..	13·1
1904	..	..	..	22·4
1905	..	..	..	30·2
1906	..	..	..	41·5
1907	..	..	..	17·4

Total .. 451·2 million marks.

Altogether, therefore, during the period named, bonds to the value of 2,017·7 million marks were issued by private institutions engaged in commerce and transport.

The debentures and annuities issued by the mortgage banks are not included in this aggregate.

The Prussian Limited Liability Companies, in 1905, proved an income of 1,485 million marks liable to taxation ; their capital may therefore be estimated at 3 milliard marks. In the meantime it must have grown considerably. For the whole of Germany it may, therefore, be put down at nearly 5 milliard marks.

Germany's commerce and industry may, on the whole, be regarded as the centre of gravity of economic life. Of the annual incomes of Prussian tax-payers with an income of more than 3,000 marks, 1,743·6 million marks were derived from commerce and industry, and 1,610 million marks from investments of capital, in which are included the dividends of Joint-Stock Companies, Trading Companies, and Limited Liability Companies, as well as those of all Mining Corporations under the new law, and also all incomes derived from sleeping partnerships. One must, therefore, estimate the income of persons in Prussia with incomes of more than 3,000 marks derived actually from commerce, industry, and mining at 2·5 milliard marks at least per annum, and in the same way the total income of Prussian tax-payers with incomes of from 900 to 3,000 marks must be put down at 2,000 million marks at least per annum, together in round figures at 4,500 million marks, and correspondingly for the whole of Germany at 7,500 million marks in round figures per annum, which would represent a capital value of 150 milliard marks in round figures. The income of the *Prussian* tax-payers with incomes of over 900 marks rose from 5,704·33 million marks in 1892 to 11,747·80 million marks in 1907 ; at the same time, the number of persons liable to income tax has grown from 29·9 to 49·7 per cent. of the population.

As, upon the whole, the non-Prussian German population is more well-to-do, we shall not exaggerate if we estimate the aggregate income of all persons in Germany enjoying incomes of more than 900 marks per annum at 20 milliards at least. Probably it is considerably more still, because, as proved by experience, very many of the smaller incomes manage to escape the income tax. In Prussia, *e.g.*, nobody is obliged to make a declaration of income, unless called upon to do so by the assessment commission; and there are many tricksters who understand how to declare their incomes as being extraordinarily small.

The German States are, upon the whole, not only free from debt—that is, the profit-earning State properties like railways, Crown lands, forests, mines, salt mines, smelting works, banks, post and telegraph departments, not only earn sufficient profit to pay due interest on the invested capital and to repay by regular annual instalments any loans raised, but show a considerable surplus besides, which goes towards the reduction of the annual expenses to be defrayed by the Government. Even the Empire is almost in a position to pay interest on its debts with surpluses realised from undertakings under its management. The assets which the whole of the Federated States possess in these *earning* State properties probably exceed the total debt of 16·3 milliard marks by from 9 to 10 milliard marks, of which 3 to 3½ milliard marks, certainly, are represented by Crown lands and forests.

The value of the non-earning State property cannot be taken into consideration here.

The German municipalities, too, especially the town corporations, own considerable profit-earning property, especially gas and electricity works, abattoirs and cattle-markets, waterworks and sewers, tramways, harbours and warehouses, and landed property and forests, assets which are considerably in excess of their debts. During the period from 1897 to 1906 alone new German municipal bonds representing a sum of 3,287 million marks were

admitted at German stock exchanges. The total value of these bonds may be estimated at 10 milliard marks at least, and that of the corresponding profit-earning property standing against them at not less than 15 milliard marks.

The value of German waterways is difficult to estimate, because all natural water courses are toll-free, and, moreover, only the smallest portion of them may be considered as directly profit-earning State properties. Their economical value, however, is very considerable, and we shall, perhaps, not over-estimate it if we put it at from 1 to 1½ milliard marks.

Germany's possession of foreign securities and undertakings and the value of property owned by Germans abroad is estimated at from 15 to 20 milliard marks. On the other hand, only a relatively small portion of German securities are held by foreigners.

It is very difficult to estimate the gross value of German sea and inland shipping. The carrying capacity of towed and sailing barges flying the German flag and trading on inland waterways amounted in 1902 to 4,877,509 tons, and must have increased to 6·5 million tons since, representing a value of 250 million marks, while the river steamers, about 3,500 in number, may be estimated at 90 million marks in round figures. The net tonnage of German sea-going steamers must now exceed 2 million tons, and represent a value of about 700 million marks, although it must be admitted that this estimate rests on a very uncertain basis.

The German mints have, since 1871, struck gold coins to the value of 4,889 million marks, after deducting all coins withdrawn from circulation; but a very considerable quantity of the coins issued must have been used up by jewellers and other similar trades. The present gold-circulation, including the gold reserves kept by banks, probably does not exceed 3½ milliards.

Recapitulating the different earning property enumerated hitherto, we get as under:—

(1) Land and forest property, including live and dead inventory, 75·5 milliard marks.

(2) House and other fixed property not used for agricultural purposes and insured against fire, including grounds, exclusive, however, of the property of the Empire and Federated States, 175 milliard marks.

(3) Furniture and other movable property insured against fire, 30 milliard marks.

(4) The capital invested in commerce, industry, and mining, in so far as it has not already been included in items (2) and (3), as being insured against fire, 30 milliard marks.

(5) The German fleet on inland waterways and on the sea, about 1 milliard.

(6) The profit-earning property of the Empire and the Federated States, about 22.5 milliards.*

(7) Profit-earning property of municipalities not already included in any previous item,* about 6 milliards.

(8) Capital invested by Germans in foreign securities or countries, about 15 milliard marks.

(9) Property in precious metals, about 4 milliard marks, the total being 333 milliard marks in round figures, which gives an average property of 5,730 marks per head.

No doubt, many objects forming property have been omitted in the above, partly because it is impossible to estimate them, and partly because they are not direct profit-earning sources. All the roads, high-roads, country roads, bridges, waterways, all buildings for the administration of public instruction and justice, all institutions serving for the defence of the country have here been omitted.

LOSSES EXPERIENCED BY GERMANY THROUGH THE UNECONOMICAL EMPLOYMENT OF CAPITAL AND MISDIRECTION OF LABOUR, ARISING FROM THE POLICY OF PROTECTIVE DUTIES.

Owing to the shortness of the time at my disposal to report on the subject, it was impossible for me to collect data to show in figures how much Germany is losing through the uneconomical employment of capital and the mis-

* Debts cannot be deducted because almost all the creditors are Germans.

direction of labour. I must therefore confine myself on the present occasion to some short, general remarks.

The principal disadvantage arising from the non-economical investment of capital created by the protective duties, is the artificial preservation of the large landed estates with their ever-extending, unsound corn-growing operations. On page 89 it has already been shown in figures what great increase has taken place in corn-growing and its shadow, potato-growing, which, only to some extent, can be explained by the alteration in agricultural practice, and to a larger extent by the breaking up for cultivation of comparatively unproductive grazing grounds and pastures. From 1883 to 1900 the area of arable land sown with corn and roots had increased by 977,600 hectares, and that of grazing grounds and pastures decreased by 718,400 hectares. This seems to be an advance in agriculture, but is not in reality. On the contrary, it is really a retrograde movement, according to the law of decreasing productive capacity of the soil, because corn can only be grown in such soils at considerably enhanced expense and by the employment of much more labour, *i.e.*, uneconomically. As mentioned on page 83, the agricultural depression that occurred anywhere in Germany was almost always due to the excessive extension of corn-growing, a reduction in meadow-culture, and too small a cultivation of fodder-plants. It is true, the area of meadow lands also increased between 1883 and 1900 by 52,820 hectares and that of lands sown with fodder plants by 252,000 hectares—more particularly at the cost of the cultivation of commercial plants—but this is in no proportion at all to the falling-off in the area of grazing grounds and pastures.

For an industrial State like Germany, the most natural and most economical course is to develop the small farming industry which keeps a comparatively large number of cattle and grows vegetables and fruit. Cattle raising was made more difficult by the artificial expansion of corn-growing and the establishment thereby of large farms on the one

hand, and on the other hand by the rise in prices of fodder stuffs—in the first line those of fodder corn—and was by a long way unable to keep pace with the growth of the population. This applies still more forcibly to poultry keeping, which depends on corn food. Finally, the consequence of the people being obliged to spend so much more on breadstuffs, was that its purchasing power was weakened with respect to meat, which had also grown considerably dearer, and still more with respect to fruit and vegetables, the cultivation of which has remained in a remarkably backward state for a country with so highly developed an industry as Germany.

The excess of expenditure for agricultural production in Germany may be estimated at several hundred millions of marks per annum.

Under the fostering influence of an almost prohibitive *spirit-tax*, and a spirit-tax system favouring in the most unheard-of manner potato-spirit-distilling, the distilling business is artificially kept up, or even created in places where it can only be carried on at a loss, which is only turned into a very small profit principally by means of the liberal presents which the Empire grants to the distillers out of the consumers' pockets. This favouring of the distilling business carried on in the country is another means towards the artificial preservation of the unsound extension of large landed properties. By this agrarian fiscal legislation an export bounty is also granted on all exported spirit, which actually can often be only exported at less than what it costs to make it. By similar bounties the use of spirit for industrial purposes is also favoured in Germany even when there is no necessity for it.

The high duty on *sugar* made it for a considerable time possible to form Kartells in the sugar industry, and to dump down the German sugar in foreign countries, and this was only abolished by the reduction of the surtax on sugar to 6 francs by the Brussels sugar convention.

Among non-agricultural industries it is especially the

blast-furnace and steel-converting industries formed into Kartells which are able to exploit the protective duties and thereby give opportunities for non-economical investments of capital. Without the tax on pig-iron, the blast-furnaces on the seaboard would probably never have been erected; partly this may have been done solely for the purpose of escaping from the crushing domination of the Kartell. Naturally, once such establishments exist, they seek to exploit as much as possible for their own benefit the situation created by the duty and Kartells. In the case of some industrial establishments along the sea-coast it is very doubtful whether they will be able to drag along their existence even with the help of protective duties. The works in question do not only comprise blast-furnaces, but also steel and refining concerns, which do not owe their existence to the initiative of the capitalists themselves, but springing from the idea of State aid were established at the suggestion of higher Government officials.

The increase in cost which imported *machinery* is liable to, in consequence of protective duties, led in many instances to the building of specified machines in Germany, which resulted in great losses of money, until it was found possible to overcome to some degree the complaints of infant industries. But after all, their sale at home often does not pay the large expenditure incurred. Under the rule of Free Trade, such machines would have been purchased abroad instead, and one would have sent to the foreigner in exchange machines which German engineering workshops could turn out better and cheaper. It is just the turning out of the same kind of engines and machines in large numbers, which can be done at an exceedingly cheap rate, that is prevented by Protection, which, on the one hand, narrows the extent of the natural markets for them by customs barriers, and, on the other hand, sends up their cost of production in protected countries.

The artificial pampering of the fine yarn spinning mills in Germany, where the climatic conditions for this industry

are absent, and where, consequently, its manufactures will always be more costly than, for instance, in Great Britain and Ireland, has already been mentioned.

Moreover, by the help of the protective tariff, branches of manufacture are not infrequently artificially maintained in Germany, which, as they can only prosper where wages are low, can only be carried on suitably in countries where industries are less developed and where wages are low and living is cheap—as, *e.g.*, the glove industry. It would be better to transfer the hands employed in this sort of industry to some better-paid kind of work, which should not be a difficult matter in Germany, where the demand for female labour almost always exceeds the supply.

The linen industry again, that lives from exports, and cannot do without the fine Irish linen, is handicapped in its earning capacity, which naturally in its turn reacts injuriously upon the wages paid in that industry.

The German makers of umbrella and shoe fabrics, for instance, could not get on without certain English yarns. They are obliged to purchase these from abroad, in spite of the duty; hence the German umbrella industry is prejudiced in its exporting capacity.

Many hundreds of other instances could be adduced.

The system of protective duties prevents the division of labour among nations in accordance with the most favourable conditions for production, a division so desirable from the point of view of national economy.

THE DEVELOPMENT OF WORKMEN'S WAGES.

The development of workmen's wages in Germany has, upon the whole, been one in favour of the workmen. It was especially so during the period following the carrying into effect of Caprivi's commercial policy. Naturally it is not the absolute amount of wages that alone decides the conditions under which the wage-earner lives, but also the proportion such wages bear to the prices of the most impor-

tant articles of food, which prices, of course, react in an almost decisive manner upon all the other necessities of life. In the subjoined table (p. 124), in order to enable one to make comparisons, the development of wages during the last twenty years in the Upper Silesian coal industry and the various works belonging to the Silesian textile manufacturing associations, are tabulated side by side with the corresponding average annual prices of rye, potatoes, sugar, cattle, and pigs.

The wages established by the "Industrial Insurance Corporations" stood at 736·7 marks per head in 1898, and at 855 marks in 1905; wages will probably have reached in 1907 about 910 marks.

By comparing the figures in these tables we will, first of all, notice that, speaking generally, the increase in wages was not considerable during the times when the taxes on agricultural products were at their highest and corn prices had reached their highest point—that is, until 1902. The

* Wages are very low owing to the extensive employment of female and juvenile labour and also because in many instances employment in the textile industry is not the sole occupation of the workmen.

† In 20 years, consequently, an increase of more than 100 per cent. The wages of working lads (under 16 years of age) only rose, it is true, in the same period from 328·7 to 345·6 marks and those of female workers from 210·1 to 372·6 marks.

The low wages for working lads and female labour may be explained by the fact, that in those regions there is no demand for these kinds of labour; the supply, therefore, enormously exceeds the demand.

In that district the workers' wages were certainly still very low in the eighties, because living, too, was cheap. With rising taxes on corn, however, but chiefly owing to the closing of the frontier against Austrian and Russian pigs—for a long time only a weekly contingent of 1,360 pigs was allowed through, which has now been raised to 2,500—and to the extraordinary development and overpopulation of the mining and smelting district in that neighbourhood, all necessaries of life were made dearer in such an extraordinary degree that wages had to be raised continually to keep pace with rising prices. Wages showed, however, signs of dropping in years of declining trade; the fall in wages, on the other hand, was partly due also to the smaller number of shifts worked in the mines.

YEAR.	AVERAGE ANNUAL EARNINGS		PRICES IN MARKS OF					
	of a workman over 16 years of age employed in the Upper Silesian coal industry.	of a workman employed by the Silesian Textile Industries Association.*	Rye in Berlin.	Potatoes in Breslau.	Cattle in Berlin (killing weight).	Pigs in Berlin. (living weight—20% tare).	Sugar (refined and duty paid), wholesale in Magdeburg.	
1886	—	403-	130.6	29.6	—	—	—	
1887	585.6	415-	120.9	34.3	—	—	—	
1888	615.1	414.8	134.5	37.3	—	—	—	
1889	680.7	425.4	155.5	38.5	—	—	—	
1890	790.4	439-	170-	41.2	—	—	—	
1891	821.1	440.2	211.2	59.9	120.3	102.2	56.8	
1892	792.4	439.05	176.3	50.9	117.1	110-	57.7	
1893	775.6	444.4	133.7	30.1	108-	109-	57.6	
1894	781-	446.2	117.8	29.5	118.9	101.8	49.4	
1895	792.3	453-	119.8	29.9	119-	90.1	45-	
1896	805-	486.9	118.8	26.1	112-	86.2	49.6	
1897	826.9	470.7	130.1	37.6	113.1	105-	46.5	
1898	894.7	485-	146.3	41-	113.3	111.3	47.6	
1899	916.8	494.2	146-	35-	115.9	94.8	48.9	
1900	1018.2	506.1	142.6	38.1	119.1	95.5	53.2	
1901	1029.7	503.1	140.7	30.8	117.3	112-	57.9	
1902	972.1	510.4	144.2	28.2	121.4	118.8	56.5	
1903	990.1	517-	132.3	36-	129-	99.7	53.3	
1904	1009.2	527.5	135.1	53.7	131.5	98-	39.8	
1905	1039.1	535.7	151.9	50.4	137.5	128.1	43-	
1906	1111.2	563.5	160.6	33.2	147.7	133.8	36.8	
1907	1191.4 †	591.85	193.2	40.6	146.6	110.3	38.3	

For * and † Notes see previous page.

great rise of wages in the coal-mining industry between 1888 and 1890 was the outcome of the great German miners' strike, and a short period of prosperity; as early as the end of 1891 a reaction set in, and only in 1897 the high-water mark of 1891 was again reached. In spite of low wages, however, the condition of the working population between 1893 and 1896 was considerably better than in the preceding period of 1890 to 1892, because during the first-named interval the prices of food were much lower than in the latter. It is therefore not surprising to find that in the reports sent in by the industrial inspectors the opinion is unanimously emphasised that the considerable rise in wages during the last three years has offered a barely sufficient compensation for the simultaneous rise in the prices of all necessaries of life. The latter, however, may to a great extent be ascribed to the raising of the duties by the new customs tariff which came into force in 1906.

In 1905 there were in the "Industrial Insurance Corporations," about 8,196,000 individuals, employed in 4,658,826 separate establishments, obligatorily insured against accidents met with in pursuit of their calling; the wages of such individuals upon which contributions were calculated amounting to 7 milliard marks. In connection with this it is not always the amount of wages actually paid that is taken into account, as, in case the pay is less than the daily wage usually paid in that neighbourhood, it is the latter that is taken for the basis of calculation; and if the wages exceed 1,500 marks, only this amount is taken in full as a rule, together with only one-third of the excess of the amount over and above that maximum sum. It has, however, turned out that such plus and minus differences in many cases mutually cancel each other, and that therefore the sum of wages actually paid does not differ very materially from that on which calculations are based. The increase in the number of insured individuals between 1903;

and 1905 amounted to 729,000, the increase in wages in the same period to 892 million marks in round figures, so that, assuming a corresponding rate in the increase since that time, the number of workpeople may be estimated at 8,930,000 heads in 1907, and the sum of wages received by them at 8 milliard marks at the least.

There were also besides in 1905 employed in the undertakings and executive departments of the Empire and the States, 772,000, and in municipal service 85,724 individuals liable to insurance, for whom, as they are almost exclusively adult male persons, a sum of at least 1 milliard marks must be put down for wages.

With regard to the "Agricultural Insurance Corporations" the bureau of statistics estimates the number of insured individuals to be 11,189,000, in which number are included all persons whose principal or secondary employment is in connection with agriculture or forestry, consequently also persons who are already insured in an industrial insurance corporation or those who are not obliged to insure, being officials, men with private means, &c. As in the farming industry it is hardly possible to separate house-work from farming work, all members of the family who may be supposed to help in the work have been taken into account, and their insurance is, no doubt, in itself highly desirable, considering the great risk of accidents that agriculture entails.

According to the census of occupations taken on June 14, 1895, agriculture and forestry—including gardening, fishing, and cattle-breeding—only gave occupation to 5,627,794 dependent workers, of whom 2,388,148 were females. This number may perhaps have been still further reduced by the year 1907. The amount of wages paid to them may hardly be estimated at more than 2½ milliard marks, because in many instances they are only employed during the working season, and wages in agriculture are low. Moreover, the majority of hired farm-hands are to be found in Eastern and Northern Germany, where the

scale of wages in itself is lower than in the other parts of Germany.

According to the same census of occupations of 1895, there were altogether 1,339,316 servants working in domestic service, and their number may since have risen to 1,370,000 in round figures. Taking into account board and lodging which they receive in the great majority of cases; their average income may be estimated at 550 marks per head at least, which corresponds to a total amount of wages of, say, 754 million marks. If, however, we assume the average income of this class of wage-earners at 600 marks, their aggregate income would amount to 822 million marks.

The class of *employés* in agriculture and forestry, &c., numbered, in 1895, 96,173. If we assume their average annual income as 2,000 marks, we get the total amount of 192 million marks.

In the case of the mining and smelting industries, manufactures, handicrafts, and building trades, this class (the *employés*) numbered 263,745 in 1895 already, and their number must in the meantime have certainly increased to 350,000; in their case we may assume an average income of 2,400 marks, which would give a sum of 840 million marks per annum.

As regards commerce and communication, including hotels, restaurants, and taverns, the number of *employés* amounted to 261,907 in 1895, and has probably since risen to 350,000; basing our calculation on an average yearly income of 2,000 marks, their total yearly income would amount to 700 million marks, so that the whole class of *employés*—exclusive of Imperial, State, and Municipal officials—would earn an aggregate income of 1½ milliard marks, in round figures, in wages.

In the military and civil services, and in the so-called liberal professions, 2,142,808 persons were engaged in 1895; their number has since probably risen to 2½ millions. Assuming for our calculations an income of 2,400 marks, the total income of this class would work out at 6 milliard marks.

It has proved almost impossible to form an estimate of the income of the independent persons engaged in agriculture, industry, and handicrafts, commerce, transit, and that of persons varying housework with hired labour, the more so because in most cases we have to deal, not with incomes derived purely from work, but with combined incomes.

The incomes of the *employés* in the group of mining and smelting industries, manufactures and building trades, will partly already have been included in the incomes of those insured against accidents; among these will have been partly included also those belonging to the group of commerce and transports for which there exist the following insurance corporations:—One for private railways, one for tramways and light railways, one for warehousing, one for cartage, three for inland navigation, and one for sea navigation.

The number of persons insured against incapacity for work was, in 1905, officially estimated at 13,948,000, and has probably since risen to 15 millions.

The payments in respect of workmen's insurance in the course of twenty years from 1885 to 1905 amounted altogether to 5,627,416,847 marks, of which 2,920,396,866 marks were paid in respect of insurance against sickness, including the miners' funds, 1,412,961,502 marks in respect of insurance against accidents, and 1,294,058,485 marks in respect of insurance against being invalided, which latter was only introduced in 1891. Administrative costs absorbed the high sum of 520,049,584 marks. In addition thereto a reserve property of 1,722,250,359 marks has been accumulated from insurance premiums, which, in the meantime, has probably grown to 2 milliard marks.

How considerably the scale of wages has risen may be gathered, besides, from the fact that the sums collected for old-age pensions and insurance against being invalided and realised by the sale of contributive

stamps of various values, were contributed by the various sections of wage-earners in the following proportions:—

Class.	Value of Stamps in Pfennigs.	Comparison of the Percentage of Stamps sold in the years 1891 and 1905.			
		Per cent.		Per cent.	
I. ..	14 ..	1891	17.00 ..	1905	however 8.66
II. ..	20 ..	1891,	36.89 ..	..	.. 27.60
III. ..	24 ..	1891,	35 ..	..	.. 26.54
IV. ..	30 ..	1891,	21.05 ..	..	.. 22.20
V. ..	36 ..	1891,	— ..	..	.. 15 } 37.2

It must be noted that the amount of the contributive stamp is regulated by the amount of wages.

Depressions in trade lasting any length of time involve the great danger, in respect of workmen's insurance, that the workmen who are out of work, or are no longer fully employed, are then anxious to participate in the benefits of the insurance funds much sooner than would be the case in times when full and well-paid employment can be got. It is not necessarily malingering that is resorted to; many bodily ailments may have been repressed, because the workman, in his own and his family's interest, was anxious to continue to draw his relatively high wages. But once he cannot find work for more than three or four days in the week, it may, under some circumstances, be to his advantage to report himself ill, to draw sick money or to apply for his being placed on the list of invalids. But the more insufficient his nourishment becomes simply owing to want of work, the quicker his power of resisting illness will diminish, and the workmen will get on to the sick or invalid list. The German old-age and invalid insurance has not yet passed through the ordeal of a crisis of many years' duration.

Although prosperity still exists at the present day in the coal-mining industry, it has given way in nearly all other branches of industry to a strong depression in trade with short time, unremunerative prices, and growing want of work. The power of consumption at home has been very much restricted owing to the high prices of all the necessaries of life, and the foreign markets, too;

show little capacity of absorbing our goods, owing to the after-effects of the American crisis. This restricted demand has resulted in an especially eager competition in the world's markets among all countries exporting industrial products, and the dearness of production in Germany, due to the taxes on the necessaries of life, is doubly detrimental to her under these circumstances, more particularly as the current high rate of interest tends to increase it still more. One must therefore be prepared for a not inconsiderable drop in the scale of workmen's wages, which will exert an influence upon the standard of living and health of the population, the more unfavourable the longer the prices of food remain at such a high level.

The policy of making everything dearer may perhaps be borne by an industrial State in times of good trade, although even then not without severe ill-effects. Such policy proves itself a national calamity in times of industrial depression.

THE CONSUMPTION CAPACITY OF THE GERMAN PEOPLE.

With the development of Germany from a pre-eminently agricultural state to a pre-eminently industrial and commercial country, the consumption capacity of the German people has grown considerably. In the case of raw materials and partly manufactured goods, which are worked up by the industries, we must, of course, bear in mind that a very considerable portion of such materials and goods, which are returned in statistics as consumed, are really re-exported again as finished goods. This remark holds good above all in regard to the "bread" of industry—I mean coal—in respect of which it is further to be borne in mind that with a strongly increasing population and a rise in the price of wood, this latter material, which in former days formed the principal fuel for domestic purposes, is now being used for this purpose in an ever diminishing degree. That state existed, it is true, already in the period between 1876 and 1880, for which the first reliable data are

at our disposal as regards coal consumption. The consumption of *mineral coal* amounted, per head, to 850 kilogs. in 1876-80, to 1,125 kilogs. in 1886-90, to 1,374 kilogs. in 1891-95, to 1,637.5 kilogs. in 1896-1900, and to 1,734 kilogs. in 1901-1905. In 1905 it touched the figure 1,859 kilogs., and rose to 2,218 kilogs. in 1906, and even to 2,308 kilogs. in 1907.

At the same time the consumption of *lignite* also rose from 320 kilogs. per head in the period 1876-80 to 931 in the period 1901-1905, to 936 kilogs. in 1906, and to 1,000 kilogs. in 1907. Altogether, the consumption of coals and lignite must have been nearly trebled during the last thirty years.

In the same way, the consumption of *pig-iron*, which only amounted to 51.4 kilogs. in 1876-80, to 75.9 kilogs. in 1881-85, and to 89.2 kilogs. per head in 1886-90, rose to 100.2 kilogs. in 1891-95, to 142 kilogs. in 1886-1900, and 156.3 kilogs. in 1901-1905, and reached 173.6 kilogs. in 1905, and even 207 kilogs. in 1907. It is true, there are already signs of a considerable fall for 1908, which will probably be still greater during the next few years. It fell on another occasion, too, from 161.8 kilogs. in 1900, the year of the high tide of prosperity, to 137 and 140 kilogs. respectively in 1901 and 1902.

The consumption of *zinc* has risen from 1.2 to 2.6 kilogs., that of *lead* from 1 kilog. to 3.3 kilogs., that of *copper* from 0.4 kilogs. to 2.1 kilogs. (and even to 2.3 in 1904) per head. The increase in consumption of the two last-named metals is principally to be ascribed to the development of the electro-technical industry.

The consumption of *raw cotton* was as follows:—0.34 kilogs. in 1836-40, 0.47 kilogs. in 1841-45, 0.53 kilogs. in 1846-50, 0.85 kilogs. in 1851-55, 1.39 kilogs. in 1855-60, 1.33 kilogs. in 1861-65, 1.81 kilogs. in 1866-70, 2.84 kilogs. in 1871-75, 2.86 kilogs. in 1876-80, 3.34 kilogs. in 1881-85, 4.19 kilogs. in 1886-90, 5.54 kilogs. in 1891-95, 5.45 kilogs. in 1896-1900, 6.15 kilogs. in 1901-1905. In 1905 the

consumption even rose to 6·52, but fell to 6·28 kilogs. in 1906, to reach nearly the figure of 7 kilogs. in 1907. There was, besides, an increase in the import of cotton yarns which in 1907 amounted to 152,000 quintals (at 100 kilogs.) in round figures, against which, however, there was an increase of woven cotton goods, which in 1907 already reached 476,000 qs. For this reason, in order to arrive at an accurate figure with regard to actual consumption of cotton in Germany, we must deduct at least 1·5 kilogs. per head, all the more so because of finished cotton stuffs also 38,800 qs. more were exported than imported. At any rate, there remains the figure 5·50 kilogs., which is very high in comparison with previous decades. It is true, the consumption of linen goods, too, was comparatively higher in those days, but not that of woollen goods. Unfortunately, no estimates are extant for the consumption of these two kinds of goods; the home consumption of *raw wool* (after deducting the exported woollen goods) may be estimated at from 3 to 3·5 kilogs. per head.

The consumption of *rye* has not risen; it amounted to 151·5 kilogs. in the period 1893–1898, reached 158 and 158·3 kilogs. in 1893–4 and 1902–3, fell to 144·3 in 1895–6, and to 143·7 in 1897–98, and even as low as 137·7 in 1901–2; it amounted to 147 and 149 kilogs. in 1904–5 and 1905–6 per head. During the quinquennial period 1901–2 to 1905–6 it was 149·35 kilogs.

On the other hand, the consumption of *wheat* shows an increase on an average; it fell from 88·1 kilogs. in 1893–98, as low as 80·8 in 1897–8, and rose to 100·1 kilogs. in 1902–3. During the five years of 1901–2 to 1905–6 it was 94·3 kilogs. per head.

Upon the whole, the consumption of *barley* also shows an increase from 68·6 kilogs. during the period 1893–1898, to 75·4 in 1901–02 to 1905–6. In the same way *oats* show a concurrent rise of from 106·6 to 117·4 kilogs. per head.

It is, however, doubtful whether, with the increased duties

and the considerable rise in prices in the course of the last two years, a strong fall will not have to be recorded again, as was the case in the dear years 1890 and 1891, during which the total consumption of all four kinds of cereals only amounted to 337.1 and 300.8 kilogs. respectively per head, to rise again in the following years, during which taxes on corn were lowered and prices fell to 382.4 and 437.2 kilogs., and to 436.45 kilogs. during the five years 1900-1 to 1905-6.

The consumption of *sugar* has grown considerably. It was 6.0 kilogs. per head during the period 1871-76, 5.8 kilogs. in 1876-81, 7 kilogs. in 1881-86, 8.4 kilogs. in 1886-91, 10.6 kilogs. in 1891-96, 11.84 kilogs. in 1896-97, 1900-01, and 14.46 kilogs. in 1901-02, 1905-6, in 1906-7 it reached 16.9 kilogs., after it had already touched the figure 17.2 kilogs. three years before. The amount of consumption duty and the surtax, as well as the price, depending upon the crop, influence consumption considerably. In spite of its increase, the consumption of sugar in Germany is far behind that in England.

With regard to articles of luxury, the consumption of *coffee* shows an almost steady rise from 1.01 kilogs. in 1836 to 3.05 kilogs. in 1907. As the coffee prices have fallen considerably, the increase in the expenditure is in no proportion to the greater quantity consumed.

Tea is hardly ever touched by the masses in Germany. Its consumption has slowly risen from 0.004 kilog. per head in the first half of the forties to 0.03 kilog. in the second half of the seventies, and to 0.06 kilog. in 1906; in 1907 it was 0.065 per head.

The consumption of *cocoa* shows a somewhat larger increase; it was not more than 0.01 kilog. per head in the forties, reached 0.05 kilog. in the seventies, and was only becoming greater with the beginning of the century. It has risen from 0.30 kilog. per head in 1901 to almost 0.55 kilog. in 1907.

The same remark applies to foreign fruit, the consumption of which rose from 0.06 kilog. per head in

the middle of last century to 0·75 kilog. in the middle of the eighties, to rise immediately, under the influence of Caprivi's commercial treaties, to 1·39, and further to 3·20 kilogs. The considerable reductions in duties, especially on oranges, together with the improved means of transport, brought about a considerable rise in the consumption.

The consumption of *rice* rose—in spite of the high duty of 15·94 marks per 100 kilogs.—from 1·76 kilog. at the inauguration of the policy of Protection to 2·73 kilogs. per head in 1906.

Unfortunately, very little can be said about the consumption of *meat*. Records of slaughterings have only been kept since the third quarter of 1904, and a comparison with past years is, therefore, impossible. After a severe meat famine had existed in Germany in the years 1905 and 1906, the consumption of meat, especially that of pork, has recently risen above the figures of 1904, while as regards the better kinds of beef, from oxen and bullocks, consumption has further decreased, if anything. It is indeed doubtful whether the consumption of meat will remain at the present figure, if the dearness of meat, the prices of which were still going up recently, should last any length of time.

The consumption of *herrings* naturally varies with the catches. Independently of this, however, a great increase in the consumption may be noticed, which rose from 1·10 kilog. per head at the end of the thirties of last century to 4·06 kilogs. in 1902, but fell again to 2·95 kilogs. in 1906. As catches were exceptionally large in 1907, the consumption of this fish has probably increased again.

The consumption of *tobacco* has been greatly hindered in its natural development by the various increases in the tobacco duty. It rose from 1·3 kilog. during the period 1861–65 to 1·8 kilog. in 1871–75, and 1·7 kilog. respectively in 1876–80; it then fell to 1·4 and 1·5 kilog., and fluctuated between ¹/₁₀₀₀ 1·8 and 1·6 kilog. per head in the course of the last decade. The amount collected in duties

and taxes on tobacco amounted to 1.35 mark per head in 1905.

The consumption of *spirits for drinking*, which, as a rule, amounted to 4.4 litres per head, has within recent years fallen as low as 3.75 litres, principally, no doubt, under the influence of the price-raising policy of the spirit-syndicate.

The consumption of *beer*, too, has shown similar symptoms during recent years. In 1874-78 it averaged 91 litres per head; it fell to 85 litres in 1879-83, the first years of the policy of protective duties, and rose again to 94 litres in 1884-88, and still further to 107 litres in 1889-93. With the beginning of the period of good trade, in 1895, it rose to 115.7 litres, in 1896 to 115.8 litres, in 1897 to 123 litres, in 1898 to 124.1 litres, and touched both in 1899 and 1900 125 litres. In 1901, with declining trade, it fell to 124, 116, 117, 117, and 119 litres. The year 1908 will probably show a further decrease.

In itself, of course, it would be no great calamity if the consumption of alcoholic liquors, which, indeed, is still very high, would show a further moderate decrease; moreover, this falling-off could hardly be ascribed entirely to the waning industrial prosperity, but must in an equal degree be the result of the temperance movement, which is more and more gaining ground.

There is no doubt that with the transition of Germany to an industrial country an improvement in the welfare of the people, and consequently an increase in its power of consumption, has taken place, which, though retarded by the policy of protective duties, could not be stopped altogether, and which showed a highly gratifying rise while Caprivi's commercial policy lasted. The two years of Bülow's commercial policy have been far too short to enable us to express a final verdict about the effect produced.

Since the middle of 1907 a depression in trade and commerce has set in, which, under the influence of raised

customs duties and the gradual closing of the frontiers, is very keenly felt by the people.

THE INJURIOUS INFLUENCE OF DUTIES ON FOOD UPON THE HEALTH OF THE PEOPLE.

It is difficult to arrive at an exact estimate of the extra burthen which the policy of protective duties has thrown upon the household budget. After fairly exact inquiries as to the amount of bread and flour used in numerous workman families, it is assumed that every mark of the corn-tax represents an additional burthen of from 1·8 to 1·85 marks per head of the population on an average. This figure is accepted even by the agrarian side, as by Professor Sering, of Berlin. With a duty of 5·00 marks per 100 kilogs. on rye and 5·50 marks on wheat this would represent about 9·50 to 10 marks per head, and for a family of five amount to 47½ to 50 marks in round figures. If the total consumption of cereals were taken into account, after deducting a certain quantity for sowing, the sum would, of course, work out still higher, because a portion of the corn is consumed as fodder, or used for certain industrial purposes—distilling spirits, brewing beer, &c.—being thus used indirectly for human consumption. The burthen imposed by the corn tax is felt in a greatly varying degree according to the income of the workman's family and the number of children who are not yet able to earn wages; it is therefore just what a tax should not be, because it presses most heavily on those who are the least able to bear it.

But in addition to the tax on bread, there is also the increased cost of other necessaries of life, above all the taxes on cattle and meat. According to official estimates, the average quantity of meat consumed in Germany amounts to 45 kilogs. per head. The tax on meat—live cattle are, for veterinary reasons, only allowed to be imported in quantities scarcely worth mentioning—amounts to from 27 to 35 marks. Assuming the quantity of meat consumed by a

family of five members to be 225 kilogs., this would represent a tax amounting to 61 marks, in round figures, at the rate of 27 marks. At the average rate of 30 marks, the tax would even amount to as much as 67.50 marks. Now, we can assume that the quantity of meat consumed by the working population works out considerably below the average, because meat is too dear for them, and that the quantity consumed by them is the smaller, the less their income and the greater the number of the family.

A comparison of the budgets of numerous workman families has proved the fact that in most cases the quantity of albumen taken in a workman's family is less than the absolute minimum fixed by science. Of twenty-eight families of hand-weavers at Zittau whose diet was investigated by Rechenberg, only four were found who came up to the standard of nutrition. Meat was eaten by them in very small quantities only; they ate perhaps only one-twelfth of the quantity fixed as absolutely necessary by such a medical authority as Voit. They, no doubt, belong to a badly paid class of workmen, but it was found that even among the Baden cigar-makers, with an average income of 1,064 marks, only very few ate sufficient meat. Instead of meat, the consumption of potatoes plays a very important part in the workman's household. Among seventy-one workman families in Baden belonging to a great variety of categories, the consumption was found to average 0.625 kilog., and the adults consumed even more than a kilogram of potatoes per day each. In Eastern Germany the consumption of potatoes is considerably higher still.

But all these investigations were made at a time before the higher duties had come into force. With the great increase in the cost of bread, meat, and all kinds of animal food, the consumption of the cheaper vegetable foodstuffs must have risen still more at the cost of the former. How great the decline must have been in the case of the consumption of meat has already been seen by

the extraordinary falling-off in the number of animals slaughtered during the years of dear meat, *vide* p. 124. In connection with this, the fact must be borne in mind that the well-to-do classes of the population have in no way reduced the quantity of meat they consume, which points to a still greater decrease in meat eating among the poorer stations of society. It was exactly in the industrial centres and the workmen's quarters of the large towns that the falling-off in the consumption of meat assumed quite alarming proportions.

Pigs may only be imported from Russia and Austria-Hungary. The maximum number from the former country must not exceed 2,500 per week, and they must at once be killed at the slaughter-houses of the Upper Silesian industrial district. The number of them from the dual monarchy must not exceed 1,539 per week, and they must be taken to certain slaughter-houses on the Bavarian and Saxon frontiers. An export of meat beyond the narrower limits of those slaughter-houses is not permitted. The breeding of pigs has, it must be granted, increased considerably in Germany, owing to the almost complete closing of the frontiers against all imports; the number of pigs amounted to 12,174,400 in 1892, to 14,247,600 in 1897, to 16,801,000 in 1900, and to 18,920,700 in 1904.

The meat consumption, however, has undergone extraordinary fluctuations.

For instance, the number of cattle killed in the second half of 1905 amounted to 1,910,903 heads; but in the corresponding half-year of 1906 only 1,822,030 heads; the number of calves that were killed decreased during the same period from 2,073,171 to 1,901,384, that of pigs between the second half of 1904 and 1906 from 7,912,619 to 7,122,266. In the second half of 1905 no more than 6,505,432 pigs were killed—that is, 1,407,000 less than in the corresponding half of the previous year. In connection with this, it must be remembered that the population of Germany grows by about 850,000 to

910,000 souls every year, and that consequently the number of animals killed should have grown in proportion. The meat consumption has even declined more considerably than can be judged by the falling off in the number of animals killed, because during the years of dear meat extraordinarily badly fed and immature cattle were killed. During the last quarters the number of animals killed have again shown an increase; but as quite recently a further rise has taken place in the prices of cattle and meat, a fall in meat consumption is sure to follow as an inevitable consequence.

Although the poorer classes of the population feel the scarcity more particularly, the increase in prices is also felt most keenly by the better-off middle classes. According to the able investigation by Henrietta Fürth of the household budget of a Frankfurt family with a yearly income of about 10,000 marks, a family composed, it must be admitted, of six adult members, it appears that the rising prices of food-stuffs of animal origin, together with high prices for bread and potatoes, led to a considerable deterioration of their diet. Consequently, even a family with a relatively high income found the dearer prices not only inconvenient, but, as was proved beyond doubt by these investigations, also a cause of injury to health. It must be still further emphasised here that the policy of Protectionists and Agrarians has raised the prices of all necessaries of life, and that the average rise in prices produced thereby may be estimated at about 30 per cent. In the case of wheat and rye* it amounts to still more; in the case of meat, to about 30 per cent.; of coffee, to 44 per cent., &c. If we accept the average

* During the decade 1894-1903 rye (duty not paid) cost in Berlin 98.86 marks per metric ton on an average. The duty of 35 marks was therefore equal to 35.4%; Rye (duty not paid) stood in 1897-1905 at 106.5 marks. The duty of 50 marks therefore was equal to 47% of its value. Wheat cost in 1897-1906 in Berlin 131.3 marks without the duty. The duty of 55 marks therefore was equal to 41.9% of its value. The duty on beef and mutton at 30 marks per 100 kgs. is equal to about 30% of its value; in the case of pork it is equal to about 24%; butter about 15%; cheese about 22%.

at 30 per cent., a workman's family, which is obliged to spend some 52 to 60 per cent. of its income on food, will have some 15 to 18 per cent. of its income swallowed up by the increase in prices resulting from the food tax—*i.e.*, the workmen and the wage-earning members of his family are obliged to do, as it were, service for the landowners for forty-five to fifty-four days in the year to earn the money required to meet the increase in the cost of living brought about by the taxes on food. But this is not all; the artificial raising of the prices of food has naturally led also to a rise in prices of other *necessaries of life*, and it goes without saying that wages have had to be raised in proportion to the increased cost of living. To quote an example, the price of Upper Silesian coal has risen from 8·7 marks in 1897 to 12 marks per ton in 1907. This not only directly swells the family coal bill, but increases also the cost of production in all factories, and the buyer is paying in the higher prices for manufactured goods the greater cost of coal.

What has just been said about coal applies to every other commodity, because, after all, the price of every article is made up of labour, leaving, for the time being, the ground rent value and the raw materials bought abroad out of consideration. Factory hands and men employed in building operations need higher wages; the cost of the manufactured article and houses is increased thereby, and the consumer is again obliged to pay for the artificial raising of the prices of food by giving more money for the manufactured article and paying more house rent. In spite of the extraordinary progress made in all branches of industry, in spite of the greater efficiency got out of fuel, in spite of the ever-extending use of labour-saving machinery and tools, the prices of almost all manufactured goods have risen considerably.

The handicraftsman is exceedingly badly off under these conditions. Arrangements with regard to the fixing of prices are extremely difficult among handicraftsmen;

owing to the great number of producers, Kartells among them have proved to be almost impossible, and the idea of forming manufacturing co-operative societies has only been realised in very few instances. The workmen, on the other hand, are organised, and therefore in a position to obtain higher wages, which the handicraftsman also has to pay if he has to engage assistants. With regard to the purchase of raw materials, he is worse placed than the manufacturer. If he have recourse to buying on credit, he has to pay dearer for it than the former ; his costs of production have therefore risen considerably, his and his family's expenses of living have been increased, and at the same time the purchasing power of his customers has been weakened, because the more they have to spend on bread, meat, milk, and other articles of food, the less money they will have left to pay for the products of his handicraft. Clothes, boots, &c., will be mended and patched instead of new ones being bought ; the purchase of urgently needed domestic articles will be deferred.

The great increase in the price of milk has made itself most keenly felt, especially in all manufacturing centres and large and middle-sized towns, the more so as farmers have in many cases fixed the selling-price of milk by mutual agreements. As the number of cows has not, increased in proportion to the growth of the number of the population, and as the productive milch cows of Holland have been excluded, the milk supply is in a backward state, and there has taken place a falling off in the consumption of milk. The upper classes have increased their rate of consumption, because milk-drinking is more and more urgently recommended now by the medical faculty ; the peasant population have in a most extraordinary manner restricted the consumption of milk, and also of eggs, because the high prices both these articles now fetch offer an inducement to them to take all their available stock to market ; and, according to the opinions expressed by medical authorities and those who know

the conditions intimately, a large portion of our agricultural population are underfed in respect of foodstuffs containing albumen, especially as regards milk and eggs. The handicraftsman, workman, or small clerk, however, is altogether unable to spend as much money as his proper and rational nourishment would call for. It is especially the feeding of children that suffers seriously under prevailing conditions.

|| We notice, consequently, a relatively high infant mortality not only in the large towns and manufacturing centres, but also in rural districts.

The death rate among babies is consequently still perceptibly high in Germany. Of every 100 babies born alive, 20·5 died in their first year in 1905; in Saxony, with her highly developed industry, even 25·7 per cent. Austria and Hungary, with their percentages of 21·5 and 23 respectively, are, of course, by far worse off than even Germany. But, on the other hand, with the exception of Russia, nearly all the other European countries are able to show far more favourable returns; thus, *e.g.*, in Italy the percentage is 16·1; in Switzerland, 12·9; France, 14·4; Belgium, 15·2; Holland, 13·1; Denmark, 11·2; Sweden, 9·3; Norway, 7·6; England and Wales, 12·8; Scotland 12·3, &c.

The diet of the parents plays, no doubt, an important part in this respect, as is proved by the fact, among others, that the death rate among babies of illegitimate birth was 32·6 per cent., as against 19·4 per cent. among babies born in wedlock. Another fact we may adduce to prove our point is that in Prussia the corresponding death rate during the period 1886–88 was 21·3 per cent. among babies belonging to the independent classes, 22·5 per cent. among those of the office and shop assistant classes, and $\frac{1}{3}$ 25 per cent. among those of labourers paid by the day. In the northern and eastern districts of Berlin, which are inhabited by the poorer classes of workmen, infant mortality is 2 and $2\frac{1}{2}$ times greater, especially during the hot summer months,

than in the western portions and suburbs of the city where the well-to-do classes reside.

Infant mortality is showing again an increase in recent years with the high prices of food and the shortage in the milk supply. Among legitimate infants it has risen from 17.3 per cent. in 1902 to 19.3 in 1903, and reached, in 1904 and 1905, 18.6 and 19.4. Among illegitimate infants the percentages were 29.3 to 32.7 and 31.4 and 32.6 for the same years.

The general death rate has considerably decreased in Germany in the course of the latter decades. Excluding the years of war, 1866 and 1871, the maximum was reached in 1852 with 29.9; the mortality thereafter fell with fluctuations to 24.8 in 1860, and remained about 29.0 until 1875. It receded to 27.6 in 1886, and remained almost constantly above 25 till 1893, in which year it was still 25.8. With the inauguration of the era of industrial prosperity (in 1894) due to Caprivi's commercial treaties, the death rate immediately fell to 23.5, and further to 21.7 in 1898, to rise again to 23.2 in the year of high prices in 1900. In the course of the years that followed it maintained itself at about 20.7.

This considerable reduction in the death rate must, no doubt, be attributed chiefly to the extraordinary improvements in sanitary matters, especially as regards water-supply and sewerage, the prevention of floods, and stricter building regulations; also to the progress of medical science in dealing more effectually with epidemic diseases like diphtheria, typhus, scarlet fever, puerperal fever, &c. The improvement was further due to the development in insurance against sickness and, in connection therewith, to the improved medical care of the working population in cases of illness and accidents.

But undoubtedly—and this is fully acknowledged by the medical profession—the plentiful and remunerative occupation which was created by Caprivi's policy of commercial treaties has also in a very large measure contributed

towards the attainment of these favourable results, the more so, as concurrently therewith a considerable fall in prices of corn took place, which remained at a low figure for many years.

Compared with other civilised countries, the death rate in Germany, even at 20·8 per thousand, must still be considered very high. It stands at 17·9 in Switzerland, 16·9 in Belgium, 15·3 in Holland, 14·8 in Denmark, 15·6 in Sweden, 14·7 in Norway, 15·2 in England and Wales, 15·9 in Scotland, and 17·1 in Ireland. In France and Italy, both countries which also pursue a policy of dear bread, the death rate is 19·6 and 20·9 respectively—*i.e.*, nearly as high as in Germany. On the other hand, Austria with 23·7, Hungary with 27·8, Spain with 25·8, and Russia with 32·1, are very much worse off than Germany. Industrial countries, which have no taxes at all or only very low taxes on articles of food, like Great Britain, Belgium, and Switzerland, are very much better off than industrial countries with protective duties.

A disease which can be most effectually prevented by good nourishment is tuberculosis of the lungs. In Prussia this disease carried off on an average 3,170 people per million inhabitants per annum between 1872 and 1881, 2,715 between 1887 and 1893, 2,245 between 1894 and 1897, and no more than 1,826 in 1904, which is equal to a decrease of 1,344 deaths in the year for every million people within thirty years. But even in this instance, the rate of decrease reached its highest point during the era of Caprivi's commercial treaties. In England, the country of Free Trade, the rate of decrease was even more pronounced. The rate at which people died of tuberculosis of the lungs in that country was 2,216 per million persons per annum between 1872 and 1880, 1,803 per annum between 1882 and 1886, not more than 1,568 between 1887 and 1893, 1,358 between 1894 and 1897; and in 1902 the rate fell even as low as 1,232. Whereas in Germany the rate fell almost 40 per cent.

between 1871 and 1902, it fell 44·3 per cent. in England. Even at the present day Germany compares very unfavourably with other civilised countries in respect of rate of mortality due to tuberculosis of the lungs. The number of adult persons who are in such an advanced stage of tuberculosis of the lungs that they ought to be placed under treatment in hospitals is estimated at 200,000 in Germany. In 1898, of 151,083 persons who drew payments from the invalid funds, 18,212—that is, 12 per cent.—were suffering from tuberculosis.

There are large societies in Germany for fighting against the disease; numerous sanatoria have been erected for sufferers from tuberculosis, but the Imperial Government promotes the spread of the disease by increasing the cost of food by taxation.

If, notwithstanding the higher cost of living in consequence of the food-tax, the death rate, especially that of tuberculosis, shows a relatively favourable change, this may be ascribed, as already stated, to the great prosperity in trade and commerce which has set in since 1894, and the rise in the rate of wages which was brought about thereby.

THE INFLUENCE OF THE CUSTOMS POLICY UPON THE RATE OF INTEREST.

Another of the causes which tend to swell the cost of production of German industry is the dear money, *i.e.*, the high rate of interest on loans. Modern trade and commerce are based upon credit; the cases in which a merchant or manufacturer works exclusively with his own and not with borrowed capital are nowadays very rare, and the higher the rate of interest he has to pay on the borrowed capital the worse its effect upon his cost of production. Very often the prosperity of a whole trade depends upon the rate of interest. There may be a large demand for dwelling accommodation, and yet building operations will practically cease as soon as the rate of interest has risen to, and maintains itself at, an unusual

height for any length of time, because a long time must elapse from the date of the purchase of the ground and the commencement of building operations until the day on which the house will be ready for occupation; and the man who takes the house and lives in it before it is quite dry pays at first only a rent which does not cover expenses.

And so in the case of traders who sell their goods, especially in industry and handicrafts; the producer who buys materials and pays wages does not get his money back until he has sold the manufactured article, *i.e.*, after a considerable lapse of time, and a high rate of interest is therefore most detrimental to him. It kills the spirit of enterprise, because the capitalist will prefer to invest his money in some other business which is secure and will yield a good rate of interest, rather than risk it in a venture about which it cannot be predicted with any certainty whether it will turn out profitable or not.

Germany has been suffering for many years from her very high rate of interest, which is the most clearly noticeable in the banking discount rate, which rules the rate of interest for all other loans. Generally, it is from $1\frac{1}{2}$ to 2 per cent. and more higher than in France and England.

The causes of the high rate of interest in Germany are partly to be sought for in the enormous increase of her population, which amounts to 850,000 to 916,000 per annum. If we reckon 3,000 marks to be the cost of educating a youth until he has completed his sixteenth year, the earliest age at which he will begin to earn independently a livelihood, France, in which country the birth rate has in several instances already been lower than the death rate, annually saves, compared with Germany, a sum of 2·7 milliards alone in the cost of rearing and educating her children. And in order to provide homes for her increased population, Germany has to spend on additional houses annually several milliards of marks more than France, which country has only to replace dilapidated buildings, or such as do no longer comply with modern

requirements. The unsound distribution of landed property in Germany leads to the depopulation of the rural districts, to the rapid formation of large and middle-sized towns, which in their turn again call for the construction of numerous roads and tramways, and, owing to the dense massing of buildings, for costly sanitary works like waterworks and sewerage, expenses which France need not incur. The building of schools in Germany is therefore an undertaking of quite different a magnitude, and the large rate of increase of our population calls in other respects also for a much greater expenditure on the part of municipal authorities than in France. And in order to meet the wants of this enormously increased population, Germany has to erect factories continuously, on the one hand because she has to provide clothes, houses, domestic articles for these people ; and on the other hand, because she has to manufacture goods to sell in order to be able to pay for the articles of food and raw materials which she has to import from abroad, and which she cannot produce at home.

And although Germany, in consequence of her very large population may manage to save every year a large amount of capital, she is obliged to spend again the great bulk of it on dwelling houses, waterworks, sewerage, schools, factories, and means of communication ; whereas France can employ the larger portion of her savings in buying foreign securities. In the balance-sheet of French commerce the total income is nearly equal to the total expenditure. The German balance-sheet, on the other hand, shows a deficit of about 1,750 to 1,800 million marks. In 1906 she had to pay 2,315 million marks to the foreigner for food stuffs and 4,032 million marks for raw material.

A large sum is also spent annually by Germans in travelling expenses abroad. The German is very fond of travelling—the French, Swiss, and Austrian Alps, the Ta'tra Mountains in Hungary, Norway, Italy, all entice him abroad, and living in these foreign places is comparatively cheaper than at home where, by customs duties and

the prohibition of importing foreign cattle, all the prices are raised as much as possible. The Frenchman very seldom goes abroad.

All this will explain why France has always a large amount of capital invested abroad, and why she is very seldom placed in a position to be obliged to pay to the foreigner more than what the latter owes her. France is always in a position to meet her liabilities by her counter demands, and even in the worst case she has only to part with but a small portion of her capital invested abroad to pay her debts to the foreign creditor.

If the wealth of France may be compared to that of a well-to-do man living on the interest of his investments, and always having ready money to spend, the wealth of England may be compared to that of a business man whose capital greatly exceeds that of the French rentier; and as his money is always invested in business, he earns with it a great deal more than the former; working, however, with borrowed capital, he has also to pay more for it under certain conditions than the rentier. England is the banker, the commission agent, the carrier of the whole world; she is the greatest creditor and the greatest purveyor of goods. She is the country that has the largest export trade in manufactured goods; the value of her exports probably reached 9 milliards of marks in 1907, and exceeded by about 1.2 milliards of marks that of 1906. The bank rate in England, owing to the brisk commercial activity there, is always subject to greater fluctuations than it is in France, but it is always considerably lower than in Germany, because England always has large sums owing to her abroad with which to pay. Germany's commercial balance-sheet always showed, until recent years, a balance in her favour. She is superior to France in her very much greater inter-oceanic shipping trade, as also in the great carrying trade which she does on her railways and inland waterways for Russia, Austria-Hungary, and Switzerland, the gross freights on which alone must

wipe out the greater portion of the deficit on the balance-sheet of German commerce. She is also the holder of many foreign securities, and numerous German enterprises abroad also tend to improve her balance-sheet. But these last-mentioned items cannot be liquidated. The large demands for foodstuffs and raw materials to be imported from abroad involve large calls for payment, especially in the autumn; it is at this season that wheat, which Germany imports to the value of from 300 to 370 million marks per annum, lard to the value of 135 million marks, and petroleum, of which 80 millions of marks' worth is imported, has had to be shipped; the first payments on account of cotton, for which raw material half-a-billiard of marks have to be found every year, must also be met at that time. At that period of the year, therefore, money is always very tight, and the rate of interest consequently high, because the export of manufactured goods produced by German industry, which have to pay for the bulk of imported goods, is spread over the whole year. And the German commercial policy has contributed to the utmost degree to make the mode of payments still more difficult. It has brought about a similar policy of Protection in other countries also, and made the export to those countries more difficult. It has—and this is another serious matter—considerably increased the costs of production of our manufactured goods by raising the price of all necessaries of life, of many raw materials, and partly manufactured goods. The English, the Belgian, the American workman, who has cheaper bread and meat to eat, can work for proportionately lower wages, and consequently Germany, in comparison with other large industrial countries, is left behind with her export trade.

The *increase* in exports, as it is necessary to cover the enhanced demand for foodstuffs and raw materials, must keep pace with the *growth* of the population.

Now, in 1907, England showed a rise in exports to the value of 2,400 marks in round numbers, France one of nearly

6,000 marks per head, but Germany only one of 590 marks.* Although we cannot expect an increase as large as that of France, a country receiving a far smaller quantity from abroad for transit, sale on commission and transport by sea, the increase in our export should come up, at least, to that of England, which from all these other sources of revenue shows a far greater increase than Germany. Notwithstanding this, the increase in our export trade per head of increase in population did not even amount to one quarter of that of England. This is really the true explanation of Germany's unfavourable balance of payments.

As long as the German commercial policy hinders the proper development of the German export trade by artificially raising all costs of production, the danger is imminent that, sooner or later, the export trade will lag so far behind that the balance-sheet of German commerce will no longer show a balance in favour of, but against Germany, that we shall no longer be able to buy foreign securities, but, on the contrary, shall be obliged to sell them in order to be able to pay our debts to the foreigner; that finally the latter will begin to buy German securities also; that Germany will change from a creditor-state to a debtor-state; that this policy will lead to the impoverishment of the people.

THE FISCAL EFFECT OF THE POLICY OF PROTECTIVE DUTIES.

Bismarck's principal object in inaugurating the German policy of customs duties was to increase the revenue of the Empire, that is, he was in favour of them on fiscal grounds, with a view of improving the Empire's financial condition. This object has not been realised. It cannot be gainsaid that the revenue from customs has shown an enormous increase; it rose from 140 million marks in 1879 to about 700 million marks in 1907. A large portion of this, however, more than 40 per cent., is

* The numbers for a single year are not sufficient to prove my point, but for longer periods there are similar proportions.

derived from revenue duties which are not only independent of the policy of protective duties, but the amount of which, as far as articles of luxury are concerned, has really been reduced through the increase in the cost of living caused by the policy of protective duties. Because, in proportion as the prices of absolutely necessary articles of food rise higher, the great bulk of the people are less able to spend money on not absolutely necessary articles of luxury, which form the chief source of revenue from indirect taxes and excise duties. In addition to this the sums spent by the Empire, Federated States and municipalities for the salaries of their officials also increase in proportion to the enhanced cost of living. The extra amount which the administrative bodies just referred to have to pay for higher salaries and wages in consequence of the policy of protective duties may be estimated at fully 2 milliards of marks per annum, which sum naturally has to be raised by direct and indirect taxation.

It is precisely the financial interests of Germany that seem to make it imperative to return once more to the system of Free Trade.

SITUATION AND PROSPECTS OF THE FREE TRADE MOVEMENT IN GERMANY.

The situation and prospects of the Free Trade movement in Germany at the present time are not especially favourable. They are, however, incalculable, and a sudden important change of views on the part of the majority by no means belongs to the region of impossibility. In industrial circles, with very few exceptions, the conviction is held that the new customs tariff, with the rise of the duties on agricultural commodities, has been directly mischievous, the rise in the prices of foodstuffs having led to an increase in the cost of labour, that of raw materials, semi-manufactured goods, and the accessory materials used in their manufacture; whereas those trades engaged in completing half-finished goods cannot secure higher prices owing to home competition.

In spite of this fact, many manufacturers appear to have the most vague ideas as to the utility or injury of protective duties. If there still exists a small import trade in the goods manufactured by them, they clamour for an increase in the duties imposed. When, for instance, during the year there have been scarcely 1,000 dozen of ornamented porcelain table ware imported from France, some porcelain manufacturers demand an increased duty on this class of goods. They do not reflect upon the fact that France buys nearly six times as many of these goods from Germany, and that the export of them is altogether 45 times larger than the import.

The cloth-makers of Aix-la-Chapelle asked for an increase in the duties on cloth, so that they might be better protected against the importation of English and French cloths, ignoring the fact that Great Britain buys more than double and France 12 times the quantity of German cloth as against what they send us. The Protectionist idea nurtures that spirit of narrow-mindedness which demands every facility for the export of its own goods and every obstacle on the other hand which will check foreign competition in the import trade. These people have not yet arrived at a clear recognition of the fact that they could take up a far better standing against the competition of the foreigner, if Free Trade prevailed in Germany and the cost of labour and material were not increased for them by high customs duties.

Those industries which depend upon the export of their products, in so far as they have been turned, under the protection of high customs duties, into syndicates and trusts, as for example the wholesale iron industry, the soda industry, the spinning and weaving industries, are in favour of upholding the customs duties, because these enable them to realise high prices at home and to force exports by granting "Kartell Export" premiums. Those who complete the manufacturing process of the

Syndicates' half-finished goods, inasmuch as they are bound to buy them, are asking to be relieved of duties on them ; on the other hand, they ask as much protection as possible for their finished goods. So far as their own necessary export trade is concerned, they admit that their own high customs tariff has stood in the way of more favourable commercial treaties, whilst the high duties on foodstuffs have increased their cost of production. Not infrequently also one meets with short-sighted manufacturers who declare that the export question is of no concern to them since they only sell in the home market. A little more reflection, however, would bring them to a recognition of the fact that if the other manufacturers in their own branch did not export their goods, there would be an enormous over-supply in the home market, and consequently a fall in their sales.

The coal-producers are in favour of the policy of protective duties because they think that in the absence of such duties the iron industry would greatly suffer, and with it the consumption of coal, an assumption which does not bear criticism, and which to a great extent can be explained by the fact that the largest colliery owners are also proprietors of iron smelting works. They can see only their own immediate narrow interests in place of recognising that the industrial revival that would follow the repeal of the protective duties would immensely increase the consumption of coal as well as of iron.

Although the makers of machinery complain of the raising of the price of coal and iron, through the "Kartells," they are nevertheless against the abolition of duties on iron because they fear in that case they would get fewer orders from the mining industry.

The copper mining and smelting industry has been unable to carry through a protective duty on copper, because of the opposition of the iron industry, owing to the fact that it would lead to the imposition of a duty on iron ores containing

copper. In spite of this the copper mining industry supports the policy of Protection very energetically, because they find in its Agrarian adherents with their bi-metallic scheme of remonetising silver support for their silver production. The freedom from duty of foodstuffs would, of course, be more help to them than any artificial raising of the price of silver.

The sugar industry used to belong to those industries which have done their best to bring about a radical change in the customs policy of Germany. Meanwhile the sugar manufacturers have lost their interest in the controversy because the double-edged nature of high prices at home through the formation of "Kartells" and the dumping exports with Kartell export premiums, has been clearly demonstrated to them. They now endeavour to increase home consumption by advocating low "consumption duties," and it would be further to their interest to increase the capacity for consuming sugar by low corn and cattle prices. The bulk of the sugar mills, however, are in the hands of beet-root growers, who are at the same time large corn raisers and cattle breeders, and as such they are for the most part energetic supporters of duties on agricultural produce.

The "Union of Farmers" have succeeded, by an extraordinarily active agitation, in convincing the majority even of the small and middle-sized peasant population that the duties on corn and cattle are of advantage to them as well. That catch-word of the complete customs tariff covering and guarding the interests of every agricultural producer has, in many cases, not failed to produce its effect. And in the south and west of Germany it is the predominant influence of the Catholic Church upon the peasant population which, after the party of the Centre had declared for duties on agricultural products, repeats, without further questioning, the gospel of their beneficent effect.

In Northern Germany, in Eastern Prussia, Pomerania, Mecklenburgh, Schleswig-Holstein, East Friesland, in Lower Silesia, and in Württemberg, there have certainly survived a group of farmers professedly Free Traders, belonging principally to the middle-sized and small farming industry, and seldom cultivating farms on a large scale. In several constituencies they decide the issue of the elections for the Reichstag; but the great bulk of German farmers are Protectionists.

Amongst the commercial classes, owing in the first instance to the concentration of the banking interests in the hands of a comparatively small number of large banks, the number of bankers has decreased very much. The large banks, because of their close business connections with the mining industry, textile and engineering industry, are not seldom supporters of the protection of industry, and amongst the small and fair-sized bankers in agricultural districts where great landowners predominate, there is no lack of men who favour the duties on agricultural products, which at least have caused their clients, after each rise in the duties, to be once more solvent. Upon the whole, however, in these circles Free Trade is favoured. The same holds good with regard to the wholesale goods trade; whilst, on the other hand, among retail traders, who are encountering an unpleasant competition from the large stores and wholesale dealers in special wares, the old corporation spirit has gained ground, and is carefully fostered by the Agrarian party with a view of drawing them over into their camp. In the same way, the landed interests have succeeded in collecting beneath their flag a large number of the smaller and middling-sized millers by advocating a progressive duty on mill outputs, which would lead to the extinguishing of large mills.

At any rate, the great majority of the small traders are also in favour of Free Trade. In the pre-eminently agricultural districts most of them of course dare not openly

show their true colours for fear of being boycotted by the farming party.

What has been said about small traders holds good with regard to the artisan class, which an undisguised guild movement endeavours to convince that their lot would be improved by the introduction of certificates of proficiency and the revival of the old guild system; whereas the fact is they are suffering now because the purchasing power of their customers in consequence of the high prices of foodstuffs (due to Protection duties) is greatly weakened, and, at the same time, their own cost of living is higher.

Of the transit trades, shipping is entirely Free Trade. The inland shipping trade, however, is only so in those localities which are not under the control of the mining industry, which supports high protective duties. The railways are, with few exceptions, owned by the State, and their influence, consequently, is upon the side of the prevailing trade policy. This powerful group of interests which from their nature would fight for Free Trade swells in Germany the ranks of the Protectionists and Agrarians.

There is hardly any other country where there are so many Government officials as in Germany. The State railway system, the very extensive State mines, State Forests and Crown lands, the Imperial Post and Telegraph Administrations, State Printing Press, Imperial Bank, and various State Banks, the large naval and military administrations with their workshops, the army of Customs House officials necessitated by the customs policy, the complicated working machinery of a bureaucracy with its endless scribbling, the police administration, which is much less extensive in democratically governed countries, &c., all demand a gigantic army of officials. As consumers, their interests are undoubtedly bound up with Free Trade, but they dare not openly profess their views for fear of losing

the favour of their superiors. At the elections for the Prussian Diet, which are public, they vote almost to a man for the Conservative-Agrarian parties ; their names figure at the bottom of the Agrarian electoral manifestoes ; for the higher official who has had academic training, activity exercised on behalf of the Conservative-Agrarian parties is the best mode of carving out for himself a successful career ; he is less dependent upon his superiors, even upon the favour of his own Minister, than upon that of the Conservative-Agrarians. This, of course, only holds good for Prussia, Saxony, Anhalt, Mecklenburgh, and some of the Thuringian States ; but, at the same time, it is true as regards about three-fourths of Germany. And in politics the lower officials must follow the lead of the higher ones if they are not to suffer damage. The voting for the Reichstag is certainly secret, but owing to the dishonest practices of officers presiding at elections, secrets will sometimes leak out, and the fear of many electors that after all it will be known how they have voted, prompts them to go against their convictions and cast their votes in favour of the Protectionist-Conservative party. Although the Imperial Government does not persecute men who vote for the middle-class Free Trader, it is down upon everybody who votes for the Social-Democrat. A highly respectable physician of Wiesbaden, in the second ballot, gave his vote to the Social-Democratic candidate, being, from his point of view, the lesser evil. Owing to the gossip of waitresses and a mean betrayal, this came to the knowledge of the postal authorities to whom he held the post of confidential medical adviser. He was forthwith dismissed by the Secretary of State for the Imperial Post-office, who justified the dismissal in the last session of the Reichstag by stating that the Administration of the Imperial Post-office could not permit their officials to champion Social-Democrats. Local State functionaries have repeatedly done material injury, not alone to officials, but also to tradespeople,

because they openly espoused the cause of Free Trade candidates of the radical middle-class parties.

In their daily life the Government officials feel acutely every rise in the prices of the necessaries of life consequent upon the rise in duties ; but this is always met by raising their salaries, so that in reality their troubles are only temporary and last mainly only during the transition stage of the policy which raises the price of commodities. But as their salaries are not allowed to be lowered, Free Trade would do them immense good. It may, therefore, be assumed that at the elections for the Reichstag, when the voting is secret, the great majority of them record their votes in favour of the Free Traders.

The question, however, whether there should be Free Trade or Protection, cheap or dear bread, hardly ever forms the plank at election platforms, numerous other issues of a purely political, religious and social character complicating the issue at the time. In many electoral districts the middle-class Free Trade parties do not put up any candidate at all, their organisation being too weak ; it happens most frequently that they cannot make up their minds to vote for the Social - Democratic Free Trader because the political divisions are too sharp. Amongst the National Liberal party there have been and still are besides Agrarians with the strictest principles, representatives of Industry supporting a " High Protective Tariff " and thorough-going Free Traders ; and the electors belonging to the party elect the candidate put up for them by his party, independent of his economical creed. To some extent the same may be said about the party of the Centre, which, however, upon such questions, vote unanimously for a policy of Protection. The Free Traders belonging to the party offer up the *sacrificio del intelletto*.

The parties which can be counted upon for Free Trade are essentially the Social-Democrats, Radicals of all three groups, Poles and Danes. During the election for the

Reichstag in 1903, which, to some extent was fought on the election cry of dear bread, 4,076,300 votes were cast for these parties; Conservatives, Anti-Semites, the party of the Centre, Alsatians, &c., got 4,185,700 votes; finally the National Liberals secured 1,317,400 votes. Of the latter, however, about 75 per cent. must be looked upon as Protectionists, so that the strength of the Free Trade vote may be put at 4,405,000, and that of the Protectionist vote at 5,164,000. But the number of elected deputies is by no means in proportion to the votes. The Free Traders in that Reichstag probably numbered less than 140 men, whilst the Protectionists numbered about 255 men. Since the founding of the German Empire no re-arrangement of the electoral districts for the Reichstag has taken place. The immense displacement which has taken place in the population—owing to the development of industries and large towns on the one hand, and to emigration from agricultural districts with large landowners on the other hand, has not been taken into account. Upon this circumstance rests to a great extent the power of the Agrarian parties.

The victory of the Free Trade idea is rendered substantially more difficult by the fact that the most numerous party professing it, viz., the Social-Democratic party, being a Republican party, is in strong contrast to the other parties which are for monarchical institutions, and the difficulty is still more enhanced by the fact that, being a party preaching an uncompromising class-war, it will see even in middle-class Liberalism only a reactionary mass which is to be fought tooth and nail. This mode of fighting has created a reaction, the result of which has been that the middle-class electors find difficulty in bringing themselves to vote for a Social-Democrat even at the second ballot. A real understanding between Social-Democrats and the Liberal middle-class was only arrived at during the last elections for the Diet in Baden, and to some extent at those

in Württemberg. So long as this uncompromising attitude is maintained, the working in harmony of the Social-Democratic party and the middle-class democracy is impossible, and the victory of the Free Traders at the Reichstag elections is out of the question.

No doubt if the economical situation in Germany should grow worse, and should this critical situation continue for any length of time, whilst at the same time the prices of foodstuffs remained high, it is quite possible that a violent change in the views of the electorate might take place. It then might happen that a majority could be found consisting not only of Free Trade parties hitherto existing, but also of members of the parties that have been hitherto Protectionists and Agrarians, or at least of members of those parties which have not made the policy of Protection a cardinal point in their party programme—that is to say, the National Liberal party and party of the Centre. It was in this way, after all, that the victory was finally achieved in England.

In that country it is admitted that the strong agitation of the league against the duties on corn had fully prepared the ground for the final struggle more effectively than has been the case in Germany at the present time. One may say that Protection is supported in this latter country only in a small degree by the special interests of certain industries, and in a far greater degree by a want of comprehension of the economic situation.

Many people think that they must consent to the existence of high duties upon the necessaries of life because these are essential for the welfare of agriculture, persistently confounding agriculture with the preservation of the big ownership of land in its present unhealthy extension. "If the peasant has money, the whole world has money." This old proverb is always on the lips of the industrial employer who has to pay his labourers higher wages, the higher the cost of the necessaries of life rise through pro-

pective duties. He does not see that the old proverb only held good when peasants formed the bulk of the population, and that it depended upon the result of the harvest and other natural phenomena, whether he had any money or not. But at a period and in a country where the agricultural class form barely a quarter of the population, it absolutely loses its appropriateness, more particularly so as the purchasing power for products of handicrafts and industry is at its highest, when the prices for indispensable articles of food are low, gradually disappearing in proportion as their prices rise.

On the part of German Free Traders, much work of an enlightening character has been done already, but not nearly enough, and comparatively very little on the part of those who represent commerce and industry. This is partly owing to their organisation. The German *Handelstag*, comprises not only the chambers of commerce, the legal representatives of commerce and industry in their districts, among whom Free Trade principles predominate, but amongst whom, especially in the large industrial centres of the mining industry, Protective theories also find defenders, but also a series of unions of large industries of a frankly Protectionist character, like the Central Union of German Industrial Employers. The latter claims, although actually only representing a section of wholesale industrial concerns, to be the representative of the interests of industry, and has for a very long time been looked upon as such by the Government, for the simple reason that its tendencies in matters of commercial policy is to a great extent in harmony with its own. With a view of gaining some influence with the Government, other industrial associations have joined it, although, as a matter of fact, their interests are opposed to those of the Central Union, as, for example, the Employers' Union of the German chemical industry, the Central Bureau for Commercial Treaties, and the Union of Industrial Employers, all of

which originally grew up in opposition to the Central Union of Industrial Employers and ought to be Free Traders considering the interests represented by them. After the great political action about the new customs tariff had been decided against them, they entered into a "community of interests" with the powerful Central Union, although only a disharmony of interests could be expected of such a union. The Union of Industrial Employers has again severed its connection with the Central Union on personal grounds; but no far-sighted policy is to be expected in the future from the uncertain guidance of the men at its helm.

Of associations comprising the whole of Germany, the Society for Commercial Treaties (Handelsvertragsverein) is the only one that can be cited as fighting with a clear conception of its purpose for the cause of Free Trade, although it seeks to realise its purpose less by means of autonomous legislation than by the arranging of commercial treaties. The society was founded by the late Dr. Georg von Siemens, shortly before the appearance of the draft of the new customs tariff. But even this society has only been able to prosecute its active campaign, originally planned on a very large scale, but unfortunately entered upon too late, in a very circumscribed way, owing to the fact that after the coming into existence of the new and hardly at all favourable commercial treaties, many of its wealthiest members resigned because they considered that the society had accomplished its purpose. Even in its most flourishing condition the annual subscriptions fell far below the sum which was at the disposal of the English Anti-Corn-Law League, and the money, even insufficient in those days, is wholly inadequate with present-day conditions to carry on a propaganda on a large scale. The Society for Commercial Treaties has now concentrated its activity upon promoting by practical means the foreign trade of its members. It is at any rate of great value that there

should be in an emergency a firmly established, well-managed organisation available for any action that may be taken in matters relating to commercial policy.

The true comprehension of questions relating to economics and the spirit of sacrifice are unfortunately but poorly developed in commercial and industrial circles in Germany, with the consequence that the latter prefer to be relieved of pounds of their money by the Agrarians, with the help of legislation, than to lay out pence at the right time in support of necessary political organisation.

But even in the Free Trade parties and among their agents there are comparatively few men who have mastered questions relating to commercial and agrarian policy with sufficient grasp to be capable of expounding them before the electorate in a manner at the same time convincing and easily understood. These questions are not at the present moment the dominating ones in politics, although in view of their importance they ought to be, and consequently many politicians do not give them the attention they deserve.

A great crisis, however, may force Germany to throw over her Protective commercial policy. The development of her financial situation is very unfavourable, and there is a necessity for exporting on quite a different scale from the present. Notwithstanding the apparently enormous rise in the export trade of Germany, it has lagged behind in proportion to the increase of her population. Her cash balance together with her bank discount rate and the rate of interest charged on loans are getting more and more unfavourable, and further increase the cost of production, too much already weighed down by the duties on food. A country that, owing to the very rapid increase of population, is so much dependent upon the development of its industries and the export of the products of its industry, cannot for any length of time hamper its development by customs duties without inflicting serious damage on the vital powers of its people. In years

of splendid universal prosperity this damage is less noticeable, although even then it makes the increase of wealth more difficult. But in years of economic depression the need of throwing over a policy which increases the cost of everything becomes more and more imperative. The stress of the times will compel us to throw our protective duties overboard.

Dr. HERINGA (Secretary of the Dutch Free Trade Union) submitted a summary of the following paper :—

GOOD sometimes results from evil. Thus the *Free Trade Movement in Holland* came into existence towards the middle of the nineteenth century, in consequence of the evil effects of the protective system. In 1840 commerce and industry were suffering greatly under the protective tariff of 1816, and prosperity was declining. To remedy this, export was in 1845 freed, transit was subjected to a low duty, and the Government was declared competent to alter the tariff in the interest of commerce and industry. In 1854 a number of duties were lowered or repealed. In 1857 a proposal for partial reform was rejected, because Parliament desired not a partial but a general reduction.

The present tariff dates from 1862. Its basis is the imposition on manufactured goods of a duty of 5 per cent. of the value, on partly finished goods (articles for industrial purposes) of 2 to 3 per cent., while raw materials and prime necessities of life may be imported free. These measures were regarded as merely preliminary. Reform of the tariff was believed to be the first step towards the abolition of all protective duties and towards the introduction of a pure revenue tariff. Accordingly, the tariff was lowered again in 1877, the duties on grain, seeds and flour, and on most raw materials for agricultural and industrial purposes being abolished.

Still, owing to the continued imposition of the 5 per

cent. duty above referred to, the Dutch tariff cannot be regarded as an example of a pure free trade tariff, but only of a "slightly protective" one. The wants of the exchequer are primarily responsible for this failure to attain entire commercial freedom.

What are the present prospects of free trade?

These cannot be called favourable. The ever-growing demands of the exchequer have already led to proposals to introduce a higher tariff. A scheme put forward in 1900 proposed a rise of from 5 to 6 per cent.; and that of the protectionist Government in 1904 proposed to raise the 5 per cent. to 10 or 12 per cent. Although this latter revision was said to be undertaken solely in the interest of revenue, the duties to be imposed or increased must be regarded not as fiscal, but as protective duties, because, besides strengthening the State finances, they were to serve "for the development of industry and for the advancement of national labour."

The clerical Government, which came into office on January 12, 1908, has not yet declared its commercial policy. Several protectionists, however, are members of the present cabinet, and already one of the clerical unions has appealed to the Minister of Finance to raise national labour, by protection, out of the state of "decline" to which, in their opinion, it has sunk.

Happily, as I will now proceed to show, this view is erroneous. Free trade principles have now prevailed in Holland for about 50 years.

What have been the results?

Commerce has developed to a striking extent. Our imports (for home consumption) in the period 1847-1850, averaged 184 million florins, and in the years 1901-1906 493 millions. The export trade shows a similar movement. Exports have risen from 132 to 392 millions; transit from 86 to 132 millions. The effect on rates, wages, freights, &c., indicated by these trade returns, for our people, is

difficult to gauge, but may certainly be estimated at several hundred million florins.

Agriculture, too, can show favourable results. The entire surface under tillage has increased from 2,064,908 hectares in 1833 to 2,388,964 hectares in 1906. The average production per hectare from 1876-7 to 1906 rose as follows :—

Wheat	21.2 hl. to 30.7 hl.
Rye	17.4 hl. to 22.5 hl.
Barley	36.1 hl. to 41.8 hl.
Oats	37 hl. to 47.7 hl.
Potatoes	112 hl. to 209 hl.
Flax	427 kg. to 644 kg.
Cabbage seed	21.1 kg. to 24.6 kg.

Notwithstanding that the proportion of pasture to arable land has remained about the same (55:42), the number of live stock has increased. Since 1870 the number of cattle has increased from 1.4 millions to 1.7 millions; pigs from 346,000 to 862,000; and horses from 264,000 to 295,000. Although the general decline in the price of corn has been felt also by the farmers in Holland, the following figures relating to export trade show that agriculture, in which about 29 per cent. of the population find employment, has developed greatly under Free Trade. The average surplus-exports increased from 1847-56 to 1906 as follows: butter from 12.5 to 23 millions of florins, cheese from 8 to 16 million florins. The dairy industry is thus flourishing. Market gardening, too, shows favourable returns. The surplus export of vegetables has increased from 43 to 138 million kilogrammes, that of bulbs from 9.5 in 1902 to 11 millions in 1906. The value of the surplus export of trees, shrubs and bulbs rose from 294,000 florins in 1847 to 6.9 millions a year in the period 1897-1902. The surplus export of beetroot went from 77 to 181 million kg., and that of fresh meat from 2 to 40 million kg. in the same period.

These figures show that agriculture and cattle breeding

have no mean share in our total trade. The best proof that they are flourishing is that Dutch protectionists ask for no agricultural protection.

Industry, also, has made rapid progress. The *number of factories* has risen since 1876 from 2,159 to 4,936, steam boilers from 2,952 to 7,160, heating surface from 72,263 M² to 295,110 M². The number of steam boilers constructed in the country itself increased from 56 per cent. in 1881 to 62 per cent. in 1896.

The following figures give the *dividends* realised in some industries by joint-stock companies:—Breweries 6·7, dairy produce factories 7·8, bakeries and flour mills 6, glass works 11·3 in 1904, stuff trade 9·9, mortgage banks 13·2, freighting companies 6·8, shipyards 8, spinning and weaving mills 7·2, railways 4·4, metal industry 5, insurance companies 7·12, sugar refineries 5·5.

The following *export figures* also disclose a flourishing state of things. The surplus-export of potato-flour rose from 16,000 kg. in 1847-56 to 63·7 million kg. ; that of chocolate jumped from 24,000 to 4·5 million kg. The moss-litter industry in 1900 showed an export of 193 million kg. The surplus-export of candles advanced from 247,000 florins to 5·2 millions, of wooden furniture from 308,000 florins to 2·2 millions. In the following instances the surplus import changed into a surplus export:—Glasswork from 48,000 to 5·8 million florins, earthenware from 276,000 to 4·8 millions, strawboards from 3,000 to 4·5 million florins.

The *textile industry* is flourishing ; the average surplus-import of all sorts of dry goods in 1847-56 was 16·1 million a year. It has been changed into a surplus-export of 20·8 millions in 1906 ; and since the abolition of differential duties in 1874 the value of the total produce of the textile industry in Twente (the cotton manufacturing district of Holland) has risen from 4·5 to 11 million florins a year. These manufacturers, therefore, wish for no protection, and no wonder, if one reflects that the costs of production of a

cotton yarn manufactory in protected Germany are about 8 per cent. higher than in Holland.

Thanks to Free Trade, the Dutch *shipbuilders* can buy German iron cheaper than the Germans themselves (the difference in price of plate-iron is about 25 per cent.). Holland, with a negligible production of iron, has become a successful competitor to the German shipbuilders at Ruhrort. The iron needed for the construction of a Rhine vessel is about 6,800 to 7,500 marks cheaper in Holland than in Germany. A Dutch shipbuilder made in 1902 no less than twenty-two paddle boats for German account. The total cost of building a vessel is about 30,000 marks less in Holland than in Germany, while the difference in wages is about 23,500 marks. Owing to the cheaper raw materials and lower money-wages, the Dutch shipbuilders can export to all countries of the world. The gross tonnage of ships built in Dutch yards has doubled in the years 1895-1900.

Sea-fishing is extending. The number of ships for herring-fishing rose from 309 in 1870 to 733 in 1906. The export of fresh sea-fish rose from 3.3 million kilogrammes in 1892 to 16.2, and of river fish from 1.5 million kilogrammes in 1877 to 4.7 millions in 1906.

In consequence of the great development of agriculture, commerce and industry, *the general welfare of the people has increased.*

A few figures will show this.

The *prices of commodities in daily use have declined.* Wheaten bread in Dutch towns in the years 1847-50 cost 21 to 30 cents a kilogramme, now 12-15 cents; the contract price for white bread sank from 27 to 11.5 cents a kilogramme. In North Brabant, one of the provinces of Holland, coal was then 16 florins a ton, and at the present time is about 8.5. Refined oil at Groningen in 1850 cost 47 cents a litre; now a litre of petroleum can be bought for 8 cents.

As a result of the fall in prices the *consuming power of*

the people has risen. The consumption of wheat rose from 0.43 hl. in 1852-6 to 1.29 hl. in 1887-91. Rye, 1.08 to 1.15; barley, 0.31 to 0.33; potatoes, 2.38 to 3.47; rice, 6.65 kg. to 12.09; sugar, 2.7 to 8.8 in 1892; beef, 8 to 13 kg.

The value of household furniture, in spite of the decline in price of numerous articles, rose from 84 million florins in 1846-7 to 186 million florins.

Housing has improved. The number of houses doubled in 1848-1894, while the population increased 61 per cent. The number of fireplaces per 100 inhabitants rose from 21.5 in 1846-7 to 30.2 in 1896-7. The rental value increased from 27 to 129 million florins.

The economic conditions of the working classes have also greatly changed for the better under Free Trade. For this progress the cheapness of food and other commodities of daily use is largely responsible.

That *prices* are lower in Holland than in protective Germany the following figures will show:—

Prices of food are in 1908 at Enschede [Holland] and Gronau [Germany] (distance between the two places about 5 miles.)

	Cents.	Cents.
— Rye-bread ($\frac{1}{2}$ kg.)	4 $\frac{1}{2}$	6 $\frac{1}{2}$
— Wheaten-bread ($\frac{1}{2}$ kg.)	7	9
Oatmeal	7	10 $\frac{8}{10}$
Wheaten-flour ($\frac{1}{2}$ kg.)	8	9 $\frac{6}{10}$
Rice ($\frac{1}{2}$ kg.)	8	9 $\frac{6}{10}$
Coffee ($\frac{1}{2}$ kg.)	50	54
— Butter ($\frac{1}{2}$ kg.)	65	81
— Cheese ($\frac{1}{2}$ kg.)	40	48
— Beef ($\frac{1}{2}$ kg.)	45	48
— Pork ($\frac{1}{2}$ kg.)	42 $\frac{1}{2}$	48
— Ham ($\frac{1}{2}$ kg.)	50	(0)
Thick sausage ($\frac{1}{2}$ kg.)	42 $\frac{1}{2}$	45
— Bacon ($\frac{1}{2}$ kg.)	32 $\frac{1}{2}$	42
Petroleum (litre).. ..	9	10 $\frac{1}{10}$
Rape-seed oil (litre)	36	45 $\frac{1}{10}$
— Milk (litre)	7	9
Laundry soap ($\frac{1}{2}$ kg.)	10	10 $\frac{8}{10}$

	Cents.	Cents.
Brown beans ($\frac{1}{2}$ kg.)	10	10 $\frac{8}{10}$
Green peas ($\frac{1}{2}$ kg.)	8 $\frac{1}{2}$	8 $\frac{6}{10}$
Salt ($\frac{1}{2}$ kg.)	4	5
Groats ($\frac{1}{2}$ kg.)	8	8 $\frac{4}{10}$
Tobacco ($\frac{1}{2}$ kg.)	16	24
Cigars	2	3
Eggs	3	3

A household of six persons can buy for 21 marks in Gelderland (one of the eastern provinces of Holland) as much as in the Ruhr district in Germany for 28 marks.

Wages are higher in Germany: *e.g.*, a spinner gets at Enschedé 15 to 16, at Gronau 15 to 17 florins a week; a jobber 7.5 against 9 at Gronau; a weaver 10 against 11 at Gronau.

