WEALTH & WELFARE

HASTINGS BERKELEY

OUR NATIONAL TRADE POLICY

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WEALTH AND WELFARE

OR

OUR NATIONAL TRADE POLICY AND ITS COST

BY

COMMANDER HASTINGS BERKELEY, R.N.

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PREFACE.

THE scope of this work and the object with which it is written are explained at length in the Introductory Chapter. Nevertheless, a few words on the matter will not be out of place here.

The conduct of our national trade policy is rapidly becoming a burning question. Day by day this subject looms more large and threatening through the fog of contentious verbiage which surrounds it, day by day calls louder for impartial investigation and solution. Meanwhile we are assured, by those who speak with authority, that the principles of orthodox English political economy are immutable, and free trade is raised by its advocates to the dignity of a 'great doctrine.'

I do not altogether believe in the immutability of these principles, nor in the greatness of this doctrine, but rather in the application of common honesty to our commercial methods, and of common sense to our reasonings concerning them. The policy advocated in the following pages is

based on the evidence submitted to the Royal Commission of 1885 on the Depression of Trade and Industry; it will be termed by many a retrograde policy; perhaps it is, but do we not sometimes step back in order the better to leap forward?

It has been said by one who was not only a very great man of letters, but also a very great man, that we English are pedants. But when Goethe said this of us he had in his mind, not the pedant who overvalues book-learning—for the typical Englishman could not well be reproached with that kind of pedantry, especially by a German—but the pedant who is so hide-bound in custom and theory as to have lost that delicate sensitiveness to fresh facts, that quick apprehension of change in circumstances, without which we become incapable of seeing, or intuitively feeling, the very 'form and pressure' of the time.

To the reader who thinks there may perhaps be some truth in this saying of Goethe's, and who further chances to make some slight study of the following pages, I would put the question—not without keen appreciation of the retort to which it exposes me—whether a better title for this book were not 'Pedantry and Political Economy'?

I take this opportunity of acknowledging the friendly and valuable assistance I received, in the correction of the proof-sheets, from Dr. Eugene Oswald, M.A., President of the Carlyle Society.

CONTENTS.

WEALTH AND WELFARE.

CHAPTER I.

INTRODUCTORY.

Orthodox political economy—Its unhelpfulness in certain straits and danger in others—Morality and political economy—Character of Mr. Ruskin's work in this relation—The Royal Commission of 1885 on Trade Depression—Kind of evidence submitted to it.

THE writer of this little book has no more ambitious aim than that of drawing the attention of thinking persons to one of the most important problems which can occupy their thoughts, a problem of which we have as yet no very satisfactory solution: the relation of a nation's wealth to its welfare; or, more accurately perhaps, the relation to a nation's welfare of the *manner* of making this wealth. And the persons whom he has more particularly in view are those who are not quite prepared to apply to its solution the 'vigorous and rigorous' theories (as Mr. Matthew

Arnold, in his happy manner, would put it) of our orthodox political economists. It is strange that although, in times long past, text-books on this subject were unknown, while to-day their name is legion, it is nevertheless quite a maintainable thesis that in certain of these now distant epochs the relation of these two things to each other was better understood than it is at present. But let the thesis go, maintainable or not. For the moment, it is not that with which we are concerned —though the consideration of it might prove not unhelpful to us. What we *are* concerned with is the way in which our problem is now being treated, and whether that way is a right way.

We may say, of the text-books alluded to, that their name is legion ; because notwithstanding that most of them do not professedly deal with the elucidation of the problem to which it seems so desirable to invite people's earnest attention, yet from the moment their authors embark upon any matter of political economy they are, in truth, concerned with that problem. Our orthodox political economists, it is true, speak of their own science—or art, as some prefer to call it—as one which is concerned with the exposition of the laws that govern the production and distribution of wealth ; and, implicitly rather than explicitly, they separate these laws from others which may be supposed to relate more particularly to welfare, while acknow-

ledging their general interdependence. Only, having once acknowledged this interdependence, they seem to think it unnecessary, or perhaps impossible, to pay any further attention to it; and, dismissing it from their own and their readers' minds, proceed at once to build up on the underlying principle that the sole motive of action in matters relating to the production of wealth is furnished by self-interest of the most ignoble kind—such as may be expressed by the formula 'Every one for himself, and devil take the hindmost.' This motive of action, correctly enough ascribed to individuals, is then tacitly assumed to be the motive which governs the majority, and finally hardens into a general law from which no escape is possible.

There comes a moment, however, when we find ourselves driven to ask, 'But what is to happen if we find that this law, the unfettered action of which appears necessary to the fullest production and accumulation of national wealth, turns out to be at variance with, or even in actual opposition to, those which govern national welfare?' Here the political economists do not help us much. Most of them do not answer the question at all—do not seem to be aware that there is such a question; while others—again implicitly rather than explicitly—deny the possibility of the contingency: from the character of their work, it is plain that for them this is not a question which can be asked

with any seriousness. And yet, surely, our instincts, our personal experience, to which we cannot but listen, very plainly tell us that there is such a question.

From this underlying principle of the orthodox school there grows up, in logical sequence, a system of political economy which, but for the good sense and good feeling of the generality of men, would issue in the most revolting applications. The rigid laws of competition, of wages, of supply and demand, of non-interference, are found to be rigid only in books, while they adapt themselves with what plasticity they may to changing circumstances and to the pressure of humane feeling and the moral law. Nevertheless, if you persist, with never such excellent intentions, in appealing to the selfishness and cupidity of men, and in trying to persuade them that these are the prime movers to the successful production of wealth, and that unfettered action of them is beneficial thereto, your persistence will take effect, with what result let every one inquire for himself. So that with most of our books of political economy it comes to this, that we individually either allow our moral sense to be distorted by their false maxims, or else we pitch them out of window, them and the valuable information which they undoubtedly contain. This is, no doubt, an illogical proceeding, but the writer on political economy would show more wisdom if he

were to recognise our difficulty and try in some measure to remove it; if, in fact, he did not, as it were, say to us, 'Am I my brother's keeper?'

In truth, it is impossible rightly to elucidate the laws under which the production and distribution of wealth take place without at the same time subjecting what is known of them to, or at least comparing what is known of them with, the moral law. Divorce moral from economical considerations, and you end by divorcing welfare from wealth. If increase of wealth or change in its distribution carries with it perversion of our better instincts (and of our instincts it may be said, as Cardinal Newman has said of all our faculties, that we do not so much trust them as use them to guide us), degradation of our standard of happiness, then such an increase or change should be condemned by us and grow hateful to us. It would be comforting to believe that increase of wealth and the expansion of our higher nature go hand in hand; indeed, we may with some security believe that ultimately, if we well understand the matter, they do. But things are not always what it would be most pleasant that they should be. At any given moment it may be that increase of national wealth shall follow from disregard of moral considerations; just as a tradesman, for instance, before retiring from business, may add considerably to his wealth by trading on his good name and reputation for

fair dealing; or as a quack, relying on the latent credulity and foolishness of the general public, may make a large fortune before his quackery is unmasked. But nations cannot retire from business; and as time inevitably exposes, and fate inexorably punishes, deceit and fraud, whether practised on self or others, there comes finally a day of reckoning, when nations who disregard these things find themselves bankrupt in health and wealth.