But, owing to the higher cost of living, the German workman loses all the advantage of his higher wages. This higher cost of living compelled the Dutch State Railway Company in 1896 to give to their employees at Emmerik in Germany, a premium of 10 per cent. on their salaries, with a minimum of 50 florins, which has been raised since 1907 to 100 florins. Some 600 to 700 labourers go every day from Enschedé (Holland) to Gronau (Germany) and come back in the evening, because the cost of living in their own country is much lower. A whole village of 4,000 inhabitants has grown up at Glanerbrug, in Holland, near the German frontier; and on Dutch ground the German manufacturers build houses for a whole colony of their workmen, because these can live more cheaply and better in the foreign country.

Wages also have risen under Free Trade. During the last twenty years wages have improved by 30 to 50 per cent. in the textile industry, while the working hours are 8 $\frac{1}{2}$ a week less than before. The average hourly wage for Government work was in 1894 and in 1905 as follows:—

	Cents.	Cents.
Digger	13	15
Bricklayer	18	21

			Cents.	Cents.
Bricklayers' hodman	..	..	13½	17
Dike labourer	..	..	16	17
Smith	..	..	17½	19½
Brick carrier	..	..	19	20½
Carpenter	..	..	16½	18½
Painter	..	..	16	18½
Unskilled labourer	..	..	13	15

In Utrecht wages of carpenters have risen during the period 1855 to 1895 from 13 cents per hour to 15·17 cents; smiths, from 9 to 14·17 cents; bricklayers from 10·13 to 16·17 cents; painters, from 9·11 to 14·17 cents; and spinners at Enschedé, 8·4 florins a week in 1876 against 13 in 1908. Dockers at Rotterdam have seen their wages rise in the last 40 years from 9 to 18·20 florins a week.

The *conclusion* to be derived from all these undeniable facts is strongly in favour of Free Trade in Holland.

Mr. MAX HIRSCH submitted the following paper:—

To separate from each other the tendencies arising from the numerous factors which influence social conditions and developments must always be difficult and frequently impossible. This consideration applies to the economic arrangements of a society as much as to any other, and is one of the reasons for the wide divergence of view entertained by equally competent observers of the economic tendencies developed by fiscal Protection. Nations, which have adopted differing fiscal policies, generally differ from each other widely, and even fundamentally in many other respects as well. The tendencies produced by these many differences have in most cases become too much entangled to permit of the clear and indisputable separation, from all others, of those tendencies which are due to their respective fiscal policies.

Australia, however, offers an exception to this rule. For this continent contains two States, Victoria and New South Wales, which, for many years and till their entrance into the Commonwealth in 1901, have pursued opposing

fiscal policies while exhibiting few other differences of importance.

Victoria adopted Protection in 1864 with a 10 per cent. tariff, which from 1871 onwards was gradually increased, until it reached its highest point in 1893 with a tariff of an average of at least 30 per cent. on dutiable goods.

New South Wales adhered to the Free Trade policy with two unimportant and short departures, when a little Protection was smuggled in behind the backs of the electors, only to be ruthlessly discarded as soon as these could be appealed to. The more important of these departures occurred in 1891, when Parliament imposed duties of 10 per cent. on a numerous range of imports, only to be followed in 1894 by the most radical Free Trade tariff adopted by any country.

The two States thus following opposite fiscal paths are neighbours; are in a similar state of economic and industrial development; possess a homogeneous population, practically of British descent alone, the units of which readily pass from one State to the other; they possess like institutions and, with some exceptions, like laws. In these two States, therefore, the tendencies arising from opposing fiscal policies may be traced with greater clearness and certainty than in the case of countries in which permanent political separation has produced many and fundamental differences of historical growth, or which are in different stages of industrial development.

Even in this, the most favourable case, some caution has to be observed, and modifying factors have to be allowed for. Such are:—

(1) The richness and extent of her alluvial goldfields gave to Victoria, in the middle of the last century, a start in population, wealth, and industrial development which, at one bound, carried her far ahead of the older and larger State.

(2) Victoria possesses a much greater extent of seaboard to a much smaller area, and thus enjoys much lower cost of transport than her sister-State.

(3) The soil of Victoria is more uniformly fertile and her rainfall more copious than is the case in New South Wales, and she is thus less frequently and less disastrously exposed to seasons of drought.

(4) Victoria's more bracing climate results in a more energetic character of her population.

(5) Owing to its geographical position, one of the largest provinces of New South Wales, the Riverina, is industrially a part of Victoria, while another rich province, containing the silver mines of Broken Hill, stands in the same relation to South Australia.

(6) Till the year 1896 the land laws of Victoria were much more favourable to agricultural settlement than those of New South Wales. The far earlier development of agriculture in the former State, and, to some extent, of manufactures as well, arose mainly from this cause.

(7) Though the total area of New South Wales is far greater than that of Victoria—310,700 square miles against 87,884—her really effective area is about the same. This consists of the Eastern Division, containing 94,000 square miles. Its population, in 1901, numbered 1,148,862 against 1,210,882 in Victoria, leaving only 226,378 persons for the rest of her vast territory. The cost of governing this sparsely populated territory and providing it with roads, bridges, schools, railways, and other public works, has largely added to the unproductive expenditure of the Government and has been a drag on the Eastern Division.

(8) The only advantages over Victoria possessed by New South Wales are: Her mineral wealth, since the exhaustion of Victoria's goldfields, has been somewhat greater than that of her sister-State, and her larger territory adds considerably to her pastoral production.

These advantages, however, fall far short of counterbalancing the disadvantages previously mentioned. Moreover, as far as production and employment of labour is concerned, it must be remembered (1) that men working in mines or sheep stations cannot, at the same time, work

in factories ; (2) that, other things being equal, men prefer to work in industries which pay the highest wages, and that, where natural resources are rich, the capitalists establishing them can afford to pay higher wages than is possible in many manufacturing industries.

Bearing in mind that the facts above stated must, other things being equal, have naturally caused a greater development, especially in manufactures, in the more favoured State of Victoria, a comparison may be made with a high degree of accuracy between the influence of their respective fiscal policies upon the economic position of the people of these two States. The facts here set out are all derived from official sources, and are more fully exhibited, in tabulated form, in appendices, the source of derivation being given for each table.

MOVEMENTS OF POPULATION.

TABLE I.
TOTAL POPULATION.
CENSUS REPORTS.

	1871.	1881.	1891.	1901.
Victoria	731,528	862,346	1,140,405	1,210,882
New South Wales	533,078	751,468	1,132,234	1,375,240
Excess for Victoria	198,450	110,878	8,171	—
Excess for New South Wales	37·2 %	14·6 %	0·7 %	—
	—	—	—	164,358 13·5 %

INCREASE OF POPULATION.

	1872	1882	1892	Total		Annual	
	to	to	to	Increase.	Increase.	No.	p.c.
	1881.	1891.	1901.	No.	p.c.	No.	p.c.
Victoria	130,818	278,059	70,477	479,354	65·5	15,978	2·2
New South Wales	218,390	380,766	243,066	842,162	157·6	28,072	5·3

TABLE II.
MALE POPULATION.
CENSUS RETURNS.

	1871.	1881.	1891.	1901.
Victoria	401,050	452,083	598,414	609,546
New South Wales	301,073	411,149	612,562	721,403
Excess for Victoria	99,977 33·2 %	49,934 9·9 %	—	—
Excess for New South Wales	—	—	14,148 2·3%	111,857 18·3%

INCREASE OF MALES.

	1872 to 1881.	1882 to 1891.	1892 to 1901.	Total Increase. No. p.c.		Annual Increase. No. p.c.	
Victoria	51,003	146,331	11,132	208,496	52·0	6,948	1·7
New South Wales	110,076	201,413	108,841	420,330	139·6	14,011	4·7

TABLE III.
FEMALE POPULATION
CENSUS RETURNS.

	1871.	1881.	1891.	1901.
Victoria	330,478	410,263	541,991	601,336
New South Wales	252,005	340,390	519,672	654,197
Excess for Victoria	78,473	69,873	22,319	—
Excess for New South Wales	—	—	—	52,861

INCREASE OF FEMALES.

	1872 to 1881.	1882 to 1891.	1892 to 1901.	Total Increase. No. p.c.		Annual Increase. No. p.c.	
Victoria	79,785	131,728	59,345	270,858	81·9	9,020	2·7
New South Wales	88,385	179,282	134,525	402,192	159·5	13,406	5·3

TABLE IV.
EXCESS OF MALES OVER FEMALES.

	1871.	1881.	1891.	1901.
Victoria	70,572	41,820	56,423	8,210
New South Wales	49,068	70,759	92,890	67,206
		PER	CENT.	
Victoria	21·3	10·2	10·1	1·3
New South Wales	19·4	20·7	17·9	10·3

TABLE V.
IMMIGRATION AND EMIGRATION.
EXCESS OF ARRIVALS OVER DEPARTURES AND VICE VERSA.
COMMONWEALTH YEAR BOOK, 1901-07, p. 154.

	Victoria.	N.S.W.
1871-1875	- 5,595	+ 29,741
1876-1880	- 5,865	+ 73,459
1881-1885	+ 27,786	+ 109,863
1886-1890	+ 86,231	+ 52,565
1891-1895	- 46,848	+ 21,464
1896-1900	- 63,582	- 997
1901-1905	- 51,803	+ 21,073
1906	- 2,240	+ 9,004
Total	- 61,916	+ 316,172
Excess for New South Wales....		378,088

TABLE VI.
IMMIGRANTS' BIRTH PLACES AT CENSUS, 1901.
COMMONWEALTH YEAR BOOK, 1901-07, p. 166.

Place of Birth.	Victoria.	New South Wales.
New South Wales.....	10,624	
Victoria.....		30,358

In 1871, the year in which Victoria increased her duties to what was, and is, admitted by her Protectionists to have been a rate giving effective Protection, her population exceeded that of the Free Trade State by 198,000 persons, equalling 37·2 per cent. The census of 1881 showed that during the decade then passed the excess for the Pro-

tectionist State had been reduced to 110,878, equalling 14·6 per cent.

During the next decade the excess of Victoria was reduced to 8,171 persons, equalling 0·7 per cent., and by the end of the subsequent decade, 1901, the position had been reversed. The population of the Free Trade State exceeded that of the Protectionist State by 164,358 persons, equalling 13·5 per cent.

During the period of 40 years under review the increase of population in the two States had been : Victoria, 479,354 persons, equalling 65·5 per cent. ; New South Wales, 842,162 persons, equalling 157·6 per cent.

The average annual increase during this period had been : Victoria, 15,987 persons, equalling 2·2 per cent. ; New South Wales, 28,072 persons, equalling 5·3 per cent.

Still more marked than the change in total population is that shown in the male population of the two States.

In 1871 the Protectionist State had an excess of males over the Free Trade State amounting to 99,977, equalling 33·2 per cent. In 1901 the position was so thoroughly reversed that the male population of the Free Trade State exceeded that of the Protectionist State by 111,857 persons, equalling 18·3 per cent.

The total increase in their respective male population during these 40 years was : Victoria, 208,496, equalling 52 per cent. ; New South Wales, 420,330, equalling 139·6 per cent.

The average annual increase was : Victoria, 6,948 males, or 1·7 per cent. ; New South Wales, 14,011 males, or 4·7 per cent.

The influence of these changes on the relative number of the sexes is most interesting. The excess of males over females was : Victoria, in 1871, 70,572, or 21·3 per cent. ; by 1901 this had shrunk to 8,210, or 1·3 per cent. In 1871 the excess in New South Wales was 49,068, or 19·4 per cent. ; in 1901 this was seen to have increased to 67,206, still equalling 10·3 per cent.

The main cause for this reversion in the number and composition of the population of the two States arises from

the fact that the Free Trade State proved to be attractive to immigrants, whereas the Protectionist State not only failed to attract immigrants, but proved to be wholly repulsive to its own population.

Between 1871 and 1906 Victoria lost by excess of emigrants over immigrants not less than 61,916 persons, whereas in New South Wales the balance was the other way to the extent of 316,172 persons. Taking together the loss of Victoria and the gain of New South Wales, it will be seen that the difference in favour of the latter colony was not less than 378,088 persons.

A similar contrast reveals itself when the movement of population is compared in detail. Between 1871 and 1880 Victoria lost 11,460 persons by excess of emigrants over immigrants; during the next decade, the boom period, she gained 114,017 persons from excess of immigrants over emigrants; and from 1891 to 1906 there was again a steady drain upon her population from excess of emigrants amounting to 164,473 persons. That is, during only two out of these eight quinquennial periods did Victoria gain, and during six of them she largely lost population from this cause. New South Wales, on the other hand, shows gains, and great gains, during seven of these eight quinquennial periods, and her loss during the remaining one amounted to 997 persons only. The protected State shows violent changes in its attractiveness to population — attracts population only during a period of reckless borrowing and wild speculation, and during the rest of the protected period repels population to an enormous extent. The Free Trade State, on the other hand, exhibits a steady attractiveness, repelling population only once, and then to an extent which is insignificant.

The foregoing facts prove :—

(1) That large numbers of its population, deserting the Protectionist State, regarded it as economically inferior to other countries.

(2) That the Free Trade State not only retained its own

population but attracted a large number of immigrants. A corresponding number of persons must therefore have regarded it as economically superior to other countries, and especially to her protected neighbour.

The foregoing conclusions find additional support in the facts revealed by the census of 1901, viz., that while 30,358 white natives of Victoria were at that time living in New South Wales, only 10,624 natives of the latter State were living in Victoria.

EMPLOYMENT OF LABOUR IN FACTORIES.

TABLE VII.

NUMBER OF OPERATIVES EMPLOYED IN FACTORIES.

COGHILAN, "SEVEN COLONIES," 1899-1900, pp. 598-599.

COGHILAN, "AUSTRALIA AND NEW ZEALAND," 1903-1904, pp. 964-965.

	1885.	1887.	1889.	1891.	1893	1895.	1897.	1899.	1901.
Victoria ..	49,297	49,084	57,432	54,413	41,729	47,649	52,650	60,070	60,529
N.S.W. ...	38,794	43,527	45,564	50,879	42,057	48,030	51,430	55,646	66,230
Excess for Victoria— Number ..	10,503	5,557	11,868	3,534	—	—	1,211	4,424	299
Per cent. .	21·3	11·3	20·6	6·5	—	—	2·3	7·3	0·4
Excess for N.S.W.— Number ..	—	—	—	—	328	304	—	—	—
Per cent. .	—	—	—	—	0·7	0·8	—	—	—

TABLE VIII.

INCREASE IN NUMBER OF FACTORY OPERATIVES

OPERATIVES, 1885-1901.

	Total.		Per Annum.	
	Number.	Per cent.	Number	Per cent.
Victoria	17,232	34·9	1077·9	2·18
New South Wales .	27,439	70·8	1714·7	4·42

TABLE IX.
NUMBER OF MALES EMPLOYED IN FACTORIES.
AUTHORITIES AS IN TABLE VII.

	1885.	1887.	1889.	1891.	1893.	1895.	1897.	1899.	1901.
Victoria ..	41,542	42,019	49,105	43,627	32,209	35,406	38,620	44,041	47,959
N.S.W. ...	36,390	40,160	41,299	43,203	37,832	41,546	44,333	47,063	54,556
Excess for Victoria—									
Number ..	5,512	1,859	7,906	424	—	—	—	—	—
Per cent. . .	12·4	4·4	16·1	0·98	—	—	—	—	—
Excess for N.S.W.—									
Number ..	—	—	—	—	5,623	6,140	5,713	3,022	7,497
Per cent. . .	—	—	—	—	14·9	14·8	12·9	6·4	13·8

INCREASE OF MALE OPERATIVES, 1885-1901.

	Number.	Per cent.	Annual.	
			Number.	Per cent.
Victoria	5,517	13·3	343·5	0·8
New South Wales	15,166	49·6	1135·3	3·1

TABLE X.
NUMBER OF FEMALES EMPLOYED IN FACTORIES.
AUTHORITIES AS IN TABLE VII.

	1891.	1893.	1895.	1897.	1899.	1901.
Victoria	10,786	9,520	12,240	14,030	16,029	19,470
New South Wales ...	7,676	4,225	6,484	7,106	8,583	11,674
Excess for Victoria—						
Number	3,110	5,295	5,756	6,924	7,446	7,796
Per cent.	28·8	55·6	47·0	49·3	46·4	40·4

INCREASE IN NUMBER OF FEMALE OPERATIVES.

1891 to 1901.

	Number.	Per cent.
Victoria	8,684	80.5
New South Wales	3,998	52.1

TABLE XI.

PERCENTAGE OF MALE OPERATIVES IN FACTORIES.

COGILAN, "SEVEN COLONIES," 1899-1900, pp. 598-599.

COGILAN, "AUSTRALIA AND NEW ZEALAND," 1903-1904, pp. 964-965.

	1885.	1890.	1895.	1900.	1901.
	p.c.	p.c.	p.c.	p.c.	p.c.
Victoria	84.3	84.4	74.3	71.3	70.7
New South Wales	73.8	72.2	86.5	83.1	82.4

TABLE XII.

OUTWORKERS AND CHILDREN, 1901.

DATA SUPPLIED BY COMMONWEALTH STATISTICIAN.

Persons under 15 years Employed in Factories.

	Males.	Females.	Total.
Victoria	1,013	613	1,626
New South Wales	788	202	1,080
Excess for Victoria	225	321	546 = 50.6%

WORKERS FOR FACTORIES WORKING IN THEIR OWN HOMES.

	Males.	Females.	Total.
Victoria	56	882	938
New South Wales	187	542	729
Plus or minus Victoria	-131	+340	209 = 28.8%

In countries such as Australia, which largely export the products of primary industries, duties of customs can only protect secondary industries. Admittedly the primary object of Australian Protectionists is to foster the manufacturing industries of their country. It is therefore fitting that this part of the present inquiry first deal with manufactures.

In 1885, after 15 years of effective Protection in Victoria, the number of workers in factories was: Victoria, 49,297; New South Wales, 38,794, giving an excess to the Protectionist State of 10,503, or 21·3 per cent. From that date the Free Trade State gradually drew nearer to the Protectionist State, until in 1901, the last year of Free Trade, their respective numbers were: Victoria, 66,529; New South Wales, 66,230, reducing the excess of the Protectionist State to 299 persons, or 0·4 per cent.

The increase in the number of factory operatives during the whole of this period was: Victoria, 17,232, or 34·9 per cent.; New South Wales, 27,436, or 70·8 per cent.

The average annual increase was: Victoria, 1,077·6 operatives, or 2·18 per cent.; New South Wales, 1,714·7 operatives, or 4·42 per cent.

This remarkable progress of the Free Trade State in the very field on which—according to Protectionist theory—it should have lagged far behind, is seen to be even more significant when the factory operatives are divided into the three classes of males, females, and children.

In 1885 the number of male operatives employed was: Victoria, 41,542; New South Wales, 36,390, giving an excess for Victoria of 5,152 males, or 12·4 per cent. In 1901 the numbers were: Victoria, 47,059; New South Wales, 54,556, thus reversing the former conditions and giving to the Free Trade State an excess of male operatives amounting to 7,497, or 13·8 per cent.

The total increase in male operatives during this period was: Victoria, 5,517, or 13·3 per cent.; New South Wales, 18,166, or 49·6 per cent.

The average annual increase was : Victoria, 343·5 male operatives, or 0·8 per cent. ; New South Wales, 1,135·3 male operatives, or 3·1 per cent.

The number of female operatives respectively employed in the two States is not comparable before 1891, owing to their system of registration of females differing widely. From that year onwards the same basis of enumeration was adopted in the records of both States. The employment of female factory operatives compares as follows : In 1891, Victoria, 10,786 ; New South Wales, 7,676, giving an excess for the Protectionist State of 3,110, or 28·8 per cent. ; in 1901, Victoria, 19,470 ; New South Wales, 11,674, giving an excess for the Protectionist State of 7,796, or 40·4 per cent.

The increase in female operatives employed was, for this whole period : Victoria, 8,684, or 80·5 per cent. ; New South Wales, 3,998, or 52·1 per cent.

Thus at the end of the Free Trade period in New South Wales the factories of that State employed 7,497 more males and 7,796 fewer females than those of the Protectionist State.

The percentage of male operatives to total operatives employed in factories shows the following changes :—Between the years 1885 and 1901 : In Victoria it fell from 84·3 per cent. to 70·7 per cent. ; in New South Wales it rose from 73·8 per cent. to 82·4 per cent.

There remains to be considered the employment of outworkers and persons under 15 years employed in factories. Their number is not obtainable for earlier years, but in 1901 it was as follows :—

Outworkers : Victoria, 1,626 ; New South Wales, 1,080, giving an excess of 546, or 50·6 per cent. to Victoria. Persons under 15 years : Victoria, 939 ; New South Wales, 729, giving an excess of 210, or 28·8 per cent. to Victoria.

Though the total number of operatives employed in the factories of the two States was practically the same, the number of outworkers and children employed in the protected State largely exceeded those of the Free Trade State.

The foregoing facts prove:—

(1) That the protected State of Victoria was unable to retain the lead in factory employment given to it, in advance of effective Protection, by the large population which was attracted by its rich alluvial goldfields, and that the Free Trade State gave employment to practically the same number of factory operatives in 1901.

(2) That the artificial development caused by Protection in Victoria largely substituted female employment for male employment as compared with the Free Trade State.

(3) That the protected State also substituted outworkers for inworkers and child labour for adult labour, as compared with the Free Trade State.

REGULARITY OF FACTORY EMPLOYMENT.

TABLE XIII.

NUMBER OF OPERATIVES EMPLOYED IN FACTORIES.

COGHLAN, "SEVEN COLONIES," 1899-1900, pp. 598-599.

COGHLAN, "AUSTRALIA AND NEW ZEALAND," 1903-1904, pp. 964-965.

Years.	Victoria.			New South Wales.		
	Number.	Changes.	Per cent. of Changes.	Number.	Changes.	Per cent. of Changes.
1885	49,297	—	—	35,794	—	—
1886	45,773	- 3,524	7·1	41,677	+ 2,883	7·4
1887*	49,084	+ 3,311	7·9	43,527	+ 1,850	4·4
1888	54,488	+ 5,404	11·0	43,051	- 476	1·9
1889	57,432	+ 2,944	5·4	45,584	+ 2,513	5·8
1890	56,369	- 63	0·1	44,989	- 575	1·2
1891	54,413	- 1,956	3·5	50,879	+ 5,890	13·1
1892	45,415	- 8,998	16·5	47,916	- 2,963	5·8
1893	41,729	- 3,686	8·5	42,057	- 5,859	12·2
1894	43,319	+ 1,590	3·6	46,502	+ 4,445	10·5
1895	47,646	+ 4,327	9·7	48,030	+ 1,528	3·3
1896	50,397	+ 2,751	5·7	49,840	+ 1,810	3·7
1897	52,650	+ 2,263	4·4	51,439	+ 1,599	3·2
1898	54,778	+ 2,128	4·2	52,518	+ 1,079	2·0
1899	60,070	+ 5,292	9·7	55,646	+ 3,128	6·0
1900	64,207	+ 4,137	6·8	60,779	+ 5,133	9·2
1901	66,529	+ 2,322	3·6	66,230	+ 5,541	9·0

TABLE XIV.

NUMBER OF MALE OPERATIVES EMPLOYED IN FACTORIES.

COGHLAN, "SEVEN COLONIES," 1899-1900, pp. 598-599.

COGHLAN, "AUSTRALIA AND NEW ZEALAND," 1903-1904, pp. 964-965.

Years.	Victoria.			New South Wales.		
	Number.	Changes.	Per cent. of Changes.	Number.	Changes.	Per cent. of Changes.
1885	41,542	—	—	36,390	—	—
1886	39,453	— 2,089	5.0	38,257	+ 1,867	5.1
1887	42,019	+ 2,566	6.2	40,160	+ 1,903	5.0
1888	47,335	+ 5,314	12.6	39,365	— 795	1.5
1889	49,105	+ 1,770	3.8	41,299	+ 1,934	4.9
1890	47,596	— 1,519	3.1	40,725	— 574	1.4
1891	43,627	— 3,969	8.3	43,203	+ 2,478	6.1
1892	35,726	— 7,901	18.1	42,900	— 294	0.7
1893	32,200	— 3,517	9.8	37,832	— 5,077	11.4
1894	32,638	+ 429	1.3	41,070	+ 3,238	8.6
1895	35,406	+ 2,768	8.4	41,546	+ 476	1.2
1896	37,728	+ 2,322	6.5	42,908	+ 1,362	3.3
1897	38,620	+ 892	2.2	44,333	+ 1,425	3.3
1898	40,631	+ 2,011	5.2	44,673	+ 340	0.7
1899	44,041	+ 3,410	4.9	47,063	+ 2,390	5.3
1900	45,794	+ 1,753	4.0	50,516	+ 3,453	7.3
1901	47,059	+ 1,265	3.0	54,550	+ 4,040	8.0

These tables show the changes which occurred in factory employment from year to year from 1885 to 1901 inclusive. Table XIII. deals with total employment ; Table XIV. deals with the employment of males only.

Both tables exhibit the fact that the increases from year to year were far more steady in the Free Trade than in the protected State, and that reversions from increase to reduction were less frequent and far less severe.

Specially remarkable is the difference in the influence which the great financial disaster which culminated in 1893 exercised upon the employment in factories.

This reduction in employment begins for Victoria in 1889, and for New South Wales not till 1891, culminating for both States in 1893.

Between these years general employment in factories

was reduced :—In Victoria from 57,432 to 41,729, or by 15,703 persons, equalling 27·3 per cent. In New South Wales from 50,879 to 42,057, or by 8,822 persons, equalling 17·3 per cent.

The reduction in male employment falls between the same years and amounted to :—

In Victoria from 49,105 to 32,209, or a loss of 16,896 males, equalling 34·4 per cent.

In New South Wales from 43,203 to 37,832, or a loss of 5,371 males, equalling 12·4 per cent.

Similarly the recovery was far more protracted in the Protectionist than in the Free Trade State.

In general factory employment Victoria did not again reach the number for 1889 till the middle of 1899, or 5½ years after the lowest record was reached. New South Wales had regained her previously highest level by the middle of 1897, or only 3½ years after her lowest record.

In male employment the difference in recovery is greater still. Victoria did not regain her previously highest number till 1902, or 9 years after the lowest record had been reached. New South Wales had regained her previously highest level by the end of 1896, or only three years after the lowest record.

A closer study of these tables still more than their foregoing analysis will show that factory employment has been far more regular and far more steadily increasing in the Free Trade than in the protected State.

The claim of Balfour is that Tariff Reform will "steady" employment.

EMPLOYMENT OF CAPITAL AND OUTPUT IN FACTORIES.

TABLE XV.

VALUE OF FIXED CAPITAL IN FACTORIES.

INFORMATION SUPPLIED BY COMMONWEALTH STATISTICIAN.

	1892.		1896.		1901.	
	Victoria.	N.S.W.	Victoria.	N.S.W.	Victoria.	N.S.W.
	£	£	£	£	£	
Value of Machinery and Plant	6,953,090	4,425,083	4,982,640	5,535,905	4,847,130	5,770,725
Value of Land & Buildings	7,978,252	—	7,297,010	—	7,451,370	8,029,890
<i>Horse-power :</i>						
Full capacity	—	—	38,543	44,839	47,998	57,335
Actually used	29,144	28,061	28,996	33,253	34,548	40,842

TABLE XVI.

VALUE ADDED TO MATERIAL DURING MANUFACTURE

COGHILAN "SEVEN COLONIES," 1901-1902, pp. 661-663.

	1891.		1900.	
	Victoria.	N.S.W.	Victoria.	N.S.W.
	£	£	£	£
Total	9,150,820	8,293,206	7,472,389	10,081,756
Average per Operative employed	162.6	173.1	132.0	152.4

No records as far as Victoria is concerned for 1892, 1896, and 1901.

Unfortunately the records dealing with the employment of capital in factories are not as full as those registering the employment of labour. Those available, however, fully confirm the conclusions drawn from the records of employment of labour.

In 1892 the value of machinery and plant employed in the factories of Victoria exceeded that of those employed in the factories of New South Wales by £2,528,007, equal to 57.2 per cent. By 1896 New South Wales had overtaken the protected State to the extent of £553,265, or

11·1 per cent., and by 1901 had increased her lead to £923,585, or 19·4 per cent.

The value of land and buildings used as factories is not available for earlier years as far as New South Wales is concerned. In 1901, however, she exceeded the protected State in this respect by £578,520, or 7·7 per cent.

These two items together, forming the total fixed capital employed in manufactories, amounted: in 1901, for Victoria, to £12,298,500; for New South Wales, to £13,800,615, giving an excess for the Free Trade State of £1,502,115, or 12·2 per cent. Per operative employed, the fixed capital was: Victoria, £185·1; New South Wales, £208·4, or an excess for the Free Trade State of £23·3, equal to 12·6 per cent.

The mechanical power employed in factories teaches a similar lesson. In 1892 Victoria employed 1,053 more horse-power than New South Wales, equalling 3·75 per cent. In 1896 the position had become reversed, the excess of horse-power actually used in New South Wales exceeding that of Victoria, by 4,257 or 14·0 per cent. By 1901 this excess for the Free Trade State had grown to 6,276 horse-power, equalling 18·2 per cent.

Per 100 operatives employed the horse-power actually used in 1901 was: Victoria, 52; New South Wales, 61·7, or an excess for the Free Trade State of 9·7 horse-power, equal to 17 per cent.

These facts demonstrate a consequence of Protection which is frequently denied, *i.e.*, its influence in preventing the adoption of improved methods and machinery. When a manufacturer finds himself before the alternative of either condemning obsolete machinery and investing a large amount of capital in new machinery so as to enable him to produce more cheaply, or going before the Legislature and obtaining the grant of a higher duty on competing goods which will compel his customers to pay his old or even a higher price, the choice is naturally made in favour of the latter alternative. In the protected State this has

been done again and again. No such alternative was available to manufacturers in the Free Trade State, and it is for this reason that their factories, machinery, and plant far exceed in value the obsolete appliances which satisfied the manufacturers of the protected State.

As an important fact in this connection it may be mentioned that the boot factories of New South Wales adopted American methods and machinery many years before these found adoption in Victorian boot factories.

Though only indirectly relating to the employment of capital and labour, the total wealth created by the manufacturers of the two States may here be stated, as it fully confirms the conclusions set out in the foregoing paragraphs. In dealing with this matter it must, however, be borne in mind that the value thus created is artificially enhanced by the protective duties, as far as Victoria is concerned. The contrast revealed is, however, sufficiently startling without this consideration. The value added to materials in the course of manufacture per operative employed was in 1891: Victoria, £162·2; New South Wales, £173·1, or an advantage of £10·9 for the Free Trade State. During the following decennium this advantage was increased, and in 1900 the figures are: Victoria, £132·0; New South Wales, £152·4, or an excess for the Free Trade State of £22·4 per operative employed.

Attention may be drawn to the enormous reduction in the productivity of labour in the protected factories of Victoria. In 1901 it was lower per operative by £32·2, or 20 per cent., than in 1891. In New South Wales during the same period the productivity of the average factory labour shows a much smaller reduction, *i.e.*, £20·7, or 12·0 per cent. To a small extent the reduction in Victoria can be accounted for by the relative increase of female labour, which in 1891 formed 19·8 per cent. of the total operatives in factories, and had increased in 1900 to 28·7 per cent. But to a larger extent it must arise from the cause already demonstrated, the continued use of obsolete machinery and appliances.

GENERAL PRODUCTION.

TABLE XVII.

VALUE OF TOTAL PRODUCTION.

COGHLAN, "AUSTRALIA AND NEW ZEALAND," 1903-1904, p. 914.

	1871.	1881.	1891.	1901.
	£	£	£	£
Victoria	19,260,000	22,750,000	30,319,000	30,807,000
New South Wales	15,379,000	25,180,000	36,739,000	38,954,000
Excess for Victoria....	3,881,000	—	—	—
	25·2 %			
Excess for N.S.W.....	—	2,430,000	6,420,000	8,147,000
		10·7 %	21·2 %	26·4 %

TABLE XVIII.

AREA UNDER CULTIVATION.

COGHLAN, "SEVEN COLONIES," 1901-1902, p. 582.

	1871.	1881.	1891.	1901.
	Acres.	Acres.	Acres.	Acres.
Victoria	851,354	1,435,446	2,116,654	2,965,681
New South Wales	390,099	578,243	846,383	2,276,628

INCREASE IN AREA CULTIVATED

	1872-1881.		1882-1891.		1892-1901.		Total. 1872-1901.		Annual. 1872-1901.	
	Acres.	p.c.	Acres.	p.c.	Acres.	p.c.	Acres.	p.c.	Acres.	p.c.
Victoria	584,092	68·6	681,208	41·5	849,027	40·1	2,114,327	24·8	70,477	8·3
N.S.W.	188,144	48·2	286,140	46·4	1,430,245	169·0	1,386,529	48·5	62,884	16·1

The employment of labour and capital in other than the manufacturing industries cannot be dealt with in similar detail owing to the absence of the necessary records.

The total production of the industries of the two States, *i.e.*, the output of all the labour and capital employed in productive industries, may be taken as a fair guide to the extent to which these two factors were employed in the two States during the period under review.

It has already been shown that the value created by the manufactories of New South Wales exceeded that created by those of Victoria. Table XVII. gives the total production for different periods of all the productive industries, *i.e.*, agriculture, grazing, dairying, poultry farming, mining, forests, fisheries, and manufactures. It shows: In 1871 the production of Victoria exceeded that of New South Wales by £3,881,000, or 25·2 per cent. But during the next decade, the first of effective Protection in Victoria, the position was reversed, and thenceforth the Free Trade State has more and more outdistanced the protected State.

In 1881 New South Wales produced £2,430,000, equalling 10·7 per cent., more than Victoria; in 1891 the excess for the Free Trade State was £6,420,000, or 21·2 per cent.; and in 1901 it was £8,147,000, or 26·4 per cent.

The protected State, which at the end of its Free Trade period produced 25·2 per cent. more than the Free Trade State, produced 26·4 per cent. less when, through federation, the Free Trade period of New South Wales also came to an end.

Table XVIII. deals with the agricultural development of the two States. During the decade preceding the year 1871 Victoria had adopted laws which freely opened its Crown lands to agricultural settlement. Similar laws were not adopted in New South Wales till about 1896. Hence Victoria obtained a great start in agriculture, but, mainly on account of the burdens which her protective policy placed upon the shoulders of her farmers, has failed to keep it.

In 1871 the area under cultivation in Victoria exceeded that of New South Wales by 461,255 acres, or 118·25 per cent., in 1881 the excess for Victoria was 857,203 acres, or 148·2 per cent. In 1891 Victoria's excess was still 1,270,271 acres, or 150·8 per cent. During the next decade, however, the land of New South Wales also was opened to agriculture, and immediately a development took place which, by 1901, had reduced the excess of Victoria to 689,053 acres, or only 30·3 per cent.

For the whole period the increase was: For Victoria, 2,114,327 acres, or 248·3 per cent.; for New South Wales, 1,886,529 acres, or 485·3 per cent.

The average annual increase was: For Victoria, 70,477 acres, or 8·3 per cent. For New South Wales, 62,884 acres, or 16·1 per cent.

In both colonies the cultivated area is but a small fraction of the cultivable area in private hands, much of the best agricultural land being used for the economically inferior purpose of grazing sheep and cattle, or being practically unused and held for speculative purposes.

THE WAGES OF LABOUR.

TABLE XVIII. (a).
WAGES IN MINING.

COMMONWEALTH YEAR BOOK, 1901-7, p. 433.

	Victoria.	New S. Wales.
GOLD MINING—		
Bracemen, per week.....	42/- to 48/-	42/- to 51/-
Platenmen.....	39/- to 42/-	42/- to 51/-
Miners.....	45/- to 50/-	50/- to 55/6
Miners, wet.....	50/- to 60/-	61/-
Shaft Sinking.....	48/-	54/-
Engine Drivers (stationary)	48/- to 60/-	54/- to 60/-
TIN MINING—		
Labourers, per day.....	7/-	7/6 to 8/-
Boxmen.....	8/- to 8/4	8/4
Sluicemen.....	7/-	7/
COAL MINING—		
Deputies, per day.....	9/- to 12/-	8/- to 10/-
Wheelers.....	5/- to 7/6	7/-
Enginemen.....	4/- to 8/4	7/9 to 9/9
Blacksmiths.....	8/4 to 10/-	10/-
Carpenters.....	8/-	9/- to 10/-
Aggregate excess for N.S.W.	—	9·1%

In new countries the wages of labour must necessarily be higher than in older countries, because the opportunities for the production of wealth which nature provides are not yet all closed to labour. Hence wages are comparatively high, both in Victoria and in New South Wales. Moreover, as differences in language and customs do not raise between these two States, the same obstacle to migration from one

to the other, as in the case of European countries, great differences in wages cannot arise, or can only be temporary, because the higher wage in one State would quickly attract a surplus of labourers from the other State, tending to reduce wages in one State and to advance wages in the other State, towards a common level. Hence no great difference in money wages can be discovered between the Protectionist and Free Trade State. Differences, however, do exist, and on the whole show a considerable advantage for the Free Trade State. }

In considering wages, however, it must be borne in mind that the workers of Victoria had become so dissatisfied with their position under Protection that, in order to buttress this policy, a special Act was passed in 1896 under which rates of wages may be fixed by law for all the trades brought under it. Not till 1901, on the eve of Protection, did New South Wales follow this example.

Mr. Coghlan, the Government Statistician of New South Wales, states as regards these Acts and the wages prevailing in the two States, in "Australia and New Zealand," 1902-3, pp. 659 and 660 :—

"Taking the operatives in trades in respect of which determinations as to wages were arrived at, there has been a general increase in the pay (in Victoria) of male labour equivalent to 19 per cent., and of female labour to 17 per cent.; in the one case the increase represents about 5s. 9d. per week and in the other 2s. 3d. If the industries working under Special Boards in Victoria be compared with like industries in New South Wales it will be found that the results work out as follows :—

FOR ALL WORKERS.—AVERAGE WAGES.

	Males.			Females.		
	£	s.	d.	£	s.	d.
Victoria	1	15	9	0	15	11
New South Wales	1	14	6	0	13	0
Difference in favour of Victoria	0	1	3	0	2	11

FOR WORKERS 19 YEARS AND UPWARDS.

	Males.			Females.		
	£	s.	d.	£	s.	d.
Victoria	2	3	6	0	19	2
New South Wales	2	0	6	0	16	10
Difference in favour of Victoria	0	3	0	0	2	4

“ The averages for New South Wales are those obtaining before the Industrial Arbitration Act came into force and both for males and females are uniformly below those of Victoria ; this was not the case prior to the establishment of Special Boards (in Victoria), for the average earnings of all male workers in Victoria were only 30s. per week and compared with 34s. 6d. in New South Wales, the remuneration of female workers averaging about the same in both States.

“ It will be understood that the foregoing comparison deals with only a portion of the workers in these States. If all workers be included the average wage for males in Victoria is £1 14s. 9d. and in New South Wales £1 15s. 11d. ; and for females 14s. 2d. in Victoria and 13s. 3d. in New South Wales.”

These facts are confirmed by those set out in Table XVIII. (a), taken from “The Commonwealth Year Book,” the official publication of the Commonwealth Statistical Bureau. It sets forth the wages of operatives in the mining industry as far as they are there given for both States ; *i.e.*, in 14 occupations 13 are higher in the Free Trade State and only one is higher in the protected State. Taking them all together they show wages in the mining industry to have been 9·1 per cent. higher in the Free Trade than in the protected State.

† The foregoing statement clearly shows :—

‡ (a) That when wages were left to the influence of their respective fiscal policies alone, they were higher in the Free Trade than in the protected State, in those trades in which the protected State has since fixed wages by law.

(b) That in spite of this artificial raising of wages in many trades, the average wage for all male operatives was still lower in the protected State than it was in the Free

Trade State, where no such legal fixing of wages had then taken place; while female wages, which nearly all came under such legal regulation in the protected State, were thereby raised slightly above the level which they had naturally attained in the Free Trade State.

These remarks apply to money wages alone. As regards real wages, *i.e.*, the purchasing power of the earnings of labour, a very different picture will be drawn.

PRICES OF COMMODITIES.

TABLE XIX.
RETAIL PRICES.

May, 1901.

Charged by LASSETTER & CO., SYDNEY.			Charged by MORAN & CATO, MELBOURNE.		
	Price.	Duty.		Price.	Duty.
Arrowroot (Q'land) lb.	4d.	Free.	—	6d.	2d. per lb.
Bloater Paste, C. & B. jar	11d.	..	--	1/-	20 p.c.
Candles, imported, dif- ferent brands of equal quality lb.	6½d.	..	—	7½d.	1d. per lb.
Cocoa, Fry's Malted tin	10½d.	..	---	11½d.	3d. per lb.
Fry's Homœopa- thic ¼ lb. tin	3½d.	..	—	5d.	3d. per lb.
Tibbles' Vi-Cocoa, 4¼ oz. tin	10½d.	..	—	1/-	3d. per lb.
Milk, Nestlé's tin	5d.	..	—	7½d.	2d. per lb.
Gold Medal . . . tin	5d.	..	Milkmaid	7½d.	2d. per lb.
Cornflour of equal qty. lb.	3d.	..	---	6d.	2d. per lb.
Dates lb.	3d.	..	---	6½d.	3d. per lb.
Herrings, Fresh 1 lb. tin	5½d.	..	---	6½d.	2d. per lb.
Kipperd. . . 1 lb. tin	7d.	..	---	9½d.	2d. per lb.
Red, 24 in tin. . tin	2 4	..	---	2'6	5/- cental
Ling lb.	5d.	..	---	6d.	5/6 cental
Golden Syrup, 2 lb. tins	5½d.	2/- cwt.	---	6d.	5/- per cwt.
Groats, Robinson's tin	8½d.	Free.	---	9½d.	20 p.c.
Vestas, Continental doz.	3d.	..	Victorian	3½d.	1/- per gr.
Mustard, Colman's ½ lb. tin	8½d.	..	---	9d.	2d. per lb.
Sauce, Anchovy, C. & B. bot.	11d.	..	---	1/1	1/3 per doz.
Hollbrook's 10 oz. . .	8d.	..	---	8½d.	1/3 per doz.
Sugar, best white, . . bag	12 6	4 - cwt.	---	14/9	6 - per cwt.
Treacle 2 lb. tin	5d.	Free.	---	5½d.	2/- per cwt.
Vinegar, Champion's bt.	8½d.	..	---	9½d.	1/3 per doz.
C. & B. bot.	8d.	..	---	9d.	1/3 per doz.

Aggregate excess of prices, 22 per cent.

TABLE XX.

WHOLESALE PRICES OF HOUSEHOLD NECESSARIES.

Melbourne Prices taken from "The Age," and Agents' Sydney Prices from JOHN CONNELL & Co.'s List, dated May, 1901.

Article.	Sydney.		Melbourne.		
	Price.	Duty.	Price.	Duty.	
Arrowrootlb.	3d.	Free.	5d.	2d. lb.	Maker's List.
Blacking, Day & Martin'sdoz. bot.	9/6	"	11/-	25 %	Agent's Quotn.
Boot Glossdoz.	3/9	"	4/9	25 %	" "
Candles, imported lb.	5 $\frac{3}{4}$ d.	"	6 $\frac{3}{4}$ d.	1d. lb.	The Age, 22/5/01
Coffee Essence, Baird's doz. bots.	5/6	"	7/-	1/- doz.	" 4/5/01
Clothes Pegs, 5 gr. box	3/-	"	3/3	25 %	" 15/5/01
Dateslb.	2d.	"	5d.	3d. lb.	" 18/5/01
Groatsdoz. tin	7/3	"	8/3	20 %	" 2/5/01
Herrings, Red, 24's doz.	25/-	"	28/-	5/- cental	" 22/5/01
Knife Polishdoz.	4/6	"	5/-	20 %	" 4/5/01
Macaronilb.	4 $\frac{1}{2}$ d.	"	6 $\frac{1}{2}$ d.	2d. lb.	" 15/5/01
Matches, Coronet .gr.	2/1	"	3/1	1/- gr.	Agent's Quotn.
B. & M.gr.	2/9	"	3/9	1/- gr.	" "
Milk, Nestlé's doz. tin	4/6	"	7/-	2d. lb.	The Age, 17/5/01
Nuts, Barcelona .. lb.	4 $\frac{1}{2}$ d.	"	6 $\frac{1}{2}$ d.	2d. lb.	" 2/5/01
Oysters, Continental doz. tins	4/6	"	5/9	1/3 doz.	" 15/5/01
Castor Oil, Morton's pints, doz bots.	5/6	"	6/6	1/3 doz.	" 2/5/01
½ pints.doz. bots.	3/3	"	4/-	9d. doz.	" 2/5/01
Rice, Japan.cwt.	14/6	"	21/-	6/8 cwt.	" 4/5/01
Salmon, Monarch doz. tins	7/-	"	10/-	2/- doz.	" 18/5/01
Kurtuk, doz. tins	6/-	"	8/-	2/- doz.	" 18/5/01
Salt, Castlecwt.	45/-	"	75/-	1/- cwt.	Agent's Lists.
Sardines, Trefavenne ½'sdoz. tins	5/-	"	6/3	1/- doz.	The Age, 18/5/01
¼'s.doz. tins	4/-	"	4/3	6d. doz.	" 18/5/01
Sauce, Lea & Perrin's doz. bot.	11/3	"	12/3	1/3 doz.	" 15/5/01
Vermicellilbs.	4 $\frac{1}{2}$ d.	"	6 $\frac{1}{2}$ d.	2d. lb.	" 17/5/01
Vinegar, C. & B.'s doz. bots.	6/9	"	8/1 $\frac{1}{2}$	1/3 doz.	" 17/5/01
Cocoa, Taylor's.lbs.	11 $\frac{1}{2}$ d.	"	1/2 $\frac{1}{2}$	3d. lb.	Agent's Quotn.
Cadbury's .. doz. tins	15/-	"	16/9	1/6 doz.	Agent's Lists.
Cornflour, Wother- spoon'slbs.	2 $\frac{1}{2}$ d.	"	4 $\frac{1}{2}$ d.	2d. lb.	Agent's Quotn.
Soap, Sunlight,box	14/6	"	24/-	8/-	Agent's Quotn.
Monkey.per box	14/6	"	17/6	2/-	Agent's Quotn.

Aggregate excess of Prices, 33.9 p.c.

TABLE XXI.
WHOLESALE PRICE LIST.

Furnished by Retail Firm having shops in Echuca, Victoria and Moama,
New South Wales, giving prices charged by wholesalers in Melbourne.

Prices ruling on July 13, 1901.

Article.	Brand.	Victoria.	N.S.W.
Candles .....lb.	Schiedam or De Ronbaix	6½d.	5½d.
Cocoa .....doz. ½lb. tins	Cadbury	17/-	15/6
Cornflour lb.	Imported	4½d.	2½d.
Maizena lb.	American	8d.	6d.
Fresh Herrings .....doz. tins	Any Brand.....	6/-	4/-
Kippered Herrings .....doz. tins	Any Brand.....	8/6	6/6
Herrings in Sauce .....doz. tins	Any Brand.....	8/6	6/6
Salmon.....doz. tins	Any Brand.....	7/6	5/6
Golden Syrup.....cwt.	Queensland	23/-	20/-
*Rice .....cwt.	Harper's	21/6	14/-
Salt .....cwt.	Black Horse....	5/-	4/-
Wax Vestas .....gross boxes	Imported	3/-	2/-
Milk .....doz. tins	Nestlé's	7/3	4/9
*Wire Nails .....assrtd. cwt.	Victoria	22/-	15/-
Barbed Wire .....cwt.	Imported	17/-	14/-
*Starch, 1 lb. boxes.....cwt.	Harper's	36/-	26/-
*Starch, loose .....cwt.	Harper's	29/6	25/-
Preserved Meals, 2 lb. tins...doz.	Queensland	14/6	10/6
Sheep Tongues .....doz.	New Zealand...	14/6	12/6

Aggregate excess, 30 per cent.

NOTE.—Articles marked * are of Victorian origin, paying no duty.
All articles were free of duty in New South Wales.

TABLE XXII.

WHOLESALE PRICE LISTS.

Candles, from price lists of Messrs. Kitchen & Co., of Melbourne, and from the Sydney Soap and Candle Co. These two companies have practically the same proprietary.

Golden syrup and treacle from prices quoted by Colonial Sugar Refining Company, Sydney.

Prices ruling on July 23, 1900.

Article.	Victoria.		New South Wales.	
	Price.	Duty.	Price.	Duty.
CANDLES—				
Pearls lb.	5¾d.	1d. per lb.	4¾d.	Free.
Petroline lb.	6d.	1d. per lb.	5¾d.	Free.
GOLDEN SYRUP—				
C.S.R. Co.'s 7 lb. tins				
cwt.	24/-	5/- cwt.	21/-	2/- cwt.
C.S.R. Co.'s bulk cwt.	18/-	5/- cwt.	16/-	2/- cwt.
TREACLE—				
C.S.R. Co.'s 7 lb. tins				
cwt.	20/-	2/- cwt.	16/6	Free.
C.S.R. Co.'s bulk cwt.	13/-	2/- cwt.	11/-	Free.

Aggregate excess, 16·3 per cent.

TABLE XXIII.

WHOLESALE PRICES.

MESSRS. PARSONS BROS. & Co., MANUFACTURERS.

In Melbourne and Sydney, May 24, 1900.

Taken from the firm's price lists as published in Melbourne and Sydney respectively.

Article.	Sydney.		Melbourne.	
	Price.	Duty.	Price.	Duty.
Pure roasted coffee, beans or ground :—				
Ceylon plantation, finest				
lb.	1/2	Free.	1/5	3d. per lb.
Ceylon native lb.	1/-	„	1/2	3d. per lb.
Java, fine lb.	1/1	„	1/4	3d. per lb.
Cocoa, "Homeo," ¼ lb. pkts. in 14 lb. box, lb.	9½d.	„	1/-	3d. per lb.
Maize meal, in bags of 25 lbs. 100 lbs.	8/6	„	15/0	2d. per lb.
Brose meal, in bags . . . lb.	2½d.	„	3d.	
Ground rice, in bags. . . lb.	2½d.	„	3d.	6/- per cental.
Arrowroot, "Globe Bnd.," 7 lb. tins lb.	2¾d.	„	6d.	2d. per lb.
Cornflour, in ½ lb. and 7 lb. pkts. lb.	2¾d.	„	5¼d.	2d. per lb.
Rolled oats, in 2 lb. pkts. doz.	5/0	„	5/6	9/- per cental.

Aggregate excess of prices, 45·7 per cent.

TABLE XXIV.
WHOLESALE PRICES.

MESSRS. LEWIS & WHITTY, MANUFACTURERS.

From their price lists as published in Sydney and Melbourne,
May 24, 1900.

Article.	Sydney.		Melbourne.	
	Price.	Duty.	Price.	Duty.
Blue square, "Vienna," in 8 lb. parcels, 128 lbs. per case lb.	4½d.	Free.	6½d.	2d. per lb.
Blacking paste, monster sticks, half-gross boxes gross	6/6	..	8/-	25 per cent.
Egg powder, ¼ lb. tins (12 doz. per case) doz.	3/6	..	4/-	20 per cent.
Knife polish, 1 lb. tins (1 doz. per box) . . doz.	4/-	..	4/6	20 per cent.
Axle grease, "Lubrica- tor," 1½ lb. tins (6 doz. in case) doz.	4/9	..	5/3	4/- per cwt.
Starch, white or blue, 56 lb. cases cwt.	26/6	..	32/8	2d. per lb.
Starch, coloured, in ¼ lb. boxes doz.	4/-	..	5/-	2d. per lb.

Aggregate excess of prices, 20·8 per cent.

TABLE XXV.
WHOLESALE PRICES.

From price lists issued by the Melbourne Glass Bottle Works Co., and the Sydney Glass Bottle Works Co., ruling September 20, 1900.

PRICES PER GROSS.

	Sydney.	Melbourne.
Mason jars (patent), pints	28/-	36/-
Ditto quarts	38/-	45/-
Ditto half-gallon	48/-	57/-
Pickle, round (3½ in. by 8 in.).....	14/-	16/6
Tomato sauce, No. 72, 12 oz.....	14/-	16/6
Tie-over jars (1 lb. capacity), green	12/-	15/-
Aerated Water bottles, Cod's patent, split.	20/-	26/-
Ditto 10 oz.	22/6	28/6
Soda water, egg shape, split.....	14/-	18/-
Ditto 10 oz.....	18/6	22/-
Seltzer water, green, split	14/-	18/-
Ditto 10 oz.	18/6	22/-
Clarets, ports or sherries, pints.....	16/-	20/-
Ditto quarts	22/-	25/-
Whisky (Lorne's), quarts	24/-	26/6
Beer, pints.....	16/-	19/-
Ditto quarts	21/-	25/-
With Lightning stoppers, extra.....	6/-	7/6

Aggregate excess of prices, 21 per cent.

Free in Sydney.

Dutiable in Melbourne when imported.

Protection in Australia, being mainly confined to manufactured goods, does not affect, except in periods of scarcity, when cereals have to be imported, the price of such food-stuffs as cereals, meat, fish, milk, potatoes, vegetables, fresh fruit, and eggs. This large part of a working-class family's expenditure is therefore generally free from the price-raising influence of protective duties. Comparisons made at various periods, however, establish the fact that the Victorian duties place a heavy burden on the people through the increase in the price of all protected commodities, and that this increase applies to locally made, and therefore untaxed, though protected, articles, as well as to those that are imported from abroad and taxed. Such comparisons, however, can only be made to a limited extent, *i.e.*, of goods bearing a recognised brand which establishes their identity as regards quality. When, however, it is found that

such goods invariably show a higher price in the protected than in the Free Trade State on the same day, and that this applies to retail as well as to wholesale prices, impartial students will admit that the same rule must apply to goods the qualitative identity of which cannot be established.

The first table, No. XIX., gives the result of a comparison made in May, 1901, between the published price lists of two cash grocery firms, retailers, of admittedly similar and high standing, and supplying a similar class of customers. All the goods which by their brands showed that they were of equal quality are included. Two of the articles enumerated were dutiable in New South Wales as well as in Victoria. Nevertheless, this list shows an aggregate excess of 22 per cent. of Victorian over New South Wales prices.

Table XX. deals exclusively with imported goods, and consists of extracts, comprising all comparable goods, from price lists issued in Sydney, by a wholesale firm of grocers, and for Melbourne from the Prices Current published in the *Age* and from agent's quotations. The aggregate of the prices charged in Victoria is 33.9 per cent. in excess of those charged in Sydney. The comparison was made in May, 1901.

Table XXI. consists of a list furnished by a firm of retail shopkeepers having establishments in both States. The prices given are those charged to them by wholesale merchants of Melbourne, who, of course, receive a drawback of the duty paid on re-exportation of the goods, and records the prices ruling on July 13, 1901. The aggregate excess of Victorian prices is 30 per cent.

Table XXII. gives, as far as they can be compared, the prices charged by two local manufacturers having factories in Sydney and Melbourne. They give the prices charged for candles in May, 1900, and for syrup and treacle in July, 1900, later price lists not being obtainable at the time. These prices show an aggregate excess of 16.3 per cent. for Victoria. This comparatively low excess is due to the fact that two out of the six articles in this list were dutiable in the Free Trade State also.

The most remarkable list is given in Table XXIII., containing the price list of a firm of manufacturers having factories in both States, as issued in each of the States. The goods enumerated are coffee, various kinds of meals and other prepared foodstuffs, the production of which was saddled with specially high duties in Victoria in order to discourage importation. Both lists bear date of May 24, 1900, and the aggregate of the prices shows an excess for Victoria of not less than 45·7 per cent., though these articles, being locally manufactured, did not pay the duty.

Table XXIV. gives the price lists of May 24, 1900, issued respectively in Victoria and New South Wales by a firm of Victorian manufacturers. The goods in question are washing blue, knife polish, blacking, &c. The aggregate prices give an excess for Victoria of 20·8 per cent. None of these goods paid duty, as they were locally manufactured.

The last table, No. XXV., reproduces the price lists issued by two manufacturers of glass ware, one in Victoria, the other in New South Wales, on September 29, 1900. The aggregate of the prices gives an excess for Victoria of 21 per cent., though no duty was paid, these goods also being of local manufacture.

This examination proves that prices of dutiable commodities were higher in the protected than in the Free Trade State to an average extent of between 25 per cent. and 30 per cent. ; that the price was increased by local manufacturers of protected goods, though these paid no duty, to the full, or nearly the full, extent of the duty placed on competing imported goods ; and that consequently the real wages of Victorian workers were lower than those of workers in Free Trade New South Wales, even had money wages been equal.

CONSUMING POWER OF THE PEOPLE.

TABLE XXVI.

ANNUAL CONSUMPTION, 1901.

Per Head of Population.

Coghlan's "Seven Colonies," 1901-1902, pp. 356-362.

Article.	Victoria.	N.S.W.	Excess for N.S.W.	Excess for Victoria.
Wheat	312·8	357·3	11·3 %	—
Rice	6·9	9·7	40·6 %	—
Oatmeal	6·9	7·0	1·4 %	—
Potatoes	250·2	197·7	—	26·6 %
Sugar	93·5	107·8	16·0 %	—
Tea and coffee	7·0	8·4	10·5 %	—
Cheese	3·2	3·7	15·6 %	—
Butter	12·6	19·6	55·5 %	—
Salt	17·2	42·8	158·9 %	—
Beef	122·1	166·5	36·4 %	—
Mutton	75·7	118·8	56·9 %	—
Pork	11·5	11·9	3·5 %	—
Cocoa and chocolate ..	0·68	0·9	32·4 %	—
Currants and raisins and dates	5·96	6·1	2·3 %	—
Fish (tinned)	3·05	4·68	53·4 %	—
Honey	0·50	1·94	288·0 %	—
Maizena (cornflour) ..	1·58	2·39	51·3 %	—
Milk (condensed)	1·50	3·52	134·7 %	—
Mustard	0·27	0·32	18·5 %	—
Onions	19·17	13·43	—	42·7 %
Pepper	0·36	0·21	—	76·2 %
Sago and tapioca	1·39	1·92	38·1 %	—
Blue (washing)	0·30	0·38	26·6 %	—
Candles	4·41	4·44	0·7 %	—
Soap	12·25	13·77	12·4 %	—
Starch	3·10	3·27	5·8 %	—
Kerosene oil	2·92	2·64	—	10·6 %
Tobacco	2·13	2·67	25·3 %	—
Alcohol, equivalent galls.	2·83	2·33	—	21·5 %

TABLE XXVII.
TOTAL CONSUMPTION.

Imports and Exports from information given by the Commonwealth Statistician.

	1901. Victoria.	1901. N.S.W.
	£	£
Total Production	28,926,000	38,954,000
Less Export of Domestic Produce	14,134,028	19,915,884
Domestic Produce consumed locally	14,791,972	19,038,116
Imports consumed locally	14,415,271	19,492,978
Total consumed locally.....	29,207,243	38,531,094
Consumption per head of population....	£24·1	£28·1

The lower money wages of Victorian workers and the lower purchasing power of each unit of these wages, proved in the preceding chapters, necessarily resulted in a lower capacity for consumption of the Victorian people, as compared with the population of Free Trade New South Wales. The extent to which this is the case is shown in Tables XXVI. and XXVII.

The first of these tables, XXVI., shows the consumption per head of the two populations in 1901. It comprises 29 articles of food, groceries, goods for household use, tobacco, and alcohol. In only five of these is the consumption greater in Victoria than in New South Wales, viz., potatoes, alcohol, kerosene, onions, and pepper. Moreover, as far as potatoes are concerned, it is questioned whether this does not arise from Victoria, being a large producer, feeding a surplus to pigs.

New South Wales, on the other hand, consumes greater quantities of the remaining 24 articles, which include such important items as: Wheat 14·2 per cent.; sugar, 16 per cent.; butter, 55·5 per cent.; beef, 36·4 per cent.; mutton, 58·2 per cent.; maizena, 51·2 per cent.; fish, tinned, 53·4 per cent.; sago and tapioca, 38·1 per cent.; tobacco, 25·3 per cent.

These facts are fully supported by another investigation. The total consumption which can take place in any country must consist of (a) the difference between the amount of goods locally produced, less that part of it which is exported; (b) the goods imported and not again re-exported, *i.e.*, imported for local consumption. The result of this investigation (Table XXVII.) shows that in 1901 the people of the two States consumed per head of the population goods amounting to: In Victoria, £24·1: in New South Wales, £28·0, or an excess for the Free Trade State of £3·9, equal to 16·2 per cent.

Measured in quantities, the excess for the Free Trade State must have been far greater, on account of the fact that imported goods amounting in each case to about one-half of all goods consumed, and manufactured goods produced locally, were materially enhanced in price to the people of the protected State.

Similar results, and results still more in favour of the Free Trade State, are yielded by a comparison of previous years.

INCOMES OF THE PEOPLE

TABLE XXVIII.

1901.—INCOMES OF THE PEOPLE.

(Leaving out of consideration income of British debenture holders.)

Coghlan, "Seven Colonies," p. 764.

	Total Incomes.	Income per Inhabitant.	Number of persons with Incomes of £200 and over.	Total Income of £200 and over.	Average Income of £200 and over.	Total Income under £200.	Average Income: under £200 per Family of 5·0
	£	£		£	£	£	£
Victoria	51,422,000	42·7	28,498	13,530,000	474·4	17,892,000	162·1
New South Wales	64,936,000	47·3	29,700	19,306,000	650·0	45,630,000	186·0
Excess for N.S.W.	13,514,000	4·6	1,202	5,776,000	175·6	7,738,000	23·9

* Arrived at by multiplying number having incomes over £200 by five, and deducting the resultant from total population; dividing the remainder by five and dividing total incomes under £200 by the remainder.

The foregoing facts are confirmed by a study of the incomes of the people of the two States.

Taking all incomes, New South Wales exceeded Victoria as follows :—

In total incomes, £13,514,000, or 26·3 per cent.; per inhabitant by £4·6, or 10·8 per cent.

More important still are the following comparisons. As regards persons having incomes of £200 and over New South Wales exceeded as follows :—In the number of persons having such incomes by 1,202 persons, or 4·2 per cent. ; in the total amount of such incomes by £5,776,000, or 42·7 per cent. ; in the average amount of such incomes by £175·6, or 37·0 per cent.

As regards incomes under £200 New South Wales exceeded the protected State as follows :—In total amount of such incomes by £7,738,000, or 20·4 per cent. ; in the average amount of such incomes, *i.e.*, in the average family income of those having incomes under £200, by £23·9, or 14·8 per cent.

Thus the average working class family has an income which in Free Trade New South Wales is close upon 15 per cent. higher than in the protected State of Victoria, and, as has been shown, each unit of these incomes has a higher purchasing power.

IMPORTS AND EXPORTS.

TABLE XXIX.

VALUE OF IMPORTS FOR HOME CONSUMPTION.

GROSS IMPORTS, LESS RE-EXPORTS.

Information supplied by the Commonwealth Statistician.

Population from "Seven Colonies," 1901-2, p. 531.

Year.	Victoria.		N.S. Wales.	
	Total.	Per head.	Total.	Per head.
	£	£	£	£
1892	14,370,807	12·3	16,511,381	13·9
1893	10,269,189	8·7	12,280,025	10·1
1894	9,997,670	8·4	11,129,229	9·0
1895	9,540,105	8·4	10,493,840	8·3
1896	11,411,143	9·7	14,293,852	11·2
1897	11,544,206	9·7	15,050,821	11·
1898	12,675,541	10·7	14,532,510	10·5
1899	13,423,714	11·2	16,370,703	12·2
1900	14,797,815	12·4	18,270,043	13·4
1901	14,415,271	11·9	19,492,978	14·2
Total	122,445,461	103·4	148,425,382	113·8
Excess			25,999,921 21·2 %	10·4 10 %

TABLE XXX.

VALUE OF EXPORTS OF DOMESTIC PRODUCE.

Information supplied by the Commonwealth Statistician.

Population from "Seven Colonies," 1901-2, p. 531.

Year.	Victoria.		N.S. Wales.	
	Total.	Per head.	Total.	Per head.
	£	£	£	£
1892	11,410,808	9·8	17,707,102	14·9
1893	10,293,926	8·7	17,094,213	14·1
1894	11,553,617	9·8	15,904,961	12·8
1895	11,615,493	9·8	16,436,210	13·0
1896	11,054,824	9·4	16,742,691	13·1
1897	12,829,394	10·8	17,057,543	13·1
1898	11,778,883	10·0	17,727,067	13·4
1899	14,038,600	11·8	19,221,854	14·3
1900	13,918,556	11·6	18,873,488	13·8
1901	14,134,028	11·7	19,915,884	14·5
Total	122,618,120	103·4	176,681,013	137·0
Excess			53,962,884 44·1 %	33·6 32·5 %

The Australian States being debtor nations, and doing but a small carrying trade with other countries, their foreign trade is of particular importance as a measure of their financial position. Out of their exports has to be paid the value of imports, nearly all the freight and other charges on imports and in many cases on exports, as well as interest on their public and private indebtedness to other countries.

The excess of domestic exports over imports for home consumption was in the ten years ending with 1901 : For Victoria, £172,668 ; for New South Wales, £28,256,502.

These figures show conclusively that Victoria failed to pay out of her own resources any interest on her public and private indebtedness to foreign countries, and any freight and other charges on her imports and exports, whereas New South Wales contributed to these charges out of her own resources to the extent of £2,825,000 per year. The indebtedness of Victoria to foreign creditors must therefore have increased during this period at a rate which exceeded that of New South Wales by over £28,000,000.

Though Victoria is the garden-State of Australia, she exported during this period per head of population 32·5 per cent. less of her products than did the Free Trade State, whereas the imports for domestic consumption of the Free Trade State exceeded those of the protected State by only 10·0 per cent.

UNECONOMIC EMPLOYMENT OF CAPITAL AND LABOUR.

APPENDIX I.

DISTILLERIES, 1906.

Commonwealth Year Book, 1701-7, p. 469, and other sources. Local Production, 1907.

DUTIES PER PROOF GALLON.

	Import.	Excise.	Protection.
Pure Brandy	14/-	10/-	4/-
Pure Whisky	14/-	10/-	4/-
Blended Whisky	14/-	12/-	2/-
Rum	14/-	12/-	2/-
Gin	14/-	12/-	2/-
Rectified Spirit	14/-	6d.	13 ¹ / ₆
Methylated Spirit	1/-	Free.	1/-

LOCAL PRODUCTION IN PROOF GALLONS (Approximate).

Kind.	Quantity.	Protection Duty.	Total amount of Protection.
Pure randy	260,000	4/-	52,000
Pure Whisky	220,000	4/-	44,000
Blended Whisky	68,000	2/-	6,800
Rum	300,000	2/-	30,000
Gin	90,000	2/-	9,000
*Rectified Spirit	200,000	13/6 @ 1/-	10,000
Methylated Spirit	400,000	1/-	20,000
Total	1,538,000	—	171,800

* Locally made spirits are sold retail at the same price as imported Rectified spirit is not sold retail, and the additional profit caused by duty estimated at 1s. per gallon, is much smaller than the differential duty.

Wages paid during year in local distilleries, £8,224.

APPENDIX II.

RAISINS AND CURRANTS.

Commonwealth Year Book, 1901-7, p. 330. "Trade of Commonwealth,"

1906.

Duties:—

Raisins, 3d. per lb.

Currants, 2d. per lb.

Imports:—

Raisins, 260,228 lbs. Duty £3,253

Currants, 9,510,821 lbs. £79,256

Received by the Treasury £82,509

Increased price of Local Produce:—

Raisins, 12,796,000 lbs. at 2½d. £133,292

Currants, 3,921,232 lbs. at 1½d. £24,507

Received by Producers £157,799

Profits made by dealers on increased price to them, wholesale and retail, say 20 per cent.

£24,030

Total loss to public

£264,338

If the revenue had been raised in some other way, the public would have saved annually

£181,879

APPENDIX III.
WAX VESTAS, 1906.
WHOLESALE PRICES.

	1899 to 1902	Foreign.	Local.
Duty 1/-	1899 to 1902	3/1	3/-
Duty 6d.	1903 to 1906	2/3	2/2
Duty 6d.	1907	2/10	2/9

Thus the locally produced matches, paying no duty, were increased in price by the duty on imported matches, by one penny less than the duty.

TOTAL CONSUMPTION, 1906.

	Gross boxes.	Increased price per gross.	Total price Increase, Wholesale.
Locally made	300,000	5d.	£6,250
Imported	1,566,432	6d.	£39,161
Total	1,866,432	—	£45,411

Add for dealer's (wholesale and retail) profit on increased price paid by them, only 15 per cent. £6,811.

Increased price to consumers, £52,222.

Workers employed in Australian factories making wax vestas, fire kindlers, and ironfounders' charcoal dust (Statistics of Manufactories and Works, &c., 1906), inclusive of managers and clerks, were:—

Males .. .. .	..	..	..	..	..	..	22
Females .. .. .	..	..	..	..	..	..	75
Total .. .. .	..	..	..	..	..	..	97

Average wages per week .. .. .	..	..	..	..	..	..	£	s.	d.
Aggregate annual salaries and wages paid during 1906 ..	..	..	..	..	..	..	3,595	0	5
Say for making wax vestas only .. .. .	..	..	..	..	..	..	3,000	0	0

APPENDIX IV.

SUGAR, 1906.

Commonwealth Year Book, 1901-7, pp. 324-327.

The sugar duties were:—

Import duty, £6 per ton.

Excise duty, £3 per ton.

A bounty is also paid on cane grown by white labour equal to £2 per ton of sugar.

The price of locally manufactured sugar falls and rises with that of imported sugar and is the same.

Average for 1906—£19 10s. per ton wholesale.

PAYMENTS TO SUGAR PRODUCERS.

On 182,218 tons locally-produced, remission of duty at £3 per ton	£546,654
Bounty	£335,916
Total	£882,560

WAGES PAID DURING YEAR.

In sugar mills (3,498 persons)	£267,536
In refineries (1,311 persons)	£147,463
Total	£414,999

THE PUBLIC PAID MORE FOR SUGAR.

Net imports, 34,955 tons at £6	£209,730
Local Product, 182,218 tons at £6	£1,093,308
Plus dealers' profit on increased cost to them (wholesale and retail), 15 per cent.	£195,456
Total	£1,498,494

Though the natural resources of Victoria are greater than those of New South Wales, and are situated in greater proximity to her coast; though, as far as manufactured articles are concerned, the products of Victoria were artificially enhanced in price, whereas those of New South Wales were generally not so enhanced, the productivity of the labour and capital of New South Wales have been shown to be greater than those of Victoria. It has been seen (Table XVII.) that throughout the period of Protection in Victoria, 1871 to 1901, the produce of the labour of its people was less than that of the people of New South Wales, viz., in 1871, 31 per cent.; in 1881, 26·9 per cent.; in 1891, 21·8 per cent.; and in 1901, 10·6 per cent.

To some extent this excess of productivity is no doubt due to the superior methods and machinery which Free Trade compelled to be adopted in New South Wales factories; to some extent also it is due to the larger employment of males in the Free Trade than in the protected State. But to a considerable extent it also arises from the fact that legislative favours had not withdrawn capital and labour from the naturally profitable industries to industries which, naturally unprofitable, would only exist behind the shelter of tariff walls.

Victoria possesses a considerable number of such industries. Several may here be mentioned.

The manufacture of spirits is an industry which made scarcely any progress in the Free Trade State. In Victoria it also almost ceased when the Protection of 3s. per gallon given to it in the State was reduced under the Federal Tariff to 1s. per gallon. These facts prove that it is an industry which cannot exist in Australia when the price which it receives for its products is regulated by the unhindered competition of British and other products. It can be shown approximately what the people of Australia have to pay, in order that capital and labour may be diverted from naturally profitable industries to this industry which can only exist on artificial prices. For details see Appendix I., p. 208.

During the year 1907 there were approximately produced in the Commonwealth 1,538,000 proof gallons of spirits of all kinds. The effective differential duty in their favour was £171,800. The Treasury lost this amount and more, owing to the excise duties being materially lower than the import duties. The people paid the same price for spirits whether they were imported or locally produced, with the exception of rectified spirit, for which allowance has been made. The wages paid in the industry during 1906 amounted to a total of £8,224 and may have increased to £10,000 in 1907. In any case, if the excise had been the same as the import duty, and if the Government had pensioned all the operatives for life at the rate of their present wages, the revenue would have benefited at least to the extent of £160,000, and the consumers would not have paid one penny more for spirits.

Another prominent case is that of the production and manufacture of raisins and currants. A duty of 3d. per lb. was imposed on imported raisins and 2d. per lb. on currants, while those locally produced were free of duty. To gather this bounty, provided by the Legislature, large settlements have grown up in Victoria and South Australia. An

enormous amount of capital has been invested in irrigation works, railways, buildings, and cultivation. Yet from the national standpoint this capital and all the labour employed is wasted. For those interested have again and again testified that they could not live if they had to sell their products at the same prices at which untaxed imported currants and raisins were sold in New South Wales. To make the industry profitable the tax payers who eat currants and raisins had on an average to pay 2d. more per lb. for the local product than those who ate these articles in New South Wales before Federation. The difference was a tax which the raisin growers were permitted to levy, and it was this tax which paid them a profit and not the result of their labour and capital.

Moreover, the production of raisins is greater in some years than the local consumption. Competition would have prevented growers from exacting taxation. In order to prevent this they formed a trust, which annually exports the surplus and sells it in free competition at the untaxed price, while it is thus enabled to exact the taxed price from local consumers, the taxation paid by them to the growers thus providing cheap raisins for other countries.

The result as shown in Appendix II., p. 209, is:—

In 1906 consumers of raisins and currants paid more for these articles owing to the duty, £264,339. Of this amount only £82,510 went into the public treasury. If this amount had been raised directly from the consumers of raisins and currants they would have saved £181,829. This amount is the measure of the public loss from the Protection of raisins and currants under forced conditions.

Another interesting example of the cost of diverting capital and labour into unproductive channels is furnished by the manufacture of wax vestas. There is only one factory established in Victoria under a duty of 6d. per gross boxes. Even this enormous encouragement has only caused one-sixth of the consumption to be manufactured locally. Nevertheless the cost of the duty to consumers was £52,222

in 1906. Of this sum, £39,161 went to the Public Treasury ; £6,250 was received by the manufacturer in enhanced prices of his product, and £3,000 was paid in wages to the workers in the factory.

If the revenue had been raised from the consumers in some other way, and if, in addition, the consumers had pensioned all the operatives for life at the present rate of their wages, they would still have saved annually £10,061.

The foregoing facts, which might be supported by many others, prove that the protective tariff induces the employment of labour and capital in industries which would be unprofitable except for the taxing power which the Legislature, through the tariff, has conferred upon manufacturers, and the enormous costliness of this system.

That this capital and labour has been withdrawn from naturally productive industries is not provable with equal directness. Indirect proofs, however, can be given. The greater employment of capital in the manufacturing industries of New South Wales under Free Trade, and the greater productivity of her industries generally ; the fact that the exploitation of her natural resources has advanced at a much greater rate than those of Victoria during the latter's protective period, all of which facts have already been shown, forcibly point to the conclusion not only that the capital and labour employed in the unproductive industries of the protected State have been withdrawn from productive industries, but that the withdrawal from the latter has been much in excess of the employment created in the former industries.

The reason is that the great natural industries of Australia, pastoral, agricultural, mining, &c., exporting the bulk of their products, and, therefore, unable to benefit by local protective duties, have to pay the taxes which the Government has placed on imported goods as well as the taxes levied by manufacturers which the tariff enables the latter to impose. Agricultural machinery and implements, mining machinery, timber, and nearly all other requisites for these industries

are thus largely increased in price, and these naturally profitable industries are thus made less profitable than they otherwise would be.

During the debate on the tariff just closed, memorials were presented to Parliament dealing with this consequence of the comparatively small increase in duties contemplated.

A Broken Hill Mine (Block 14) calculated that the consequent increase in the price of its supplies would be £1,602 per year.

Another Broken Hill Mine (Block 10) placed its annual loss from the same cause at approximately £3,475; the Sulphide Corporation calculated it at £8,703, and the Broken Hill Proprietary Co. showed the total increase of price which it would have to pay on account of duties, to be between £15,500 and £18,500.

Ten mines at Kalgoorlie, West Australia, having made an elaborate list of their annual requirements, found that the proposed increases in duties would entail upon them a loss of £50,000 a year.

The Great Cobar South Mine had ordered a new plant before the Tariff Bill was introduced, the contract price of which was £81,225 10s. The duties payable on the same it found to amount to £25,987 19s.

It is obvious that such exactions prevent the exploitation of all but exceptionally rich mining propositions. The same cause has similar results in the rural and other industries, though, being less concentrated, they cannot be similarly shown. It is, however, an admitted fact that the high duty on sugar has prevented the development of the fruit industry of Australia, and is depriving the fruit growers of the great bulk of their profits, by reducing the price which manufacturers of jam and preserved fruit can pay for the fresh fruit. The Protection of the sugar industry (see Appendix IV., p. 210) entails an additional price paid by consumers, amounting in 1906 to £1,498,494. The Public Treasury obtained only £420,468 out of this sum, and the

wages of all the employees of the mills and refineries came to £414,999 during the year. If the revenue were raised from the consumers in a different way, and if the consumers pensioned the workers for life at their full wage, they would nevertheless save annually £663,027, and more capital and labour would find employment in the fruit and allied industries than would be displaced in the sugar industry. For the latter industry, though stimulated, is by no means dependent upon the enormous taxing power conferred upon it. The Queensland and New South Wales mills and refineries, before Federation, supplied nearly the whole of the requirements of the Commonwealth, in spite of the fact that in other States they had to compete with foreign sugar on even terms, and though, at any rate in Queensland, their Protection was only nominal, sugar being there sold at the same rates at which it was exported on account of its large over-production.

POLITICAL MORALITY AS AFFECTED BY PROTECTION.

When the Legislature proceeds to impose duties, for the avowed purpose of making some occupations more profitable and others less profitable than they have so far been, it is not unnatural that those whose interests are at stake should bring to bear upon the legislators all the influence which they can command. No doubt legitimate influence first; but, if that does not suffice, illegitimate influence as well. Australia has not escaped these conditions which are inseparable from all tariff making for other than revenue purposes. It is true, no proof has yet been given that actual bribery has taken place. Allegations have been made in the press and otherwise that certain members have been bribed, and a Parliamentary Committee has been appointed to devise a new and less clumsy method than that one hitherto available of investigating such charges and punishing the libellers.

Apart, however, from actual bribery, it must be admitted that duties largely go by favour. The Prime Minister of the

Commonwealth, Mr. Alfred Deakin, may be cited as a witness. Speaking, as a member of the Victorian Parliament, during one of the "tariff orgies" (his own phrase), he gave the following description of the way in which duties are determined. A manufacturer waits upon the member for his district and says "30 per cent. or the industry will perish." The member replies in biblical phrase, "Take thy Bill and sit down quickly and write 50," the Ministry accepts the member's proposal, special interests league themselves together in the House, snap-divisions are obtained, and 50 per cent. is the duty imposed in the name of "scientific Protection."

In Queensland and New South Wales the complaint is rife that the manufacturers of Victoria have been more favourably considered by Federal tariff-makers than those of other States. The facts seem to warrant this allegation, for the highest duties have been placed on articles which compete with those the manufacture of which is almost or entirely confined to Victoria. Confectionery, 3d. per lb.; matches, 1s. per gross boxes; felt hats, 12s. to 16s. per doz.; woollen piece goods, 30 per cent.; wire nails, 5s. 6d. per cwt.; horseshoe nails, 8s. per cwt., are cases in point. These duties are largely in excess of the general rates of the tariff, and, it is alleged, these high duties are due to Victorian manufacturers, living on the spot, having a better opportunity to bring influence to bear upon legislators.

Another complaint is that individual manufacturers bring private influence to bear upon the Minister of Customs on the eve and during tariff debates, in order to induce him to propose high duties in their favour. This allegation is undoubtedly true. Preceding the new tariff just passed, a Royal Commission had been appointed, in order to report to Parliament on desirable tariff changes. It took its evidence in public, and hundreds of manufacturers testified in favour of higher duties, each in his own case. Though the Commission was composed of an equal number of Free

Traders and Protectionists, the chairman, who drew up the report on which Parliament acted, was a Protectionist, and, as far as possible, disregarded adverse evidence. Yet the Ministerial proposals not only went far beyond those made in this purely Protectionist report, but in a number of instances gave increased duties to manufacturers who had abstained from giving evidence before the Commission. The Minister in charge of the Bill, moreover, did not deny, and in many cases specifically admitted, that these departures from the Commission's Report were caused by private information conveyed to him.

Thus the private influence of interested persons has largely influenced the rate of duties imposed. The more shrewd manufacturers were aware that there was no necessity to submit themselves to public cross-examination on their claims, even though a friendly chairman made it easy for them to evade or refuse answer to inconvenient questions. They knew that they could privately obtain as much or more from the Minister in charge, as any Commission, however friendly, would grant publicly.

The making of tariffs has thus become an exercise detrimental to political morality. In Parliament, in the press, and in private conversation, this corrupting influence of the tariff-lobby has made itself felt, by lowering the tone of discussion on political matters. Though it is improbable that any actual bribery can be charged, men are apt to believe that it has taken place when it is seen that private and secret influences determine the favours bestowed upon individuals. Moreover, it is recognised that there are many other forms of corrupt influence besides bribery, and that these cannot be checked when secret influence is admitted. These considerations have taken hold of the public mind; have caused a loss of confidence in and esteem for Parliament, and the reaction of these sentiments upon Parliament must tend to lower the self-respect and honour of the Legislature.

SUMMARY.

It has been shown :—

(1) That owing to gold discoveries and more favourable natural opportunities Victoria in its early Free Trade period far surpassed New South Wales in population and industrial growth.

(2) That since the adoption of Protection by Victoria these conditions have been reversed, the Free Trade State having advanced upon her from that date and ultimately passing her as regards every factor by which national prosperity can be estimated.

(3) The Free Trade State attracted immigrants; the protected State repelled, not only immigrants, but an enormous proportion of its own people.

(4) In factory employment the Free Trade State gained upon the protected State, ultimately equalling the latter. The protected State, however, displaced 7,500 males by a practically equal number of women and children, as compared with the Free Trade State.

(5) Greater regularity of employment; slower and smaller response to adverse conditions; quicker response to favourable conditions, for the Free Trade State. }

(6) Better and more valuable machinery, plant and buildings in the factories of the Free Trade State.

(7) Large excess of productivity of the labour employed in the Free Trade State in factories, and also in all other occupations.

(8) Agriculture advanced at a greater rate in the Free Trade than in the protected State.

(9) Money wages higher; prices of nearly all commodities lower in the Free Trade State.

(10) Consequently a much larger consumption of the necessaries and simple luxuries of life per head of the population in the Free Trade State.

(11) More people with large incomes; average income higher, and as regards incomes of £200 and under, a much

higher average income in the Free Trade than in the protected State.

(12) The indebtedness, private and public, of the protected State has grown far more than that of the Free Trade State, and her foreign trade was far smaller, especially in exports of its own products.

(13) Through Protection capital and labour are withdrawn from the naturally profitable industries and employed in industries made artificially profitable through the power of taxation being delegated to them; aggregate employment of capital and labour reduced.

(14) The enormous cost of Protection to consumers.

(15) A loss of political morality through Protection.

The following paper was contributed by Mr. WILLIAM J.

KELLY, a workman in the Government railway workshops at Quorn, South Australia.

To myself, and those of my fellow-workmen who think with me, it has been more than interesting to watch from this remote part of the State, the clamourings of the city manufacturers for Protection, Protection, and still more Protection. They have threatened us poor workers that unless they get this Protection, we should all be thrown out of work. All this would be amusing to us, who have studied the subject, were it not for its seriousness. For we know that Protection cannot generally increase wages, but must, on the other hand, by increasing the prices of those articles we have to buy, in reality reduce the effective value of our wages. Take my own case. Since the advent of high Protection in Australia, have my wages been increased as a consequence? Not one penny. And yet, look in what direction I may, higher prices are demanded for all I require for my own and my family's use. Take sugar, for instance. We know that sugar can be produced in Australia under free conditions as cheaply as in any part of the world. We know that if the foreigner, whether in South Africa or China or elsewhere, wants our sugar, he

may buy it for some £11 per ton, but if I, an Australian citizen, want it, I must pay some £23 per ton. Why? Because a protective duty of some £9 per ton gives a monopoly to the great Sugar Refining Co., and enables them to bleed us poor workers. It has been shown that there is a leakage in this one item of taxation alone of some £1,500,000 per annum. That is, that through the operation of the import duty on sugar coming into Australia the people of Australia pay over and above the fair distributing value, plus the revenue received through Customs and Excise, £1,500,000 annually, and this means a loss to every average family of 33s. 4d. per annum. To instance one phase of the operation of this duty, the value of an acre of quinces is some £12, but at the present price of sugar it would require £24 worth of sugar to turn these quinces into jam or preserves. This produces a tendency to let a portion go to waste rather than incur the expense of preserving, and so, even the sugar industry itself suffers a reduction of demand, consequently fewer labourers are wanted than would be required under greater freedom. I could go on enumerating items, but what need; for there is no getting away from the fact that the prices of commodities have soared higher all over Australia since the advent of the last Federal Tariff. Not content with the higher prices the tariff enables them to get, combinations of traders and manufacturers have sprung up like mushrooms to still further bleed us unfortunate workers. But some of my fellow-workmen plead for patience in our suffering, until the long promised "new Protection" comes along. This, it is hoped by them, will regulate the wages of labour, so that the worker will be able to get the benefit of the protective duties and have higher wages wherewith to meet the increased price of the commodities. But we know that the "new Protection," like the "old Protection," will, if ever a serious effort is made by our Protectionist legislators to bring it into force, prove a sham, a delusion, and a snare. I do not forget the sound

advice given to us by a British Labour M.P. to the effect that "the labour party should not tinker with nominal wages, but should concentrate its attention upon real wages and the prices of the necessaries of life." As a citizen of the Empire I sincerely hope that if Australia is to be oppressed with this unreal, this fictitious system of high prices and clipped wages, other parts of the Empire will be saved from it. It may make a few of the rich richer, but it invariably makes the poor poorer.

M. PESCHCKE KÓEDT (Denmark) submitted a summary of the following paper :—

I.

GENERAL INFORMATION.

Population	2,630,000.
Area	38,985 kilom. □
Monetary system	1 Krone = 100 öre ; 18 Kroner = £1.
Public State Debt	258 million Kroner (31-3-1907).
Public Revenue	90-100 million Kroner yearly.

Chief sources of Income :—

Custom duties	40 Mill. Kr.
Excise duties	12 „
Stamp duties	5 „
Death estate	2 „
Surplus of railways	7 „
Surplus of post and telegraph	2 „
Direct taxation	15 „
Military expenses about	20 „ yearly.
Railways	3,352 kilom.
Shipping tonnage	422,000 reg. tons.

II.

A century ago Denmark was ranged amongst the poorest countries of Europe.

It is now considered to be one of the most prosperous countries on the Continent.

This change is chiefly due to a successful development of Danish agriculture.

While most other countries have endeavoured to push their agricultural interest by the aid of Protection, the Danish farmers have fought their battle under the open door policy with a far better issue.

Some of the achieved results are seen from the following figures in millions of kroner (£1 = 18 kr.) :—

FOREIGN COMMERCE.

	Imports.	Exports.	Total.
1885 . . .	249	162	411 Mill. Kr.
1890 . . .	307	239	546 "
1895 . . .	364	269	633 "
1900 . . .	527	394	921 "
1905 . . .	623	534	1,157 "
1906 . . .	726	560	1,286 "

The above export figures include re-exports of imported goods. The following table shows the net exports of domestic produce :—

1885	1890	1895
136	195	217 Mill.
1900	1905	1907
282	391	422 Mill. Kr.

Of these far the largest proportion is farm produce—butter, bacon, eggs, meat, live cattle, horses, &c. Industry is only represented by small figures in the Danish exports.

EXPORT OF BUTTER.

	Metric Tons.	Value.
1885	17,500	30 Mill. Kr.
1890	42,500	74 "
1895	52,400	93 "
1900	61,300	120 "
1905	79,800	156 "

According to the statistics of the Board of Trade, Colonial and foreign butter figured with a total of £22,452,460 in the English imports for 1907. Little Denmark took a share of £10,192,587, or nearly one half in this business.

EXPORT OF BACON.

		Metric Tons.	Value.
1885	. . . . .	9,800	8 Mill. Kr
1890	. . . . .	27,500	23 „
1895	. . . . .	55,800	35 „
1900	. . . . .	62,200	58 „
1905	. . . . .	79,800	80 „

EXPORT OF EGGS.

		Million Score.	Value.
1885	. . . . .	3.6	3.3 Mill. Kr.
1890	. . . . .	6.5	6.5 „
1895	. . . . .	7.7	8.2 „
1900	. . . . .	16.6	18 „
1905	. . . . .	21	25 „

EXPORT OF MEAT.

		Metric Tons.	Value.
1885	. . . . .	1,160	0.5 Mill. Kr.
1890	. . . . .	1,080	0.7 „
1895	. . . . .	6,340	4.3 „
1900	. . . . .	14,130	8.5 „
1905	. . . . .	15,400	9.6 „

EXPORT OF HORSES.

		Number.	Value.
1885	. . . . .	10,975 head	8 Mill. Kr.
1890	. . . . .	16,217 „	10 „
1895	. . . . .	17,857 „	11 „
1900	. . . . .	20,452 „	13.5 „
1905	. . . . .	29,421 „	19 „

The export of live cattle has of late years met with increasing difficulties on account of quarantine and other preventive measures. The Danish figures for 1905 show an export of 123,679 head of cattle, at a value of 28 million kroner.

All the figures given in the above tables represent exports of domestic produce.

STOCK OF DOMESTIC ANIMALS.

	Horses.	Horned Cattle.
1888	375,500	1,460,000
1893	410,639	1,696,000
1898	449,329	1,745,000
1903	486,935	1,840,000
	Pigs.	Poultry.
1888	777,000	5,480,000
1893	829,000	6,851,000
1898	1,168,000	9,834,000
1903	1,457,000	12,690,000

AREA CULTIVATED IN DENMARK.

	Acres.
1875-78	3,870,000
1879-81	3,981,000
1882-84	4,074,000
1885-87	4,164,000
1888-90	4,252,000
1891-93	4,351,000
1894-96	4,459,000
1897-1901	4,496,000
1902-1906	4,635,000

CROPS RAISED IN DENMARK.

Yearly Average.	Grain, Bushels.	Roots, Bushels.	Hav. Metric Tons.
1875-78	74,709,000	24,270,000	1,056,000
1879-81	79,634,000	33,912,000	994,000
1882-84	80,590,000	57,600,000	1,093,000
1885-87	84,248,000	82,968,000	1,009,000
1888-90	82,459,000	97,958,000	1,201,000
1891-93	86,804,000	124,758,000	1,190,000
1894-96	90,564,000	155,825,000	1,453,000
1897-1901	89,300,000	181,900,000	1,555,000
1902-1906	94,240,000	298,500,000	1,705,000

The above figures plainly prove that Danish agriculture has not been neglected under Free Trade, but that, on the contrary, since the seventies very considerable work has been done in improving and extending every branch of agriculture.

In the countries where Protection has been introduced only the visible effects of the duty on the selling prices of the inland production are, as a rule, taken into consideration. But the system does not give any information regarding the chances which have been lost through Protection.

III.

The principal means which have contributed to secure the progress of Danish agriculture can be summed up in the following points :—

1. The distribution of land amongst small freeholders.
2. Easy access to favourable loans upon landed property.
3. Co-operation.
4. The education imparted to peasants at the popular country "High Schools."
5. Free Trade in agricultural produce.

I.—DISTRIBUTION OF LAND.

Land taxation was formerly and is still partly based on what is called "Hartkorn," a term which signifies not only the quantity but also the quality of land. Thus a ton of "Hartkorn" can be larger or smaller according to the quality of the soil, but taken on an average over the whole country a ton of "Hartkorn" is equal to about 25 English acres.

The following table illustrates the gradual transfer during the last 70 years of the Danish soil from leasehold to freehold property, and from larger to smaller landowners.

Year.	Freehold.		Leasehold.	
	Number of Properties.	Tons of Hartkorn.	Number of Properties.	Tons of Hartkorn.
1835 . . .	88,361	225,168	68,960	145,890
1860 . . .	146,234	282,845	65,081	88,395
1885 . . .	225,255	340,777	38,177	32,267
1905 . . .	259,874	350,230	29,256	22,189

The present size of the properties measured by tons of "Hartkorn" is seen from the following figures:—

Properties of and above—	Number of Properties.	Tons of Hartkorn.
20 tons Hartk.	919	40,547
12-20 „ „	1,174	17,634
8-12 „ „	3,765	35,525
4-8 „ „	23,327	132,005
2-4 „ „	24,365	70,456
1-2 „ „	23,060	33,123
Small holdings of $\frac{1}{4}$ -1 ton	69,131	36,073
Small holdings below $\frac{1}{4}$ ton	114,079	7,055

This list shows that the greater part of the land is divided into small freehold properties averaging about 4 tons of Hartkorn, or 100 acres each. The preceding tables confirm the fact that the gradually extended division of the soil has resulted in a prosperous increase of the total agricultural production.

Under the Danish system the peasant is personally and directly interested in the best possible cultivation of his soil. The knowledge that he is his own master supports his self-esteem, and strengthens his desire to compete with the best work of his neighbour. He is not obliged to bow or cringe to anybody against his own freewill. His wife and family assist him in his work and share his honest pride. The general standard of life of the agricultural population is thus raised to a higher level.

In Denmark, as elsewhere, there is room for great and continued improvements. But no serious objections can be raised to the fact that the successful development of Danish agriculture has confirmed the thorough soundness of the freehold principle.

2.—CREDIT ON LANDED PROPERTY.

In order to give landowners easy access to favourable loans, co-operative associations (Kreditforeninger) were started in 1851 upon the following principles:—Low rate

of interest, amortisation by easy instalments, collective responsibility of the loan-takers.

The laws of these associations are submitted to the approval and control of the Danish Government. The loans, which rarely exceed 45-50 per cent. of the value of the property (utmost limit 60 per cent.), are handed over to the loan-takers in the shape of shares (Kreditforenings-Obligationer), which are transferable and saleable in the open market.

The annual interest varies between $3\frac{1}{2}$ and $4\frac{1}{2}$ per cent., and the principal is paid back in the course of fifty years. In some cases the Government has supported the credit-associations of small landowners (husmænd) with a limited State guarantee. There are altogether about half a score of these co-operative credit institutions, and they have all been worked so soundly and successfully that the shares are considered the safest investments on the Stock Exchange.

3.—AGRICULTURAL CO-OPERATION.

The great progress achieved by Danish farmers is mainly due to the co-operative movement combined with agricultural Free Trade.

Owing to the fact that the Danish peasant gets his raw materials duty free, he is able, in spite of low selling prices, to make both ends meet sooner and better than his neighbours in protected countries.

MILK.

Formerly every little landholder churned and sold his own butter; now all milk is delivered to the co-operative dairies. The first of these was started in 1882. Twenty years later 1,058 co-operative dairies based on the profit-sharing system, and 200 similarly conducted private concerns, were spread over the country.

In these dairies, which are under competent control, the greatest cleanliness is practised in the making of butter, and the management is conducted with extreme economy.

The milk of nine-tenths of the Danish cows is now treated in co-operative dairies. The average annual production of milk per cow is about 2,620 kilos.

In 1895 a new institution, which may be described as a control-union, was introduced, with the object of keeping the cows belonging to the members under a continual supervision of experts. The following table shows the rapid development of this new branch of the co-operative movement :—

Year.	Number of Control-Unions.	Number of Members.	Head of Cattle.
1895	1	13	—
1900	180	3,880	76,140
1905	415	10,300	159,600

In 1903 the average annual production of milk per cow within these unions was 2,878 kilos.

BACON.

During many years Denmark exported live pigs, but towards the end of the eighties an infectious disease broke out amongst them, and the export fell suddenly from 232,000 pigs in 1887 to 16,000 in 1888. Instead of losing courage under the effects of this calamity, the farmers immediately built their own co-operative slaughter-houses and by degrees extended them to a number of 32 up-to-date, excellently-managed establishments. These receive, sort, slaughter and divide the pigs carefully with a view to English export, and share the net profits amongst the members.

EGGS.

In order to push the export of first-class eggs the Danish farmers have organised local receiving-centres, where the eggs are collected according to certain fixed rules. Every member who delivers a bad egg pays a fine, which is increased in case of repetition. All eggs are stamped and dated so that the collecting-centres know immediately where they come from. These centres have established several export stores. Here the eggs are sorted in four

sizes, examined by the aid of electric light, enabling doubtful and bad eggs to be separated from the good. Then the guaranteed sound eggs are packed carefully in cases made specially for transfer by rail or steamer. The whole concern is carried on upon the co-operative system under combined administration. At first complaints arose in England that the shells were too thin. This cause of dissatisfaction was soon removed by providing the poultry yards with a larger quantity of chalk, thereby not only producing thicker shells, but increasing the weight of the eggs to the extent of a quarter of a pound per score. As the price in England is charged by weight, this improvement became a fresh source of profit for the Danish farmers, the chalk only costing a fraction of the difference in price thus attained.

A poultry yard conducted upon rational principles can give a yearly net profit of 2.50 kr. per hen.

From this source of income, neglected in most other countries, a small landholder, keeping a number of 50 hens, with the help of wife and children, can earn a yearly sum of at least 100 kr. = £5 10s. •

The co-operative system for egg export was first started in the middle of the nineties, and is thus only ten to twelve years old. The development is seen from the following figures :—

Year.		Number of Egg-Unions.	Number of Members.
1900	. . .	484	28,000
1903	. . .	695	46,000
1906	. . .	790	57,000

While examining these figures it must be constantly borne in mind that Denmark is a little country with about 2½ million inhabitants. And if the assertions made by the Protectionists were correct, this little country's agriculture, worked upon the open-door policy, unguarded by tariff protection, must long ago have been disarmed and crushed under the mighty foreign competition.

Co-operation is also known and practised in protected countries. But where there is Free Trade the people are much more clear-sighted as regards the ever-changing conditions of the open market than in protected countries.

Fighting with raised visor, as in Denmark, teaches the farmers vigilance, presence of mind, and rapidity of action.

Creeping behind a high protective wall invariably enervates the majority, even if a few of the more intelligent rise superior to its demoralising effects. The whole tone of mind is entirely different under the two systems. Once accustom the farmers to look for salvation in Protection, and the natural result is a cry for more and more every time the shoe pinches. Whereas the agriculturist who works under the open-door policy learns to depend upon himself, to keep his eye open to necessary improvements, to economise in every possible way, and to regulate his affairs so that both ends meet in spite of low prices. This is the sound and healthy policy Denmark has adopted.

A thorough and unprejudiced examination must prove the fact, that Danish agriculture under the united effects of Free Trade and co-operation has reached the highest modern development in its branch, and that the Danish peasants, as a class, are exceptionally intelligent compared to the agrarian population of most other countries.

4.—THE POPULAR COUNTRY “HIGH SCHOOLS.”

The first of these institutions was started in 1844. The following table shows the later development :—

Year.	Number of Schools.	Number of Pupils.
1850	6	46
1860	16	395
1870	57	2,502
1880	74	3,898
1890	80	4,494
1900	85	6,410
1906	85	7,886

There are two branches of these establishments, "high schools" and "agricultural schools," but the difference is of no great importance. They will therefore not be described separately here.

The foundation of the country "high schools" is due to private initiative, and they are but feebly supported by the State. The practical and theoretical education imparted to the pupils takes a leading place amongst the means employed to raise the standard of the rural population of Denmark.

Both young men and girls are admitted. The payment for board, lodging, and teaching is extremely moderate, rarely exceeding £2 to £2 10s. per month. The school term varies according to the working plan of the establishment. As a rule the pupils attend twice or three times, for a term of six months during the winter season.

The education, which differs greatly in the different schools, embraces both practical and theoretical instruction in cultivation of the soil, forestry, horticulture, artificial and natural manuring, treatment and measurement of land, cattle-feeding, management of dairies, butter-making by hand and machinery, arithmetic, "Slojd" (which means every branch of joinery and wood-cutting), manual labour, cooking and gymnastics.

Besides these branches of education there are lectures and lessons on history, geography, English, political economy, mathematics, book-keeping, &c.

The pupils, as a rule, reside at the schools during the whole term, however long or short it is.

In several of the establishments they have from one to two hundred pupils. In most cases the scholars keep up their relations with the "high schools" for life. Year after year they come to the annual meetings, when lectures are given on the topics of the day.

The leading rules for the high school education may be illustrated thus:—Honour physical labour, know your trade

thoroughly and mind it well, never neglect your intellectual development.

In several of these establishments the staff of teachers comprises men of great ability and profound knowledge of human nature.

5.—FREE TRADE IN AGRICULTURAL PRODUCE.

Every important economical and political question is interwoven with moral considerations, even if these are not brought forward in public discussion.

Arguments upon tariff duties are not exhausted by explanations founded solely upon figures. Honest convictions and conscientious principles ought to be the guiding motives in the framing of fiscal as in all other social reforms. Leaders and members of political parties are too often influenced by calculations based upon the multiplication table and the higher or lower number of favourably disposed electors.

In Denmark, as elsewhere, great efforts have on several occasions been made by statesmen and legislators in order to raise a movement in favour of protection. One of our former conservative cabinet ministers openly acknowledged the following view: "Protection is popular in the towns, Free Trade in the country. It stands to reason that the political party which has its chief support in the towns must favour the Protective movement." This declaration is very frank, but absolutely unsound and demoralising in its consequences.

All the tempting and enticing arguments usually held forth by the pioneers of tariff protection have also been hawked about from town to town and from house to house in Denmark, but the Danish farmers and labouring classes are not to be caught by specious arguments. Our popular high schools have the chief honour in the defeat of Protection. The Danish peasantry was too enlightened and the working people too well acquainted with the sufferings

of their badly paid comrades in the neighbouring protected countries, to fall into the Protectionist trap. In Denmark the truths of sound political economy have forced their way upwards from the people. The leading men of the Exchange and the University have, with a few honourable exceptions, remained wavering or entirely passive. Fortunately the greater part of the liberal Press has joined in the fight against Protection and done good service. The political situation in regard to the duty question can be summed up in few words: In Denmark, Free Trade is closely allied to political Liberalism. Protection has joined hands with political Toryism.

The reader will see by the above statements that the firmly rooted Free-Trade convictions of the Danish peasantry are supported by twenty years' practical experience under the open-door policy. But in the theoretical discussions upon the duty question in protected countries, causes and effects are frequently mixed up in such a perplexing manner that convictions are shaken and opinions changed for want of better knowledge.

Even liberal minded and otherwise well-informed people are sometimes found in the Protectionist camp, because a misguided feeling of patriotism has been cleverly enlisted in favour of protective measures. The legally enforced nationalisation of agricultural and industrial production and consumption will always appeal to muddled patriotic minds.

The comprehension of the Free-Trade system, on the contrary, requires clear brains, liberal minds, independent characters, and unprejudiced reflection. It is in those countries where the tillers of the soil are destitute of the advantages of education that the Protectionist system most easily takes root.

Even under the most difficult situations the Danish farmers shrug their shoulders when they are tempted by protective proposals. They have recourse to common sense, they judge for themselves and look for help in the

right direction. While the farmers of other continental countries, cultivating a richer soil under a more favourable sky, cry out eagerly for more protection whenever a chance is offered them, the chosen representatives for Danish agriculture have, time after time, voted for Free Trade with an overwhelming majority.

The preceding tables prove that Denmark's farmers have been able to master their difficulties successfully with doors wide open to all the competition of the world.

The moral considerations mentioned in the beginning of this part have not been forgotten by the Danes. A few years ago more than 30,000 Jutland farmers supported a Free-Trade resolution proposed by a well-known landed proprietor, Mr. Westenholz. This peasant declaration begins with the wise words :

"We Danish peasants do not want a duty upon grain or fodder, nor do we wish by artificial means to make food dear for our own countrymen."

In the midst of our present generation's sombre, egoistic tendencies, this declaration comes like a bright spark of humane light.

Occasionally the remark is made that Denmark's agriculture owes its vigorous growth to England's open market. But, considering that England has stood equally open to all Denmark's competitors, the fact is not to be denied that little Denmark's unprotected farmers have made better use of the chances in the English market than all Europe's protected agriculturists put together.

PROTECTION IN DENMARK.

The character of the Danish custom laws may be described in two lines :—

1. Free Trade in agricultural produce.
2. Protective duties on manufactured fabrics.

As far as agriculture is concerned the result of this double-faced tariff policy is seen by preceding tables. Commercial liberty has enabled Danish farmers to work under the most

favourable conditions. The other side of the picture is less encouraging. Protection has kept protected industry in perpetual need of artificial assistance.

There are also non-protected industries in Denmark, for instance, shipbuilding, tile and brick making, cement factories, jewellery, flour mills, &c. These branches have without exception done well. Protected industry, on the contrary, reminds us of the eagerly watching centenary with the feeding-bottle, whenever the question of the tariff is approached.

NEGLECTED TRUTHS.

Before entering upon details, it will, however, be best to call attention to some sadly neglected economical truths, which statesmen and legislators of our busy times are apt to forget.

A well-managed farm's accounts show how much each cow consumes and how much it yields. If the quantity of milk produced does not balance the cost of fodder eaten, the cow is separated from the rest and disposed of. Every cow of this description will, as long as it is kept, bring the farmer a steadily increasing loss.

A mercantile business with many departments controls the accounts of each separate branch in a similar manner. The details of the whole concern are carefully watched. Departments which, in spite of legitimate support, show a continual yearly loss are put down. An increase in the number of non-paying branches would not strengthen but weaken and undermine the business.

In like manner a shipowner keeps control over each of his vessels. Where the coal consumption of a steamer is so large that the freights earned do not cover the ship's expenses, the vessel is disposed of, even if no reproach can be raised against the captain and his crew. An increase in the number of such ships would not be a gain but a loss to the shipowner. Vessels of this description would increase the figures on the wrong side of his balance.

Admitting the fundamental correctness of these views, it is evident that the value and importance of a country's factories and industrial establishments cannot be measured solely by the number of the hands employed nor the quantity of goods produced. Regard must be taken to the final figures in the national balance sheet. Factories which, year after year, need continual assistance to cover their underbalance act, like the profit-swallowing cows and the money-losing ships, as sucking-pumps upon the public finances.

Whether the yearly assistance is paid directly in cash or indirectly under the guise of "Tariff-Protection" makes, rightly judged, no material difference. Industrial concerns which cannot be kept up without continual artificial support should not be booked as profit-producing but as profit-absorbing "assets" in a well-managed country's public accounts.

In learned circles much has been said for and against the advantages of inductive and deductive scientific proceedings.

The above statements are popular conclusions, arrived at by plain farmers accustomed quietly and soberly to confront the theoretical teachings of political economists with their own unprejudiced observations and practical experiences.

THE COST OF PROTECTION.

Let us illustrate the preceding remarks by some examples.

One of our Danish glass manufacturers, some years ago, complained of the crushing German competition and asked for additional tariff support. His arguments ran as follows :—

"I had offered a certain quantity of goods to one of my regular customers at a price of Kr.9,639. The same goods could, however, be imported from Germany for Kr.5,573. The Danish duty was Kr.3,190. To enable me to compete, the duty ought to have been at least Kr.876 higher. The great difference between the Danish and German prices shows that Germany has too easy access to the Danish market."

General conclusions should not be drawn from special cases without a thorough examination. But the reader will perceive that the interests of the consumer have no place whatever in the protected glass manufacturer's reasoning. He counts up the difference between the inland and foreign prices, and considers it as a matter of course that the protective duty should be high enough to secure him the inland sales.

This style of reasoning is not an exception but a rule, however eagerly the protected manufacturers refuse to acknowledge it.

Legislators making the suggestion to the above mentioned glass manufacturer: "Let us examine how much the cow eats and how much it yields," would, without doubt, be stigmatised as enemies of native industry, and their efforts to bring about a tariff reduction would be characterised as a danger to their country.

The following example is even more interesting.

A lately passed new Danish tariff law reduces the average specific duty upon textile fabrics by 8 to 9 per cent., or in round figures by about one-tenth. Free Traders were dissatisfied because they wanted ad valorem duties and lower rates. The manufacturers assembled in committee and made up a collective account with the following figures, published July 1, 1908, in our leading papers:—

"The reduction of the duties upon textile fabrics made in Denmark reduces our protection by a total of $2\frac{1}{4}$ million Kroners. We employ 11,500 hands."

Guided by these figures we arrive at the following conclusion. If one-tenth of the protection upon textile fabrics amounts to $2\frac{1}{4}$ mill. Kr., the whole ten-tenths must represent a sum of $22\frac{1}{2}$ mill. Kr.

The average yearly wages are Kr. 1,000 to 1,100 per hand, or about 12 mill. Kr. This leaves 8 to 10 mill. Kr. annual Protection beyond the entire amount of wages paid within this protected industry.

The manufacturers have always maintained that they have been unable to take full advantage of the protection, inland competition having reduced their selling prices. This is no doubt true. But as they have equally firmly declared that the proposed reduction of the duty by 10 per cent. would seriously hamper them, they must have gone very near the limit.

It transpires from these figures that the Danish people would, year after year, gain millions by stopping the mills, pensioning the whole staff of leaders, functionaries and hands for lifetime with their full salaries and letting a quantity of foreign textile goods, equal to the present production of the inland factories, pass through the custom house.

The expense for pensions would grow less each year and pass finally away with the present generation.

In large countries it is difficult to control the cost of Protection. In small countries the figures are more easily grasped and analysed.

We take a third example which illustrates the loss caused by Protection in an exceptionally clear manner.

The Danish duty on lace curtains is 2 Kroners per Kilo. (from January 1, 1909 reduced to $1\frac{1}{2}$). The annual inland consumption is about 200,000 Kilo. As long as all lace goods were imported, the State received a proportional yearly income from this source of indirect taxation; 200,000 Kilo. at a duty of 2 Kr. per. Kilo make Kr. 400,000 or £22,225.

Some years ago first one, and a little later a second, inland lace factory was started, and the foreign imports of this class of goods dwindled down to a fraction.

Each single loom produces yearly about 25,000 Kilo. lace goods, when the factory is worked at full time. The staff of hands employed is very small. A little lace mill with 3 to 4 looms only requires 25 to 30 hands at a yearly expense of Kr.20,000 to Kr.25,000 for wages.

The duty upon yarn, coal, bleaching materials, &c., is about 20 öre per Kilo.

The loss of public revenue caused by this protected industry is thus easily accounted for :

Duty upon 200,000 Kilo. foreign goods at Kr.2 per Kilo.	Kr.400,000
Duty upon 200,000 Kilo. yarn, &c., at 20 öre per Kilo.	Kr.40,000
Annual loss of State revenue	Kr.360,000

If the owners of the two factories made a corresponding profit, the money would be most unjustly distributed, but it would not be lost. In the present case most of it is wasted in the shape of unsound local expenses and bad political economy. One large and well-conducted lace factory would suffice to cover the entire consumption of lace curtains in Denmark, Norway and Sweden. Tempted by Protection, six Scandinavian factories have been started and more will follow. Syndicates take care that inland competition does not enforce low selling prices.

Thus the Protectionist waste of wealth is legalised and perpetuated. Millions made by Protectionists are annually spent in new agitations and the credulity of the public is sometimes worked upon in a most startling manner.

PROTECTIONISTS AT WORK.

In Denmark as elsewhere tariff discussions have for many years been carried on by men of the opposite camps. The late revision of our old custom law gave rise to a new fight. Protectionist pamphlets with enticing illustrations were printed in countless numbers and spread over the country.

One of these leaflets marked, "Fourth edition 70,000 copies," had the following engraving printed on the title page :—



The reader will understand that the innocent youth in the centre represents little Denmark fighting courageously but hopelessly against foreign competition. The angry warriors with the clubs and swords are Germany (220 mill.), England, France, &c., trying to crush and annihilate Danish industry. Many patriotic words have been spoken and many disconsolate sighs have been heaved against heartless Free Traders, who could not or would not understand that Protected industry means work and wealth for the nation, and bread and wages for the unemployed.

Yet every one of the leaflets mentioned is filled with facts and figures showing the *low wages* and the *long working hours* in neighbouring countries which for many years have enjoyed the eagerly sought-for blessings of Tariff Protection.

Look at the illustration, sceptical reader, and do not smile at the naïveté of the Danes. Glance about in your own country, and you will find the same ideas of foreign competition deeply rooted in the hearts and homes of millions of your own people.

Here we go fancying that general enlightenment is fast progressing. And right in the midst of the living, busy, work-a-day world we meet, face to face, striking evidence of such barbaric ignorance concerning the mechanism of the world's commerce that imagination transplants us into the regions of uneducated African bushmen.

Foreign nations selling goods to Denmark are represented as destructive enemies, who with drawn swords and raised clubs flock together to crush and ruin our country's industry.

By this time sensible people ought to understand that foreign bales and cases of goods do not pass our boundaries against our desire, like cannon balls shot into our country from hostile quarters. Every parcel of imported foreign goods has, on the contrary, been bought by free Danish-men after well-considered choice between home and foreign offers.

Yet hardly a single voice from the Protectionist camp is ever raised in protest against this mad mixing up of a country's military defence with protected manufacturers' less patriotic attempts to defend and promote their private and class interest at the expense of their own people. What the Protectionists really aim at is simply the opportunity for making additional profits which the tariff walls afford them. And in order to gain this advantage they try to put tariff chains round the legs of their own countrymen.

Protection prevents inland merchants and consumers from buying their goods where they themselves think they can get them best and cheapest.

Of course, it is not right deliberately to accuse men of bad intentions who work from an honest conviction for what they consider a good end. Even the staunchest Free Trader must admit that there are right-minded Protectionists in every country. At the same time it is not only right, but a moral duty to expose political errors, even if it wounds individuals and classes who in good faith mistake their own interests for those of their country.

PROTECTIONIST LOGIC.

The disclosure of a startling discovery set forth in a pamphlet by one of the leading Danish Protectionists runs as follows :—

Let us imagine that our nation spends 10 mill. Kr. on some absolutely necessary article—for example, flour. There we have an expenditure that is entirely unavoidable; but the money can be spent in two different manners, either by buying Danish flour ground from Danish wheat or by importing flour of foreign make. Where is the difference between these two methods of providing the necessary article?

If we buy flour from abroad, it means that we have to book *a national expenditure of 10 mill. Kroner*. But if we buy Danish flour, two things will happen. In the first place, we escape the national expenditure, and in the second we gain through our Danish corn-growers and millers *a national income of 10 mill. Kroner*.

In the first instance a foreign population would earn the sum ; in the second, our own Danish farmers and millers would gain it for their nation.

Our national balance thus rises from minus 10 mill. to plus 10 mill. Kroner, which is a total advance of 20 mill. Kroner. Thus the final result we arrive at is—a gain of *double the amount we spend for our flour*. (The accentuated parts are printed in italics in the original.)

The inventor of this surprising theory is not an ignorant man, but a respected citizen, who has passed his degrees at the Copenhagen University and whom the Danish Protectionists consider very clever.

A Free Trader who was asked to solve the riddle gave the following answer :—

If we take 10 mill. Danish Kroner and throw them into the ocean where it is deepest, how great is the nation's loss we have to book ! Sober-minded people will agree that our loss amounts to 10 mill. Kr., neither more nor less. But if we, instead of drowning the money, buy foreign flour for our 10 mill. Kr., we surely must be very poor men of business if our loss is not somewhat less than if we pour our gold into the sea.

This explanation was accepted as final and indisputable by our agriculturists, but many members of the Protectionist camp, amongst them leading politicians, are still firmly convinced of the truth of the double loss.

This is not so much to be wondered at. According to Protectionist theories the country would also gain 10 mill. Kr. worth of money by throwing the flour into the ocean if it were bought abroad. The foreign imports would be reduced by 10 mill. Kr. The " Balance of Trade " would be improved to the same extent.

Examining Protectionist arguments of the description here analysed, one is repeatedly reminded of Thomas Moore's famous words in " The Veiled Prophet " :—

Believers of incredible creeds, ye think to rise
By nonsense heaped on nonsense to the skies.

DANISH WAGES.

Danish wages approach the general scale of English wages, which, according to the Board of Trade statistics, are the highest in Europe.

Many branches of Danish industry are protected, whereas Free Trade reigns in England. "Consequently," people argue, "neither Protection nor Free Trade affect the rate of wages as prime factors. Trade unions force wages up without regard to systems of taxation."

This reasoning is superficial and misleading. It is easy to prove that the comparatively high wages in England and Denmark to a great extent are due to Free Trade.

In both these countries *agricultural products* are free from taxes. The first necessities of life are not artificially enhanced in price. For this reason Danish and English skilled and unskilled labourers can afford to pay weekly contributions to their co-operative unions. These are thus enabled to calculate upon regular and increasing pecuniary support from their members. And when strikes are declared, the working men's wealthy organisations are prepared to face the consequences. Knowing this, employers listen to reasonable claims and meet them if they can.

In other countries where the prime necessities of life, as bread, grain, flour, potatoes, meat, butter, bacon, eggs, fish, &c., are highly taxed, the working classes are frequently kept so near starvation that they cannot afford to support their press and their organisations.

The scantily paid father of a family, who knows that contributions to his union mean want of bread at home, will buy the bread and starve his organisations. These are poor, and, therefore, unable to withstand the pecuniary pressure of prolonged strikes. Employers knowing this are difficult to deal with. Strikes are lost time after time. The rate of wages is kept down to a low level and the working population is mentally and bodily tired out by long working hours.

Many causes are at work in the framing of the rate

of wages, but an examination which leaves the cardinal point here touched upon out of sight misses the gist of the question.

It follows from the foregoing remarks that comparisons between the level of wages in different countries are closely connected with the question of the custom laws.

When the prices of agricultural products are raised by protective duties, the wages lose a part of their buying power. The level of wages ought, therefore, to be raised in proportion to the taxes, otherwise the wage-earners' standard of life will be lowered. These considerations should be kept in mind when the following scale of Copenhagen wages is examined. In Denmark, as in England, agricultural products are placed on the free list.

The figures are extracted from official tables worked out by the Copenhagen Bureau of Statistics, which is under the efficient management of Mr. Cordt Trap. Most of the other tables are compiled from statements published by Denmark's official Bureau of Statistics conducted by Mr. Michael Koefoed. Both these leading men are political economists of the Liberal school.

UNPROTECTED TRADES.				Kr.
Bakers	.	.	Weekly contract wages	25-30
Bookbinders	.	.	„ „ „	25-30
Printers	.	.	„ „ „	30
Paviors	.	.	„ „ „	35
Stokers	.	.	„ „ „	25-30
Machine workers.	.	.	„ „ „	25-30
Gardeners	.	.	„ „ „	25
Glaziers	.	.	„ „ „	30
Glaziers	.	.	Ordinary weekly wage	20-24
Goldsmiths	.	.	Weekly contract wages	24-25
Silversmiths	.	.	„ „ „	27
Harbour workmen	.	.	„ „ „	25-32
Electricians	.	.	„ „ „	32-34
House painters	.	.	„ „ „	30
Masons	.	.	„ „ „	35

		Kr.
Millers	Weekly contract wages	24
Butchers	Ordinary weekly wages	25
Building joiners	Weekly contract wages	30
Ship joiners	" " "	29-32
House carpenters	Daily wages	6
Ship carpenters	Weekly contract wages	35
Upholsterers	" " "	32
Telephone workers	" " "	30
Brickmakers	" " "	25-26

PROTECTED TRADES.

Plumbers	Weekly contract wages	30
Coopers	" " "	25-30
Glovesmakers	" " "	24-25
Hatmakers	" " "	26-27
Blacksmiths	" " "	32
Machine workers	" " "	34
Foundry workmen	" " "	32
Metal workers	" " "	30
Basket makers	" " "	20-22
Sadlers	" " "	25-26
Sailmakers	" " "	25-30
Shoemakers	" " "	20-25
Tailors	" " "	24-27
Furniture makers	" " "	30-34

A special examination of wages in two Danish cotton factories, one in Copenhagen and one in a provincial town, gave the result that female weavers earned Kr. 15 to Kr. 20, and male weavers Kr. 18 to Kr. 25 per week.

All the above figures are, of course, given with the usual reservation that in each trade there are great differences between day wages, weekly wages, and contracts for piece-work, &c. There are also variations in the height of the wages and the regularity of the work at different times of the year. Masons and carpenters, for example, can earn weekly wages from Kr. 45 to Kr. 70 during the summer months. But in the winter the work upon buildings is frequently stopped by frost.

THE EXPORT PROBLEM.

Three of the world's greatest nations, Germany, France, and the United States have for many years followed a policy of deeply rooted and scientifically developed Protection.

Foreign competition has been hampered or excluded, and new inland factories have sprung up like mushrooms after every increase of the tariff.

In the United States 8 months' industrial home production will, according to the information contained in Mr. Franklin Pierce's excellent work, "The Tariff and the Trusts," in many branches cover 12 months' inland consumption.

A rapidly growing, urgent demand for new markets is one of the most serious American problems of the present time. Germany and France are facing similar difficulties, and a commercial steeplechase has been started in every part of the globe where solvent customers are willing to buy other nations' surplus productions. Mills must be kept going. Stocks are mounting. Outlets must be found.

With this object in view, increasing numbers of commercial treaties, framed upon the principles of reciprocity, are passed by busy parliaments. Before entering into negotiations each of the contracting parties takes care to raise the home tariff, in order to have something to deduct from. Mutual concessions are thus made easier. But the barriers are not brought down to a lower level under this system, which may be termed "the haggling reciprocity." On the contrary, the tariff walls grow higher. And after many efforts and many more or less successful negotiations between the great Powers, exports have at last been reached which for the year 1905 show the following figures per head of the respective populations :—

The United States	. . . . .	Kr. 69
Germany	. . . . .	Kr. 84
France	. . . . .	Kr. 87
Denmark	. . . . .	Kr. 156

These figures show the export of domestic produce. The transit trade is not included.

Unprejudiced investigators can draw a useful lesson from this little table. While the diplomatists of great States have fought their tariff wars and worked their brains to increase and push the export trade of their countries, peaceful Danish farmers have diligently made use of the advantages derived from Free Trade and co-operation. Denmark has not been ruined by the falling prices in the open market, as was prophesied 20 years ago by worrying Protectionists. The antiquated "Manchester doctrines" have, on the contrary, proved an uncommonly sound medicine for passing diseases, brought on from time to time by foreign competition.

THE NEW DANISH TARIFF.

Previous to the present revision, the Danish tariff has practically remained unchanged since 1863.

Many attempts have been made to alter it, but political controversies, revenue considerations, and various other causes have prevented a final understanding between the upper and lower houses of Parliament. The majority of the Danish electors have always voted in favour of Free Trade. A resolution passed by the united Jutland agricultural societies under the presidency of one of our leading landed proprietors, Mr. Carl Bech, of Engelsholm, runs as follows :—

In consideration of the facts :—

- (1) That our most important market, England, grants the duty-free admission of all our agricultural products ;
- (2) That Danish industry has every qualification for thriving entirely without, or with only a slight protection, if its raw materials are placed on the free list ;
- (3) That it is unjustifiable to burden the country's chief source of production, agriculture, with heavy protective taxes, which at best can only benefit the few ;

We hereby declare :—

- (1) That duty upon farm outfit and implements, machines, coal, iron, and other raw materials ought to be abolished.
- (2) That duty upon industrial products, if it cannot be

entirely done away with, should be lowered to 5 per cent., or at the utmost 10 per cent. ad valorem.

(3) That no new taxes ought to be put on necessary articles of consumption which hitherto have been free.

Similar views have repeatedly been expressed by the chosen representatives of the organised Danish labour party in both houses of Parliament. The factory hands are aware of the fact that Protection enables employers to raise the selling prices of their goods, but that no protective wall prevents foreign workers from crossing the boundaries of the protected country and competing with the wage-earners inside the tariff barriers.

Various Conservative Danish Governments have resisted the Free Trade claims. But some years ago the present Liberal Government came into power, and great expectations were, in Free Trade quarters, connected with this political change.

The chief characteristics of the new tariff passed by the Liberal Government can be summed up as follows :—

Free admission of petroleum, coal, and of raw and roughly manufactured iron, tin, copper, and brass. Lower duties upon coffee, rice, salt, sago, preserved fruits, confectionery, various kinds of oil, paraffin candles, paper, indigo and other dyeing stuffs, wood and timber, various kinds of chemicals, agricultural and other machines, various metal wares, &c.

The protection upon textile fabrics which compete with the produce of inland factories has been slightly reduced. Goods which are not made in Denmark show greater reduction.

Woven woollen and worsted goods paid an all-round duty of 133 öre in the old tariff. In the new Bill the lighter goods are charged with 130 öre, the heavier with 120 öre. This insignificant reduction on the most important class of textile fabrics has seriously disappointed Free Traders, all the more so because the duty upon many kinds of ready-made clothing, cloaks, costumes, hats, caps, &c., has been raised.

Increased protection has also been given to manufac-

turers of various kinds of cutlery, cycles, rubber tyres, chocolate, boots and shoes, gloves, &c.

The existing duty of 2 to 3 per cent. ad valorem upon sailing vessels and steamers has been removed.

Higher duties are laid upon tobacco, wine, spirits, dried and fresh fruit, &c.

Agricultural products remain free as before. Judged as a whole, the revision may be termed a step in the right direction. But Free Traders are disappointed because the Liberal Government has withdrawn several of the principal Free Trade claims which its leading men supported while they stood in opposition.

The most important of these relinquished claims are :—

(1) Ad valorem duties upon manufactured goods.

(2) No new or increased protection.

(3) Gradual reduction and final abolition of all protective duties.

(4) Shortening of the tariff.

So far from being reduced, the number of headings, which was 271 in the old tariff, has been increased to 301 in the new.

Manufacturers are satisfied with the new tariff. Free Traders are not. After 40 years' Free Trade struggles we had expected a more clearly pronounced and thorough-going Free Trade revision. Years ago two successive Conservative Governments advocated, or at least gave their consent to, more liberal tariff laws than the one now passed by the Liberal Danish Government.

One of the chief causes for this poor result is the late financial crisis, the effects of which were very severely felt in Copenhagen. The Protectionist party cleverly made use of the temporary depression in order to frighten the Liberals. Yet it stands to reason that a rapidly passing, temporary depression ought not to influence the shaping of a Bill which regulates the most important financial question of a country for a long period.

A new tariff revision is fixed for 1916.

THE WORKING MAN'S PRAYER.

The whole human race is one family. Free Trade, peace, and co-operation are the watchwords of humanity in its fairest form and its highest flight.

Free Trade creates and strengthens a universal feeling of good fellowship. Protection is, even in its loftiest reasoning and at its highest pitch, a cleverly disguised lever for private and class interests, a war-clad representative for local and national egoism.

Free Trade, carried to its greatest extent, is in conformity with every individual's own choice of action. We all desire to buy our goods where we get them cheapest, and to sell them where they are best paid. Protection leads to a continual fight with the liberal work of centuries in the cause of humanity, progress, and freedom.

What each broad-minded individual considers right, honest, and just for himself cannot be wrong because a number of individuals join together and form a community. A truth is not transformed into a lie because it is multiplied by 1,000. A lie does not change character and become truth because 999 voices out of 1,000 vote for the change.

All complaints of foreign nations' selfish want of consideration, all the present-day compulsory custom laws, with their hindering or prohibitive import duties, export premiums, dumping tactics, double-tariffs, dominating syndicates, threatening giant trusts and countervailing duties, are each and all fruits of Protection. Free Trade has never disturbed the peace of the world.

The liberal economy of the "Manchester school," with its firmly rooted humane principles, stretches its noble crown like a mighty oak far above the Protectionist thicket of dwarfed thorns. No labyrinth ever invented has had so many embarrassing turnings and twistings as a scientifically constructed custom law of the present day. Countries with cold, moderate, or tropical climates are equally clever in framing these protective tariffs.

One of Italy's highly respected political economists, M. Edoardo Giretti, has, in a series of pamphlets, unveiled the ruinous effects of the Protectionist system in Italy. Millions of poor Italian labourers emigrate to foreign parts of the world, sighing deeply when they leave their beautiful country, so richly endowed by nature. Yet wages are so low, duties and taxes so high, that they are forced to emigrate in ever-increasing numbers.

Is it to be wondered at that the working classes in many of the Protected countries include these pious words in their evening prayer :

“ Lord, protect us against ‘ Protection ’ ” !

IDEALISM.

Pounds, shillings and pence, and tables with correct figures are valuable allies in the fiscal controversy. But loftier views and purer motives should be brought to bear upon the people in creating public opinion.

Wherever men meet, who by principle and conviction are Free Traders, they should join hands and try, each in his circle, to inspire the best elements of their nation with the humane spirit and the true nobility of the Free-Trade policy.

When the Protectionist wants to say something very disparaging of the past or present advocates of Free Trade, he folds his hands piously, casts his eyes alternately up to heaven and down upon his iron safe, and sums up his criticism in the one crushing word “ Idealists.”

But what would life be without idealism ? The bright-eyed youth, who sallies forth into the world under the banner of idealism and holds it firmly aloft through the battle of life, will never grow old or cold. Even if the brow becomes furrowed and the hair turns grey the heart will keep warm to the last.

Whenever the idealist is seized by melancholy it is brought on by grief over the shortness of life. He would

like to live another hundred years. Not to rest or sleep, not to build up a fortune, not even to gain worldly rank or power, but to take his part in the fight for all life's brightest visions.

Let us teach the rising generation to reason freely, without social and political prejudice, and not to creep like cowards behind protective Tariff walls. Let us educate our sons to work with a good will, to act frankly and honestly, and lift their heads proudly, irrespective of rank, state, and fortune.

“Conquer the world with a smile on your face,” is a golden rule for the young.

Protection is in political economy a bucketful of dull brains, dead thoughts, and foggy theories.

Free Trade leads forward to a better and brighter existence for the thousand homes where sunshine too often is wanted.

CONCLUSION.

At the present time so many new and important schemes for social reform are set forth and discussed that people get tired of listening to the old controversies between Free Traders and Protectionists.

Yet few questions in the realms of political economy are so closely and directly connected with the distribution of wealth and the proper employment of human labour as the custom laws. Millions are expended on the development and improvement of the means of communication. There is everywhere a growing demand for facilitating mutual intercourse and drawing the different parts of the globe nearer together. Every new discovery which reduces the cost and time of transport and shortens distances is hailed as a victorious evidence of progressive human skill and looked upon as a boon by the human race.

At the same time clever statesmen are ever busy inventing diplomatic means by which the natural consequences arising from the improved communication, *cheaper prices*

of home and foreign produce, may be wholly or partly counterbalanced. }

Some time ago an energetic Danish Cabinet Minister proposed the building of a new, large steam-ferry for the increasing traffic between Denmark and Sweden. The ferry-boat was built and there were great rejoicings on both sides of the "Sound" when the first full trains with goods and passengers were ferried over from coast to coast.

A year or two later the same Cabinet Minister proposed to raise the Danish duty upon wood and timber, which chiefly comes from Sweden. "The owners of our Danish forests complain of the reduction in the timber prices, resulting from the cheapened transport," was the frank explanation given by the Minister.

Many other statesmen are knowingly or unknowingly following the same illogical system of reasoning.

All the Protected states strive, at great sacrifice, to increase and promote their exports. Every step their industry advances in foreign markets gives joyful satisfaction. At the same time the leading politicians of these pushing states preach the doctrine that the importation of cheap foreign goods must be looked upon as a ruinous national calamity.

If there were any solid foundation or true logic at the bottom of this theory of ruin, resulting from the free exchange of goods, the commerce of the world would ere long be doomed to bankruptcy.

If the importation of foreign goods is a misfortune, how can honest statesmen take the responsibility of deliberately bringing such disaster upon other nations by forcing their export trade upon them? }

Unfortunately, honest statesmen are not always enlightened statesmen. A politician has to pass three grades of development before he ripens into a well qualified legislator :

(1) He must know the local interests of his constituents.

(2) He must acquire an unprejudiced understanding of the national interests of his country.

(3) He must be able to free himself from narrow-minded local and national influences, and learn to think and act as a citizen of the world.

Only those legislators who pass the third degree fathom the truth that the whole human race has common interests. To promote these in the best manner has at all times been the aim of right-minded statesmen's highest ambition.

The attacks of the Protectionists on the "Manchester School" call forth, in the mind's eye, the noble images of Richard Cobden, John Bright, and Robert Peel, with their brave comrades. And the question involuntarily arises: Has the world ever seen one single Protectionist statesman who can be compared to these men, with their purity of character, clear-mindedness, and warm love for humanity? They were English patriots in the best sense of the word, but they were at the same time citizens of the world. They gazed, with unprejudiced eyes, far out beyond the limited sphere of their own country's, their own people's interests. They preached and acted in accordance with their own convictions of what was for the benefit of not only England, but all nations. Therefore, Gladstone's words found an echo all over the globe, when he proclaimed, after Cobden's death: "I do not know a single personality in history, whose public life was more noble, more praiseworthy, than that of Richard Cobden!"

M. JULES LECOCO submitted the following paper:—

THE report which we have the honour to present to you sets forth, as briefly as possible, both the history of the policy of Belgium, in the matter of tariffs, and the effects of that policy on the development of its trade.

From 1815 to 1830, Belgium, united to Holland, experienced an era of prosperity, due, in a large measure, to the generous system of customs tariffs; as a general rule,

the maximum rate of import and export dues on articles directly connected with the products of native industry was 6 per cent., while for other articles it was 3 per cent.

In 1830, when Belgium was formed into an independent State, altered circumstances involved certain changes; dues were decreased, especially those on raw sugar, cattle, madder and smoked and dried fish. Other dues were increased, such as those on the products of the foreign metal industries (iron, tin, steel, and machinery).

During the period from 1830 to 1842, Belgium did not make any important change in her customs legislation. The home metal industry continued to be protected; and in 1834 a somewhat restricted concession was granted by the conditional exemption from customs dues of new and perfected trade machinery and apparatus. In like manner, the native industries of linen, hemp and yarn making were protected in 1834; and in 1838 this Protection was further extended to several other articles, such as hosiery, cloth, linen, woollen and cotton threads, woollen and silk tissues, ticking and cambric, and also glass and wine. In 1834, too, the import, export and transit trade in cereals was regulated in a protectionist sense; the system of the sliding scale was introduced in Belgium, that is to say, the dues were based on the rise or fall in the market quotations. Imported cattle were also taxed to a greater extent. But Free Trade gained a victory over the question of transit, for it was realised that the heavy transit dues formed a serious obstacle to the maritime and industrial interests of the country. So in 1836, those dues were considerably reduced and fixed at 15 centimes per 100 francs of value and at 20 centimes per 100 kilogrammes or per hectolitre, according as the goods were taxed on value, weight or measure by the customs tariff.

The results were soon apparent, and in 1842 a still more generous modification was made in our tariffs on imports and on goods in direct or bonded transit. Not only were the formalities made easier to the extent of almost entirely

disappearing, but in the case of goods carried by railway all dues were abolished. The following table will give an idea of the impetus given to the transit trade by this liberal measure :—

The average of the years from 1837 to 1841 had been 40,192,977 francs.

In 1842	the transit trade	amounted to	59,729,426	francs.
1843	„	„	65,696,000	„
1844	„	„	108,956,000	„
1845	„	„	124,930,000	„
1846	„	„	115,801,000	„

This gives an average of 95,022,000 francs yearly.

In 1847 the transit trade amounted to 143,593,000 francs.

1848	„	„	115,806,000	„
1849	„	„	227,414,000	„
1850	„	„	206,469,000	„
1851	„	„	204,922,000	„

This gives a yearly average of 179,641,000 francs.

In 1907 the amount was 2,343,000,000 francs.

From 1842 to 1847, the protectionist movement is clearly marked ; dues were strengthened on fish, linen and woollen tissues and threads, silk, chemicals, machinery and castings. An effort was even made to increase the dues on cereals, but the food crisis from which our people began to suffer checked such diametrically opposite measures. Free entry was granted to cereals, but prohibition was imposed on the export of buckwheat, potatoes, wheat, peas, bread, &c. A few years later cereals were also taxed with an import duty.

It was during this period, in 1844, that the system of “ differential dues ” was established in Belgium. The objects of this system of Protection were :—

(1) To encourage direct commercial relations with Trans-Atlantic countries, the coasts of the Mediterranean and the Levant.

(2) To develop the export trade to those countries.

(3) To open up a market in Belgium for foreign produce and goods.

(4) To lay down efficient bases of customs and com-

mercial concessions, to be subsequently utilised by the Government for the negotiation of treaties of commerce with certain countries.

Under this law, the various articles which fed or which were destined to feed the Belgian maritime trade were subjected to different dues, according to :—

- (a) The country of origin of the goods.
- (b) The country whence they were exported.
- (c) The flag of the carrying vessel.
- (d) Direct transport, or with intermediate ports of call

To safeguard the development of our merchant marine, the rates were so modified that goods carried on Belgian vessels were favoured by a substantial Protection.

Certain modifications lessened the effects of this unusually complicated law, especially those introduced by treaties of commerce. In this connection, we may be allowed to say a word respecting *special tariffs*, introduced between 1830 and 1847 by means of international conventions of commerce and navigation.

In this summary, we cannot analyse every treaty. Suffice it to say that the treaties concluded by Belgium with foreign countries may be divided into two principal classes ; the first places foreign flags on the same footing as Belgian, and only deals with tariffs in a general manner, without introducing any special reduction of dues ; while the second sanctions specific reductions of the tariff in certain clearly defined cases (treaties with France, the Zollverein, the Netherlands, the Two Sicilies).

By 1847, the Protectionist tariff rate had reached extraordinary proportions. Here are a few samples :—

- Furniture, up to 20 per cent.
- Flax thread, up to 36 per cent
- Linen, up to 58 per cent.
- Woollen tissues, up to 24 per cent.
- Cotton thread, up to 38 per cent.
- Iron, up to 84 per cent.
- Chemicals, up to 100 per cent.
- Machinery, up to 32 per cent.
- Ordinary glass and cut-glass, up to 83 per cent

It is interesting, in view of these circumstances to notice the commercial position of Belgium at this time.

The following table shows that the protectionist system brought about a partial stagnation in our trade. The yearly average from 1837 to 1841 was 342,800,000 francs, that from 1842 to 1846 was 385,800,000, which, as an increase, is practically negligible.

TABLE A.
COMMERCIAL STATISTICS FROM 1842 TO 1847.
(In thousands of francs.)

	Average. 1837- 1841	1842.	1843.	1844.	1845.	1846.	1847.
Commerce special*							
Importations ..	199,200	229,000	211,600	197,700	231,100	217,600	232,500
Exportations ..	143,600	142,200	156,400	174,600	184,700	183,900	205,800
Total	342,800	371,200	368,000	372,300	415,800	401,500	438,300

* Special commerce includes imports and exports, but excludes goods in transit.

A new era dawned in 1847, when Liberal opinion took the lead in the affairs of the country.

The customs tariff was improved between 1847 and 1860, during which period the export, import, and transit dues were considerably simplified and reduced.

The four great reforms accomplished in that time were :

(1) The permanent tariffing of foods. These were henceforth only subjected to a small tax, which substantially benefited our people, who were suffering from the crisis.

(2) The taxes were taken off raw materials. This was done gradually and concurrently with the abolition of the differential privileges, which had had an unfavourable influence on the trade of Belgium.

(3) Abolition of the export dues on all goods except about ten.

(4) Exemption of goods in transit.

The law of 1849, which simplified the still existing formalities, rendered our *régime* for goods in transit the most liberal of that, as well as of the present, time. In

1857, a new general tariffing was decreed, and this formed the basis of Belgian commercial policy abroad. The Government also introduced a generous application of that part of the law dealing with bonded warehouses. By this action, the Government temporarily exempted from the payment of the import tax certain goods which were to be worked or finished in the country and then re-exported.

The results of this liberal policy were soon apparent. The subjoined table is especially significant if compared with the preceding one. The increase in the export trade, resulting from the abolition of the export dues, is worthy of special attention.

TABLE B
COMMERCIAL STATISTICS FROM 1848 TO 1853.
(In thousands of francs).

	Average. 1842- 1846	1848.	1849.	1850.	1851.	1852.	1853.
Commerce special							
Importations ..	217,400	222,600	225,800	236,500	241,100	286,000	286,800
Exportations..	168,400	182,100	234,300	263,700	253,800	287,000	354,200
Total	385,800	404,700	460,100	500,200	494,900	573,000	641,000

Free Trade ideas were energetically defended in the Press, at public meetings, and in the legislative assembly. The exemption of raw materials from import dues involved a considerable reduction of the taxes on manufactured goods. This reduction was commenced in 1861 and was carried out, at any rate in its essential features, by means of a series of treaties of commerce.

The Belgian Government hastened to take advantage of the treaty which had been signed between England and France on January 23, 1860. This treaty indicated a decisive step on the part of France towards a more liberal policy; her markets were thrown open to foreign competition.

England as well declared herself an ardent Free Trader. The tariff which she adopted as the basis of her transactions with France was further granted to all foreign countries

without any stipulation for a special treaty with them or for reciprocal treatment. And here let me pay a tribute to the memory of Richard Cobden, the eminent negotiator of that treaty, who, by a clear and intelligent grasp of the commercial policy necessary under the circumstances, was able to lead his country to such a proud position among the nations.

On May 13, 1861, the Franco-Belgian treaty was signed; but the reform introduced by that important document into the Belgian customs tariff was not meant to remain an isolated one; the Government aimed at generalising the application of the concessions made to France.

Several taxes were reduced to an appreciable extent: such as those on coal, rough castings, and unworked steel; flax, hemp, jute, cotton, and woollen threads. Alterations were made in the tariff affecting glass and pottery; bricks and tiles were exempted from import dues. Uniform rates were applied to woollen and linen tissues, and salt was allowed to be imported. Finally, a clause was inserted providing that each of the contracting parties should benefit by any subsequent reductions granted to any third Power.

The following table reveals the beneficial results of this treaty:—

TABLE C.
INTERNATIONAL COMMERCE.
FRANCE-BELGIUM.
SPECIAL COMMERCE (in thousands of francs).

	1856.	1857.	1858.	1859.	1860.	1861.
Importations from France to Belgium	73,492	76,053	105,698	110,481	109,572	97,098
Exportations from Belgium to France ..	146,467	157,629	138,585	149,953	161,750	174,163
Total	219,959	233,682	244,283	260,434	271,322	271,261
	1862.	1863.	1864.	1865.	1866.	
Importations from France to Belgium .. .	139,207	150,402	178,522	203,371	196,565	
Exportations from Belgium to France .	178,834	187,465	216,850	239,220	265,381	
Total .. .	318,041	337,867	395,372	442,591	461,946	

The general rise in trade and the increase in the population of the two countries during these 11 years must not, of course, be lost sight of. At the same time these elements certainly did not increase in the same proportion as the commercial exchanges between the two countries.

A treaty of commerce and navigation was concluded with Great Britain in 1862. Then came a similar treaty with the Netherlands in 1863. Then came treaties with Prussia and the other States of the Zollverein in 1863 and 1865. These are only the most important of the treaties of that time; for from 1861 to 1864 we find some fifteen treaties which confine themselves almost exclusively to a reciprocal stipulation of the treatment of the most favoured nation.

Every foreign country having successively secured the benefits arising from the Franco-Belgian treaty, there was nothing to prevent a general tariff replacing the conventional tariff inscribed in the respective treaties. This object was attained by the law of August 14, 1865, which thus closes an important period of the history of Belgium's commercial *régime*.

Up till 1875 the forward movement was especially noticeable in the direction of a fuller liberty in international exchanges. We may here mention the law of January 3, 1873, which abolished the import dues on food-stuffs, cattle, meat, butter, grain, flour, starch, pastes, rice, cheese, preserved meat, fish and vegetables (not being pickled in spirit, sugar, or vinegar).

The statistics of imports and exports for this period show that if the Belgian consumers benefited largely by the reduction of the customs dues on imports, Belgian producers gained quite as much by the impetus which the reduction of the customs tariff on exports caused in national industries.

Before dealing with the commercial history of the period between 1861 and 1875, let us draw a comparison between the two extreme years, namely, 1831 and 1875 :—

TABLE D.

(Values expressed in millions and hundreds of thousands of francs.)

	1831.	1875.	Increase.
Imports—			
General commerce	98	2,318 8	2,666 p.c.
Special commerce	90	1,307 1	1,392 „
Exports—			
General commerce	104 6	2,107 6	1,915 „
Special commerce	96 6	1,101 8	1,041 „
Imports and exports combined—			
General commerce	202 6	4,426 4	2,085 „
Special commerce	186 6	2,408 9	1,192 „

TABLE E.

SPECIAL COMMERCE.

Years.	Imports, total values.	Exports, total values.	Imports and exports combined.	Surplus value of imports.
	frs.	frs.	frs.	frs.
1861	556,789,000	453,643,000	1,010,402,000	103,146,000
1862	588,754,000	502,120,000	1,090,874,000	86,634,000
1863	616,343,000	533,657,000	1,150,000,000	82,686,000
1864	688,878,000	596,893,000	1,285,771,000	91,985,000
1865	756,420,000	601,652,000	1,358,072,000	154,768,000
1866	747,352,000	643,195,000	1,390,547,000	104,157,000
1867	775,240,000	597,310,000	1,372,550,000	177,930,000
1868	864,393,000	656,579,000	1,520,972,000	207,814,000
1869	903,621,000	691,556,000	1,595,177,000	212,065,000
1870	920,762,000	690,139,000	1,610,901,000	230,623,000
Average—1861 to 1870	741,855,200	596,671,400	1,338,526,600	145,183,800
Average—1851 to 1860	378,934,000	350,657,000	729,591,000	28,277,000
Surplus	362,921,200	246,014,400	608,935,600	116,906,800
1871	1,276,977,000	888,659,000	2,165,636,000	388,318,000
1872	1,277,933,000	1,051,133,000	2,329,066,000	226,800,000
1873	1,422,725,000	1,158,577,000	2,581,302,000	264,148,000
1874	1,292,463,000	1,114,640,000	2,407,103,000	177,823,000
1875	1,307,109,000	1,101,764,000	2,408,873,000	205,345,000
Average—1871 to 1875	1,315,441,400	1,062,954,600	2,378,396,000	252,486,000

Increase of the period 1861 to 1870 over the preceding (1851 to 1860).
 Importations, 96 per cent.; exportations, 70 per cent.; exportations
 and importations combined, 83 per cent.

For this period the decennial census of the population shows the following increases :—

Period.	Increase.	Proportion per cent.
1846 to 1856	192,364	4.44
1856 to 1866	298,273	6.50
1866 to 1876	508,352	10.53

It may, then, be safely affirmed that the remarkable rise and progress in industrial and agricultural activity during this period were in a large measure due to that spirit of freedom which formed the basis of our commercial policy.

Between 1875 and 1895 the *régime* did not undergo any essential changes comparable to those of the period previously dealt with.

The Franco-Belgian treaty of 1861 was replaced by that of 1881. Although France, in a spirit of protectionism, increased her import dues, Belgium abided by the reductions she had made in 1861, thus remaining faithful to the principles of Free Trade. In this way, Belgium was able to mitigate the severity of the French tariff to an appreciable extent (as was the case for marble, Ecaussinnes stone, leather, hides, thread and tissues).

The treaty was renounced in 1891, on its expiry, and was not renewed. At present, as a matter of fact, Belgium is, in regard to France, on the footing of the most favoured nation.

In 1891 the treaty with Prussia and the Zollverein was replaced by a treaty with the German Empire. In this the clause of the most favoured nation was maintained; it was forbidden to establish taxes on goods in bond, and, in the case of goods entering Belgium by land, the German differential tariff was done away with.

In the same year, a new treaty was signed with Austria-Hungary. Then follows a series of treaties with various European and extra-European countries.

But a protectionist tendency made itself felt in 1887. This tendency was first noticeable in the case of cattle and fresh meat. Horned cattle were subjected to a duty of 3, 4 or 5 centimes per kilogramme; ewes, wethers, and

rams, 2 francs 50 centimes per head. Fresh meat was taxed at 15 and 30 francs per 100 kilogrammes, according as it was imported in a whole carcase, or in halves or smaller pieces. Game was taxed 30 francs per 100 kilogrammes. The repercussion of this measure was soon forthcoming. Whereas in 1880 the imports reached 140,359 head of cattle and 201,354 of sheep, the figures had by 1900 fallen to 60,631 and 167,459 respectively. We shall refer to this question again later on.

In 1887, too, Protection was granted to vinegar and acetic acids, the duty on which was raised from 6 and 7 francs per hectolitre to 15 francs 75 centimes and 187 francs 80 centimes, according to the quantity of acetic acid. But it was above all in 1895 that protectionism became distinctly aggressive. The law of July 12, 1895, is the most important measure of this last period.

The subjoined table will demonstrate the hybrid character of this law, which was at once Protectionist in some respects and Free Trade in others.

Goods.	INCREASED DUTIES.	
	Duties before 1895.	Duties since 1895.
Butter, salt and fresh...	Free	20 frs. per 100 kos.
Margarine and other artificial butters ... }	"	20 frs. "
Milk for making mar- garine & other milk }	"	2 frs. per hectolitre
Flour (including semo- lina) ... }	"	{ oatmeal : 4 frs. other meals : 2 frs.
Malt	"	1.50 frs. per 100 kos.
Food pastes	"	4 frs. "
Preserves { game meat poultry }	"	from 12 to 30 frs. per 100 kos.
Preserved vegetables in tins and bottles }	"	15 frs. per 100 kos.
Linen drapery for women ... }	per 100 kos. 10 frs.	} 15 to 20 frs. "
Men's clothing ...	10 frs.	
Haberdashery and hardware ... }	10 frs.	15 frs. "

Reduced to 13 since 1906.

DECREASED DUTIES.

	Per 100 kos.		
Cocoa in beans...	15 frs.		Free.
Cotton thread :			
Plain or twisted, unbleached, bleached, measuring $\frac{1}{2}$ ko. ...			
20,000 mètres	15 frs.		10 frs. per 100 kos.
20 to 40,000 "	20 to 30 frs.	15 frs.	"
40 to 65,000 "	40 frs.	20 frs.	"
Above 65,000 "	10 frs.	5 frs.	"
Dyed, carded, measuring $\frac{1}{2}$ ko. ...			
20,000 mètres	25 frs.	15 frs.	"
20 to 40,000 "	30 to 40 frs.	20 frs.	"
40 to 65,000 "	50 frs.	25 frs.	"
Above 65,000 "	10 frs.	5 frs.	"
Goat's hair and alpaca thread ...	20 frs. untwisted and undyed	5 frs.	"
Lama, vigogne, and camel ...	30 frs. twisted and dyed	5 frs.	"
Woollen thread corded	20 to 30 frs.	5 frs.	"
" " combed	20 to 30 frs.	15 to 25 frs.	"
Old iron ...	0.50 per 100 ko.		free
Rough castings	0.50	0.20	"
" iron and puddled iron ...	0.50	0.30	"
Rough cast steel	0.50	0.30	"
Slabs and blooms	0.50	0.40	"
Rollers and plates	1.00	0.60	"

Cotton tissues (very detailed designation). Diminution of 20 to 50%.

With the object of protecting the growing margarine industry, a duty was levied on natural and artificial foreign butters. This industry is no longer in its infancy; it has gone on developing, and has arrived at what we may call its adult stage. But we cannot help expressing the opinion that the time has arrived for the abolition of the duties, and that, far from being weakened by such a step, this industry, stimulated by foreign competition, would go forward and prosper. The reduction of the price of mar-

garine would benefit the entire population and more especially the working classes. The tax on flour constitutes a compensating duty introduced in presence of the temporary French *régime* of admitting grains destined to be ground and then re-exported. This *régime* secured for French competitors an indirect export premium. On the other hand, the duty on cotton thread, castings, and other goods was decreased. We shall, in due course, see the effects of this measure, but we must bring this already long examination of the Belgian customs system to as speedy a close as possible.

While the tendency since 1895 up to the present day has been protectionist in character, it should be remarked that the way is not altogether closed to Free Trade ideas. Let us, in this connection, mention certain special powers granted to the Ministry of Finance :—

(1) In virtue of the law of 1895, that Ministry may, in the interests of the industry, include among the various articles *paying only 5 per cent.* articles classed under the heading of “ Haberdashery and Hardware ”—on which the duty amounts to 13 per cent.—necessary to the completion of other articles. At the present moment, there is a host of general headings, comprising a long list of articles and accessories of the most varied nature which benefit by this favour.

(2) Under a law of 1896, the Ministry of Finance is allowed to include in the same category such articles as are taxed more heavily under another heading in the customs tariff, and which are intended to be adapted to machines, apparatus, or tools, or to be used as accessories to such apparatus.

(3) Since 1899, materials used in the building, ornamentation, rigging, and fitting-up of vessels and steamers may be imported, under certain conditions, duty free.

(4) We must likewise bear in mind that, under Article 40 of the law of March 4, 1846, dealing with bonded goods, no tax is levied on such articles as are imported into

Belgium for the purpose of completing their manufacture, and which are subsequently re-exported. This means unrestricted importing, on the sole condition of re-exportation. Thanks to this measure, a large number of workmen are engaged in important and wealthy industries, the object of which is to simply transform certain articles of commerce. This is another instance of the material and moral benefit which a country may derive from the wise application of measures of liberty. Subjoined are statistics showing the encouraging results of this system in 1906 and 1907 :—

Year.	Imports.		Re-Exports.	
	Quantity in kilogs.	Value in frs.	Quantity in kilogs.	Value in frs.
1906..	206,253,073	51,288,415	176,235,971	62,979,864
1907..	198,300,083	50,627,461	165,351,022	64,622,029

These figures may appear paltry in comparison with those of our total commerce, but they should be taken in connection with the representative figures of the goods taxed with an import duty (see final table).

In recent years further liberal measures have also been introduced. The abolition of the tax on tea, for example, in 1897, a similar step in respect of unroasted coffee in 1903, and an important reduction of the tax on sugar in 1903. This latter was a consequence of the International Sugar Convention of March 5, 1902. The tax in Belgium is now only 20 francs per 100 kilogs., plus a surtax of 5 f. 50 c. The consumption of sugar has, therefore, progressed in a noteworthy degree.

1898	..	..	19,412,440	kilogs.
1899	..	..	20,196,111	..
1900	..	..	21,791,216	..
1901	..	..	33,836,996	..
1902	..	..	35,950,609	..
1903	..	..	70,303,290	..
1904	..	..	83,264,755	..
1905	..	..	70,415,950	..
1906	..	..	77,775,620	..
1907	..	..	82,688,241	..

TABLE F.
COTTON THREAD.—IMPORTS INTO AND EXPORTS FROM BELGIUM.
Special Trade (not included in Article 40).

	1888.	1889.	1890.	1891.	1892.	1893.	1894.	1895.	1896.	1897.
IMPORTS (Kilogs.).										
Cotton Thread—										
Plain or twisted—										
Unbleached or bleached	492,917	729,015	830,979	833,999	497,196	479,467	492,954	619,378	1,261,660	835,064
Dyed or warped	360,244	185,087	341,648	574,049	502,922	474,071	416,489	243,771	181,950	188,905
Mixed with at least 20 per cent. of wool, the cotton predominating in weight	—	—	—	—	—	—	—	193	4,121	10,351
Cotton Thread—										
Plain or twisted—										
Unbleached or bleached	974,086	571,911	676,642	500,743	578,087	546,627	513,469	3,139,235	1,818,797	1,738,673
Dyed or warped	144,816	160,275	158,746	109,791	107,657	135,996	148,647	199,667	180,510	168,894
Mixed with at least 20 per cent. of wool, the cotton predominating in weight	9,581	39,248	56,991	18,412	13,152	10,340	17,629	23,657	27,705	27,329
EXPORTS (Kilogs.).										
Cotton Thread—										
Plain or twisted—										
Unbleached or bleached	1,229,762	1,731,768	2,253,902	1,329,455	706,935	843,517	614,999	534,761	725,318	876,725
Dyed or warped	407,914	510,544	840,986	1,195,445	721,879	795,956	790,894	823,366	525,459	355,880
Mixed with at least 20 per cent. of wool, the cotton predominating in weight	—	—	—	—	—	—	—	1,080	34,235	6,472
Cotton Thread—										
Plain or twisted—										
Unbleached or bleached	704,863	994,434	2,756,194	2,056,191	2,258,004	2,909,394	3,322,746	1,764,398	2,299,530	3,403,393
Dyed or warped	356,631	528,486	633,189	585,449	885,373	720,653	449,064	530,141	473,477	306,549
Mixed with at least 20 per cent. of wool, the cotton predominating in weight	5,371	17,926	7,884	4,171	42	8,315	15,619	4,089	15,471	28,629

We will close this historical summary by mentioning the treaty concluded with Germany in 1904. The new German tariff still further accentuated the Protectionist character of the existing *régime*; but, nevertheless, Belgium maintained, on the whole, the bases of her existing tariff, thus once again giving practical expression to her desire to follow the doctrine of Free Trade as closely as possible.

In accordance with the specified programme of the Congress, we will now briefly deal with the question of the influence exerted by a decrease or an increase of the tariff on a well-defined present-day industry.

The law of 1895, to which we have made lengthy allusion above, lessened the duty on cotton thread to a considerable extent—to as much, in fact, as 50 per cent. (For the exact figures, see above.)

This measure gave rise to numerous complaints; it was urged that our spinning works could be closed and our spinners ruined. It is interesting to observe the actual results of the application of this measure.

(For table giving statistics of the imports and exports of cotton thread before and after 1895 see Table F on preceding page.)

We observe an appreciable, although only logical, increase in imports, but the rise in exports since 1895 has been even more marked and better sustained. If this means anything, it means that the output of the country has enormously increased.

Up till 1861, when dues averaged 1 f. 12 c. per kilog., there were 550,000 spindles in the country. From 1861 to 1895, when the dues averaged only 22 c. per kilog., the number increased to 800,000. From 1895 to the present day, with the duties further reduced to 15 c. per kilog., the spindles number 1,100,000. The capital invested in spinning mills to-day is estimated at 70,000,000 f. The workpeople number some 10,000.

Let us take another example in connection with this law of 1895. Previous to that year, rough castings were

taxed at the rate of 50 c. per 100 kilograms. Since then the duty has been reduced by 60 per cent., the present rate being 20 c. In this case, likewise, there were plenty of complaints and wailings about the sad future in store for Belgian blast furnaces. But, as the following table shows, Belgian industry, far from suffering, has gone on progressing ever since. As a fact, this important trade has drawn its supplies, in a large measure, from the interior of the country, which proves that our own manufacturers of castings are well able to compete with foreigners, in spite of the considerable reduction of the import dues. These figures speak for themselves. It is regrettable that, in the face of such striking proofs of the efficacy of commercial liberty, such unjustifiable protectionist measures are kept in force.

TABLE G.

ROUGH CASTINGS.

(Castings for Moulding, Refining, Bessemer Steel, Thomas Steel, and Special Steel Castings.)

Years.	Importation.	Exportation.	Production.	Home Consumption.
1891	183,542	17,002	648,126	814,666
1892	149,563	18,253	753,268	884,578
1893	158,660	18,581	745,264	885,343
1894	227,427	12,057	818,597	1,033,082
1895	223,746	9,898	829,234	1,043,822
1896	314,555	10,744	959,414	1,263,225
1897	288,956	10,381	1,035,037	1,313,611
1898	317,828	16,789	979,755	1,280,794
1899	359,720	13,501	1,024,576	1,370,795
1900	305,668	8,252	1,018,561	1,315,977
1901	165,766	16,265	764,180	913,681
1902	291,886	34,345	1,069,050	1,326,591
1903	335,790	26,249	1,216,080	1,525,621
1904	343,810	24,658	1,287,597	1,606,749
1905	502,715	22,094	1,311,120	1,791,741
1906	694,417	31,443	1,375,775	2,038,749
1907	609,947	24,123	1,427,640	2,013,164
1908	—	—	578,380	—

Let us briefly refer to the question of meat, which shall form our third and final example. Import duties on animal products were re-established by the above-mentioned law of June 18, 1887. This law is not merely concerned with the question of duties, but it also stipulates that fresh meat shall not be imported into Belgium except in the form of whole beasts, half-beasts, and fore-quarters, and that the lungs are left in the carcase intact. (This stipulation was applied to sheep in 1892.) On the other hand, the law of December 30, 1888, concerning the sanitary regulations for domestic animals empowers the Government to take the necessary steps for preventing infectious disease entering the country. In 1895 a regulation was introduced for the "tuberculation" of cattle not intended for immediate slaughter on arrival at the frontier. This is tantamount to a quarantine.

All these troublesome measures have combined to seriously check the importation of foreign cattle. The expense connected with the formalities of importation is calculated by competent authorities at from 50 f. to 70 f. per head. Let us hasten to add that quarantine cannot be defended for a moment. It is powerless to prevent the propagation of epidemic disease such as aphthous stomatitis and tuberculosis. In Belgium, unfortunately, the latter affection is a permanent scourge. Neither can it be said that the import dues have only been levied as a sanitary precaution.

Horses are not taxed when entering Belgium. Neither are fowls. Yet these animals are subjected to inspection. Why not deal with oxen and other animals intended for human consumption in the same way?

One thing is certain, and that is that barely 200 Belgian breeders take advantage of this blameworthy protection. On the other hand, the dearth of meat affects the whole population of the country, which amounts to 7,000,000 souls.

The subjoined table gives the average cost price (*not* the selling price) of meat since 1860 :—

TABLE H.
AVERAGE PRICES OF MEAT (PER KILOG.) IN BELGIUM.
ARITHMETICAL AVERAGES OF PRICES.

Years.	In the nine chief provincial towns.				At Brussels	
	Beef.		Pork.		Beef	Pork
	Alive.	Cut-up.	Alive.	Cut-up.	(cut-up).	(cut-up).
1860	0.69	1.42	0.86	1.41	1.60	1.16
1870	0.79	1.58	0.87	1.54	1.60	1.80
1880	0.92	1.78	1.08	1.73	1.60	1.80
1890	0.94	1.61	0.96	1.41	1.54	1.44
1895	0.86	1.66	0.80	1.33	1.56	1.18
1896	0.78	1.50	0.75	1.16	1.42	1.15
1897	0.78	1.48	0.84	1.22	1.36	1.15
1898	0.76	1.41	0.88	1.27	1.33	1.17
1899	0.76	1.37	0.86	1.32	1.42	1.15
1900	0.83	1.43	0.82	1.18	1.55	1.17
1901	0.81	1.47	0.99	1.30	1.50	1.37
1902	0.82	1.52	1.01	1.36	1.64	1.45
1903	0.91	1.65	0.98	1.33	1.72	1.38
1904	0.84	1.54	0.88	1.25	1.63	1.26
1905	0.81	1.55	1.06	1.42	1.63	0.88
1906	0.87	1.61	1.15	1.56	1.71	1.61
1907	0.93	1.68	1.06	1.45	1.78	1.51

This growing increase is explained by the yearly decrease in Belgian live stock. This decrease is shown in the following table:—

TABLE I.
FARM LIVE STOCK PER 1,000 INHABITANTS.

Years.	Contemporaneous population.			Population 10 years previously.		
	Oxen.	Sheep.	Pigs.	Oxen.	Sheep.	Pigs
1846	278	153	115	306	169	126
1856	277	129	101	290	135	106
1866	257	136	131	274	145	140
1880	256	66	117	272	72	127
1895	222	37	182	243	40	199
1900	248	—	150	273	—	166
1901	243	—	150	268	—	157
1902	239	—	165	233	—	183
1903	261	—	170	274	—	189
1904	252	—	163	281	—	184
1905	250	—	149	279	—	163
1906	245	—	158	275	—	178

If the present customs *régime* continues, and if the resources of the people are not reduced, prices will mount more and more in proportion as the enormous addition to the population reaches a meat-eating age.

It has been justly and often remarked that food taxes are felt by the masses more than by any other class. This statement is easy to verify. Take a working-class household, which, in the course of the week, consumes 2,500 grammes (equal 6½ lb.) of meat. Reckoning the increase per kilog. at 35 centimes, we find that the annual expenses are increased by 45 francs 50 centimes, a serious item in a working-class budget.

The unsatisfactory results of these protectionist measures should serve as a warning for the future.

If, in spite of multiple obstacles, our industry has hitherto not only succeeded in maintaining its position, but has also gained ground, it would seem that the following circumstances have played an important part in that development :—

(1) The free importing of raw materials, to which must be added the temporary free admission to which we have already referred. This system of free imports enables our manufacturers to obtain their supplies cheaply.

(2) The comparative cheapness of labour. To what can this be due, if not to the relative cheapness of commodities ?

In the first place, the food of the working classes costs but little. Articles of first necessity, such as cereals, fresh fish, eggs, vegetables, potatoes, and drinks such as coffee, tea, and unmanufactured cocoa are not taxed. To this rule, meat is the only exception.

In the second place, textile materials are not taxed; this facilitates the manufacture of tissues, and clothing consequently reaches the purchaser at a very reasonable figure.

Raw hides being also among the free imports, our tanners are able to compete under the most favourable economic

conditions; and boots and other leather articles can be placed within the purchasing power of even the humblest.

Finally, a large number of the materials used in the building trades are exempt from import duty. This helps to render house-room comparatively cheap, while a similar economy is noticeable in respect of heating and lighting, thanks to the free importation of coal and petroleum.

We have, we venture to think, said enough to show the direct influence which the customs tariff exerts on the industrial, agricultural, and material conditions of life in general of our country.

It is to this *régime* of liberty, which has been in force for several years, that Belgium owes the proud position which she occupies in the commercial world of to-day.

We have shown the main features of this *régime* in the form of statistics. In this connection we have received invaluable help from the excellent statistical organisation of our department of finance, whose tables have rendered the present paper possible. In this way we have been able to show the quantity and value of goods which are admitted into Belgium free of duty, as well as of those imports which are subjected to a tax.

TABLE J.
SPECIAL IMPORT COMMERCE OF BELGIUM IN 1907.

	Total quantities.	Value in thousands of francs.	Proportions per cent.	
			Quantities.	Values.
Duty free goods ..	19,256,584	3,027,775	87.36	80.24
Taxed goods ..	2,785,429	745,848	12.64	19.76
Total ..	22,042,013	3,773,623	100.00	100.00

N.B.—In 1907, in virtue of Article 40 of the law of March 4, 1846 (which allows the temporary free importation of goods intended for re-exportation after being worked or completed in Belgium), the imports in this connection were:—

Kilogs.	Value in francs.	Proportion to all goods
198,300,083	50,627,461	- about 7 per cent.

Mr. RUSSELL REA, M.P. (England), submitted a summary of the following paper :—

THE Free Trade theory has been consistently applied to the international commerce of the United Kingdom for the last sixty years, but it would be incorrect to say it ever obtained a complete universal acceptance even in this country. We have always had a Protectionist faction. The agriculturists, landlords, and farmers have always looked back with regret to the days when the importation of corn was taxed, and when the undeveloped condition of transport by land and sea restricted our importations of other articles of food almost entirely to the produce of other climates; and during the past thirty years this faction has been reinforced and strengthened by a section of our manufacturers who have desired and agitated for the imposition of protective duties on imported manufactured goods, a few because in their special trades they have met with some effective competition in the home market from foreign manufacturers of similar goods, and many more because they have found their export trades checked and hampered by the imposition or raising of the duties on their goods in foreign countries, and they perhaps naturally desired to find some means of striking back and giving a blow for a blow, without realising the broad economic consequences of such a policy on our international trade as a whole.

But throughout the whole of this period the great mass of our labouring populations have been steady supporters of a Free Trade policy, and not least so the agricultural labourers and workers in rural industries, whose condition has been so greatly ameliorated by the low prices of foods and the general advance in the wages of labour. The degree of the general acceptance and support of our Free Trade policy in Great Britain has been shown by the fact that, in spite of all the changes of governments due to our party system, no attempt has been made by any Govern-

ment to revive Protection in any form. When, in 1852, for the first time after our Free Trade revolution, a Government was formed consisting of men who had been the foremost defenders of Protection in the former period, not only was no such attempt made, but any desire to do so was emphatically repudiated. "Whether Protection be right or wrong," said Mr. Disraeli, "it is dead and damned." And from that time the producers and traders in this country have had the advantage not only of a consistent trade policy, but the absence of any disturbing element of doubt as to the persistence of that policy. For more than fifty years, until the last General Election of 1906 the voice of the Protectionist, though not unheard, was a "quantité négligeable" in our elections, and without influence on national policy.

British Free Trade is a singular phenomenon in the world, and appears to me to be worthy of study and analysis, apart from the soundness of its theoretic economic basis, for great populations are not governed by economic principles, sound or unsound. Further, the theory of Free Trade, we must acknowledge, does not appeal to the natural uninstructed person; its benefits are diffused and general, its inconveniences are personal and visible; the theory of Protection, on the other hand, as popularly presented, appeals to every unregenerate sentiment—its benefits are personal and particular, its inconveniences diffused and invisible to the vulgar, and it gives infinite play to the passions of private greed and public revenge. How, then, came about the adoption of Free Trade by the English people, and what has caused their faithful adherence to the practice ever since? It is easy to understand this fidelity during the first twenty years, when the principle of free international exchange of commodities was apparently winning an increasing measure of acceptance throughout the world, and it was in harmony with what appeared to be the universal sentiment and the general stream of tendency.

But after this period came the American and Franco-German wars, when the tide turned, and nation after nation, not only the great Powers of Europe and the United States, urged on by military and revenue needs, but the smaller countries, such as our own colonies, impelled by no such necessity, deliberately adopted a nationalistic protective policy, and from time to time added to the severity of their protective tariffs. Nevertheless, we see that during this second period this country not only persevered in the faith and practice of Free Trade, but until the last General Election in 1906 a Free Trade policy was accepted practically without question by the people.

It is common for the Protectionist in Protectionist countries to represent Great Britain as an experienced and astute old campaigner in the field of international commerce, which they regard as a field of economic warfare. They describe this country as pursuing a steady and selfish policy with Machiavellian craft and absence of scruples. In the light of this preconception they read our commercial history. England, they say, was the most savage of Protectionists until she had built up an invincible manufacturing supremacy, and then she turned Free Trader, and blandly invited all the industrially less developed nations to enter the arena and try conclusions with her. England, they say, was remorseless in striking at the maritime supremacy of Holland by Cromwell's celebrated Navigation Act of 1651, but her conduct was no less selfish, both in intention and effect, when she threw open her ports and colonial trade, and abolished the Navigation Laws in 1849. Her motive was as little changed as that of a military commander who takes refuge behind the defences of a fortress when he is weak, but takes the offensive in the open field as soon as he is strong. The policy of England is represented as constant and consistent, selfish and unscrupulous, astute, and (the word has been heard) perfidious. Even our little economic club, the Cobden Club

has not escaped this microscope of suspicion. A myth has gained currency, and I am told there are actually people who believe it, of the existence of Cobden Club gold and secret funds used to corrupt the virtue of the more simple and feeble foreign Protectionists. Our foreign members and friends may be amused in their turn to learn that on the very highest authority among our neo-Protectionists in this country they have been held up to the popular fears as powerful and maleficent beings, poisoning by the unscrupulous use of foreign gold the spring of our patriotic protective renaissance.

Economics, we see, like history and theology, has its mythology. The image of an England preternaturally astute and preternaturally selfish is not even a caricature of the truth. Our foreign friends who are students of economic history know that in this as in other things we are rather a stupid than a brilliant race, and have been rather lucky than wise. Pure economic science has never yet ruled the policy of politicians and of states, and Adam Smith was a voice crying in the wilderness for eighty years, until a fortunate combination of national misfortunes paralysed opposition, and enabled the classes, which clearly saw that they, as classes, would gain by Free Trade, to triumph over the classes which imagined that they as classes would suffer. It was these partly blind and mostly selfish forces as much as or more than any clear economic vision produced by the preaching of Cobden, which lifted us in one decade, from 1842 to 1852, almost without our realising how, out of a morass and jungle of protective duties, colonial preferences, and navigation restrictions, far more entangling and paralysing than the present systems of France, Germany, or America, and placed us on the bedrock of Free Trade, with a clear sky above us, and the world before us. We may be said to have fallen into Free Trade, as an eminent historian of our own has told us we blundered into Empire, "in a fit of absence of mind."

“Non nobis Domine” should be the sentiment of the British Free Trader when he meets face to face his Free Trade brothers from other lands, who are still fighting the battle with varying fortunes, and under harder conditions than he or his father had to face.

Protection was and is associated in the minds of the English people with the taxation of corn. Free Trade meant for them free imports of food. In other countries Protection, at any rate in its earlier stages, has meant the taxation, not of the primary necessities of life, but of the luxuries, the secondary comforts of life, and of machinery and other articles not for direct consumption at all. The promoters of the Free Trade movement in England appealed direct to the elemental motive of the visible self-interest of the majority, and in this they were more fortunate than their foreign co-workers. It must be admitted the arguments it was then necessary to put before our countrymen were simpler in character, and of more direct and visible force, than those which it is necessary to use in other countries. And, as it was not the cold light of abstract economic truth which guided our fathers into the path of Free Trade, so it has not been by any conscious intellectual process that their sons have been kept from wandering from it. It has been the constantly recurring demonstration of the years as they have rolled by that Free Trade has “paid” in the past, that it “pays” here and now in the circumstances of the moment, and that it furnishes the best equipment for facing the future. The average Englishman accepts the reproach of the world that he is illogical, not only without resentment, but even with some degree of self-satisfaction. He says, if he is not logical it is because he is “practical.” He is not governed by dogma, he loves compromise, and his steadfast adherence to Free Trade is an unusual example of consistent and logical conduct on his part. It has been justified to him not so much by witness of his brain as by that of his eyes and

his stomach, by the food he eats, the wages he draws for his work, and the quantity of things he can buy with them.

For the first part of our Free Trade period, for twenty-five or thirty years, all are agreed—our new Protectionists equally with Free Traders—that the policy associated with the name of Richard Cobden was entirely successful; our manufactures and our exports expanded uninterruptedly, following freely their own laws of development. Subject, of course, to the temporary fluctuations caused by the alternation of periods of general world-wide activity and expansion with periods of comparative depression and contraction, our foreign trade constantly expanded, and the expansion of each trade was visibly the natural result of its particular advantage for production, and the energy and intelligence with which it was conducted. Success was then clearly according to merit, and success was pretty widely diffused and shared by all classes. Even the agricultural classes, landowners and farmers, then, as now, Protectionists at heart, were silenced. The ruin which they had feared and prophesied failed to descend upon them. The production increased, agricultural prices, on the whole, advanced, and the rents of agricultural land went up. During this period Free Trade appeared to have demonstrated to the whole people of this country its universal advantage.