The subsequent pages contain but imperfect and fragmentary work; thus it has appeared to its author more necessary to write a somewhat disproportionately long introduction than it might have been in the case of more complete work, in order to save the reader from unnecessary confusion, by letting him at once and plainly see the leading motive which may be said to string the fragments together. But some one will say, 'Why do you give us fragmentary and imperfect work?' To which I answer, first, that people give according to the measure of their capacity; and that, provided they do not unwittingly tender a stone for bread, half a loaf is better than none. Secondly, because I do not think we have as yet sufficient information, either general or statistical, to enable us to deduce from it any complete or even fairly accurate set of rules concerning the production, and especially the distribution of wealth, and the relation of these to a people's welfare. All the

systems of political economy with which I am acquainted are built up on principles which are assumed to be of general, whereas they really are only of partial application, and not only with regard to place, but with regard to time. Do we not see that the conditions of production and distribution change continually with changing ideas, and that of these ideas by far the most effective are those which owe their power to the changing moral sensitiveness of nations? Else how explain some of the most remarkable changes in the conditions of production and distribution which have taken place in England during the last fifty years—changes illustrated, for instance, by the general reduction in the working hours, and by the legislative interference with the work of children, of women, and in some few cases even of men?

If a man of Mr. Ruskin's patience and power has thought about producing a work on Political Economy worthy of the name, and then has thought better of it,[1] comparatively insignificant people may be excused for doing fragmentary work, provided the work done is done honestly and painstakingly. It is perhaps as well that Mr. Ruskin found himself compelled to give up his expressed resolve. The best which a teacher of political

[1] 'I resolved to make it the central work of my life to write an exhaustive treatise on political economy.'—*Preface to* '*Munera Pulveris*.'

economy could do for us now would be to give us an exhaustive and accurate account of past production and distribution ; but as history is mostly concerned in telling us about the destruction of wealth, when not otherwise occupied in registering the political activities of kings, priests, and statesmen, it would apparently not yield much grist to our mill. Something is being done at present, however, in that direction, though not very much. As to principles, Mr. Ruskin (if I may be permitted to judge) has done a lasting piece of work in 'Munera Pulveris' and 'Unto this Last.' That is to say, he has rent the veil of sophistry asunder in this matter and called things by their right names. The things themselves may have to endure, let us hope in less pronounced forms, but our practice of whitewashing had better stop with past historical characters and events. Orthodox political economists may call solid argument (such as is contained in 'Munera Pulveris') sentiment if they please, but solid argument will prevail in the end by whatever name you choose to call it, or else those who do not listen to it will be swept away to make room for those who will. Indeed, there are signs that already one or two of our cherished illusions are returning, at the light touch of Ithuriel's spear, 'of force to *their* own likeness.'

Led, but I hope not mastered by the influence of this idea of the danger to our national welfare

of too easy and careless an acceptance of all the doctrines of orthodox political economy, I have carefully examined the reports and recommendations of the Royal Commission on the depression of trade and industry. The recent publication of these reports, and the probability of the whole of our commercial policy being shortly passed in review in one of or both the Houses of Parliament, make the present moment a fit one for such an examination. Men's eyes are still anxiously turned towards our troublesome sister isle, but we cannot afford to let Ireland 'block the way' for ever.

The several reports of the Royal Commission, together with the minutes of the evidence submitted to it and the numerous appendices, altogether make up five blue-books. It is not to be expected that even persons interested in the subject-matter which they contain will do more than merely glance through them. As to the general 'reading public,' their knowledge of them is for the most part confined to the fact that they have been presented to both Houses of Parliament by command of her Majesty. Of the unnumbered thousands who read their daily newspaper, but few will have read the *résumé* given them of the final report of the Commissioners; and of these few, again, not a very large proportion will have made a serious effort to understand it. Yet, after all, the matter is one of real, very real importance, and involves

collateral issues of perhaps greater importance still.

The Commission, presided over by the late Earl of Iddesleigh, consisted of twenty-three members, who were occupied with the subject of their inquiry for over a year. Upwards of 100 witnesses were examined, the number of questions addressed to them reaching to above 15,000, the answers varying in length from a monosyllable to the number of words which might be contained in a tolerably closely printed page of foolscap size. Many of the witnesses handed in papers, varying in importance, explanatory of, or otherwise connected with, their evidence. Mr. Robert Giffen furnished a number of instructive tables compiled from the 'Board of Trade Returns.' In general, the evidence of those who may be classed as 'official' witnesses implies a more rosy view of the existing condition than does that of the non-official witnesses. This is not altogether to be wondered at. It is easier to discourse about tight shoes than to walk in them.

Circulars and questions were addressed to all the Chambers of Commerce and principal commercial associations, as well as to other associations specially representing the interests of the working classes. A circular despatch, enclosing a paper of questions on the condition of trade in foreign countries, was transmitted to her Majesty's representatives abroad.

The *viva voce* evidence (supplemented by the

papers and the statistical tables directly bearing upon it) is, to my mind, very much more instructive than that contained in the papers sent in by the numerous bodies in answer to the circulars addressed to them. It is more instructive because you watch it in process of being, in the familiar phrase, 'turned inside out,' pretty well exhibited for what it is really worth. It is well known that there existed between the members of the Commission considerable difference of opinion, not only as to the extent and causes of the depression, but also with respect to the relative efficacy of remedial measures. This, although unsatisfactory from one point of view, proved singularly advantageous in the inquiry, in that it caused the evidence of witnesses to be subjected to a very searching cross-examination. Cross-examination of this kind, when its object is not to confuse the witness but to lead him rigorously to separate matters of fact from matters of opinion, and to expose the grounds upon which opinion rests, is in the highest degree valuable. Written reports may be more explicit, but on the whole they are less satisfactory than verbal ones subject to the probe at every sentence.

From the description I have given of it, then, the general reader will gather that this voluminous publication (the five blue-books) contains pretty well all the information available, up to the present time, for arriving at a tolerably accurate notion of

the general condition of our trade and industries. Before passing on to more debatable matter, and in fact with the object of clearing the ground as a *champ clos* for argument, I have in the first three chapters endeavoured to give a short and succinct summary of the main points of England's economical position, as these appear in the reports. The examination of the Commissioners' recommendations for the alleviation of the burden of depression necessitated, *de force majeure*, a previous discussion of the respective merits and demerits of free trade and protection; for some of these recommendations —those contained in the minority or 'fair trade' report—would involve the adoption of protective measures on the part of Government. This, in its turn, led me to devote a chapter to a brief inquiry into what may perhaps be called the common-sense, as distinct from the purely philosophical, grounds of Government interference with people's private affairs—germane, I hope, to the general subject of the inquiry.

In the course of this general examination I became more and more convinced that, in the near future, we shall have to attempt to widen the narrow grounds which our orthodox political economists have chosen whereon to uprear the fabric of our national trade policy, both internal and external—grounds very narrow for a great nation to base itself on, as a deep thinker told us

three decades ago. Time begins to show us the penetration of Carlyle's insight. Five-and-twenty years ago perhaps a very considerable number of Englishmen shared M. Taine's estimate of Carlyle: '*Un mastodonte égaré dans un monde qui n'est point fait pour lui*'[1]—a mastodon astray in a world not made for him. Is it indeed so? Well, if I may be allowed a somewhat extravagant hyperbole, Isaiah, also, was to the Hebrews of his day a 'stray mastodon,' and it turned out an unfortunate thing for them that their world could not be made his world. Be this as it may, our mastodon's back is broad enough to carry without inconvenience a large bulk of such criticisms. Convinced then, as no doubt many of us are, of the narrowness of this ground, it appeared a not unprofitable task to see if some light might not be thrown on its dark edges—to seek patiently a possible broadening of it. A farthing candle's glimmer will not, I am afraid, do more than make the darkness visible; but if it should be the means of attracting the possessors of brighter and steadier searchlights, the farthing candle will not have glimmered in vain.

[1] 'On se hâte de prendre les vingt volumes de Carlyle. . . . On découvre enfin qu'on est devant un animal extraordinaire, débris d'une race perdue, sorte de mastodonte égaré dans un monde qui n'est point fait pour lui.'—*Taine*, '*L'Idéalisme anglais*.'