But a new period was about to dawn. English Free Trade was to be put to a harder proof; it had to demonstrate its advantage not only in the form of a free exchange, or virtually a free exchange of commodities, but in the form of what our Protectionists call “one-sided Free Trade”—a system of free imports from countries which were one by one endeavouring by duties of constantly increasing severity to keep out our goods. Germany—at least, so far as Prussia is concerned, had begun the last century as almost a Free Trade country, so much so that

William Huskisson, our earliest Parliamentary Free Trader, in 1825, expressed a hope in the House of Commons that "the time would come when England would follow Prussia's example." But in 1879 Bismarck definitely committed Germany to a Protectionist policy, with the support of the agrarian party, which appears to have abandoned Free Trade with the first appearance of American imported grain a few years earlier. With a brief interlude during the Chancellorship of Count von Caprivi, we have seen this policy pursued with consistent determination, and Protection intensified by the tariffs of 1902 and 1906.

In France, from the time of the failure in 1880 to renew the Cobden Treaty of 1860, we have seen, and particular trades in this country have suffered from, repeated changes in the tariff, in particular those embodied in the tariff of 1892, all in the direction of restricting the imports from England. In America the tariff imposed during the war was recognised as generally necessary for revenue purposes, but it was speedily strengthened for purely Protectionist purposes, and the McKinley Tariff of 1890 and the Dingley Tariff of 1897 were expressions of a fixed and purely nationalistic Protectionist policy in its most extreme form.

In all our own self-governing colonies wide customs tariffs necessary for revenue in new countries have been strengthened into protective tariffs, carefully devised on strictly national lines, and directed chiefly against the Mother country.

This great and almost world-wide revival of Protection has been witnessed and in many cases severely felt by certain classes of our manufacturers of export goods during the later half of our Free Trade period.

Thus the force of the example of other manifestly prosperous communities, and the force of the resentment of particular classes who had been directly injured, have combined to produce a certain and partial reaction

against our former complacent acceptance of a Free Trade policy, which had become traditional, and to promote a revival of Protectionist sentiment among our urban classes.

Coincident with this world-wide revival of Protection, a period of severe and prolonged agricultural depression followed one of long-continued prosperity. The unforeseen, unimagined development of means of transit by sea and land, had brought to our shores the food products of the most distant parts of the earth, at prices which our agriculturists, without further organisations and development of their industry, were not prepared to meet, and not unnaturally the renewal of a protection not yet forgotten became their first political aspiration.

It is easy to understand, therefore, and it is impossible not to sympathise with, both the British exporting manufacturer and the British agriculturist thus injured, who cry to their Government to do something to counteract the action of the foreign Governments. It is too much to expect them to follow the secondary and remoter consequences of these foreign tariffs upon British trade as a whole, and it would be still less reasonable to expect them to follow the secondary and remoter consequences of any system of Retaliation or Protection it would be possible to an English Government to establish. It may be admitted without surprise that the existence of the present world-wide system of Protection, directed as it was primarily against this country, makes the existence of a Protectionist party in this country natural, perhaps inevitable.

The British Protectionist fixes his eyes upon one phenomenon. He sees the passing away of England's monopoly ; he sees the relative decline of his country's foreign trade. It may not be declining at all absolutely, it may be increasing. It may even be increasing at a greater pace than that of any other single country, as has been the case during the last three years. The Englishman may be doing all

the work he is capable of doing, and selling all he has got to sell, but he feels he is no longer alone in the world; others have entered the field, they are marching by his side, they are almost keeping pace. He looks round upon these new comers whom he calls rivals, and finds they are actually "Protectionists." And then an awful doubt of the universal efficiency of the Free Trade faith in which he has been brought up assails him. We have kept a monopoly of Free Trade, he reflects, and yet in spite of our fidelity we have not kept our old monopoly of trade in the export of certain manufacturers. Our new rivals have not only checked and sometimes annihilated our exports to their own countries by severe tariffs, but under the shadow and protection of these tariffs, or notwithstanding the disadvantages of these tariffs, whichever it may be, they have built up an export trade in their manufactured goods, and effectively compete with us in markets which are foreign to both them and us. Thus, our neo-Protectionist argues, Free Trade has failed first to convince the world of the truth of its general deductions, and to convert it to its practice as its English apostles prophesied it would do and second, its rejection has not hindered the industrial development of other nations, and that, not only within the sphere of their own protected markets, but in the wider area of international commerce. And statistical illustrations are not wanting to show that Protectionist powers have increased both their national manufacturing product and their export of manufactured goods in greater proportion and in certain years to a greater amount than we have done. In particular—and this is the English Protectionist's favourite example—it is pointed out that the production of pig-iron in Great Britain twenty-five years ago was greater than that of the United States and Germany combined, while at the present time it is considerably less than that of Germany, and less than half that of the United States. And yet it is precisely during this period that these countries

have been consolidating their protective systems, while we have been content to follow blindly our Free Trade policy, simply because it has become a tradition and a superstition to our people.

To our foreign guests it must seem ludicrous that people exist in this country who point to the fact that, in the infinite expansion of production and international exchange in the modern world, England has not kept the practical monopoly which her accidental lead in the cotton and iron trades once gave her, as proof of the breakdown of the Free Trade system; and still more ludicrous that these persons imagine and teach that this monopoly might have been kept or be recovered if import duties were imposed on goods we do not import, or only import in small quantities. But humiliating as it may be to Englishmen who value the reputation of their country for intelligence, we are compelled to make the admission that our new Protectionists regard the rise of the iron-making industry in Protectionist Germany and Protectionist America, for example, as a proof that our fiscal policy of Free Trade has been a failure. Their ideal is that Great Britain should produce fifty millions of tons of iron and steel, and be the black country and ash heap of the world. The claim is sufficiently ridiculous when carried to its ultimate consequences, and baldly stated, to be left to the judgment even of the least instructed, but when such arguments are insidiously addressed to each separate trade in turn which has ever suffered from a foreign Protectionist tariff by an organised propaganda, pervading the country, and anonymously subsidised, the phenomenon of a British Protectionist party ceases to be a mere psychological curiosity, and becomes a political factor of importance.

This new situation lays upon us Free Traders a renewed necessity to keep burning the torch of economic truth in this land, and to prove that the policy adopted by our fathers has justified itself by the experience of the last thirty years

of our Free Trade régime as much as by the experience of the previous thirty years. Abstract deductive arguments will no longer suffice. We have to show that the British system of Free Trade adds to the present efficiency of the national industrial organism, and, in comparison with any possible system of State regulation of foreign trade by protective tariffs and preferences, gives a greater national product, secures a better distribution, more and more regular employment, a higher scale of consumption, better conditions of labour, and generally a more civilised life for the labouring population. Above all we have to show that a system of free imports gives greater efficiency for competition, and enables us to retain a position in international trade in comparison with other countries far beyond that to which we should be entitled by our population, or internal resources, our intelligence, or our enterprise. And yet to one who surveys our trades as a whole, it is not difficult to show that in the wise words of Sir Robert Peel, the best way to meet foreign protective tariffs is by a policy of "free imports," that this policy, then untried, and adopted by him as the result of abstract deductive reasoning, has justified itself even by the experience of the last generation, in which certain of our export trades have suffered blow after blow by the imposition and strengthening of foreign tariffs designed to injure them.

The first portion of our Free Trade period, during which the wisdom of that policy from the British point of view was and is still admitted by all, may be said roughly to have extended from 1849, when the law abolishing the corn taxes came into full operation, and the navigation laws were repealed to 1879, when Germany definitely adopted a systematic scheme of Protection, and the Cobden Treaty with France expired.

A comparison of our export trade during that period with the twenty-eight years which have succeeded shows that, although impositions of Protectionist duties directed

against our exports have crippled and destroyed particular export trades ; and, although our export trade to certain countries has been in certain cases seriously curtailed at one blow, yet our total export trade has not only expanded as a whole, but it has expanded to a greater extent during the second period than it did during the first. From 1849 to 1879, in thirty years, our exports of British merchandise increased from 64 millions in value to 192 millions, but in the succeeding twenty-eight years they expanded to a still greater extent and reached last year (1907) the unparalleled figure of 426 millions. This growth is not entirely or chiefly by the substitution of new countries and neutral markets for our old customers. It is with our old customers in our old markets to an equal extent. This apparent failure of foreign adverse tariffs to injure our trade as a whole leads us to an examination of the secondary effects of foreign Protection of British trade, and this examination discloses economic reactions of Protection undreamed of by its authors, and compensations to this country which have led many Free Traders among us even to doubt whether the lot of a single Free Trade nation in a Protectionist world is not one of actual advantage. Protection injures the nation which imposes it, doubtless it is injurious to the world as a whole, but whether it injures more than it benefits Free Trade England is a question more difficult to answer.

We admit that in consequence of the action of foreign states our industries, as they exist to-day, are not of the kind they would have been under a system of universal Free Trade. They are not what they would have been if we had never abandoned or had returned to a Protectionist system. They are something which differs from both. They are the product of "one-sided" Free Trade—free imports from countries which impose heavy duties on nearly all the goods we have to sell to them, and they show a different distribution of capital and labour from that which would have been

the case either in a Free Trade world or under a system of Protection in this country.

The extent to which they differ in the broader categories of industries from what they would have been under a system of free exchange is, however, much exaggerated by Protectionists and by Free Traders too. The more advanced nations economically and industrially are inevitably coming more and more into line. The aggregation of the people in towns, the rise of new manufacturing populations, the decline in the relative importance of agriculture, are phenomena common to them all. These great and general movements are much less affected by tariffs than Protectionists are apt to suppose. They are the effects of modern forces far more powerful than any national fiscal policy. In the later part of the period we are considering England has witnessed other nations passing through the same phase of economic development she had experienced a generation earlier, and one by one coming into line with herself as manufacturing Powers, producing similar articles, and competing with her in the same markets. This revolution in its broader lines of progression would have been inevitable under any fiscal system. The rise of manufacturing industries in other nations than England on something like their present scale was clearly on their destined line of economic development.

The protective tariffs of other countries, which were intended to stimulate this movement, are now producing the bad effects on certain trades in this country, for which they were doubtless designed, and are failing, as they always fail in countries whose industrial development is reaching an advanced stage, to produce the effects which their authors appear to consider good. They have the smallest effect, probably no appreciable effect, in determining the distribution of the population of an advanced country, such as France or Germany, between manufactures of some kind and agriculture, between towns and country, but they

do determine the particular manufactures in which a portion of the capital and labour of a country shall be employed. The nationalistic Protectionist politician decrees that a portion of the capital and labour of his country shall be diverted to particular industries. These industries come into existence. The articles invariably selected for a protective taxation are the particular articles which we English are supplying in the greatest quantities, and apparently with the greatest profit to ourselves. Thus one British manufacturer after another has seen many of his markets restricted and some lost entirely. He has seen that foreign Protectionist Governments, by the imposition of Protectionist tariffs, not only determine the distribution of capital and the employment of labour in their own country, as I have said, but in our country too. In their own country they do this in a manner which their fellow-countrymen approve, as apparently for their advantage, but as regards our country they do it in a manner which is certainly an immediate, and sometimes a permanent, injury to individuals and individual trades, and their express and avowed object is to injure. The particular classes injured, doubtless, see nothing but their injuries, but we have to look further and trace the secondary consequences, and estimate the final results.

Unrestricted international trade, universal Free Trade, would naturally lead to the greater differentiation of employments as between nations, each nation tending more and more to confine its activities to the production of the particular articles for which it is best suited, to the great increase of the total wealth of the world. The nationalistic protective system adopted by nearly all countries is deliberately designed to defeat this national differentiation. Its aim is to produce everything which is used in a country in that country. So far as it succeeds, it checks the specialising of countries as the producers of one or two things. It is intended to give, and it does give, at some economic sacrifice,

a greater range of employment, and a greater variety in the character and the lives of the people of the country adopting that system. It must also be admitted that the Protectionist policy of other countries has had a similar effect on this country. It has prevented the concentration of our activities into half-a-dozen "staple" industries, the produce of which would, under universal Free Trade, have been freely absorbed by nations engaged in specialising themselves in other directions, and has forced us also into a greater range and variety of employments. The direction of our activities has, therefore, been in considerable part determined by the action of others, and that the deliberately hostile action of Protectionist states. And thus, after this disturbing experience of the last thirty or forty years, we are in a position to judge to the effects of the "one-sided" Free Trade.

It might plausibly be argued on "a priori" grounds that the country constituting a severe protective system would select and seek to introduce, and to encourage by Protection the most desirable industries; that therefore the particular industries in this country which would be most injured by their protection would be our most desirable industries, and, as a consequence, that capital and labour forced out of these most desirable industries in this country, or perhaps, rather, capital and labour which would naturally have been absorbed in the expansion of these industries, would be forced into other and less desirable industries.

However apparently logical this "a priori" deductive argument may be, the facts disprove it, or rather show that other and stronger forces counteract and balance the efforts of foreign Protectionist countries to deprive us of our best trades. This great fact is clear to an impartial observer. We stand to-day, after foreign countries have done their worst to check their imports from us, with an industrial organisation engaged in the production of articles of higher and not a lower class, on the average, than those of our old

staple trades. We stand with an industrial organisation equal to the employment of our whole population. In times of good trade our labouring population is insufficient to meet the demand for "hands." Such unemployment as then exists is due entirely to loss by "economic friction," to defective industrial and social arrangements, and even if it were of a kind which could be utilised in those industries which are rapidly expanding, it would not suffice to supply the demands of employers who at such times are seeking workers. When bad times come and unemployment increases, it appears so far as the imperfect statistics of employment available warrant a conclusion, to be a visitation of less severity here than in the manufacturing districts of countries with a protective system, and in particular less severe than in the protected industries in those countries.

But not only is our national industrial organism equal to the employment of our whole population in some fashion at some wages, our workers are paid higher nominal wages, and much higher real wages than those of any other European country. And this, surely, is the best test of our manufacturing position as a nation, and of its stability. Within the circle of my personal acquaintance I can name manufacturers who tell me they could at any time double their production and export it all if they could engage labour at Continental rates.

What, then, is the secret which has enabled this country so successfully to adapt itself to a changing and hostile environment? The whole secret is our policy of "free imports." Free imports, by giving us every form of raw material, every semi-manufactured article, every finished article, every foreign tool and machine, has enabled us to do four things:

{ First, it has enabled us to a great extent to surmount the wall of foreign tariffs, and still to export our goods in competition in his own country, with the protected manufacturer, who in many cases is as much handicapped by the

weight of the protective duties he has to pay on the elements of his production as he is benefited by the protection of his finished product.

Second, it has enabled us to maintain our supremacy in the neutral markets of the world.

Third, it has made this country the cheapest area for the establishment of those new industries which the progress of science and civilisation is constantly creating.

Fourth, it has thrown into our hands great international trades which, from their nature, are incapable of being effectively protected, such as the shipping trade of the world, and those numerous commercial and financial international services which we do not perform for nothing.

To an audience of convinced and well-instructed Free Traders such as this, whose opinions are founded on knowledge both of the principles and facts of international trade, it is not necessary to labour to prove these four points in detail. Any careful analysis of the official statistics of our foreign trade for the last sixty years will convince the student that they are founded on abundant evidence.

As illustrations of the first, that our cheaper production, with the advantage of free imports, enables us to surmount the barrier of foreign tariffs, I will give two examples which have come under my own observation during the last few weeks. A leading spinner of fine yarns in former times did a large business in France and Switzerland. Successive additions to the tariffs of those countries destroyed his business, and he closed his agencies. Under the stimulus of more intense competition, and with the advantage of free imports and the best machinery bought at the lowest price, he has so cheapened and improved his product that the manufacturers of the finer goods in those countries have again sought him out, and, without the intervention of the agencies he formerly employed, his trade with France and Switzerland now exceeds that of the period of low duties. The other illustration is that of a friend and neighbour of my

own, a maker of a class of machinery in which he has no monopoly or other advantage than the cheapness and excellence of his goods. He has given me particulars of his exports to France, Belgium, Germany, and Austria, showing an extensive trade increasing year by year in spite of duties ranging from 10 per cent. upwards.

The proof of my second point, that we maintain our supremacy in the neutral markets of the world, is found in the general trade statistics of those countries. The countries of the continent of Europe import largely from China, India, Australia, and the Argentine, but they cannot pay for these imports by the direct exportation of the goods these countries want in competition with English goods. In great part, as the tables of imports show, we pay by our exports to these neutral markets for the continental imports, and they pay us, to our double profit.

My third contention, that, notwithstanding our higher wages, this country furnishes the most advantageous area for the establishment of new industries, is an obvious deduction from one of the most conspicuous phenomena in our industrial life during the last few years. On all hands we see the establishment in this country of new works by foreign firms, and these generally firms of the highest class and most extended trades. For their own country, under the shadow of their protective tariff, their original works suffice, but when they aspire to produce for the world, and have to surmount the tariff walls of other countries, then they find they must produce under English conditions, and they come here to do it.

But the greatest advantage of the country of free imports is that I mention, fourth, that into its hands fall the great international trades which, from their nature, are incapable of being effectively protected. These trades consist rather in the performance of international services than in the export of material goods.

This country is the free market for all goods of all

nations, and this has made it the international clearing-house for the international balances of trade of all the world. An enormous preponderance in the organisation and conduct of international trade has thus fallen into our hands, such as the finance, the insurance, the commissions and brokerages, and the merchant's profits; above all, the building, the owning, and the operation of the merchant fleet. In merchant shipping and shipbuilding we had no conspicuous lead among the nations sixty years ago. To-day it is not with that of any other country we can compare our merchant marine, but with that of all other countries together; and in this comparison we find that, although the rest of the world put together can show a slight excess of tonnage, yet in quality, in efficiency, and total money value the balance is greatly in favour of this country. Our total foreign trade is not one-sixth that of the whole world, but we carry in our ships, not one-sixth, but one-half, of the trade of the world. We do more trade between foreign port and foreign port, trade which never touches this country at all, than we do to and from our own ports. This shipping is our largest as it is our best trade, it distributes a far greater sum in the form of wages than any other industry, and these for the most part to the most highly skilled and best paid portion of the industrial population. It would be absurd to attribute this supreme position to the superior skill, energy, or aptitude for the life of the sea possessed by the Englishman over the foreigner. Under the régime of Protection, such measure of these qualities as he possesses failed to produce this fruit. The shipping supremacy of England is the creation of her Free Trade period, and the direct result of her Free Trade policy, assisted greatly by the Protectionist policy of other nations, which have one by one seen the growth of their tariff accompanied by the decline of their shipping register. The apparent exception of Germany is in reality a striking confirmation of this fact; for in Germany the building

and working of ships are conducted on a Free Trade basis.

Under all circumstances, and in all environments, sympathetic and hostile alike, whether those of free international exchange or those of "one-sided" Free Trade, we have found our Free Trade policy justified. Those who believe in the truth of the Free Trade theory look forward to the universal triumph of economic truth in some day which is to come. But we in this country who have practised it even in a Protectionist world, have found that Free Trade, like godliness, is profitable to us "in this life, which now is" as much as in that life of real Free Trade which we believe is to come.

The writers of these papers for the International Congress have been requested by the committee of the Cobden Club to give some account of the position and progress of the Free Trade movement in the countries for which they speak.

In alluding to England I must reverse the process. There is no Free Trade movement in this country. Free Trade is fixed, settled, established, and, I believe, immovable. In Great Britain there is a Protectionist movement, and it is to this I must refer for a few moments.

The history of this movement is an interesting study in political pathology. The agrarian party in England, unlike the agrarian party in Germany, has always been a Protectionist party. They advocated pure Protection, naked and unashamed, Protection simply for British agriculture. They represented in its most intense form the spirit of Conservatism, social, political, commercial. To them the interests of agriculture represented the interests and the right of the rightful ruling class, and they looked back to the years of war at the beginning of the last century when the people starved, and corn rose to 126 shillings a quarter, as to a golden age.

Twenty-five years ago, with the revival of Protection abroad, a small party of Protectionists, under the name of

Fair Traders, arose among our manufacturing classes. Their impelling motive was resentment, and their object rather retaliation than a perfect system of national Protection. These two factions in the public estimation were rather two groups of eccentric persons than a serious political party, and their arguments as popularly presented were for the most part mutually destructive.

The sudden adhesion of a statesman of the unique authority and seductive eloquence of Mr. Joseph Chamberlain in one day changed the political situation. By his revival of colonial preference—an essential and most mischievous part of our old fiscal system, but one which had passed out of the minds of the people—as part of his programme of Fiscal Reform, he covered the repulsively selfish features of naked Protection with a veil which was attractive to thoughtless, patriotic, and Imperial sentiment.

The old controversy which we thought dead, revived, and for five years has raged again through the length of this land.

Three principal events have marked its stages.

First. The General Election of 1906, fought almost entirely on this issue, which proved the overwhelming force of the attachment of the democracy of this country to Free Trade.

Second. The action of the Colonies, which killed any newly awakened enthusiasm for colonial preference. The Colonies have given us clearly to understand, as it is entirely within their right to do, that preference or no preference they mean to continue to develop Protectionist tariffs on the narrowest nationalistic—that is, Colonial—lines. They have showed us that they regard a system of Imperial preference, not as giving them an opportunity to make an advance in the direction of Free Trade within the Empire, but as presenting an occasion for increasing their duties on the goods of other foreign countries.

Third. We have seen the revival of Protection estab-

lished as the principal item in the political programme of the Conservative party.

It is this last event which gives many Free Traders some grounds for doubt and apprehension of the future. They say that sooner or later it is certain that in the changes and chances of our political life the Conservatives will return to power, and with them will come the end of our Free Trade period in England. Personally I regard these apprehensions with complete composure. Doubtless the Conservatives may return to power, but if they do, it is extremely uncertain whether it will be with a mandate to destroy the integrity of our fiscal system. But should such a Parliament with such a mandate be returned, my composure would still remain unshaken. The most sanguine of our Protectionist agitators recognise the fact that the real difficulties of their task would then begin.

In 1877, when Bismarck contemplated the increase of duties and general development of the protective system of Germany which he carried out two years later, he spoke of the task as a "Herculean labour." Prince Bismarck was a Hercules, and did not shrink from tasks to which only he was equal. But the construction of the tariff of 1879 was easy compared with the task of destroying the Free Trade basis upon which British commerce and industry are built.

In 1880, German foreign commerce was considerably less than a third of what our foreign trade reached last year. At that time Germany was practically a self-feeding state, and her industries were for the most part infant industries. She was in the stage of development Friederich List defined as that proper for Protection. The imposition of the tariff of 1879 added considerably to the burdens of the consuming population, but it did not upset the whole fabric of an immense and complicated industrial and commercial organisation. Yet Bismarck considered it a Herculean task.

The difficulty of any extensive re-arrangement of a tariff is great, but the difficulty of any re-arrangement which involves a reversal of a national fiscal policy is almost insuperable, and can only be accomplished in response to a great national movement. Thus it is that the rulers of nations once committed to Protection can with comparative ease add gradually to the severity of their duties, but find themselves unable, in the face of the interests built up by Protection, to reverse the process.

The whole of the splendid fabric of British industries and commerce rests on a Free Trade basis. To overturn and reconstruct this stupendous edifice upon another foundation is a task compared with which the Herculean labour of Prince Bismarck was the pastime of an infant.

No partial Protection would be tolerated by Protectionists—Protection for agriculture without Protection for manufactures, or vice versa. There could be no favoured categories of industries at the expense of others. I believe, and have no doubt, the British trades, in their infinite multitude and variety, with freedom of purchase from all the world, would thoroughly awaken for the first time when they saw a general tariff take visible form before their eyes. It would be to them a new thing. Even the manufacturers who vaguely clamour for Protection for themselves would fall away when they saw the cost of it definitely tabulated and presented to them for payment. And above all, the great consuming public who could get nothing directly out of Protection for themselves, a majority in this as in every nation, would certainly refuse the sacrifice when the actual demand came.

There is no other country in the world in which popular opinion is so quickly effective in controlling Government action as it is in this country, and in such a situation as I have described I believe a Protectionist Government majority would dissolve like the untimely snow of summer.

M. SCHELLE (France) submitted a summary of the following paper :—

I.—FLUCTUATION IN TARIFF LEGISLATION.

THE period of the Liberal economic *régime* in France, inaugurated in 1860 by the commercial treaty with England, has been a strikingly prosperous one. Between the years 1859 and 1869, despite the war of the Secession, and the Mexican and Austro-Prussian wars, French trade increased from 3,907,000,000 francs to 6,228,000,000, in other words, it showed an average annual increment of 232,000,000 francs. At no other era have such results been forthcoming. Yet manufacturers continued to maintain that, with the fall of the Empire, France was ruined.

After the war of 1870, the recovery of France was so rapid as to astonish the world. In 1875, 62 Chambers of Commerce, as against 14, declared for the promulgation of commercial treaties, and in addition to this, as M. Levasseur has pointed out, there was a pronounced development in just those manufactures which had most bitterly complained. In the cotton trade alone, the number of machines had increased from 29,300 in 1859 to 88,500 in 1879, the exports, which averaged 143,000,000 francs from 1854 to 1859, had risen to 306,000,000 between 1876 and 1879, and the consumption of cotton in the wool trade, which stood at 82,000,000 kilogrammes in 1859, had by 1880 risen to 131,000,000.

It was practically the same with metal works, wherein complaints had been by no means lacking; the output of the foundries which amounted in 1859 to 856,000 metric tons, had increased by 1880 to 1,733,000.

In fact, within the whole range of industries, the number of engines had risen from 178,000 in 1860, to a total of 544,000 in 1880, not including those used for railway and other transport.

The Liberal *régime* has therefore, both before and after 1870, greatly tended to develop our industrial power.

As to our foreign trade, it has grown (in special commerce) from 7,332,000,000 in 1872 to 8,501,000,000 by 1880, with a total increment of 1,169,000,000 and an annual increase of 145,000,000.

Agriculture has prospered in the same fashion. There were 2,205,000 hectares planted out in vineyards in 1860, and 2,391,000 in 1874, the year of the phylloxera scourge. Our wine exports, which were below 200,000,000 francs in 1861, had been augmented to more than 250,000,000 by 1881. Those of the Gironde vintages exported to England, which from 1855 to 1859 had only amounted to 5,800 hectolitres, averaged between 1876 and 1880, 46,000 hectolitres.

The custom duties on corn had been diminished from 1 franc per metric cwt. to 50 centimes. These were purely revenue duties. The poor cereal harvests of 1868 and 1869, were the occasion of exceptional grain imports, but during other years the exports continued to develop, and the agriculturists never had to complain of depression in trade. Statistics show that the lowest average price of the hectolitre of wheat was 16.94 francs during the Liberal *régime* of 1865, that it fell to 15.25 during the era of the sliding scale, and has fallen during the Protective *régime* of these last years to as low as 14.33 francs.

The bad harvest of 1878, of which, thanks to the heavy imports of American corn, the consumers did not feel the effects, was made the pretext for returning to a Protectionist policy.

The agriculturists who were growers of cereals—more exactly the great landed proprietors—demanded a Protective duty on corn, and joined with the wealthy manufacturers to procure it. The first named were at the out-set but the "catpaws" of the latter body, who did not want to imperil their interests by provoking the

imposition of entrance dues on articles of food, which would have entailed increased prices for the working classes. The law of May 7, 1881, whereby the general tariff was revised, augmented the duties on industrial produce by a fourth or fifth above the conventional tariff, and raised those on certain produce as much as 30 per cent., but the corn-growers did not gain much, and no one ventured in the Chamber to demand the increase of the 0.50 franc duty on corn.

But at the ensuing elections, agriculture won back its lost advantage, for the law of March 28, 1881, imposed a duty of 3 francs on corn, a duty of 25 francs, in the place of 15, on cattle, and a duty of 8, instead of 7 francs, on meat.

Léon Say said to the triumphant agrarian party: "The three franc duty is not enough for you!" As a matter of fact, two years later, the corn tax was raised to 5 francs (March 29, 1889). At this period the sale price had not risen perceptibly; corn was fetching about 17 francs the hectolitre, and home produce being for some years considerable,* the consumer did not at once feel the influence of the tax. But in 1891 prices rose, and the duty had to be reduced from 5 to 3 francs. But when the law was promulgated (July 2), corn had been falling throughout the European markets for the previous three months, and the poor had suffered all the effects of the 5 franc tax. Then, again, in consequence of the fall in prices, the agrarian party succeeded in bringing about in 1894 (February 27), the increase of the corn duty to 7 francs. At the same time power was given to the Government to suspend the duty, in the case of a rise in prices, without consulting the Chambers. The authors of these Protectionist laws thus realised that they would have the effect of increasing prices, which their party has sub-

* 122 million hectolitres in 1882.	110 million hectolitres in 1885.
104 " " " 1883.	107 " " " 1886.
114 " " " 1884.	112 " " " 1887.

sequently denied. But not daring to take upon themselves the responsibility of starving the people, they have endeavoured to re-establish, if indirectly, the system of the sliding scale, with closed or open frontier markets, according to the actual price of corn. And this at a time when all Europe had long agreed in condemning a system which ruins the trade in cereals, by forbidding all reasonable anticipation of the time when the import and export of corn should be practicable.

In 1898 the Government found itself compelled to exercise the power already conceded to it, of suspending temporarily the corn duties. It only decided, however, to do so at the eleventh hour, and excused itself to the corn growers for preventing them from profiting by the artificial scarcity thus created by Protection.

“ We are convinced,” said the Minister of Agriculture, who was at the same time the leader of the Protectionist party, “ that French agriculturists have grasped the reasons which prompted the Government, after mature consideration, to take this grave step, and that they will ratify it. . . . It will secure to the economic *régime* which protects agriculture more solidity and authority if it puts into action at the right moment this safety valve with which it has been provided.”

Once again the effect of custom dues on prices was publicly recognised. As to the burden laid upon consumers thereby, we shall point out directly the probable increase. For the present let it suffice to say that, from the year 1885 onwards, the date of the first duty, corn has had no less than seven different taxes :—

3 fr., 5 fr., 3 fr., 5 fr., 7 fr., 0 fr., 7 fr.,

and that nothing forbids us to prophesy yet further modifications. For the last six years, varying attempts have been made to raise the custom dues on corn beyond 7 francs, although this duty represents in some years thirty per cent. of the value of the produce. There is

no reason why these motives should not again assert themselves.

The fluctuation in the Protective *régime*, as far as agriculture is concerned, is evident ; it is none the less so in industrial matters.

After the promulgation of the tariff of 1881, new commercial treaties had been concluded with various European countries* : England having been allotted by convention a place in the ranks of the most favoured nations, an arrangement whereby Germany also profited through the Treaty of Frankfort.

The treaties, for the most part, were to hold good till February 1, 1892, in order that, by that date, according to the Government declaration, the country might again become perfectly independent in fixing its customs tariffs, "from which it expected a more effectual protection for agriculture and national industries."

It was impossible to come to an agreement with all other countries, seeing that France, when wishful to find a market for her own commodities without buying in other people's, was confronted by rivals who had the same ends in view, or who refused to submit to her exactions. Hence arose tariff-wars of which more later, and retaliation, which only served as an excuse for still further measures of Protection.

In January, 1891, however, the coalition of manufacturers and agriculturists, which has already been mentioned, was renewed, and the fact was loudly proclaimed by the president of the so-called Association of French Manufacturers, in the following unequivocal terms : "What we demand is that our sister industry, agriculture, be treated on the same footing as manufactures. The union is achieved and is lasting."

In fact, the custom laws were revised (January 12, 1892), and two tariffs were established, the one general,

* Belgium, Portugal, Norway and Sweden (1881), Spain (1882), Austria, Low Countries (1884).

the other a minimum one which was to serve as a basis for commercial treaties.

The taxes were raised on nearly all articles of food and on many kinds of manufactured goods ; for cottons and textiles the number of classes was increased.

The customs had, in 1889, brought into the public exchequer, 144,000,000 francs ; by applying the tariff of 1892 to the imported goods, the treasury would have amassed 259,000,000 francs. The difference between the two figures measures that between the two *régimes* of 1881 and 1892, the duties having been augmented eighty per cent.

Commercial treaties, on the basis of the new minimum tariff, were concluded with several European countries,* and conventions which should be subject to revision annually, at the will of the contracting parties, were drawn up with other countries, though the situation was by no means identical as regards the foreign relations of France.

The United States only benefited by our minimum tariff on certain goods, and as far as several countries outside the European limit were concerned, there are no special arrangements whatever ; only the general tariff holds good.

The actual *régime* is at once unequal and unstable. The tariffs of 1892 have been retouched more than twenty times over,† and by the law of August 16, 1895, known as the " law of the padlock," the Government was authorised

* 1892, Norway and Sweden ; 1893-4, Spain ; 1893, Russia, Servia and Roumania ; 1895, Switzerland, &c. ; 1892, Belgium ; 1893-8, United States ; 1898, Italy.

† The chief modifications (excepting corn, which has been already mentioned, bear on the following articles :—

1893. Mineral oils, basket work.	1899. Currants, wines, silk fabrics.
1894. Currants, molasses.	1900. Colonial produce.
1895. Fifty different commodities (following the re-establishment of relations with Switzerland).	1901. Figs.
1896. Starch, glucose.	1902. Colonial produce, grind- stones.
1897. Sugar, molasses.	1903. Meat.
1898. Pigs, horses, boric acid, butter, margarine, preserved fruits, lead.	1906. Tinned sardines, vegetables &c.

previous to any examination by the Chambers to apply the Bills sanctioning an increase of duties, so that the tariffs could always be abruptly modified on any given point.

The French Parliament, desirous of getting the mastery of the tariffs, has reckoned as contingencies all the employments of capital and labour which could influence all the innumerable artificial obstacles to exterior commerce.

The Commission of Customs, which has a permanent footing in the Chamber of Deputies, is "lying in wait," as was said one day from the tribune, to find occasions for granting custom-house indulgences to any given section of petitioners, and to bring pressure to bear on the Government in order to induce it to bring in Bills immediately applicable. One of the vice-presidents of this Commission recently declared that "the initiative, of no matter what change, is constantly open to the first comer." For instance, with regard to oleaginous cereals, the expediency of reforming the tariffs has been mooted during the last ten years, so that all that time the interests of those concerned have been in a constant state of uncertainty.

"This uncertainty is much to be deplored," to quote the words of the honourable member whose opinion has just been cited, "there is besides always the chance of fraudulent abuse which is still worse. . . . More than once, I have noted proposals which, even if unintentionally provocative on the part of those who made them, could have no other result than that of promoting, by uncertainty and the chances they offered of fresh developments, fluctuations favourable to speculation."

As a matter of fact, a general revision of the 1892 tariff is in preparation, although the public does not quite know what it is the Commission is aiming at, or even the nature of its decisions.

What is certain is that the Commission finds the existing general tariff insufficient. It regards this tariff as a weapon useless for fighting purposes, because it does not differ

sufficiently from the minimum tariff ; it considers that in revision will be found the weapons which will make it possible to retaliate against the increase of duties in foreign countries, and it is pleased to look upon the tariff yet to be created as a pacific auxiliary that can be pressed into the service of French commerce and industry.

The fluctuating character of Protection is thus manifest, and it must be added that it is inevitable. How could we hit upon fixed tariffs adapted to economic conditions which are perpetually varying ? At the slightest fall in prices the protected manufacturers complain, and endeavour to procure a strengthening of the duty. For a long time past, Protection has only appeared as a never-ending delusion.

II.—TARIFF-WARS AND RETALIATION.

The fall of the Liberal *régime* has been followed, as has been said, by tariff-wars. These have included two serious misunderstandings, the one with Switzerland from 1892 to 1895, and the other with Italy from 1888 to 1899.

The statistics of our foreign trade give us a measure of the consequences of these two tariff-wars.

(I)—TRADE WITH SWITZERLAND.

1891..	..	..	..	338	millions
1895..	..	..	..	230	„
				108	millions less.

The treaty of 1895, which has ended the dispute, reduced by 50 per cent., to the gain of Switzerland, our minimum tariff on timber ; by 20 per cent. the duty on cheese, &c. ; Switzerland reducing, on her side, the duties on gloves, wines, woollen textiles, &c. Yet these mutual concessions have not sufficed to restore to our trade with our neighbours its old vitality. It was not till 1900 that we saw in our statistics the figures of 1891.

(2)—TRADE WITH ITALY.

1887..	..	..	..	500 millions
1898..	..	..	..	281
				19 millions less.

In 1888 France raised the Import duties on Italian goods. Italy retaliated by increasing her general tariff by 50 per cent. By the treaty of October 9, 1898, she has lowered the duty on eighty different commodities, France making return by applying generally her minimum tariff, with exceptions as regards silken fabrics and wines.

But the commercial relations, once broken, have only been in part resumed. In 1906-7 our trade with Italy was still only 429 millions.

With regard to wines our markets are closed to our Italian neighbours. It is the same with Spanish wines; they do not come into France. Hence it is that these two countries, compelled to seek outlets for their trade, compete with our wines in the markets of Austria, Switzerland, and Germany, which formerly were ours, whilst previously the wines of Italy and Spain were used to improve, by means of mixing, French wines of mediocre quality.

If, strictly speaking, we have not had other tariff-wars except with Brazil, French protection has provoked increased foreign duties in the same way that foreign Protection had led to retaliation in France. The law of January 11, 1892, has actually given to the Government the right to surtax provisionally the produce of countries which treat us unfairly.

Retaliation is, in fact, the necessary corollary of a protective *régime*. We have already noted the opinion of the parliamentary commission of customs on the subject of tariff reform generally. A protectionist had previously asserted that "by means of a general tariff we defend ourselves either by economic warfare or by reasoning and by turning to account even our disadvantages."

As those countries with which France wants to "reason" can do likewise, and raise their duties before entering on negotiations, hoping thus to force us to pay by concessions for the return to the original tariffs, we have small chance by such a system of obtaining other than illusory concessions. Retaliation generally means little else than "making a rod for one's own back."

III.—EFFECTS OF TAXATION ON FOREIGN TRADE AS A WHOLE.

We have just seen that tariff-wars have considerably reduced our trade with Switzerland and Italy. It is easy to prove that the whole of our foreign trade has perceptibly diminished after the tariffs both of 1881 and 1892.

1.—1880 to 1885.

	General Trade. Millions of francs.	Special Trade. Millions of francs.	Millions of hundredweights.
1880	10,725	8,501	263
1885	8,885	7,176	254
	<u>Less 1,840</u>	<u>1,325</u>	<u>9</u>

2.—1891 to 1895.

1891	10,668	8,838	310
1895	9,510	7,094	288
	<u>Less 1,158</u>	<u>1,744</u>	<u>22</u>

In these two periods our trade has, therefore, diminished both in quantity and value.

3.—1880 to 1895.

	General Trade. Millions of francs.	Special Trade. Millions of francs.	Millions of hundredweights.
1880	10,725	8,501	263
1895	9,510	7,094	288
	<u>Less 1,215</u>	<u>Less 1,407</u>	<u>Increase 25</u>

By this table it can be realised how scanty has been the increase of quantity, and how serious the decrease in value.

In England and Belgium, where Liberal ideas have prevailed, the statistics during this period are very different :—

		England. General Trade. Millions of francs.	Belgium. Special Trade. Millions of francs.
1880	.. ..	17,440	2,898
1895	.. ..	17,563	3,066
	Increase	123	Increase 168

It would then be ridiculous to attribute the decrease in our trade returns after 1880 solely to the general lowering of prices which dates from then, seeing that prices have also been depressed in England and Belgium as well as in France.*

The fall in prices has not, however, been the only cause of arrested progress in our international commerce. For during the period from 1880 to 1895, Protection has developed in many countries.†

It is not conceivable that by creating artificial hindrances to commerce on a large number of frontiers, trade would be restricted thereby throughout the world. But restriction has been much more pronounced in the countries which, like France, have actively engaged themselves in a protectionist policy.

To-day, “the *régime* of Protection inaugurated or consolidated by the majority of Governments,” is officially noted by M. Picard, the president of the Commission of Customs

* “L’Office du Travail” has reckoned from price indexes according to the values set by the Commissioners of Customs on imported goods, that is to say, without considering the increase in duties, and has contrasted them with the indexes of M. Sauerbeck. These are the results :—

		France. Statistics of “Office du Travail.”	England. Statistics of M. Sauerbeck.
1880	...	91	85
1895	...	67	62
		26 per cent. less.	27 per cent. less.
Germany, 1885—1887.	Italy, 1887.	Russia, 1881—1882.	
Austria, 1882—1887.	Sweden, 1888.	United States, 1883—1890.	

Values, in his last annual report, as "one of the obstacles which hinders the growth of our trade."

Account should be taken of this influence in considering one of our manufactures in particular. Champagne wines have had customs duties imposed upon them in many countries, either to protect the makers of sparkling wines, or on some other pretext. The result is that our exports are diminished or arrested according to the country which receives them, and in either case an industry which, by the exceptional excellence of its produce, has won a world-wide reputation, is seriously injured.

In England it is notorious that the increase of duties on wines in April, 1899, has had the effect of diminishing the import of about 16 million gallons (1897-1899) to 12 million (1904-1906), that is to say, a loss of twenty-five per cent., part of which the French trade has had to bear.

Fortunately, France has sufficient resources to prevent her being ruined by her unsound economics. But the mischief due to those same economics is to be seen by comparing the progress of our commerce with the trade returns of the non-protectionist countries of Western Europe, England and Belgium :—

GENERAL TRADE.

	England.		France	
	Millions of francs.		Millions of francs.	
1880 ..	17,440	..	..	10,725
1906 ..	26,720	..	..	13,918
	<hr/>		<hr/>	
Increase of	9,280	..	..	3,193
	53 p.c.		28 p.c.	

SPECIAL TRADE.

	Belgium.		France.	
	Millions of francs.		Millions of francs.	
1880 ..	2,898	..	..	8,501
1906 ..	5,517	..	..	10,893
	<hr/>		<hr/>	
Increase of	2,619			2,392
	90 p.c.		28 p.c.	

IV.—THE EXCHEQUER INJURED BY INCREASE IN TAXATION.

It might seem at first sight paradoxical to suppose that a protectionist policy can have damaged the country's finances. Yet it is a fact that duties serve to hinder imports in proportion as those duties are raised.

In fact, if we calculate the successive amount of duties levied at the French frontier, we demonstrate that the quinquennial increase has been more considerable under the Liberal *régime* than under the existing one, and that at given periods, when protectionist ideas prevailed, the increase has been followed by diminution.

Here are the figures :—

		Amount of taxes collected, in millions of francs.	Quinquennial increase or diminution.
Under Liberal <i>Régime</i> ..	1870	128	+ 101
	1875	229	+ 103
	1880	332	+ 36
Under Protectionist <i>Régime</i>	1885	368	- 7
	1890	361	+ 39
	1895	400	+ 28
	1900	428	- 16
	1905	412	

We must therefore conclude that the loss which would result to the French exchequer through a reduction of duties in the future would be quickly made good in later years through the increase of imports that such a reduction would encourage.

V.—THE INCREASING COST OF LIVING.

It has been already shown how the promoters of Protection regard it as a means of enhancing prices. This can be clearly verified by comparing the price of wheat in the markets of Paris and London. The prices in the first-named are constantly increasing.

In times of high prices, the increase keeps pace with the duty; in times of abundance it is less, but the duty always counts one way or the other, protecting the producer by a considerable rise when he has little to sell, but giving less of such protection when he has a great deal to put on the market.

In order to calculate under this head the total duty levied on the consumer, it must not be forgotten that the whole amount of corn grown in France is by no means put on the market. All growers keep for themselves and their servants or employés a certain quantity of wheat, whilst the smallest cultivators consume all that they grow.

A well-known agriculturist, M. Zolla, computed some years ago, that out of a harvest of 109,000,000 hectolitres, the quantity of wheat put on the market might be estimated at 67,000,000, and that the average fluctuation between the prices of France and England would come out at 4.77 francs a hectolitre. On such a calculation, the sum paid annually by the consumers of wheat to the producers would be 319,000,000 francs, exclusive of the custom duties received by the exchequer on imported corn.

The enormous impost levied by the producer is progressive on the wrong side; it is all the heavier when the consumer has most need of bread, that is to say, when he is poorer, or has more mouths to feed. It does not benefit the agricultural population which does not sell corn, in other words, it does not profit labourers, servants, and small peasant proprietors who are much the most numerous section of the community. Out of 2,235,000 small holdings that can be reckoned in France, there are only 138,000 which contain more than 4 hectares, and there are 711,000 which only boast from 10 to 40 hectares; yet it is in these two classes only that we can find growers who touch a part of the 319,000,000 francs.

But generally they do not keep it for themselves. The effect of the bounty is to induce a rise in ground-rents

on the renewal of leases, or to arrest the fall of these rents by hindering the diminution of cultivation on soil least favourable for wheat.

In the long run it is the large and middle landed proprietors who fly to the protection of the customs. According to M. Levasseur, the bounty represents on an average, 45 francs a hectare of cultivated corn land, taking the produce as equal to 20 hectolitres.

As to the consumers, the 319,000,000 of annual duty that they have to bear, would represent the cost of two hectolitres of wheat per family, if every household bought its corn or bread—a calculation which cannot be regarded as exact, for the average quantity of wheat consumed by each individual barely amounts to 3 hectolitres. It is to be noted besides, that this consumption has rather diminished than increased since the imposition of corn duties; it was 3.25 hl. in 1885, in 1905 it amounts to 3.12 hl. Yet there are still a number of people in France for whom wheat is too dear, and these have to be content with potatoes, rye, barley, buckwheat, or chestnuts, to afford them adequate nourishment as food-stuffs.

The same remarks apply in their way to the consumption of meat and also to that of sugar, which can no longer be ranked among luxuries.

The policy of Protection has thus enhanced the cost of living in just those commodities which are most necessary for food.

Although the public may not be aware of it, the general fall of prices in the world's markets has coincided with the establishment of our Protectionist *régime*, and has, during these last few years, continued. The rise in prices, which only began in 1900, is not considerable.

Léon Say had estimated at 60,000,000 the supplementary outlay that the custom duties imposed on the consumers. Although it is impossible to calculate exactly what the charge would actually amount to, corn-statistics as they

stand, warrant us in considering Léon Say's estimate as in no wise exaggerated.

VI.—DECREASE IN THE EMPLOY OF CAPITAL.

It is plain that, generally speaking, the custom duties handicap all industries which use protected materials ; that the duties, for instance, on coal and metals affect necessarily all those industries which depend upon coal or iron.

In 1901, a minister of commerce reckoned that the bounty granted by protective duties to the 31 great metal foundries existing in France, amounted to—

- 33 p.c. on the price of railway carriages ;
- 9 p.c. on that of tramway carriages ;
- 6 p.c. on that of hydraulic machinery ;
- 33 p.c. on that of dynamo-electric engines ;
- 3½ to 12 p.c. on that of machinery for spinning and weaving ;
- 4 p.c. on that of printing presses ;
- Over 5 p.c. on that of naval works.

The existence of custom dues is, moreover, an obstacle to trade in manufactured products, which serve as raw materials in other industries.

For instance, an example can be found in combed wools, in which there is a vast trade done. As they are not taxed either in England, Belgium, Holland, or Switzerland, and have only to pay a duty of 2·5 pf. in Germany, whilst the import duty in France is 25 centimes for every kilogramme, our wool market is artificially restricted in a way which encourages speculations otherwise far from favourable to our manufacturers.

It is also clear that the decrease in foreign trade is highly detrimental to shipping interests, to all transport, especially that promoted by railways, to portorage of every kind, as well as to all sorts of commercial enterprise, &c.

As capitalists, also, are little disposed to sink money in those numerous schemes the risks of which are increased by the fluctuations of economic conditions, it is more than

likely that Protection has effectually restricted the outlay of capital taken as a whole.

As for the fostering of employment that it has engendered in the protected manufactures, it is hardly worth taking into account; what will be said later regarding the employment of labour will prove this.

We will, for the present, be content with pointing out that any exceptional increase which has taken place in protected industries, has been in many cases counter-balanced by a decrease in other directions of which no one had dreamed.

Thus, for example, when high duties are established, foreign manufacturers, who find it no longer possible to consign their goods, erect workshops in the heart of our closed country; so that the custom dues, instead of protecting national industry, do but incite competition with that same industry, from foreign capitalists and manufacturers. Such has been the actual case in the north of France.

VII.—DECREASE IN THE EMPLOY OF LABOUR.

The protectionists have maintained that, in protecting agriculture and manufactures, they were acting in the interests of the people, since labour was attracted towards protected industries.

But as we demonstrated above that Protection has increased the cost of living, it diminishes therefore of necessity the purchasing power of the wages of all workmen.

Has it contributed to the increase of nominal wages, or hindered the stoppage of work?

It is perhaps possible that in some cases, above all at the outset, it has postponed the actual bankruptcy of badly equipped factories, working at high rates, and fated anyhow to fail; but, on the other hand, it has led to stoppage of labour and suppression of industries which have suffered

from Protection, and these are largely in the majority, as will be seen.

The policy of Protection has not, therefore, generally speaking, tended to lessen the number of unemployed, nor has it done anything to increase wages, for in the most carefully protected manufactures, such as cotton-spinning and linen-weaving, the workman's pay is much worse than in many other industries. Nor does it seem that Protection has even consolidated existing labour, for in the sugar factories, which are well protected by bounties, employment has considerably decreased.

NUMBER OF PERSONS EMPLOYED IN SUGAR FACTORIES.

	Persons.			Working days.		
	Men.	Women.	Children.	Men.	Women.	Children.
1881-82	49,100	8,400	7,800	4,975	707	658
1901-02	42,800	3,200	2,400	4,388	390	248
Decrease	6,300	5,200	5,400	587	317	41

As to the non-protected industries, Protection has naturally had the effect of reducing employment because it has increased the cost of production; the duties on yarns and textiles have injuriously affected all industries connected with the making of clothing, *lingerie*, and dress; the duties on leather have, in the same way, told on bootmaking, &c. In these branches of labour, where the consumer is directly catered for, as in dressmaking, for example, manual labour necessarily plays a much bigger part than in the manufacture, say, of textiles, which, in their turn, serve other industries.

M. Yves Guyot has remarked that, in an industrial population of 7,000,000 souls, protected manufactures only affect about 300,000 to wit:

- 68,000 in the spinning of cotton, flax, and hemp.
- 160,000 in weaving.
- 20,000 in tan yards.
- 60,000 in metal works.

Assuming, then, what is not proved, that Protection benefits the workers in protected industries, it only profits about 4 per cent. of the total industrial population of France.

From whichever side we look at it, we see serious harm done to trade by Protection, and enormous reduction in the employment of both capital and labour, without any corresponding advantages for the country as a whole. And how many persons, taking the most favourable view of it, really profit by the privileges granted? M. Yves Guyot, who must be again quoted, has reckoned that they benefit at the most 8 per cent. of the agricultural population, and 5 per cent. of the whole French people!

To justify privilege, it has been maintained that customs dues were meant to compensate for internal revenue burdens. It is, indeed, a strange method of enriching a country, to increase the price of goods on a scale proportioned to the taxes already paid by those who make them, and thus charging the consumer twice over.

It has likewise been asserted that our manufactures had need of Protection because our taxes were heavier than any other country's. As M. Ch. Eyraud has set forth in a special report on the subject, revenue burdens are not lighter in Germany or the United States than they are in France; they are only less oppressive in Liberal England. In any case, is it not absurd to want to punish the consumer because he is already too heavily taxed?

One last point remains to be noted in this connection. Can we hope that the French public will ever realise that it is the dupe of sophisms invented by a handful of monopolists, as suggested by Adam Smith? May we venture to think that our country will, before long, range itself on the side of Free Trade? It would be, perhaps, too daring to give an affirmative answer to such a question; all that we can actually say is that there are, as a matter of fact, many

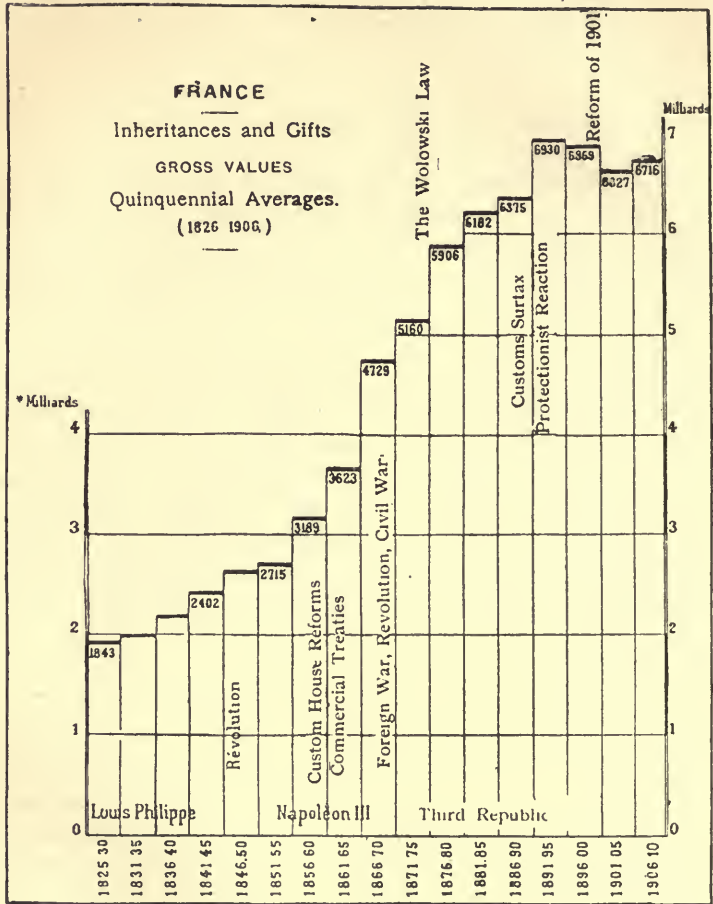
people who, even among those whom Protection has attracted, believe that the system is at its apogee, and that it is becoming possible, by means of treaties, to give to commerce and industry at least that security of which they stand so greatly in need.

NOTE on the accompanying table of annual successions to property in France, by M. A. de Foville, Member of the Institute, Chief Councillor to the Accountant-General's Office, submitted in connection with Mons. Schelle's paper :—

I have never been anything but a Free Trader. I was already one, though still very young, when the treaty of 1860 was concluded, and the results of the new *régime* have only strengthened my convictions. Forty years ago, however, I was living in an industrial centre populated by ardent protectionists who never ceased charging the reform of the customs with ruining both them and France. Yet I saw the fortunes of these pretended victims increasing visibly. One of them, the most irreconcilable of all, bought up every farm or château offered for sale within a radius of twenty-five miles.

Now that this epoch belongs to history, almost to ancient history, and I myself have become an old statistician, I examine figures and diagrams. Especially do I examine the course of our annual successions to property, a reduced but faithful picture of the movement of wealth in France, and I see that progress has never been so rapid as it was between 1860 and 1875. Since the violent reaction of 1892, on the contrary, the curve has, to say the least remained stationary. Doubtless it would be rash to say, *Post hoc ergo propter hoc*. I know the complexity of economic phenomena. At the same time I defy the partisans of our present *régime* to look at this picture and

to say, as they have done, "Free Trade ruined France; Protection enriched her."



* A milliard francs = £40,000,000

M. G. DE MOLINARI submitted the following paper:—

THE motive which impels Protectionists to use their influence in favour of the establishment of customs duties is the interest, or what they believe to be the interest, of their industry. Only, as every check on freedom of exchange has the effect of injuring other private interests, they feel the need of demonstrating that their interest is in conformity with justice and the general interest of the nation. Hence the arguments used by them to justify it. Going back no further than the first beginnings of modern industry, we find in the mercantile system an argument, which long appeared conclusive, in favour of prohibiting the importation of foreign goods, namely, the belief that the precious metals alone constitute wealth, whence it followed that a nation enriched itself only by importing precious metals in exchange for its goods, and by forbidding their exportation. It is rather strange that this belief should have arisen at a period when wealth consisted almost exclusively of real estate, such as land, manors, slaves or serfs attached to the land, and when the precious metals in the form of coinage were hardly used except for the purchase of weapons and a small number of luxuries. But it must not be forgotten that the minting industry was in the hands of the possessor of the royal power and of the principal lords, and that the royalty which they drew from it was one of the most important branches of their revenues. They were, therefore, interested, in getting as cheaply as possible the raw material of the coinage and in thus increasing the profit of the royalty. They, therefore, exercised their sovereign power on the one hand to forbid the use of foreign money and the exportation of the precious metals, and on the other hand to favour their importation to the exclusion of other products. The monopoly of coining money being now no longer an important source of revenue for governments, the practices to which they had recourse to increase the profits of this monopoly are no longer supported by the same reasons, and thus one of the original causes of Protectionism has been obscured.

The necessity for the defence of the State has, however, continued to be urged in favour of the protection of those industries which furnish war material and the principal articles of consumption. The argument drawn from this necessity may have been well grounded at a time when an almost permanent war was able to isolate nations completely, but the development of international trade has destroyed the authority it once possessed. Commerce has created among the nations interests now numerous and powerful enough to make themselves respected. At the present time it does not rest with the most powerful State to isolate a nation and to break off its intercourse with the outer world, whatever interest it may have in starving it, and depriving it of the raw materials needed for its industry. Peaceful interests, by promoting the reform of the Law of Nations, have decidedly prevailed over warlike interests. Supposing, for instance, that a State at war with England was unwilling to take account of this reform, it would at once cause, among those nations which find in England an immense and fruitful market for their agricultural and other products, the formation of a new League of Neutrals.* Thus the argument which the peril of famine in time of war provided for Protectionists has lost all its value.

That Protection is indispensable, first, to preserve the nation from the loss of its coinage and consequently of its wealth, and next to prevent its starving in case of war, were two arguments capable of making the strongest impression on men's minds, and their loss must have seemed irreparable. But there remained a third one which might, if necessary, take their place, namely, the need not only of defending the national industry against foreign competition, but also of multiplying its branches in order to meet, as far as possible, the requirements of the consumer. For it had become an axiom which everyone, except a few economists, accepted, that we pay tribute to the foreigner

* See *Les Progrès Réalisés dans les Usages de la Guerre*. Questions d'économie politique et de droit public. Vol. II., page 277.

on buying his products. We shall see, presently, what to think of this.

No doubt, a rising nation has a natural tendency to add new branches to its industry. It can thus find a profitable use for the increase of its capital and its population. But this is on condition that its soil, climate, and character are suitable for the working of a new industry; otherwise it will be more advantageous to continue to obtain the products of such an industry in exchange for those of existing ones. For exchange does not give things for nothing. But two sorts of interests soon act to end this method of obtaining supplies, the fallacious interest of the financial officials of the State, who find in a new industry, the early growth of which has been hastened by Protection, a new source of taxation; and the positive interest of ingenious capitalists in seeking extraordinary profits. These two interests combine to raise a barrier against the importation of foreign products. The new industry is reared under the shelter of this tariff wall. It procures, if not to the national government to which a purely revenue duty would have furnished an equivalent tax, at least to those capitalists who started it, immediate and large profits due to the monopoly. So long as the price of the product taken away from the foreigner can be raised to the level of the protective duty, these profits rise far above the competitive rate. This is so to such an extent that they do not fail to attract into the country the foreign producers whose outlet has been closed by the tariff wall, and who make up amply for the loss of this outlet by taking the best of the monopoly profits. As a matter of fact, the effect of the development of home competition is to diminish these profits in the long run. Then it usually happens that businesses established by foreign capital are sold at a high price and pass into the hands of the natives, to whom the decay of the monopoly causes a grievous disappointment.

The situation is somewhat different when an already existing national industry receives an increase of protection

which suddenly takes from the foreign industry a portion of its market. This is what happened at the time when the raising of the tariff closed the French Colonies to the importation of English and American cotton goods to the benefit of the home industries. It was at once a confiscation inflicted upon those who produced them, and a fresh tax levied upon those who consumed them. Although this confiscation was effected to the detriment of a foreign industry it was, nevertheless, an injury to property. The same may be said of the tax levied upon the colonial or home consumers which consists in the difference between the prices of protected industry and those of foreign industry. Is this tax anything else than a tribute, a real one this time, paid to a national industry which sells dearly those products which foreign industry supplied cheaply before? But it remains to be seen whether this sacrifice, forced on consumers in favour of private interests, is in conformity with the general interests of the nation. By purchasing at a higher price a protected product which he hitherto obtained cheaply, the consumer is obliged to increase the expense incurred for the gratification of the need with which that product is connected. The whole difference must, therefore, be deducted from the sum which he would have been able to devote to the gratification of his other wants; whence it follows that the market acquired by protected industry causes an equal decrease of the markets of all the other industries. To this Protectionists answer that this decrease is but temporary, and that the national industry created by Protection soon emerges from infancy, producing and selling as cheaply as the foreign industry of which it took the place. Let us see what this answer is worth? If the interests which led to the confiscation of the foreign industry in order to profit by the monopoly of the new industry have taken no account of its suitability to the soil, the climate, &c., it will never be able to stand the competition of its rivals, and will always have to be protected. It will be a tribute

that it will for ever impose on consumers, and, as a consequence, the loss of a market which it will inflict on other industries, thus depriving the consumers of certain commodities and decreasing the wealth of the nation. Let us, however, suppose that Protectionists are too careful of national interests thus to damage them permanently, for a particular temporary interest, and that all they ask from the consumers are the sacrifices necessary to protect the infancy of an industry adapted to the soil, the climate, &c., and that as soon as that protected industry has grown and attained its full vigour they will hasten to let it make its own way unaided. These reassuring promises, which have disarmed the consumers and even a good number of economists, how have they been kept? First of all, the infancy of protected industries was prolonged beyond all expectation. Having been guaranteed against the pressure of outside competition they neglected, as might have been expected, to make the efforts and sacrifices required to face it. Then, when competition at home began to compel them to act, they used their increasing influence rather to shirk their promises than to fulfil them.

Protectionists have, moreover, discovered new reasons for maintaining and even raising the customs tariffs applied to those industries which challenge all competition. The first consists in extending the field of their trading operations by means of treaties of commerce; the second, in making themselves the rulers of prices by means of monopolies in the form of trusts or kartels.

As an industry extends, increasing its products, the home market becomes insufficient for it; it is compelled to seek openings abroad, or it must limit its production and its profits. But civilised nations, which alone are rich enough to offer a fairly good market for it, close more and more hermetically their frontiers to it. On the other hand, they also have industries which require more extensive markets. It being so, it is possible to come to an agreement. On both sides, the most powerful and most politically influential

industries are interested in extending their trade, even at the expense of the weaker ones. They urge the conclusion of a reciprocal treaty, termed a treaty of commerce, by lowering reciprocally the duties which bar the admission of the products of those industries which are the most interested in extending their foreign trade. It is, of course, necessary, while making this exchange, to take care not to open the door to those products which compete with the home ones. But this the various countries closely watch. It is at the expense of the weaker or less politically influential industries that the tariff is lowered; yet the negotiators of the treaty discuss its conditions and figures with great tenacity, for, as Protectionists, they are convinced that any lowering of the tariff, by increasing the importation of a foreign commodity, causes at once a particular disaster and a general loss. Therefore, a shrewd Protectionist discovered an ingenious process for avoiding the partial loss caused by treaties of commerce, and even for using them to strengthen Protection with all the national industries. That process is first to raise the level of the general tariff so as to render the partial reductions of duties consented to by the negotiators illusive in fact, if not in appearance. Unfortunately, this invention, not having been patented, could not fail to be imitated at once, and, through inexplicable negligence, France alone delayed making the reform in the customs which this progress required. However, Free Trade England is in this respect in a still worse situation than France. Having suppressed most of the duties that protected her industries, she now has nothing to give in exchange in order to obtain reductions of tariff from the Protectionist countries that surround her. She cannot conclude treaties of commerce. To extend her foreign trade, she is compelled to make costly and laborious efforts enabling her goods to overcome the obstacles of protective tariffs; and as they are more successful in this, customs duties are raised, even in her own colonies. This is, as is well known, one of the most suggestive arguments Mr.

Chamberlain used to bring about the re-establishment of the Protective system. The obstacle which protectionist countries put in the way of the extension of British trade is certainly most serious, yet this trade has continued to increase more than ever. How is this anomaly explained? By the two diametrically opposed effects of Protection: one by which foreign products are prevented from entering; the other by which home products are prevented from going out. At the present time, all civilised nations are contending for trade openings, but in this contest the industries of protectionist countries bear as a dead weight the artificial burdens with which Protection increases their cost prices, while the industries of Free Trade countries bear nothing more than their natural burdens. Thus, one is led to ask whether, in those countries competing with England, Protection does not rather contribute to increase her trade than to restrict it. This would explain the continual expansion of her foreign commerce, in spite of the growing height of the protectionist walls. At present, England has the monopoly of Free Trade; but with its advantages that monopoly has its drawbacks. As it goes on, it produces its usual effect—a slackening of progress, which is noticed in some of the British industries. A return to the protective system would strengthen the cause of this sluggishness, while an extension of Free Trade in other countries would make it disappear; and this is why England, in spite of the benefit she derives from that monopoly, is interested in the extension of Free Trade.

Just as Free Traders have faith in the advantages of competition and endeavour to extend it, so Protectionists treat it as an enemy and work actively to stop it. After having confined themselves to prohibiting foreign competition, they are now endeavouring to suppress competition at home, and for that purpose they form trusts in the United States and kartels in Germany. This is a new advantage of protective tariffs which made itself felt as the development of home competition lowered prices and reduced the

profits of protected trade. Some bold and not over-scrupulous minds have, now through persuasion, now from fear, undertaken to make themselves the rulers of prices on the home market. They have built up gigantic monopolies, such as the sugar trust, petroleum trust, steel, copper, &c., trusts, which have broken through the cobwebs of the anti-trust laws, and whose political influence is powerful enough to make (according to Mr. Havemeyer's own opinion) the ultra-protective tariff, that father of trusts, itself of no account. But the trusts and kartels have not resulted simply in the raising of prices and the accumulation of immense fortunes at the expense of consumers, they have also produced an unexpected effect through the practice of "dumping." Having to keep on increasing their production if they do not wish to slacken the work of their gigantic machinery, the trusts send the surplus to foreign markets, and sell cheaply abroad what they sell dearly at home ; and as most of these products, iron and steel, for example, are used in a great many industries, the system established to safeguard the national industry against the foreign at last protects the foreign industry against the national.

It does not appear necessary to us to insist upon a refutation of the protectionist arguments. Whether old or new, they are but arguments for the gallery. The most ardent supporters of the protective tariff do not take them seriously and do not scruple in the least to practise Free Trade occasionally. A pretty anecdote which Henry George tells in his book, "Protection and Free Trade," is a proof of it. "A few months ago, I found myself one night with some other travellers in the smoking car of a Pennsylvania limited express train. One told how, coming from Europe with a trunk filled with presents for his wife, he had significantly said to the inspector detailed to examine his trunks that he was in a hurry. 'How much of a hurry?' said the official. 'Ten dollars' worth of a hurry.' The inspector took a quick look through the trunk and remarked, 'That's not much of a hurry for all this.' 'I gave him

ten more,' said the story-teller, 'and he chalked the trunk.' Then another told how under similar circumstances he had placed a magnificent meerschaum pipe so that it would be the first thing seen on lifting the trunk lid, and, when the officer admired it, had replied that it was his. The third said he simply put a greenback conspicuously in the first article of luggage ; and the fourth told how his plan was to crumple up a note, and put it with his keys in the officer's hands.

"Here were four reputable business men, as I afterwards found them to be—one an iron worker, one a coal producer, and the other two manufacturers—men of at least average morality and patriotism, who not only thought it no harm to evade the tariff, but who made no scruple of the false oath necessary, and regarded the bribery of customs officers as a good joke. I had the curiosity to edge the conversation from this to the subject of Free Trade, when I found that all four were staunch Protectionists."

To sum up, it is on political influences much more than on economic arguments that Protectionism is based and perpetuated.

The Hon. JOHN BIGELOW (U.S.A.) submitted the following paper :—

A TARIFF upon imports from foreign countries is probably the most pernicious, illogical and immoral provision for the expenses of a Government that has ever been adopted by any civilised nation. It is a violation alike of divine and economic laws. The divine law teaches us to do unto others as we would have others do unto us, and to love our neighbours *as ourselves*. To subject the industry of a foreign manufacturer to a more or less prohibitive tariff violates both of these commandments upon which in part hangs all the law and the prophets. It is a declaration of open war upon the lesson of the brotherhood of our race, taught so impressively nineteen centuries ago from the Cross on Calvary.

Nor is there any law of political economy less open to dispute than our common right to buy in the market where we can buy cheapest and to sell where we can sell to most profit. Yet this common law right of every seller or buyer throughout the world is violated every time a package of imported merchandise is ordered to the Custom House.

There is an unreasonableness which accompanies these violations of divine and economic laws which is difficult to describe in parliamentary language, it seems to be so insane and ridiculous. While our sea coast and frontiers for more than half a century have swarmed with officers whose business it is to exclude the competitive products of foreign industries, we have been at the same time bestowing at a nominal price millions upon millions of as fertile land as any in the world, to entice aliens to our shores at the rate of from five hundred thousand to a million per year, with their training, matured vigour and expert skill to compete on far from even terms with our own labour. While thus, thanks to our tariff, saving at the spigot and losing at the bung-hole, we have been not only discouraging to a great extent our own inventive talent, but what is even more serious, discouraging that diversity of industries which was the first pretext and the original delusion by which, just a century ago, Alexander Hamilton beguiled the nation into a toleration of the greatest political blunder, after chattel slavery, that ever found an asylum in the constitution of any Government pretending to be Democratic—the consecration of human selfishness and internecine war by a protective tariff.

The most illustrious American contemporary of Hamilton, who was also a wiser man and a much more experienced statesman, was the fervent advocate of very different opinions of tariffs for revenue. In a letter to the Count de Vergennes, dated March 15, 1783, Dr. Franklin wrote :—

“ I received the letter your Excellency did me the honour of writing to me respecting the means of promoting

the commerce between France and America. Not being myself well acquainted with the state of that commerce, I have endeavoured by conversation with some of our merchants to obtain information. They complain in general of the embarrassments it suffers by the numerous internal demands of duties, searches, &c., that it is subject to in this country. Whether these can be well removed, and the system changed, I will not presume to say. The enclosed letters may, however, inform your Excellency of some of the circumstances, and probably Mr. Barclay, our consul, may furnish others.

“ In general I would only observe that commerce, consisting in a mutual exchange of the necessaries and conveniences of life, the more free and unrestrained it is, the more it flourishes : and the happier are all the nations concerned in it. Most of the restraints put upon it in different countries seem to have been the projects of particulars for their private interest under pretence of public good.”

But here I fancy myself interrupted by the inquiry : If we do not tax our imports, what easier or more acceptable substitute for the support of our Government would you propose ?

In submitting an answer to this question I propose to avail myself of the privilege implied in the second clause of your *Programme of Subjects*, which authorises the writer “ to illustrate his subject by reference to the actual conditions of his own country.” Should the substitute I propose, however, prove to be a sound one, it must be available, *mutatis mutandis*, under any form of government which contemplates as its end, as all governments should, harmonious relations between the people and their rulers.

I.

The wealth of our country consists principally, if not entirely, in its land, its water, and the sun with its atmospheres. Without these it would be uninhabitable.

By man's aid this land, since its settlement under an organised government, has always produced a large surplus of merchantable commodities.

To make such surplus convertible into wealth for the inhabitants, it requires markets, and because it is a surplus it depends, of course, more for its markets upon foreign than home purchasers.

Every inducement should therefore be given to the foreigner to buy of our surplus, and the greatest inducement we can offer is to take our pay in the products of his own industry, of which he may be presumed to have a surplus for which he has no longer a profitable home market. Of course, the more we take of the alien's surplus the more will he be in a condition to take of ours, and both will prosper.

These principles, so elementary, are the basic principles of all honest commerce.

Now the land, water, and sun with its atmospheres, are the capital of the whole nation. Their productivity can only be diminished by abuse or neglect. But the surplus is the product of the industry and frugality of the inhabitants.

In this capital and surplus the people and the State have a joint interest.

Whenever the State, therefore, parts with the exclusive usufruct of any portion of its capital to individuals or corporations, it deprives the rest of its people and the State also of their respective shares of what is thus appropriated. For those shares the State is entitled, as a co-partner, to a compensation in some proportion to the value of what it parts with and to the value of such part to its grantees.

If a promoter of railways asks the exclusive use of a tract of land 100 feet wide from the Atlantic to the Pacific Oceans for the construction of a trans-Continental road, there is no good reason why he or those he represents should enjoy such exclusive privilege without an engage-

ment in their charter to pay the State a fair rental, or price, if you please, for this exclusive right of way. The rent-charge, of course, should be assessed at so moderate an amount, at such times and in such modes, as not to discourage the enterprise, and with due recognition of the public advantage which might result directly or indirectly from such a highway, and the risks to be run by those who finance it. In other words, the share claimed by the State should never to any practical extent increase the risk to be assumed by the incorporators.

But as it is difficult in all cases and impossible in very many, especially in patents, copyrights, &c., to estimate the earning power of any new enterprise, obviously the most equitable way of determining the State's proper share of a privilege it confers is to take it as a partner does in any commercial enterprise—nothing until a surplus is earned, and then, be it sooner or later, what would represent a due proportion of its contribution to that made by the other capitalists. In other words, more as the enterprise prospers, less when it struggles, as the other partners expect to.

As a convenient illustration permit me to direct attention for a few moments to the latest report of the American Telephone and Telegraph Co., commonly referred to as the "Bell Companies." The original of this corporation—the Bell Telephone System—went into operation in Boston, Massachusetts, as a business corporation on January 1, 1876, thirty-three years ago next January. I am not prepared at present to state the amount of its original capital, though I think it quite safe to assume that it did not exceed \$100,000, if it exceeded the half of that sum.

At its start it required of the State, of course, the privilege of planting its poles, of connecting them by electrical wires on the shortest lines between the different points where its service was most likely to be in demand; and real estate for all its stations and offices, which, as well

as the poles and wires, the State had to guarantee the exclusive use of to the company. But Bell's patent was a new device; one which no one, perhaps, besides the inventor and his few confidential assistants knew anything about. The majority of people shook their heads at the idea of shortening the distance which separated correspondents in New York and Washington to ten or fifteen minutes, by the use of lightning, a force only popularly known, and not valued but only feared, for its destructiveness.

Of course, for an enterprise which to most business men appeared so precarious, if not chimerical, the State could not have begun to claim more than a nominal share of its doubtful earnings.

The early results of the company's operations would not have discredited this timidity of the average capitalist. Eight years elapsed before the number of the company's subscribers' stations reached a trifle over 100,000. Even twenty years elapsed before their number had reached 400,000. From that time on the number increased more rapidly, so that in January, 1908, nearly a year ago, the number of subscribers' stations had increased to 3,900,000. By this time, its number, no doubt, considerably exceeds 4,000,000.

The dividends declared for the year 1907 by this company were \$10,943,642, besides \$3,500,000 carried to reserve, and \$1,825,743 carried to surplus.

From its origin the company has been constantly extending its lines, multiplying its poles, wires and station houses, so that its mileage in wire for exchange and for service at the close of 1907 was 8,610,592 miles. Its construction works alone during the last eight years have cost the enormous sum of \$351,825,625.

Of course, for every additional mile of wire, this company comes under new obligations to the State for the right of way, structural accommodations, protection, &c.

By the partnership system I have suggested, the State or States which it serves get their pay for these always increasing accommodations as the company does, by the increase of its property value and dividends, than which nothing could be more just or more simple.

It is needless to say that the trifling proportion, share or compensation which the founders of the Bell Company would have cheerfully engaged to pay the State for its charter would have proved no mean contribution to the State chest, for at least two-thirds of the company's existence, during which it has paid annual dividends of 7 per cent., and, in addition, would probably have spared the company an equal, or even greater, amount it had to expend in resisting legislative and other predatory interferences with its patents and chartered rights.

II.

Now let us suppose that all charters conferring lucrative as distinguished from purely eleemosynary privileges, and which to an appreciable extent limit or extinguish any of the common law rights of the general public, were dealt with as I propose, by the State as one of the silent partners of the grantees ; as thus entitled to share in their profits and their risks in proportion to its contribution to the joint capital, less the direct advantages to the State itself which the other shareholders may not share equally, if at all.

The number of such corporations in the whole United States is almost as countless as the stars in the heavens, or the sands on the sea shore.

Let us consider a few of the most familiar of these, beginning with the 220 odd thousand miles of railways, the thousands of miles of trolleys, the subways, the tunnels under rivers and bridges over them ; water power for the thousands of milling companies and factories, the turnpikes,

dams, water, gas and electrical companies for the supply of hundreds of cities, towns, and villages; building, stock raising and vehicle manufacturing companies, factories for all kinds of textiles, chemicals, drugs and alimentary articles; shoe manufacturing companies, sewing and typewriting machine companies; guns, pistols, ammunition and paper manufactories; ship, sail-boat, and steam-boat companies; bank, trust, insurance, mining, dredging and explosive manufacturing companies.

These are, to use the rhetoric of Lord Beaconsfield, but "a flea-bite" compared with the actual number of corporations that would be fairly assessable and with no serious opposition, in larger or smaller amounts, for the exclusive privileges they require. Had my native State of New York, fifty, if not twenty-five years ago, attached the proposed conditions to the charters to which they would have been applicable, it is safe to say she would to-day have no taxes to levy for the purposes either of her State, county, or municipal governments.

For the Federal Government this provision would be equally applicable and ample.

Had Congress tied such a string, however short, to every farm it has already sold for \$1.25 an acre—scarcely enough to pay for the stationery used in its transference—instead of giving a perfect title of it *in sæcula sæculorum*, the President would have to build a *Dreadnought* every year, or do some other equally foolish thing, to get rid of our surplus revenue.

We are reputed to still have some 60,000,000 of acres of public lands which, by virtue of the increase of population and of market values resulting from the rapidly increasing facilities of transportation, may prove to be worth more than we have received from all we have parted with, if instead of parting with the fee of them at a nominal price, as we have been doing, we would simply impose a trifling rent-charge upon it to increase with its productive value.

Then there are the patents and the copyrights for books, pictures, &c.

Since the patent system of the United States was established in 1790, there had been issued prior to January 1, 1900, 650,123 patents, more by 30,000 than were issued during the same time by Great Britain, Belgium, Germany, and Austria-Hungary combined.

These patents, for which our Federal Government maintains a large and expensively equipped force of officers and clerks at Washington, are issued to the patentee for a trifling sum, 15 to 25 dollars at the outside, I believe, and for which the Government engages that no one shall use in any way or copy that patent for a period of years, sixteen, I believe, with a privilege of one or more extensions for a like period on easy conditions. We have seen what the Government lost by not retaining its fair share of interest in the Bell patent, but that is a trifle compared with what is sacrificed in failing to secure its share of the usufruct of all its other patents.

Mr. Franklin Pierce, in his recent admirable and incomparable treatise on the tariff and trusts, shows that twenty years ago the Goodyears sewing machine, with one man, sewed 250 pairs of shoes in one day; that by the McKay machine a single operator could handle 300 shoes daily, where, without the machine, he could handle but five pairs in the same time. By patented machinery nine men could turn out 1,200 dozen brooms weekly, while before, 17 skilled men were only able to manufacture 500 dozen in the same time. In power machinery a weaver formerly tended only a single loom at a time, while in a modern cotton factory two operatives run 2,000 spindles at the rate of thousands of revolutions a minute. Formerly one spinner, working 56 hours continuously, could only spin five hanks of No. 32 twist. Now, with mule spinning machines having 124 spindles, one spinner with two small boys can produce 55,098 hanks. With three spindles, to be run by three men,

the new machinery would leave 3,673 men for other work or more spindles, which at only \$2 a day would be a saving to the manufacturers of \$7,346 a day.

Patent improvements have displaced fully 50 per cent. of the manual labour that used to be employed in agriculture. The same may be said of the compressed air drill excavators for mining or submarine dredging, electric cranes, &c. The increase of horse-power made available by patents was shown by the census to have been 90 per cent. in the ten years between 1890 and 1900. That the adult operative force of the United States has been increased many times its per capita by its patented machinery, anyone may easily satisfy himself by an inspection of its patent and census reports for the last two decades. Estimating the population of the United States by their productive power, it is many times the present 80 to 90 millions. Had our Government taken the most trifling compensation for its services for guaranteeing and protecting its patents, even for the last twenty years, the Treasury would have had such a surplus that it would have been constrained to give it back to the States as it did under the administration of President Jackson. In those days we had but a nominal tariff on imports, and we had so large a surplus that the Secretary of the Treasury would not, or rather could not, be bothered with it. Now we have a 50 per cent. tariff on our most profitable self-sustaining industries and a deficit of \$60,000,000 yawning for an increase of duties, as contrasted with a surplus, June 30, 1897, of 87 million dollars, a difference of \$150,000,000.

Our Government receives one dollar and two copies of each volume copyrighted and a corresponding compensation for other works from the press, for which it guarantees the author or publishers the exclusive right to print and publish it, for a few years, 16, I believe. Why not take a small fee upon every copy sold after the costs of the publishers have been met, and make the copyright last as long as the

author or publisher desires to avail himself of the Government's protection on those terms ?

The Federal Government's control of our lighthouses, navigable rivers, harbours, &c., could, in following the *régime* I have suggested, receive an income from the commercial marine privileges of the country which parties interested would be only too happy to pay in exchange for the oppressive tariff with which our commerce is obliged to contend. Such a change would be equivalent to a bounty on every ship arriving at or leaving our ports. When such an exchange shall be made, our nation, with the longest continuous ocean coast line, the greatest accessible supplies of iron, coal and copper materials for the construction of a commercial navy in the whole world, would no longer be subject to the humiliating necessity of sending the surplus product of its industry to market, nor its inhabitants, when they wish to visit trans-oceanic countries, exclusively in vessels sailing under foreign flags and to the exclusive profit of foreign industries.

We are the principal producers of iron, copper, coal, lead, petroleum, and many other of the minerals less known to commerce. Our deposits of iron ore are, so far as is at present known, more extensive and commercially valuable than those of all the rest of the world combined. These minerals are most owned and dealt in by Corporations. Unlike most European nations, the States of our Union have never, so far as I am at present advised, asserted the right of eminent domain over any of the minerals by which they are enriched.

The Great Northern Railroad of Minnesota, thanks to the sagacity and magnanimity of its former president, J. J. Hill, secured a tract of iron ore deposits in the Lake Superior region of our country a few years ago, which Mr. Charles Schwab, a proficient expert, testified before the Industrial Commission to amount to 500,000,000 tons, and ought to be sold at a profit of at least \$2 a ton ; the ultimate

value of which therefore would be the enormous sum of one thousand million of dollars. Presuming Mr. Schwab's estimate of the amount of these deposits to be substantially correct, as the United States Steel Company took a lease of 80 per cent. of its deposit at about the price per ton named by Mr. Schwab, the reservation of a royalty of only 5 cents a ton would eventually yield the State \$200,000,000 without allowing for any increase in market value, likely to result from the inevitably increasing demand and the diminishing supply. Mr. Hill is reported as saying that the ore in sight could supply 12,000,000 tons a year for 50 years.

With a proportionable royalty reserved from our gold, silver, copper, iron, lead, petroleum, lime, cement, borax, and numberless other mining properties with which our national territory abounds, the State would in all human probability receive from the bowels of the earth alone, not only all the wealth the inhabitants of its surface now need, but all they will ever require or be able to profit by.

III.

Unhappily very many people are or affect to be unable to understand how the tariff is responsible for raising the prices with us in America and elsewhere so enormously. It is easily explained, but most briefly by an illustration. Mr. Franklin Pierce, in his admirable work on "The Tariffs and Trusts," to which I have already had occasion to refer, tells us at the close of the year ending July 1, 1905, we imported \$570,000,000 of goods, upon which an average duty of 45.24 per cent. was levied. During the same period our domestic commerce, consisting largely of products of our mines, soil and factories, was about \$20,000 million, or thirty-five times the amount of stuff imported. The purchasers of the \$570,000,000 of imports paid into the Federal Treasury what averaged 45.24 per cent. of that.

The domestic producer, by reason of this tariff restriction,

naturally raises the price of his like commodities, though usually of an inferior quality, up to or near the duty line—his New Jersey champagne to \$2 a bottle—and actually sells no inconsiderable proportion of the \$20,000 million of our domestic products at the price as enhanced by the tariff. So that the American consumer not only pays the 45·24 per cent. tariff on the \$570,000,000 that he imports, but on a very considerable share of \$20,000 million of commodities' worth which he produces himself.

In that way the American consumer is obliged to pay nearly half as much again for what his own country produces, in order to protect and benefit the trade of those who handle only one thirty-fifth of its amount.

IV.

Among those who may have indulged me with their attention thus far, there may be some, perhaps many, who will object—

1. That all the industrial sources of income in the State of New York to which I have referred are vested interests now, and their product, however large, cannot be diverted from the course given them by their charters.

2. The owners of protected property have bought it in the market as investment with no responsibility or perhaps without any intelligent comprehension of the legislation which has given it its real or fictitious value; very many, perhaps most, may have bought them at their highest market prices, relying upon their value being permanently sustained by the Government, under the auspices of which it was created. With what heart then can we think of such a change of our revenue system as would strike such a severe, sometimes a fatal, blow at the property of so many thousands of innocent sufferers?

To the first objection my reply is that the more railroads we have the more need we have for more; the more submarine tunnels we have the more sure are we to need

and build more ; the more electric power is used the more as yet unsuspected uses will be disclosed for the extension of its use. In fact, every conquest which science or experience achieves over the hidden resources of Nature is the parent of no less numerous progeny than was promised to Abraham, Isaac and Jacob. Science has as yet got only a suspicion of the inexhaustible electrical forces in store for our use, and every day new ones are discovered and harnessed to the cars of productive industry. *Si quæris monumentum circumspice*. Consider the few years, I might almost say the few months, since electricity began to light our streets, houses and public buildings, since it furnished the power to propel our carriages, railway cars and our ocean steamers ; to do most of the work formerly required of the seamen ; of its use in architecture, which makes the construction of the Pyramids a mystery of our ignorance, but no longer a mystery of Nature.

A few months ago I applied to the Secretary of State at Albany for a list of the corporations chartered in the State of New York during the preceding ten years. He replied that if I would send a man to copy them he would cheerfully give him the opportunity, but that with his office force he could not send me such a list in four months.

I quite accidentally saw in a copy of the *New York Times* of June 3 last a list of the charters issued by the Secretary of State at Albany *on the preceding day*. They were 20 in number, or at the rate of 6,000 a year. Every other State in the Union may be presumed to manufacture corporations at the same rate in proportion to their population. If we were to begin to-morrow to protect the State's interests in the chartered privileges it confers, we would have the seeds of revenue planted that would bear fruit some thirty, some sixty and some a hundred fold before the machinery for its perfect operation could be fully perfected.

And that leads me to the second objection, the condition in which the substitute would leave the innocent

holder of stocks or other property tariff-bloated to a fictitious value. The operation of the substitute I would propose would be so gradual as to allow protected interests ample time to prepare for the change that would ensue and to transfer their investments if they chose, for it could be expected only gradually to supply a substitute for the revenue from imports. Congress could if it chose reduce its tariff only so far and so fast as the corporations yielded an equivalent or sufficient revenue, except in cases where the present tariff shall be confessed to be oppressive and unprofitable. In this way the change may be made as rapidly as the people wish without any serious infringement on anybody's rights or any serious disturbance of values, except, as I confidently think, to improve them. The conversion would be effected so gradually as to be scarcely more noticed in financial circles than the changes of the seasons.

So much for the only objections to the substitute which have occurred to me. Now a few words farther about its advantages which have not been adverted to.

V.

It secures to the State a fair, and only a fair, proportion of the property it helps to create, instead of allowing that share to go to people who, while being enriched themselves, give neither to the State nor to the unprotected majority any corresponding equivalent. It diminishes the temptations either for some to seek and others to confer these privileges by illegitimate methods or because of corrupt inducements. It would have another result, the importance of which it would be difficult to exaggerate. It would inspire the public with an unwonted confidence in the administration of its public affairs and a corresponding respect for their administrators. For the whole power of government lies in the respect and confidence the people entertain for their rulers.

2. It will give the people a friendly interest in the prosperity of their industrial corporations, for the more they prosper the more they lighten the public burdens. As a logical consequence, it would diminish and tend finally to put an end to the expensive litigation and the corrupt or factious opposition with which all prosperous protected industrial corporations have to contend. Such hostility renders such properties precarious, and devotes no inconsiderable proportion of their earnings to the purposes of self-defence.

3. The spirit which prompts such hostility leads more to the corruption of our legislators than all other interests combined. There is no easier way of raising money to carry an election, or for other and even baser purposes, than for a single member of a legislative body to introduce a Bill to reduce the rates which a corporation or class of corporations shall charge for its service. Our gas, telephone, railway, banking, insurance, trust companies, in fact, any corporation owing large debts, as mostly all do, and to whom their credit is of vital importance, have for years been, or supposed themselves to be, under the necessity of spending millions of dollars to prevent the initiation or the successful prosecution of such predatory schemes. Unhappily the criminality of such operations is not confined, at least it cannot be for a long time confined, to the legislative bandit who introduces such bills with no intention of pressing them longer than is necessary to bring the company to his terms. One successful menace of this kind is followed the next year by another; the following year it becomes sporadic, and finally their nefarious game finds its way, as I hear, into pretty much every legislative body in the nation. It becomes so profitable, and as a business so established, that the legislative bandits find it worth their while to take the employees of the corporations whom they rob into their confidence. Unfaithful or corrupted agents of these companies are induced to confederate with

the corrupt legislators. They suggest the propitious time for a raid, and divide the hush money between them. Some recent disclosures of this infamous nature was the match which preceded the recent financial explosion in the United States that has shaken the whole financial world to its centre.

Had our industrial corporations contributed to the State their just share of what they received from it, would it have been possible for such depravity to have poisoned the consciences not only of so many of our legislators, but of the not inconsiderable number of our heads of finance who winked at it?

4. Before the Civil War of 1861-1865 we knew nothing of the recent conflicts between labour and capital, nor was such a creature as a Debs or a Gompers or a Mitchell known in the land. The idea that any man should not sell his labour for what it would bring in any market he chose to offer it was a craze which was only to be encountered, if anywhere, in lunatic asylums. Patriotism and the preservation of the Union were made the excuses for increasing the tariff for money to carry on the war, excuses justified neither by sound statesmanship nor intelligent patriotism, but hastily and inconsiderately imposed upon the country for the sake of a higher tariff on imports and more Protection under the specious guise of a war tariff, and therefore professedly a temporary one.

Though the mode adopted for providing means for prosecuting our war cost the country more than double what it would have cost, had we relied upon our wealth and credit as a few years later was done by the two powerful nations engaged in the prosecution of the Franco-German war, yet that unnecessary cost was far from being the greatest calamity which has resulted from that ill-omened mistake. It so whetted the appetite of the protected class by what they had fed on, that at the conclusion of the war there was not a word uttered about infant industries,

or of a war tariff, nor any serious thought given by the administration to any reduction of any kind of tariff. By its aid, and by the retirement from Congress during the war of the Southern representatives, who were pretty unanimously in favour of low duties, if any, and who, when returned to Congress, were admitted as hostiles and regarded with so much suspicion by the Republican majority as to have little influence there, the tariff has been steadily increasing, until now it has a plenty of champions of the principle of Protection for the sake of protection. Industries stimulated by Protection are like the victims of *delirium tremens*—both clamour madly for more—and the protected class has become so powerful by its numbers and ill-gotten wealth, that, as in the case of the whiskied lunatic, there is scarcely power enough left in the country, save through revolutionary disorder, to withhold the customary stimulant.

Of our last three Presidents, Roosevelt and Cleveland were birthright Free Traders, and though McKinley gave his name and vote for the vilest Tariff Bill the country had ever been afflicted by up to his time, by four years' experience as our chief magistrate, he died a converted tariff reformer. The last public utterance that came from his lips was an urgent appeal for it. He had yet to learn, however, that the only way to reform the tariff is the cynic's way of shortening a vicious dog's tail, by cutting it off close behind its ears. Yet all three of these statesmen learned by more or less humiliating experiences that they could not lead the Republican party under a Free Trade, or even a tariff revision banner, and all succumbed like the French King Henry IV., and acted in the spirit if they never used the words, "*Paris vaut bien une messe.*"

If, on the other hand, our States and Federal Government were to reserve a fair equivalent for the privileges they conferred and protect, and the supplies from these reserves were coming to us as fast or faster than by the

tariff, lunatics would very soon be the only class who would clamour any longer for a tariff, and it would require but a very limited number of the then vacated custom houses to furnish enough asylums even for them. By this process protective tariff policies would soon be so completely hypnotised or asphyxiated that they would gradually fall into a sleep that would know no waking.

VI.

Protection gives a very substantial pecuniary advantage to a limited class of industrialists at the expense of all outside of that class, just as our forefathers in America gave to the Slave States a larger *per capita* representation in the Congress than was enjoyed by the other non-slaveholding States; creating an aristocracy in those States, which its members, in 1861, showed more anxiety to preserve than to preserve the Union.

After more than half a century's discontent of the North, with the dictatorial supremacy which the South acquired through this inequality, the Census of 1850 revealed the fact that the political supremacy of the country had crossed the Potomac river and that Cotton was no longer king. As a consequence of the trifling concession, as it was regarded by our forefathers, to secure the assent of two or three refractory Slave States to the constitutional organisation of their Government in 1792, that concession had swelled and festered in the nation until it could only be eliminated by the most expensive and bloody war of modern times.

That war was purely a labour war, at least so far as the South who brought it on were concerned. The planters in that section wished to perpetuate a system by which they got all the labour they required for little more than the pork and hominy necessary to feed the negroes whose labour supplied both. It was undertaken by the South to secure at a trifling price an abundance of involuntary labour.

In what did the situation which furnished the purpose and provocation of that war differ from the situation with which the tariff is confronting us to-day ?

It has also built up an aristocracy already quite as numerous as were the refractory slaveowners in the South. It has built it up, too, by privileges quite as unjust and as exclusively for money's worth, but a thousand times more lucrative to its beneficiaries than slavery ever was to its. The consequences are that it has divided our people again into two classes—one, of the people who have more wealth than they know what to do with, or how to give away, and another of bread-winners who, if they lose a day's wages, even by illness, have to go in debt for their next day's expenses. The increased cost of living compels an increase of wages from time to time, but always the cost of living increases faster, until now the food of the proletariat has reached famine prices in most of our large cities and is daily increasing. With food enough produced in the United States to nourish twice its population, the average wage-earner can lay up nothing, can provide few privileges for his family and no recreations.

“Skin for skin, yea, all that a man hath will a man give for his life.” Is it strange that there is friction between labour and capital with us ? The mass of our own people are not political economists and know little if anything about tariffs, except what is their fatal delusion that it promises to protect them from the competition of foreign labour. Is it strange, therefore, that our bread-winners unite and combine for higher wages to meet the constantly increasing cost of the necessaries of life ? And when capital takes advantage of unemployed labour to avoid such increase, that the wage-earners dismissed treat those who at lower rates supply their places as enemies, as traitors, who betray the rights of the class to which they in common belong ? Hence the labour war which has cost us in America many millions of dollars through the industries it has sus-

pended and interrupted, and by such interruptions filled the country with idle, starving and desperate men. Such is the fruit of all tariffs upon imports.

The following language recently used at a Republican Convention by the senior United States senator of Massachusetts is unhappily too true, and it is a pleasure to hear or read them from the lips or pen of so prominent a member of the Republican party as Henry Cabot Lodge :—

“ It is the huge size of private fortunes, the vast extent and power of modern combinations of capital made possible by present conditions which have brought upon us in these later years problems portentous in their possibilities and threatening not only our social and political welfare, but even our personal freedom, if they are not boldly met and wisely solved.”

Mr. Lodge forbears or at least neglects to state what “ the present conditions ” really are, which have brought upon us these portentous problems, for, like Brer Rabbit, with only a racial distinction, he too, was born and bred in the briar-bush tangle of New England Protectionism. Besides, Mr. Lodge is quite too much of a gentleman to speak of the gallows at a table at which one or more of the guests have kindred that have been hung. He, therefore, very respectfully refers only to *present* conditions, but forbears to say a word of the pathogenesis of those conditions. However, his confession of present conditions is none the less welcome.

The slaveholders took the desperate risks of a civil war to avoid paying a fair price for the culture of their cotton, sugar, and tobacco fields. Is the time very distant when the Protectionists will be ready to risk another civil war for precisely similar economical reasons? and with even more disastrous results. Such a revolution might and probably would leave a tariff upon imports, though shorn of a portion of its claws and teeth, still the main reliance for revenue. That would be like surgery for a cancer.

The disease would soon reappear with increasing vigour, if a single root or fibre of it were permitted to survive, and what can so surely, so quietly, so genially supply its place as the opening of our harbours freely to the commerce of all the world, and, for the purpose of revenue, reserving the States' trifling quota of what it would thus directly contribute to the new industries and national resources that would thereby be created by the new-born commerce, besides relieving the country of the expense of collecting a tariff on imports.

VII.

But great as that economy would be, it would be as nothing compared with the advantages to be realised from it by the perfect reconciliation between labour and capital which would inevitably ensue. The wage-earner would no longer feel any of the expenses of government, for they would all be paid into the Treasury out of the surplus profits of the employer; he would be able to supply himself with the products of every nation at practically the same price as it is supplied to the nation producing it, plus the trifling cost of transportation. People could make contracts for work without any more of the conditions now constantly made against the contingency of labour strikes, for there would be none, nor would we hear any more about restrictions upon the hiring of men or of the purchasing of material of every kind where and of whom we please, except to secure both on the most favourable terms possible to the two interested parties.

As all our labour strikes and incidental troubles are the ill-omened offspring of the tariff, so, by the gradual disappearance of the tariff in the way I propose, those labour troubles would less gradually disappear, and we shall then be entitled to rank as the first and the only Christian nation which has so far complied with the golden rule as to open its markets free to all the world; the only nation that will be able to study and profit by the art, ingenuity, and skill

of all nations, at the greatest advantage because at the least expense either of time, labour or money.

The proposed process of collecting our revenue is simplicity itself. Every corporation of any account keeps books showing in sufficient detail its receipts and its expenses. In most cases these reports are printed annually or quarterly for their stockholders. Their charters might, and would, require such of all. The State as a stockholder would also receive one. Every chartered corporation can and should have its accounts and operations subject to inspection at all reasonable times by its stockholders. The State should besides have its official inspectors to be satisfied about the correctness of the returns and management as the Federal Government has for the army, navy, consulates, custom houses, &c. This surveillance would be as profitable for the corporation as for the State shareholder on the principle that the best manure for the farm is the master's footsteps.

Under such a revenue system it is inconceivable that the cost of collecting our federal, state, county and municipal taxes should cost one-tenth if one-hundredth part of what their collection costs under our present system of taxation. It would be as different in cost and labour and other desirable results as to the farmer seasonable rains differ from irrigation by an elaborate system of pumps and pipes for transportation and distribution of water. It would be, about as nearly as anything of human device can be, automatic.

With such a reform, and the grace of God, the greater part of the most rotten and corrupting share of executive patronage, which is now the most serious reproach against popular sovereignty, would be relegated to the catch-alls and garrets, like the savages' bows and arrows for war and our grandmothers' spinning wheel for clothing.

I am aware that this is a hasty and inadequate statement of the substitute I have ventured to recommend. I have no difficulty in persuading myself, however, that it

is sufficiently elaborated for the enlightened body to whom it is addressed.

The processes required to put it into operation are in familiar use by every nation likely to be represented in the Congress. The number of such processes with which it would happily dispense would prove to be far from the least of its merits in the judgment of experienced statesmen.

VIII.

Since writing the foregoing my attention has been called to some precedents in Europe which strengthen my faith in the entire practicability of the substitute for tariffs on imports which I have ventured in the preceding pages to suggest, and for which I am indebted to the courtesy of M. Philippe Bunau-Varilla, one of the most eminent engineers of our time.

In France, all charters for surface railways given to private companies provide for the extinction of those charters on the expiration of 100 years from their issue ; the capital of shares and bonds to be reimbursed at par to the share and bond holders within that period, for which the company provides an adequate sinking fund out of its profits year by year. In about 40 years by this process the republic of France will become the sole proprietor of all the 24,000 miles of railroad in her territory without paying a farthing for them.

In view of the innumerable contingencies to which all property, whether public or private, is subject in this world, it is difficult to estimate with much accuracy the value of such an acquisition to the Republic, but no well-informed person would be likely to estimate the income from this source far from sufficient to cover the interest on the whole public debt of France as it stands to-day.

So far as the principle of the State reserving a compensation for any easement with which it parts, it is on all fours with the substitute for a tariff on imports I have

presumed to suggest. The ultimate absorption and absolute ownership by the State of the properties thus created, is an entirely separate and different question which there is no occasion here to discuss. Individuals as a rule have greater inducements than governments to be frugal and to accumulate, and therefore it may be well for governments to interfere with individual initiative as little as possible. Beside, any government invested with more power than it actually needs, is sure to abuse it.

Another example is the Metropolitan Railway of Paris. The city built the tunnels and bridges. The company laid the track and erects the stations.

For the city's interest in the investment it receives about one-third of the gross receipts, the company retaining the other two-thirds for the interest and as a sinking fund wherewith to pay back to the share and bond holders for their shares and bonds.

The first line was inaugurated in 1900. During the year 1907, the city received for its share 11,225,451·96 francs of revenue, while for its bonds and sinking fund it only required 5,772,000 francs, leaving thus to the city for that year a net profit of 5,453,453·98 francs.

Nor is that all. Within about 40 years the company will have to surrender all this railway plant to the city, which thenceforth will receive all its income, less only the cost of operating the road, with its shares and bonds all paid up and cancelled.

Were the city in the situation to claim the sole ownership of this property to-day, as it will be, humanly speaking, in less than half a century, its income for the present year from this property would be about twice the amount received in 1907, or say 22,500,000 francs (4,500,000 dollars).

Another industrial investment of a not dissimilar type mentioned by M. Bunau-Varilla, is the famous Burger Brau of Pilsen, Bohemia, established in 1842, and when Pilsen was but an inconsiderable village. The profits of the establish-

ment were at its foundation guaranteed to the real estate of which the subscribers, 250 in number, were the proprietors when they constituted pretty much all of the taxpayers of the village. Last year each of the actual proprietors of those realties received as his share, 15,550 francs (14,620 kronen). They actually receive now from the Burger Brau annually an income in excess of their taxes. Hence a legend that there is a town in Bohemia so rich that its fortunate citizens receive taxes from the city instead of paying taxes to it.

Baron MAX VON KÜBECK (Austria) submitted the following paper :—

MANY prominent economists of all times and of all countries have stated, and elucidated, with the aid of most convincing examples of what we are to understand by Free Trade. Our readers are familiar with their teachings, and we shall therefore not aim at reproducing them in this present treatise, though we have to begin by mentioning the fundamental premises of a principle, which, in itself is difficult to define. We must state the characteristic features of that principle, in order to draw our conclusions from them. In doing so we shall, of course, first turn our attention to what is nearest, *i.e.*, to our own continent. It is evident that in Europe a free exchange of the produce of the soil and of industry would not only be the most natural state of things, but also the most advantageous to the citizens of the several States. For where there is an unhampered free exchange of produce, there, owing to an immutable law of Nature, an adjustment between affluence on the one side and scarcity on the other is brought about. Arrived at by artificial means, such an adjustment, on the other hand, can never even partially satisfy all those concerned. It is but natural that the nations of Europe, who to-day form distinct sovereign States, have maintained their political independence, with the help of special legislative and administrative measures, which answer to their respect-

tive national and social requirements. This independence corresponds to divisions which, in early times, were inevitable among European tribes and nations, and which, being the result of historical evolution, followed the periods of primitive chaos and disorder.

Originally, when through lack of modern means of communication, the inequality was very marked between those economically developed States, such as England and France, that had the advantage of maritime intercourse on their side and those others who, being less favoured by Nature, lagged behind. It seemed necessary to aid these latter by protective measures so that they might be enabled to take their share and to hold their own in competition. They had to be strengthened and educated to independence, as it were; so that, like the man who has outgrown school and home, they might be fit to engage in the battle of life. The independence of these nations corresponds also to the political evolution of their States, whose stability, the final result of many weary wars, we call the European balance of power. Hence we too admit that an important feature in the historical development of all States is that diversity of internal administration which is an outcome of national and individual character, inasmuch as it is based on special requirements, different in different countries, such as taxation or the financial systems. If these States endeavoured to erect barriers between themselves and the outside world, that is to say, if they did their best to render passenger and goods traffic more difficult—obstacles in the way of the first being stricter passport regulations and police measures against immigration, measures introduced from political motives and directed against foreign ideas, while goods traffic is being hampered by prohibitive tariffs checking imports and exports, and the like, they may have been prompted by considerations for new and young home industries. Nowadays, however, a policy that tends to isolate a country from the rest of the world is less liable than any other to bring about national

welfare and strength as the outcome of what is erroneously supposed to be independence. The actual economic conditions of the world no longer tolerate such an anachronism ; they point to a union of all the States belonging to the same continent, they point to a formation of vast economic districts, where universal competition would be possible while they show up artificial restrictions in their true light, which means, as the enemies to everything that from an ethical point of view is important in a nation's peaceful exercise and development of its powers, and also as the enemies that prejudice the many without benefitting the few.

This view is gaining more and more ground to-day, as the inventions of our own times, the most important of which is the utilisation of steam and electricity, have made such rapid progress within the last ten years that they have transformed traffic into an irresistible means of union between all the countries, and have formed a bond of culture against which the system of isolation formerly so powerful and so highly prized, is struggling in vain to defend its ground. Yet we find that in spite of previous improvements, European traffic has for years past encountered ever-increasing difficulties. The beginning of a Free Trade transition period, that is, a period when the commercial and customs treaties with their conventional tariffs tended towards a restriction of tariffs to certain goods in the market, is to be traced back to the Franco-English commercial treaty, concluded between the Emperor Napoleon III. and Richard Cobden. It is well known how much both sides owed to that treaty, how its beneficial effects manifested themselves in either country by an increase of industrial activity.

The clause of preference having been added to the West European treaties, international traffic began to benefit by them, in so far as they admitted within the period of the treaty of further reductions of customs, but excluded any increase. The same tendency can be

traced in the customs and commercial treaty concluded with France in 1865, which was followed in 1868 by that between the Zollverein (Customs Union) and Austria-Hungary. The war of 1870, however, in which France suffered one of the greatest defeats she ever had experienced, gave the protectionist party, who, in France as elsewhere, is always on the alert, the welcome opportunity of laying aside their enforced reserve; and perhaps inspired by political antipathy to Napoleon III., they soon reversed his Free Trade policy. The more easily so as the first President of the French Republic was an avowed protectionist and bitter opponent of Napoleon III., whose great-uncle he had glorified in his history of the First Empire. How Napoleon I. tried to destroy England's industrial supremacy by the continental blockade, and how he failed in his attempt, is a well-known page of European history. A noteworthy proof of the financial strength of France can be found in the fact that, supported by the economic policy of Napoleon III., but also by the exemplary industry and thriftiness of the French population, both of peasants and of the middle classes, she found means of paying down to the victorious Prussians the fabulous sum of 5,000,000,000 francs.

The example set by Republican France was speedily followed by the other European States. The increase of economic resources in the newly-constituted German Empire that followed on the Franco-German war, as a result of the enormous indemnity paid by France to Germany, produced there and in the neighbouring empire of Austria a mania for speculation. This was accompanied by a depreciation in the value of capital—capital which was abundant and ever-increasing in the imagination of the greedy speculator only; an unparalleled strain on credit ensued which finally culminated in that fearful crisis known in Germany and in Austria as the "Krach," and which was so disastrous to both countries, particularly so to Austria. The help proffered by the State had to restrict

itself to the maintenance of such institutions as rested on clearly defined statutes which they had not overstepped on this occasion and especially to the support of those that had relations with the Department of State Finances, *e.g.*, the Austrian-Hungarian Bank, the "Bodencreditanstalt" and others. It was, therefore, a bad outlook for manufacturing industries, for the innumerable small commercial and banking houses, which all were the victims of the above-mentioned catastrophe and had to be left to their own resources.

It was they who unearthed the seemingly worn-out remedy of Protection, inducing thus the Governments to set aside treaties and to introduce severe autonomous tariffs as a means of bringing about that highly commended though problematic kind of national independence, which might be compared to the independence of an impoverished man.

This movement, at first supported in Germany by the industrial classes alone, but gradually taken up by the agriculturists too, exercised a decided influence on the great Chancellor, Bismarck, who, from an ardent Free Trader, suddenly became a protectionist.

The natural but slow-working remedies, such as industrial restrictions, reductions of profits, state support, &c., having failed to bring relief, the talisman of Protection was seized upon, which, though rather worse for long neglect, was still expected to do wonders in the very convenient form of industrial taxation imposed upon all classes.

Germany and Austria mutually repealed the treaty of 1868 and created autonomous tariffs with but few mutual concessions, limited to "Appreturverfahren" and frontier traffic.

The Free Trade party, which had raised its voice against the protectionist reaction in the Congresses of the German economists held successively in various towns, was condemned to temporary inactivity. The Congresses were no longer held, as Free Traders foresaw, and in some cases experienced, the futility of their efforts.

At one of their last meetings one of the Austrian members and reporters—the writer of these lines—suggested a customs alliance between Austria-Hungary and the German Zollverein (Customs Union) which the other civilised nations of Europe would not have failed to join eventually. This pre-eminently practical proposition was far more than a merely theoretical defence of the doctrine of Free Trade; it was, in fact, a return to a policy which had been seriously considered at the time of the federation of Austria and Germany, but was unfortunately thrown out in 1880 apparently from political reasons. If in the “fifties” Austria, as a German federate State, strove under Prince Schwarzenberg for a union with the Zollverein (Customs Union) it was certainly from political considerations. But if in the “eighties,” at a time when Austria had long been severed from the German federation, this great idea was brought forward and supported from purely economic motives by the representative of Austria in a pre-eminently Free Trade society, Germany’s opposition to this proposal (founded on anxiety lest Austria should have a desire for political supremacy) is incomprehensible.

The common battle-cry “Protection for national labour!” could not be silenced, and like an avalanche it spread all over Germany. This Protection was to be attained by burdening the consumers with a rise in the price of natural products—a very convenient form of indirect taxation; restrictions in the number of markets in consequence of which the supply would decrease instead of increasing, as it does during a period of free international exchange, were to accomplish this desired increase of prices.

It is in this way that the State perpetuates and sanctions a wrong against the population as a whole, “une spoliation,” as Bastiat rightly designated it in his “*Harmonies Economiques*,” presumably in favour and to the advantage of one class—the class of the industrial producer, important and indispensable it is true, but forming only a fraction of the entire population. The real Protection, which alone

is ethically justifiable, lies in individual thought and in individual will-power being intelligently exercised in all the circumstances of legitimate competition (it lies in the two words, "help yourself!"). If, in theory, the increase of wages of labour and the improvement of the social position of the workman is the acknowledged aim of Protection, this argument has not held good in practice, for, as a matter of fact, a high protective tariff has never exercised a lasting influence on the increase of workmen's wages, but, on the contrary, any increase that was effected was always the outcome of strikes on the part of the workmen themselves. But there can, on the other hand, be no doubt that under a system of Protection, the working classes have always had to pay higher prices for their food and clothing. Nor must we omit to call attention to the fact that a system of Protection has a decrease of the market in its wake; since owing to the artificial raising of prices and in consequence of a decrease of supply, the buying capacity of the consumer soon begins to decline also. As regards the latter point mentioned, it is curious to compare the opposite effects of a transition from Free Trade to Protection in continental countries on the one hand, and on the other hand from the system of Protection or prohibition, as the case may be, to Free Trade as we have witnessed in England. It is well known that Sir Robert Peel brought about the repeal of the duties on corn in 1846 by aid of the Anti-Corn Law League.

Cobden's efforts were all for peaceful economic development and free intercourse between the nations; a logical outcome of his action was his intercession in favour of a free exchange of produce and of the necessities of life between the different States of Europe, and it was in his own country, in England, that his ideas first took the form of a definite system. Ideal as Cobden's conception was, in Continental Europe it could not be carried out with any consistency.

As already stated, a retrograde movement to autonomous Protection took place after a return to international

freedom of communication, the expression of which were the so-called West European Commercial Treaties, with their preference clause, a clause intended to prevent a one-sided rise of tariffs. This movement, the result of the economic crisis following on the Franco-German War of 1870, proceeded from Germany and was eagerly taken up in the neighbouring empire of Austria-Hungary. In 1891, at the instigation of the German Emperor, an attempt was made to obviate its disastrous effects by a return to the former *Langfristigen Konventionaltarifen*.

The course of the continental system of Protection and Prohibition, as opposed to that of England's Free Trade policy, is shown in the successful protectionist efforts of the European continent. This system confined itself at first to the industrial and manufacturing production which sought its welfare in Protection without consulting the interests so varied and often conflicting even within its own branches of industry.

This movement, begun in 1875, at first entirely disregarded the agricultural question, as no one thought of taxing natural products and raw materials, least of all in a grain-exporting country like Austria, and especially Hungary. The agriculturists were Free Traders to a man, not only on their own account, but very naturally with regard to industry, as Free Trade meant cheapness of textile materials and agricultural machinery. Gradually, however, the Protectionist epidemic spread also to this class, and the German squires, the so-called Agrarian party, took the lead, bringing back to memory the attitude of the English "Land and Corn Lords" of days gone by. This current, running contrary to the aims and results of industrial Protection, especially as regards industries which depend on the cheapness of raw material, shows clearly the selfish class-interest of the landed proprietors of Germany. In their endeavour to secure the monopoly for their agricultural products against those from foreign markets, they were absolutely indifferent to the interests of the consumers

—*i.e.*, the masses of the population, working classes included, whose welfare depended chiefly on cheap cereals. It might have been expected that this very pronounced tendency in the new German autonomous tariff would exercise a stimulating influence on the neighbouring State of Austria-Hungary, as has actually been the case, although, as has been said before, the interests of agricultural export in Austria-Hungary depend on conditions very different from those that influence German agricultural exports, for the latter are far more threatened by America and India than by Russia and Hungary.

But therein lies the vital point which must lead to a complete—that is, economically united—coalition of the Middle European States as a barrier against the dumping of American and Indian grain that threatens to overwhelm European markets.

For the conviction is borne in upon the unprejudiced observer of the course of development in national life, that the individual economic isolation of the civilised European States, now that all the continental countries are so closely joined by a web of railways and telephones, menaces to become more and more prejudicial to the many and the few alike, and that it cannot therefore be perpetually maintained. The German Zollverein (Customs Union) succeeded in raising the economic power and importance of the realm to its present height, and that long before the German Empire was founded, and when the German Federacy comprised many absolutely independent and sovereign States (including the Austrian provinces, although these were not admitted to the Zollverein Customs Union).

In proportion as the modern methods of communication accomplish their end—namely, that of lessening the distances between the centres of produce, the market and the consumer—an ever-increasing Protection policy endeavours to frustrate this design of a sound political economy, or, at any rate, it tries to put powerful obstacles in the way of its attainment. A sound railway tariff, which is the end and

aim of all those concerned in the question, makes Protection superfluous, even for those who, thanks to its help, have risen in the world at the expense of the community—or, rather, have been artificially supported by it. Those great land and water ways which quicken the traffic and intercourse of the nations occupying the comparatively limited space covered by the States of Europe seem to cry aloud for extensive economic districts, but no one listens to those voices ; we see, on the contrary, that the various Governments, urged and influenced on all sides by protectionist parties, are doing their best to hinder communication and to restrict it at the expense of the consumers, whose greatest contingent is, by the way, furnished by the State itself. It is obvious that we refer to Protection duties only, and not to revenue duties, introduced by the State for financial purposes, and forming, with internal taxation and monopolies, the sovereign rights of every country. It seems equally obvious that, in the treaties stipulating for greater facilities in the international exchange of goods, the inequality of the industrial and commercial circumstances which are the result of the difference of laws concerning taxation and of different conditions of production in the various States, should be taken into consideration. That is to say, the standard of duties (to begin with, at least, duties as far as Germany, Austria, and Italy are concerned) should not be higher than is consistent with the balance of the various rates of production, taking taxation into consideration also. In order to determine on the nature and the degrees of these rates, it would be necessary to summon an international customs conference, to be held periodically in the chief towns, which, by adjusting this balance and continually reducing the rates of protective duties, would gradually pave the way for and bring in Free Trade, or, more correctly speaking, a free exchange of goods between the various countries. “ Where there’s a will there’s a way.” Yet the difference in conditions of production is mostly a result of Protection, in so far as its principal feature, the high

rates of transport of raw material and machinery, heavily handicap the industries dependent on the latter. It would be to everybody's advantage if the internal taxation of the manufacturing industries were to experience such reductions as would tend to make the conditions of production practically equal in the countries mentioned above.

The fact has already been emphasised that a transition from Protection to Free Exchange cannot be accomplished by leaps and bounds—a lesson taught to us by Nature herself, for there we may daily observe the laws of gradual but sure development. Only such progress as is the outcome of slow growth can be lasting, and in this England may serve as a model. However, only on condition that the idea of Free Trade is steadily pursued and fostered will it lead to the desired goal. It is this constancy of purpose which has been lacking hitherto, for which reason, as aforesaid, the commercial world, tired of the isolating effects of Protective duties and acting at the instigation of the German Emperor, demanded in 1890–1891 a return to the *Vertragspolitik* as conducive to greater stability of production. That this inclination of producers towards freedom of intercourse corresponds, I might say, to the instinctive need for it, is shown by international exhibitions which are becoming of more and more frequent occurrence; they are not instituted with the sole object of procuring an opportunity of learning from each other and of drawing mutual profit from their proficiency in agricultural or industrial branches of trade, but principally with the object of bringing about an increase of orders and of markets outside their native land for individual national products.

If this is the real and undoubtedly the most legitimate aim of exhibitions, and the reason too for which every assistance is afforded them, such as reduced rates of transport by land and sea, as well as, what in our own case is the most important item, viz., freedom from customs duties, why do we still seek to slacken the speed of the rolling wheel of international exchange by all kinds of difficulties

and restrictions, which might be called downright provocation to an evasion of the law, that is, to smuggling? Is the salary of the host of customs officials and the army of customs police such an enviable budget item that it is not to be dispensed with at any price? The emancipating principle of an economic union of the civilised countries of Europe will and must finally make its way, and it will do so against the will of the most obstinate adherent of Protection, because it will be aided by the ever-increasing competition of North America and in a not very distant future by that of Asia.

Stress has already been laid on the fact that successful resistance to present or impending competition can only come from compact economic districts, and that therefore Europe, cut up into relatively small economic zones, continually at war with each other, will not be able to hold its own against the competition of an economic power five times its size, such as the United States of America. Consequently the most effective propaganda for Free Trade will lie above all in the teachings of hard necessity and not in the stating of abstract arguments. Attempts should be made at least to blend the economic interests of Germany, Austria-Hungary and Italy into one customs union, for not until a free exchange of goods between politically united nations has been established will the triple alliance, whose value in the maintenance of the peace of Europe must be acknowledged by all who can see and judge, make its beneficial influence fully felt. This accomplished, the other civilised European countries would join, nay, would find themselves obliged to join, this economic alliance of central Europe, for the danger menacing them all is so imminent that sooner or later they would practically have no other choice left them. The inveterate failing of our own times is a confusion of political questions of importance and of desires for power on the part of individual young States and of their greed for territorial aggrandisement with the peaceful adjustment of those vital economic interests that

are common to all the citizens of all the European States—interests which it is a great mistake to call material, since they help to promote not only the bodily welfare of the community, but also its intellectual culture and all that is best and highest in each nation's life. A favourite reproach made to the defenders of a Free Trade policy by their opponents is that of double-dealing, that is to say, of harbouring hidden political motives, while lack of patriotism is another capital sin attributed to them. Reality, however, proves that the contrary is the case. It is just because a man labours for free competition in his own country and for the loosening of the chains that hinder and paralyse it, that he will be wishing to see competition conceded to other nations also. Else we should have to stop our railroads on the frontier of the neighbouring State, and garrison the customs fortresses, which would have to be erected with an army of customs police. This can hardly be anybody's intention, for he who says A must say B and so on down to Z. The newly formed alliance between Germany and Austria-Hungary, which held its first conference a short while ago in Vienna, and was attended by the most prominent political economists of both empires, is the brilliant beginning of an era the coming of which we venture to predict. He who judges with a fair, unbiassed mind can no longer doubt that the growing comprehension of these facts and their practical application within wide circles of the population is an important step forwards in the direction of the goal, namely, of that emancipation from economic fetters imposed by the State without which humanity can know no real progress. Almost all the leading European powers pursue their peaceful tendencies with this end in view, though it may not always be apparent. In our days, in accordance with the old Roman saying, "Si vis pacem, para bellum," all Europe is still bristling with arms; yet she takes care not to make use of them. The guns remain dumb, because the growing intelligence of the European nations prevents their precipitate discharge. This

in itself is a great acquisition, an enormous advance on real enlightenment of the people, who in consequence are growing more and more conscious of their power. There still remains, however, the jealousy of the States—*i.e.*, of their governments among themselves acting as a drag on the removal of customs restrictions.

Yet this, too, will and must yield to the craving of all nations for freedom of international intercourse. "Peace, Free Trade and goodwill among nations!" How beautiful is Cobden's method, suggested to him by his far-seeing, unbiassed judgment and by his broad conception of the lives of nations, in which to him ethics and economy are as one.

The failure of Mr. Chamberlain's protectionist policy proves that Englishmen have never ceased to be staunch adherents to these principles. Let the continent of Europe follow and all will be well with us; and let not therefore our economic policy be inspired by either envy or resentment, but let it be based on the recognition of the solidarity of the interests of all nations. And when the time comes and each State watches, not only over its own interests, but watches also so that it may be in unison with those of the other countries, then that recognition will have found its proper expression

Car l'union fait la force!

Professor BRENTANO (of Munich) wrote the following paper, on "The Industrial Organisation of Germany under the Influence of Protection," after the Congress had ended. It is here inserted as a most valuable contribution to the discussion of the Second Subject of the Congress:—

THE opposition of interests involved in commercial policy was until the seventies of the nineteenth century different in Germany from what it had been in England from 1815 to 1846. In England the landed proprietors had been the Protectionists, and the manufacturers the Free Traders. In Germany it was just the reverse. Prussia and most of the

North German States were, for the greater part of the nineteenth century, mainly agricultural countries which exported corn. The large landed proprietors who there abounded had the greatest desire to get for their corn as many industrial and foreign products as possible. They were Free Traders, and so, of course, were the merchants of the seaports. South Germany and Saxony, on the contrary, were the classic areas of Friedrich List's activity; and their commercial policy was aimed at nursing into life new domestic industries by imposing import duties on foreign manufactures.

Friedrich List has become a kind of national saint of German political economists. He has deserved it by his patriotism, to which he sacrificed his life. But his lot was like that of so many a saint. Round his name a myth has been spun, and those who invoke him to-day as their patron have so little in common with his real doctrine that, did he know of their doings, he would drive them out of the temple as Christ drove out them that sold and bought.

For Friedrich List was a friend neither of all kinds of import duties nor of their duration for ever. The duties the imposition of which he desired were duties required to protect the infancy of production. Only those branches of production were to be protected by duties for which the country had a natural advantage, and which promised that one day their products might enter into free competition with the same products of any other country of the world. He was against all duties on those foreign products in which it was, by the nature of things, out of the question that the home country could ever, without assistance, successfully compete with its rivals in the markets of the world. Thus he was dead against duties on agricultural products. But where a country had all the natural conditions for developing a branch of production, and the only thing wanting was sufficient capital, then protective duties should be imposed on the products of that branch until it had grown to be so strong as to be able freely to compete with its foreign

rivals. Even Hercules, had he been left in his infancy unprotected against the aggression of older persons of far weaker natural powers, would never have grown to be victorious over the Nemean lion. List's argument was that the duty on the importation of a foreign commodity would at first raise its price in the home market ; by this the profit made in producing that commodity in the protected country would rise ; and, as a consequence, capital would be tempted to engage in its production, or, in other words, domestic competition in the production of that commodity would increase. By this domestic competition the prices in the home market would be lowered, and the home producers of the protected commodity would be forced to improve their process of production. Moreover, in order to induce them to make these improvements, the duties should be gradually lowered, until the minimum cost of production was reached. This minimum being, according to the assumption that the country had natural advantages for the production of the commodity in question, the same in the home as in the foreign country, all duties on the importation of the hitherto protected commodity should then be abolished ; for the development of the industry hitherto protected would by now be so far completed that it might compete freely with its foreign rivals. This shows that the ultimate end of Friedrich List was Free Trade.

It is not my intention to enter here into an examination of the correctness of Friedrich List's doctrine. I only wish to say what it was, so that the reader may judge for himself with what right the German Protectionists of to-day justify their policy by appealing to the authority of Friedrich List. Neither had Prussia recognised List's doctrine as true when, on the foundation of the Zollverein, she accepted the principle of Protection as its basis. On the contrary, the Prussian Government had, in marked contrast with the Governments of the South German States, up to the end of the seventies, always professed Free Trade doctrines, and if practically it made concessions

to the principle of Protection, it did so purely for political reasons. It was only by conceding duties on foreign manufactures that the South German States and Saxony could be induced to agree to a Zollverein ; and a Zollverein had been, ever since the restoration of peace after the Napoleonic wars, considered by Prussia as of primary political importance, for from that time Prussian statesmen saw in the Zollverein the means of uniting Germany under Prussian hegemony. Prussia, therefore, by submitting practically to List's theory of "development" duties, made economic sacrifices for a political end. Later, in accordance with this view, when the German States, which were Protectionist, had so long belonged to the Zollverein that their separation from it had become all but impossible, and when other mainly agrarian German States like the then kingdom of Hanover, had, by entering into the Zollverein, strengthened the Free Trade interest in it, the duties on foreign manufactures were lowered. In 1864 Prussia could dare to lower them so far that the danger which then threatened its German hegemony, the entrance of Protectionist Austria into the Zollverein, was entirely removed. In 1876 the duties on iron were absolutely abolished.

Just as it had been considerations of high policy which had led the commercial policy pursued by Prussia in the Zollverein, so also the considerations which caused Prince Bismarck, in 1878, to return to a Protectionist policy were not of a commercial nature. Prince Bismarck had, with the help of a liberal majority, lifted the German empire into the saddle. But towards the end of the seventies this liberal majority was no longer willing to follow his leadership unless a substantial share in Government was given to it. This Prince Bismarck was not willing to concede. He therefore looked out for another majority. The economic conditions of the time were favourable to him. The boom which had set in after the peace of Frankfort had been followed by the crash of 1873 ; great depression prevailed in all industries ; and

when the competition of American and Russian and Indian wheat drove the German agriculturists not only from the English market, but began to endanger their position even in the German markets, the German agrarians, who, during the entire nineteenth century, had been Free Traders, began to turn Protectionists. Prince Bismarck would not have been the politician he was had he not utilised these changed circumstances. He found the new majority which he wanted by giving up the "Kulturkampf"; and, by giving them Protective duties, made the men, who till then had been his bitterest foes, his most enthusiastic friends. He repeated the policy which, before him, William III. had pursued to consolidate his English throne. He granted to each interest, at the cost of the entire community, the duties it cried for—to the agrarians duties on corn and cattle, to the manufacturers duties on all kinds of foreign manufactures. The era of the so-called "system of Protectionist solidarity" began; *i.e.*, Parliament became a mart where one traded in duties; each interest was ready to grant to the other the duties it asked for on condition that it got what it gave. Thus a majority was soldered together out of Conservatives, the Catholic centre, and industrial magnates belonging to the National Liberal party, which, in return for the Protectionist duties granted to it, voted to the Government the expenditure and the revenue for which it asked. The costs fell on the mass of the people, which more and more went over to Social Democracy.

This new Protectionist era of Germany has as little in common with Friedrich List as with the immediately preceding era of Free Trade. This is proved not only by the fact that agricultural duties, which were condemned by Friedrich List, are one of the principal items of its inventory, but not less by the duties imposed on the importation of foreign manufactures. Nobody can say that these duties have the "development" of German industry for their object. The idea that duties are still wanted to develop

German industries so as to enable them freely to compete with foreign industries in the market of the world is repelled as ridiculous by the official representatives of these industries themselves. The present German industrial duties have not development as their object, but aggression. The present economic condition of Germany differs in one point of fundamental importance from that which was postulated by Friedrich List. List, as I have shown, had demanded as a condition for the beneficial working of his "development" duties that there should be free competition in the home market between the protected manufacturers; by this competition the home prices were to be reduced to the level of the prices in the free market of the world. To-day free competition in Germany still exists by law. The German industrial code has enacted that every German may carry on whatever trade he likes, subject to certain conditions which have nothing to do with restraint of trade. And people still talk occasionally as if they lived in an age of domestic freedom of trade and competition—a most obvious proof how ideas, formed on the foundation of what would be in agreement with the existing law, often hinder men from seeing the facts as they really are. Competition and domestic freedom of trade belong in Germany to the past. Germany stands under the constantly growing domination of the principle of monopoly. The avowed object of these monopolies is to prevent prices being reduced by domestic competition to the level of the prices in the free market of the world. As a justification for them you hear it said that the legislature, by granting duties on foreign manufactures, desired that home-made manufactures should fetch a price in Germany higher than the price in the free market of the world by the amount of the duty; and in order to secure that price each branch of industry must be organised into a "Kartell."

What is a Kartell? In Germany all combinations of economically independent enterprises which leave to these enterprises more or less liberty of action are called Kartells.

Germans are in the habit of distinguishing the Kartell and the trust, and speak of trusts only when the works combined have lost all economic independence by becoming mere technical workshops of one enterprise, subject to one leading will. With the Kartells, on the contrary, each enterprise remains an enterprise by itself, with loss or profit of its own. The Kartells are agreements as to prices, as to the mapping out of the country into districts the supply of each of which is granted as a monopoly to particular members of the Kartell, as to the restriction of the output of each member, or as to the share of each in the sale or in the profit realised by the whole trade. All these measures purport, where sale is in question, to regulate the supply, and, where it is a question of purchase, to regulate the demand—in the case of sale so as to raise or prevent a fall in prices, in the case of purchase so as to lower or prevent a rise in prices, and in both cases, of course, for realising the greatest amount of profit. For carrying through this policy coercion is used against outsiders, which goes so far as to arrange a boycott against them. Thus merchants and shippers are forbidden to transact business with outsiders if they are not to lose the custom of the members of the Kartell. It is even forbidden to sell to firms which take part of what they buy from outsiders. In order to enforce these and other rules of the Kartell, its executive has the right to control the commodities sent away by rail or ship by the members, and even to inspect their books and correspondence. The end desired is secured in the most efficient manner in cases in which the works combined give up to a common office for sale their individual right to sell. Such was the case with the now defunct Kartell of 1887 of the rolled ironworks. Each demand made by a customer had to be sent to the common sale office, which answered it and took care that the order was executed in agreement with the rules of the Kartell. Similar to this is the organisation of the Rhenish-Westphalian Coal Syndicate.

We find there a joint-stock company for the sole purpose of buying and selling coal. The mineowners belonging to the syndicate have obliged themselves to sell all the coals they produce, except those which they themselves consume, to the company, which sells it to the consumer. Each mine participates in the output and sale according to its "contingent," *i.e.*, the share which has been attributed to it according to its estimated capacity of production. Similar to this is the organisation for the sale of commodities of various other syndicates.

What is the effect of this organisation on price ?

The Kartell asks, of course, as all merchants do, the highest price which it can obtain according to the position of the market. Accordingly prices, instead of being lowest, are highest at the place where an industry is carried on. There the works combined have not to dread any competition. Farther off from that place the manufactured goods encounter the competition of foreign goods. The further the distance from the place where the manufacture is carried on, the more the price sinks ; and in foreign countries the lowest prices are asked for because there competition is greatest. Accordingly the higher the duties and the remoter the consumer is from the frontier, the higher the prices he has to pay—even if he should live at the very place where production is carried on.

Thus all the so-called natural economic laws as to prices are reversed. But some more artificial effects result from this policy. One of them is of great economic importance. Works which seemed condemned to die have received a new life. Works with inefficient means of production, which would be crushed by the competition of the more efficient works, have received by agreement with these latter a guarantee of continued existence. In order to keep them alive the price must, by the agreement, be fixed so high as to pay the costs of production of the most inefficient. Thus we are told that towards the end of the eighties the old mines in the Ruhr basin were nearing

cessation of work. "Most mines were considered to be exhausted; as prices stood on the Westphalian market they could no longer exist." Those were the "Magerkohlzechen." Then came the Kartell. It raised the price so high that not only these mines could again be worked, but the entire mining industry entered upon a new boom.

This undoubtedly was for the benefit of the mine-owners. But was it, also, for the benefit of the community at large? It certainly is not in the interest of the economic progress of a nation. It recalls the retrograde economic policy of the old guilds. But, to be just, the Kartells are no hypocrites; their members do not deny that their policy is not in agreement with the interests of the nation; they say openly that it is their business to take care of their own interests, not of those of the nation. And, indeed, all kinds of producers in all countries reason in that way. Only, where free competition exists it carries with it a natural correction of the excesses of narrow self-interest. Where there is free importation, every attempt such as the present one of the German Coal Syndicate, to keep up the prices of coal notwithstanding the depression in all branches of German industry, must soon come to an end. If this is the case, what is the duty of those whose business it is to take care of the interests of the nation?

But the evil consequences of the policy of keeping up prices to the amount of the cost of production of the least efficient producer do not end here. Another consequence is that the owners of more efficient works get a price far above their own costs of production, a price which gives them an overwhelming influence on all further stages of production.

Imagine, for instance, an ironmaster owning the coal mines necessary to carry on the production of steel. The Kartells to which he belongs have driven the price of coal and of iron as high as the railway tariffs, hampering the importation of foreign coal, and the iron duties permit.

The manufacturers of rolled iron and of machinery must pay these prices for the material of their manufacture. But our ironmaster, if he goes on to produce rolled iron and machinery himself, gets the coal and iron which he wants for this purpose at prime cost. This gives an enormous inducement to him to add rolled iron works and manufactures of machinery to his coal mines and iron furnaces. The enormous profit which he gets in consequence of the high prices of coal and iron enable him to undersell his home competitors who do not own coal mines and iron furnaces, and, having driven them from the market, he has the monopoly in manufacturing rolled iron and machinery too. Thus is effected what we in Germany call the vertical concentration of industry, *i.e.*, the concentration of all stages of production which a commodity has to go through until it becomes ripe for consumption by the last consumer, in the hands of owners of "mixed" works.

But this is not the only danger which menaces the life of the "pure" works as those works are called which are given to the production of only one kind of produce. The high prices got for coal and iron in the home market enable the coalowners and ironmasters to sell coal and iron cheaper in the foreign markets than to their home customers. They suffer no loss from it, for their general costs of production are already more than covered by what they get in the home market; they only require that the special costs of what they export should be covered by what they get from their foreign buyers. This they easily obtain with a profit, and, besides, they have the hope to crush their foreign competitors by such dumping. Protection and combination in Kartells enable them to raise the prices in the home market so high as to ruin the "pure" works, and give them, besides, an indirect bounty on exports by means of which they hope to ruin their foreign competitors. But this undoubted profit to them means a loss to the community as a whole. For the foreign country receives the commodity exported cheapened by means of a

bounty, and thus always gets more labour in exchange than it gives. The foreign commodity exported embodies, first, the labour which was necessary to produce it, and, secondly, the labour embodied in the bounty, given in one way or another to the exporter, who is thus enabled to sell the commodity without loss to a foreign country cheaper than at cost price. But to see this requires a power of reasoning which is not given to all. What everybody sees is a second loss, which Germany incurs by that policy. As the foreign manufacturers of rolled iron and machinery get German coal and steel cheaper than their German competitors, they are, with the help of dumped German coal and iron, in a position to beat the Germans, not only in the foreign, but even in the German market itself. This is the reason why almost immediately after the new tariff had become law the German manufacturers of machinery declared that they would not want any protective duties on machinery if only the duty on iron was abolished. "If you consider," said Mr. Rieppel, the distinguished director of the Augsburg manufacture of machinery, "what are the duties on foreign machinery according to the new tariff, these duties do not mean any real protection for German machinery, for the duties on the raw materials and half-finished products, which we, as manufacturers of machinery, want are, generally, about 100 per cent. higher than the duties on machinery. Our foreign competitors get, indirectly, a bounty on the export of finished machinery to Germany. The German manufacturers of machinery have nowadays no protection." This, too, is the explanation of the petition which the German rolled iron industry sent in June, 1908, to the Imperial German Secretary for the Interior, Herr von Bethmann-Hollweg, demanding the abolition of protective duties on iron.

To summarise the effects here stated: Protection has given to coal mines and iron furnaces the possibility of organising Kartells. The horizontal concentration of raw production has led to a vertical concentration of works, and the pure

works belonging to later stages of production are unable to live. The price-policy of the Kartells has saved the inefficient works belonging to earlier stages of production by killing works belonging to the later stages of production, which without this would have continued to exist. Only such works, belonging to the later stages of production, are able to keep alive as have the means of uniting themselves with works belonging to the earlier stages of production and of thus becoming "mixed" works.

The great complaints to which these effects have given rise have led to the appointment of a commission for inquiring into the working of Kartells. This commission had not powers given to it to get at the entire truth. No witness was obliged to answer any question which he did not like. Yet enough has become known to show the justice of the main complaints of the "pure" works. This holds good not only for the prices, which they are coerced to pay, but also for the quantity and quality of the goods delivered. They appear as being in complete dependence on monopoly, and as considering themselves happy if they get any goods at all, whatever the price, or the quantity and quality, or the other conditions may be.

In reading the minutes of the commission, it is very interesting to observe how the different degrees of dependence to which the various stages of production of a commodity are subjected, is expressed in the answers given by their representatives. The raw iron industry has nothing but praise for the Coal Syndicate—at least in Rhenish Westphalia. The fact is, that the raw iron industry also has a strong Kartell; if it said anything against the Coal and the Coke Syndicates, this would tell against itself; besides, with the help of the Protective iron duties its Kartell may easily throw any enhancement of its costs on the consumer. In addition to this, the high furnaces, those in the Siegerland excepted, have their own mines. It is the same with the high furnaces in Silesia, with the exception of one, and that one complains bitterly against

the Coal Syndicate in Upper Silesia, and would not be able to go on if it was not for the Prussian State, which owns one-fifth of the Silesian coal mines, and even with that help it was for a long time unable to pay any dividends. The same as for raw iron is to be said for the production of steel billets. But the praise given to the Kartells of the earlier stages of production decreases in proportion as we approach the production of finished articles. But even here everybody says how much he would regret it if these Kartells should cease to be ; for who would dare to make those over-powerful men his enemies by complaining too loudly ? But through all their praise one perceives their tears. The complaints of the rolled iron works against the Coal Syndicate are still moderate. All would be perfect, if only—if only this or that condition was more considered. Coming to the manufacturers of hard wares, the complaints become louder ; their praise of the Syndicate resembles the assurance of a boy getting a licking—how much he loved his master, if only he would cease to thrash him. Then the manufacturers of hardwares also pray for the future of the Syndicates—if these only would consider their most pressing needs. Their evidence before the commission becomes almost a higgling about better conditions for the future. The zinc, lead, and other metal industries declare openly that they have come to terms with the Coal Syndicate, for since its existence they had sold so much to it that they had profited by its existence. Only the representatives of agrarian interests show their characteristic want of fear in their complaints over the neglect of their co-operative societies by the Coal Syndicate in favour of the merchants. Coming to the inquiry into the Kartell of the German manufacturers of printing paper, we find the Kartell's office for sale and the printers' office for buying as far more violent mutual foes ; but even here the transactions end with an almost humble begging on the part of the buyers that the sellers would forget what bitter things they had said of

them.] Quite different is the evidence on the Kartells of the iron industry. Here the opposite interests of the raw iron syndicates and the finishing industries clash on each other with violence. Violation of good faith, of morals and right, are the reproaches thrown at the head of the raw iron syndicates. By the power given to its monopoly, founded on the protective duties, the raw iron syndicate coerced its customers to agree to contracts of long duration, suggesting to them that there was a scarcity of iron which did not exist. Then it failed to fulfil these contracts. When depression set in, it forbade its customers to resell what had been forced on them by its methods, and what, indeed, their customers in a falling market did not require, and it refused to guarantee that the quality of the ware delivered was according to the contract. But the chief accusation is that the members of the iron syndicate sold cheaper to the foreign competitors of the finishing manufacturers, and thus deprived the German manufactu^{ers} of their market. In this reproach all kinds of finishing industries are united, and the inquiry into the raw iron syndicate closes in irreconcilable discord. But more passionate still were the inquiries of the following day into the syndicate for steel billets. The Coal Syndicate had, on the whole, been praised for the wise moderation which it had shown in the use of its monopoly. The Coke Syndicate had been sharply attacked. The complaints increased when we come to the raw iron syndicate, as has been shown, and they culminated with the syndicate for steel billets. The ever-repeated refrain of the finishing manufacturers is, that the difference between the price of steel billets and that of the finished article is too slight ; the price asked for billets on the home market is too high, whilst the steel billet syndicate sells too cheaply on the foreign markets. Consequently the finishing manufacturers who do not produce the billets they want themselves] are no longer able to exist. The pure works are crushed on the home market by

the competition of the mixed works, and on the foreign market by that of Englishmen and Americans, who get German steel at a lower price than it is sold to them. "The protection of national industry," such are the last words of the representative of the pure rolled iron works, "which you have longed for, and which we have granted you willingly, this protection you have taken from us, your faithful customers, by such dumping."

This, then, is the end of the famous system of Protectionist solidarity. The representative of one protected branch of industry uses such words towards the representatives of other protected branches!

But these are not all the effects on internal Free Trade which have been brought about by the new Protectionist era in Germany. No less remarkable are the effects which the new organisation of industry has engendered on retail trade. The retail merchant has ceased to exist; he has become a mere agent. It is prescribed to him from whom only he may buy, *i.e.*, from the Kartell. It is prescribed to him what he has to buy, what price he has to pay, in which district he may sell, at what price he may sell. The merchants examined by the Kartell Commission agree that financially they are well off, and in the most humble words they express their best wishes for the further existence and the welfare of the Coal Syndicate. But nevertheless, they cannot suppress the sighs rising out of the depths of their hearts—"We are not merchants any more; freedom of action is entirely taken from us; the intelligence of the individual has become entirely superfluous"—and the situation is characterised in a manner not to be surpassed by the words of Mr. Vowinkel, a great coal merchant at Düsseldorf: "Ave, Cæsar! morituri te salutant."

More important still is the effect of this new organisation of industry on the relations of masters and men. It is true that the Kartells, as such, do not busy themselves with the labour question, with wages, and other conditions of

work. But this is a mere juggle of words. By bringing the employers together for the purpose of excluding competition between themselves the Kartells have taught them to organise too for taking care of the employers' interests against those of the workmen. Big employers' organisations have thus arisen parallel to the organisations of the Kartells. These emphatically refuse to treat with the Kartells of the working men, the trade unions, though these latter are the exact counterpart of their own. The trade unions exist nevertheless; for without them the working classes would be, *vis-à-vis* of the Kartells, in the position of mediæval serfs. But the great wealth and influence of the organisations of the masters have made the position of the working men's organisations very precarious.

All this increases the necessity for a remedy. Is the entire population to be subjected to organised capital?

The first thing which people do who have to complain of a nuisance is to cry for the police. Especially in Germany is this the custom. As the first measure, a public register of all existing Kartells was asked for. Against this nothing can be said, whatever the standpoint one takes may be. There are, also, many who call for the publication of the transactions of the Kartells. But nobody who has read the minutes of the Kartell Commission, and has observed how every question, by which one might have come near to truth, put to the leaders of the Kartells, was ruled out of order, will believe that the Imperial Ministry of the Interior will enforce the publication of the Kartell transactions as a permanent condition of their existence; and Kartells may, indeed, want secrecy of their deliberations and resolutions from a business point of view. Others, who go farther, have asked for the suppression of Kartells by legislation. The United States have tried that remedy without any other result than that of uniting the organised works into the still closer union of trusts. In other countries, too, it is not easy to see how any legislative measure aiming at the suppression of Kartells could have any other effect except

to strengthen the monopoly which it was intended to destroy.

But the entire idea is out of the question in Germany. The Imperial Ministry for the Interior will never think of suppressing Kartells by legislation, for it is decidedly very friendly towards them. Comparing the utterances of the official who presided over the inquiry into the Kartells with those of the man who from that inquiry appears as the very soul of German Kartells, Geheimrat Kirdorf-Gelsenkirchen, one finds the most far-reaching agreement between the views of this gentleman and those of the Imperial Ministry for the Interior. How, then, do they propose to bring about the solution of all difficulties? The advice they give is: "Capitalists of all trades, unite yourselves!" The sufferings of the finishing industries have their cause only in this, that they, too, are not, or are not sufficiently, organised in Kartells. The various kinds of finishing industries should organise themselves. The existing syndicates are unable to transact separately with every one of the innumerable works of the finishing industries, and agree with them in single contracts as to special conditions; as a consequence there remains nothing for it but that the syndicates should dictate to them the conditions. It would be otherwise if the various branches of the finishing industries were also organised. Then it would be possible to find a conciliation of the opposed interests in a transaction between the organisations. Evidently some kind of board of conciliation is thought of, like the boards which settle disputes between employers and employed. As the summit of this new organisation of industry, some suggest a general board of conciliation, the Kartell of Kartells.

Thus Protection, leading to the organisation into Kartells, would lead further to the very socialistic organisation of industry which English Protectionists believe will be kept off by Protection!

But is it possible to organise all kinds of industries in Kartells or in trusts? Kartells can only be formed in

such branches of production as produce goods of a recognised type "en masse" for the "mass," "res frugibiles, quæ pondere, numero, mensura consistunt." Such are coal, iron, petroleum, alcohol, sugar, salt, cotton yarn, paper, &c., &c. But in all branches of industry which produce commodities suitable to special individual wants, Kartells are impossible. Where the ware produced is an individual one, the price must be special. To these belong not only all the branches of industry of an artistic character, but also most of those which work for the special wants of the day.

To this must be added another condition for the organisation of Kartells: there must be relatively few works if such organisations are to be possible. The greater the number of works in a branch of industry is, the more difficult becomes their organisation. In what are called the heavy industries in Germany there exist comparatively few works, either because, as with mines, their products are natural, and are to be found only in restricted quantity, or because, as with the iron furnaces, a very large capital is necessary to erect the required plant. The fewer the enterprises the easier the agreement which leads to monopoly. Among the finishing industries, on the contrary, as it is easy to found works, competitors become numerous, and it is difficult to arrange a combination. When you come to the last stages of the production of most commodities, the stages in which they are made ready for use by the consumer, it becomes impossible to bring all heads under one hat.

Thus the organisation of all branches of industry into Kartells, and their combinations into one Kartell of Kartells, appears as a somewhat utopian solution of the difficulty.

The consideration of the significance of the number of competitors in relation to the progress of monopolistic tendencies brings us to that of the significance of commercial policy in relation to the organisation in Kartells and trusts. I will not say that with Free Trade all combinations for re-

gulating prices would be unthinkable. Mr. Havemeyer, the head of the American sugar trust, it is true, has said that if the refinery of American sugar had not been protected by high sugar duties he would not have dared to found the sugar trust. But I can imagine that without Protection it might be possible to form combinations, and I will not even deny that there may be circumstances when such combinations may be desirable. But this does not do away with the fact that the character of the commercial policy of a country, whether it is Protectionist or Free Trade, has a material bearing both on the facility of organising Kartells and on their utility or inutility.

The case is as follows :—All organisation into Kartells aims at doing away with competition. It is the direct opposite of competition. As has been said above, this aim can be realised the easier the smaller the number of possible competitors is. The number may be restricted from natural causes, as with mines. Mines cannot be increased *ad libitum*. It can also be restricted from economic causes. Thus the situation of a country in regard to the high roads of commerce, especially as to the sea, exercises a marked influence on the facility with which monopolies may be organised. No doubt, in Great Britain and Ireland, even if they were not under the sway of Free Trade, the arrangement of Kartells would not be easy, because the islands, being relatively small, competition from outside would be much easier than in the interior of Europe or America. In the same way, as I have already said, the amount of capital necessary to found a competing establishment may act as a restriction of competition. But the number of competitors can also be artificially restricted, first by duties on the importation of foreign commodities, then by such railway tariffs as exist in Germany, according to which commodities going from the frontier to the interior have to pay higher freights than commodities going to the frontier. This, of course, means a hindrance to the competition of all foreign commodities in the German market

which makes itself felt the more the heavier the commodity is which has to be transported. If to this be added, as in the case of coal, that the commodity in question exists only in a restricted quantity, then this means the artificial encouragement by measures of the State of a monopoly already made easy by nature, and consequently an encouragement of the formation of Kartells and the carrying through of Kartell measures, even though no import duty exists. But if, as with iron, the artificial restriction of foreign competition by duties is added to this, it cannot be denied that the organisation in Kartells is made extremely easy. The foreign competitors are then either entirely excluded or their competition is at least made very difficult. A great amount of labour is spared to those willing to organise a monopoly by Kartells. For this organisation is the easier the fewer, either from natural, economic, or artificial reasons, the establishments are, and the policy of the Kartells is the more regardless in exacting the highest prices the less they have to dread competition.

Thus there is only one remedy against the abuses of the Kartell organisation which have here been exposed—the threat of competition or Free Trade. Free Trade would not render all Kartell organisations impossible. But by it they would be restricted to such effects as may be beneficial. It is true that even with Free Trade it may sometimes happen that a producer sells cheaper to the foreign country than to his home customers, but when this happens it is only as an exception in cases of distress. The systematic selling cheaper to the foreign than to the home country would come to an end as soon as the lowering of the home prices by foreign competition would deprive the dumpers of the means which makes it possible for them to sell without a loss cheaper to the foreign than to the home country.

The way by which the dumping countries might be induced to return to Free Trade has been shown by the Sugar Convention of Brussels. A clause in the commercial treaties stipulating that every country, Free Trade countries

included, should be empowered to levy a duty as high as the amount for which an exporting country sells cheaper to its foreign than to its home customers would take from Protection all the charm which it has for countries which have outgrown the "development" duties of Friedrich List. For the entire value which import duties have nowadays for these countries consists in the means which they give them of being aggressive in the neutral markets of the world.

The Congress adjourned till 2.30 p.m.

FOURTH SESSION.

DISCUSSION OF SECOND SUBJECT CONTINUED.

Professor SUMNER (Yale University, U.S.A.) submitted the following paper :—

THE tariff policy of any country is an attempt to cause certain forms of industry to be carried on there which cannot be so profitably carried on there as some others. In the Gulf States of the North American Union the production of raw cotton is a natural monopoly of very exceptional profit. No one is willing, as long as any land is free, to carry on another industry without the same rate of profit. The attempt of any tariff system to help this effort must be brought to bear on cotton production in the Gulf States, not on the other industries elsewhere. The tariff system in its present-day form attempts to close the market, and so to raise the price until the profit is satisfactory. This produces “infant industries,” or new industries, according to the ideas of the Protectionists. As soon as the land is all occupied, the other industries which might be, and ought to be, developed present themselves as beggars. If, then, they are brought into being they regard themselves, and are regarded, as products of Protection and proofs of Protection: that is to say, it is assumed that they would not exist but for the protective system.

This is the way in which Protectionism is applied in our times in new countries and outlying colonies. To the great mass of observers it seems to be proved that in such countries, at least, Protection is wise and successful. The fact is that all new countries have great advantage in producing rare and highly useful raw materials. Otherwise

they do not draw population and come to nothing. The protective system forces the industries which have great advantages to carry others. That is to say, it wastes the gain of the industries which have a real advantage. That is the way in which it accomplishes, in part, what it set out to do. Then the prosperous workers in the industry which has an advantage are called on to pay protected prices for selected products. They are told that the system makes all prosperous and that all must stand together. This is Protectionism as a philosophy of national wealth which now prevails in the United States and is being copied in the English colonies as if it were a proved and established success. It has one great and obvious disaster in its path. It is preached as a philosophy of wealth and prosperity. It is offered in absolute terms like most other philosophies. What, then, are its limits? In its nature it is not capable of being expanded to cover all peoples and all stages of industrial evolution. In the United States we are already at that stage of the development of Protection where the protected interests consume each other. The men in control of the system foresee the end of it, and have announced a revision of it in the near future.

In old countries, when it is desired to create prosperity by the protective system, the first question must be : What are our independent industries which can be independently profitable and carry others? A State may be mercantile, like mediæval Venice, and may use commerce to develop manufactures. Another State may have very profitable mines, and it may make the mining industry foster agriculture. In the nineteenth century the leading civilised nations desired to possess the arts of manufacture, and they made agriculture bear the load of fostering manufactures. Some have even asserted that manufactures have greater worth in themselves to create national greatness than other forms of industry. On the other hand, others say that agriculture is essential to national greatness, and that, therefore,

agriculture must be secured and provided for, and other industries must contribute to it. We may throw aside all assertions of this character. All industries supply the needs of men and have no moral character or political worth. An industry may be imitated by an effort to win gain by serving a vice, but that is not properly an industry. If, then, the independent production of a State is agricultural, we can make it help manufactures, or commerce, or banking, and so on. If the State has reached a position of power and independence in manufacturing, that series of industries can be made to bear agriculture and other industries as burdens. In the United States, which is a great democratic republic chiefly strong in agriculture, the burden of Protection falls on agriculture, but the protective system has been spread as widely as possible so as to seem universal and to appeal to all voters. As a result of the system, as now applied, we see all the nations favouring the production of metals and of fabrics ; that is, they are all meddling with and confusing the world's markets for fabrics and metallic products.

Now, it is certain that the protective system gives favour to the selected industries and may bring some into existence which otherwise would not exist. It cannot be doubted that the system is carried on at the expense of the industries which are independently profitable. No law and no tax could do more than make the profitable industries pay tribute to the unprofitable ones. What is the extent of the depression of the independently profitable industries ? It would be a most attractive statistical inquiry to seek the answer to this question if the data for it could be obtained. If the industries are suppressed they become non-existent, and there can be no statistical returns about them. If the cost of Protection is a new element of cost, it is combined with other elements of cost in such a way that they cannot be separated. It remains certain that the protective effect, together with the cost and waste of the system, are a loss

inflicted on the industries which would be independently profitable—a loss which is passed by as if it were trivial and unimportant. In the United States it could not be said that the protective system has pressed commerce down to its present low condition, but it has greatly aided to produce the conditions in which commerce is impossible. Nevertheless, the decline of commerce is either treated with neglect as a matter of no importance, or it is put forward as an argument for new applications of Protectionism, such as subsidies to ships or discriminating duties.

If now we endeavour to form a notion of the effect of duties of 50 per cent. on 3,000 or 4,000 articles of the broadest consumption there are certain consequences which can be confidently perceived. First, the general level of prices in the protected country will be held at a level far higher than in other countries on the same industrial stage. An army of custom house agents will be found busy at the boundary to keep out goods as if they were infected by disease. They are maintaining the bulwarks of industrial independence and prosperity, and incidentally furnishing one of the funniest sights which can now be seen on earth. In this case, also, I must point out, that prices in the United States are not 50 per cent. higher than elsewhere because the American producer takes up the tariff as one of the conditions under which, and against which, he has to work, and he offsets his disadvantages by more ingenuity and enterprise. He also lowers quality and studies external appearance. We Americans nearly all wear McKinley clothes which are a grand product of these complicated conditions and forces.

Second, we cannot doubt, when the market is interfered with by conditions of favour and disfavour, that very many lines of production are made impossible which, under freedom, would grow and prosper. In the United States they never get strength to cry out and defend themselves. The law-maker never thinks of them. It is one of the most revolting of all the facts about this legislation that there is no intelli-

gent care for the new things which might be expected to come into existence if we would give them a chance.

Third, the effect which must be expected, in a market upset and confused by arbitrary efforts to favour some industries at the expense of others, is that all politics would take the form of intrigues to win advantages by legislation, and that public life would tend to the form of struggles for gain at the expense of the State, or the community. The industrial history of the United States for a century past illustrates this most clearly.

We are now told that our tariff is to be revised and that the revision will be made "by its friends." That is a warning to the victims that they are to have another dose. The tariff-makers will use all the skill developed by one hundred years' practice to suit themselves more completely. They have begun to manufacture dogmas which will serve for the revision. They will make rates to just off-set the higher cost of production in America. This school-boy idea of cost of production in international trade is likely to be adopted and to control the next epoch in the history of this matter. It is another effect of a century of Protection that the people are tired of the subject, the newspapers do not know or care about it, and everyone pays his taxes with only the allowed amount of grumbling. Presently we shall have a great war or a great revolutionary invention which will bring production down again to facts and actual relations in a great catastrophe. Then we shall see the whole world return to common sense about trade.

In addition to submitting this paper, Professor Sumner spoke as follows: Since I came here this afternoon I have seen the programme of to-day with my own name on it, which I had never seen before. I want to say this by way of apology and excuse for not having met the engagement that was made for me.

I was present during part of the morning, and listened with very great interest to the remarks that were made,

which, so far as I know, apply also to the United States. There is one thing that I have had particularly in mind here in this meeting, and that is that I do not believe that the American and the English Free Traders understand one another completely, as they ought to.

I have been talking about Free Trade in America for the last forty years. I am a schoolmaster over there, and I have been trying to train young men in the ideas of Free Trade. It is a new and an entirely strange experience to me, therefore, to speak to an audience which, I suppose, is altogether sympathetic. I have talked to audiences over there where I do not believe there was a single man that agreed with what I was saying. It is an entirely new and a very pleasant experience, therefore, to talk to people who, I suppose, agree with me. I have been obliged to stop talking in public, and have not done it much for the last ten or fifteen years. I have given it up with great regret, but it has been imposed upon me. I do not think, however, that I am doing wrong in making an exception on this occasion.

Now, as I have said, I do not think that we Americans and you Englishmen in this matter entirely understand each other, and what I do say will make bear on that point.

When we heard that there was a revulsion in England of more or less importance against Free Trade—of course we could not estimate it at all carefully—it was to us an indescribable disappointment. We did not know how any Englishman could entertain any doubt about Free Trade. It seemed to us that you had had an experience here since 1845-6 that must satisfy anybody.

For myself, I first came to England in 1863. I was a young man just out of college. My father was an Englishman who went to America in 1836. He married, and I was born there. I came here as soon as I got out of college, and I went to Lancashire, where my father came from, and I looked around there and saw things as they were

at that time, in the midst of the cotton famine you remember, and I have been there six or seven times since. And even accustomed as I am, of course, to the rapid changes that take place in America in the course of time, in the external appearance of the country and the inhabitants, I have never seen anything anywhere to compare with the changes that I have seen in Lancashire in the course of the last forty years. I speak now of the appearance of the country, the appearance of the houses, the furniture, the people, the children in the schools, and so on—the things that an economist must look at if he is trying to form a judgment of the status of the population. It has been amazing to see the change, because when I first went there I still found the old schoolroom that my father had described to me, in which he went to school when he was a little boy—what they called, he said, a “ Dame’s school.” In the place of it there has arisen a very handsome school-house, as handsome as I ever saw anywhere, and the children have every appearance of the greatest comfort and prosperity, and chances in life.

Now, when I heard that the English people were going to open this question again, fight it all out again, it seemed very strange and incomprehensible, almost incredible, to those of us who knew the facts. I have been very much surprised in America to see that the Protectionists have never taken the attitude towards this English enterprise that one would have expected. If the English were going to be converted, and go back again to Protectionism, one would reasonably expect that the American Protectionists would be delighted at that. They do not seem to care anything about it. I think that they regard the matter in some light in which it does not seem to them a desirable thing that the English should change on this point.

Now, the English people are, as I understand it, very much influenced indeed with reference to this matter by the idea that the United States have prospered by and under Protectionism. I have seen that argument advanced in

your journals, and I have heard it in conversation. They say that we have proved in America that Protectionism is wise. We think there that you have proved that Free Trade is wise. Now, what is there that may account for the idea that America has prospered under Protection? We must certainly contradict that decidedly; that is, if it is offered as an explanation of the prosperity of the United States. The United States have prospered, of course, marvellously, because it is a new country with immense natural resources, and it has got a population of unparalleled enterprise and industrial courage. They pitch into work in a way that perhaps nobody else in the world does, and they have the most unexampled returns, because of what nature has done for them. We have got a great continent there, and the population is not over twenty-five to the square mile. Why should not they prosper? They must prosper unless they lie down on their backs and let everything go.

Now, that is not their way. As I say, they work, when they see that they are going to get something in return for their work. These immigrants who pour into the country—last year there were a million of them—they go to work and they take hold of the ground, and they make it bear products, and they put them into the stock of the human race; and they do not do it gratuitously either, by a long way.

Now, the United States have made some very great mistakes from an economic point of view. They have made dreadful mistakes in banking and currency. They have made mistakes there, even down to to-day, in the most appalling manner, and we must anticipate the consequences of those mistakes that are yet to come. You cannot put the protective tariff anywhere except under the head of a great economic mistake, which has reduced the gains that the American people might have made out of their continent if they had been wiser in their economic policy. You English people ought to understand that, I think.

I do not think that my friends who have come from the United States at this time will contradict me in this matter. But it is not at all an explanation of the prosperity of the United States that we have had the tariff. It is in spite of that mistake that we have prospered, because what the tariff has done is the only thing that it ever can do—that is, it has loaded down one part of the people with an extra burden on behalf of another part of the same people.

It is all right amongst ourselves at home in the United States. This magnificent continent, with its possibilities for the industrious labourer, has had the agricultural interest loaded down by taxes intended to develop the manufacturing industries. Well, now, it is the people of the United States who have done it. They talk about their manufactures. They talk about them as if they owned the manufactures. They do not; there is a group of citizens who own them, who take all the gains and profits that come from the manufacturing industry.

Now, it has not been in vain that the people of the agricultural interest have borne these taxes. They have been taxed, for instance, to buy iron-clad ships of war. Well, they have got them; they can go and look at them. They have paid their taxes, and paid for the ships, and they have got them. Now they have taken a fancy also that they wanted to buy and pay for some big factories with big chimneys—crowds of people going in and out working. They have got them, and can go and look at them if they want to. But every one of them is sinking capital; that is to say, if it is, as the Protectionists say, the product of the tariff, and would not exist otherwise, then it is sinking capital every day it exists, carried on at a loss, carried on at an obvious waste.

Now, these are things that we talk about, but the effect on the welfare of the labourer, the effect on the capital of the country, the effect on the taste of the people and so on, are simply consequences of this distortion and waste of the capital, and the amount of that that is going on in the

United States at the present time is something that no statistics can find out ; but observation of the facts will force it on any man's mind that it is going on at a terrific rate.

Now, I was very much interested by a sentence or two in the speech of the Prime Minister last evening, in which he spoke of the uneasiness of the present time. This is a fact which in the United States has struck me most within the last year or two—the uneasiness of the situation. You know that the two parties now going into the Election have both declared that one of the first things they will do is to revise the tariff. Do not let anybody mislead you by that phrase. We are great on phrases in the United States. You have got to be right in the movement and know what the phrases mean, and how they change from day to day in their meaning. Now, the revision of the tariff, every time we have seen it and tried it so far, has meant putting it up. I should not be surprised if it were put up again ; I have quite made up my mind that it is a possible thing. But, however, they say they are going to revise it, and there are some men among the manufacturers who have shown new observations on their experience and new convictions. That is certainly an evidence of very great uneasiness, and I should not be surprised if it should appear that the whole civilised world had worked itself into a position that is in the highest degree uneasy, and which has got to be solved by some very radical remedy. For instance, the countries that have adopted Protection have applied it almost always, within the last fifty years, at any rate, to the production of the metals, particularly iron, and the production of the great fabrics, cotton and wool. The consequence of that would naturally be that they would all over-produce in those lines which they had chosen to protect and to artificially develop. Now, it would certainly soon be found in the market that their competition with each other would produce results that would be in the highest degree uneasy to them, and they would find it necessary, as they now say, to revise these

tariff systems, especially with regard to some of those great leading industries.

In the United States, for a long time, the woollen industry controlled the tariff system in all its detail. Latterly it has been partly sugar that has controlled the tariff evolution, the tariff development. Which of these things is to prevail against the other in this new revision that is promised to us is something that we have got to wait and see, and you can wait and see as well as we can. We know that the great probability is simply that the parties will join together and increase the load which they have laid upon us.

Now, here we are met together from the different leading nations of the world at the present time to confer with each other in regard to this matter. In the United States we cannot do much or anything about it. I, for instance, have never been in a position where I could affect legislation at all. In England your position is different in regard to this matter. You are nearer to it, and are able to control it. In the United States it seems to me, as far as I can find out the facts about it, to be in the hands of a committee, who are not known to us, and are not known to anybody, and are not known through the newspapers. They appear to come forward at the moments of crises, and touch the machine of legislation and correct its movement when it threatens to break up interests; but it is always possible that in the movements of party interest the tariff question may become a living question once more amongst us. In 1893 we won a great victory in regard to it at the poll. The mandate was given to the Legislature to reduce the tariff. When the matter came into Congress, three senators were in a position to defeat the mandate of the people, and the tariff went up instead of down. You see, therefore, we have had more or less experience of that kind of thing, and we are not, therefore, very hopeful. We are not very sanguine in our expectations of the future, but if we could get a united movement of all the men who are convinced on this

matter in the great civilised nations, it does seem that then we might start a movement that would bring along the laggards, and would produce effects upon legislation which we cannot doubt would be in the highest degree advantageous to the prosperity of the peoples in the next quarter of a century. We must believe that, if there is any truth at all in arithmetic, if we can reduce this expenditure of wasted capital, it could be turned to productive use, and could increase our supply of schools and academies and great institutions of investigation at the present time, of which all the leading nations admit the necessity and the desirability.

That would give to this Conference a place in history that I should be glad to see it fill, and I will close, therefore, simply with the wish that we may accomplish something in that most desirable direction.

Professor BRENTANO (Munich): My friend, Professor ARNDT, has had this morning the ungrateful task of condensing a most elaborate report made by our mutual friend, Dr. Gothein. Of course, he could not bring out all the interesting facts contained in that report; nor can I do it, or say all that I should like the English public to know as to the effects of the protective system in Germany; for ten minutes is a very short time in which to make clear all that one would like to explain. I will therefore reduce my speech to the statement of a few facts, which I think are too little considered by English Tariff Reformers.

Immediately after the new German tariff was passed, our manufacturers of machinery complained that they could not any longer compete with English machinery imported into Germany. And for what reason? Because in consequence of our high duties on raw iron English manufacturers of machinery got German raw iron cheaper than themselves. This was a hard criticism of Protection by men who were Protectionists themselves. But their complaint could not be listened to so soon after the passing of the new tariff. People require some time to acknowledge

that their work is faulty. Another fact : four weeks ago the rolled iron manufacturers sent a petition to the Imperial Secretary for the Interior begging that the German iron duties might be abolished. And why ? Because, they say, in consequence of these duties they can no longer compete either with the so-called mixed works in Germany or with foreign works in the rolled iron industry.

Let me explain these complaints. We have no duty, it is true, on coal, but according to our system of railway rates coal which is going to the German frontier has to pay less freight than coal which is brought from the German frontier ; and this is quite as effective as a duty on foreign coal. Besides we have high duties on iron. This protection against foreign competition has enabled our coal works and our iron furnaces to combine, and by combination they have driven the coal and the iron prices so high that even those works which produce under the most unfavourable circumstances make handsome profits. The cost of production in those works fixes the minimum price, and a great number of works which were to have been closed have risen to a new life. This benefit to these works is undeniable : without Protection they would have been closed. But if a benefit to their owners it may be questioned if there is any benefit to the nation. Still more questionable is the benefit of a further effect. The works which produce under more favourable circumstances receive in consequence of this Protection a price far above their costs, and this price all the German manufacturers of rolled iron and of machinery who do not own coal mines and iron furnaces must pay. But this is not all. By this high price, which they take from the German consumer, our producers of coal and our makers of iron are enabled to sell cheaper to foreign countries than they do to the home consumer ; and it is this that justifies the complaint of our rolled iron manufacturers and of our manufacturers of machinery, that they are beaten on the German market by foreign competitors who get German coal and iron cheaper than themselves. Further, if our producers of

coal and makers of iron attach rolled iron manufactures to their own works they have a great advantage, because they get coal and iron much cheaper than the German rolled iron manufacturers, the so-called pure rolled iron manufacturers, who have neither coal mines nor iron furnaces. As a consequence we have now war between the pure rolled iron manufacturers and the mixed iron manufacturers, *i.e.*, the manufacturers combining all stages of production under one management, from coal mining to the production of rolled iron, or even of machinery. The pure rolled iron manufacturers complain that they cannot exist and must give up work; they get German coal and iron dearer than their foreign competitors and the possessors of mixed iron works; while the mixed iron works, by what we call their vertical concentration of production, are crushing out all competition. This is the state to which our finished iron industry has been brought by Protection.

English Protectionists complain of the competition of commodities made in Germany. I am struck, at the same time, by the fact that I never read an English argument for Protection which might not also be said to have been made in Germany. All the arguments used by English Protectionists have been used over and over again by German Protectionists, who fear, or say they fear, the competition of commodities made in England. They are fallacious arguments. They spring from regarding solely the narrow interests of some relatively few persons instead of national interests. This is proved by the development of German industrial life. The statement of these facts is the practical lesson which German Free Traders can contribute to the discussion on fiscal reform in England.

Mr. JOHN A. HOBSON (England): In the few minutes that are at my disposal I wish not to break the harmony of these proceedings, but, if I may so put it, slightly to ruffle the exceeding smoothness which perhaps some of you have felt with me has been almost the defect of the harmony which binds us together. I entertained the same

feeling last week as I listened to the Peace Congress. I felt on both occasions that the logic, the appeal to equity and to the goodwill of nations was so valid, so absolute, and so complete that I was compelled to put to myself the question, How is it that these forces have not been able adequately to accomplish their end in the progress of our international civilisation ?

Now, I take it that the great difference which distinguishes us, as English Free Traders, from other members of this Conference is that we in England are the defending party, while the representatives who come to us are for the most part representatives of the attacking party in their own country, and we therefore have, naturally, not a little to learn from them as to the methods of attack and defence, and the weapons which it is desirable to use.

Now I take it there has been a natural tendency in England, plunged as we were suddenly into a controversy, which we were supposed to have settled sixty years ago, to take up all those sixty-year-old weapons and regard them as sufficient for our defence. Now the world has changed since sixty years, and although the cause of Free Trade is as strong and as absolutely valid as ever it was, we must not neglect to face the new facts of the situation, and in that situation there are three points, which I cannot discuss because I shall not have the time, but which I want in a sentence or two to put before you.

In the first place we cannot regard Free Trade, as our ancestors regarded it, as a part of a complete economic system, of the "simple system of natural liberty." We cannot look forward to Free Trade as one item in this great philosophy of *laissez-faire*. And for this reason. Competition to an increasing extent in the great industries of the developed nations of the world is being replaced by combination, and peoples are confronted more and more with the issue, not do we prefer competition to State action, but do we prefer private combination to public combination in handling certain great industries which, if left in private hands, will not be

subject to the old and wholesome restraints of competition, but will be a source of private monopoly. That is one of the great changes which has taken place. It is embodied to many of us in the single term "Trust," although for English people that term is not adequate. In some of the papers which I have had time to read I have found that it is stated that the tariff is the mother of trusts. I beg you to reconsider that statement. I think myself, from such examination as I have been able to make, that it would be more true to say that the tariff was the foster-mother of trusts than the mother. At all events, there are other strong origins and supports of the trust and the combine than Protection, and you would not be reverting to a complete system of international competition by a mere abolition of tariffs; in my judgment you certainly would not succeed in stemming that movement which in many industries and many countries has replaced competition by combination. That is nothing against Free Trade, excepting that it checks an exaggerated tendency to regard Free Trade as a sort of panacea for all, or nearly all, of the industrial evils which are liable to come up.

Then, again, another point is this. Explain it as you may, the excessive rivalry which manifests itself among leading industrial countries is due to a certain perception on the part of producers that it is more and more difficult for them, with their enormous new increase of power of production, to get a satisfactory outlet for their goods. I do not profess to explain why that is so, but the fact is there, and the feeling is there, among large sections of those controllers of modern industries who play a great part in determining trade. There is a feeling that the productive power of the industrial nations, under normal conditions, is somewhat ahead of the pace at which their goods can get bought and consumed, and it is that fact which more than any other presses the members of these nations to compete with one another in various parts of the world, and, if they can, to use the political and military resources of their

country in order to secure for them Preferential Markets against the rest of the world.

And finally associated with that is the third fact, viz., the growth of a concentrated financial power in certain great centres of the commercial world to-day, which is, in its proportions, if not in its nature, a new factor in the situation; the power which certain small numbers of financiers, acting sometimes in combination, sometimes in cut-throat competition with one another, exercise to direct the actual course of industry and trade over large portions of the world.

The reason why I name these facts to you is this: that we cannot, even if it were possible, revert to a system of pure *laissez-faire* and regard Free Trade as one plank in that platform. We have to deal with these situations by the organised power of the people.

One or two speakers, and writers of papers, have associated Protection too closely, in my judgment, with Socialism. These two terms agree only in that they both imply the use of the State, but that is not a sufficient reason for identifying them. They differ, and are positively antagonistic in their form, because Socialism—whether the measure that is called Socialistic is right or wrong, useful or noxious—is engaged, at any rate, in attempting to use the power of the State for the benefit of the whole of the people of the State. Now, Protection, regarded from the standpoint of Socialism, is engaged in doing something which is just the opposite, namely, using the power of the State for the benefit of a small section of the people of the State and at the cost of damage to the great majority of that people.

If I may turn from this large, and I fear necessarily vague statement, to the particular question of the English defence of the Free Trade position, I want to use the minute or so which remains to me to urge upon Free Traders in England the necessity of not relying on a purely defensive aspect of finance. No modern industrial people

is able to prevent a natural and normal, and, in my judgment, a profitable increase of public expenditure. You may, you must, you ought, to exercise all due caution, skill, and science to get the best use for all the money you expend, but you cannot expect to keep down the revenue of the State or to prevent, if you are living in a progressive State, a necessary and continuous increase of public expenditure.

If, therefore, you desire to protect the fortress of Free Trade, and here I address myself particularly to English people, you must contrive carefully a system of constructive finance which will be a true alternative to the protective policy that a Conservative Government will certainly try to foist upon you if they come into power.

If Mr. Chamberlain had not thrown down this gauntlet in the way he did, the Conservative Party, none the less, would have been committed to a protective measure of finance. And for this reason: they were not able and they were not prepared to check expenditure, and they were not willing to put any direct form of taxation upon their friends and their friendly interests, and it will be found, therefore, that they were being driven inevitably to the re-establishment of import duties as the most important element in their constructive finance.

Now, you can only meet this by insisting that your Government shall develop a positive constructive finance, based upon a system of direct taxation, and develop it, not merely as a means for fulfilling the pledges of social reform, which members of the Government have given, and which they are bound to fulfil, but also as an indispensable means of providing an adequate and a sure defence for Free Trade.

MR. FRANKLIN PIERCE (United States of America): I certainly have no theories on economics to present to you, but I have some reflections on what I have seen and heard here, and I want to say that from my experience I have never met men quite so modest as British Free Traders. You

have not heard the story of Great Britain's greatness from their lips, and if you take into account the condition of my country, of Germany, or of any other country, and compare British success with the success of these countries, there is nothing so marvellous in all the world.