CHAPTER II.

OF THE PRESENT ECONOMICAL CONDITION OF THE UNITED KINGDOM AS REGARDS PRODUCTION.

Report of the Royal Commission—General increase of production—Direct evidence (statistics of production; of consumption of raw material)—Indirect evidence (increase of foreign trade, railway traffic, shipping, food consumption, bankruptcies, pauperism)—Remarks on this evidence—Diminution of agricultural produce.

THE final report of the Royal Commission appointed in 1885 to inquire into the depression of trade and industry is composed of two principal reports; one of these is signed by eighteen of the twenty-three members forming the Commission, the other by four of them. The former of these we shall call the majority, the latter the minority report. A third report is sent in by the twenty-third member, Mr. Arthur O'Connor, who finds himself unable to subscribe to either of the two principal ones. In addition to these three reports there are a number of detached passages embodying the several reservations and remarks, subject to which eleven of the majority sign their report. Of

the members who sign the minority report, there is one also who appends a paper containing remarks and reservations.

From what has just been said it will be apparent that the inquirer in this matter treads a somewhat thorny path, as, indeed, is generally the case with him when, in any matter whatever, men's minds are unsettled; endeavouring, with more or less sincerity and ability, to reconcile apparently irreconcilable facts or principles. It is because in the matter before us there is at present such an incertitude and confusion that we find a report of the kind described. There is now, and for some years past there has been, a growing feeling of disquiet and dissatisfaction arising from the non-fulfilment of some of the prophecies and promises of the apostles of free trade. And this feeling of disquiet and dissatisfaction has been rather intensified than tempered by the fact that in general it was found that the arguments in favour of free trade were unassailable, and that, moreover, the best intellect of the country—that is, if we call a succession of able men of business and politicians the best intellect of the country—appeared so convinced of the validity of those arguments, that it treated all attacks upon them with an almost contemptuous silence. Thus, affairs being in a bad way, and it being in general believed and understood that our commercial policy was not at fault, it is natural

that the sense of disquiet and depression should have been intensified rather than relieved.

Even now the best intellect—in the same sense—of the country is still persuaded of the unassailable virtues of free trade; but the controversy has passed out of the stage of somewhat acrimonious assault on the one side, and *morgue* of indifference on the other: there is now real argument used by both parties, and the acrimony has become more general, if we may judge by the tone of the articles on the matter in dispute which have appeared during the last two or three years in our leading monthly publications.

It is, therefore, easy enough to understand why we have a report like this final report of the Commission. The opposition to the unqualified application of free trade principles to our commerce has found expression in the cry for 'fair trade,' which, when we come to look into it, means nothing more or less than a cry for a return to a modified form of protection; only, protection being a word which, as regards commerce, has had a stigma affixed to it, and is in bad odour with us, and not only Englishmen, but people in general, having been greatly governed by words from Homer's day to this, the dissentients from the principle of free trade have preferred to mask their proposals for a return to protection by using another name for it.

The fair-traders have found themselves represented among the members of the Royal Commission by the four who have signed the minority report, and we may suppose that the views therein expressed are those of the most enlightened of the fair-traders in general. They are at all events, if I may permit myself to say so, very reasonable and unexaggerated views; but, as we shall examine them in detail presently, we will not now enter into the question of their merits and demerits, but proceed with the more immediate matter with which this chapter is concerned.

In paragraph 34 of the majority report the Commissioners who subscribe to it express the opinion that 'in recent years, and more particularly in the years during which the depression of trade has prevailed, the production of commodities generally and the accumulation of capital in this country has been proceeding at a rate more rapid than the increase of population; and in support of the view that our material prosperity is increasing, we might refer to such statistics as those of pauperism, education, crime, savings banks, &c. These, however, supply us only with indirect evidence on the subject; and though their united testimony is valuable, they can apply only to the condition of particular classes or sections of the community.'

This opinion is founded principally on the evidence given by Mr. R. Giffen, the assistant secretary

of the Board of Trade. Let us see, as rapidly as possible, what this evidence is.

We have, first, the direct evidence afforded by the Board of Trade returns, and by the tables handed in by Mr. Giffen for the information of the Commission. From these returns and tables the one which here follows has been compiled and inserted in the report. As the reader will see, it affords evidence, from the increase of output and of consumption of raw material, of increased production.

Period	Coal		Pig iron		Raw cotton		Raw wool	
	Average quantity raised	Per head of population	Average quantity produced	Per head of population	Net imports (annual average)	Per head of population	Net imports (annual average)	Per head of population
	Million tons	Tons	Million tons	Tons	Million cwt.	Lbs.	Million lbs.	Lbs.
1865-9	103	3·29	4·1	·14	8·1	29·8	144·0	4·0
1870-4	120	3·79	4·9	·16	11·2	39·3	180·5	5·6
1875-9	133	3·97	6·4	·19	11·0	36·6	197·4	5·8
1880-4	156	4·43	8·1	·23	13·2	41·8	217·1	6·1

This table is at first sight of a reassuring tendency in that it affords direct evidence of the increase of output of coal and iron in more rapid ratio than the increase of population of the United Kingdom, and in so far as we may infer from it that an increased consumption of raw cotton and wool has been followed by an increased production of cotton and wool articles of manufacture. By-and-by we shall go into this matter more in detail; for the

moment I will confine myself to the following general remarks.

Turning to the population tables in the appendix to the first blue-book, we find that in the last ten years the population of Ireland has *diminished* by half a million. Now, there is nothing to show that the textile industries in Ireland have not kept pace during the same period of time with those in the sister isle; the answers received from the Irish Chambers of Commerce and trade associations are much of the same character as those received from English and Scotch ones, as the reader may see for himself by looking at pages 47 and 48. Hence it follows that the figures given in the above table tell, with respect to the textile industries in *Great Britain*, too flattering a tale. If we wish to see how the case stands for Great Britain alone as regards increase of production and population, we must deduct from the total net import, in the case of cotton and wool, the amount consumed in Ireland. This, however, the information at command does not enable us to do; but although we cannot get the exact figures representing the increase per head of population for Great Britain, we can obtain a tolerably fair notion of the *relative* increase by comparing the increase of population in Great Britain alone with the total increase of net import; and this I find by calculation to give us, in the last ten years, for cotton, an increase of

net import per head measured by the ratio of 42 to 43; and for wool measured by the ratio of 68 to 71 —a less satisfactory view, then, as regards Great Britain, than that afforded in the above table. The reader will presently see that a more detailed examination of these two industries confirms this less satisfactory view of textile industries.

The tables from which the above table has been constructed cover a period of thirty years; in many cases the figures are given separately for each year, in addition to those denoting the mean of quinquennial periods. In elucidation of the tables, and for the clearing up of any doubtful points, the reader who wishes to look into things in detail for himself is referred to questions 25 to 70 addressed to Mr. Giffen. These and the tables referred to constitute all the direct evidence of a general character with regard to increase of industrial production.

Meanwhile let us glance at the general indirect evidence to which paragraph 34 calls attention. This evidence is contained in the appendix to the first blue-book, tables 42 to 46.

First, table 42 gives us the numbers of bankruptcies, liquidations, and compositions in each year, for England and Wales, from 1861 to 1884, together with the averages for quinquennial periods. It establishes a general increase in the number of bankruptcies from 1861 to 1870. In this latter year

the number falls suddenly to 1,351, from 10,396 in 1869. From 1870 there is a gradual decrease to 915 in 1874, and then again a gradual but very slight increase to 1,046 in 1883. The year 1884 shows a sudden increase to 2,998.

A noticeable feature of the table is that where the bankruptcies are less numerous than usual the liquidations and compositions are more numerous, and *vice versâ*. Thus the totals of bankruptcies, liquidations, and compositions for the several years vary much less with regard to one another than do the bankruptcy totals. On the whole, it appears that little or no reliance can be placed on this evidence in connection with the increase or decrease of commercial prosperity; for owing to the effect of panics, bankruptcy legislation, private compositions, &c., we find that the aggregate liabilities for each year bear the most fantastic proportions to the corresponding totals of bankruptcies, liquidations, and compositions. Here is an extreme instance:—

The total number of bankruptcies, liquidations, and compositions for 1878 amounts to 11,450, representing an aggregate of liabilities of thirty millions sterling. For the year 1880 the total is 10,298, the aggregate of liabilities amounting to sixteen millions sterling.

Table 44 relates to the indirect evidence afforded by pauperism. It gives us the average numbers

of paupers in receipt of relief from 1854 to 1884. From this table I will extract only the per-centage ratio to estimated population (England and Wales).

Annual average,	1855-59	.	4·7	per cent. of population in receipt of relief.	
,,	,,	1860-64	. 4·7	,,	,, ,,
,,	,,	1865-69	. 4·5	,,	,, ,,
,,	,,	1870-74	. 4·2	,,	,, ,,
,,	,,	1875-79	. 3·1	,,	,, ,,
,,	,,	1880-84	. 3·0	,,	,, ,,

The total amount expended on pauper relief, however, shows a steady increase from 5,846,054*l.* (average of 1855–59) to 8,221,093*l.* (average of 1880–84); the amount expended per pauper rising from 6*l.* 10*s.* 8*d.* (average of 1855–59) to 10*l.* 8*s.* 11*d.* (average of 1880–84). The expenditure per head of population shows a slight tendency to increase.

Tables 43, 45, and 46 refer to Scotland and Ireland (bankruptcies, &c., and pauperism).

Having briefly examined the evidence to which paragraph 34 refers us, we will let the report speak on with regard to the evidence afforded by the statistics of foreign trade.

(35) 'The statistics of our internal trade are very imperfect, and it is therefore not easy to measure the growth of our actual production; but some useful evidence is afforded by the return of our foreign trade, and by the statistics of the

consumption of raw material. The information obtained from both of these sources appears to point to the conclusion that our production has increased at a rate which, if not quite so rapid as at some previous periods of our history, is still in advance of the rate of increase of population.'

(36) 'It is true that the statistics of our foreign trade show an apparent falling off in some respects, but this is almost entirely due to the continuous fall in prices which has been in progress since 1873, and more particularly to the fall in the prices of raw materials. A fall of prices may involve a reduction in the profits of those immediately engaged in producing or dealing in the commodities affected, but it is not necessarily injurious to the community at large.'

'When due allowance is made for the fall of prices, and especially for the fall in price of the raw material of our manufactures, we think it will be found that the actual products of British labour and capital have largely increased.'

(37) 'The real growth of our foreign trade and of our producing power will be readily seen from the following figures extracted from Mr. Giffen's report to the Board of Trade "on recent changes in the amount of the foreign trade of the united kingdom:"'—

Declared Value of Imports and Exports in 1873, 1879, *and* 1883, *compared with the computed Values, on the assumption that the values of the whole trade are affected by differences in prices, as are the values of enumerated articles.*

	Declared values	Values computed at prices of 1873
	Million £ sterling	Million £ sterling
IMPORTS.		
1873	371	371
1879	363	438
1883	427	512
EXPORTS.		
1873	255	255
1879	191½	273
1883	240	349

The report points out that for the years 1883–85 there has probably been a slight diminution; then proceeds:—

(38) 'The assertion is so constantly made that the value of our foreign trade is declining, that it may not be out of place here to call attention to the fact that the average annual value of the aggregate imports and exports during the years 1880–84 (which was the latest period for which the figures were available when we commenced our inquiry) is greater, both absolutely and relatively to population, than in any previous quinquennial period.'

Period	Average annual value of our foreign trade	Amount per head of population
	Million £	£ s. d.
1865–69	516	16 19 1
1870–74	636	19 19 3
1875–79	632	18 16 6
1880–84	706	20 0 1

Other and indirect evidence is further adduced in support of the view that our foreign trade is increasing in more rapid ratio than that of the increase of population ; evidence such as that of the growth of traffic on railways and of the tonnage employed in the shipping trade, and of the increased consumption of the necessaries and common luxuries of life, especially of food.

I will first briefly discuss what appears to me to be the value of the evidence of alleged increase in food consumption in its bearing on the increase of our foreign trade, and then direct the reader's attention to the bearing of foreign trade statistics on the main question of production.

I notice that with regard to the alleged increase in the consumption of food there is no reference made to data. Looking, however, to the tabulated statement of imports (vol. i., appendix No. 6), we see that there has been a gradual and rapid increase in the importation of articles of food, principally grain. For instance, the average annual import for 1870–74 was 139 millions sterling ; for 1880–84 it rose to 183 millions sterling. Prices having greatly fallen during the interval between these average periods, we shall get a clearer view of what this means by the help of the following table, extracted from Board of Trade Returns (vol. i. of Report, appendix No. 7) :—

	Quantity imported		Values imported	
	1870–74	1880–84	1870–74	1880–84
	Million cwt.	Million cwt.	Million £	Million £
Corn (wheat) .	39·56	57·62	23·91	29·55
Corn (maize) .	18·93	29·10	7·02	9·15
Sugar (unrefined) .	13·41	19·10	16·12	19·07
Bacon . . .	1·71	3·29	3·81	7·78
	Million lbs.	Million lbs.		
Tea . . .	164·48	212·72	11·51	11·18

This table serves as a guide to a correct estimate of the nature of the increase in food importation. We gather from it naturally that the import of food has increased at a very much higher rate than the increase of population. But to infer from this that the *consumption* of food has increased per head of population is a very doubtful proceeding, for we must first take into account the very considerable decrease in British agricultural produce during the period embraced in the table. The reader will see by referring to p. 35 that such an inference would be an erroneous one.

We may readily admit, however, that up to the period 1880–84 our foreign trade shows a tolerably steady increase per head of population; the direct statistical evidence is, on this point, pretty well conclusive. But we must not too hastily infer from this that the total production of the country has increased in the like proportion. It must be remembered that that portion of our national production which is exported abroad, large as it is,

does not exceed one-third of the total national production. Had we any trustworthy statistics of our home trade the question of the progress of production would be far more easily cleared up than is possible under present conditions. It is not difficult to understand that our foreign trade might very largely increase independently of any increase of home production. Increase in our foreign trade implies increase in the industries connected with it, but these are precisely the ones concerning which we already have direct statistical evidence—coal, iron, cotton, and wool. Meanwhile, our minor industries may not be in anything like so flourishing a condition (I mean with reference to quantity of production, for in other respects all, or almost all, our industries are anything but flourishing); and, indeed, this seems to be to some extent admitted, for it is borne out by the changing character of our imports, of which a far larger proportion than formerly consists of manufactured articles.

The increase in the amount of goods conveyed by railway would probably be wholly accounted for by the extension of the import and export trade. In support of this view I may adduce the fact that the increase of tonnage entered and cleared with cargoes in the home ports has been much more rapid in the foreign than in the coasting trade, as the following figures will show:—

	Average of	Foreign trade Tons	Coasting trade Tons
Tonnage entered and cleared with cargo per head of population . .	1865–69	·92	1·19
,, ,, . .	1880–84	1·48	1·42

Nevertheless, we cannot lay much stress on these figures, for of this increase in tonnage entered and cleared in foreign trade Mr. Pearce (one of the Commissioners) remarks very truly that it is in all probability in a great measure due to the frequent entry and clearance of large passenger steamers carrying little or no cargo.