Why, in the year 1903 they exported of highly manufactured goods to the other countries of the world £230,000,000 worth; while we in the United States, with 80,000,000 people, exported but £80,000,000 worth. In the same year France exported £85,000,000 worth; and Germany exported £150,000,000 worth; so that, taking into account the population of the United States of 80,000,000, and the British population of 40,000,000, one Britisher manufactured for export as much as six Americans—nearly six Americans.

And that is not all. Under the benign influence of Free Trade England has become the financial centre of the world, and yearly Englishmen take from their ships a revenue of \$500,000,000 and \$500,000,000 interest upon their wealth abroad, and yet we have heard little mention made of that here.

And they are wise enough to take advantage of all of our mistakes. They let you, gentlemen of Germany, put bounties upon sugar, and you, gentlemen of France, put bounties upon sugar, and then they take the sugar and become the great manufacturers of sugar products, and their preserves are sent over all the world. And they have been doing that all these years, and in their modesty we hear not a word about it. Oh, if we Free Traders had a little of the audacity of the Protectionists we would make these facts known throughout the whole world.

But we make a mistake in our way of arguing this question. Never discuss with the ordinary man whether Protection brings prosperity, or Free Trade brings prosperity; but put to him one proposition, one proposition only, and if he has got a sense of justice—and I believe they all

have a sense of justice—you will win him. Tell him that Protection means that Government steps in and makes a law whereby a few men, manufacturers, can increase the price of their commodities, sometimes as in our own country, to double what they ought to be, and that the consumer, the poor man, pays this increase solely to increase the wealth of the millionaire. Now that is the point of justice and fair play on which Free Trade can win. In America we did have it a few years ago. We had a Yankee in Congress in Massachusetts in 1828 who had the power of putting truth in a few words, and he put the truth which made England great in a few words thus. They wanted to put a duty on molasses, and he got up, and in his New England Puritan nasal tone said: "Up in Massachusetts we do not want that duty on molasses; we swap our fish for molasses, and if you shut out molasses you shut in fish." That is the whole secret of the success of England. If you shut out imports you shut in exports.

Well, if we had been Free Traders in all these years, with our 3,500,000 square miles of territory, with our forests, with our soil so fertile by reason of the deposit for millions of years of vegetable matter in the Mississippi Valley; if we had had Free Trade with our mines and our minerals and all our natural advantages, in these years we might have become the great exporters of the world; and we missed our opportunity for what? To let a few men squeeze out the life of the common people as you would squeeze water out of a sponge and make them pay 50 to 100 per cent. more for the necessaries of life than they ought to do. That is the problem. I will tell you one respect in which we can excel you. You did have highwaymen in this country once; and I was reminded of it when I saw upon one of your cars "Hounslow"—that was Hounslow Heath. But your highwaymen were very modest fellows. Dick Turpin held up the stage coach on Hounslow Heath and relieved the traveller of his pocket-book, his watch and his trinkets, and perhaps gave them

back if the traveller, poor fellow, was in needy circumstances. But our highwaymen put Dick Turpin to the blush. For they steal the very highway itself, and put upon it their street railways and monopolise all the advantages in our cities. These are some of the indirect results of a protective tariff.

And how have they accomplished it? Why, they go about speaking of duty and destiny, of Providence and Protection and the Stars and Stripes all in one breath. And it is under the Stars and Stripes that they have hidden their wickedness. On Decoration Day, in one of our country schoolhouses, the boys were brought together, and the schoolmistress said to them, "Boys, do you know what that flag is on the wall to-day for?" She was going to teach them a lesson on patriotism. Up went a little chubby hand, and the owner of it said, "Yes, m'n, it's to hide the dirt." And it is with words of patriotism and piety that men have been deceiving our people. Why, if the manna came down from heaven as in olden days, should we be afraid of the manna now? Those humble people, the thousands that we have in the city of New York, it were well if we had something connecting them with the Fatherhood of God. And we Free Traders, we are few, we have not any party behind us, we cannot get out, we are business men and lawyers and all that, but if we could get to the people, if we could once get to the people, we could make them Free Traders in our country because we could show them that Free Trade is protection of labourers and consumers and all men, and that Protection is for the benefit only of the few.

Mr. LOUIS F. POST (U.S.A.): That story of my friend Mr. Pierce reminds me of another one, and if I take you into my confidence right here, I will tell you if he had not come on the stand first I would have had that story. This patriotic demand we have in the United States takes rather a curious form. We have been told that it is a good thing for all parties concerned in a trade if they trade

on this side of a boundary line or on that side of a boundary line, but a bad thing for both if they trade across the boundary line. Now, you would never know that the boundary line between Canada and the United States existed, except you found it on the map; you could not stub your toe if you crossed it. I have often wanted to know why if I stand in the State of New York and trade with my friend that is good for us both, or if I stand in Canada and trade with my friend that is good for us both, but if one of us happened to stub our toe on that boundary line and get up on the other side, then that trade would be bad because it was across the line. I have been told that the reason is that there is another flag on that side of the line and that the Stars and Stripes are on this side of the line. I think it is an idiosyncrasy of ours to make so much of our flag and make it a financial asset, as we often do. I do not know any other country that has that idiosyncrasy.

Now, this idea of trade reminds me of a story I was going to tell you about risks in our country. There was a dispute between the State of North Carolina and the State of Virginia as to where the boundary line runs. While that dispute was pending, there was an old negro woman who had her hut on the south side of that line. When she stepped out of her front door, it depended whether she stepped diagonally or straight forward whether she stepped in North Carolina or Virginia. They finally settled that dispute by lifting the line some distance behind her house, so she steps from one State to another out of her back door now instead of out of her front door. One of her neighbours came along one day and said, "I suppose you know you do not live in North Carolina any more?" "Why?" "You live in Virginia." Now she thought a moment, and then said, "Well, sir, I did not know it, but I am mighty glad, because I always heard tell that North Carolina is an almighty unhealthy State, and I am glad I do not live there any more."

Mr. Post then proceeded to give a summary of the following paper on the Relation of Working Men to Free Trade and Protection in the United States :--

The very narrow meaning of the word "working men," as I use it now, calls for explanation. In my own vocabulary everybody who does useful work to any extent is to that extent a working man ; his social function is the working man's function, his interest in the distribution of wealth the working man's interest. But habits of speech in the United States have relegated the term to narrower uses. We habitually regard as working men only those who work for stipulated wages, and for wages in contradistinction not only to interest, rents and dividends, but also to fees, commissions and salaries. In the industrial vocabulary of the United States, a salaried man would not be a working man even if he worked twice as hard as a factory hand and for half the pay. Only "wage-workers," as we have come to call them—the "labouring men," or "the men who toil with their hands," as our politicians put it—are regarded with us as "working men." This is the class, therefore, to which I allude in discussing the relations of working men to Protection and Free Trade in the United States.

Those of you who are at all familiar with the economic history of the United States need only be reminded that while we have never had international Free Trade, our example of interstate Free Trade is stupendous. Trade flows over our State lines as freely as it flows across the streets of London. In consequence of this and in spite of our international tariffs, we of the United States have freer trade than any other country in the world in any period of history. Such superior prosperity as we may truly claim is due not to the Protection which segregates our Republic, but rather to the Free Trade which unifies our States.

We did not always have this internal Free Trade. Until the adoption of our Federal Constitution in 1789, our newly liberated States legislated for local Protection in the same spirit in which Congress now legislates for national Protec-

tion. To prevent exportations of money from New York, for instance, the legislature of that infant State levied a tariff upon importations of produce from New Jersey and of firewood from Connecticut. The States legislated also against one another as to foreign trade, and when the Federal Constitution came to be formulated quaint comments were heard in the constitutional convention. North Carolina, lying between Virginia and South Carolina, was likened to "a patient bleeding at both arms"; and New Jersey, between Philadelphia and New York, to "a cask tapped at both ends." There were many reasons for prohibition of State laws against trade, and, thanks to the completeness of the prohibition then established, we are not bothered now with Protective legislation by our States.

But no considerations called for prohibition of Protective legislation by Congress. Restraints upon exports were happily prohibited, but our need for independent national revenues, together with the familiar mania for making the people pay taxes without knowing it, secured the adoption of a constitutional clause authorising Congress to levy duties upon imports. This authority for raising national revenues indirectly was availed of by Alexander Hamilton as authority for a Protective policy—a policy, as he argued, for the encouragement of domestic manufactures. American working men had not then risen to the dignity of having interests of their own of sufficient magnitude to excite the solicitude of our statesmen, and Hamilton's reference was quite incidental and subordinate. Nevertheless, our present policy of Protection for American working men harks back to his report upon manufactures, made to our first Federal Congress as President Washington's Secretary of the Treasury, which may fairly be regarded as our documentary classic in support of Protection.

Although Hamilton's report laid the foundations for our policy of tariff protection for working men, it was not until after the war between the States that this policy rose to the altitude of a dominant issue. A policy of Protection

for the sake of Protection, as the object instead of an incident of revenue legislation, had been adopted in 1816, but with little or no concern for working men. It was for the benefit of domestic manufacturers who had unwholesomely flourished in consequence of the edicts of commercial non-intercourse which preceded our war with Great Britain in 1812, and of the commercial non-intercourse which that war inflicted upon us. The same tariff policy was strengthened in 1818 and again in 1824. A modification in 1828 was followed in 1832 by a law which our Protectionists have since denounced as a Free Trade measure, but which Protectionists themselves enacted and pointed to at the time as their conception of the permanent form of their favourite policy; and a compromise measure that came into operation in 1833, under which the schedules were to stand after successive automatic modifications for ten years, at the moderate level of 20 per cent., was repudiated in 1842 in favour of a Protective tariff. Throughout all that period, from Hamilton's classic treasury report in 1790 to the Protective tariff of 1842, the interests of working men had for the most part been considered only obliquely. Although Henry Clay had alluded to high wages in his debate with Daniel Webster in 1824, and Albert Gallatin's Free Trade memorial of 1831 had made some very sound observations on the dependence of American working men upon our abundance of cheap land, neither appealed especially to working men. The hired labour of the United States seems to have been considered in our earlier tariff controversies less as an interest of hired men than as an asset of farmers and manufacturers.

Not until long after the corn law agitation of Great Britain were American working men earnestly appealed to or deeply concerned in the tariff controversies of the United States. The primary appeal of our Protectionists had been made at first to manufacturers and afterwards to farmers. To manufacturers they had held out the bait of curtailment of foreign competition, to farmers the advantages of a home

market. But these appeals were worn so threadbare during thirty years of intermittent flashes of prosperity and thuds of hard times, that the revival of Protection in Congress in 1842 owed nothing to them. Neither farmers nor manufacturers were urgent for the high tariff enactment of that year. It was a mere parliamentary echo of battles in a political war that had been fought out and lost, a partisan manœuvre so utterly lacking in popular vitality that the Walker treasury report of 1845 easily turned the United States towards Free Trade.

If among American public documents Alexander Hamilton's treasury report of 1790 is our Protection classic Robert J. Walker's of 1845 is our Free Trade classic. Submitted to Congress nearly two months before Sir Robert Peel moved the modification of the British corn laws, it ably advocated a complete reversal of the Protective policy in the United States; and brief as are its references to the labour question, they are valuable yet for the precision with which they puncture Protection fallacies and for the facts they disclose. In reply to the pretence that Protection increases wages, the Walker report observed that wages had not in fact increased since the Protective tariff of 1842, and argued with prophetic insight that by Protection Government arrays itself on the side of employers, thus augmenting their wealth and power and soon terminating in their favour "the struggle between man and money—capital and labour." The Walker report gave us our tariff of 1846, which rested upon the principle that no more money should be collected than is necessary for the wants of the Government honestly administered. It was what we call a tariff for revenue only.

The following years down to the Civil War were consequently a period of comparative Free Trade, the only such period we have ever had in our country. It was highly satisfactory, this brief period of comparative Free Trade from 1846 to 1860—so satisfactory that the Presidential campaign of 1856 went off without an allusion to the tariff by any of the political parties. To be sure the slavery

question was a burning issue then ; but as it had been a burning issue in the three preceding Presidential campaigns, partisan silence on the tariff subject in 1856, even if the slavery question was to the fore, is surely significant of public satisfaction with the Free Trade tendency of the preceding decade. Its significance was emphasised by the passage in 1857 of a still more pronounced Free Trade measure. We were as near to absolute Free Trade from 1857 to 1860 as land monopoly and indirect taxation of industry permit. And so firmly set upon a revenue basis was our tariff policy, that reaction would have been impossible but for the outbreak of war between our Northern and our Southern States.

To meet the fiscal necessities of that war, Congress enacted the tariff law of 1861, which in effect went back from the extremely low revenue tariff of 1857 to the higher revenue tariff of 1846. But it was a revenue and not a Protective tariff. Neither the tariff of 1861 nor any of the subsequent Civil War tariffs was Protective. It was the Southern and not the Northern States that were protected during our Civil War. We of the North protected them with gunboats. No invasion of the South by foreign goods was allowed that we could prevent, and no overwhelming invasion of foreign goods occurred. Yet the South urgently invited floods of foreign goods, and tried to open the way for them. She wanted to be invaded with foreign food and clothing and foreign building material and machinery, and resented bloodily our bellicose efforts to protect her infant industries from these invasions. Especially significant was her attitude towards the protection of her labour from foreign competition. You will remember that the dominant class at the South owned working men as chattels. Anything, therefore, that would benefit working men financially anywhere should have benefited financially the owners of working men at the South. If Protection would increase the wages of free working men, wouldn't it by the same token increase the value of slaves? But the slaveowners of the South

rejected the labour theory of our Protectionists. They appeared to know what our own working men have only recently learned, that obstruction to commercial intercourse does not add to the market value of domestic labour. Assiduous, however, as we of the North were in protecting the South from imports, we did no more than we could help to protect ourselves. Both as a Government and as individuals we were large purchasers of foreign goods all through the Civil War. Although we did increase our tariff rates, this was for revenue purposes, except as it was to offset the burden of internal revenue taxes. Domestic manufacturers could not have competed with foreign manufacturers if a tax burden had been imposed upon the consumers of their goods and not upon those who consumed competing imported goods. Consequently, as internal revenue taxes were levied, duties on imports were increased correspondingly. It was not during our Civil War, but afterwards, that Protection as a policy was restored in our country.

But the war tariffs, with their compensating duties, made the restoration of Protection possible. Within a few years after the Civil War our internal revenue taxes had been largely reduced; but as the compensating tariff duties were retained, Protection resulted automatically. So our business tiger got a taste of consumers' blood. He liked it, and thereupon Protection for the sake of Protection was ravenously advocated. Under the ensuing agitation the wave of Protection sentiment rose higher and higher with each succeeding Congressional and Presidential election. Resistance, on the other hand, grew weaker and weaker. With only slight recessions, quickly reversed, the Protective policy swept everything before it until it culminated in the present monstrous schedules. It was in this period that American Protectionists first appealed earnestly and directly to American working men, and by those appeals that they won.

They won because they attuned their appeals to a socialistic sentiment which had already begun to stir in the

American working man's mind. Observe that I do not say socialist sentiment. Socialist sentiment is not strong even yet among American working men. The materialistic interpretation of history does not interest them as a mass, class consciousness does not control or even attract them, the Socialist parties do not command their support. But they take kindly to the socialistic revolt against competition. It was this tendency of American working men to which American Protectionists appealed and through which they triumphed. While our representative Free Traders of the old school were either coldly academic or brutally hostile towards the American working man, whose sufferings from dreadful economic forces which he mistook for competition were irritating him and had soured his temper, our Protectionists approached him kindly with pictures of "a full dinner pail" and charmed him with musical statistics. He had seen competition as a monster, with jagged tusks for teeth and terrible claws for hands—not only seen it but met it and struggled with it—and he abhorred it. Our Protectionists saw it in the same way, and proposed a crusade against it as a "foreign devil." But our Free Traders, instead of denouncing this tooth and claw caricature of competition, defended the monster as a worshipful industrial joss. Do you wonder that our working men didn't take kindly to Free Trade? It's very name became offensive to them—so highly offensive that the nearest approach to Free Trade by any political party in nearly half a century was made with prudent reserve under the metrical protest of "No, no; don't be afraid! Tariff reform is not Free Trade."

Even now, Free Trade has no charms for American working men, although they distrust Protection. Their distrust of Protection, a policy which for forty years has been maintained nominally in their interest and actually by their votes, is due to its manifest failure to shield them from the economic horrors of what they think of as competition. Those of you who are accustomed to consulting our national

statistics for evidence of the effect of our tariff policy on our industrial development, may be surprised to learn that American working men are far from enthusiastic over the compensation, the volume, the regularity, and the stability of employment of labour in our country. But it is a mild statement to say that they are not enthusiastic. They are in fact deeply disappointed. And their pessimistic inferences from personal experience and observation are doubtless nearer the truth than any optimistic conclusions from our national statistics. These statistics appear to be of very little value in connection with the relations of American working men to American Protection.

Articles on them, entitled "Eccentric Official Statistics," appeared several years ago over the signature of Henry L. Bliss, in "The American Journal of Sociology," and under other titles in "The Journal of Political Economy," magazines of the University of Chicago. From those articles it seems that whereas the census of 1890, a Protectionist compilation, showed a great increase of wages from 1880 to 1890, the Aldrich report, a Senate committee report, and also a Protectionist compilation, showed wages in 1890, in the midst of our present Protectionist era, to have been but slightly higher than in 1872, about the time of its beginning. In reaching his conclusion Mr. Bliss subjected both compilations to a searching criticism, which has never been satisfactorily answered. Although he is neither an official statistician nor one of our statistical cult whose criticism sometimes passes by authority rather than merit, his work proves his competency, and he has won commendation from worthy sources as an analytical statistician of exceptional ability. It is upon consultation with him, as well as upon his published criticisms, that I adopt the conclusion that our national statistics are of very limited use in solving labour problems.

One point of criticism will appeal readily to anybody's common sense. Our census statistics mingle the value of the actual wealth creations of the country with the value

of mere appropriation of its sites—improvement values with land values. One value is a measure of work done and saved, the other is a measure of the burden that rests upon opportunities to do work. Yet the two are combined in our censuses as homogeneous values in an exhibit of our wealth. In the census of 1900, for instance, the value of all our wealth is reported as \$88,517,306,775. Since the value reported in 1860 was only \$16,159,616,000, there thus appears to have been an increase in those forty years of \$72,357,690,775. But consider how much of that sum stands for mere increase in values representing no produced wealth whatever.

The land area involved is the same, 3,025,000 square miles, no land off the continent being included in either sum; but the increase in land values in those forty years must have been enormous. I have in mind one lot in Chicago, a quarter of an acre in area, which rose in this value that measures merely the price of the legal power to permit or forbid labour to build there, from \$28,000 in 1860 to \$1,250,000 before 1900. But that increase for one particular quarter of an acre was not unique. In every American city and town similar increases had occurred in greater or less degree. Although our national statistics are not garrulous on this subject, they tell us that 33 per cent. of our entire population live in cities and towns of 8,000 population and upwards. If we add to this a guess at the number of small-town dwellers, we have an immense proportion of our population in places where rising prices for sites upon the planet—ranging from a thousand dollars or more an acre in villages to eight or ten millions an acre in Chicago and New York—are turning an increasing proportion of the inhabitants of the United States into tenants or dependents of a decreasing proportion of owners of the United States. But these menacing values are not disentangled in our census statistics from the values that spell production. And if we turn to the statistics of farm sites, mineral deposits, lumber lands, natural water power, we find a still more

stringent concentration of land monopoly and still more startling suggestions of a growing class of landless men, which miss definite expression in our statistical reports of the increase of American wealth from 1860 to 1900. Yet millions upon millions of acres in the Dakotas and Nebraska and Kansas and farther West, to say nothing of the mineral discoveries that have added fabulous values to the Rocky Mountains, have risen in value since 1860 from nothing—absolutely nothing. Cities have sprung up there in which land value is estimated now in dollars and hundreds of dollars by the foot, although in 1860 it had no value; and for farming sites, land that was worth nothing in 1860 was poor land indeed if it would not have fetched from five dollars an acre to fifty or a hundred or more in 1900. And when you consider the value of railroad rights of way hidden in \$9,000,000,000 of railway values, the value of street car franchises hidden in \$1,500,000,000 of street railway values, the value of telegraph and telephone franchises hidden in \$600,000,000 of telegraph and telephone values, and the value of water franchises hidden in \$268,000,000 of water works values, you have an enormous sum to add to the other enormous sum for deduction from what appears by our census statistics to be our increase in wealth from 1860 to 1900. It represents nothing but the value of the power to levy tribute upon labour to be done. No part of the value of our labour-produced wealth, it is simply the value of our special privileges. Deduct that vast aggregate, whatever it may be, from the \$72,357,690,775 of statistical increase in our wealth from 1860 to 1900, and you have no great sum left for our people to have produced in forty years, and nothing for our Protectionists to boast of.

But we can only guess at what the residuum of real wealth may be. If we have recourse to local statistics we may not unfairly guess that each of these values—the labour value and the privilege value—is about 50 per cent. of the whole. According to the tax report of Greater

New York for 1907, the improvement values there were \$2,140,716,428 and the land values \$3,563,293,224. The latter, therefore, was 62½ per cent. of the whole. This percentage is high, probably, in comparison with other cities of the East; but in the West, city site values will not depart far from that percentage, and farm values and mining values will often exceed it. To guess, therefore, that the land and franchise values of the United States are 50 per cent. of the total values of sites and fixtures may be regarded as extremely conservative. But our national statistics give no help in making this discrimination.

In other respects these statistics appear to be more inexcusably defective. In addition to being inadequate they are untrustworthy, and different methods adopted with different censuses and with different series of statistical reports on similar subjects have made them non-comparable. The data of no two censuses, Mr Bliss informs me, are at all comparable in certain important respects, except those of the census of 1850 and those of the census of 1860. As an example he points out that in our earlier censuses only the farm valuations of private property were reported, whereas the latest one includes valuations of parts of the public domain in its aggregate of private agricultural values. One of the farms reported is an Indian reservation of 3,500,000 acres, valued at \$7,000,000, inclusive of improvements worth only \$25,000. Another example is in the statistics of manufactures, where he informs me that in the censuses for 1890 and 1900 bills receivable and book accounts went into the statistical hopper without allowances for debts. The wealth of our people, therefore, already heavily overestimated by the inclusion of land values, was further overestimated by the duplication and the reduplication of credits without their corresponding offsets.

It is statistics such as these that our Protectionist orators and writers exploit as proof of increased capital, increased production, increased wealth, and increased wages. From such census tables of unanalysable non-comparable and

otherwise defective data, they argue the virtue of Protection in maintaining the prosperity of American working men.

Mr. Bliss assures me that the wages statistics they quote do not, in fact, indicate any considerable increase in wages when interpreted as fairly as may be with data so imperfectly collected and classified. He asserts further that the most decided increases of wages occurred in our period of comparative Free Trade, and that such as have occurred since then are found in the occupations in which working men are strongly organised. Even these occupations seem to have gained but little. According to the statistics of railroad labour, which is among the best organised of our occupations, and as they are reported by the Inter-State Commerce Commission, the best official source of such information, railroad wages have not increased much in our highest Protectionist period. The wages of section foremen increased only four cents a day from 1892, the beginning of a depression, to 1906, a high-water mark in a period of Protectionist prosperity. In the same period the wages of other trackmen had increased only 14 cents a day, carpenters 20 cents, machinists 40 cents, conductors 44 cents, firemen 35 cents, and engineers 44 cents. These increases ranged from $2\frac{1}{2}$ per cent. to 12 per cent. Other reports show these increases to be below the average increase of wages, which has been put as high as 15 or 20 per cent. for the same period. But even then our increases in wages are more than offset by increased prices of necessaries. (11)

No one who has known the United States for the past ten years needs statistical proof of this, but it is available in a recent report on wholesale prices issued by the Bureau of Labour. Based upon data respecting 258 staple commodities, this report includes nearly everything working men would have to have except a place whereon to live. Rent does not figure in the estimate, although the upward pressure upon rents in the United States has been strong in these high Protection years. But with rent omitted, the wholesale prices of those commodities are reported to have reached

a higher level in 1906 than at any time before in the history of the country ; and in 1907, when they were slightly higher, they had risen in comparison with ten years before, the beginning of our period of highest Protection, nearly 45 per cent. This is more than borne out by Dun's Review. Up to May, 1907, when they were discontinued, the index numbers of wholesale prices in this Review, estimated upon commodities according to the degree of their consumption, showed an increase in ten years of over 51 per cent. No rise in wages at all corresponding to these indications of rise in prices will be seriously claimed by anyone.

On the subject of volume and stability of employment, our census of 1900 reports that the greatest number of workers employed in factories during that census year was 7,069,144, that the least number was 4,524,466, and that the average for the year was 5,308,406. From this it might be argued that an average of over 1,760,000 factory workers were unemployed during one of our strictest Protection years, a year in which it was the universal boast of American Protectionists that American working men were prosperous. No one can tell, of course, whether that unemployed factory labour was employed otherwise or not. But if the factories needed 7,069,144 workers at one time during the year, and could get them, as it seems they did, and employed only 4,524,466 at another time during the year, and an average of only 5,308,406 the year through, is not the inference reasonable that employment in our factories in 1900 was inadequate and unstable? It may not have been so, of course ; for demand for workers in other employments might have diminished the supply of workers in factories. But general observation clearly indicates that employment in the United States is in fact inadequate and unstable—not only is now, in the present period of hard times from which American industry is suffering, but has been all along.

No one can doubt it who realises the universal fear among American working men of losing a steady job. And there

are an abundance of larger facts to confirm the conclusion. Look over the legislative records of our States, and you find laws, and bitterly resisted efforts at making laws, that speak more plainly than statistics can of the employment even of women and children in working conditions which competition would not tolerate if the demand for workers were adequate and stable. Follow these laws and legislative Bills to their source among the people who agitate for them, and you learn that the demand for employment is intense in comparison with the demand for labour, and that working men are crowded out of work by the children of working men. There is statistical value in Denis McCarthy's unstatistical verse :—

Dearly do we pay for progress, dearly are our profits priced,

If we have to rob the school to run the mill. . . .

Ah, my brothers! Ah, my sisters! You had better turn away
From your ledgers and your dividends and toys;

For a menace to the future is the thrift that thrives to-day

On the bodies and the souls of girls and boys.

Our factory centres are indeed communities of soul-crushing drudgery for women and children whose pitiful wages eke out a pitiful family income. Our mining regions are centres of a pitiless serfdom that could not persist if our labour market were not glutted. Our farming regions are raising a landless peasantry as surely as they are raising corn. You cannot see much of this from the windows of our Pullman cars, you cannot learn much about it in our hotels, our smug churches or our plutocratic clubs; neither can you draw valid inferences from our statistics. But you can learn it from the lips of those who live and work in and about these points of production. It is sadly true. But could it be true after nearly forty years of Protection, if Protection protected?

We have had recurrent periods of what are called good times followed by hard times. But to working men our good times have meant only a little less difficulty in holding a job, and a little higher wages in money to be swallowed up by higher prices for the necessaries of life.

Once we were told that our periods of hard times were periods of Free Trade. But we know our economic history better now. Our first period of hard times extended from the close of our war for independence down to 1790, when our States were protecting themselves from one another. Our second period of hard times was from about 1809 to 1824, relieved in the West with a few years of prosperous land gambling, which culminated in a crash in 1819. During the first half of that period we were protected by non-intercourse Acts and war; during the second half by our first Protection tariff. Our third period of hard times came in 1835, when the Protection tariff of 1833 was in full feather, and the hard times lasted until 1843. Our fourth period of hard times, the only one under a *régime* at all resembling Free Trade, came on in 1857 and was of short duration. Our fifth spasm seized upon us in 1873, when Protection had begun again to gather strength, and it lasted nearly seven years. Our sixth struck us in the early '90's, when Protection was more vigorous than ever before, and lasted through a term of six or seven years of unmitigated Protection. Our seventh period of hard times, which began a year ago and after nearly ten years of the most rigid Protection we have ever had, rests heavily upon us yet. Never again can the protected interests of the United States deceive the great working mass of our countrymen with fictitious accounts of the responsibility of Free Trade for American depressions. American working men may not yet be able to assign responsibility for the suffering of the working class in those periods, but they are confident enough now that Protection has never prevented hard times nor ever restored good times.

There remain^{ing} to Protectionist agitators, of course, the soothing statistics of our exports and imports, with their demonstrations of our enormously "favourable balance of trade." But the upside-down notion that outgo is more favourable than income is no longer especially popular. In the past year we have exported more than \$600,000,000 worth of goods in excess of our imports; but no one believes

any more, as they did when President McKinley told them so, that this is all coming back "in pure gold." Why, our exports for the past decade—merchandise, silver and gold, all told—exceed all our imports by the enormous sum of \$5,000,000,000 according to the same line of statistics, and the aggregate keeps on growing. Either the statistics are false, or else we are losing to foreigners instead of gaining from them—becoming their creditors without their becoming our debtors.

Turned to discords are all the musical statistics of Protection in the ears of our working men, to weather-beaten posters its once beautiful pictures of "a full dinner pail." From sad experience American working men have realised that for them American Protection is a fraud. But let no one misapprehend the significance of that awakening. American working men are not turning from Protection to Free Trade—not consciously. If Free Trade is less obnoxious to them than it once was, it nevertheless is not yet attractive. At best, it suggests to them only a futile readjustment of customs tariffs. It connotes to them the spurious individualism of greed and grab which they encounter in their disputes with employers. It implies to them the jug-handled competition, the only kind they personally know, which mockingly offers them freedom to compete for a living in a labour market overstocked with workers and under-supplied with opportunities for work. And its recognised advocates—so seldom liberty-loving Free Traders, a-thrill with the fervour of human brotherhood—are often the same cold and calculating tariff reformers whom the American working man finds on the side of his enemies in every industrial dispute. In these circumstances American working men very naturally do not turn from Protection to Free Trade. Turning away from Protection, they are turning towards Socialism.

It is a natural sequel to their former devotion to Protectionism. They were Protectionists because they wanted to check one-sided competition; and finding that Protection has intensified this deadly industrial force instead

of checking it, they are looking now, interrogatively yet with some sympathy and some expectation, towards a movement which promises to abolish competition altogether.

But so far from disheartening those American Free Traders to whom Free Trade means fair play for everybody, this attitude of American working men should inspire them. It is their opportunity to promote the acceptance among working men of the principles of Free Trade in all their scope, by teaching to willing pupils the vital difference between the spurious jug-handled competition that our working men instinctively and rightly reject, and the all-sided and evenly-balanced competition which by the operation of natural law would guarantee in production and trade equal opportunities and in distribution equitable shares. Evidence that some American Free Traders have been so inspired appears in the new policy of the old American Free Trade League, of which John De Witt Warner and William Lloyd Garrison are the leading spirits. As William Lloyd Garrison the elder stood in the middle years of the last century for the emancipation of our Negro working men by unconditional abolition of chattel slavery, so stands William Lloyd Garrison the younger, in the opening years of this century, for the emancipation of all our working men by unconditional Free Trade.

While there seems to be little Free Trade sentiment among us, and while in fact there is little in the traditional sense, it is a mistake to suppose that the essential principles of Free Trade have evaporated in the United States. The observer of American affairs who has ears to hear and eyes to see, and is not narrowly literal in his definitions, knows full well that our public opinion is rushing to-day like the waters of a mill race in the direction of absolute Free Trade. It is not so named, nor is it commonly so understood; but we may find indications of the fact in all our political parties. It is giving them an impulse which their leaders do not understand, and to which they yield with more or less reluctance

when they yield at all. We feel its spirit in all our economic agitations. The trend towards government ownership of railroads, which seems to some Free Traders so alien to their principles, is in reality a phase of the Free Trade impulse in the United States. Railroads owned by private corporations have probably done more to obstruct our domestic commerce by carrier discriminations and rates so excessive as to amount to tribute than custom houses at every State boundary line would have done. That such property must be socialised is a powerful and rapidly growing sentiment with us, and among our working men it is almost a unanimous sentiment. The new spirit abroad in our land, which Thomas M. Osborne, a Progressive Free Trader of the United States, has recently described as "a spirit which means death to all forms of special privilege," is truly the spirit of absolute Free Trade. And it is the spirit which seems to animate American working men as a mass, although it takes on with them the apparently contradictory form of hostility to competition and a consequent trend towards Socialism.

The paradox is explained by the fact I have already emphasised. Competition has long meant to American working men, as it means to Socialists of all types, and as it has unfortunately meant to too many professed Free Traders, the competition of "tooth and claw." It has meant to them one-sided competition, jug-handled competition, competition in which workmen compete for employers but employers do not compete for workmen, competition under circumstances in which special privileges for the few and restricted opportunities for the mass have given us a labour market where there are always ten men hunting for jobs and only nine jobs hunting for men. Hostile to that kind of competition, and unconscious of the possibilities of competition with no special privileges and with opportunities for profitable production abundant and equal, where should American working men look for relief but to Socialism? If they do look in that direction, are our

Free Traders wholly blameless? I cannot completely acquit them.

For note well the significant fact that if the working men of the United States are looking for relief to Socialism, they recoil from the despotic character of Socialism as thus far it has made itself manifest to them in organised form. This is not the Socialism they are really looking for. The Socialism they would welcome is the Socialism that absolute Free Traders could offer—natural Socialism as opposed to artificial Socialism.

Those are the two kinds of Socialism—Socialism of an artificial social order, and Socialism of the natural social order; a Socialism of arbitrary rules and despotic regulations, and a Socialism of natural social law. Were I to attempt a generalisation of their essential marks of distinction, I should classify them as the artificial or despotic, and the natural or democratic, attributing to the former an indiscriminating antipathy to all industrial competition, and to the latter a discriminating acknowledgment of the competitive function in industry as necessary to the maintenance of liberty.

Socialists of the natural order would make competition free under conditions of equal opportunity. In so far as that purpose necessitated public ownership—as with utilities that are governmental in character, such as public highways—they would establish government ownership; in so far as such ownership was not necessary to that end, they would confirm private ownership. They would insist, that is, upon having the government do public business without private interference, and upon leaving individuals free to do private business without government interference.

Socialists of this natural order type would assign to individualism its appropriate place in the social organism, instead of suppressing it. They would recognise the social whole and the individual unit as having correlative functions, instead of subordinating the individual will in all things industrial to the dictation of the mass. If there are social

relations of which they might say with Marcus Aurelius that "what's good for the swarm is good for the bee," there are others of which they would say, "What's good for the bee is good for the swarm." They would not abolish the laws of "mine" and "thine," but would make them apply to "ours," so that my just property should be securely my own, yours securely your own, and ours securely socialised. They would socialise industry by obeying natural social laws; they would not militarise it, nor imperialise it, nor regulate all its ramifications with government departments and bureaus. In a word, they would stand for absolute Free Trade—the kind of Free Trade that means equal opportunity and fair play throughout the industrial field, the kind that Henry George meant when he described true Free Trade as tending "strongly to socialism in the highest and best sense of the term."

Socialism of this kind, no Free Trader should reject. Towards Free Trade in this sense, American working men are quite ready, as I believe, to turn in resistless masses. But the Free Trade call to them must be made no longer in a spirit of academic authority or social superiority or rigid adherence to all the angles of doctrine in season and out of season. It must be made in a spirit of fraternal sympathy and considerate co-operation, and it must not be confined to tinkering with customs tariffs.

Mr. ALFRED MOND, M.P.: I think it would only be right on my part, on behalf of the English Free Traders, to thank those foreign delegates who, by their valuable papers and speeches on this very important subject which we have been discussing to-day, have added so largely to our knowledge and to the armour of the Free Trade cause. In discussing the matters which we have before us to-day there is an undoubted difficulty met with by the fact that in every country both the attack and defence of Free Trade and Protection very much varies.

The kind of attack that we have to meet on Free Trade in this country is one, of course, which we could never

meet with in a Protectionist country. The legend that Tariff Reform means work for all—which is one of the battle-cries emblazoned on the banners of the Tariff Reformers here—would be a proposition so manifestly ridiculous in any Protectionist country, where the unemployed problem is baffling the skill of statesmen as much as it is in Free Trade England, that even the most hardened Protectionist, with all the audacity of his race, would feel a blush mantle his cheek if he announced such a proposition. On the other hand, one has noticed that, for instance, a cry which has led the Republican High Tariff Party in the United States for years, that they were ruined by the pauper labour of England, is one which indirectly also is utilised in this country, where we are always going to be ruined by the pauper labour of Continental countries.

And it is a curious kind of characteristic of the muddle-mindedness of all Protectionists—it is characteristic of them internationally as well as nationally—that whereas on the one hand our Tariff Reform friends inform us that the German workman is living in a paradise of his own owing to Protection, in the next breath they show you that the English working man cannot go on receiving his wages unless we have a tariff to keep out the pauper labour of these same workmen who are living in the paradise.

Now, I should like to say one word on this very important question to Free Traders all over the world on the relative rate of wages and the cost of production, because I have heard quite good Free Traders in the United States argue that they could not possibly abolish their tariff, on the ground that that must necessarily lead to a reduction of wages in the States. Now, in the industry I am most connected with myself, in the alkali industry, I have had perhaps an unique opportunity of comparing the cost of the works in England, the United States, France, Belgium, Germany, Austria, and Russia; works, I may say, working on the same process, equipped with relatively

equally efficient machinery and statements made out practically on the same basis. Now, if the cheap labour argument had any valid foundation, we should have found that Russia, the country of cheap labour, would have had a much lower labour cost per ton of product than the United States, which had the highest rate of wages. In actual practice what do we find? We find that England, which of all European countries stood at the highest in wages and lowest in hours, produced more product per man, and at a less wages cost per ton, than any other European country. We found that America, with a higher wages list than ours, and the same hours practically, was almost on a par with England.

Now, these figures symptomatically are a subject well worthy of consideration, particularly by United States Free Traders, as they show the old fallacy that cheap wages mean cheap production is an economic untruth. If you once grasp that fact, you will knock the bottom out of half the Tariff Reform arguments, particularly as they affect the working man in each country. The working man, undoubtedly, in Protectionist countries, and to some extent here, is getting hold of the idea that if he wants his wages raised he must protect himself against cheap labour. That argument you can extend by comparing, say, the amount of wages and the product of a loom in a Japanese cotton mill and in a Lancashire or United States cotton mill. I think if you go into further research you will find in every case that efficient labour, well paid, is economically cheaper than poor labour badly paid; and, so far from the United States wanting a tariff in order to protect itself against cheap labour, it is the high labour cost of the United States which has really made them largely cheap manufacturers.

Now, there is another point in connection with this matter on which I wish we had heard some more, because it is one of very great and prime importance, and that is the important question of the price of labour in relation to the price of commodities. The English Government has lately

published a very interesting study of the relative cost of living and housing and wages between England and Germany, and I would seriously advise our foreign friends to get a copy of this very remarkable impartial study, which contains a mine of information. It is one of those subjects on which we in this country are continually challenged. It is a subject on which it is difficult perhaps to obtain comparative figures, but there is no doubt it is a very important subject, because high wages are no use if the price of commodities rises in a greater ratio than your wages, as they have done in the United States in the last ten years. After all, when we talk of wages, we mean purchasing power, and what we want to get is the proportion of purchasing power to the materials purchased.

Now, undoubtedly, I say unhesitatingly, in Free Trade England a sovereign will buy more goods and more comfort than in any other country in the world. And that experience has been curiously exemplified. I know of a case of an English manufacturer—this may interest some of our French delegates—who had works to make bicycle chains in England and in Calais, in France, and he found he had to pay his English workmen in France higher wages than in England to enable them to live in the same state of comfort as they were living in in England; that is to say, that the English working man wanting to go on living in protected France on the same rates and scale of diet as he had been used to at home required a larger money payment to obtain no greater result in the way of comfort or food. Now, it is, of course, in that way that this question has to be studied. What you must take is, say, a man in the United States coming to live in England or Germany and going on living in these countries as he lived at home. There is no doubt the constitution of different races is different. There is no doubt that the French make materials and food go farther than we do. If you want the true proportion, as far as the physical question is concerned, you must take the same quantities of the same

articles and compare the prices. I think if you do that, the English Free Trade system stands pre-eminent.

Just one further word on the question of stability of employment. One great attack that is made on Free Trade by the Tariff Reformers in this country is that there are more unemployed in this country—that employment in England is more variable, and, further, that we are a country which suffers most in case of trade depression. In fact, to hear our Tariff Reformers talk, you would think trade depression was entirely unknown in any protected country, that it was only our adherence to the ridiculous shibboleth of Mr. Cobden that caused us to have such a thing at all. Now, as far as I have been able to ascertain the facts, I would like boldly to advance the proposition that Free Trade leads to greater regularity and greater stability of employment than any protective system possibly can. And I think, if you follow the proposition out logically, you will find the reason why. Broadly speaking, Free Trade means a natural development of a trade of a country on economically the soundest lines. Protection, in whatever shape it may be, means the artificial stimulation of some industries, the diversion of an extra amount of capital and labour to protected industries at the expense of the non-protected industries, and therefore an unsound concentration of capital and labour in a relatively smaller number of industries, and, therefore, when you get a depression a greater slump in a smaller number of industries than you do get in Free Trade, where you have a broader basis to work on. I think on those purely economic lines you will be able to deduce—I think statistics will show you the same thing—that as far as regularity and stability of employment is concerned, Free Trade England suffers less in times of trade depression than protected countries do. Of course, you will find many other factors. Harvests, climate, rapidity of development, produce greater crises in the United States than we have in Europe, but certainly I think we can broadly lay down that principle, and I think

the facts and figures all bear it out, the less the State endeavours to interfere with the regular flow of commerce the better for the people of a country.

One word I would like to say in conclusion on that important question, which is really fundamental to the whole proposition of Protectionists. I do not think they are all necessarily highway robbers. Some of them, I think, are misguided philanthropists. For instance, Mr. Bonar Law, who is one of the ablest exponents of Tariff Reform in this country, in an important speech he made not long ago, said that although he admitted, as an axiom which had never been disputed, that imports and exports must balance, his proposition was that it was a function of the State to say what goods should be imported and what goods should not be imported; that is to say, in his view, we should import more raw material and less manufactured goods. In fact, the theory of our new Protectionists here is that it is the duty of the State to endeavour to procure for the country the manufacture of the goods which combine what they consider the largest amount of wages in their material. I may point out—and it will be obvious to you—that these gentlemen entirely overlook the patent fact that people buy what they want. If a man wants to buy a grand piano, it is no use sending him a bale of cotton. Of course, Protectionists never think like that. They say, “We do not care whether you want the grand piano or not, it is the cotton you have got to have; if you cannot play on it, you must sit on it.”

That is one of their fundamental fallacies. But they have a much greater fallacy, and that is that they imagine that a number of Government officials or statesmen, however well-intentioned, can actually sit in an office and know better what the people of a country want to buy and sell and manufacture than the people in the country do themselves. Starting with those intentions, they naturally immediately fall a prey to the so-called experts. And who are the experts? The experts are people who want

to make something. How do they want to make it? The easiest way. What is the easiest way? Well, a tariff is the easiest way, for whatever basis you start from you always get to the same old graft and boodle; you never can get away from it.

And here also our Tariff Reformers repudiate with scorn the Dingley Tariff; Mr. Chamberlain denounced it as an iniquity to mankind. Although they repudiate with indignation our fears of the corruption which will enter into public life, however well-intentioned and blameless their white souls may be, however lamb-like and innocent their ideas at the moment, we Free Traders know full well the hand which is now filling the campaign Tariff Reform purse will finally pull the Tariff Schedule string just as is done everywhere else. The bewildered politician and statesman will sit in his office tearing out his hair, while the manufacturer arranges his schedule for him. When all is completed, we shall be tied up and strangled as much in this country as you, gentlemen, are in the countries from which you come.

Mr. A. B. FARQUHAR (U.S.A.): If I say a word or two of my career, it is in no spirit of egotism, but only to point a moral. I commenced business about fifty years ago, and commenced to write on Free Trade nearly as long ago, and so I have had a long practice in combating many of the delusions that have taken hold of the minds of the people. The Ministers of the Church at that time had a great deal to say about hell and damnation; half their discourse was taken up upon that subject, and they seemed to think that I was consigned to hell for advocating Free Trade. I was the only manufacturer, so far as I knew, in the United States who did. Our Rector, who was a very good man, came to expostulate with me. I told him I had examined the subject very carefully and found that Protection was conceived in iniquity, born in sin, cradled in corruption, that there was no good in it whatever, that it was thoroughly evil, that it corrupted the whole body politic, and that he

would have to convince me that there was no hell to punish before he could make me a Protectionist. He could not do that.

We have been wearing the old clothes cast off by England sixty years ago. I see some signs that you want to take them back again. I think we will be ready to give them to you if you do.

A great deal has been said about the Trusts and the evil of the Trusts in America. They could not harm us at all were it not for the tribute that the Government forces us to pay to them in the form of tariffs. As soon as these are removed the Trusts will become entirely innocuous; they will do us no harm at all.

Mr. Farquhar then gave a summary of the following paper:—

It is difficult to think of a truth less in need of demonstration for intelligent inquirers, more clearly entitled to acceptance as self-evident, than that of the necessarily antagonistic relation between import duties and all kinds of export trade; and to understand how a reflecting being can fail to see that every agency for reducing and obstructing importations must at the same time, a little less directly, but precisely as powerfully, obstruct and reduce exportations. But since it has been so industriously taught, particularly in the United States, that the imposition of duties can influence the "balance of trade"—that a nation has the same power that an individual may exert in his own case, to sell without buying and so save up his coin—I have been at some pains to conduct statistical inquiries on the subject. Seventeen years ago I published an elaborate and careful study of "The Commercial Development of the United States for Seventy Years, as Influenced by Import Duties," the result of which, omitting details, was to show that all the wide and frequent changes to which the tariff laws had been subjected within that time, had been, so far as was indicated by the figures of the "Statistical Abstract," without lasting influence on the balance of imports and

exports, either in specie or in merchandise. There have been balances, continuing for years (as after the California gold discoveries and at the time of preparations for specie resumption in 1879), but there have been no decided or lasting changes in trade balance accompanying tariff increases and decreases. When the inquiry was directed to values of exported merchandise per head of population, on the other hand, the effect was clearly to be recognised, and was considerable in amount. An increase in the duty rates on imports, whether the average was calculated by comparing aggregate customs collections with aggregate valuations of dutiable imported merchandise or of total imported merchandise, was generally accompanied by a decreased value of merchandise exports per capita, while decreased duties accompanied increased per capita exports.

In the inquiry whether the same relations between tariffs and exports were to be found for the last 17 years a disturbing factor was encountered, from which the 70 years ending 1890 were practically free. This was the extraordinary growth of iron production in the United States. It would be easy, if worth while, to point to some predictions of such a growth, made and published in 1890 by my friend Edward Atkinson; but the magnitude of it has surpassed the predictions. Our figures for pig iron, which never exceeded 3 million tons until 1880, first went above 5 million in 1886, 9 million in 1890, 15 million in 1901, and 25 million in 1906. Though there has been a general advance throughout the world, no other country could show anything corresponding to this. Some results of this rapid development may be set forth in few words. The present total cost of production of pig iron, for a concern like the great United States Steel Corporation, owning the mines and the transportation lines that supply the ore and coal, is less than 8 dollars a ton, and of steel not over 13 dollars. The import duty is still \$4 on pig, which is nearly ten times the entire labour cost of a ton of pig iron, made under the most favourable conditions at the Cor-

poration's huge furnaces in Pittsburg, as stated by Mr. Schwab. About 10 years ago the cost of making steel rails, by the Steel Corporation's own testimony, was not over \$14 a ton. The general level of prices is now much higher, but this item cannot have been sensibly increased, and there has certainly not been a year since 1889 when steel rails could not have been made at less cost in the United States than anywhere in the world. Yet such rails are protected by an import duty of \$6.72 a ton, which is in this case a free gift from the railways, or rather from the freight-payers of the country through them, to the manufacturing corporation. Much the same statement might be made for nails, cutlery, tin plates, steel blooms, and scores of other metal wares in abundant daily use. This helps us to see whence the United States Steel Corporation drew its net profits of \$145,000,000 in 1906 and \$160,000,000 last year, or about 50 per cent. on the total cost of its production.

So great a development of the country's power of manufacture as has been furnished by this abundant supply of iron, must of necessity have been followed by a largely increased production of manufactured goods, and by an increased export of manufactures, whatever the Congress might have done to help or hinder. Accordingly, we find that the country's export of manufactures, ranging between \$2.13 and \$3.11 per capita for the quarter-century 1870 to 1895, rose sharply to \$3.67 in 1896, with further increases almost uninterrupted to \$8.62 per capita in 1907. The corresponding per capita value was about 11 dollars for France, 13 or 14 for Germany, and 28 dollars for the United Kingdom. The first significant increases with us were under the slightly reduced tariff rates of the law of 1894, but they continued under the increased duties of the Dingley law of 1897, and they have been accelerated under the lower scale of duties prevailing since 1904. It thus appears that one increase in the rates was accompanied by increased exports of manufactures, and that two decreases in the rates were accompanied by greater increases in such exports.

Why the figures of the Statistical Abstract should show decidedly lower average rates of duty collected on imported merchandise generally, after than before 1904, though the law had not changed, is a point deserving a moment's consideration. It is one of the effects of the significant change in the value of the monetary unit, due to enormous increases in the world's production of gold. Even in the feverish days beginning with 1848 in California, and 1851 in Australia, that production had not surpassed 7 million fine ounces per annum, the figure again attained in 1892; but in every year beginning with 1898 it has exceeded 12 million ounces—reflecting rich discoveries in the Witwatersrand and by the Yukon, and the development of the epoch-making "cyanide process." It was impossible that such an increase should occur without a radical and universal effect on prices, or, more properly speaking, on the relation of other prices to the gold price; it is only remarkable that the effect was not more immediate, and has not been greater. As a result of this changed unit of value, all costs of production have tended to decrease in true valuation, though gradually increasing nominally, and every specific duty on imports has come to represent a lower percentage ad valorem. The reduction so introduced has been considerable; the average percentages collected for the first 7 years of the Dingley law, 1898 to 1904, which were 49.62 on dutiable and 27.55 on total imported merchandise, became for the last 3 years, 1905 to 1907, 43.98 on dutiable and 23.76 on total imports, a decrease of 5.64 and of 3.79 per cent. As the tables show, this decrease denotes not lower customs revenues, but higher values of imported merchandise.

Since the reduced rate of duties, just explained, was accompanied by an increase of exported manufactures per capita, more decided than that which had come with the Dingley tariff in its early years; and since the few years of the lower tariff preceding the Dingley Act, notwithstanding the industrial depression into which the country

had been thrown by its foolish silver legislation, showed higher exports per capita than had been attained under the McKinley tariff which it replaced ; we may fairly conclude that the experience of the last 17 years is not in contradiction with the foregoing 70, and that the unfavourable influence of high duties on exporting enterprise, even in manufactures, whose production they are designed especially to favour, is to be classed among the observed facts.

To those American manufacturers who have for years been struggling to build up and maintain an export business, under the handicap of unnecessarily increased cost of raw material which the tariff throws upon them, it is almost a waste of time to demonstrate a truth of which they are every moment conscious. Ex-Governor Douglas, of Massachusetts, the great shoe manufacturer, speaks confidently of our ability to increase our leather goods export to more than 12 times its present volume, with untaxed raw material. A duty on wool is hardly more defensible than one on hides, and practically no other civilised nation taxes the warmth and health of its citizens by either. These duties sadly cripple our trade with Australia and the Argentine Republic especially, and impair the clothing we wear in quality and amount.

With untaxed pig and bar iron and steel our exports of manufactures in general, though they might not in most cases increase at so great a ratio as twelvefold, would quite probably double within a few years. Nor would the competition seriously embarrass our producers ; for an English committee, whose conclusions have been accepted by Mr. J. S. Jeans, Secretary of the British Iron Trades Association, calculates the net cost of a ton of pig iron by the U.S. Steel Corporation in Pittsburg at about 32½s., the cost of Middlesborough pig being about 52s., or 60 per cent. higher. The 4-dollar duty on pig iron handicaps the United States manufacturer to just that amount whenever he uses imported material, and his handicap on the average

must be fully half that—a difference sufficient to turn the balance from profit to loss in export business.

There is not time, nor need, to speak in full detail of the various ways in which the export trade of the United States is obstructed by the national policy of making raw materials dear through indiscriminate protection. Copper is an instance; the tariff on that noble metal has handsomely accomplished its object, in making a ring of mine-owners enormously rich, by enabling and encouraging them to exact of their fellow-citizens the market price in Europe with duty and ocean-freight added; but it has at the same time repressed our manufacture of copperware for home use and abolished it for export. Nickel and borax are instances hardly less shameful, the duties having been granted in both cases to monopolies, making the existence of those minerals a curse to the country in which they were found, and cutting off our use of them in plating and metallurgy. Owing to an exceptional liberality on Nature's part, in her grant of facilities for cheap production of raw material, our country has prospered in spite of the lack of wisdom with which it has been governed; yet our suffering from crises and business depressions is more severe than almost anywhere else, and that of last winter, of which little effect was felt in Great Britain, was a real disaster on our side of the Atlantic. The tendency of business in the United States to rush into the extravagances known as "booms," as in 1879-80 and within the last decade, instead of aiming after, and being contented with, a safe and normal progress, is one of its most regrettable features. A "boom" is as sure to be followed and paid for by a depression as is a carouse or debauch.

But to the minds of the public men and of too many of the citizens of the United States this unhappy effect of the tariff is as though it were not. They are satisfied to infer from the facts of a great and growing commerce, with an unprecedented abundance of merchandise exports, in the presence of the high duties of the Dingley law, that the

duties are not only an effective but a quite wholesome stimulus to enterprise. This inference has blinded them to the factors, chief of which is the progress of invention, in promoting the production of metals, whose work they credit to a policy that has been no help but a hindrance. They fail to notice that the increase in manufactured exports took its start before their Dingley law was enacted, and that it has had its most rapid progress as a result of the decrease, on an ad valorem basis, of its specific rates. They overlook the fact that their boasted "favourable trade balance," or excess of exports over imports of merchandise, which has prevailed for the last 33 years, and has largely increased in the last 17, is accompanied by no corresponding excess of imported specie, and they thus overlook its real causes; expenditures by travellers from the United States to Europe, payments of freight to European vessels, payment of interest to European investors, and other items, effected by transactions in exchange whose balance is settled in merchandise.

That a few branches of manufacture in the United States have prospered by the policy of a general suppression of foreign competition all admit; nor can it be denied that but for that policy the country might now be without its array of some such special manufactures, and might have to supply itself with them by sending other products of its industry across the Atlantic in exchange. But to infer from those admitted truths that the same policy is favourable to all American manufacture, as many otherwise intelligent men in the States unhesitatingly infer, is the wildest fallacy. It is universally understood that competition brings down prices; and the wider the competition the less the facility given to combinations of producers, the more certain the reduction of prices must be. It is of just that that the branches of manufacturing that I have mentioned, delicate exotics unfitted to endure the bracing air of free rivalry, so bitterly complain. But to other manufacturers, depending more upon the excellence of their goods and less upon their

ability to keep foreign manufacturers away from their customers, this policy of putting down competitors and holding up prices and purchasers is only an evil. It makes raw material more costly ; it calls out retaliatory tariffs in other countries, and so shuts our products from many a foreign market ; it deprives us of transportation facilities by rendering ocean carriage less profitable ; it has ruined our merchant marine and increased our cost of living ; it benefits only the corporations that have purchased its enactments. Who is there that does not know that our tariff laws do these things ? Who is there that cannot see their work in turning the energies of the country to production of crude or relatively crude products, discouraging the production of the more highly elaborated products by the prices they impose on necessary raw material ? Who is there that can ascribe to any other cause the growth of new factories in Canada, to supply products that might otherwise be more economically furnished by our own people ? Who is there that fails to recognise the same agency in the rapidly progressive depletion of our natural resources—denudation of forests, consequent drying up of watercourses, increase in our desert area ? Has this policy not truly been said to affirm that “ Waste makes wealth ? ”

An increasing number of the manufacturers of the United States, moved by such arguments as have just been outlined, are coming to believe that a cautious approach to Free Trade would be to their advantage, as well as that of the great body of their fellow-citizens. They are willing to seek and find their profit in abundance rather than scarcity—to try the policy of larger sales and smaller gains from a sale. Although the plan of an immediate rush to universal Free Trade, eloquently advocated by some able economists, finds comparatively few champions in our country, the number of thoughtful and cautious men of business who would make a long, firm step in that direction, at the earliest practicable moment, is already considerable. The National Association of Manufacturers, one of the largest and most

representative business bodies in the world, is a case in point. Seven years ago, the great majority of its members feared to touch the tariff, and gave but feeble support to a resolution for reciprocity. By this time, that great body is practically a unit for liberal reciprocity treaties, and has passed resolutions decidedly favouring the systematic overhauling of the Dingley law by a committee of experts with a view to reduction. As an earnest advocate of those resolutions in the Association, and a firm believer that in that direction the moderate, though steady, progress of our nation toward freedom is destined to be made, I have now to show, in a few words, the strength of the reciprocity cause.

That the best practical aid in establishing a permanent export demand, next to the development of high-grade industrial products, is by an application of the principle of reciprocity, the facts of experience and the facts of human nature unite in proving. It is far cheaper, as a rule, to remove an obstacle to transportation than to put on additional power with a view of surmounting it; far cheaper to come to some agreement with a rival than to be perpetually fighting him. Human beings have frequently to be treated as we treat our machines, and the most successful diplomacy is often simply the art of putting a little oil where friction most threatens to show itself. In dealing with foreigners there is always friction when we undertake to treat them in one way and have them treat us in another. If we wish them to believe it to their advantage to buy of us, we cannot act as if we thought it ruinous for us to buy of them, for like always provokes like. We must treat all nations as one stock, look in them for the same human nature, of which we are conscious in ourselves, work by sympathies and not antipathies. Thus we are necessarily led to reciprocity. These statements seem truisms, and yet Congress after Congress assembles at Washington and ignores or despises them. The contemptuous refusal of the dominant faction at our national capital to apply this principle of reciprocity to our nearest neighbour, Canada, and to

our powerful compeer, Germany, has led and is leading the country into serious inconveniences—with regard to which there is no time to particularise.

The manufacturers' interest—if we except the few weak businesses already mentioned—is altogether in favour of reciprocity treaties, and none the less so because the very measures that would prove of most service to them as exporters would benefit the great body of their fellow-citizens at the same time as consumers. Were the question of some subsidy scheme, through which cheap transportation might be furnished manufacturers at the general cost, or of some bounty provision which would make it to their interest to prefer foreigners to their own people as customers, there could be no such identity of interest ; but there is no suspicion of a sacrifice of the many to the few in a call for a simple removal of needless obstacles to our customers as to us—in our call for an opening of more foreign markets to our products, at a fair compensation in the freer admission of a selected list of foreign products to our markets. I cannot conceive of manufacturers able to look abroad for customers, all aware of the necessary tendency of high and indiscriminate tariff duties to provoke retaliation, who will not join zealously and energetically in efforts for reciprocity, unless because they value their power of over-charging American customers more highly than that of winning foreign customers.

I must confess, in closing, that no small part of my zeal for reciprocity is due to my certainty that every agreement that we may form will be an advance in international peace and amity, a removal of occasions of international hostility. The manufacturer of a good article has a keen delight in feeling that his customers—at home or anywhere—are getting as good a bargain as he by dealing with him ; and his delight must be yet keener when he can feel that by ministering to the wants of remote lands he is helping to knit closer the ties of man to man, in the bond of universal brotherhood.

The Congress adjourned till Thursday at 10.30 a.m.

FIFTH SESSION.

THURSDAY, AUGUST 6.

SUBJECT: POLITICAL MORALITY, AS
ILLUSTRATED IN THE MAKING AND OPERATION
OF TARIFFS, AND THE ESTABLISHMENT OF
FAVOURLED INTERESTS WITHIN THE STATE.

MR. JOSEPH MARTIN, K.C. (Vancouver), submitted the
following paper :

UP to 1876 both of the great parties in Canada called respectively " Liberal " and " Conservative " were in favour of Free Trade. There was a moderate tariff, which was imposed purely for revenue purposes, but which afforded some incidental protection to Canadian manufacturers. In that year a Liberal Government, with the Honourable Alexander McKenzie as Premier, was in power. The Conservative Opposition, under the leadership of Sir John A. Macdonald, introduced a resolution into Parliament in favour of an increase in the tariff in the direction of protection. This resolution was, of course, voted down.

Times were very hard and continued so until after the General Election of 1878, at which the McKenzie Government were badly defeated. The Conservative Government coming into power considerably increased the tariff for the purposes of protection, as foreshadowed in their resolution.

One of the strongest arguments put forward at the time in favour of a protective policy was that the industries of Canada were struggling infants, and required protection for

a few years only. It was promised that after these industries had become firmly established, which would be within a comparatively short period, the protection would be taken off and the tariff again put upon a revenue basis. Needless to say, this promise was not kept, and the demands of the manufacturers have steadily increased from that time to the present.

While the present Canadian tariff is a highly protective one, it is not, by any means, satisfactory to the Manufacturers' Association, a body which has sprung into existence almost entirely for the purpose of influencing legislation in the direction of a higher tariff. The programme of the Manufacturers' Association, at the present time, is to increase the Canadian tariff so that all foreign manufactures, including those of the United Kingdom, shall be effectually excluded. The Association is much in favour of the policy of preferential trade enunciated by the Right Honourable Joseph Chamberlain, and, in order to come within its purview, they are desirous that the tariff against the United States should be 20 to 30 per cent. greater than against the United Kingdom, but stipulating that the tariff against the United Kingdom should be sufficiently high to keep out all their manufactures. Mr. Chamberlain has expressed himself as being satisfied with that policy, although it is difficult for an onlooker to understand how he can promise British manufacturers an easy entrance into Canada for their wares in return for the preferential tariff which he proposes on food products in favour of the Colonies and as against the rest of the world.

The Liberal party, from the time of their defeat in 1878 until their return to power in 1896, steadily kept to the forefront, as the leading plank in their policy, the abolition of the protective tariff, and the return to a purely revenue tariff, such as was in existence prior to 1878.

There were General Elections in 1882, in 1887, in 1891, and in 1896, and until the last-mentioned year the Liberals

were unable to dislodge the Conservative party. The reason given by Liberal leaders for their repeated failures at the polls has always been the immense corruption fund contributed by the manufacturers of Canada to the Conservative party in return for tariff legislation.

In June, 1893, a general Convention of the Liberal party of the Dominion of Canada was held at Ottawa, and the following resolution unanimously passed :—

“ That the customs tariff of the Dominion should be based, not as it is now, upon the protective principle, but upon the requirements of the public service ;

“ That the existing tariff, founded upon an unsound principle, and used, as it has been by the Government, as a corrupting agency wherewith to keep themselves in office, has developed monopolies, trusts, and combinations ;

“ It has decreased the value of farm and other landed property ;

“ It has oppressed the masses to the enrichment of a few ;

“ It has checked immigration ;

“ It has caused great loss of population ;

“ It has impeded commerce ;

“ It has discriminated against Great Britain.

“ In these and in many other ways it has occasioned great public and private injury, all of which evils must continue to grow in intensity as long as the present tariff system remains in force.

“ That the highest interests of Canada demand a removal of this obstacle to our country's progress by the adoption of a sound fiscal policy, which, while not doing injustice to any class, will promote domestic and foreign trade and hasten the return of prosperity to our people.

“ That to that end the tariff should be reduced to the needs of honest, economical, and efficient government.

“ That it should be so adjusted as to make free, or to bear as lightly as possible upon, the necessaries of life, and should be so arranged as to promote freer trade with the whole world, more particularly with Great Britain and the United States.

“ We believe that the results of the protective system have

grievously disappointed thousands of persons who honestly supported it, and that the country, in the light of experience, is now prepared to declare for a sound fiscal policy.

“ The issue between the two political parties on this question is now clearly defined.

“ The Government themselves admit the failure of their fiscal policy, and now profess their willingness to make some changes ; but they say that such changes must be based only on the principle of protection.

“ We denounce the principle of protection as radically unsound and unjust to the masses of the people, and we declare our conviction that any tariff changes based on that principle must fail to afford any substantial relief from the burdens under which the country labours.

“ This issue we unhesitatingly accept, and upon it we await with the fullest confidence the verdict of the electors of Canada.”

A Report of the proceedings of this Convention containing the speeches of prominent members of the party was issued at the time. This Report has been a long time out of print, and it would appear that the speakers at that Convention have many years ago entirely forgotten the principles then put forward. The chairman of the Convention was the Hon. Oliver Mowat (since deceased), then Premier of Ontario. In his opening speech he stated that :—

“ The general depression at that time in Canada (referring to 1878) in common with the rest of the world, unfortunately disposed our people to try almost any political experiment from which there seemed any chance of relief ; and the policy of protection proved a fortunate piece of party tactics for the political party that adopted it, however disastrous to the best interests of the country in the long run. But the end appears now to have come. Our neighbours south of us have just dislodged their Protection party, and there is every prospect of our having a like success at our next general election.”

The Hon. A. G. Jones, of Halifax, Nova Scotia (since deceased), stated :—

“ The country has had fifteen years of Tory rule, and we

find that from one end of this Dominion to the other the cry is going up that this Government is absorbing the earnings of the people and turning a large portion of them into the pockets of the protected classes, and everywhere the people demand a change of Government, and a return to the principles which the Liberals have advocated and under which alone the people of this country may expect permanent prosperity."

Sir Wilfrid Laurier, the present Premier of Canada, was then the Leader of the Liberal party. In the course of his speech he used the following expressions :—

"There is, as you well know, a universal consensus of opinion among all classes, nay among all parties in this country, that the tariff which now prevails in Canada is a burdensome tariff, that it is an oppressive tariff, and that what was known at one time as the N.P. has been found to be a fraud and a failure."

Again :—

"The Government tells us that the principle of the National Policy they are going to maintain, and we answer to the Government that the principle of the National Policy is vicious and must be taken off—not only the branches."

The "National Policy" was the name used by the Conservative party for the policy of protection.

Again, Sir Wilfrid said :—

"I want to know—and I put the question so as to be heard through the length and breadth of this country—by virtue of what principle will you tax a man to enrich his neighbour? By virtue of what principle will you tax the farmer in order to give work to the working man? On what principle will you tax the working man in order to give better prices to the farmer?"

Again :

"Last year there was a Democratic Convention in the United States, and on that occasion they declared :—

'That we condemn Republican protection as a fraud and a robbery of the great majority of the American people for the benefit of a few. That condemnation was endorsed by the American people at the first opportunity following, and they declared in the most emphatic language that the system of protection was a fraud and a robbery.'

“ Mr. Chairman and gentlemen, I submit to your judgment that the servile copy of the American system which has been brought amongst us by the leaders of the Conservatives, is, like its prototype, a fraud and a robbery, and I call upon you one and all to pronounce at once and give your emphatic support to the proposition that we shall never rest until we have wiped away from our system that fraud and robbery under which Canadians suffer.”

Then again :—

“ I submit to you that the ideal fiscal system is the British system of Free Trade. Sir, my loyalty, as I stated, does not ooze from the pores of my body, but I do want to go for an example to the Mother Country, and not to the United States, much as I respect and love the people on the other side of the line. I say the policy should be a policy of Free Trade, such as they have in England, but I am sorry to say that the circumstances of the country cannot admit, at present, of that policy in its entirety. But I propose to you that from this day henceforward it should be the goal to which we aspire. I propose to you from this day, although we cannot adopt the policy itself, to adopt the principle which regulates it ; that is to say, that though it should be your misfortune for many years to come to have to raise a revenue by custom duties, these duties should be levied only so far as is necessary to carry on the business of the Government. I submit to you that not a cent should be extracted from the pockets of the people, except every cent goes into the treasury of the people and not into the pockets of anybody else. I submit to you that no duty should be levied for protection's sake, but levied altogether and only for the purpose of filling the treasury to the limits required. I submit to you that every cent that is levied should be levied first and foremost upon the luxuries of the people. I submit to you, therefore, that the system of protection which is maintained by the Government, that is to say of levying tribute upon the people, not for the legitimate expenses of the Government, but for a private and privileged class, should be condemned without qualification. Let it be well understood that from this moment we have a distinct issue with the party in power. Their ideal is protection, our ideal is free trade. Their immediate object

is protection, ours a tariff for revenue only. Upon this issue we engage the battle from this moment forward, and I ask you once more never to desist until we have achieved victory, until we have freed this country from the incubus which has been weighing it down for fifteen long years. Nothing is more difficult—that is one of the evils of protection—than to wipe away protection, because under it interests have been established which every man who has at heart the interest of all classes must take into consideration. It is always easy to increase the tariff, because by so doing you increase the private fortunes of certain individuals, but whenever you decrease the tariff it has always to be done with careful consideration, and I am sure that when the Liberals are in power they will not be indifferent to this primary truth.”

Then :—

“ But there are other questions still. One of the evils of the National Policy and the system of protection has been here, as everywhere else, to lower the moral level of public life. It is a subject, however, into which I do not desire to enter at length. I speak of it more in sorrow, than in anger ; but I tell you this, *if you want to purify the political atmosphere* not a cent is to be levied except what is necessary to carry on the legitimate expenses of the Government economically administered. I speak of this subject more in sorrow than in anger, but there is not a man who has in his bosom a patriotic heart who does not see with shame that the name of Canada has become the by-word of corruption among the civilised nations of the earth.”

Sir Richard Cartwright (now a Member of the Dominion Cabinet) stated :—

“ And I do not mean to say that in the ranks of our opponents there are not a very considerable number of worthy, but utterly mistaken men. But, on the other hand, I have to say to you, in order that there may be no illusions on our part as to the character of the foe with whom we have to deal, we are practically face to face with a vast and well-organised conspiracy, with a conspiracy which controls a very large portion of the press of this country, which controls a very large part of the active wealth of this country, which has the entire resources

of the Government of Canada at its disposal, a conspiracy whose motto is robbery, and whose arms are fraud and bribery. Sir, it is too truly the case that the folly in former times of a majority of our own countrymen has raised formidable ramparts against themselves; and it is a deplorable thing, as Mr. Laurier truly told you, a thing to be spoken of more in sorrow than in anger, that at this moment, throughout Canada, there exists a most unusual degree of political corruption. And I am sorry to have to say that in Canada, as Canada exists to-day, public opinion is but a small and weak factor in remedying the evils with which you have to deal. Sir, I have sat in many Parliaments, and I am sorry to say that the Parliament of which I am now a member has attained a most evil pre-eminence, even among several very bad Parliaments that I can recollect. It has remained for this Parliament, deliberately and publicly, to condone the very vilest corruption that could be committed in a country having free institutions. It has remained for this Parliament to trample under foot the most fundamental principles of law and justice, to make a mockery of judicial trials of ministers, to allow those ministers to be tried by judges of their own selection, upon charges of their own preparation."

And :—

" Now, I have no doubt that one of the chief causes of their loss to Canada has been the operation of the protective system, and it is, perhaps, a matter of regret that in the discussions which from time to time have taken place on this subject, we rather ignore the political working of that system, and perhaps dwell a little too much on the material injury it has done to our country. I think it must be obvious to every one who will give the slightest attentive consideration to the working of the protective system in this country or elsewhere that the moment you introduce that system you make legal provision for corruption on the most extensive scale. The moment you introduce the protective system, you create a class whose interests are essentially different from those of the people at large, and who become the ready contributors to corruption funds, sharing with their masters the plunder which they have been enabled to take from the people. More than that, I have always held that in Canada

protection was not only a crime, but a blunder. I have always felt that there was absolutely no excuse for introducing such a system in a country like this. There is no factor in the condition of Canada which would ever justify us in expecting that we could thrive by taxing our people, or that by isolating them from the rest of the world we would be able to increase their prosperity, improve their resources, or increase their numbers. . . . However, Sir, these opportunities are gone, and it is our duty now to face the situation as best we may, and I believe, with Mr. Laurier, that the first duty of the Reform party, the duty which lies next at hand, the duty which is most clearly within their power to perform, is at once and completely to reform the tariff of this country, to reduce it to a revenue basis, to see that no money from this time forth shall, so far as we can prevent it, be taken out of the pockets of the people for any other purpose than for the legitimate needs of the whole community. Gentlemen, as regards Protection, I may say at once that I think that no man who has taken the trouble to examine the working of the protective system will fail to endorse the statement I make that liberty and protection are a contradiction in terms. You can have no true liberty under a protective system ; you can have no true liberty under a system the function of which is to create a privileged class and to concentrate an undue proportion of the wealth of the community in the hands of a few individuals. I contend that Protection, besides being the cause of the worst political corruption, is the deadly foe of all true freedom, and, therefore, the deadly foe of every Liberal who desires to see his country a free country. . . . Now, I believe that you will all agree with my esteemed friend, Mr. Laurier, in declaring that an overwhelming case has been made out for a general and decisive reform strictly on the lines of a revenue tariff, a reform which will provide that for the future not one cent shall be exacted from the people of Canada, except for the needs and uses of the people who contribute to these taxes. . . . For the rest, I have only to say that you now go before the people with such proofs as I think were never laid before any community in the world as to the results that have followed the system of Protection, and of the corruption which has prevailed in Canada for so many years."

Similar extracts could be made from almost every speech delivered before the Convention.

In a resolution forwarded to the Convention from Barrington, Nova Scotia, the following expressions occur :—

“ That the Liberals of this township, being citizen subjects of Canada, are intensely patriotic to her best interests first, and hence everywhere our people are awakening to the evils that are overtaking our country in consequence of Protection, restriction—the National Policy. That there can be little confidence placed in the pretensions of the Government to reform Canada’s tariff, while its members are known to be wholly at the command and behests of the magnates of the Red Parlour, the servants of manufacturing monopolists, trade combinesters and paid Tory partizans.”

The explanation of the reference to the “ Red Parlour ” in this resolution is as follows :—

After the Conservative Government introduced and carried out their National Policy of protection, it was alleged that just before every General Election, Sir John A. MacDonald, the Conservative Premier, went to Toronto, one of the chief manufacturing centres of Canada, and was always allotted a suite of apartments at the Queen’s Hotel, known as the “ Red Parlour.” Here, it was claimed, Sir John called before him the leading manufacturers and assessed upon them the necessary funds for the Election expenses of his party.

In the General Election which took place in 1896, the attitude of the Liberal party upon this question remained the same, and the chief argument of Liberal speakers throughout the Dominion was the rotten state of corruption into which the country had fallen on account of its protective policy. The Liberals succeeded at the election, and took office in the summer of 1896. They have been in power since then, a period of twelve years, and if their tariff legislation is examined it will be found that there has been no

effort whatever to eliminate protection, that in many instances the tariff has been largely increased, and that the average tariff to-day is practically the same as it was when they took office in 1896. More than this, the policy of direct subsidies to special manufactures, initiated under Conservative rule, has been extended under the Liberal Government very much indeed, especially in the way of bounties for the production of iron and steel. A clause has been introduced into the tariff law called the "dumping clause," by which the Department of Customs, without consulting Parliament, can arbitrarily increase the tariff upon any article, in their discretion. This power is given for the alleged purpose of preventing British and American manufacturers from dumping their goods in Canada, but in actual practice it is used as a means of increasing the protection upon any class of articles the manufacturers of which are able to bring sufficient pressure upon the Government to have it done.

The question naturally arises, why has the great Liberal party abandoned all its resolutions with regard to this question of the tariff? The answer must, I regret to say, be found in the corrupting associations of a protective policy.

The Liberal party, when it came into power, having been accustomed, during eighteen long years of opposition, to have great difficulty in obtaining money for election expenses, were unable to withstand the temptation to use the immense power which had been placed in their hands by the electorate of Canada, to compel their previous antagonists, the denizens of the Red Parlour, to fill their exchequer.

Never in all the history of Canada has there been so much corruption in public life as in the last twelve years. It has permeated every department of the Government, and it is safe to say that much the greater part of the time of Parliament is taken up with investigating charges of graft and corruption against department officers and Ministers of the Crown.

One can well understand that under the very best Administration there may be cases of wrong-doing on the part of officials of departments; but it would naturally be expected, when charges of this kind were made in Parliament and committees appointed for their investigation, that the Government of the day would lend every assistance in their power to expose the wrong and punish the wrong-doers. So deep rooted, however, is the corruption in public life in Canada that we find the Government employing every means at their hand to suppress and nullify the investigations of these committees. Witnesses refuse to answer questions, and when the Conservative members of the Committee ask for their committal for contempt, the Liberal majority invariably refuses to exercise its power.

The Government refuses to allow orders to be made by Parliament for the production of original documents at the instance of Conservative members of the House who state that they desire the documents for the purpose of unearthing fraud and corruption.

Members of the Government become enormously rich while in office, without any apparent means of enrichment except the power placed in their hands by virtue of their positions. When these matters are referred to in Parliament the Ministers in question make no explanation whatever of the enormous riches which they have accumulated, but defy the Opposition to lay charges against them and prove them.

Since the present Government came to power, in many instances the law has been changed, so that the alienation of public lands, franchises, and concessions, which before had been in the hands of the Governor-General-in-Council, came within the power of the Minister of the Department alone, without any check whatsoever. Although the Government issue an official *Gazette* every week, these grants are not published, and there is no general knowledge of them unless asked for in Parliament, and even

then it is only with the greatest difficulty that any information can be obtained, and in many cases when obtained has been shown not to be reliable.

It is true that there is another source of corruption in Canada besides the protective policy. It is the practice of granting large subsidies for the construction of railways. It is well understood that whenever a subsidy is given to a railway company a considerable portion of the same finds its way into the election fund of the Government in power. This charge was openly made by the Liberals against the Conservatives when they were in power, and there is no reason to suppose that there has been any change in this respect since 1896.

The result of this immense election fund has been to make the Premier and his Cabinet dictators of the party whose committee of management they ought to be, under the principles of responsible government as administered under a party system.

No individual member of Parliament supporting the Government is allowed to have any opinions of his own, or in any way to oppose or fail to support the course decided upon by the Cabinet. It is true that from time to time members supporting the Government get up in the House and criticise adversely the Government policy, but that is never done except with the consent of the Premier, who feels that he can afford to allow the member in question to fortify himself in his constituency by an apparent opposition to a part of the Government policy.

I was myself a member of the Dominion House for three years prior to the General Election of 1896. Since the Government came to power I have been frequently in Ottawa, and have asked old colleagues of mine on the Liberal side, how they could stay in Parliament and see the Government depart from the policy of the party as it was understood when they were in opposition. The answer has always been that if they undertook to show any inde-

pendence whatever they knew that the Government would take the earliest opportunity of putting them out of business. This would be done, they explained to me, by refusing to allow any of the immense corruption fund accumulated by the Government from railway subsidies and the manufacturers of Canada to be used in their particular constituency.

When any Liberal member of Parliament has been courageous enough, in spite of all these matters, to stand up and speak for Liberal principles in the House, the Government have, sooner or later, closed his career, making it clear that they would prefer to have in Parliament a straight opponent rather than an independent supporter.

In the Convention referred to, which took place at Ottawa in 1893, in addition to the tariff resolution, many other public questions were dealt with; but in no case but one, since the Liberals came to power, have they carried out the principles affirmed at the Convention. The exception was the adoption of the voters' lists made for provincial purposes in each province as the list for Dominion election purposes. This was done in their first Session, but at the present Session a Bill has been introduced by the Government going back upon this principle, at any rate so far as the provinces of Manitoba and British Columbia are concerned.

Recent provincial elections and other signs would seem to indicate that the Liberal Government will have a hard fight at the next General Election, which must take place before the end of 1909; but from the standpoint of the Free Trader it is hard to say what advantage it would be to substitute the Conservative Opposition for the Government in power. It is still a cardinal principle of the Conservative party in Canada that the tariff should be primarily a protective one, and no doubt the same corrupting influence of the tariff of protection and bounties and railway subsidies would sooner or later permeate the new Government in the same way.

In spite of the fact that both of the great parties of Canada at present stand for a protective tariff, it can be demonstrated beyond a doubt, that Canada would be better off in every respect with a revenue tariff; and if a party should arise in Canada which would adopt Free Trade or a tariff for revenue only as its policy, I believe that it would sweep the country.

In Canada, as in every other part of the world where it has been tried, the policy of protection has resulted in impoverishing the many for the purpose of enriching the few, and there are many signs to show that the people of Canada are of that belief.

In addition to submitting the above paper, Mr. Martin spoke as follows:—

Since I came to this country I have found an instance in connection with Canada of how insidiously the advocates of Protection work. We had the pleasure, at the opening of this Congress, of listening to a very satisfactory speech on Free Trade, satisfactory to all of us I am sure from the clear manner in which the principles of the Cobden Club were set forth, by Mr. Winston Churchill, the President of the Board of Trade. But I find that the doctrines of Protection have penetrated even his department. Prior to Mr. Churchill becoming a member of the Government it was decided to send a British Trade Commissioner to Canada, and Mr. Grigg was appointed to that position. He made a report which is on the file, and which was printed by the Government on December 1, 1907, and that report, from beginning to end, is the strongest kind of Protectionist document. It is filled with Protectionist arguments; and as is usual with Protectionists, those arguments are not based upon facts. I would just like to read one or two short extracts from that report. I am sorry Mr. Churchill is not here to listen to the strong manner in which his department is advancing Protective arguments whilst he himself is a sound Free Trader. Listen to this. The writer is discussing the methods of advancing and encouraging trade between

Canada and Great Britain. If I ask any member of this Congress how are you going best to encourage trade between Canada and Great Britain you would say at once by having Free Trade in both countries ; and yet there is no mention of any such idea as that from beginning to end ; it is excluded entirely from the report, and this is the kind of thing he says :—

“ The example and progress of a powerful people only separated from them by an imaginary line 3,000 miles in length, naturally engages the attention and affects the trade policy of Canadians. They have watched the phenomenal growth of their neighbours in population, industry and wealth under climatic and social conditions very similar to their own. They greatly desire similar development in their own country, and the large majority believe it can best be obtained upon lines of policy similar to those which prevail in the United States.”

Now, I say that that statement is absolutely untrue, that it has not a solitary bit of truth in it. In Canada we know about Protection in the United States, but we take the view that the United States have prospered not because of their Protective policy, but in spite of it, and I say, in addition, that they have prospered because they have complete Free Trade within their own immense territory. I say it is a very small minority of the people of Canada that want to copy the fallacious economic doctrines which are in force in the United States, and I am surprised to find any such statement made in a document put forward by a Free Trade Government.

Then again Mr. Grigg says, and this is a great deal worse :—

“ It is estimated that 45 per cent. of the entire population of Canada is engaged in agriculture. Their interests are practically identical, and their vote if given on a single issue would be decisive, but they are apparently prepared to pay more than they need for the goods they buy even though they get a little compensation in a higher price for what they sell ; and they do this because of their patriotic belief that industries are necessary

for the development and progress of the country and that they have been largely instrumental in producing the results plainly to be seen in the case of Canada's Southern neighbour. During my stay in Canada, Mr. Fielding, the Minister of Finance, produced his Budget, re-adjusting the tariff, but without great change in it except in the important particular of the intermediate tariff, whereupon numerous deputations, representing various manufacturing interests, waited on the Minister.

"The farming industry, while expressing grave disappointment at no reduction in the tariff, yet made no protest until it became clear that the manufacturers were pressing the Government to increase the tariff, when the farmers made their position clear, and declared that they had submitted to the maintenance of a tariff high enough to prevent industry being crushed by American competition, but they would resist by every means in their power the imposition of a tariff higher than was necessary to secure that object, the result being that the tariff was maintained very nearly as first produced.

Now, that statement has not a word of truth in it. It is absolutely untrue from beginning to end; and Mr. Grigg would find, if he cared to look for it, the clearest documentary proof of its untruth. He does not, indeed, produce a single iota of evidence to show that the farmers of Canada ever agreed or were ever willing now or at any other time to pay a single dollar more than was necessary for their clothing and other manufactured articles in order to help on another industry. Nor has it ever been suggested to them that they should do so. What the Protectionists' orators say is, that it will not cost any more; that you can have all the Protection you like in Canada, and none of these articles will cost you a dollar more, because the foreign manufacturers have got to pay the duty. Now, no sane farmer ever made any such statement as that. But the statement they did make is one of the clearest and briefest presentations of the doctrine which the Cobden Club was founded to propagate that has ever been seen. Let me read it so that you may see how like it is to Mr. Grigg's statement. Here is what the farmers said only a year and a half ago:—

"The farmers of Canada have become genuinely alarmed by the aggressive campaign carried on by the Manufacturers' Association during the past few years with a view of having the tariff made more protective than it is now. When Protection was first asked for we were assured that what was then requested would be required but a short time in order to allow our manufacturing industries to secure a fair footing. The request made was granted by the electors, and the rate of taxation levied on dutiable goods averaging $21\frac{1}{2}$ per cent. in 1878 was increased to an average of 26 per cent. by 1880. To-day we have an average tariff on dutiable goods about $1\frac{1}{2}$ per cent. higher than it was when the protective tariff became effective. And yet with the imports of that period grown to the mammoth concerns of the twentieth century we find the cry is still for more. The more there is given, and the less the requirement for giving, the greater are the demands made. If a halt is not at once called we shall find conditions in this country similar to those prevailing in parts of Europe, with a small class of wealthy barons at the top and the serfs at the bottom, manufacturers being the barons and farmers the serfs.

"The protection accorded by the tariff enables manufacturers of certain classes of agricultural implements to charge Canadian consumers 25 per cent. more than the value of the articles manufactured. The same protective tariff permits an over-charge of 30 per cent. to nearly 50 per cent. on woollen goods and 50 per cent. on the cheaper lines of farm carriages. The average rate of taxation on dutiable goods in 1904 was $27\frac{1}{2}$ per cent., and to that extent, speaking broadly, Canadian manufacturers were enabled to over-charge Canadian consumers on purchases made, by those consumers. Farmers do not and cannot secure any compensation in return for all this by any tariff that can be devised. We have to-day a surplus of \$120,000,000 of farm produce for export. That surplus is constantly increasing, and so long as these conditions continue the foreign price must control the home price of farm products. While a protective tariff can and does limit our purchasing power, it cannot and does not enhance the price of articles we have to sell. We therefore ask, in the coming revision of the tariff, that the protective principle be wholly eliminated; that the principle of tariff for revenue

only, and that revenue based on an honest and economical expenditure of the public funds, be adopted, and as a proof of our sincerity we will, if this position is adopted by the Government, gladly assent to the entire abolition of the whole list of duties on agricultural imports."

Now that document can be found at page 452 of Mr. Porritt's book on "Sixty Years of Protection in Canada"; and I ask you to compare it with Mr. Grigg's statement. The two statements are as different as black is from white, and Mr. Grigg's statement is absolutely untrue. We Free Traders argue this question on broad, national and humanitarian grounds; we do not have to make mis-statements; we do not have to get away from anything. But what of the other people? What of the Protectionists? They have a weak case; their case does not rest on national or humanitarian considerations. It is a case of greed, it is a case of personal profit; and the man who supports such a case is always ready to adopt any kind of argument and to take any kind of a course.

MR. FRANKLIN PIERCE (United States of America) gave a summary of the following paper:—

I AM gratified to meet with earnest men from all parts of the world gathered to counsel together on the freedom of trade and the peace of the world. While I appreciate the great honour of addressing you, I can but lament that the subject upon which you have asked me to speak involves a grievous condition of affairs in my country. Of the effect of protective tariffs upon political morality in the United States no adequate idea can be given without a short review of its tariff history. Duties upon imports were first imposed in 1790, both for the purpose of raising revenue and of protecting the infant industries of the time. It is to be observed that with such a purpose in enacting that tariff neither pig iron nor bar iron, were in the protected list, because such was the advanced condition of the iron industry that domestic producers were able to compete

successfully with their foreign competitors. It was not until 1816 that any duties whatever upon imports of iron were imposed. In 1906, one hundred and eighteen years after the time when Hamilton, the great statesman of his day, believed that our iron industries needed no protection, the average *ad valorem* rate of duty upon all dutiable imports of iron was 49.46 per cent. We produce about one-half of the world's yield of pig iron, and we have the most extensive fields of iron ore, and yet we actually impose a duty of \$4.00 per ton upon pig iron.