The only other great branch of production, besides those of coal, iron, cotton, and wool, concerning which we possess tolerably accurate statistical information, is that of agriculture. Considering the very great importance of the matter, there is, in the report of the majority, singularly little information about it. It is true that not many years ago a Royal Commission reported specially on the agricultural condition of the country; and the present report is explicitly stated to be less voluminous in this department of its inquiry for that reason.

(16) 'The number of agricultural witnesses whom we examined may appear to be small in proportion to the importance which we attach to that industry, but we may observe that a very influential Commission conducted an exhaustive inquiry into this subject, and reported only five years ago; and further, that in this branch of

inquiry we were fortunate in hearing the opinion of Sir James Caird, to whose evidence, covering as it does the whole field of this branch of our inquiry, we desire to call special attention.'

The following paragraphs and fragments of paragraphs from the majority report summarise the agricultural condition :—

(21) 'We received from Sir James Caird, and other witnessess, ample corroboration of the serious effect which the great depression in the agricultural industry has produced upon the home trade of the country. There is but little divergence of opinion as to the cause of that depression. The extreme lowering of prices brought about by the extension of American farming appears to be the main factor of the present agricultural depression ; one witness, Mr. Druce, expressing the opinion that the cultivation of much of the inferior land in the country could not be remunerative, even if it were to be had for nothing.'

'There also seemed a general acquiescence in the view expressed by Mr. Druce, that although the depression in agriculture at first arose mainly from bad seasons, yet that the low prices realised by agricultural produce must now be regarded as the cause of the distress.'

(43) 'There can be little doubt that the quantity of agricultural produce raised in the country during the last few years has materially decreased, and

that even the fairly good seasons of the last three years have scarcely compensated for the diminished production of the eight years which preceded them ; while the steady fall in prices has, of course, affected the agriculturist even more seriously than the diminished yield of the soil.'

'This fact, as we shall show later on when we proceed to discuss the causes of the depression, has had a very important influence upon the situation.'

(51) 'We may therefore sum up the chief features of the commercial situation as being—(*a*) A very serious falling off in the exchangeable value of the produce of the soil. (*b*) . . . (*c*) . . . &c.

(73)' . . . Sir James Caird estimates the loss in the purchasing power of the classes engaged in or connected with agriculture at 42,800,000*l.* during the year 1885, and the loss in several of the preceding years must, no doubt, have been equal or even greater than this.'

This certainly seems to be a bad state of affairs, calling for a more marked description than the one given in the summary of the chief features of the situation, par. 51. It seems inconsistent to describe the chief feature in the agricultural situation as 'a very serious falling off in the exchangeable value of the soil,' when in 43 we have, 'There can be little doubt that the quantity of agricultural produce raised in the country during the last few years has materially decreased.' If not incon-

sistent, such a description seems to point at least to an inability or unwillingness to dwell upon the really alarming feature of the case, which most undoubtedly is not the fall in price—for, at all events, if the agriculturist loses by that circumstance, the whole population, in their character of consumers of food, gain by it—but the decrease of production, the country as a whole being a loser by an absolute extinction of wealth in this industry.

The last paragraph (73) does not throw any light on this vital matter, the actual extinction of a proportion of our agricultural produce. The loss in purchasing power sustained by the agricultural classes, or, as Sir James Caird puts it, the diminution in spendable income, is plainly due to two causes—(1) diminution of produce, and (2) reduced exchangeable value of produce. There seems to reign some confusion on this point. Sir James Caird's estimate is formed by a comparison of the present spendable income of the agricultural classes with that of the same classes ten years ago. Now, Mr. W. J. Harris, one of the most important witnesses in the matter of agriculture examined by the Commissioners, and who appears to have given a great deal of attention to the subject, estimates the *decrease of production* for England and Wales alone at 40,000,000*l.* as compared with production twelve to fifteen years ago. Mr. Harris adds, 'I happen

to have read Sir James Caird's evidence, and I see he puts the decrease at 42,800,000*l.* compared with ten years ago. His valuation is really of the United Kingdom; in my valuation the difference would be rather more than Sir James Caird's.'

Mr. Harris completely mistakes the bearing of Sir James Caird's evidence and figures. If Mr. Harris's calculations are correct with reference to the decrease of production, then the diminution of spendable income would amount to over 70,000,000*l.* for England and Wales alone compared with twelve to fifteen years ago, as the reader will presently see. I can only partially account for Mr. Harris's figures by supposing that he has calculated the decrease of production at the prices of twelve to fifteen years ago—obviously an erroneous proceeding, for if we are to compare the present losses and gains of the several classes we can do so correctly only by using present prices. Were we all to agree in comparing gains and losses by the prices which obtained ten, fifteen, or twenty years ago, our comparisons would, as comparisons, be correct, but no one dreams of doing so in ordinary circumstances. If a cotton merchant loses a hundred bales of cotton, he puts the loss to his debit account at the price which they would actually have realised, and not at the price they would have realised ten, fifteen, or twenty years ago.

The following calculation will give a very fair

notion of the two factors which together make up the total loss of spendable income. It is taken from the paper of reservations and remarks of Mr. Jamieson, one of the Commissioners.

From the agricultural statistics, 1886, p. 114, it appears that, as contrasted with the average of 1871–75, the acreage in the United Kingdom under the several crops in 1883 was as follows :—

Acreage in wheat, barley, rye, beans, peas, turnips, and vetches was diminished by 1,524,600, which at £8 per acre represents		£12,196,800[1]
Acreage in mangold and cabbages was diminished by 43,000 acres, which at £10 per acre represents .		430,000
Acreage in potatoes and carrots was diminished by 151,000 acres, which at £15 per acre represents .		2,265,000
Decrease		14,891,800
But the acreage in oats was increased by 137,000 acres, representing at £8 an acre	£1,096,000	
And the acreage in grass was increased by 2,133,000 acres, representing at 5*s.* an acre	533,250	1,629,250
Net decrease . . .		13,262,551
There was a falling off in the number of sheep of 4,845,000, which at 35*s.* each represents	8,478,750	
But an increase in horses, 78,000 at £30, cattle, 165,000 at £16, pigs, 198,000 at £2, representing	5,211,000	3,267,750
Diminution of produce . .		16,530,000

[1] The rates per acre are taken on the basis of calculations given in the *Scottish Agricultural Gazette* of December 3, 1886, p. 454.

The total acreage under crop in 1883 was 15,034,000, and the reduction of the value of the produce of these acres between 1873 and 1883 was, on an average, say £2 per acre, or	30,068,000
And the acreage in grass was 31,660,000, on which a reduction of even 1*s.* an acre represents . . .	1,583,000
Reduction of value of produce .	31,651,000

Now if we add these two losses together we get the total of 48,181,000*l.* as the loss of spendable income, and this total agrees tolerably with that given by Sir James Caird, which in all probability has been very much more minutely and carefully worked out than this one.

Important as this loss of spendable income is to the classes specially concerned, I must again insist on the fact that the matter of the greatest concern to us lies in this absolute and increasing extinction of wealth, estimated roughly now at sixteen and a half millions, in the face of a rapidly increasing population. It may be, as the Commissioners say, that the steady fall in prices has had a very important influence upon the situation; but it is difficult to see how, had there been no diminution of agricultural produce, the nation at large could have incurred loss from the fall in its price. If the price of this produce falls relatively to other prices, or, in other words, if there is a fall in its exchangeable value, the effect of such a fall is not to impoverish the country, but, almost literally, to transfer a portion of its wealth

from the agricultural to the other classes. This must become clear to any one if, instead of saying that the exchangeable value of agricultural produce has fallen, we say, what comes to the same thing, that the exchangeable value of currency and other produce has risen.

I will take this opportunity to refer the reader back to the question of the alleged increased consumption of food per head of population. Taking the whole of the evidence, there cannot be much doubt but that the consumption of food has at least kept pace with the increase of population. But especially with regard to grain and meat we must not draw hasty inferences from the great increase in importation. By way of illustration I will take wheat, for which the statistics of production and importation are easily obtained :—

Gross value of wheat grown in Great Britain, average of 1876–85	£21,960,000[2]
Average import	29,300,000[3]
Gross value of average consumption .	51,260,000
Gross value of wheat grown in Great Britain, average of 1866–75	£33,530,000[4]
Average import	20,600,000[5]
Gross value of average consumption .	54,130,000

Now, to get a comparison of *quantities* we must reduce this latter total in the ratio of 1876–85 to

[2] From the *Farmer's Almanac*, 1887.
[3] Calculated from the *Board of Trade Returns*.
[4] From the *Farmer's Almanac*, 1887.
[5] Calculated from *Board of Trade Returns*.

1866–75 average wheat prices. The fall in the average price of British wheat for the ten years is from 54*s.* 3*d.* to 45*s.* a quarter, so that our 33,530,000*l.* comes to be represented by 27,800,000*l.* The average value of the 1866–75 import calculated at 1876–85 prices becomes 18,400,000*l.* Together we get 46,200,000*l.* as the right figure for comparison with the 51,000,000*l.* of the later period. This, we find, gives us a per-centage increase of 10; but in the same space of time the population has increased in the ratio of nearly 11 per cent. Thus it would appear that in one important commodity population has increased at a more rapid rate than consumption. I do not place much confidence in this kind of proof, for statistics are notoriously imperfect, but it is valuable as a check to too hasty generalisations.

CHAPTER III.

PRESENT ECONOMICAL CONDITION OF THE UNITED KINGDOM (*continued*).

Comparison of the average annual production of Coal, Iron, Cotton, and Woollen industries in the quinquennial periods 1870–74, 1880–84—State of the Linen, Shipbuilding, Silk, Paper, and minor trades—Dissident remarks on the part of signatories of the Majority Report—Minority Report as regards production—General conclusions.

WITH the help of the statistics and general information at our command in the blue-books, I propose in this chapter to examine more in detail the increase of production in the four great industries of coal-mining, iron, cotton, and wool; then, looking to the evidence relating to the minor industries, to see how far we may go with the majority report in the opinion therein expressed, that 'with some unimportant exceptions this increase (shown by table relating to principal industries, page 18) will be found in all the industries of the country' (paragraph 40).

Having already made the agricultural comparisons for 1870–74 and 1883, I shall keep to the

same periods for comparison in the great industries, or rather to the two quinquennial periods 1870–74, 1880–84. The increase of production will be estimated at the average prices of 1880–84, both because this period is the nearest one to us for which the statistics are complete, and also because the value of the extinction of agricultural produce has already been calculated at those prices.

First, as regards coal and pig iron :—

	Million tons
(1) Yearly average output of coal (1870–74) . .	120
,, ,, ,, (1880–84) . .	156
Increase in ten years . .	36

The average (1880–84) price of coal per ton at the pit's mouth was 9*s.*, making the value of the increase 16,200,000*l.*

	Million tons
(2) Yearly average outturn of pig iron[1] (1870–74) .	4·9
,, ,, ,, (1880–84) .	8·1
Increase in ten years . .	3·2

The average (1880–84) price of pig iron was 49*s.* per ton, making the value of increase 7,840,000*l.* With respect to the cotton and wool industries the statistics of production are much less simple and complete. The most reliable statistics are those furnished by the Board of Trade Returns. It is estimated by the witnesses examined before the Commission, and it is also stated in the report of

[1] This term 'pig iron' includes all other forms of iron and steel, exclusive of machinery, reduced to their equivalent in pig iron, according to the calculations of Sir Lowthian Bell. See Appendix to the second volume of report.

the Oldham Master Cotton Spinners' Association (vol. ii. of report, App. C, p. 423), that about 85 per cent. of cotton manufactures is for exportation. I will therefore base my calculation on the export returns.

(3) Increase between 1870–74 and 1880–84 in the export of —

	s. *d.*	£
Cotton yarn, 43·37 million lbs., at an average (1880–84) price of . .	1 0·6 per lb.	= 2,276,925
Cotton piece goods, plain, 713 million yards, at an average (1880–84) price of	2·6 per yard	= 7,724,166
Cotton piece goods, printed, 334 million yards, at an average (1880–84) price of	3·7 per yard	= 5,149,166
Increase in ten years . .		15,150,257

Estimating this amount as 85 per cent. of the total increase of production, we get as that total 17,800,000*l.* in round numbers. From this we have to deduct the 1880–84 value of the increased net import of raw material in the ten years, that is, 2,000,000 cwt. at 58*s.* per cwt., or 5,800,000*l.*, which leaves the total increase of production, valued at 1880–84 prices, equal to 12,000,000*l.*

(4) The increase in the net import of wool adduced in the majority report as evidence of the increased production of woollen manufacture is grossly misleading. It is astonishing that, on this point, the Commissioners should not have drawn attention to the evidence of Sir Jacob Behrens, which very plainly shows that the increase in the net import of wool is almost altogether due to the

decrease in the quantity of home-grown wool retained for purposes of manufacture. The case could scarcely be otherwise when we remember that between the quinquennial periods under consideration the number of sheep in the United Kingdom has diminished by nearly 5,000,000.

From Sir Jacob Behrens' evidence it appears that the amount of home-grown wool consumed has diminished in the ten years from an annual average of 147,000,000 lbs. to one of 119,000,000 lbs. The corresponding imports show, from the Board of Trade Returns, a net increase from 180,000,000 to 217,000,000 lbs. The totals of imported and home-grown wool consumed in manufacture, therefore, are respectively 327,000,000 and 336,000,000 lbs., and this is equivalent to an increase of 3 per cent. in the ten years, during which period the population has increased nearly eleven per cent. So that in this instance the inference to be drawn from the report is quite at variance with the facts.

But the closer we look into the evidence connected with this industry, the more reason we have for supposing that there has been no increase whatever in the value of production independently of the fall of price. It appears certain that of late years a very marked change has been taking place in the character of our woollen exports. In answer to question 3,793, Mr. Henry Mitchell states that

'probably the exports of manufactured goods are a smaller proportion than they were some years ago; but, on the other hand, the exports of some manufactured goods are very much larger.' The 'probably' in this sentence should be 'certainly'—that is, if we can rely on the official returns of export; for, by referring to the tables, we see that the export of woollen and worsted stuffs—completely manufactured goods—has diminished by one-third in *quantity* between the quinquennial periods, and by one-half in money value (from 15·6 to 7·8 millions sterling, this total fall being due to the decrease in quantity and fall in price). This change in the character of our woollen exports means that the value of British industry 'put into' the raw material is, for a given amount of raw material, a diminishing quantity. Irrespectively of a general fall of prices, the *intrinsic* value of our woollen industry appears to have decreased, and materially decreased, so that it is not an extravagant assumption to make that the three per cent. increase in volume of production is counterbalanced by its diminution of intrinsic value.

Casting up our accounts, then, we stand as follows:—

Gain in coal industry represented by	£16,200,000
,, pig iron ,, ,,	7,800,000
,, cotton ,, ,,	12,000,000
Total gain on the four great industries	£36,000,000

In order to get a clear idea of the meaning of these figures, we will now make a rough estimate of the total value of these industries in the earlier of the two quinquennial periods, always, of course, reducing in detail to the prices ruling in the second of the periods.