The platform adopted by the Republican party in its recent Convention at Chicago declared that duties were imposed to equalise the difference between the cost of production in our country and the cost of production abroad. Yet Mr. Schwab told us a few years ago that we could manufacture and sell steel rails at twelve dollars a ton with profit; and in 1903, Mr. J. S. Jeans, the secretary of the British Iron Trade Association, testified in England before a commission investigating the condition of trade, that "even when the plant employed is fully up to date, as it is in many English works, the quantity of steel produced is less than one-half and sometimes less than one-third the quantity produced in the best American practice. . . . I cannot justify the British pig-iron makers in only getting an average annual output of about 25,000 tons per furnace, while the American average is 60,000 tons, and the average of the bituminous furnaces is only about 79,000 tons. As with blast furnaces, so with Bessemer converters and open hearth furnaces, the American efficiency is much larger than our own."

As early as 1824, according to Professor Taussig, of Harvard University, the cotton industry had reached a condition where it was able to meet foreign competition on equal terms. There was good reason for a duty upon cotton during the Civil War, but raw cotton fell from 43 c. per pound at the close of the war to 10 c. per pound in 1883. Its labour

cost, because of our improved machinery and highly skilled labour, is as low as in any other country. Mons. E. Lavasseur, in a paper read before the Academy of Moral and Political Science, in France, in 1895, said: "In the factories at Rouen a weaver supervises two looms; in Massachusetts he supervises at least four and six upon an average. At Lowell, I have seen women supervising eight apiece." The conditions now are even more favourable to the manufacture of American cotton cloth, in comparison with European rivals. Notwithstanding all this, under our Dingley tariff, we have a duty upon all dutiable imports of cotton of about 50 per cent.

A body of New England manufacturers before the Committee on Ways and Means of the House of Representatives in 1828, declared that the American manufacturer of woollens could produce them as cheaply as the English, if he could obtain his wool at as low prices. Eighty years later, with improved machinery, vast capital, and highly skilled labour, we find an average *ad valorem* duty on all dutiable imports of woollen goods of 92 per cent., and duties on different grades of woollen fabrics running all the way from 50 per cent. to 250 per cent.

In 1846 Congress enacted the Walker tariff, known among Protectionists as the "Free Trade Tariff." It imposed an average *ad valorem* duty upon dutiable imports of about 25 per cent., and continued until 1856, when the Republicans, uniting with the Democrats, voted to change the duties to an average of about 20 per cent. upon dutiable imports. Mr. Blaine, a Protectionist, in his "Twenty Years of Congress," says of this tariff: "So general was the acquiescence, that in 1856 a protective tariff was not even suggested or even hinted at by any one of the three parties which presented Presidential candidates."

The tariffs of the Civil War were simply acts temporarily increasing the duties in order to compensate the manufacturer for the internal revenue tax imposed upon his manufactured

product. These war duties were imposed under the solemn pledge of the Government that at the end of the war they would be removed. At the end of the war the internal revenue taxes were removed, but the duties were continued.

The average *ad valorem* rate of duty upon dutiable imports under the War tariff of 1864 was 36.69 per cent. There have been only two laws passed since the Act of 1864, which have provided for the decrease of the prevailing customs duties, one the law of 1872, and the other the law of 1894. In each of these cases the duties have been lowered by a mere shaving of 5 per cent. to 10 per cent. The average duty upon dutiable imports under the Tariff Act of 1883, for the year ending July 1, 1884, was about 41.61 per cent. The average *ad valorem* rate of duty upon all dutiable imports under the McKinley Bill of 1890 was about 48 per cent. to 50 per cent., while the average *ad valorem* rate of duty upon all dutiable imports actually imported under the Wilson Bill of 1894, for the year ending July 1, 1897, was 42.17 per cent. Now observe that the Protectionists of our country always refer to the Wilson Bill as a Free Trade measure. Their conception of a Free Trade measure is a tariff imposing average duties upon dutiable imports of upwards of 42 per cent. The average *ad valorem* duty upon actual imports under the present Dingley Bill varies from year to year from about 45 per cent. to 50 per cent., while the duties are so high upon hundreds of commodities as to be prohibitory of importation. These high tariffs are the genesis of the four hundred or more combinations in restraint of trade in our country. They furnish a constant temptation to the formation of monopolies, to appropriate the undue profits of excessive rates of duty. The natural result of such duties is to excite increased competition and to force production beyond its normal limit. Then the trust comes in with a good excuse to restrain competition and to hold the price of the domestic protected product up to the duty line.

For over forty years the party in power in the United States has been engaged in selecting favourites and bestowing upon them the special privilege of selling their goods to their countrymen at a price increased by about the amount of the tariff, notwithstanding the fact that during all these years, through the use of machinery, the cost of production has been reduced in many instances to a tenth part of what it was in 1860. In nearly all of our manufactured products we could profitably undersell the rest of the world if we only had free raw materials for our factories. Under this iniquitous system the manufacturer has been allowed to continue the prices of commodities as they existed fifty years ago, and to unjustly rob the consumers to the amount of billions of dollars. The conditions which I have described have become so bad that our politicians dare not take a step back to a healthful condition, lest that step cause such temporary depression as to destroy their political aspirations. The condition is actually so bad that they fear to touch this foul ulcer of the Commonwealth lest it bring upon us a panic, and so when we talk of revising the tariff they throw up their hands and say: "If we open the case for discussion, the whole scheme of Protection will fall to the ground, and therefore we must stand pat."

A few years ago a representative in Congress, Mr. Babcock, of Wisconsin, proposed a law removing the duties upon the importation of goods of like character to those manufactured by our trusts and by them sold abroad for a less sum than at home. Would Congress adopt this reasonable proposition made by a member of the party in power? By no means! United States Senator Gallinger, of New Hampshire, declared that such action "would be a crime against humanity." Congressman Gibson, of Tennessee, said: "By so doing you open a door through which the enemies of Protection may pass and destroy all other industries." Congressman Grover, of Ohio, declared that such an act "would result in business stopping as

quickly as human life will stop when the blood ceases to circulate." While Congressman Stewart, of New Jersey, laid down the proposition that "if anything is permanently fixed in the Republican faith as a cardinal principle beyond the pale of discussion and argument, it is the tariff."

These high rates of customs duties have been maintained during the last twenty or thirty years by direct appeals to the prejudices and passions of the people. In 1892, Major McKinley said: "Let England take care of herself, let France look after her interests, let Germany take care of her own people, but in God's name let Americans look after America." Cecil Rhodes maintained that the British flag was one of his assets in business, and the American flag is the principal asset of the manufacturers of the United States. They have appealed to it for forty years. During that period the Republican party has identified itself with Providence. Its members speak reverently of duty and destiny, of the Stars and Stripes, and a protective tariff. Under such patriotic professions as these eighty-five millions of people are being plundered by a body of as unconscionable politicians as ever pillaged a people.

The alliance between our captains of industry and politicians for private gain is a standing menace to political morality. We have deliberately given to our legislators the power by Congressional enactment of transferring through protective tariffs millions of dollars from the hands of the people to the pockets of a few industrial leaders. By restricting foreign competition these colossal combinations have been permitted to spring up and to become stronger than Congress and the President, and more persistent than any general public opinion. They are growing more and more powerful every day to fight for their advancement. The protected monopoly strikes down the small manufacturer, turns tens of thousands of independent dealers into mere workmen, creates a kind of feudal state with the whole

country dependent upon it, and seeks to add millions to its already acquired millions through tariff Acts, ship subsidies, and other special legislation. Behind every tariff law will be found nothing but private interests, clinging like parasites to the Government, constantly urging their claims, and seeking by discreditable means to interest senators and representatives in the passage of their measures. The Tariff problem in the United States to-day, with its resulting trusts, has proved the most stupendous instrument of corruption which was ever conceived by the ingenuity of man. Place three or four hundred Republicans or Democrats of approved honesty in Congress, continue them there for a few years under the temptation of such an alliance of public power with private business, and a considerable proportion of their number will yield to the temptation to make money out of tariff legislation. Give men control over the subsistence of a people and you give them control over the people. We put in the place of government by George III., the government of the people, and we agreed never to seek to become kings. Yet before our people scarcely appreciated the conditions, there sprung up oil kings, and steel kings, and all kinds of kings, who have subjected the mass of our people to heavier burdens than ever have been inflicted upon a people in our day by King or Tzar.

The approved method of procuring tariff legislation is by contributions on the part of the trusts to the campaign committees of both political parties, in cases where there is doubt as to which party will win. In national campaigns, in State campaigns, and even in municipal contests, almost every protected trust, for the purpose of winning the favour of the politicians, opens its bank balance to one or both of the parties. The Republican manager says to the manufacturer, "Protection has made you rich; Free Trade will make you poor. The Democrats are Free Traders; if they win in the city or in the State, they will be just so much stronger in the nation, and they will

give you Free Trade. If we win, we will continue to give you Protection and special legislation. This is the condition ; come down with your cash." They do come down with their cash, and the control of the tariff question and of other special legislation, touching the welfare of every man, woman, and child in our country, is placed in the hands of political leaders and United States senators who have received this money under the pledge to return to the giver such legislation as he desires.

In 1886 Mr. John Wanamaker, of Philadelphia, at that time proprietor of the largest department store in the United States, and a leader and promoter of Sunday schools and Young Men's Christian Associations, contributed a large sum of money to the National Republican Campaign Committee. He gathered hundreds of thousands, if not millions, of dollars from the rich protected manufacturers of Pennsylvania, and turned it over to United States Senator Mathew Stanley Quay of that State, who was chairman of the National Campaign Committee. When the Wilson Bill was before the United States Senate, Quay, who had received the contributions of the manufacturers through Mr. Wanamaker, voted to increase the duties on refined sugar, and upon his official knowledge that this increase would take place he actually speculated in sugar in Wall Street. When an investigating commission questioned him about such action he admitted the fact and declared that his financial interests in the affair had not in the least degree influenced his course on the floor of the Senate.

Some of the money procured through Mr. Wanamaker was used by William W. Dudley, the treasurer of the Republican Campaign Committee, in bribing voters. Just before election Mr. Dudley wrote a letter of instructions to the campaign workers of his party in the doubtful State of Indiana as follows: "Divide the floaters into blocks of five, and put a trusted man with necessary funds in charge of these fives, and make them responsible that none

get away, and that all vote our ticket." Under such methods Indiana gave its electoral vote to Mr. Harrison, the Republican candidate for the Presidency. This disgraceful incident well illustrates the value to a political party of such contributions. In a national election, in the average doubtful State like Indiana, 40 per cent. of the people in any event will vote the Republican ticket and another 40 per cent. the Democratic ticket; so in such a State the party gets the electoral vote which procures the majority of the remaining 20 per cent. With the money furnished by the manufacturers of Pennsylvania through Mr. Wanamaker, the Republican party in 1888 secured the majority of that 20 per cent. in Indiana.

It is estimated that about \$5,000,000, was contributed by manufacturers and bankers to the Republican party in the Presidential campaign of 1896; and a considerable sum of money undoubtedly was contributed to the Democratic party in the same campaign by the producers of pig silver seeking to increase the price of their product by special legislation. In 1900, and again in 1904, corruption funds amounting to millions of dollars were gathered by the Republican party from the manufacturers and from stockholders in manufacturing corporations.

In the campaign of 1904, President Roosevelt selected as the campaign manager, George B. Cortelyou, the Secretary of the Department of Commerce and Labour in the National Government. The law creating that department of the Government conferred upon its head extensive powers of investigation into the affairs of every manufacturing company engaged in interstate commerce in the United States. Because of his official position, Mr. Cortelyou had procured wide information as to the secrets of the great manufacturing combinations. Surely no man in the country was better fitted to procure campaign contributions from the monopolists than Mr. Cortelyou, the inquisitor of their usiness. Mr. Cortelyou has been for some time the Secretary

of the Treasury of the United States in President Roosevelt's Cabinet. In the autumn of last year, in the midst of the financial panic, he deposited large amounts of Government money with New York City national banks. The men connected with these banks and with Wall Street are also largely interested in industrial undertakings and industrial stocks. So wisely did Mr. Cortelyou parcel out the moneys of the Government with the banks that in return therefor he was promised the aid of Wall Street for the Presidency. When the matter came to the attention of the President he promptly destroyed this presidential boom of his secretary. The support of the men who had pledged themselves to Mr. Cortelyou was transferred, it is said, to Mr. Taft. Few candidates for the Presidency for twenty years have been successful in nomination or election without the aid of Wall Street and the industrial interests which it represents.

The directors of the great insurance companies in New York are nearly all, either directly or indirectly, connected in interest with our great manufacturing monopolies. They have not hesitated to betray the interests of the widows and orphans, whose funds it is their solemn duty to protect, by giving large sums of trust money to Republican campaign managers in return for tariff favours and other special legislation. In September, 1904, George W. Perkins, the first vice-president of the New York Life Insurance Company, through his firm, J. P. Morgan & Co., paid upwards of \$48,000 to the National Republican Campaign, to be used for the purpose of securing the election of President Roosevelt. This insurance company had made similar contributions to the National Republican Campaign Committee in the Presidential campaigns of 1896 and 1900. After Mr. Cortelyou had used his official information for the purpose of accelerating the payments of money from manufacturers, as before described, he was appointed by President Roosevelt to the position of Postmaster-General, and in return for the favour of Mr. Perkins, Mr. Cortelyou

as Postmaster-General awarded to the International Steamship Company, in which Mr. Perkins' firm, J. P. Morgan & Co., was largely interested, the contract for carrying the trans-Atlantic mails.

Both the Equitable Life Assurance Society and the Mutual Life Insurance Company for many years have been making contributions from the funds of their insured to the National Republican Campaign Committee and to the State Republican Campaign Committees. In 1904, the Equitable made its contribution of \$25,000 through Henry C. Frick, a director of the United States Steel Corporation, and also a director of the Equitable, and then hid the entry of the gift in a fictitious account where it could not be easily discovered. In the same year the Mutual secretly gave \$40,000 to the National Committee, also through one of its directors.

In the same campaign of 1904, President Roosevelt summoned Mr. E. H. Harriman, who is largely interested in the railway and manufacturing interests of our country, to Washington, and disclosed to him the need of additional money by the Republican National Campaign Committee, for use in the State of New York, and Mr. Harriman, at the President's request, returned to New York and raised the sum of \$260,000. This entire sum, together with other large sums, was used in that year, to a great extent for corrupt purposes with the voters of the State of New York. The evil practice of buying votes has been growing rapidly in recent years in many of the interior counties of the State of New York. In some counties it is declared by the political leaders that about one-half of the voters must be paid money even in Presidential elections to keep them in line.

Thousands of contributions from manufacturers are made to the National Campaign Committee of the Republican party in each national campaign. In the last Congress, a Bill was introduced requiring the chairman of the National

Campaign Committees to disclose to the public the names of the contributors to their funds and the several amounts given, and to make this disclosure before the election so that the people might know to what extent money was being used in the campaign, but this measure was defeated. Again, in the recent National Convention of the Republican party at Chicago, a proposed plank in the platform favouring such a law was voted down by a vote of 880 to 94. The same convention nominated James S. Sherman, a member of the House of Representatives for many years from the State of New York, for the office of Vice-President of the United States. For many years Mr. Sherman has been the chairman of the Republican Congressional Committee, and as chairman was the collector of the campaign tribute of manufacturers to Congressional elections. While in the House of Representatives he has for many years been a member of the Committee on Rules. This committee is omnipotent in the control of legislation, being able to prevent the passage of any measure in the House. Occupying this position of power, he was able to ward off legislation unfavourable to contributors of campaign funds, and now he has been rewarded with a nomination to the second office in honour which can be conferred upon a citizen of our country.

The English House of Commons, in the reign of Charles I., by resolution, prohibited persons who were owners of interests in monopolies from sitting in the House, and the law made it the duty of each member, if he knew of a fellow-member who belonged to a monopoly, to publicly name him in the House so that he might be expelled. Such a provision in the Senate of the United States would be much to the public interest. A large proportion of the members of that body during the last twenty years have been men who have amassed fortunes in trade, commerce, or manufacture, and who in many cases have procured their seats in the Senate through the use of large sums of money with State legislatures. A great majority of these senators are closely

allied with the iron, coal, lumber, and other interests, to which the tariff affords protection. These men actually sit in the United States Senate and vote for tariff bills which allow them personally to mulct the whole American people. For many years the marble quarries of Vermont were the main sources of supply of marble in our country, and during those years a United States senator, owning those quarries, sat in the United States Senate and voted for a high tariff on the product of his quarries.

The greatest supplies of borax in the world are found in Nevada and California. Prior to 1897, the duty on borax was two cents a pound. The Pacific Borax and Redwood Chemical Works owned these deposits. The company could produce borax and sell it in any part of the world at a profit; yet in 1897, through Senator Stewart, of the State of Nevada, and Senators Perkins and White, of California, they procured an increase of this duty to five cents per pound. A rumour went around the Senate that this company was about to sell its interests to an English company. This rumour probably would have caused a reconsideration of the vote on the borax duty. To avert that danger Senator Stewart arose and said that he understood that "there has been an attempt to make this sale in England in good faith, but I think the whole matter fell through. It was one of the bombastic prospectuses that the English put out. It must be an exaggeration." The English company in some manner did take over the Pacific Borax and Redwood Chemical Works, and borax has been selling for some years in our country for $7\frac{1}{4}$ cents per pound, and in London at about 3 cents per pound.

The passage of the Wilson Bill in 1894 was the occasion of many scandals connected with the increase of the duty on refined sugar. It was charged that United States senators, knowing that the duty would be advanced, purchased sugar stock heavily, and when the increase was made known the price of the stock went up, securing to them large

profits. A committee of the Senate was appointed to investigate the matter, and Henry O. Havemeyer, president of the American Sugar Refining Company, was summoned before the committee and explained to the committee the use by his company of money to control State legislatures and elect United States senators. He testified as follows :—

Senator ALLEN : Therefore you feel at liberty to contribute to both parties ?

Mr. HAVEMEYER : It depends. In the State of New York where the Democratic majority is between forty and fifty thousand, we throw it their way. In the State of Massachusetts, where the Republican party is not doubtful, they probably have the call.

Senator ALLEN : In the State of Massachusetts do you contribute anything ?

Mr. HAVEMEYER : Very likely.

Senator ALLEN : What is your best recollection as to contributions made by your company in the State of Massachusetts ?

Mr. HAVEMEYER : I could not name the amount.

Senator ALLEN : However, in the State of New York you contribute to the Democratic party, and in the Commonwealth of Massachusetts you contribute to the Republican party ?

Mr. HAVEMEYER : It is my impression that wherever there is a dominant party, wherever the majority is very large, that is the party which gets the contribution, because that is the party which controls the local matters.

Mr. Havemeyer added that in his opinion “ every corporation and firm, or trust, or whatever you may call it; is in the habit of furnishing money for campaign disbursements.”

As early as 1876, James Russell Lowell spoke of the United States Senate as “ that secret and irresponsible

club" which governed the country "for their own benefit." The late Henry Loomis Nelson, Professor of Political Economy in Williams College, Massachusetts, in January, 1900, wrote as follows:—"Since 1875 Congress has not legislated on the tariff, it has simply affirmed or ratified the decrees of the beneficiaries of the tariff. Its people have transformed the Government into a socialism in which they are not merely the favoured class, they constitute the only class."

The form which corruption now takes is entirely different from that existing at the time of which Mr. Lowell wrote. In those days undoubtedly there was buying and selling of votes. The wealthy senator or influential member of the House to-day rarely receives money bribes. Most of them would resent such an offer as an insult. Before such a man became a member of the Senate or the House, he probably represented large business interests, if he was not the actual owner of such interests. He knew who furnished the sinews of war for political campaigns, and he knew exactly what returns were made therefor. He was sent to Congress, not to care for the interests of the eighty-five millions of consumers of the country, but as the special representative of the new and powerful forces of monopoly which dominate American life. These business senators and Congressmen are not devoted to any political principles, but simply to the furtherance of the monopolies and financial interests which they represent. Political favours, franchises, freedom to give or procure rebates, freedom of the business which they represent from legal interference and control, is what they are after. The greater part of their work is secret, silent, underground manipulation for the accomplishment of the success of business endeavours. These noble senators submit tamely to the commands of their masters. On February 6, 1903, Mr. John D. Rockefeller, Junr., of Standard Oil fame, sent to each of six United States senators a telegram of which the following is a copy:—

“We are opposed to any anti-trust legislation. Our council will see you. It must be stopped.” These great senators expressed no indignation at the commands of this young man, but complacently obeyed them.

Our protective policy, although unwise, was undoubtedly honestly commenced and continued by Congress for the first seventy years of our national life. Now it has become not protection but plunder. It has resulted in a close alliance between corrupt politicians and manufacturers to procure favourable legislation by any means. They who make the tariffs in the United States actually fix the price for every piece of material which goes into the building of every house, and they fix the price of every shred of clothing worn by each of its eighty-five millions of people. They determine what shall be the profits and the trade opportunities of about 262,000 manufacturing establishments. These protected interests have grown strong enough to practically dictate the Presidential candidate and carry the national elections. We have permitted a force outside of Government to be created that is powerful enough to control Government in spite of the people. The men in control of the trusts have come to regard themselves as privileged persons above and beyond restraint from any source. This confidence comes from the fact that they alone know how thoroughly a few men, holding no public office, actually direct every department of the Government. This force, outside of Government, yet still commanding Government, is becoming in the United States so powerful and so corrupt that it aims to control the editor in his sanctum, the professor in his lecture-room, and the judges in the seats of justice; independence recoils from its power, and free thought and free speech are absolutely endangered by its existence.

In no way have the protective tariff and favoured interests in the State affected political morality so profoundly as by gradually causing a change in the habits of the people

and in their attitude toward Government. A hundred years ago our people asked no favours from Government, but only a fair, square deal, each man confident of his ability to win by his own brain and his own hand. To-day, under the paternal rule of Protection, everybody is looking to the President and Congress for relief from evils. In the early and middle course of the last century we witnessed a glorious young enthusiasm for the freedom and independence of the individual man, justly ascribing to that independence and liberty the sure foundation of free government. Then it was principles not men. In those days leaders of political parties had convictions about the origin and the province of Government, over which they fought each other vigorously. I well remember as a boy accompanying my father on business matters through central New York on many occasions. In that way I obtained an intimate knowledge of its farming communities. I well remember how in every hamlet and at every cross-road men whittled their sticks and discussed public questions. All this is changed now. The personality of wealthy men or of political candidates is the main theme of their discussion. The newspapers in glaring headlines daily tell the people of the life of the trust magnate and these country people read it with delight. They talk to each other about the daily and hourly income of Mr. Rockefeller or Mr. Carnegie and they really seem to be proud of these abnormal growths of American life. In society the discussion of public questions is tabooed as though personal criticism on subjects of public importance is a matter to be deprecated. Just in proportion as organised wealth has seized upon the Government for its own selfish purposes; so has individual character and independence fallen from its former noble estate.

Like results from the same causes are appearing among our industrial leaders. They are looking now not so much to the improvement of their productive processes as to profits gained through protective tariffs, combinations, and

monopolies. They are seeking unearned gains. They regard reliance upon improvement in their business methods as somewhat old-fashioned, and take to the shorter cut of restriction of production and increased price through combination. This evil example is bringing about a like condition among the people. The average man is also looking for some speculative or unearned gain, for some lucky turn of the market in his favour, for some quick means of accumulation without the burden of work.

The Trust, closing the door of opportunity to millions in recent years, has impaired the habit of initiative in the common man, and shaken his virtues of thrift and perseverance. The people see the profits of Protection going altogether to a few thousand select persons, and, naturally, become discontented. They see the wealth of the manufacturer increasing by millions ; they appreciate that, with the present high prices of the necessaries of life, even by unending industry they can only take to themselves sufficient to keep body and soul together. Hence their belief in honesty and industry is dying out. The people reason that virtue, so far as they can see, receives little or no reward. They cannot help but observe that there is a general contempt for men who do not succeed, and so, little by little, they come to look upon rectitude as a kind of weakness.

The virtue of democracy is not alone to make government good, but to make men strong by intensifying their individual responsibility. The citizens who are content to rely upon a paternal government never rise through one emancipation after another into a higher liberty. Social evolution progresses actually with the importance of the citizen above the State, and deteriorates exactly in the proportion of the importance of the State over the citizen. While the business of the country was conducted by persons or firms, the skilled employee held close and sympathetic relations with his employer ; he was something more than a mere machine ; he felt the stimulus of ambition which goes

with equality of opportunity. But the tariff-made trust has displaced thousands of independent owners of business by its huge and oppressive machinery ; it has waged an indiscriminate warfare of suppression on all small industries until nearly the whole power of production has been taken over by about five hundred of these vast monopolies.

The tariff and the trust in the United States have been steadily leading the people towards Socialism. Prosperity, we are taught, is the sole result of the tariff. We have come to believe that all affairs may properly be controlled by law. Young men, in fact all classes of men, placing less confidence than of old in industry and economy, turn their eyes to legislation as the source of wealth, and therefrom springs the feverish, speculative, unscrupulous spirit of the day which is sapping and destroying our fine young American manhood. The faces of all men in my country are turned to the legislature to regulate labour, grant pensions, stimulate industry, and bring about public good. Laws are volleyed forth like shot from a gatling gun in every legislature in the country to protect special interests and make the people rich and happy. Government, in the eyes of the greater part of our people, is simply a sort of mysterious power possessed of an inexhaustible fund of wealth, able to do all manner of things for the benefit of the people, and the demagogues thrive upon this false theory of government.

In the Fifty-seventh Congress the House passed 3,430 Bills and Resolutions. During the second session of the Fifty-eighth Congress there were reported, with approval, by the various committees of the House of Representatives, 4,904 measures, and 3,992 of these measures were passed by both Houses, 2,160 of them being private not public laws. Between the first Monday of December, 1905, and February, 1906, 15,000 Bills and Resolutions, covering every conceivable subject of legislation, were introduced in the House of Representatives and referred to the appropriate committees.

On January 11, 1907, the House of Representatives had 700 private pension Bills on its day calendar, and 628 of these were passed in one hour and thirty-five minutes. On a single day in January, 1905, 459 private Bills were passed in the House of Representatives in eighteen minutes. In 1899 the River and Harbour Bill, carrying appropriations amounting to thirty million dollars, was passed in the House of Representatives after a debate of ninety minutes.

So hasty and careless are the methods of legislation that the Dingley Tariff Bill, which filled 163 printed pages and imposed duties upon more than four thousand separate articles of import, introduced at the opening of the session in the House of March 15, 1897, was passed within less than two weeks and transmitted to the Senate, only twenty-two pages of it having been considered and discussed upon the floor of the House. This rapidity of action resulted in the omission from the tariff of the sections relating to the tobacco rebates, and President McKinley actually signed a different Bill from the one passed by Congress. The schedules of this tariff are so indefinite that under it 300,000 cases have been brought before the Boards of Appraisers for classification. As an example, the frog industry of Canada was overlooked, and to repair the omission the appraisers held that frogs were poultry, and that a duty must be paid on their importation. On December 14, 1907, thirteen days after the opening of Congress, despatches from Washington told us that one hundred and twenty-three of the proposed Bills thus far introduced at that session were already laws, of the existence of which apparently their proposers were ignorant.

We make laws in our state legislatures by the thousands to be laughed at. About twenty five thousand pages of statutes are passed by the different legislatures each year. Many of these Acts are restrictive and sumptuary laws. The popular remedy for bad morals, social sins, and all kinds of human dereliction, is an act of the legislature

During the five years from 1899 to 1904, 45,552 Acts were passed by the state legislatures. Of these enactments, 16,320 were public or general laws, while the remainder were special or local.

Subsidies to sugar growers, subsidies to the owners of ships, subsidies to silver mine owners, tariffs for thousands of manufacturers, freedom from taxation to manufacturing industries in many of the States—these have been the order of the day in our country for the last forty years, until all classes have come to look upon the government as the bountiful supporter and protector of business interests. Our ordinary Protectionist is little short of a Socialist, for he looks to the State to regulate industry, wages, and trade. If times are bad, both Protectionist and Socialist call upon the legislature to cure the evil.

Our protective tariffs and special legislation have made an artificial foundation for the business of our country, and this has been a prolific source of panics. Fluctuating conditions of business always exist where the basis of business is artificial, and the protective tariff, obstructing international trade and making the price of commodities depend not upon commerce but upon legislation, accounts for the unstable condition of our business and the recent panic. The foundation of business ever fluctuating has already affected and in the future will affect still more the stability of character in our people. This uncertain condition of business has appeared in the excessive interest rate, running to 30, 60 and 70 per cent. at times. The prices of pig iron have been just about as uncertain as interest on money.

But even these are not the worst evils of Protection and the paternalism resulting therefrom. The greatest curse which it has brought upon the country is its constant teaching that all evils are political in nature, that prosperity is created by statute law, and that all social miseries may be cured by statute. We have been teaching the

people of our country for forty years that a law of Congress is a sovereign specific for every evil, instead of teaching them the truth, that prosperity depends upon the personal character and industry of the people and upon the exercise of individual virtue and vigour. When evil conditions appear these teachings come home to us, and the people wrathfully turn upon the party in power, just as the wine-growers in the South of France turned to their government two years ago for a remedy of their evils. Woe betide the government which cannot satisfy the anger of a people suffering from hunger, and believing that their condition is the result of unwise legislation !

The extravagant expenditure of public money is a most effective means of corrupting the political morality of a people. It robs the common people and it corrupts officials throughout all the ramifications of government. Protective tariffs in our country have caused frequent surpluses in the treasury. The beneficiaries of Protection for selfish reasons have always been the friends of the distribution of public money, and have encouraged schemes of public plunder to remove such surpluses in order to forestall a demand for a decrease of duties. During the war period all revenue and appropriation Bills were referred to the Ways and Means Committee of the House of Representatives, but after the war they were transferred to the Committee on Appropriations. In 1885 the work of this committee was divided among several committees, six only of the fourteen great annual appropriation Bills being retained by the regular Committee on Appropriations. With such divided responsibility and with the growth of the protective policy we entered upon a path of such extravagance as the world had never before seen.

During the years immediately following the Civil War the public debt absorbed the surplus which naturally arose from the high protective tariff. During the four years immediately after the close of the war the internal taxation

was lightened by about \$140,000,000 annually. The public debt was reduced between 1866 and 1880 from \$78.25 to \$37.74 per capita. The whole expenditure for our national government between 1873 and 1878 was only about \$300,000,000 per year.

During the fiscal years 1882 to 1885 the excess of receipts by the United States treasury over expenditures amounted to \$446,000,000. In the four years of Mr. Cleveland's administration, commencing in March, 1885, the surplus was \$422,000,000. At the end of his administration the national treasury was overflowing with money. "A surplus," said one of the politicians of that day, "is easier to handle than a deficit." So the politicians went to work in the administration of Mr. Harrison to get rid of the surplus. They passed the McKinley Bill imposing duties so high as to be prohibitory of many imports, thereby impairing the sources of revenue on the part of the government. They added \$50,000,000 to the ordinary expenditures of government, and diverted \$150,000,000 more to the purchase of high silver, at nearly double its value, to encourage the silver industry. They then passed the Dependent Pensions Bill which President Cleveland had vetoed, and the number of pensioners rose from 350,000 to nearly 550,000, and ten years later to 1,000,000, while the amount of the annual payments grew from \$65,000,000 to \$360,000,000. In a single term of Congress, of two years, these men who thought that a surplus was more easily handled than a deficit, made appropriations for the expenditure of a billion dollars of the people's money. When President Cleveland was inaugurated on March 4, 1893, the treasury of the United States was practically bankrupt. For some months before this the secretary of the treasury under President Harrison had contemplated issuing government bonds to obtain money for the ordinary expenditures of government, and, when March 4 came, a financial crisis was at hand the effect of which lasted for three years.

The Fifty-ninth Congress (the last one before our present Congress) appropriated in the River and Harbour Bill alone \$83,816,138, a sum larger than the total cost of all government in the United States in any single year prior to 1860. The present Congress appropriated for the expenditures of government in the year 1909 \$1,008,000,000, twice the amount of the cost of government in 1897. In 1897 the total expenditures of the war and navy departments of the United States were only \$85,787,101; in 1907 the total amount was \$222,614,309. The percentage of our entire revenue for 1908 expended by the United States on account of preparation for war and the support of our army of 52,000 men and our navy of 42,000 men was 36.5 per cent., while in 1906 that of France, with an army of 550,000 men and a navy of 56,285 men, was only 28 per cent. of the total revenue. With an army of only 52,000 men and a navy of 42,000 men, we are expending in the present year for their support only \$66,473,701.18 less than is England with an army of 204,300 men and a navy of 129,000 men. We are expending for our army and navy only \$35,884,869.03 less than Germany, with an army of 600,000 men, and a navy of 62,000 men. But when the moneys paid for pensions during the last year are included, we are spending on account of the preparation for war and on account of *past wars*, \$84,975,238.75 more than England, \$136,067,838.95 more than Germany, and \$152,857,936.46 more than France.

A spendthrift policy on the part of the government always favours the personal ends of the men who want high Protection. Our people have become so familiar with the extravagant expenditure of moneys by Congress that they now look serenely upon this expenditure of over a billion dollars yearly and seem not to appreciate whither it is leading. Large and wasteful public expenditures in any country lead straight to Socialism. When the Socialist sees the government appropriating hundreds of millions

of dollars for the building of war ships and the marshalling of armies, he can well press his claims for the expenditure of public moneys for socialistic measures.

Such extravagant expenditures of public money as I have described would be absolutely impossible if the revenue of government was raised by direct taxation. Our representatives in Congress would never dare to multiply offices, approve thousands of unmeritorious private claims, enact wasteful river and harbour bills, and squander the public money, if the national expenses had to be defrayed by an overt, irritating tax; dragging the money directly from the citizen's pocket. Bismarck well understood the necessity of indirect taxation for the exercise of arbitrary government. On November 22, 1876, speaking in the Reichstag, he said : " I declare myself as essentially favourable to the raising of all possible revenue by indirect taxes, and I hold direct taxes to be an onerous and awkward makeshift. Indirect taxes whatever may be said against them theoretically, are, in fact, less felt. It is difficult for the individual to calculate how much he pays and how much falls upon his neighbour, but he knows how much income tax he pays." Despotic government is almost impossible where direct taxation prevails. Every revolution in English and American history has come out of determined opposition to an unjust direct tax. Direct taxation is almost necessary to the existence of free government. Vigilance on the part of the people in watching the affairs of government is practically impossible without such taxation. Take the people's money from them without their knowing it, and by and by you can take their liberties.

Humbug is necessary to maintain the tariff and fool the people, and humbug is political immorality. " In all tariff legislation," says the National Republican Platform recently adopted at Chicago, " the true principle of Protection is best maintained by the imposition of such duties as will equal the difference between the cost of production at home

and abroad.” Before the war the slave owners of the South contended that slavery was for the protection of the slave. So now the United States Steel Corporation, the sugar trust, the meat trust, and the hundreds of other monopolies that are plundering our labouring men through the increased cost of living are so interested in them that for their protection alone they sustain the beneficent tariff which protects labour, and actually give millions to campaign committees that voters may be bought, that a lobby may be maintained, that Congressmen may be interested, that the right men be made judges, that newspapers may be subsidised—and all this they do to keep the labouring people from falling into pauperism! Nor is their generosity exhausted by these expenditures, for out of the hundreds of millions which they have accumulated through Protection, in atonement for their wrongs, they indiscriminately scatter millions in charity for the support of the poor. In every market in our country to-day the wives of working-men, gripping in their hands the price of their husband’s labour, are paying to the great trusts for the necessaries of life at least sixty per cent. more than they paid even ten years ago. Our labouring man does not need charity, but he does need justice. “Yes,” said Tolstoi, “we will do almost anything for the poor man—anything but get off his back.”

If Congress should attempt directly to fix the prices at which our domestic manufacturers could sell their products, the United States Supreme Court would declare the act unconstitutional. Yet Congress indirectly, by means of its taxing power and its right to regulate foreign commerce, has maintained statutes for fifty years permitting the domestic manufacturer to enhance the price of the necessaries of life to every man and woman in our land. This despotic power exercised by government, more than anything else, has tended by example to bring about arbitrary government. We allow the trusts to finance our political campaigns, and then permit their existence and abuses to become

an excuse on the part of our President and his party for the exercise of arbitrary government to suppress them. The source of the trust could be easily destroyed by removing the tariff, but that would stop contributions to campaign disbursements, so our politicians continue the tariff, and then as a remedy prescribe penal statutes, interstate-commerce commissions, administrative tribunals, and other similar measures. Because such action is apparently directed against the monopolies the people approve it, and arbitrary government has gone forward in recent years by leaps and bounds.

We are even told by our President that the power of the Federal Government—a power delegated by the people and which can be changed legally only through a constitutional amendment by the people—may be increased when deemed necessary “through executive action and through judicial interpretation and construction” of the constitution. Never before in human history, I believe, has the head of a constitutional government, who had sworn to protect, preserve and defend its written fundamental provisions, openly advised their subversion through “executive action and through judicial interpretation.”

A National Interstate Commerce Board, consisting of seven members appointed by the President, has power to regulate the passenger and freight rates to be charged on 220,000 miles of railway. This board has been given the dangerous power of permitting railways to create pools when those pools are believed by them to be reasonable and to discriminate in interstate commerce between the products of good and bad trusts. Under the guise of regulating interstate commerce many matters heretofore controlled under the police power of the States, such as lotteries and the quality of food, drugs, or of teas, permitted to be imported have been taken over by the National Government. In short, our National Government formed with only a few delegated powers, is going back to the ancient view of the

functions of government, and through the interstate-commerce power is establishing a federal police power which follows the footsteps of every citizen by licences and commissions into every avenue of life, practically supplanting the police powers reserved by the constitution to the several States.

Americans look with aversion on the Russian bureaucracy, but they fail to observe that in recent years they are drifting toward just such absolute government at home. We are a republic in the occident ruled largely by commissions, and they an empire in the orient ruled by military power. From year to year we have been adopting precisely the same methods of bureaucratic government that have long existed in Russia and Prussia. Let me give you a few examples. The President of the United States during the last seven years has persistently sought to control the legislation of the United States Senate, and to some extent that of the House of Representatives. Many measures during that period have been enacted under the spur of executive pressure which otherwise would have stood no chance of passage. People desiring legislation are in the habit of applying to the President instead of the members of Congress, well knowing his great power in influencing legislation. No fight in Congress is thoroughly equipped unless the President is in it. The American people have come to look upon the President as the real power behind legislation and government. In 1783, when Fox brought in his Bill for organising the government of India, a great outcry against the Bill arose. George III., seeing the people aroused against the Fox ministry, asked Lord Temple to let the members of the House of Lords know that any peer who voted in favour of the Bill would be regarded as an enemy of the King. Four days later the House of Commons, by a vote of 153 to 80, resolved that: "To report any opinion, or pretended opinion, of His Majesty upon any Bill or other proceeding pending in either House of Parliament, with a

view to influencing the votes of the members is a high crime and misdemeanour, derogatory to the honour of the Crown, a breach of the fundamental principles of Parliament, and subversive to the constitution of this country." The strange thing about the whole matter is that our people see no danger in such usurpation of power by the President, and actually applaud him for his attempts to control the action of the two Houses of Congress.

Leslie M. Shaw, the late Secretary of the Treasury of the United States, in a speech in Chicago on May 22 of the present year said: "A few months ago the largest capitalised corporation on the globe sent its representative to the chief executive of the United States asking permission to take over its principal competitor. It is concurrently reported that permission was granted, and so far as I know the American people approve." Mr. Shaw referred to a well-known fact in our country. The Trust Company of America in the financial panic of last autumn, while facing a run of its depositors, applied to J. Pierpont Morgan, of the United States Steel Corporation, for assistance. At that time this Trust Company was the owner of a controlling interest in the Tennessee Coal and Iron Company, about the only large competitor in America of the United States Steel Corporation. Mr. Morgan made it a condition of extending aid to the Trust Company that it should sell its interest in the Tennessee Coal and Iron Company to the United States Steel Corporation. This combination was in direct violation of the Sherman Anti-Trust Law. The United States Steel Corporation therefore applied to the President, and he gave his permission that the combination be made—the exercise of a power which no other chief executive in the world outside of Russia would dare to assume. If the exercise of arbitrary power on the part of the President continues at its present rate he will soon dissolve Congress and raise revenue without the authority of law, as was attempted in Chili a few years ago.

But usurpation of power is not confined to the President ; it is apparent in all the branches of Government, and especially in the growth of the power of administrative tribunals. In every State in the Union we have from twenty to fifty commissions dividing up the power of the executive and exercising it without responsibility and with little or no check. The people of England are justly proud of the fact that their legal rights to life, liberty, and property must ever be determined in common law courts, and that administrative tribunals have little power in their jurisprudence. But in the United States both Federal and State Commissions exercise considerable power over the property and liberty of the citizen, and generally with no redress in the courts.

Let me give you one startling instance of the exercise of such arbitrary power. A Chinaman by the name of Ju Toy, in the year 1903, was a passenger on the steamship *Dorick*, returning from China to San Francisco. The immigration officers of San Francisco detained him as a person not allowed to enter our country under our laws. Ju Toy declared that he had been a citizen of the United States for many years and that the Commission had no right to deport him to China. Now observe the kind of hearing he had. The rules of the Immigration Bureau require its officers to prevent communication between a Chinese immigrant and anyone except the immigration officers. They conduct a private examination to determine whether he has the right to land, the head of the Commission designating the only witnesses who may be present upon the examination. After such a hearing without counsel Ju Toy was held by the Commissioner of Immigration as not entitled to admission. He took an appeal from this decision to the Secretary of the Treasury of the United States, and the decision was affirmed. Then Ju Toy procured a writ of habeas corpus from a Federal District Judge alleging that he was a citizen of the United States, that he had gone to China on a visit, and the other facts connected with his detention. The

District Judge granted the writ of habeas corpus, and upon the return thereof the Court refused to dismiss the writ, but appointed a referee to take the testimony. Thereafter the referee reported that Ju Toy was a citizen of the United States, and this decision was confirmed by the Court. Upon appeal to the Supreme Court of the United States it was held by a majority of that Court that the decision of the administrative tribunals, the Commissioner of Immigration, and the Secretary of the Treasury was conclusive upon Ju Toy, that a mistake in their decision could not be remedied in the Courts, and that Ju Toy, although a citizen of the United States, must be returned to China.

I need hardly tell you that the conditions which I have been describing have produced an era of materialism and commercialism in our country that is rapidly destroying our long cherished ideals. The fiduciary relation between the trustees of our great corporate institutions and their stockholders and policyholders has been greatly impaired. The example of Congressmen who have worked to continue protective tariffs for the benefit of manufacturers in violation of their trust to the people has been a shining example for the trustees of financial institutions to betray their *cestuis quis trust*. The Standard Oil Company attained its control of the oil business by corrupting directors and trustees of railway companies through gifts of its stock, thus procuring such rebates as destroyed their competitors. In 1873 Mr. S. C. T. Dodd, afterwards for many years the attorney of the Standard Oil Company, said of it in the Constitutional Convention of Pennsylvania: "I am told that discriminations are now made to so great an extent as to be ruinous to certain companies unless the railroad companies' officers are given a bonus. . . . It is said that whenever a new pipe line is built it is necessary that somebody connected with the particular railroad company shall be presented with stock in the pipe line, otherwise it (the railroad company) will not furnish cars without tedious and unnecessary delay."

Contracts were made between the Standard Oil Company and the Erie, the Pennsylvania, and the New York Central Railroads that the freight rates for oil carried by other companies should be doubled, that the increased rate collected should be turned over to the Standard, that charges in freight tariffs necessary to crush out its competitors should be made, and that even the railroads, through their servants, should give information to the Standard of all the business details of its rivals. Mr. Andrew Carnegie secured as stockholders, for one or the other of his early companies, the Keystone Bridge Company and the Edgar Thompson Company, Limited; the wife of the President of the Pennsylvania Railroad Company; Mr. Thomas H. Scott, its vice-president; Mr. John Scott a director of the Allegheny Valley Railroad Company, and President Garrett, of the Baltimore and Ohio Railroad Company. In return the officers of these companies permitted to Mr. Carnegie's companies rebates. These rebates, together with the protective tariff, enabled the Edgar Thompson Company, in 1880, to declare a profit in that year of \$1,625,000, which was more than its entire capital.

Another instance of the disregard of the fiduciary relation is shown by the recent action of the Board of Directors of the United States Steel Corporation. Ten millions of dollars were appropriated for the payment of their last dividend of 2 per cent. to the holders of the common stock, and \$4,000,000 were given to President Corey to be divided between himself and his subordinates as bonuses. No power in the board of directors appears to exist authorising the payment of these bonuses, yet \$500,000,000 of common stock received \$10,000,000 in dividends, while President Corey and a few of his subordinates received \$4,000,000.

The fierce commercial spirit which prevails is atrophying the minds, the consciences, and the imaginations of our people. The spirit of poetry, the beauties of mythology, and the delights of art are all sent to the rear by this trium-

phant force. The quest of the Argonauts under the benign influence of our protective tariff would be nothing but a wool-gathering, and Jason could not bring his golden fleece into the country except by a payment of 50 per cent. duty. No more striking instance of the force of materialism can be seen than in the recent action of the Secretary of War with reference to Niagara Falls. The Burton Law, passed by the Fifty-ninth Congress, empowered the Secretary to pass on the question of permits to manufacturing plants for the use of a portion of the water for electrical power. Every civic association of importance in the State of New York, and some national associations of like character vigorously opposed the granting of the permits. It is said that the little tailor, gazing in wonder upon Niagara, exclaimed : " Ye gods ! What a place to sponge a coat." The great Secretary of War, also, like the little tailor, looked upon Niagara and said : " Ye gods ! What a storehouse of electrical energy ! " ; and he granted the permit, and the waters of sublime Niagara have been made to put their shoulders to the wheel to show the world that they can labour as well as roar.

The trust magnates own the mines and minerals ; they own a considerable part of the remaining forest lands ; they control the great railway systems ; they control the majority of manufactories, and hold the franchises of the cities. Through these acquisitions they have become the rulers of our Republic without holding any office whatever. But the people are slow to see the danger of such vast and irresponsible power exercised by a few men, because they plot in secret and mine and countermine our public life. Eventually, if they are not stopped, they will reduce the American people to servitude. Our smaller manufacturers are beginning to realise what this means. Their delegates are present with you. They are coming to understand that they receive little benefits from a protective tariff, and that the great combinations which sell them their raw

materials are the only recipients of its benefits. Sixty-two per cent. of all importations into our country to-day is for use in our manufactures, and more than one-third of this 62 per cent. is subject to duty. A large proportion of our manufacturers will, by and by, appreciate this truth, and when they do appreciate it their financial interests will make them a fighting force against Protection.

The difficulty in making a successful contest against the abuses of Protection is found in the fact that we have no real party of opposition. The Democratic party, as a whole, has never in our day been deadly in earnest in its fight against the tariff. Mr. Bryan, the candidate of the Democratic party for the Presidency, while taking little interest in the tariff is an advocate of the thorough enforcement of the Sherman Anti-Trust Act against unlawful combinations engaged in inter-State trade. The prosecution of trusts under that statute has proved altogether ineffectual. The protective tariff is the efficient cause of the trust, and the wisdom of those who would suppress the trust by the enforcement of a penal law, instead of removing the cause, is much like the wisdom of the farmers in our country forty years ago who put lightning rods upon their houses and barns to draw thither the lightning with the hope of safely conducting it to the earth.

But we have had a Democratic President who had the courage to declare his conviction as to the cruel injustice to consumers of our protective tariff. President Cleveland, in December, 1887, devoted his entire message to Congress to the single subject of tariff revision. His friends begged him not to take the step. They gave him their opinion that the result of the message would be the loss of a re-nomination and election in the following year. But Cleveland courageously said: "It is more important to the country that this message be delivered to Congress and the people than that I should be elected President." He lost the election in 1888, but he was re-elected in 1892, and upon

his retirement became the first citizen of the United States, and when he died recently he left a name for intelligence, courage, and sturdy honesty that will live for ever.

The right of commercial intercourse between nations derives its force from the laws of nature. Gathered from all parts of the world, let us hope for the approach of the day when Government will cease to obstruct the action of these natural laws, when armies and navies will be dispersed, and peace will for ever reign among the children of men. It probably will not come in our day ; it may not come in a century, but still let us hope and work that it may eventually come. Cato, soliloquising upon the immortality of the soul, is said to have declared that if his belief in immortality was an error it was an error that he loved. So we may well say that if our hope is long deferred, if indeed it involves some error, it is still an error which we love, and which we trust will in time wrap the world in its seraphic form.

Mr. DAVID STARR JORDAN, President of Stanford University, California, U.S.A., submitted the following paper :—

EVERY argument for and against the tariff has been stated a thousand times. There is nothing new to be said. But at the bottom of every argument remains the necessary recognition of its primal iniquity. The fundamental idea in American polity is that of a square deal to all men, each standing on his own feet, with exclusive privileges or governmental aid to no man, and to no class of men. Inequality before the law, entail, primogeniture, Church control of State, State control of Church, class consciousness and class legislation were evils which our fathers could not tolerate. They chose the hardships of Plymouth Rock, and later the hazards of war, rather than to put up with any of them. If there is one American idea or ideal to be segregated from the rest it is this of equality before the law. And it is this

ideal which is violated absolutely and continuously in the theory and in the practice of the protective tariff.

The protective tariff is a device for enhancing the home price of the articles it covers by a tax on commerce, by forcing the body of citizens to pay tribute to producers at home. These producers may be capitalists or directors of industry, or they may be the labourers who contribute effort only without responsibility for the way in which effort may be applied. It matters not whether capitalists or labourers, either or both, actually profit at your expense or mine. The law intends that they should do so. It is a breach of the principle of equality before the law that either should thus profit. As a matter of fact, there is little gain to the labourer because continued immigration brings him new competitors, and because he is in his turn one of the general public who suffer from the commerce-tax. As wages are raised so is the cost of living. For the director or employer of labour, the case is on the average not much better, because the cost of his product is enhanced by the tariff taxes on everything which enters into his process of manufacture. In so far as a tariff is successful it is virtually prohibitory. That the evils of prohibitory tariffs are so little felt is due to the fact that our country is a world in itself, with untaxed trade throughout a district comprising nearly half the specialised production area of the globe. Yet within this favoured area it is possible sometimes to corner a product or to monopolise production. To this end the tariff naturally lends itself, though it would be unfair to declare it to be the parent of all trusts. It is enough to recognise that its general purpose is the same—the development through legal means of industrial and economic monopoly, of the enrichment of a class or of a group of classes at the expense of the citizens at large. This is theoretically contrary to American polity. If the principles of our Republic in regard to exclusive privileges are right, then the theory and the practice of the protective

tariff are wrong. That it works through the method of indirect taxation disguises but does not justify its iniquity.

The tariff is defended on the ground of the value to a growing nation of infant industries—of diversified economies. We may not deny that at times there has been a financial gain to the community through taxing the farmer to build up the manufacturer. It is not politically right or just to do this, but if it were, the policy in practice assumes the form of a vested right which becomes in time a vested wrong. Around these vested rights other conditions grow up, and a change of any sort works havoc with related or associated interests. Justice becomes possible only by the perpetration of varied forms of injustice. To touch the tariff in any way sends a shock through the financial world, throughout the body politic. Tariff revision is, therefore, a kind of effort which can be based on no principles. It is a blind rush among various choices of evils. The only way out is to make taxation blind, like other efforts at justice, to make its sole function that of raising revenue.

In another way the theory of the infant industry has proved fallacious. There are in America to-day no infant industries. They have grown faster than the nation has. Our huge industrial combinations overshadow the world. Just as in their alliance they dominate us, so in some degree they have the whip-hand over other nations. If anything American can take care of itself, it is our infant industries. Yet they demand the tariff as a necessity of existence as insistently as ever they did. The lull in the self-assertion just at present is due to the handwriting on the wall, not to any lessening desire to be fed at the public expense.

The actual injury to American prosperity traceable to the tariff may not be enormously great. It has doubtless been exaggerated. It lends itself to exaggeration. It makes us angry when we think of it, and wrath means always a magnifying glass. Its greatest evil lies in the

perversion of our theories of government, the introduction of the idea of class enrichment through legislation.

Doubtless much of the prosperity of the United States is due to the protective tariff—the prosperity of some of us. But in like degree the non-prosperity of some of us, some of the very same persons for that matter, is due to the same national meddling with individual rights. The apparent prosperity of any community could be greatly enhanced by taking property away from half the people to put it into the hands of the others who know better how to use it. Thus behind all discussion of sources and means of prosperity the fact remains that democratic justice, that fundamental equity between man and man, can never be realised in America so long as any trace of the protective tariff remains on our statute books. It is another illustration of the truth that “they enslave their children’s children who make compromise with sin.” This law applies to economic lapses, to time-serving legislation, as well as to moral sins.

M. A. DE VARICK (Holland) spoke eloquently in French of the glory of Great Britain, of its Free Traders, of Richard Cobden, and of the great principles which were associated with Free Trade doctrines, and of all the benefits that will result when Free Trade triumphs throughout the world. He claimed for his own country, Holland, that she was the centre of the great resistance of freedom against tyranny in Europe; and that her struggle for Free Trade was one of not the least brilliant chapters in the history of European freedom.

Mr. LOUIS R. EHRLICH (U.S.A.): It will hardly be questioned that the world to-day is suffering from serious and far-reaching business depression. In the United States the bolt came as from a clear sky. Our seeming prosperity had been so great that our railroad systems could not furnish cars sufficient to transport the freight. Our factories had difficulty in keeping pace with their orders, and, despite the

incoming of millions of immigrants, the labour demand exceeded the supply. To-day over 300,000 freight cars are lying idle on the tracks, some of our factories have closed, many are running on part time, and, notwithstanding the return to Europe of hundreds of thousands of labourers, every city in our country is struggling to bring adequate charitable relief to its unemployed labour.

Now, what is the cause of this sudden and most extraordinary change? Various explanations have been offered. It has been said that our currency system was too inelastic to adjust itself to great business demands. It has been stated that the attacks on public corporations, the reckless legislative interference with what is essentially private property, the drastic fixing of railway rates, &c., have undermined confidence and compelled contraction. It has been argued that we were suffering from the incubus of an over-strenuous President. Granting that all of these causes may have had some contributory effect, we must perforce recognise that the phenomenon to be explained is not a national but an international one, and that, instead of a local industrial disturbance, we are facing a world panic.

About a year and a half ago some keen observers of the financial skies began to prophesy that an economic storm was brewing. They pointed out the remarkable advance in the prices of commodities, the unparalleled issues of bonds and stocks, the steady rise in the rate of interest; and they maintained—please mark this—that the necessary limitation of industry by the amount of the world's disposable capital would inevitably lead to industrial contraction. Now, were we to accept this as the cause of our panic, would it not argue a sad and perverse condition in the economy of Nature? It surely cannot be that the very energy of the business and of the manufacturing world necessitates industrial disaster! Must not the cause be sought in another direction? Is there not possibly some artificial obstruction to the natural conditions of trade? Seemingly there has been over-production. What, then,

destroyed the natural relation between production and consumption? And how comes it that the unparalleled burst of energy and of industry of the last ten years, instead of supplying the race with lower-priced commodities, should, strangely enough, have led to a great price-advance, an advance far exceeding in percentage any contemporaneous increase in the rate of wages?

Now, under normal conditions, in a period of inventive and productive energies we should have reason to anticipate the following developments: reduction of commodity prices, consequent broadening of the market and increased demand, consequent increase in the demand for labour, consequent rise of wages, which, coincident with falling prices, would again intensify the demand for commodities and tend to establish the natural equation between production and consumption.

Evidently something has interfered and is interfering with this natural economic circle. What is it? Now, as a hint towards the true solution of the problem, let me point out that in this economic crisis that country where trade is freest—England—has suffered the least; and those two countries whose manufacturers are most completely sheltered by high tariff walls—the United States and Germany—have suffered most. The truth is—and this brings into view the cause of our present panic—that the world is doing business on a false foundation. With few exceptions, the nations, by conferring on their manufacturers the privilege of exacting a bounty from their fellow citizens, are contributing to artificial price advances; coincidentally they are subtracting from the natural labour demand by diminishing the buying power which is represented by the incoming of foreign goods.

This protective policy, therefore, develops two tendencies—the tendency to over-production caused by excessive profits, and the tendency to under-consumption caused by excessive prices and restricted labour demand. These two tendencies grow in intensity, gradually pro-

ducing a larger and larger disproportion between production and consumption until some slight financial disturbance precipitates the inevitable crash.

Protection is necessarily a breeder of panics and of industrial discord. There is no condition of human society in which its influences would not be dangerous; but in our present complex economic development, with the closer proximity into which the nations have been brought, and with the increasing interplay of business relations, the principle of Protection must be recognised as the greatest foe to human civilisation.

What is the cure? In various nations, especially in those in which Protection has been most favoured, there is a growing pressure for so-called Tariff Reform, that is, for a reduction in tariff duties. They do not appear to realise that you cannot reform an inherent wrong. Slavery could not be reformed. You cannot reform theft, even if it be sanctioned by the State. The thorn in the flesh will fester and fester until it be removed—not a part of it, but all of it. So this thorn in the economic body, Protection, will continue to poison the industrial circulation until the business men and the labouring men of the world, recognising its anti-social influences, will resolutely demand that it be cut out. No industrial peace can come from any partial treatment. We must work, not for reform of the tariff, but for the abolition of all tariffs. We must insist that the field of industrial endeavour shall be cleared of all barriers and hindrances, and we must maintain that the commerce of the world cannot fall into economic harmony, that the physical welfare of the race cannot approximate its highest level, and that man cannot attain his full stature of liberty and of freedom until all trade, national and international, is made completely and for ever free.

The CHAIRMAN: We have the privilege of having among us to-day a son of Mr. John Bright, one of the two great and revered fathers of Free Trade in this country. I will ask Mr. Philip Bright if he will be so good as to address us.

Mr. PHILIP BRIGHT felt it a great privilege to be allowed to say a few words upon a subject with which his father had been so intimately connected, and in the foundation of which he took no unimportant part.

They were told yesterday that the English people were not sufficiently given to blowing their own trumpet with regard to what Free Trade had done for them, and he therefore wished to mention one or two facts which might specially interest their foreign friends.

In the great industry of shipbuilding we, as a nation, were paramount. On the river Clyde alone in the year 1907 we built 620,000 tons of shipping—twice the output of the whole of Germany, and equal to the output of the whole of Europe, with Japan included.

He was amazed that we in this very small country, only one-three-hundredth part the size of the United States, were able to hold the position which we did hold. He did not put it down to any virtues of our nation; he put it down more than anything else to Free Trade. We had no protective tariff of any kind. We had an income tax, but it exempted all persons earning under £160 a year, whereas in Germany a workman earning 17s. 3d. a week had to pay in income tax to the State 10½d. And yet we had been able, during the last three years, to repay £40,000,000 of debt; and when our London County Council or our Metropolitan Water Board wished to raise money for loans, as they did only a few weeks ago, they were able to raise that money on better terms than the great State of Germany. He did not say this in any boasting spirit; he stated it merely as one of the effects of Free Trade.

He hoped and believed that this country would adhere to the policy which had proved so enormously successful for the past sixty years.

The Hon. J. DENTON HANCOCK (U.S.A.): Not having made any special preparations for what I have to say, and my voice being somewhat weak, it is possible I may not be as clear or heard as fully as I would desire. But it

seems to me that we are all of one mind, and that probably the most of us here have heard before the arguments and thoughts which have been presented to this Congress. I have been in this work for nearly fifty years. I was opposed to every attempt at Protection in my own country. I have been an active fighter on the aggressive ever since we again commenced the battle for Free Trade, and I am not, like some of those who have presented arguments here, of the belief that we have little to hope for in the matter of International Free Trade. If there is a criticism which I have to make, it is, not that we have not been fed with knowledge in every speech that has been made here, but that there has been one thing left out, and that is the method of getting knowledge, information, before the masses of the people.

We may make speeches, we may shed light in every direction, we may publish what has been said through the Cobden Club; but who receives it? How far does it penetrate amongst the masses of the people?

One of the principles of Evolution is this, that we proceed from the heterogeneous to the definite. Great principles, after having been propounded, must be applied in the concrete, not in the abstract. Who has told us here what we mean by Free Trade? We are all in favour of Free Trade, but what do we mean by it? There are certain limitations. Those limitations our people ought to be taught to know. When you talk to my people in the United States upon the subject of Free Trade, they believe you are talking about absolute Free Trade, which is simply an impossible thing. We mean by Free Trade that our trade shall be free from all restrictions and burdens, except such as are necessary for revenue. We mean that no taxes shall be laid on the community for the benefit of any one industry. Not till we have made this clear to the masses of the people shall we have made a beginning of our work.

Then comes another subject which should be considered: What are the difficulties which lie in the way of Free Trade?

You in England are not called upon to face this question. You have had your trade free for sixty years, and every industry that you have has been built up on that basis. If you attempt to interfere, as the Protectionists say you should, in favour of one trade or in favour of a number of trades, you will be interfering with the vested interests of every other trade ; and I have no doubt that when that proposal comes again to be considered by your electorate you will find, as you found in 1906, an overwhelming opinion against it.

These vested interests are what we in the United States have to fight. In my State of Pennsylvania there are thousands of millions invested in the iron industry. In New England there are many thousand millions invested in the cotton and other industries akin to it. In every State in the Union you have these vested interests. Nearly all the industries of our country, except possibly the agricultural, are based on a protected foundation which means vested interests ; and it is these vested interests that we have to fight. The vested interests are, or ought to be, on the side of Free Trade in England. In the United States they are on the side of Protection.

There is another difficulty which we have had to meet. I drew up the resolutions of the first Free Trade Congress in the United States in 1885. We were particular there to define our position, and we based our first attack on two things. We asked first for free wool, and second for free ships. We had to take into consideration human nature as we found it. My own way, which I do not think would have been the best way, because of this peculiarity of human nature, would have been to cut off the tail of the dog behind the ears. We did not do it. We took the thing by stages ; and it is only by stages that we can take it.

There is also another difficulty which we have to contend against, and with which every one of the peoples that are represented here, except Great Britain, probably have to contend ; this is the nature of our laws, of the Constitution

upon which our Government is based. You in Great Britain can raise your revenue upon four or five articles, but in our country we dare not. Under our Constitution we cannot levy a direct tax; the result is that we must raise our revenues on a larger number of articles. We attempted to create an income tax. The United States Supreme Court declared it to be unconstitutional. That is a difficulty we have got to consider.

Now then, after having considered the difficulties, how are you going to proceed with your remedy? It is easy to prove the value of Free Trade, but how are you going to secure it where Protection now prevails? I believe that England would have been justified in a retaliatory Tariff against the United States; but what would have been the effect upon England? It would have disarranged your whole fiscal system; and I say now that, in my belief, if the Tariff Reformers in England had been successful in 1906 they never would have been able to carry out their line of policy.

Then what must we do? And here I hope that this International Conference will take some practical step, before it separates, towards determining how the principles of Free Trade are to be applied to the varying conditions of the different countries where Protection now prevails. Germany has one constitution, Italy has another, the United States has another. We must so adapt our Free Trade principles that they may be applied in every State; and I venture to say that if we do this the time will come, and not a very long time hence, when the whole commercial world will be upon a Free Trade basis.

I am not an optimist, neither am I a pessimist, but I have never known a principle that was true in fact, when it was applied correctly, that did not become successful. Possibly it may not have been in a short time. Your great reform here was not done in a day. The great work of Adam Smith on the Wealth of Nations was printed in 1776, nearly thirty-five years before it came to fruition.

Richard Cobden was year after year fighting for Free Trade in this country before he obtained it ; and he would not have obtained it then, possibly, if it had not been for a wonderful succession of concurrent circumstances that helped him on.

Mr. D. M. MASON spoke of the effect of the world's production of gold on the prices of commodities. He maintained that one of the chief causes of the recent rise in prices was the enormous increase that had taken place between 1896 and 1906 in the world's production of gold, an increase amounting to as much as 100 per cent.

Professor M. BILLIA (Italy) here read a somewhat lengthy paper in French of which the Editor of this volume has tried to obtain a copy, but without success.

The Congress then adjourned till 2.30 p.m.

SIXTH SESSION.

THURSDAY, AUGUST 6.

SUBJECT: THE REVENUE ASPECTS OF
PROTECTIVE DUTIES.

MR. MURRAY MACDONALD, M.P. : I have received a letter from Mons. Raffalovich, which he has asked me to read to the Congress. It refers to a point that was raised yesterday by Professor Brentano, which he thinks of so much importance that he wishes to emphasise it. He says :—

“ I think we ought to pay great attention to the fact Professor Brentano has brought forward. Our German colleague has shown how a kind of war broke out between the big iron combines on the one side and the producers of finished goods on the other. He has shown us how Protection brings about the strangest, the most incredible results ; how Protection can produce a famine of the raw material for a portion of the manufacturers ; how within a country which exports largely there is a difficulty to get the necessary supply for the home market.

“ Professor Brentano, in laying before us the actual facts he observed in Germany, has rendered us a great service. He has made us feel how immensely difficult it is to appreciate beforehand the action and reaction of customs duties, the incidence of indirect taxation both on the domestic and the foreign markets.

“ Those who had to work out the duties on iron, with the complicated scale of premiums on iron and steel, did not tell us that there would come a time when the foreign competitor would obtain the German iron and steel cheaper than a portion of the German manufacturers themselves.

"In a country without a tariff on foreign imports, the responsibility of those who would take upon themselves the task of drawing a list of the fines their countrymen would have to pay in the future, that responsibility would be exceedingly heavy. Professor Brentano has shown us how dangerous it is to interfere with the natural course of trade."

Professor BASTABLE (Dublin University) then gave a summary of the following paper:—

ONE of the most prominent features of the reactionary movement in favour of Protection in England has been the endeavour to claim support on the plea that in no other way can the increasing needs of the State be supplied. "How," it is triumphantly asked, "is the new expenditure imperatively demanded for social purposes to be met within the limits of Free Trade finance?" "How, without broadening the basis of taxation, can receipts be kept up to the ever higher level of national outlay?"—the broader basis being explained as consisting in a considerable extension of the area of customs taxation. When joined with the suggestion that these new and productive imposts are to fall wholly or in good part on "the foreigner," there is an appeal to two of the strongest feelings of the ordinary voter—the desire for financial relief and national prejudice. Some zealous supporters of Free Trade have given countenance to this conception by urging, as an argument against social reforms, that their cost will necessitate the adoption of a protective tariff.

In this state of things it becomes the duty of all consistent Free Traders to insist emphatically on the cardinal truth that the policy of Protection is, by its very nature opposed to effective taxation for revenue purposes, and that, so far from Free Trade finance being limited in its scope, it is only by adherence to the essential principles of Free Trade that a revenue system can attain its maximum productiveness. In support of this position the threefold line of

argument from authority, principle, and experience may be employed.

The body of doctrines which has been gradually developed into the system of political economy had, as one of its principal aims, the scientific interpretation of the conditions of public revenue and expenditure. The conclusions obtained have been often denounced, but never refuted, and amongst these is the comparative failure of Protection as a revenue agency. Adam Smith's destructive review of the fundamental theory of Protection closes with the statement that "Taxes imposed with a view to prevent or even diminish importation are evidently as destructive of the revenue of the customs as of the freedom of trade." To J. S. Mill, "customs duties which operate as an encouragement to the home production of the taxed article are an eminently wasteful mode of raising a revenue." According to Roscher, the protective is to be separated from the fiscal revenue duty. . . . How little these two aims are compatible appears from the fact that the State most fully attains its end with a protective duty, when it almost entirely prevents importation, and also brings in hardly any revenue." "Let us repeat once again," says Graziani, "that if duties are protective, they cannot at the same time be revenue, and *vice versa*." M. Gide pronounces "protective duties to be extraordinarily harassing and costly." Indeed, in the long line of economists and writers on finance it would be difficult to find any authority for the attempt to advocate Protection as in itself a fruitful fiscal expedient.

English statesmen and administrators have for nearly a century recognised the loss that the introduction of the protective element into taxation inflicts, but they have not been more explicit than the present French Minister of Finance, who declares that "the State, by the establishment of protective duties, agrees to a surrender of taxation in favour of certain private persons whom it clothes with power to levy tribute on the mass of the population." The great

practical masters of finance are on this point, at least, completely at one with theoretical students. All recognise the divergence of aim in a protective as against a revenue policy.

A brief analysis of the different kinds of commodities and the customs duties imposed on them will suffice to show the untenability of the claim that Protection (even under the euphemistic name of Tariff Reform) is a valuable fiscal agency. First in order of productiveness comes the pure revenue duty, imposed indifferently on the whole supply of a selected commodity. Here the problem is altogether financial. What charge can the commodity bear without undue restriction of consumption? What contribution ought the users of the commodity to pay under the actual situation? British taxation of tea and spirits gives excellent illustrations of this class. Directly opposed is the completely protective duty, *i.e.*, one which is in practice prohibitive. In this case the financial element disappears. The home market is secured from invasion (the smuggler's operations being left out of account). All the employment that the production of the commodity gives is reserved for native labour. But the State treasury receives nothing, and, were all duties of this type, customs as a head of revenue would not figure in the national accounts. In the palmier days of Protection, examples could easily be found; for prohibition made part of the fiscal code; *e.g.*, until the Anglo-French Treaty of 1860, woollen yarns and cloth were among the thirty prohibited articles of the French tariff. But in the actual course of financial history the sharply-cut lines of separation that theory suggests are for the most part blurred and difficult to perceive. The revenue duty is often accompanied by a protective element, while imposts that are framed primarily in the alleged interest of native industry come at times to yield amounts, more or less considerable, to the exchequer. The very complicated tariffs of modern states have their revenue and restrictive ingredients closely

joined, though it is generally possible, after a little consideration, to effect a satisfactory separation. Out of the long list of dutiable articles, examination discovers in every case a few items or classes that contribute the revenue popularly ascribed to customs duties as a whole. Again, there is little difficulty in bringing together head after head of dutiable articles that are practically barren of yield. It follows that the belief so sedulously inculcated by the assailants of Free Trade that new and abundant resources are obtainable by a return to Protection, is a result of a comparison between essentially different things. The few duties that are, in the main, revenue-yielding, are taken in conjunction with the far greater number of import taxes which the protectionist demands as necessary to preserve home industry, and the result, due solely to the former, is boldly ascribed to the system of which the latter are the true aim and intent.

Another kind of distinction may be employed. For every country there are commodities which, through physical or social conditions, are not capable of being produced for commercial purposes. Customs duties, if levied on such articles, are necessarily of a revenue, or at least of a non-protective, character. Tea, wine and oranges may be given as examples for Great Britain. At the other extreme are products in the raising of which a country has an overwhelming superiority. Here an import duty fails for want of material on which to operate. Coal in Great Britain and cotton in the United States are equally evident instances. Closely allied to the first-mentioned class are those wares that are produced at home only in small quantities and under special conditions. In such cases an import duty must be mainly revenue, though it would also have a slight protective effect (unless an equivalent excise is levied). In regard to the latter class, a similar condition is also found. There are in most great states important industries which not only command the national

market, but produce largely for export. Nevertheless, there are special imports of these products due to particular circumstances and likely to occur more and more with growing specialisation. For this class an import duty would only act intermittently, and its fiscal result would be trivial. The position of the English cotton industry conforms almost precisely to the assumed case. The duties suggested on certain calico goods were avowedly protectionist, and designed to appease an important hostile interest. Very similar in operation and intent are the duties on agricultural imports in the United States.

Within the limits of these extreme but considerable classes lies the great middle field of industries in which neither the home nor the foreign supply can be regarded as insignificant. Each is needed to meet the established demand, and their relative positions are frequently varying. Under such conditions the operation of an import tax is bound to have results, both revenue and protective, and it is in this connection that the proposal to use Protection for revenue gains most of its plausibility. It is therefore the case which needs most consideration and on which, fortunately, experience throws most light.

In dealing with this particular point, it is best to separate agricultural, or more generally extractive industries from manufactures, bearing, of course, in mind the fact that no such division can be absolute.

With regard to the former, it is evident (without entering into technical economics) that production involves different costs to different producers, according to the richness of the agents that they have at their disposal, and, therefore, that the pressure of foreign competition leads to the contraction, but not the extinction, of home production. It equally follows that a simple import duty will act at once for protection and also for revenue, its influence in either direction being dependent on (1) the actual position of the weakest home producers, and (2) the amount of the duty. A very

effective system of home production or an extremely high rate of tax would tend to keep imports at a low level and reduce the revenue element, as the contrary conditions would lead to rapid expansion of imports, with consequent growth of receipts. In either case, the opposition between the protective and the revenue aspect of the duty is clear, and is exemplified in the case of the corn duties as they have developed in Germany since 1885. The fiscal yield on the import is affected by the conditions of the home supply, which gives no payment to the State, though its price is as high to the consumer. The point of maximum return for revenue is kept down by the efforts of native producers, who extend their operations with rising duties. The gain that accrues immediately to them and ultimately to the owners of land, at the expense of consumers, does not profit the Treasury, whose interest lies in the encouragement of imports—or, in other words, is anti-protective so far as the exemption from taxation of home production is concerned. Taxation of this great group of products is further influenced in a direction hostile to its employment for revenue purposes by the fact that extractive products are either food or raw materials, which are generally regarded as unfit objects of heavy taxation, and, moreover, fluctuate widely in value from time to time, making taxation of imports very troublesome to adjust. Nothing but a very powerful agrarian interest can permanently maintain import duties on food, and this, where it exists, will press the protective in preference to the revenue side of the duties. Taxation of raw materials is obviously opposed to the interest of manufacturers, and is certain to be kept within bounds too narrow to allow of any substantial receipts by the State. It may be added that the uncertainty of yield which, as we shall see, is a characteristic of all taxation influenced by protection, is specially prominent in the cases under consideration. A fourfold variation in a couple of years is not unexampled.

In the case of what can be broadly described as manufactures, the conditions on which taxation operates are markedly different. Production tends to become more highly organised, and with a higher output the expenses of working are relatively lower. This appearance of a condition of increasing returns leads to further extension, and its existence has been often regarded as a reason for the employment of Protection in order to secure a larger area for the operation of this influence. Regarded from this point of view, import duties on manufactures would probably take the following line of development. Beginning as mainly revenue yielding, they would, with the expansion of native industry, more and more lose this character, until, in the case of protection being, according to the popular criterion, successful, they would become altogether unnecessary. The ideal of protectionist theory is, however, never realised in this world of fact. So far from the gradual elimination of revenue, there remains a large revenue element in the taxation of certain manufactures; but the reason for its continuance is the failure of protection to create effective home competition. The foreign article is still in demand, and pays the tax, which appears in an enhanced price, as measured against that of the foreign market. The actual conditions present further complications, for in many cases there takes place a differentiation in the several species of a manufacture. Some become so established as to command the market secured for them by Protection; others fail to progress, and leave a sphere in which revenue can be obtained from the necessary imports. Even more difficult to trace are the duties which affect articles that undergo further elaboration. The need of certain ingredients of foreign origin compels the payment of the duties imposed on them, and amounts to a tax on production heavier than if directly charged on the completed article. The variations of demand and the fluctuations of industrial conditions have also to be considered. Very detailed schedules of duties

alter their effect with each change of circumstances, and a duty which gives no return in a particular year may become comparatively fruitful in the next, only to resume its earlier barren condition in a third. On the whole, it may be said that analysis indicates a decided tendency in the case of duties on manufactures to a decline in revenue productiveness, and this conclusion is confirmed by experience. The protective element gradually extrudes the revenue one. The chief exceptions are found in the case of (1) articles that are not highly manufactured, and (2) certain objects of luxurious expenditure, and both are explicable by the limitations of native producing power. As in the case of agriculture, so in that of manufactures is the instability of the revenue obtained under protective taxation remarkable. All the causes which may disturb a pure revenue tariff are in operation, and in addition there are the changes in the position of the national industry and in its power to compete, as well as the alterations in the protective system itself. The only guarantee for the maintenance of a stable customs revenue is the possession of some large duties of a purely revenue character.

A somewhat different case is that presented by a system of duties imposed on all or nearly all imports, these duties being individually small in amount. Here again there is a mixture of revenue and protective taxation, though the latter is to be administered in minimal doses. This method appears designed to facilitate the introduction of Protection, for (as with the opium habit) the small doses would soon increase in amount. But it seems evident that many of the duties would be absolutely unproductive, often not covering the cost of administration—a circumstance due not merely to their slight protective effect, but even more to the wideness of the area that must be covered and the smallness of the several duties. No system of this kind could possibly prove valuable for revenue purposes, while it would be obnoxious to the attacks of both

Free Traders and Protectionists, and consequently have little chance of permanence. Either the revenue element would be strengthened by the increase of the charges on certain selected commodities, the remainder being abandoned as unprofitable, or there would be a general increase of rates in order to give substantial preference to home industries.

The only case remaining for discussion is one of theoretical rather than practical importance. It has been maintained that there may be an industry in which an import duty might be effectively protective, and yet revenue-yielding—*e.g.*, if only half the supply is imported, the other half being of home production, and if, further, the rise of price owing to the duty is only half the amount of the duty. This ingenious hypothetical case involves assumptions that are not presented by manufacturing industry, for the price of the imported product, unless controlled by a monopoly, rises by the amount of duty imposed, and the protective side of the tax causes the loss of revenue on the amount produced at home. There is, moreover, the impossibility of the assumed balance between import and home output being maintained for more than a brief period. Indeed, the propounder of the imagined case suggests that the whole set of conditions is temporary, so that from the fiscal point of view the result is less satisfactory and less enduring than if the duty were regulated with regard to revenue alone. As in so many of the speculative points raised in economic discussion, it seems here that the paradoxical conclusion is reached by ignoring some of the assumptions that the hypothesis necessarily involves.

Analysis and the consideration of hypothetical cases may be of service in clearing the way for discussion, and in bringing out the essential elements that tend to be obscured in the complications of practice. But they are only auxiliary; the results of experience are the best aid that the upholders of a sound commercial policy possess. On every side of the

Free Trade controversy the upholders of liberty may justly maintain that the evidence is preponderatingly in their favour, but with special confidence they may appeal to the strictly financial evidence. To take Great Britain first. The great periods of English finance have been those in which reform in the direction of removing restrictions has been pronounced. Walpole's long administration and the peace administration of the younger Pitt mark the eighteenth century. The most decisive example is the development during the nineteenth century, by which the rigidly protective system of the days after the French wars became the Free Trade one of Gladstone's chancellorship in "the sixties." Regarded, and rightly from one point of view, as a policy of trade emancipation, it was equally the establishment of a thoroughly efficient revenue policy. The removal of duties that contributed little to the State, largely by reason of their aim having once been protective, enabled the really productive "objects" to be clearly recognised and duly used. It is a striking fact that in the long period from 1815 to the close of the century the customs revenue only varied between £19,000,000 and £24,000,000. Remissions of productive taxes have been frequently made; the complete clearing away of the protective factor has made adjustment easy under all emergencies. In considering the position of the English customs it may be noted that a duty may fail to be profitable either (1) because the article taxed is not one in large use, or (2) because the tax diverts consumption into another channel. The revenue obtained from crystal beads is commemorated in the Report of the Import Duties' Committee of 1840, but its amount, 1s. 7d., would not be much increased under any conditions. The still smaller yield of starch—1s. 3d.—has to be explained by the protective duty of £9 10s. per cwt. which was then in force. Both these influences are likely to affect the tariff when the criterion of taxing for revenue only is not consistently adopted.

Quite as important as the sufficiency under actual conditions of the English revenue tariff is its capacity for expansion. War tries a financial system more severely than any other emergency, and the reformed British finances have met the pressure of the Crimean and South African wars with an ease that no protectionist financial system has ever rivalled. Other influences have, no doubt, cooperated, notably the use of the income tax, though it may be said that the revived income tax was a valuable auxiliary in the work of weeding out the worst parts of the British tax system. Nor is there any valid reason for fearing that the demands of the future cannot be met without abandoning the guiding principle of the great English financiers. Customs duties will contribute their share to the total of indirect taxation, and this may be kept without any infringement of the canons of sound finance, at a level growing with the expansion of industry and trade. But it may be freely granted that Customs taxation alone will not supply whatever funds the prodigality of Governments may require. There are limits to the expansibility of revenue as a whole, and of each of its constituents. No further power of gaining funds exists than that supplied by the production of society. It is precisely because it impairs this productive power that protective taxation adds another item of waste to that incurred by the preference which it gives to home producers.

On turning to other countries, the evidence, though of a somewhat different kind, is quite as strong in support of the advantages of revenue over protective duties. French administrators and financiers stand in the first rank, and their judgment is altogether in favour of the soundness of the principle of taxation for revenue only. Even a cursory review of the customs revenue (*douanes*) shows the prominence of a few revenue duties, and the trivial yield of a great many of the remainder. The extraordinary fluctuations of the return from the fundamentally protective corn duty

is equally noticeable. The pressure on industry by the taxes on such raw materials as coal and timber, compared with the amount of revenue obtained, is a further point. Conceding fully the skill with which the system is formed to secure "its double aim, Protection to national industry and agriculture: to procure resources for the Treasury" (*Les Impôts en France*, vol. ii. page 258), it is abundantly plain that the former tends to interfere with and counteract the latter. Protection may be regarded as an eminent good, and well worth paying for, but it undoubtedly has a price which must be paid.

Nor is the case otherwise in respect to the German tariff. It is a nice matter for discussion whether—assuming the wisdom of a protective policy—Germany or France has been the more adroit in applying it, but that the financial character of the German customs (*Zölle*) is affected by the influence of the non-financial taxes (*Schutzzölle*) may be realised by tracing the same features as those that appear in the French and the pre-Free Trade British systems. As in the other cases, the truly serviceable financial duties are few in number. The protective duties on manufactures (*Industrie Zölle*) are not important in their returns. The most notable class of duties is presented by the taxes on agricultural products (*Agrarische Zölle*) which even before the recent tariff increases brought in more than one-third of the customs revenue. Foremost in this class stand the corn duties (*Getreide Zölle*), which form beyond question a substantial financial impost, but operate as a serious burden upon the mass of the population. The objections to a purely revenue duty on corn are so weighty as to be overborne only by extreme need; but the financial sacrifice entailed by the exemption of home-grown corn is a consideration that bears heavily against such a form of Protection. The present situation in Germany appears to resemble that which would have ensued in England if the Whig proposal for a fixed 8s. per quarter duty on corn

had been adopted in 1841. The fact that the total yield of the German Customs hardly equals that of the British is somewhat significant as to the comparative worth of a revenue and a protective policy.

In the United States the Customs have long been the chief form of revenue, and for nearly fifty years the protective influence has been quite as prominent as the revenue one. Yet on examination it appears that certain kinds of duty have acquired a specially financial character; these are (1) the duty on sugar, and (2) the duties on the better classes of manufactures (especially textiles). The former is (in spite of the protection given to American sugar) of somewhat the same character as the English duty: the latter are "luxury taxes," which fall on the wealthier classes. How far the removal of the more extreme duties would stimulate consumption is not easily estimated, owing to the complicated character of many of the schedules. That the existing tariff is felt as oppressive by large classes is becoming evident, while it is specially defective as a revenue instrument in consequence of its great variations. For a series of years, as in 1887-1893, there were surpluses, followed as in 1893-1899 by years of deficits. Within the last fifteen years the customs revenue has varied between £26,000,000 and £65,000,000. A large part of this instability is attributable to the protective influences that have framed American tariffs, and it must be remembered that the best American opinion regards large surpluses as being quite as injurious to sound finance as deficits, owing to the tendency towards wasteful expenditure that such a surplus induces.

Compared, then, as instruments for raising revenue, it appears that the British tariff system can justly claim to be *at the lowest* as productive, as capable of expansion, as economical, and as equitable as any of the so-called scientific tariffs of Protectionist countries. It is by more than mere coincidence that at the present time, while Great Britain has a surplus revenue, all applied to debt repayment, the

other countries have to face deficits, which in Germany and the United States are of large amounts.

The policy of low duties imposed on all or nearly all imports has been alleged to receive support from the practice of Holland and of India. In each case the slightest examination shows that the Customs are a very subordinate resource, and, under the particular form of low percentage duties, not capable of extension. Such a system accompanied, as it is in both countries, by other productive forms of taxation is much less objectionable than a developed protective system ; but its financial use is not sufficient to give it the slightest claim in competition with the existing British treatment of imports.

Analysis and experience join in supporting the view that so far from adherence to Free Trade being likely to cripple the power of raising an adequate revenue, it is rather the mode in which that power will be most completely developed ; and that any revenue obtained in connection with protective taxation imposes greater sacrifices on the contributors than would be necessary under a simpler and fairer fiscal policy.

The CHAIRMAN : It was proposed that the discussion on the Present Utility of Commercial Treaties should be taken to-morrow morning, and papers were to be submitted by Professor Arndt, of Germany, and M. Yves Guyot ; but M. Yves Guyot, unfortunately, cannot be with us to-morrow. In order, therefore, that we may not lose the advantage of hearing him, we propose to close the discussion on Professor Bastable's paper in time to allow M. Guyot to lay his paper before us this afternoon.

Professor LOTZ (Germany) : I quite agree, from our German experience, with the lucid investigations of our colleague, Professor Bastable, who has just spoken on this question. He has dealt with a subject which interests us very much. A few years ago we increased our Customs duties ; and what has been the result on our revenue ?

It has been to show that the increase was not justified from a revenue point of view. What we, opponents of the new tariff, had prophesied and feared about the revenue that would be derived from it has come, and worse than we prophesied has come. We are not, indeed, in such a bad condition financially that we cannot escape from it. Not at all. We have deficits, but if we had not our high protective system, and if all that we paid went into the Exchequer, then we would have an enormous surplus without any difficulty at all. Our position, therefore, is not so bad as it looks.

But what are our difficulties? As far as I can observe, they are threefold. In the first place, expenditure has risen; and it has risen because our Protectionists are obliged not to confine themselves to the protection of manufactured articles; they are forced to extend protection to agricultural products as well, because a majority can be secured in our Parliament only by an alliance of some of our industries with the owners of our wheat-growing districts. Now the effect of our protective system has been to increase both public and private expenditure. Prices have increased enormously, as it was, indeed, intended that they should do. But our Government is the greatest consumer. Our Government wants iron for ships, and wants many other things besides; it wants food for the Army and the Navy; and everything it wants is increased in price in proportion to the higher taxes on commodities that it has itself imposed. But this is not all. Our Government officials, military, naval, and civil, all the workmen employed by the State, and all those employed by municipalities, were not paid in so splendid a manner that they could afford to pay a much higher price for everything they had to buy. What has been the consequence? We have had to raise the salaries of a good many of our bureaucracy, and the wages of our workmen in the public service. We had to do this; but in doing it we were not providing an illustration of the principle of "Higher

wages, cheaper work," because it was not real wages that were increased, but only nominal wages. This is my first point.

The second point is that we are not heavily taxed in Germany if we measure our burden by the amount of revenue that goes to the Treasury. But that is not a real measure of our burden. We have to bear a very high taxation in favour of people within the Empire. The greatest part of all that is paid by the consumer goes, not, as in a Free Trade country, to the Treasury, but to the favoured interests, to private interests. Take, for example, our iron duty. We have a Kartell system favoured by our Tariff policy, and also by our Railway policy. This system prevents that internal competition which would tend to lower prices. As a rule, all iron is sold in Germany at the world price plus the duty. We pay the enhanced price, but the plus does not go to the Exchequer at all. For every shilling we pay, only one penny goes to the Treasury, and elevenpence goes to the favoured interest. We can say, as was said of your system under Lord Melbourne's Government, that we feel the consequences of Protective taxes in our purse, while the Treasury gains nothing by them.

The third point is one which is still under our observation, and upon which we cannot as yet express a final judgment. It is clear that people who are obliged to pay out of a small earning an increased price for food and many necessaries of life, whether the increase be due to artificial or natural causes, cannot spend so much upon other articles of an exciseable character. We have, therefore, to observe whether it will be possible to get a proportionate increase of revenue by higher taxation of such articles as spirits and tobacco and sugar. I do not believe it will be, unless, indeed, the higher taxation were accompanied by a general decline in the world's market. Then it might be. But without this, I believe that it is to direct taxation that we must look for a greater revenue; and it is difficult, for political reasons very difficult, to introduce

an elastic system of direct taxation into our Empire. We have no Income Tax in the Empire; we have it in the several States of the Federation, but there is little hope that we shall be able to introduce it into the Empire.

Now, if we are to rely upon Customs and Excise for our revenue, and if all the necessaries of life are highly taxed, then I think the increase of revenue will be very uncertain. Nor are we in Germany quite without experience on this point. When Chancellor Caprivi lowered our corn duty from 5 marks to 3.50, he had to meet a strong opposition—mainly on the ground that the lower tax would result in a deficit. “The Revenue,” it was said, “will suffer because the corn duty is lowered.” But that was not what happened. On the contrary, Count Posadowsky, who was at that time Secretary of Imperial Finance, was able to show, in 1895, that with a lowered corn duty the revenue from customs had actually increased. And this was due, to an increased consumption of coffee, cocoa and tea and other duty-paying articles. The lower corn price had increased the general purchasing power of the people, and for several years the Treasury had a surplus of revenue over expenditure.

I expect that opponents, who will read our debates, will say that if Professor Bastable's theory is true, if the Free Trade theory is true, then a revenue would be got much more easily under a Free Trade system than under a Protective system. How, in that case, they will ask, can you explain that many Protective measures, such as those introduced in Germany in 1879, were introduced with the expressed purpose of adding to the finances of the State? The answer to this is not difficult. If we study all the cases in history in which Protective measures have been carried, we will find that this is not a financial, not a purely economical, but a political matter. It is always difficult to get men to agree to pay higher taxes, but the difficulty is much diminished if the tax is of such a kind that while it yields something to the State it yields something also to those

who vote for it. Then the voter is often enthusiastic in its favour. But I have never heard of any people who were enthusiastic to vote for an income tax which they must pay themselves, though it seems a great pleasure to them to vote for a tax which they hope they will not pay themselves. They vote, for example, for a corn tax, in the belief that the foreigner pays it, a hope that is very rarely realised, and when realised means that the protective aim is not realised. You will find, too, that a majority in Parliament may be ready to vote for customs taxes, in the hope that not the foreigner, but other people in the country will pay them. You might from this derive a new theory of the division of labour. Adam Smith's theory demonstrated that the division of labour increased productiveness. Here we have a division of labour in which one man votes for a tax, and another pays it. This is not very productive for the nation, not always productive for finance, but it is always dangerous to public life.

I believe the point on which our colleague, Professor Bastable, has spoken to you will be the most important in the discussions on Free Trade during the next few years, because it is the strongest part of the Free Trade programme, the strongest point which can be advanced in its support.

Mr. JAMES MOWATT (England) described the circumstances in which the Corn Laws were passed in 1816, and urged his hearers to read the protest of the minority of the House of Lords on that occasion—a protest which, he said, was one of the most eloquent appeals for Free Trade and for justice that had ever been penned.

Mr. HERBERT MILES (United States): I am personally much touched this afternoon with the greatness of the judgment and heart of the sons of England in inviting me to say a few words to you, knowing as they do that my point of view is at something of an angle, if I may so express it, with the view that here commonly obtains. Deeply appreciating this kindness, I speak with equal

goodwill as the representative of the National Association of Manufacturers of the United States, and I come with their greeting and their best wishes for peace and goodwill among the nations, and for freer international trade, and that goodwill and mutual benefit and profit that we may all equally hope to receive therefrom.

I hope to speak a moment upon what I must call the practical side as we view it in the United States. My contribution is as nothing, unless it makes for the general purpose for which we are here assembled, for better trade, better profit, and the betterment of the whole race through enlarged international intercourse.

The manufacturers of the United States, protected as they are—over-protected as they confess themselves to be—stand before you now wishing for a correction of their Protective Tariff, that it may be a more just and fair Tariff; and in doing this they do not surrender their long-held position on Protection. I believe that if our discussion differentiated somewhat between Protection, fairly considered and properly defined, and Trusts, our analyses would be more complete.

With your permission, I will remind you of our past. We are the baby among the nations. Our record is a record of childhood. We can but believe that George Washington and Alexander Hamilton, when they found a few people lost, as it were, in the wood, said to the world, "We purpose spending liberally in the education of our children, and almost as liberally in the education of those grown-ups who are only children in the matter of manufactures; we are going to give them some advantage. Our friends in England are good sportsmen; they are willing to enter a handicap race, if only it be fair." Washington and Hamilton tried to make the handicap a fair one. They gave to the manufacturers, inexperienced men, 5 to 7 per cent. In the course of a few years we have come to have a population of 80,000,000 of people, with a manufacturing output of 15 billions of dollars per annum. Up to thirty

years ago the Trust was of no consequence in our land. If it was known it was not powerful. I myself am in an industry which is protected by a tariff of 45 per cent. I was in the industry fifteen years¹ before I knew it was protected at all, and not yet have I discovered the slightest benefit to myself or anyone in the industry in the 45 per cent.

Why so? I have not heard the word competition used here in three days. Competition all but kills the American manufacturer. His life is shorter by 25 per cent. than that of his easier-going and saner European competitor. Competition has compelled us to lie awake nights, and see if we cannot make our goods at less cost and of better quality and sell them for a constantly diminishing margin of profit. I speak only now of those of us who work in competition, producing our goods on this basis. We have had the minimum of profit, and the American consumer has secured his supplies at the bare cost of domestic production, plus a very narrow margin of profit. You have had the American portrait painted in very black colours. The Trust has come upon us, and the Trust probably has made the best use of its opportunities. Whom shall we blame? The people who carelessly went about their work, so busy picking up dollars, and accumulating the greatest wealth ever accumulated by a people, so busy doing that that they did not watch the Trust people? Or shall we blame the Trusts who took advantage of that which was so easy to secure? I care not whom you blame. A very grievous wrong has been done the American people by the advantage taken by the Trusts of the Tariff. Our Tariff has not been scientifically or reasonably made. It is a Tariff, in great measure, as we manufacturers of America announce, a Tariff of abominations.

We are glad that our portrait has been painted in dark colours. An American audience often laughs in a modest way at the description of its defects. Why? Because the

black colours in the portrait bring out the more clearly and the more justly the bright colours, and these bright colours mark the line of duty, and show clearly the work that is to be done. And in our country it is the American manufacturer and not the consumer—it is the manufacturer who in the last year or two has come to Congress with a frank declaration that the American Tariff is not a sensible Tariff, that it is to-day an unendurable Tariff; and he has asked, largely through the instrumentality of the Tariff Committee, of which I am Chairman, that the American Congress shall take back from the manufacturer that Tariff which is supposed to have been made solely in the interest of the manufacturer. And the American manufacturer has asked this of his Congress, and of his President, not on behalf of himself only, but on behalf of himself and of the consuming public, which, as we all know, is being robbed.

We have faced such situations before. We have not the slightest doubt of our being able to face the present one; it is a certainty in our minds. We have the endorsement of President Roosevelt, and the enthusiastic support of Mr. Taft, who will probably be our next President. We are not coming to a Free Trade basis. You have speculated somewhat upon what will happen if America comes to a Free Trade basis. I suggest that that question be left to an indefinite future. If you will kindly help us by any suggestions, and more especially by definite information such as we shall be pleased to specify to you and utilise, to make our Tariff an honest Tariff according to our own professions, you will help very greatly to lower our Tariff in important particulars.

You must remember that the principal strain in our blood is Anglo-Saxon, and the Anglo-Saxon tempers theory with judgment and experience.

Have we made mistakes? Well, you gentlemen of great scientific attainment tell us of the blunders we have made. You speak with the infinite wisdom of the man

who looks backward. The history of any nation that is successful is a history not more of success than of failures. We know our failures; we confess to the abominations of our Tariff, to the advantages taken of them by the Trusts, and with the utmost confidence we propose and expect speedily to remedy them.

The CHAIRMAN: We now propose to close the discussion on Professor Bastable's paper, in order that we may have the pleasure of hearing M. Yves Guyot on the subject of "Commercial Treaties."

M. YVES GUYOT (France), speaking in French, then delivered a résumé of the following paper:—

I.

HISTORICAL SKETCH.

I AM not going to give a history of commercial treaties. They are found in antiquity; they are found in the Middle Ages. Their object usually is to ensure reciprocal monopolies. I have cited, in my *Histoire des Rapports Économiques entre la France et l'Angleterre*,* the commercial treaties made between France and England, beginning with that of February 24, 1606. Most of the wars of this period were commercial wars. If they seemed to have other causes at first, the treaties that concluded them prove that they were intimately connected with commercial interests.

Under the influence of the physiocrats, of the economist party, M. de Vergennes, Minister of Foreign Affairs in France, wrote to the Ambassador in London directly after the peace of Versailles (February 1, 1783): "Every nation must necessarily strive for its greatest prosperity, but this prosperity must not be exclusive or it will soon vanish." Lord Shelburne, Burke, and Pitt were all advocates of a commercial friendship between France and Great Britain, but these great statesmen had against them all the important

* Introduction to Catalogue of French Section (Franco-British Exhibition, 1908).

groups of commerce and of industry. Nevertheless, the negotiations culminated in the commercial treaty of September 26, 1786, between France and England. Its object was "to make an end of the state of prohibition and the prohibitive duties which had existed for nearly a century between the two nations, and to obtain for either side the most substantial advantages for national manufactures and industry by destroying the contraband, which is as harmful to public credit as to the legitimate commerce which alone deserves to be protected." The duties upon wine remained enormous, 1,295 francs a ton, about 1.25 francs a litre.

Ad valorem taxes varied from 10 to 15 per cent. As to commodities that were not particularly mentioned, it was agreed that they should not pay any higher duty than the same commodities imported by the most favoured nations. The ships of the two nations were exempted from the port dues that they had formerly paid. Creditors were reciprocally authorised to pursue their debtors in each country. The right of search was abandoned by the two contracting parties, and a certificate given by competent authorities was declared to be sufficient to establish the legality of a cargo. Moreover, the treaty recognised the right alike of the vendor and of the purchaser to treat directly without employing an intermediary. No imported merchandise was any longer to be confiscated for fraud in manufacture, defects of workmanship, or on any other pretext. Subjects of the two countries could travel or sojourn in them without permits.

It may be seen what progress the treaty of 1786 effected in the relations between the two countries. It came to an end when war was declared against England by the Convention on February 1, 1793.

In 1822 Mr. Huskisson, President of the Board of Trade, went to France in order to negotiate a commercial treaty. He did not succeed in this object, but, on January 26, 1826, the English and French Governments, "desiring to facilitate

trade between the two nations, and convinced that nothing would conduce more to the fulfilment of their mutual desire than the simplification and legalisation of the regulations for navigation in force in the two countries," mutually repealed all the differential duties imposed in the ports of both nations in order to increase the price of the commodities imported in the ships of the other. It is this treaty which is still in force.*

On April 10, 1854, an offensive and defensive treaty was concluded between France and England, which introduced an important modification into the law of nations. It was sanctioned by the Congress of Paris, assembled in 1856, which adopted the following four principles:—

- (1) Abolition of privateering.
- (2) A neutral flag protects any merchandise.
- (3) No neutral merchandise, except contraband of war, may be seized, even under the enemy's flag.
- (4) Blockades are only obligatory when effective.

England had adopted the policy of Free Trade in 1846; she had abolished the Navigation Act in 1849; she weeded out her tariff by abolishing petty duties which produced but little; she prepared a fiscal tariff under which any receipts accruing, falling upon objects that she did not manufacture, entered the treasury intact without necessitating the raising of prices of articles manufactured in the country. She affirmed the principle that customs duties ought to provide public revenue and not to constitute private taxes for the profit of individuals.

Article 3 of the *Senatus Consultum* of December 25, 1852, declared: "Commercial treaties made by virtue of Article 6 of the convention have the force of law for the modifications of tariff therein stipulated." On January 23, 1860, a commercial treaty was signed between France and England. It substituted a duty of 30 per cent. for the prohibitions in France and it lowered certain tariffs. The

* "Handbook of Treaties relating to the Commerce and Navigation between Great Britain and Foreign Powers," by Gaston de Bernhardt (1908), p. 314.

conventions of October 12 and November 16, 1860, reduced the total duties to an average of 15 per cent., except in the case of certain metallurgic products when it was nearly 36 per cent.* In England dutiable articles fell to 26, ten of which were identical with the excise duties levied upon similar articles in the United Kingdom.

Article 12 of the treaty established equal protection in each country for proprietary fabrication marks and manufacturing designs of every description.

By Article 19 "each of the high contracting parties undertakes to allow the other Power to profit by any such favour, privilege, or abatement in the tariffs of duties on imported articles mentioned in the present treaty as either of them might grant to a third Power. Moreover, they undertake to pass no prohibition with regard to imports or exports which is not applicable also to other nations."

The treaty of 1860 recalled that of 1826, requiring equality of treatment for ships of both countries.

In the five years that followed the conclusion of the commercial treaty of 1860, France concluded commercial treaties with Belgium in 1861, with the Zollverein and Italy in 1862, with Switzerland, Sweden, Norway, the Hanseatic towns, and the Low Countries in 1864, with Portugal and Austria in 1866.

A protectionist reaction set in in France in 1877 and in Germany in 1879. The tariff adopted in France in 1881 increased nearly all duties from 70 to 80 per cent.

The instructions given to the English commissioner† for the renewal of the commercial treaty with France included :—

- (1) General improvement of the *status quo*.
- (2) If this result could not be attained, progress in particular directions.
- (3) Maintenance of the spirit of the pledges of 1860.

The English commissioners met with such resistance that England refused to renew the commercial treaty.

* See Paul Boiteau : *Les Traités de Commerce*.

† See "The Life of Earl Granville," by Lord Fitzmaurice, Vol. II., p. 255.

When Belgium had signed a convention with France, England and France concluded the convention of February 28, 1882, guaranteeing to each of the high contracting parties most favoured nation treatment and equality of treatment for ships and their cargo, except for coasting and fishing, for trade marks and commercial names. This convention was to remain in force till February 12, 1892.

The Act of December 29, 1891, abolished this convention as well as all others ; and the economic relations of France and England were submitted to Article 2 of the Convention of February 1, 1892, which “ grants a minimum tariff to the produce or merchandise of countries profiting at present by the conventional tariff, which agree on their part to accord to French merchandise most favoured nation treatment.”*

The *régime* is always revocable after twelve months' notice. In France the Act of January 11, 1892, established a system of inflexible maximum and minimum tariff. It is what protectionists call “ freedom of tariffs.”`

II.

ADVANTAGES AND INCONVENIENCES OF COMMERCIAL TREATIES.

“ Freedom of tariffs ” should be translated by the words “ instability of tariffs.”

Since the tariff of 1892, according to a report of Mr. Behrens, President of the British Chamber of Commerce in Paris, up to March, 1908, 193 modifications have been made in the customs tariff in France by legislation and 155 by the Consultative Committee of Arts and Manufactures, making 348 in all. A few others may be added to this number, such as the customs duty upon manioc which, it appears, seriously menaces the French potato.

Commercial treaties are the barriers which prevent protectionist whims from disturbing the course of industry

* Return showing the countries between which commercial treaties were in force on January 1, 1901 (Cd. 4080).

and trade. For a certain number of years they introduce stability into the disturbance of the natural course of exchange caused by customs duties. The industrial and commercial classes remain subject to economic accidents, bad or good harvests, changes of fashions, slumps, pledges of stock, &c., but they know that the conditions of supply or of the market is in no danger of being modified from day to day by changes in the customs tariffs.

England was able on April 19, 1901, to levy an export duty of one shilling a ton upon coal. Article 11 of the treaty of 1860 declared: "The two high contracting Powers undertake not to prohibit the exportation of coal and not to establish any duty upon its exportation." Consequently if the commercial treaty of 1860 had still been in force, England would not have been able to impose this tax.

"The most favoured nation clause" has been attacked. Yet this clause has been maintained in all the commercial treaties concluded during the last few years. It is a guarantee to each of the contracting parties that directly after the signature of a commercial treaty new conditions made with a third party shall not annul its effect.

In 1902, at the Trade and Industry Congress at Ostend, there was a long discussion with regard to commercial treaties and export bounties. Should commercial treaties provide against export bounties? As M. Smeets of Naeyer, said at the Sugar Conference: "Bounties are the worst form of protectionism, for they represent aggressive protectionism." A nation may, by granting export bounties, upset the productive conditions of a contracting nation for a given article. I have maintained that the question of export bounties ought to be guarded against in commercial treaties. I do not deny that "dumping" ought to be guarded against in commercial treaties. I do not deny that "dumping," organised by cartels, may evade the clause applying to export bounties. It is the same thing with railway tariffs, whose object is to encourage exportation. But legal bounties (such as those which resulted from the legislation

on sugar in France, Germany, Austria-Hungary, Belgium and Holland before the Brussels Convention) attained, all Free Traders must wish to eliminate them from industry and commerce, as well as any other disturbing element.

Certain persons who accept commercial treaties will not accept Free Trade. They desire reciprocity, but this reciprocity is difficult of attainment. Nations do not exchange identical articles with one another ; they exchange equivalents. These persons demand compensatory taxes, but customs taxes, far from compensating a country for the cost of production, are a fresh charge added to those to which it has already been subject. They wish the nations with whom they enter into a commercial treaty to lower their customs duties, but they wish their own nation to keep them high. Those who negotiate a commercial treaty are required to obtain a maximum abatement of duties from the other nation while only granting a minimum themselves. Consequently the spirit pervading the negotiations is in complete contradiction with the principle of Free Trade. The object of each negotiator is to force the other to abate the customs duties of his country while granting the least possible amount of concession in return. When he has obtained an important reduction while giving nothing or a very insignificant amount himself, he exclaims, " Victory ! " the newspapers extol his cleverness, and he is acclaimed as a competent man. In reality this clever man has accomplished the exact opposite of the result he is aiming at.

Every protective duty is at the same time a private and public tax. It may enrich those individuals who profit by it ; it cannot enrich the nation as a whole. It makes supply more difficult. It imposes a fine upon every consumer who requires a foreign taxed article. Consequently the diminution or the abolition of these taxes is an increase of wealth for the country to which they are applied. When a foreign statesman desires a Government to diminish or to abolish its taxes upon such and such an article, he removes a burden which is a benefit to that country, he

acts in the interest of foreign consumers, he facilitates industrial and personal supply, and, just when he imagines that he has gained a great victory in favour of his own nation, it is the country he has been opposing to which he has rendered a service. If he has resisted for his own country, and has neither abolished nor diminished any taxes, he is a great man. "I have made no sacrifices myself," he says, "but I have obtained some." The truth is that he has been furthering the good of the foreigner, not that of his own nation. Such is the profound irony of negotiations entered into with a view to any commercial treaty between protectionist nations, but this irony makes them useful. Each of the negotiators, imagining himself to be furthering the exclusive interest of his own nation against foreigners, is in reality furthering the interest of the foreigners. Each one, desiring to secure protectionism for himself, succeeds in promoting Free Trade for others, and the more respective representatives are defeated in their ends the greater are the advantages of the commercial treaty to both countries.

Commercial treaties have attained results that are quite opposed to their avowed object. Some of the authors of the general Swiss tariff, while pretending to be Free Traders, have tried to raise duties to the highest possible figure in order to give themselves more latitude for bargaining. This is adopting commercial behaviour of the grossest and most obsolete kind. The commission on customs tariffs of the French *Chambre des Députés* maintains that by following this example it will obtain reductions of tariffs from certain countries, but it does not specify which, and in Europe only Portugal is subject to a general tariff.

Mr. Balfour is pursuing the same policy when he talks of retaliation. It is evident to those who still understand commerce from the point of view of export only, that England has one great weakness. If she demands reduction of duties on the articles she manufactures herself she has hardly anything to offer in exchange. She allows free entry

to all manufacturers, to the great advantage, it is true, of the whole population who make use of them, whether for industrial consumption or for personal consumption, or for eventual retail, and who can do without imported articles ?

The policy of using high tariffs as instruments of negotiation leads to a tariff war. The Board of Trade has published a table giving the results of the tariff war waged from 1892 to 1895 between France and Switzerland and from 1887 to 1899 between France and Italy. The figures are not encouraging.

III.

CONDITIONS OF A COMMERCIAL TREATY BETWEEN FRANCE AND ENGLAND.

On March 17, 1908, the Associated English Chambers of Commerce passed the following resolution, proposed by the British Chamber of Commerce in Paris :—

In view of the very friendly relations now subsisting between the Governments and the people of the United Kingdom and France, it is expedient in order to further secure stability and harmony in the commercial relations between the two countries that negotiations should now be entered into between the Governments for the conclusion of a treaty of commerce, which would place commercial transactions on a definite and reliable basis for a period of years, and render them independent of tariff fluctuations ; and that His Majesty's Government be asked to open negotiations with the Government of the Republic to that end.

I am quite in sympathy with the intention of this resolution, but under what conditions can a French Minister attempt to conclude a convention or commercial treaty with Great Britain in face of the dominating protectionist opinion ? The Associated British Chambers of Commerce have not gone into this question, but the willingness of one party alone is not sufficient to conclude a commercial treaty.

English Free Traders are no longer in that happy position which enabled them in 1896, the fiftieth anniversary of the Repeal of the Corn Laws, to treat with a certain compassionate disdain the efforts of Free Traders in other countries. Free Trade is no longer as incontestible in Great Britain as the Rule of Three. Its partisans must face the reaction to which it is exposed. They cannot consider their victory of 1906 as decisive against all the enterprise of the tariff reformers. Consequently they should subordinate all the details of tariffs to a single consideration: *the necessity of consolidating for a period of at least ten years the present position of their customs tariffs and that of other countries.* If this result is not attained, not only the economic relations, but the political relations—*l'Entente Cordiale*—of France and England appear to me to be threatened with grave danger. It is not by refusing to see it and by dissimulation that this danger can be conjured away. That is why I consider it my duty to point it out.

The tariff reformers have failed in the realisation of such a programme as was indicated by Mr. Chamberlain in his speech on May 15, 1903. They have not succeeded in fixing the tariff upon foodstuffs and upon raw materials which was to assure preferential treatment to the Colonies. If at the end of five years they have not been able to settle this without a risk of rousing all classes of interests against them, they are not likely to be more successful in the future. But it is impossible from the example of other governments to dissemble that the English Liberal Ministry has, by increasing the State prerogatives, charged the Exchequer with fresh burdens which must be met. There has been a talk of increasing the taxes on beer and tobacco. Coming, however, just after the Licensing Bill, this proposal would receive such a reception that it is hardly likely that any party would resort to it. It does not appear probable that any government could demand an increase of income tax or of succession duties. The tariff reformers already hold good cards when they speak of the necessity of increasing taxation.

They are not allowed to impose taxes upon foodstuffs and raw materials. Good; they will abandon them, but they will say that taxes may be levied upon manufactured articles that are not of the first necessity and are required by the leisured and wealthiest classes, which might also be manufactured in England. Mr. Chamberlain, in his speech at Glasgow, proposed to impose a duty of 10 per cent. on manufactured articles; a duty will be placed upon silk and woollen fabrics, millinery and artificial flowers, wearing apparel and linen, dressed skins, leather and hide work, toys, fancy goods and brushes, automobiles, &c. What support can be expected at the present moment which will allow English public opinion, of itself, to resist these tariffs? Resources are needed to meet the requirements of Old Age Pensions. Where are they to be found? All those indicated, according to the old protectionist sophism, "will be paid by the foreigner and will protect national labour."

What reasons will be strong enough to withstand this double-barrelled argument, protectionist and demagogical at once, that work will be the outcome of a tax on luxury?

Not only will eventual taxes throw England back upon a protectionist policy; but, from the point of view of international relations between England and France, they will entail the most fatal consequences. They will affect France directly; and the enemies of the *Entente Cordiale* will not fail to ring the changes on the fact that its tangible result is the imposition of customs duties in England on articles which had not previously been burdened. This eventuality need not frighten French protectionists to whom it supplies fresh arguments; but they must at once assume responsibility for it.

The members of the Customs Commission, President M. Klotz, warned of the dangers to which they are exposing French commerce, must be placed in a position to declare that they face them light-heartedly. They deny the right of the Government to make any convention without their

permission. They consider that the delay of twelve months, fixed for any convention by the Act of December 12, 1891, should remain the maximum. They would reserve to every deputy the right of raising a duty if the import figures of any production which competes with another production in which some of his influential electors are interested, increase a little.

They do not admit that the Government may engage in negotiations for a commercial treaty. Some newspapers having announced that, during his stay in England, the Minister of Commerce, M. Cruppi, had had some conversations upon this subject, he was obliged to publish an official memorandum declaring that there had been no question of such a thing, and the most serious part of the whole matter was that the official memorandum spoke the truth.

How can this danger be averted ?

In an age of discussion it is seldom that a minister adopts or supports any policy which is not backed by a strong public opinion. He counts votes rather than weighs reasons. It is a question of his very existence. Count Duchatel, Minister of the Interior under Louis Philippe, unintentionally uttered a great truth when he said to the League for the Promotion of Freedom of Trade, "Be strong and we will support you." French protectionists long ago came to the conclusion that they must be strong if they were to master the Government ; consequently they have acted with a unity and activity which may serve as a model to those whose interests they compromise.

But although not 5 per cent. of the French are interested in Protection,* although the principal industry of France, that of wearing apparel, lingerie and millinery, is represented by 21 per cent. of the active industrial population, *i.e.*, more than one in every five workmen, although they pay heavy dues to protected industries as well as most other industries, yet the great majority of the electors vote for protectionist deputies who promise to burden them with fresh

* See the Report of M. Schelle.

taxes, and regard with indifference, if not resentment, the Free Traders, however modest their demands.

An expression of opinion can only be called forth on a precise and tangible point, and that is why I consider that the only way to promote a commercial treaty is *first of all to compel the French Parliament only to pronounce upon a firm and clearly defined issue.*

Since 1902 I have advocated an understanding between France and Great Britain on the following basis :—Abolition of the additional tax on bonded goods for France ; reduction of the tax on wine by 50 per cent. for England.

Negotiations could not begin before the election of 1906. Since its accession to office the English Liberal Government has not faced the question of a decreased tax upon wines, and yet from the fiscal point of view elasticity cannot be restored to the tax upon them except by lessening it. The product of the additional tax of April 14, 1899, was estimated at £298,000. The tax on wines produced a yearly average during the period 1897-1908 of £1,368,000. During the period 1904-1906 it only produced £1,207,000, that is £161,000 less than before the additional tax ; it therefore shows a decrease of 13 per cent. However, a reduction of the tax on wines would arouse a feeling among 1,700,000 French vine cultivators which might be used as a means of defence against protectionists. There is no doubt that the suppression of the surtax on bonded goods, which only produces a yearly average of 1,550,000 francs and which serves no purpose except to embarrass importers, would be obtained without difficulty.

Some English officials, I know, look with scorn at this suppression of the surtax on bonded goods. By a curiously mistaken method they estimate its importance according to the figure representing its receipts in the Budget ; they do not consider that on this account, as complete prohibition would not bring any profit to the Budget, they ought to infer that it would be a matter of no importance to those goods whose entrance is hindered. The English Govern-

ment ought certainly to consult the useful pamphlet, drawn up by the French Chamber of Commerce of London, showing the drawbacks it entails for the English marine, industry and commerce. It would also be easy to enumerate other articles for which the English Government might demand reduced taxation ; fine cotton thread, for example, so necessary to the lace industry at Calais, to the silk industry of Lyons, and to ribbon-making at St. Etienne ; a reduction of the duty on coal, which would affect all industries, since France, while producing 34 million tons, is obliged to import 17 millions, *i.e.*, 50 per cent. of its output. M. Havy expressed this wish to the General Commercial Congress of Wines and Spirits held in London on June 27, 1908 ; but it would perhaps be rash to believe that at this moment, in the present state of opinion, these reductions could be obtained.

In any case it is necessary that a conference should take place between the Governments. Neither the Ministry of Sir Henry Campbell-Bannerman nor the Ministry of Mr. Asquith have so far proposed any reduction of duties on wines, or have asked anything from the French Government in exchange. For 30 months the men who won a victory in the name of Free Trade have been in power in Great Britain. What have they done to improve the commercial relations of England with other nations ? Nothing, so far as can be seen. If English Free Traders maintain a passive attitude, not only will they compromise their cause in their own country, but they will not help Free Trade in foreign countries ; on the contrary, they furnish arguments for protectionists.

Shall I be told that a convention, such as I suggest, is quite unlike a general commercial treaty ? I know it is ; but it may prepare the way for it by arousing a movement of public opinion in favour of further conventions. It would give to Free Traders some such support as protectionists find in the taxation they procure, sometimes in favour of this, sometimes in favour of that.

In any case it would be very serious if the English Free Trade Ministry, instead of profiting by the favourable political understanding existing between France and England, were to remain inactive.

CONCLUSIONS.

(1) Commercial treaties ought to be elements of economic stability and security in proportion to the influence of protectionist prejudices.

(2) They ought to be concluded for a minimum length of ten years, and should mention the most favourable clause.

(3) They should contain a clause prohibitive of export bounties.

(4) When a general commercial treaty is not possible, countries should conclude special conventions which can at once be of use and may lead later to a general commercial treaty. Such is the case of France and England.

(5) England and France ought immediately to conclude a convention on the following basis : Abolition of the tax on bonded goods on France's side ; a reduction of 50 per cent. of the duty on wines on England's side.

M. CALVET submitted the following paper :—

I HAVE been deputed to make a special study of the commercial relations of Bordeaux, as the centre of the Gironde vine district, with Great Britain. This inquiry is very *à propos*, considering that it comes at a time when France and England, united by an *entente* that we are well justified in regarding as cordial, should be seeking the means best adapted to promote this union and further their mutual interests. Now nothing will better contribute to this end than by granting facilities to commercial exchange to multiply and increase in importance.

The wines of the Gironde have always figured largely in the total sum of French exports to England ; the trade in them is one of the oldest on record, and no wonder, considering that during the three centuries, from the twelfth

to the fifteenth, our province of Guienne was an English possession, having as its resident governor the heir to the English Crown.

It is for this reason, perhaps, that Bordeaux wines have ever been in high favour in the United Kingdom.

Let us examine the export statistics during a period of fifty years, that is to say, since just before the Commercial Treaties came into existence. A few will suffice.

In 1859, the duty being 5s. 9d. per gallon, we exported
 19,400 hectolitres in hogsheads,
 9,130 hectolitres in bottles.

The Commercial Treaty of 1860 reduced the duty to a shilling per gallon. From that year onwards our exports increased to

41,400 hectolitres in casks,
 14,200 hectolitres in bottles.

Nor was this increase long in taking on bigger proportions still, for in 1882 we were able to register

180,600 hectolitres in casks,
 42,500 hectolitres in bottles.

In spite of the impulse that the Treaty of Commerce had given to the consumption of French wines in England—a forcible witness to the development given to international exchange by the breaking down of fiscal barriers—the protectionist spirit, which never yields, strove to regain lost ground, and succeeded by degrees in acquiring ascendancy. As a consequence of this, and with the object also of increasing the resources of the Exchequer, the English Government in 1900 raised the duty on our wines in hogsheads to 1s. 3d., and put on to bottled wines an additional shilling, which brought up the entire duty to 2s. 3d. The effect of this measure was not what was anticipated; that is to say, there was no improvement in the receipts. An increase in the revenue of £298,000 had been looked for, but the result obtained was less than negative, for there was a deficit of 12 per cent.

M. Yves Guyot has shown that from 1897 to 1899 the revenue from the tax on wine was £1,386,000, and that from 1901 to 1902 it was only £1,207,000.

As regards the exportation of our Bordeaux wines, we can show that it has not ceased to decrease since the heightening of the duty.

In 1903 we only registered :

86,600 hectolitres in casks,
12,600 hectolitres in bottles.

In 1906 these figures are raised to :

97,800 hectolitres in casks.
14,303 hectolitres in bottles.

But these statistics are very different from those quoted in 1882, which have been cited above.

We do not believe that this decrease ought to be attributed exclusively to the fiscal *régime* ; other facts have helped to bring it about. In my opinion they may be reckoned as follows :—

(1) FASHION.—For some time it has been the fashion in England to prefer the Champagne wines to those of Bordeaux to the depreciation of the latter. We need not dwell upon this, since it is in the nature of fashion to be transitory, and already under this head we note an approximate return to our Bordeaux wines without the preference diminishing for champagne.

(2) MEDICAL INFLUENCE.—The campaign against alcohol in all its forms, whatever may be the vehicle or the quantity taken, has caused a great fluctuation, and finally a distinct diminution in the consumption of our wines. We ought, however, to recognise that the English faculty—to whose probity we gladly render homage—has carefully studied this important question. Researches and observations on the subject have been already made, not only in England, but in Bordeaux itself, the result of which has been a distinct revulsion in opinion, as the great medical organ *The Lancet* has several times pointed out.

(3) THE COMPETITION in what may be called "exotic" wines. These are chiefly the wines of Australia and California, which compete in English markets with French vintages. We partisans of Free Trade cannot complain on this score, as we have no desire to impose our produce on the English market to the exclusion of similar ones. But one thing we have a right to ask, and that is, that the wines thus put on the market should not bear labels which they have no right to carry. Australian and Californian "Burgundies," "St. Juliens," and "Sauternes" have no place in England. Only a short time ago this very question was discussed in London at the conference which was held to revise the Madrid convention; it was decided to promote the nomination of an international commission of arbitration which should procure the adhesion of all the Powers to the convention, and, at the same time, should unify the interpretation of its clauses, and fix a procedure capable of being accepted by all.

We trust that the work of this commission will have practical results, and be unanimously ratified by the Powers.

(4) FRAUD.—Here we cannot overlook the imitation wines made in London under the name of "Basis wines," from raisins, gooseberries, and other ingredients, which are put on the market as *boni fide* wines, occasionally even with the labels which belong only to the Gironde vintages.

The trade has been unanimous in deploring these fabrications, which can only be regarded as disloyal competition, and the English Exchequer should have cause for complaint also, since these manufactured wines, which escape duties, usurp the place of imported wines which have to pay customs dues.

Having indicated these secondary causes (there may be many more), we come back to the question of customs duty. The only means of bettering the existing situation and of avoiding a further trade depression seems to be the estab-

lishment of a Commercial Treaty. The main point for commerce, as for industry, is not to let them be crushed under taxation which renders exchange impossible ; and, above all, to be able to secure them a stable *régime*, independent of ministerial or parliamentary caprice and changes of political systems. Outside this security no lasting work is practicable ; enterprise hesitates to compromise itself through fears for the morrow, and capital is idle.

We believe that the moment has come for initiating between France and England, already knit in the bonds of a community of interests and sympathies, a Commercial Treaty based on reciprocity. We would suggest :—

(1) That this Treaty be of twenty years' duration.

(2) That the duty, as far as it concerns wines, be brought down to a shilling, as in 1860, and that the tax of a shilling on bottled wines be abolished.

There has been a question of introducing proportional taxation based on the percentage of alcohol in wine. In our opinion, this system ought not to be adopted, favouring exclusively, as it would, the wines of the South of France, light vintages which will never appeal strongly to the English taste. Our Bordeaux wines are, on the contrary, very variable in strength, according to the vineyard where they may be grown, or the vintage of that particular year ; and they would thus often be subject to duties varying not only in different regions, but depending often on the vineyard or vine grower, to say nothing of harvests. Nothing, therefore, can be assumed for certain, whether in the present or the future in their regard. In fact, the Commercial Treaty, having for its end the reduction of the entrance dues into England, would be for us as if it had never existed, not to mention the complications that a *régime* of this nature might involve, since on a freight of several hogsheads there would often be good reason for applying varying tariffs.

It is clear that the alcoholic scale would possess the

serious drawback of prejudicing English colonial wines, which are all very highly proof, and it would place them at a grave disadvantage with French ones. This, however, would not be admitted in England.

What shall we give England in exchange? Several fiscal reductions have been proposed, whereof these are the principal :—

(1) The reduction of the coal duties. Of all English produce open to a reduction of duty, coal is certainly the one which ought to be considered first.

In proportion as industry under all forms progresses in France, the consumption of coal, which is its daily bread, so to speak, and is, moreover, the principal factor in many departments in regulating net prices, increases in like proportion. The coal supply in France itself is notoriously insufficient; we really need a foreign supply equivalent to the half of that we procure from our own mines.

Is it prudent to tax one of the chief necessities of life, when we cannot even claim that we must protect the interests of our own produce, since the supply does not meet the home demand? The duty of 1.20 fr. per ton, which at first appears but slight, constitutes really, according to the fluctuation in prices, a tax varying from 5 to 7 per cent. on the value of the goods; this is enough to show how heavily such a duty weighs on our industrial and shipping interests. Although it might be difficult to allow coal to enter France free of duty, on account of the loss which the revenue would thereby suffer, it would certainly be possible to reduce the duty to a considerable extent, by one half at least, that is to say, by 60 centimes per ton. Such a measure would have the double advantage of producing a favourable impression in England, and of benefiting considerably our industries and our mercantile marine. French coal pits would never suffer, protected as they would be alike by customs duties and the saving in transport.

(2) Reductions on spun cotton. These would be well

received in England, and we imagine that from this quarter no appreciable objections would be offered, especially if the coal duties were reduced at the same time.

French cotton mills are worked under the same conditions practically as English ones, that is to say, both are employed on imported produce; and French manufacturers being in no wise inferior to their competitors, it ought to be easy for them to maintain competition as long as they employ the same means and avail themselves of the same improvements as their rivals.

(3) We believe that the concession which would, perhaps, be the most acceptable in England, and which would produce the best effect there, would be the remission of the surtax on bonded goods. This impost only brings in very little, it may be 1,550,000 fr.; on the other side, it is a source of misunderstanding between the two countries, whilst only protecting the national flag in an insignificant way. This surtax is a real barrier, and it is for this that we would, from every point of view, press for its abolition.

To sum up, what Bordeaux commerce would ask is a Commercial Treaty with England, a Commercial Treaty based on reciprocity, and one that should guarantee to our business transactions a long spell of economic security and commercial peace.

We hope that such may be the result of your deliberations—they will then have rendered a signal service to our two countries.

The Congress then adjourned till Friday at 10.30 a.m.

SEVENTH SESSION.

SUBJECT: PRESENT UTILITY OF COMMERCIAL TREATIES—(CONTINUED).

Professor ARNDT (Germany) summarised the following paper :—

THE advantages of commercial treaties would seem to belong to the most simple and easy questions that can be brought forward at a Free Trade Congress. Many will perhaps wonder why it has been placed on the agenda at all. The more, however, the question is considered and an answer sought, the more will it appear complicated, and one preliminary question after the other will present itself. First of all, it must be determined what is to be understood by a commercial treaty. Then we must make it clear from what point of view we ought to look upon these treaties. Here great differences of opinion are possible. The same economic effect will appear good and useful to one, bad and harmful to another, according to their respective opinions as to whether the growth of international commerce is to be regarded as an advantage or not. The examination is further complicated because the same fact may have good economic results, *i.e.*, to increase wealth, but may at the same time have other bad political or moral effects. And the harm is perhaps greater than the benefit. What would a nation be profited if it should gain the whole world and lose its own soul?

Therefore some general observations are necessary for the clear understanding of the problem.

Historical and in particular statistical examinations, in treating this question, seem to be out of place at the Free Trade Congress. He who would show in detail the result of a special treaty of commerce must undertake far-reaching researches into all the economic conditions of that time. The commercial treaty is, after all, only one of the many forces on which the economic development depends. To determine the effect of one force in a multitude is extremely difficult, and, without going into a mass of particulars, the discussion of which would lead too far, it is impossible to obtain a satisfactory solution.

What is a commercial treaty? The answer to this question is less simple than one would suppose at first. A commercial treaty is generally considered an agreement about import duties. Is it, however, right to limit the meaning of a commercial treaty in that way? Is commerce here identical with crossing the frontier? Does not Free Trade require other things than abolition of duties? And do not, at present, commercial treaties touch upon other subjects as well as, for instance, shipping, railways, commercial travelling, emigration, the recognition of documents, &c.?

The question, What is meant by a commercial treaty? is not by any means of theoretical interest only. It is something of eminently practical importance. Economic conditions vary constantly and quickly. Fresh problems present themselves on the world-market. New watchwords are coined. Some years ago no one ever spoke of the principle of the "open door," and is not this principle now one of the most important for the regulation of international economic relations? An agreement about the "open door" is, however, certainly a commercial treaty. All such new phases of the matter must be kept in mind if a correct judgment of modern economic evolution and a practical solution of the problems of international trade are to be obtained. For in modern economics one problem is inextricably linked with another. Uniform principles and uniform methods must be aimed at. You cannot in one

place champion the principles of commercial freedom and equality, and in another approve of restrictions and privileges, without discrediting your whole policy.

Therefore we must first agree to what we have to understand by commerce and commercial treaties. By commerce we understand all economic relations between different peoples. An agreement between one State and another in regard to the whole or to a part of these relations constitutes a commercial treaty. It may be useful to characterise such treaties as commercial treaties in the widest sense of the word, and to confine the term commercial treaties in a restricted sense to customs-conventions (*Zollverträge*). I shall use the word here in its widest sense.

The commercial treaty is not always to be found under that name. Another title often hides its character. The cause for this is to be found either in the fact that it forms part of a greater treaty, *e.g.*, such as is concluded at the cessation of hostilities, or because the treaty has only a bearing on a particular question, as, for instance, patents. But without doubt the Frankfurt Treaty of Peace of 1871, which contained the most-favoured nation clause between Germany and France, was also a commercial treaty. The Congo Act of 1885, by which it was decided that all nations should enjoy full freedom of trade in the Congo basin, was a commercial treaty as well. The same applies to the Algeiras Act, which laid down the principle of free competition of all nations in Morocco. The international conventions about postal matters and patents are also to be classed among commercial treaties.

Thus we see that the contents of a commercial treaty are manifold. They can refer to:—

Customs : reduction and regulation of duties, &c.

Bounties : their abolition—*e.g.*, Brussels sugar convention.

Sanitary measures : control of cattle import.

Legal proceedings, patents.

Immigration : right of acquisition of land.

Commercial travellers : taxation, samples.

Commercial law.

Maritime law—*e.g.*, in case of war : contraband, prize courts.

Shipping : port dues, coasting, subventions.

Railways : fixing of rates, concessions, &c.

Post and telegraphs : rates, laying of cables, &c.

Measures, weight, coinage : metrical system, &c.

Investment of capital : loans, concessions, &c.

The list of subjects that could be treated in a commercial treaty might be made a great deal longer. The most important points, however, have been enumerated.

It is questionable whether to these State treaties ought not to be added certain private agreements, the importance of which is often very great. I am thinking of the distribution of markets of the world, or of some great continent by international trusts. The producers of certain goods, *e.g.*, of rails and glass, have in this manner divided the different national markets between themselves. These private "spheres of interest" ought to be considered just as well as the national ones. The governments will in future have to pay great attention to these private international arrangements, as it is possible that the actions of the trusts may come into conflict with their own policy.

The commercial treaties are, as a rule, agreements between two Powers only. Not seldom, however, several, and on occasions all, the Powers of the world join in a common effort to regulate the economic conditions.

The conclusion of commercial treaties is a part of the general foreign policy. In this, however, the pure political and economic problems are often indissolubly mixed up. Only the theorist, who applies the abstract method and isolates facts, can limit himself to the study of mere economic relations. The practical politician, on the contrary, must take into consideration all matters, even the non-economic, such as politics, morals, sentiments, &c., and put all factors into his calculations. It has often, and in my opinion

not always wrongly, been argued against Free Traders that they are too abstract, and that they only have an eye for economic facts, and do not take enough into account the varied complications of real life. Indeed, many Free Traders do not pay enough attention to the fact that the principles of the classic economist have only a hypothetical value, *i.e.*, that they are only valid under certain conditions, that they are only causal formulæ to aid us in our study of economics, and not binding maxims for our policy. It seems to me that Free Traders have often made miscalculations, and therefore partly lost their influence, through neglect of the many non-economic factors in human life. This especially applies to German Free Traders, who even now often regard commercial policy as a mere economic matter, care little about other problems of foreign policy, and thereby lose sight of the connection between economic and political questions. This fault is particularly fatal in modern times: we have intercourse not only with European and American peoples, whose civilisation resembles our own, but continually we also establish closer commercial and political relations with peoples of other race and culture. We must, as practical politicians, in the present day more than ever, take into consideration that an enormous difference exists between the "economic man" of the classic theory and the actual human being on whose feelings, passions, and tempers the fate of governments so often depends; if it is difficult to understand and anticipate the ideas and decisions of the white man, it is often almost impossible to grasp those of the yellow, brown, or black. A diligent study of all sides of foreign politics is doubly necessary for us Germans; we have only in recent times taken again an active part in world-politics, and indeed, for us, such a participation has become a national necessity. Only when we well understand all foreign conditions shall we be able to conduct a proper foreign trade policy. How can we, for instance, regulate our commercial relations with China, Morocco, or Abyssinia in a practical way, if we are

not well informed on the economic, political, and social conditions of these countries ?

If we ask whether commercial treaties constitute good means of regulating international trade we require first of all a clear conception of the aims of international intercourse. In international intercourse we see the means of utilising the advantages of the international division of labour, of increasing the productive power of human labour, of giving a larger share of the products of the earth to everybody, and of advancing civilisation in general. The principal task of international intercourse is the exchange of the special products of the different countries, the mutual completion of their production. The means of attaining this peaceful end is international struggle or competition. This is one of the main principles of economic liberalism. Our modern civilisation is based on free competition, of course, only within the barriers of law and morals. The best means of improving the welfare of the individual as well as of the nation are to be found in individual responsibility, in individual freedom, and in equality before the law. Thus also free competition in the international market will stimulate the straining of every nerve in order to raise all human efficiency, and so serve the interests of all, of the individual nations, as well as of humanity.

We must emphasise this over and over again, because a great many still look upon the international competitive struggle, not as a means of improving the common welfare, but only as an expression of national hostilities. Thus the cry for Protection is raised against the "invasion" of foreign goods. Thus the grant of export bounties is called offensive and aggressive. Thus it is said that in concluding treaties the aim of the contracting parties is to gain an advantage the one over the other. This is the principal idea of mercantilism which people have tried to revive in our days. The arms of the modern Protectionists can be traced to the old mercantile armoury. While mercantilism is full of the spirit of animosity and mistrust of the foreigner,

looks upon him as only something to profit by, and refuses him the rights of citizens, liberalism proclaims its ideals also in regard to international relations : individual freedom and equality before the law ! It coins the watchword : Good-will among nations ! These great principles, which signify a great progress of civilisation, are still to this day the guiding stars of Liberals or, as we call them here, Free Traders. As yet they have not penetrated everywhere. The opposition to them was great ; only step by step have reforms been carried, and constantly a reaction sets in. At present it is our task to defend what has been won, and to conquer the territories where mercantilism still flourishes. Unfortunately these territories are still vast, and the adversaries have again offered a very firm resistance within the last years. The Protectionists have even recaptured some lost ground.

It is well known that in England, the classic land of Free Trade, a strong reactionary current has set in. But just as important is another fact, which is somewhat lost sight of, *i.e.*, that England has not yet carried through the principles of Free Trade in some places. This is principally the case in over-sea territories. The foreign merchant or capitalist, German or other, unfortunately often detects a lack of freedom, equality, and good-will in the British Colonies, Possessions, and Protectorates. I shall give some instances of this later on.

The position of Free Traders in regard to commercial treaties is based on the aforesaid principles. Commercial treaties are not in themselves and under all circumstances good or bad, but they are good and useful when they are a help to international intercourse, they are bad and harmful when they are a hindrance thereto. But this definition is not quite satisfactory either. It only refers to the economic effects of commercial treaties. The good economic effect can be accompanied by a bad political or other effect, and *vice versa*. Then the practical politician must, of course, bring his mind to bear on every possible effect and take account

of them all before giving his final decision. However, we cannot attempt to consider all possibilities of this kind in their infinite complications. We must, on the whole, limit ourselves to the consideration of the economic effects and try to make sure whether they are good or bad.

The policy of commercial treaties must formally be regarded as being in opposition to the autonomous policy. The governments are generally bound by their commercial treaties for a number of years to certain actions or omissions. The value of these obligations is, of course, dependent on their contents. But in nearly every case the fact alone that an obligation has been imposed for a length of time must be good for the development of international trade, because the treaty will lend a certain stability to the international economic relations, while autonomous control will be subject to sudden changes. This formal stability, which gives to business calculations a greater security, is in every case a great boon, even when the convention is materially unfavourable. Uncertainty is often, also in mercantile affairs, harder to bear than unfavourable circumstances or bad luck. Besides, as a rule, when treaties are unfavourable, no better result is to be obtained by an autonomous policy.

There can hardly be any doubt that the aim of the majority of commercial treaties is to facilitate international trade. They bring order into many irregularities. They remove barriers to interchange and inequalities between different countries. Many commercial treaties state expressly that it is their aim to further international intercourse.

The most important treaties are those by which all powers of the world, or at least the principal civilised nations, join in common action for the regulation of certain conditions of international intercourse. These are the so-called International Unions. The following ought especially to be mentioned, viz., the International Telegraphic Union of the year 1875, the Agreement about protection of commercial property of 1883, the Postal Union of 1897, and the Sugar Convention of 1902.

Certain separate treaties can likewise serve the purpose of furthering international intercourse: such as are concluded by two nations for the purpose of removing certain special obstacles to intercourse, as, for instance, the treaty concerning the construction of the Gotthardt Railway. The removal of the obstacles promotes, in the first place, the intercourse between these States, and, indirectly, international intercourse in general as well. Tariff conventions, which are concluded only between two nations, belong to this class if their regulations are extended to other nations by the most-favoured nation clause. However, this condition is not necessary under all circumstances. Special treaties between two nations may prove to be the pioneers of general progress. While the others hesitate, these two nations go ahead, setting a good example and trying to induce the others to follow. The courageous resolve to make a new start has often caused great results.

Next to the system of the "most-favoured nation," which has proved to be especially capable of promoting intercourse and has even prevented many discords amongst nations, the policy of the "open door" plays a big rôle in the economic events of our times. Open door signifies commercial equality of the various foreign nations in a country which is not strong enough to shape its own trade policy. The policy of the open door is opposed to that of privileges and of spheres of interest.

The effect of such treaties is to simplify intercourse and to unify its rules. These treaties have also, as they strive to establish friendship among nations, many favourable political consequences and a civilising influence.

The policy of "good-will among nations" stands against that of international ill-will and jealousy. Full of the old spirit of mercantilism, this latter policy makes also use of its means. It creates new obstacles to intercourse, maintains the old and strengthens them considerably, mostly through autonomous measures; often, however, through commercial treaties that are concluded with

the "adversary" in order to wring from him concessions and special advantages. While liberalism produces facilities and concord, the consequences of the opposite policy are complications and differences and thereby impediments to intercourse. Liberalism fights for freedom of trade and for the equality of all parties. The aims of protectionism are special advantages, monopolies, privileges, rights of reservation, &c., *i.e.*, injury and disadvantages to others. While liberalism opens the doors wide and invites every stranger to enter, protectionism bolts them with anxiety, and lets the stranger in only exceptionally and against the payment of a tribute. The amount of this tribute is often fixed in commercial treaties after considerable quarrelling and haggling.

In Protectionist countries the governments are always trying to procure as many advantages as possible for their own citizens at the cost of foreigners. That hereby in reality only special advantages are obtained for certain classes, to the detriment of the whole of the community, need not be further commented upon. Then commercial treaties are used as means of extending favourable conditions to a wider circle; preferential treaties are concluded with colonies and treaties of reciprocity among nations friendly to one another. These treaties may, through the advantages they offer, promote mutual intercourse. It is, however, their nature and their object to obstruct the intercourse with outsiders. The value of the mutual concessions is carefully calculated and balanced in such treaties. A facilitation of intercourse that must be "conceded" is not considered a boon, but a sacrifice.

Other measures of this kind are the exclusive reservation and exploitation of large valuable tracts of country, the exclusion of foreigners from the intercourse with colonies, the hankering after privileges and concessions in undeveloped countries, such as China, Siam, Morocco, &c., and the foundation of spheres of interest. In such policy, no doubt, the wish for enlargement of political power is

very often a leading motive. Surely, however, the attainment of special privileges means also exclusion of free competition and obstruction to economic intercourse. The two different classes of commercial treaties—the trade-promoting and the trade-obstructing—are thus clearly distinguished one from the other. The difference originates in the different spirit that animates them. All the same, the power of circumstances is often stronger than the will of individuals or nations, and the effect does not always correspond with the intention. Many measures, meant as exclusive, serve, in the end, the common interest, because international trade, as soon as one door is opened, pushes its way in irresistibly, finds unexpectedly new entrances, and manages with gentle force to open further doors. It is therefore difficult to say definitely, of many commercial treaties, whether they belong to one class or the other.

The recent attitude of England, the champion of the Free Trade movement, in regard to differentiation in trade, is of particular importance. I may be allowed to refer to this in a few words. Unfortunately, we have been obliged to state lately that England does not always stand for liberty and equality on the world-market. Has she not tolerated preferential treatment on the part of her colonies? Has she not tried to obtain special advantages in China, Egypt, Thibet, Siam, Persia, Afghanistan, &c.? Has she not hindered the investment of foreign capital in her colonies and possessions? When Government and other contracts are tendered for, are not English firms preferred?

It is difficult to prove everything in a strict sense, and it is quite possible that the practice of the present Liberal Government of England in oversea territories differs from that of their Unionist predecessors, whom I have principally in view. One is often obliged to judge from incidents and symptoms. Is it by chance that the investments of German capital in the non-English part of South-East Asia are three to four times higher than they are in British East India, and that the investments of German capital grow larger

in every part of the world, with the one exception of Australia? Do we not hear that the appearance of the German flag on the Nile or in the Persian Gulf is viewed with disfavour by England? Do we not always meet with resistance on the part of England in our construction of the Bagdad Railway? Do we not see that England concludes treaties now with this Power, now with that, in order to obtain special spheres of interest in Asia and Africa? Is not the opening up of our German colonies often retarded by the unwillingness of England to assist us in our efforts?

I know that it is not always possible to give clear and exhaustive replies to such questions. The same measures often appear in a favourable or unfavourable light, according to the interpretation of circumstances. Differences are also possible in the administration of affairs, if there be a change of Government and officials. And the endeavours of England to obtain special privileges can also partly be explained by the efforts of other nations—Germany, for instance—to secure similar advantages. However, this may be, many facts of this English policy cannot be explained away, and they provide the Protectionists of all other countries with welcome arguments, throwing suspicion on the Free Trade policy of England.

We Free Traders must turn our special attention to these spheres of misunderstandings and inconsistencies. We must try to arrive at complete consistency and absolute clearness. For a single ambiguity that remains, discredits the whole system and impedes very much the propaganda for the principles of Free Trade.

If some people try to justify the policy of privileges and spheres of interest on pure political grounds, such argument does not seem to me conclusive. Protectionism and Imperialism are often considered as bound up together; sometimes people do not even hesitate to accuse Free Traders of lack of patriotism. In my opinion, however, the policy of liberty, equality, and—let us, without hesitation, add the third—fraternity in international intercourse

is quite consistent with a sane and sound Imperialism, not to speak of patriotism. Nations such as the English and the German, for whom the home-country has become too small, must have recourse to expansion, and therefore are obliged to think and feel Imperially. They must feel responsible for their kinsfolk, who live and work far away from their home-country, but are connected with it by numerous intellectual, moral, economic, and political ties. This responsibility seems to me to be the essence of Imperialism, *i.e.*, an amplified patriotism. Such policy implies, however, by no means hostility to other nations. On the contrary, it is easily reconciled to the spirit of international "good-will."

I know there are many Free Traders in England and also in Germany who do not like the word "Imperialism." But I cannot see why a Free Trader should not also be an Imperialist. I even think that he who endeavours to promote international trade must pay an increasing attention to international politics. There are ardent Protectionists in Germany who look with displeasure upon the growth of the oversea interests of Germany, and deplore the necessity of strengthening the political force, especially the Navy, of Germany for the protection of these interests over the sea.

Just for solving international economic problems, which also possess a great political importance, we should recommend the conclusion of international treaties, which involve open negotiations and create definiteness and security.

Of course, I must confine myself to sketching some general outlines and principles. Each problem that turns up in the history of mankind, often quite unexpectedly, requires a special careful examination.

The inferences to be drawn by the Free Traders of all countries from what has been said are plain. Our task is, in the first place, an educational one. We must above all work for the friendly regulation of international economic relations, and explain the great economic, social, political, and educational advantages of international intercourse.

In practical politics we must support all measures that promote the international division of labour. For this there is always occasion, even in countries that still cling to Protection.

Even in Germany this is possible, and it is often done. It is, perhaps, not superfluous to point out here that Germany, even official Germany, although she has turned Protectionist and has recently increased the duties, is not by any means to be reckoned among the extreme partisans of Protectionism. The German Imperial Government has "two souls in its bosom." The one is pushing its way out in the open on the great ocean to far-away zones. It is inspired by the grandeur of universal intercourse, in which Germany, after England, takes the greatest part, and it proclaims the principle of the open door. "Unser Zeitalter steht im Zeichen des Verkehrs." "Unsere Zukunft liegt auf dem Wasser!" The other soul is in the bonds of a wretched routine policy. It must remain mindful of the power of the reactionary party, which, through historical causes and principally with the aid of an unjust and antiquated franchise, holds the helm. It lets itself be intimidated by fairy-tales of various dangers—American, All-British, Yellow—and seeks to protect at home German labour that competes successfully on nearly all foreign markets in face of a much keener competition. At present the German Imperial Government has submitted to be forced into a policy of reaction by the small but powerful party of agrarian and industrial Protectionists. But whenever the agrarian and certain industrial interests do not seem to be threatened, the official German trade policy is not by any means opposed to international trade. Germany has always been found ready to co-operate in the peaceable solution of international economic problems. She has already often taken the initiative and given the signal for commercial progress and the regulation of important economic matters. The German Imperial Government has attempted even in later times to remove certain

obstacles to international intercourse through commercial treaties; Germany tries to conclude customs conventions for a long time; she sticks—and this is not to be underrated—to the most-favoured nation clause; she proclaims the principle of the open door for her oversea policy; she abstains from introducing preferential tariffs in her colonies; she uses with great moderation her right to retaliate. It would be unjust not to acknowledge this. And the German Free Traders are thus often enabled to sanction and to support the foreign trade policy of the German Imperial Government.

But, of course, we cannot be satisfied with this. Again and again we must fight for the abolition of the Protectionist duties—an abolition that can, of course, only be a gradual one, if we do not want to cause violent disturbances in German economic life.

Let us hope that our work will not be rendered more difficult by new Protectionist measures in England. Let us also hope that what still remains of the spirit of old mercantilism in English foreign trade policy—a constant challenge to us Germans to retaliate—will be removed. When England and Germany make up their minds to pursue an equal and truly liberal trade policy in every sphere, the other nations will soon follow them. And through the generalisation of the system of commercial treaties it will be possible to solve easily and amicably many problems which may lead, without this help, to dangerous international complications.

Dr. BREITSCHIED (Germany) spoke in German, and was translated as follows:—Though foreign languages are among the very few things which can be introduced free of charge into Germany, I have not made sufficient use of my freedom to learn the English language well enough to address you in English. Therefore, I speak in German, my native language. In speaking to the subject, I desire to underline one sentence in Dr. Arndt's paper—namely, that Commercial Treaties do not explain

the commercial policy of a country. It all depends on what kind of treaties they are, in what spirit they have been made. Treaties, as we know them now, are generally tariff treaties, and they serve the purpose of bridges joining together different tariff countries. In Germany we have had a great opportunity of studying different forms of Treaties. German Commercial Treaties are associated with two names, the names of Chancellors Caprivi and Bülow. As to the Treaties made under the *régime* of Chancellor Bülow, two arguments in support of them were advanced at the time when they were proposed. It was stated that they would add to the stability and smoothness of commerce, and commercial men were informed that though they might not be in favour of them, yet they would agree that for twelve years they would have under them a period of quietness and rest. That is equivalent to saying to a man whom you are going to imprison for twelve years: "Of course, it may not be agreeable to you, but, nevertheless, for the space of twelve years you will have a nice period of quietness and rest."

The Government has tried to make these Bülow Treaties acceptable by stating that they are merely supplementary to the Treaties of Caprivi. At first it looked as if they were to have no bad effect. Of course, the prices of food and the prices of raw materials went up, but they went up at a time when the whole industries and commerce of the world were in a state of great prosperity, and therefore the rise in the prices of these commodities was not much felt. But when the crisis supervened, it was very soon found that the high prices pressed very hard on the industries, and that they made the crisis much more acute than it would have been had the tariff not been raised. If commercial men were inclined at first to regard the Treaties lightly, they afterwards came to realise how serious were their consequences for German commerce and industry.

These Treaties have, also, other consequences than their effect on prices. If you raise the tariff on corn from

3 marks 50 up to 5 marks and 5 marks 50, you have to expect that other countries which are hit by those tariffs will retaliate upon you and put higher duties on German goods ; and this has taken place.

Business men are now coming to see the marked contrast in the effect of these measures passed under Chancellor Bülow as compared with the effect of the Treaties of Caprivi. Under these latter Treaties it was found that German commerce increased to a great extent, that Germany enjoyed a great measure of prosperity, because under Caprivi the duties were lowered.

There is another point that I wish to accentuate. When the Treaties of Caprivi were in force, the emigration from Germany to other countries very largely diminished. I should like to refer to a letter which appeared in *The Times* yesterday, written by a gentleman whose aversion to foreign goods seems even to extend so far that he has changed his name, that was made in Germany, to an English name. In that letter the writer tries to prove that emigration from Germany has decreased while emigration from England is on the increase. But the figures which he uses have absolutely no bearing on his point.

There are some people who are rather disappointed by the result of these high tariffs. They say that the tariffs were all right, but that our intermediaries have been bamboozled by their adversaries during the negotiations for the new Treaties. This raises another aspect of Tariff Reform, namely, the way in which Treaties between Protectionist countries are arrived at. Each party raises its tariff as high as possible for the purpose of having something to bargain with. They come together and bargain like little shopkeepers in a back street, each trying to get the better of the other. There is no pretence that for purposes of Protection the duties need be as high as they are made. They are to be used for purposes of negotiation only. But when the negotiations fail, the duties remain.

I should like also to refer to an article in *The Nation*,

in which it is stated that the idea seems to be gaining ground that commerce is not an act of peace among nations, but an act of hostility. And no doubt where Tariffs prevail this is their real effect. The Protectionists in Germany call the tariff an armour. We want, they say, a strong armour if we wish to get the victory. But for negotiating Commercial Treaties a strong armour is not always an advantage: it is for the most part an actual impediment. I can give you some examples. Take, for instance, Denmark. It is very difficult at the present time for Germany to conclude a Treaty with Denmark, because the German farmers are absolutely opposed to any reduction of the German tariffs. Then there is the well-known example of Canada. Canada has been for the last ten years in a state of tariff war with Germany, and during the years 1902 and 1907 the trade between these two countries has gone back 10,000,000 marks.

In conclusion, I urge that it is our first duty to propagate the idea that commerce is an instrument of peace, and that any tariff you may devise will only make peace more difficult and will hamper you in your relations with other countries. I hope that when another Free Trade Congress is held in London the German delegates will be able to appear before you as representatives of a Free Trade country; and the German Free Traders are disinterested enough to hope further that at that time England will still be true to her present opinions, and will still remain a Free Trade country.

Dr. BARTH (Germany): Allow me to make a few remarks concerning the relations between the English self-governing Colonies and the Mother Country. You know that there is a widespread opinion that the autonomy enjoyed by the Colonies is something like a concession to Protectionist principles from the side of the English Government; and I believe that it is of importance to guard against the spread of this opinion, which prevails widely on the European Continent, and in Germany too.

It goes without saying that we on the Continent would like very much to see removed all these differential duties, which are the result of the preference policy ; but I believe we are wrong when we say that they are a concession by England to Protectionist ideas. They are, in my opinion, nothing else than a concession to the idea of autonomy, for it belongs to autonomy that those who enjoy it can do what they like, even if what they like is to make tariffs. Our duty is to convince the self-governing Colonies of England that they would do better to adopt the same Free Trade Policy as the Motherland has ; but it is we who have to do this, it is we who have to appeal to the statesmen of your self-governing Colonies. We have no right to ask England to do it, nor have we any right to charge her with going back to Protectionist principles if she does not do it. I only want to say this because I am a friend of Justice, and I do not like to see our English Free Trade friends blamed for something for which they are not responsible.

M. LOUIS STRAUSS (Belgium) spoke in French, and urged the importance of Commercial Treaties because, while they do not prevent the further reduction or abolition of duties, they do prevent their increase. They put a barrier to reaction, while they leave the way open to progress. He hoped that Great Britain would make a point of concluding as many Commercial Treaties as possible, so as to prevent Protection gaining ground.

M. JULIUS HAYEM (France), speaking in French, made an eloquent allusion to the fact that goods were not dead, soulless matter, but the materialisation of the industry, the art, the genius of a nation. They brought the consumer closer to the producer, and if producer and consumer belonged to different nations, then they brought nation closer to nation.

When Protection was first introduced into France, they were told that it would never increase in amount ; but it had increased, and now had struck its roots deep in the industrial life of the country. He used the French example

as a warning to Great Britain, because if Protection had grown in France, it would also grow in Great Britain if it were once introduced. He appealed to the British to use every means in their power to prevent the growth of the spirit of Protection.

He alluded also to the great political advantages arising from the *entente cordiale* with France, and remarked that the exchange of commercial products would be the best means of perpetuating the *entente*. To facilitate this political as well as this commercial end, he advocated the bringing about of a new and an improved Treaty of Commerce with France. He mentioned that the Chambers of Commerce in both countries had moved in this direction, and read some of their declarations. But other organisations besides Chambers of Commerce must act; all classes must interest themselves in the matter; and he concluded by urging that this should be done before the next International Free Trade Congress.

M. EDOUARD SÈVE, speaking in French, said: I have been presented to you by our most honoured Chairman by my title of Consul-General of Belgium. I am here in virtue of my being one of the oldest honorary members of the Cobden Club, and it is solely in that character that I present myself to you, for I cannot forget that Free Trade has become the subject of political and party strife in the United Provinces of Belgium. I cannot, however, refrain from reminding you that for more than thirty years I have had the honour of representing the Cobden Club at various International Congresses, and that still longer ago, at the International Congress of Commerce and Industry that was held at Paris, and of which I was one of the Presidents, I proposed that nations should have only three articles in their Treaties—(1) Perpetual peace between the High Contracting Parties and their Citizens; (2) all differences to be settled by arbitration; (3) the High Contracting Parties to come to an agreement with respect to the measures to be taken for the working of the Court of Arbitration.

These points once established, nations could make every kind of subordinate agreement among themselves.

As regards the question of Commercial Treaties, which is actually under discussion in your important debates, I think it should not be settled without the addition of a very detailed Tariff which should be valid for at least twenty years. It is impossible to satisfy International economic interests if the administration of the Customs of one country is permitted to impose surtaxes on bonded goods revisable at short intervals. The addition of a Tariff to the Treaties of Commerce would permit of the abolition of the most-favoured nation clause.

In this connection it is not uninteresting to recall that the first Treaty of Commerce signed between England and the United Provinces of Belgium dates from 1274, and that important agreements with regard to exchange were concluded in the first half of the fourteenth century by Edward III. at the time when Van Artevelde cemented the *entente cordiale* between the two countries.

I am not qualified to tell you what will be the next Treaty of Commerce between our two countries, which have always pulled together, and which have cherished noble aspirations towards commercial freedom; but if it were my mission to formulate a plan, be assured that I should make every effort to unfold the banner of Free Trade, for it is by the definite adoption of that principle that humanity will finally enter the era of Peace.

THE PRINCE DE CASSANO (Italy) urged that though Treaties of Commerce might be, and probably were, a remedy against increases in the Tariff, they should nevertheless not advocate them, but go rather for Free Trade, which was the best and final remedy.

Mr. ALEXANDER MCFEE (Canada) spoke in explanation of Canadian commercial policy.

The Congress then adjourned till 2.30 p.m.

EIGHTH AND FINAL SESSION.

SUBJECT : THE ESTABLISHMENT OF A PERMANENT INTERNATIONAL COMMITTEE FOR THE PROMOTION OF FREE TRADE.

Mr. J. A. MURRAY MACDONALD, M.P. : The Committee of the Cobden Club invited delegates from the various countries represented at the Congress to form a Committee in order to consider the sixth subject of the Programme, and to submit to the Congress a report upon it. That Committee held three meetings, and now begs to submit the following resolutions :—

- I. " That the following be provisionally appointed an International Committee for the Promotion of Free Trade.
- | | |
|-------------------|---------------------------------|
| AUSTRIA | Kaiserlicher Rat Adolf Schwarz. |
| „ | Dr. Alexander Ritter von Dorn. |
| AUSTRALIA | Senator Pulsford. |
| „ | Mr. Max Hirsch. |
| „ | Mr. A. Salaman. |
| BELGIUM | Monsieur Louis Strauss. |
| „ | Monsieur Charles Corty. |
| CANADA | Mr. J. Martin, K.C. |
| DENMARK | Mr. Peschcke Kóedt. |
| FRANCE | Monsieur Yves Guyot. |
| „ | Monsieur Gustave Schelle. |
| GERMANY | Dr. Barth. |
| „ | Professor Lotz. |
| HOLLAND | Baron d'Aulnis de Bourouill. |
| „ | Dr. A. Heringa. |
| HUNGARY | Professor Mandello. |

ITALY	Professor Gaetano Mosca.
„	Signor Edoardo Giretti.
NORWAY	
RUSSIA	Professor Ivan Oseroff.
„	Professor Vladimir V. de Sviatlowsky
SWEDEN	Professor Cassel.
„	Baron C. C. son Bonde.
SWITZERLAND	
SPAIN	Don Pablo Bosch.
„	Don An. Rodriquez.
UNITED STATES	Hon. John de Witt Warner.
„ „	Mr. Harvey N. Shepard.
COBDEN CLUB	The Rt. Hon. Lord Welby, G.C.B.
„ „	Mr. Alfred Mond, M.P.
„ „	Mr. Russell Rea, M.P.
„ „	Mr. T. Fisher Unwin.
„ „	Dr. Baskett.
„ „	Mr. J. A. Murray Macdonald, M.P.”

2. “That this Committee be instructed to make arrangements for summoning a Second International Free Trade Congress to meet in 1910 at The Hague, Brussels, or Antwerp, and that the place of meeting and preliminary arrangements be left in the hands of the representatives of Belgium, Holland, and the Committee of the Cobden Club.”

Both resolutions, on being put to the Congress, were carried unanimously.

The CHAIRMAN : This concludes the formal business of the Congress.

Mr. HARVEY N. SHEPARD (U.S.A.) : I am quite certain that we do not wish this Congress to disperse without some expression on our part relative to its work.

About a year ago Mr. Russell Rea very kindly invited to a dinner party, given by him at the House of Commons, Mr. Warner and myself, who then happened to be in London. That dinner was graced by the presence of the then Prime Minister, the usefulness and promise of whose public career has since unfortunately been cut off by death.

The Peace Conference had met at the Hague, and Mr.

Warner suggested for the consideration of those who were present the advisability of a gathering of those who were interested in Free Trade, in order to demonstrate how much commercial intercourse among the nations has to do with the peace of the world. That suggestion met with the favour of the Prime Minister and all those who were present, and now as a result, thanks to the painstaking work of the members of the Cobden Club, we are gathered here together, and I am sure that we want to record our satisfaction with the result of this first International Free Trade Congress, and with the testimony that has been brought here from all parts of the civilised world in support of the principles of Free Trade.

Our meeting will, I believe, be of great moment in the history both of industry and of peace. The proceedings of this Congress have been conducted on so high a plane as to render easy and assured the success of the next International Free Trade Congress, provision for which you have just made. It is a matter of no little moment that gathers so many people from so many parts of the world, some of them from very long distances, in some cases at great expenditure of time and money, and for what? For no selfish purpose; for no purpose from which there can come to them the least individual gain, but wholly for the good, not of any one nation, but of our common humanity. The seed which has been sown here, I doubt not, will spring up in an abundant harvest, especially when what has been said has been printed, and has been put in circulation in different parts of our world. Our discussions will make, I doubt not, for the progressive development of our civilisation to the final and assured triumph of the principles of Free Trade—Free Trade among the nations of the world.

And it seems to me, Gentlemen of the Cobden Club, that you also may take to yourselves great satisfaction with the work of this Congress. The burden of preparation has rested upon your shoulders. No one but yourselves can know how much that means. It is at least some

remuneration that men and women have come here from every part of the civilised world to lay at the feet of England our tribute of admiration and respect for the unflinching stand which the English people have made for more than sixty years past for freedom of commerce.

I beg leave, in conclusion, to offer this resolution for your acceptance :—

“ Resolved that this Congress is under the deepest obligation to Lord Welby for the dignity and tact with which he has presided over its deliberations ; to Mr. and Mrs. Russell Rea for the Opening Reception with which our meeting was so happily inaugurated ; and to our Secretary, Mr. J. A. Murray Macdonald, to whose effective zeal was so fortunately committed the organisation of the Congress.

“ And be it further resolved :—

“ That the Secretary of the Congress be instructed to convey to Lord and Lady Brassey, and to Lord and Lady Carrington, and the Committee of the National Liberal Club, an expression of appreciation of their hospitality and special courtesies to the Congress ; to the City Liberal Club for admitting the members of the Congress to its honorary membership ; to the First Commissioner of Works and Mrs. Harcourt and to Mr. and Mrs. Fisher Unwin for their invitations to their homes at Nuneham and Midhurst ; to the Prime Minister and the President of the Board of Trade for their participation in the deliberations of the Congress, and for the notable service to the cause of Free Trade which they thus rendered ; and to the Cobden Club for its timely recognition that Free Trade has become the common cause of the civilised world.”

Lord Welby is too modest to put these resolutions before you for your consideration. I ask, therefore, your consent that they may be now considered by you.

Dr. THEODOR BARTH (Germany) : Ladies and Gentlemen, —Allow me to say a few words in support of, and in addition to, the eloquent appeal of our American friend. I want to say these words particularly with the consent of the German-speaking and German-understanding delegates ;

therefore, I hope you will not take it as an unfriendly act if I use in this case my native tongue.

Dr. Barth then continued his speech in German, of which the following is a translation :—

International Congresses are to be compared to a sea voyage. You know very well where and how you start, but not whether and how you will arrive. The boat may run on sands or suffer damage in a storm; the passengers may become seasick.

Our good ship the Congress has come out of all these dangers splendidly. The merit of this is due chiefly to the admirable handling of the boat by her distinguished and experienced captain, Lord Welby; her excellent first engineer, Mr. Murray Macdonald; and her prudent purser, Mr. Russell Rea. Moreover, we have to thank likewise the other officers of the boat, as well as her crew down to the stokers in the engine-room, who have all the time kept us provided with fresh fuel.

Our good ship the Congress has now safely arrived in port, has brought in a valuable cargo of convincing proofs of the necessity of Free Trade, and is getting ready for a new voyage in two years. Nobody knows yet what is going to happen in these two years, but we may be sure that there will be enough to do by us Free Traders, both in the way of attack and defence. Optimists on principle as we are, we firmly believe in our final success, in the triumphant victory of common sense, in the superiority of the principles of economic justice—in a word, in the blessings of Freedom of which Charles James Fox said on one occasion, more than one hundred years ago :—

“I firmly believe in the salutary effects of freedom. But, even should this belief be erroneous, it is, nevertheless, true that this belief has contributed more to the development of human civilisation than all the acts of the representatives of coercion and force.”

I think I speak the mind of all those present when I

state that we leave this place strengthened again in our belief in Freedom, and with the firm resolve to throw open the gates to Liberty.

M. LOUIS STRAUSS (Belgium) spoke in French, and was translated as follows :—I am charged with the agreeable mission of speaking on behalf of the Latin races, and being on the extreme northern limit of these races, and on the frontier of Holland, I take upon myself also to speak for our Dutch friends. M. Guyot the other night spoke on behalf of Belgium, and to-day I, as a Belgian, am speaking on behalf of France.

Unfortunately, even Free Traders cannot avoid the necessity of parting, but you are parting to-day with the satisfaction of having demonstrated great truths. You have shown conclusively that even with equal money wage, workers are better off in Free Trade countries ; you have shown that the cause of Free Trade is the cause of human solidarity. You have shown that the ideas of progress, liberty, and justice, when adopted by Governments, must inevitably lead to Free Trade, and you have also witnessed the great work that the Cobden Club has done in proclaiming these principles.

We have spent pleasant days ; we have worked excellently—thanks to the admirable skill with which the debates of this Congress have been conducted by its officers—and in addition to our work we have also strained ourselves to the uttermost to respond to the bounteous and almost unlimited hospitality which has been shown to the foreign delegates since their arrival in England.

M. Strauss then read a letter to M. YVES GUYOT from M. Frederick Passy, who, being eighty-six years of age, was unable to attend the Congress, as follows :—

“ MY DEAR GUYOT,—

“ I have had read to me in the *Siccle* of this morning your very interesting chronicle devoted to the two Congresses in which you take and will continue to take so important a

part. It increases my regret at my inability to take my place as I had wished, among our French colleagues.

"Will you, in the unfortunately enforced absence of the two Presidents of the Society of Political Economy, of which you are the official representative, take an opportunity of expressing my very cordial sentiments.

"I had thought of writing direct to the President of the Free Trade Congress, but it will be sufficient if you, in your capacity of colleague and collaborator, will be kind enough to repeat my ideas and my convictions, with which you are well acquainted.

"At the same time I would pray you to present my grateful salutations to those Englishmen whom we have had the honour of receiving in Paris on various occasions, such as Lord Brassey, Lord Avebury, and others.

"Present also my kind regards to our friends Giretti and Louis Strauss, and remember me cordially to Dr. Barth, who was in 1890 one of three foremost Germans who dared to come to take part in the Inter-Parliamentary Conference, and who has never ceased, however much he has suffered for it, to fight for liberty and peace.

"It is well that those who work for the good of humanity should know that their efforts are followed with sympathy, and that, though it may not always be possible to thank them, what they do is followed by their distant fellow labourers with affectionate gratitude. Alas, this more and more becomes almost all that I can do for them."

Mr. HARVEY N. SHEPARD put the resolution to the Congress, and, amid cheers, declared it unanimously adopted.

The CHAIRMAN: Mr. Shepard has put upon the officers of the Cobden Club a somewhat heavy task, for it lies upon us to return thanks for all those gentlemen and those institutions that have been proud to offer our friends from abroad hospitality during the last few days. But, above all, I must say one word with respect to Mr. Russell Rea and Mr. Murray Macdonald. We of the Cobden Club know fully how deeply the Cobden Club and this Congress

are indebted to Mr. Russell Rea, whom I think we may look upon as almost the originator of the idea of this Congress. But so far as the carrying out of the preparations for the Congress are concerned—a work of no small difficulty and no small labour—here again we of the Cobden Club can only express our extreme gratitude to Mr. Murray Macdonald, who has been the living soul of all.

The Congress has been a very great experiment. It was an experiment which was intended to test whether Free Traders throughout the world could be brought to act together. At the present moment we are only too much aware that Protection has lifted up, and is lifting up, its head again in this country. I notice that a statement I made at the opening of the Congress to this effect has been described by the Protectionist Press as a jeremiad. Now, let me at once say, on behalf of everybody here, that we are not Jeremiahs. We have got nothing over which to utter a jeremiad, because we are confident in our cause. But we of the Cobden Club have to thank to-day our friends who have come from abroad. We are proud to think of the manner in which the eminent men from every part of the world have addressed us, the manner in which they have responded to the appeal we have made to them. The response which they have given to that appeal is one to encourage us; it is one also to encourage all their friends and followers throughout the world. It is one that ought to give us courage for the future, and lead us to the hope that this, at all events, if it is an experimental Congress, will only be the first of a series of Congresses, in which the advocates of liberty and freedom throughout the world will meet. And I may say I hope that the result, so far as it has gone, has been as satisfactory to our friends as it is to ourselves.

Speaking for ourselves, we cannot express too strongly our satisfaction at what we have heard and what we have learned. We here have learned much of the evils under which countries, subjected to restrictive tariffs, labour,

and it is a very good thing that all Free Traders should learn, and have ever before them, what those evils are. We have learned much about what I fear is almost the greatest evil attending Protection—the corruption, the lobbying, the glorification of self-interest, the combination of trusts and of capital directed to ill purposes, which flourish wherever there is a restrictive tariff. They are truly noxious weeds those that germinate in the baneful atmosphere of Protection.

But if we want to fight these evils, the first thing is to obtain that free interchange of ideas out of which alone a well-instructed and healthy public opinion can be fabricated. And the interchange of opinion which has taken place between us here at this time has, I think, had that satisfactory result, and now I hope that we may look with confidence to the fact that we have established a Federation of Free Trade.

There is one other thing that has come out of this Congress. It has brought home to us what is one of the great secrets of Free Trade, that we, who are Free Traders, are members of one great Commonwealth throughout the world—a Commonwealth animated by the same spirit and working for the same objects—a Commonwealth the members of which rejoice when their neighbours flourish, because when their neighbours flourish they themselves flourish.

Free Traders repudiate those narrow ideas which are put forward by Protectionists, the narrow ideas that one nation is the enemy of another nation, that there is only a limited amount of trade to be got, and that every pound got by one nation is robbed, I might say, from another nation. It is that idea which has been so sedulously propagated by the enemies of Free Trade, and which, if it spreads, is so full of bad omen for the future well-being of the race. We, at all events, as Free Traders, repudiate any such idea as that, and I was delighted to hear how my friend, Mr. Harvey Shepard, dwelt upon the fact that freedom in

every sense is the aim of every good man in the world; and freedom, as far as we are concerned, means absolute freedom of trade. To my mind, Liberty is the keyword of Free Trade—liberty on the part of the consumer, liberty on the part of the trader.

It used to be said in old times, “The liberty of the Press is the air we breathe.” I will slightly alter that phrase, and say with all my heart that I believe Freedom of Trade is the air that we breathe.

Mr. RUSSELL REA, M.P. : I rise to thank you with the embarrassment which is natural to one who has heard his small services magnified by too kind words of appreciation.

What we have done here, what the Cobden Club has done—if I may follow the example of Dr. Barth and deal in metaphors, with less skill than he—has been to provide the carcass, and you have breathed into the carcass the breath of life. We have provided a casket, and you have filled it with jewels, and now when you separate and go home it will be our task—the task that still remains to us—to have these jewels properly set, and to have them duly exhibited, so that others may admire their beauty and gather what profit they can from their study.

We have this week discussed the fallacies of Protection. There is one fallacy—the greatest fallacy of all—that we have scarcely touched upon, and that is the fallacy of the Protectionists in imagining that they have got a winning cause.

What is the object of Protection? The object of Protection is the isolation and concentration of nations, to make each political community self-sufficing, to buy nothing that they can produce, either reasonably or unreasonably, within the limits of their own territory, to gather all their resources together, so that they may make war with the least possible inconvenience.

What has been the course of events in the world? Are these things coming to pass? Do we not know that the very opposite is coming to pass? When the communica-

tions between nations are extending, when international trade is growing by leaps and bounds, what must be our conclusion? That the Protectionist is fighting against forces which are far stronger than he, far stronger than his creed. We see the growth of communications, the extraordinary cheapening of transit, the growth of intercourse and the intellectual appreciation of one people by another, and, above all, the perfectly miraculous increase in the habit of travel. All these are forces which are bringing the nations together, and they are forces stronger than any fiscal policy.

We have this great satisfaction, this great confidence, that we know that in advocating our cause we have on our side the great movements of humanity and of destiny.

Mr. J. A. MURRAY MACDONALD, M.P. : I have gratefully to acknowledge the kind things that have been said with regard to my work. They have been far kinder than anything that I have done has merited; and even if my services had been greater than they were, I should have been amply repaid for them by the way in which you have acknowledged them. While I thank you, I must not allow the Congress to separate without expressing my acknowledgments to those who have really made it the success it has been.

In the first place, there is my Committee—the Committee of the Cobden Club. All I need say of it is that no man in my position ever was supported by a better Committee.

Then, too, we have had the invaluable assistance of the Committees that were formed in most of the countries that are represented here. Without their help it would have been impossible for us to have gathered together so influential and representative a Congress as we have actually had.

Nor ought we to omit an expression of our indebtedness to the writers of the papers submitted to us. Lord Welby in what he has said referred to them, and it is they, after all, who have contributed by far the largest part to the success of the Congress.

Nor does that exhaust the list of those to whom we are indebted for assistance in the preparations for the Congress. It would not be fair if I did not say something in praise of those who have been at work in the offices of the Club. Miss Hayland had a very great deal to do with the earlier stages of the work, and in the later stages Mr. Hecht has been absolutely indefatigable ; and I want here to express to them both my personal acknowledgment of the loyalty and zeal with which they have carried out their work.

And now one other and only one other word. We met here, most of us, at the beginning of this week, as strangers. I hope we part as friends. We, who represent Great Britain, will certainly retain the friendliest feelings for those from other countries who have honoured us by their presence. Nor is that all. We will do our utmost, as we move about in our own country, to inspire others with the same friendly feelings that we ourselves entertain for the countries that have been represented here. And may I express the hope that our foreign friends will take away with them into their countries the same friendly feeling for us that we entertain for them ? It is, after all, to these closer personal relations that we have to look for no small part of the success or failure of a Congress like this. If it is successful, it becomes the means of knitting men of different nations more closely together, and thus also becomes, in a humble way, the means of furthering the civilisation of the world. It helps to remove the differences that keep nations apart, and to bring into evidence the interests that bind them together.

England has done much for the world. I think we can say that without any self-glorification. Germany does not glorify itself when it tells us that Luther has done much for Protestant Christianity. Luther has, in the lapse of time, become a great influence in the world, no more German than he is English. And I repeat that we can without self-glorification say to our foreign friends that the world owes a great deal to England. She is the mother

of free institutions. She has provided the model upon which all free Governments have been framed. In some sense she may be said to have led the world in the various paths of freedom. And in doing this she has often stood alone. She stands alone now in following the path of Free Trade ; and the world will owe her no small added debt if she continues steadfastly in that path, confident that it is the path of advancing human civilisation, and that sooner or later the world must follow her in it.

I end, as I began, with an expression of my own gratitude to the foreign members for the kindness with which they have received me, and of a hope that they may retain a friendly feeling for me.

Alderman THOMAS SNAPE (Liverpool): There is an opinion expressed around me that we ought not to separate without voicing our appreciation of the admirable way in which the speeches have been translated by Mr. Smith.

The CHAIRMAN : That is an opinion that I am sure we shall all cordially endorse.

The Congress then terminated.

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