Average yearly produce (1870–74) at average (1880–84) prices :—

(1) Coal . .	120 million tons at 9*s.* per ton	=	£54,000,000
(2) Pig iron .	4·9 ,, 40*s.* ,,	=	12,000,000
Total value of coal and iron at 1880–84 prices			66,000,000

(3) Cotton—average yearly export (1870–74) at average (1880–84) prices :—

(*a*) Cotton yarn, 205·5 million lbs. at 1*s.* per lb.	=	£10,200,000
(*b*) Cotton piece goods plain, 2,409 million yds. at 2·6*d.* per yd.	=	26,100,000
(*c*) Cotton piece goods printed, 1,037 million yds. at 3·7 per yd.	=	16,000,000
Total export at 1880–84 prices	=	52,300,000

This calculation is confirmed from two independent sources.

From the table of the yearly value of exports given in the report of the Master Cotton Spinners' Association, I find the average for the 1870–74 period to be about 76,000,000*l.* sterling.

According to the report furnished by Mr. G. Lord (vol. iii. of report, App. C) this average would be 71,000,000*l.* sterling. Leaning slightly towards the former estimate, as being probably the more accurate, I will take 74,000,000*l.* as the nearest approach to the right figure. Now, in the interval

between the two quinquennial periods the prices of cotton goods have experienced a general fall—I go upon the prices as returned by the Board of Trade, taking a mean of the several reductions of price in the ratio of importance of the articles exported—of about 26 per cent. Thus at the prices ruling in 1880–84 this 74,000,000*l.* sterling would be represented by 54,700,000*l.* I take a fresh mean between this result and mine—that is, between 54,700,000*l.* and 52,300,000*l.*, and this gives us 53·5 millions as the average annual value of the export of the earlier quinquennial period, estimated at 1880–84 prices. The cotton exports, as we have already seen, are reckoned to be about 85 per cent. of the total manufacture, which would thus amount to 63,000,000*l.* From this latter sum we deduct the value of raw material—11·2 million cwt. at 58*s.* per cwt., which leaves us, as the value of British industry, 31,500,000*l.*

(4) We now come to the wool trade. The official statistics for this industry being much less complete, we must take the best general estimates available. Sir Jacob Behrens estimates the total value of the wool trade for 1884 at 60,400,000*l.* Allowing about 4 per cent. for the fall in prices from the average of 1880–84, we may roughly take 63,000,000*l.* as the average value for that period. We have seen that the consumption of raw material has increased at the rate of 3 per cent. in the ten

years, and have already set against this increase the decrease of intrinsic value of the outturn. We may therefore fairly take this sum of 63,000,000*l.* as representing the value of the average yearly 1870–74 outturn at 1880–84 prices. From this sum we deduct the value of the average amount of raw material used in the earlier period—327,000,000 lbs. at 1*s.* per lb., or 16,300,000*l.*, and we get, as the average annual value of British industry in the earlier period, 46,700,000*l.*

Summing up the total average value of the four great industries for 1870–74, at 1880–84 prices :—

(1) Coal and pig iron	£66,000,000
(2) Cotton	31,500,000
(3) Wool	46,700,000
Total .	£144,200,000

Thus we find an increase of production in these four industries, and during ten years, of 36,000,000*l.* on 144,200,000*l.*, or of 25 per cent.

Here, now, is a rough estimate of the annual value of agricultural produce in 1870–74 at 1883 prices :—

Total acreage under crop in 1870–74, say 16,500,000 acres, which, at £8 an acre makes . . .	£132,000,000
Grass, 31,500,000, at 4*s.* per acre . . .	6,300,000
Sheep, horses, cattle, pigs, dairy produce, &c.[2] .	100,000,000
Total .	£238,000,000

[2] Calculated from the basis afforded by Sir J. Caird's estimate for 1868 (see *Proceedings of Statistical Society*) and Mulhall's *Dictionary of Statistics*. The lowest estimates are purposely taken.

The extinction of agricultural produce in the ten years is estimated, as we have seen, at 16,500,000*l.* Thus, so far as we have as yet gone, we may sum up the situation as follows :—

During the ten years between the quinquennial periods selected for comparison there has been :—

(1) A decrease of 6·4 per cent. on an amount of production estimated at 238 millions sterling.

(2) An increase of 25 per cent. on an amount of production estimated at 144 millions sterling.

Of the other branches of British industry examined into by the Commission I will give the following brief summary of the evidence.

Linen.—In this trade there has been an *absolute* decrease of production in the period of ten years. This view is supported by the following facts, as deposed by witnesses :—

(1) There has been a decrease of 15 per cent. in the number of spindles at work.

(2) A fall in the export of piece goods from 205·5 to 156·7 million yards.

(3) A fall in the total value of exports from 7·5 to 4·9 millions sterling, the fall in price in the interval not being more than 15 per cent.

The linen exports amount to about half the total trade.

Shipbuilding.—The report contains a statement, put in by Mr. John Scott, shipbuilder on the Clyde, I think, of the number, tonnage, and description of

vessels building in the United Kingdom for classification in Lloyd's Register, from 1876 to 1885. From this statement it appears that the total gross tonnage building—

Increased from 331,831 tons in 1876 to 1,097,098 in 1882
Decreased ,, 1,097,098 ,, 1882 ,, 325,236 ,, 1885

The increase was of a quite abnormal character, the figures rising in 1881 to nearly double those of the previous year. The decrease since 1882 has been rapid and continuous.

Silk.—The volume of production has steadily decreased (except for a short period of revival subsequent to the Franco-German war) during the last twenty years. Mr. Brocklehurst, M.P., states in his evidence that in 1859 there were in Macclesfield 55 silk factories, whereas there are now only 30, and that the number of silk operatives has decreased to one-fourth of the original figure. In Manchester, during the same period, the number of factories has decreased from 30 to 5.

Paper.—Of this branch of production there are no general statistics, but the evidence, taken in its *ensemble*, goes to show that, although the trade is in a state of considerable depression, the increase in manufacture is very considerable.

We have still to consider the question of the increase or decrease of production in the numerous minor industries not made the object of special examination by the Commissioners. On this

matter the answers received from the Chambers of Commerce and trade associations addressed will throw light. I append an analysis of these answers, premising that I have omitted those which bear upon the industries which have already been examined in detail.

The questions addressed to the Chambers of Commerce and trade associations were drafted in the form of a circular. The question which specially concerns our present subject of inquiry ran as follows :—

'No. 4. How has the trade and industry of your district been affected in the last five years, as compared with the periods 1865–70, 1870–75, 1875–80, as regards—

'(*a*) Its volume?'

For convenience of comparison I group the answers under the headings 'Volume increased,' 'Volume decreased,' 'Volume maintained.'

Volume increased.

Birmingham	general trade
Bristol	general trade
Cleckheaton	seed crushing
Coventry	bicycle
Edinburgh	general trade
Hull	seed crushing
London	chemicals and sugar refining
Newark	agricultural implements
Newcastle	chemicals and marine engineering
Sunderland (till 1883)	marine engineering
Wakefield and Worcester	general trade

Volume decreased.

Belfast	flour milling
Coventry	watches and ribbons
Dundee	jute
Hartlepool	engine building
Luton	straw plait
Newcastle	lead
Sunderland	glass trade, and, since 1883, engine building
Townships in county of Worcester	salt manufacture
Wolverhampton	general trade in last five years
Walsall	general trade

Volume maintained.

Belfast	ironwork and machine making
Birstal	general trade
Leeds	general trade
London	leather and metals
Sheffield	cutlery

Now it must be remarked that, with an increasing population, the maintenance of the same volume of any trade amounts to a relative decrease of it; and it may even be that a positive increase of volume should mean, with respect to increase of population, a relative decrease of volume. If we suppose that those trades whose volume has increased have kept pace with the increase of population, we have evidently to face a tremendous deficit due to the absolute decrease of one set and the relative decrease of the other. It is not difficult to see that, in order to counterbalance the positive decrease of production of the watches and ribbons of Coventry, the jute of Dundee, the engine building of Hartlepool and Sunderland, the lead of Newcastle, the

straw plait of Luton, the salt of the Worcester townships, the glass trade of Sunderland, and the relative decrease of the Belfast ironwork and machine making, the London leather and metals, the Sheffield cutlery, we must have a very marked, very rapid increase in the trades coming under the other heading—seed crushing, bicycle, chemicals, sugar refining, and the marine engineering of Newcastle.

We get additional light from the trade associations' answers. I give all of these, for they enlighten us as to recent tendencies in our larger industries.

Question 3. 'How have they (that is, the branches of trade or industry in which the association is specially interested) been affected in the last five years, compared with the periods 1865–70, 1870–75, 1875–80, in respect to—

'(*a*) Volume?'

Volume increased.

British Sugar Refining Assoctn.
Cleveland Ironmasters' ,,
Needle Manufacturers' ,,
Paper Makers' ,,
Tin Plate Manufacturers' ,,
Wire Trade ,,
Oldham Master Cotton Spinners' ,,
Scottish Paper Makers' ,,
Agricultural Engineers' ,, (1865–75).
Institute of Builders.
Mining Association of Great Britain.

Volume decreased.

Cleveland Ironmasters' Assoctn. (since 1883).
Linen Merchants' ,,
North of England Iron Manufacturing ,,
Wire Trade (since 1882) ,,
Flax Supply ,,
Agricultural Engineers' ,, (since 1880).
National Association of Master Builders.

Volume maintained.

Leather Trades Association.
South Wales Chemical Manufacturers' Association.
Rye District Commercial ,,

We gather from these answers that several of our most important trades are, temporarily at least, in a declining condition, the most significant and disquieting symptom being the decline since 1883 of the iron trade. It is, further, a well-known fact that since these answers were received in 1885 the coal trade has shown unmistakable signs of weakening.

If, notwithstanding these facts, figures, and considerations of all kinds, we found the members of the Commission unanimous in the opinion that the volume of production in the United Kingdom has largely increased—increased in even more rapid ratio than that of the increase of population—we might very naturally suppose that inaccuracies of various kinds lay hidden in these chapters. But the members of the Commission are by no means unanimous on this or on many other points. Of the eighteen gentlemen who sign the main report, eleven sign it subject to various reservations, some of which bear upon the question we have been trying.

Messrs. Sclater-Booth, Cohen, Gibbs, Jamieson, and Palgrave take exception to the tone of the majority report as being too optimistic. In their opinion it minimises the depression which the evidence submitted to them proves to exist in almost every branch of the trade and industry of the country.

Mr. Charles Palmer, on this point, dissents in

the following words from the majority report: 'I believe that the report signed by Lord Dunraven, Mr. Ecroyd, Mr. Lubbock, and Mr. Muntz more accurately describes the extent and the severity of the depression in trade and industry, and the consequent insufficiency of employment of labour, than does the report of the majority of the Commissioners. The statement made in the report that "the actual products of British labour and capital have largely increased" is one I cannot subscribe to as referring to some of our most important industries in the years 1884 to 1886. No doubt such a conclusion would be correct if we depended solely on evidence such as that of the assistant secretary of the Board of Trade, that of the chairman of the Board of Inland Revenue, and others, which evidence is based on statistics for a period of twenty years up to 1884, during which the volume of trade naturally shows a large increase. But it is admitted that these statistics are imperfect, and they do not come down to the period in which the depression in trade was most marked.

'As examples of the diminished products of British capital and labour I may refer to the facts—That the production of pig iron has fallen since 1882, when it was 8,493,287 tons, to 1885, when it was 7,250,647 tons; and this fall has taken place while the proportion of iron smelted from foreign ores has increased, thereby throwing out of

employment those engaged in working our own minerals.

'The production of manufactured iron and of Bessemer steel have decreased since 1882, and also that of coal since 1885. The serious falling off in shipbuilding since the last-named year is remarkable.

'Measured thus by the most recent years, the value and volume of trade in these great iron, steel coal, and shipbuilding industries have very largely diminished.'

The separate report presented by the minority, and signed by Lord Dunraven, Messrs. Ecroyd, Muntz, and Lubbock, gives us a very different account of the depression of trade. With reference to the special question of production the summary of evidence in this report contains the following paragraph :—

'(27) Taking the written and oral evidence as a whole, there appears to be a general agreement—

'(*d*) That the volume of trade, though it has not materially fallen off, has in some important branches ceased to exhibit its wonted healthy growth.'

This is a very different statement from that which implies an increase of production in equal or greater proportion to the growth of population.

Paragraph 39 of this (minority) report adds :—

'The relative decline of some of our greatest national industries during the past ten or twelve

years, in proportion to the population of the country, is shown in many ways in the figures which have been placed before us, and in the evidence we have received :—

'(1) In the progressive decline of agricultural employment, and of the condition and production of the soil.

'(2) In the marked cessation, during the same period, of the wonted increase in the proportion of our population employed in the textile manufactures.

'(3) In the diminishing proportion of the world's production of cotton, wool, flax, and silk, which is manufactured in this country.

'(4) In the increased value of our imports of finished manufactures during a period in which (*a*) prices have fallen very gently ; (*b*) the value of our exports of the like articles has seriously declined ; (*c*) a large amount of labour and machinery in this country suited to their production has remained unemployed or only partially employed.

'(5) In the increasing proportion of our exports which consists of coal, steam engines, and machinery ; and the diminishing proportion which consists of finished manufactures, which not only require coal, steam engines, and machinery for their production, but much valuable skilled labour besides.'

These statements are all amply borne out by

the evidence of the statistical tables compiled, and which are printed in the body of this report.[3] But although the statements are correct enough, they are not altogether what they profess to be—conclusive proofs of the relative decline of our industries. There is no question whatever about the decline of agricultural prosperity ; that is admitted on all sides. But with regard to the cessation of the increase of population employed in textile manufactures there is the double explanation afforded by the undoubted and rapid extension of the use of labour-saving machinery, and the alleged greater effectiveness and skill of manual labour. Then, with reference to (3), however conclusive the evidence may be that we no longer supply so large a proportion of the world's demand of goods manufactured from cotton, wool, flax, and silk, it is inadmissible as a proof that our textile industries have declined with respect to production as compared to population. It would be, moreover, too sanguine to hope that, as the means and populations of the globe develop, we should, from our little corner of it, continue to supply a corresponding proportion of their wants. (4) and (5) are both of them considerations to which weight must be attached ; and although (5) shows rather a substitution of one kind of industry for another, it is to the point, inasmuch as the substitution of less for more highly finished

[3] See pages xlvi to xlviii of minority report.

work implies a reduction in the intrinsic value of industry. We have already seen that this is the case with our woollen produce.

The minority report then proceeds to show that the proportion of imported raw cotton and of imported and home-grown wool retained in the United Kingdom for purposes of manufacture has declined to a considerable extent; in the case of wool, for instance, the fall being from 74·3 per cent. (1865–69) to 54·5 (1880–84). It has just been pointed out, however, that this cannot be accepted as evidence of the relative decline of production to population in the United Kingdom, but rather of the stride which production is making in countries whose industries were in a much less developed condition than ours. A further justifiable inference to be drawn is that we are maintaining our hold of the carrying trade of the world, our re-export of wool rising from 25 to 45 per cent. of the total supply. Lest the reader should not quite grasp the relative significance of these figures, here is the absolute increase of re-exported wool in the fifteen years :—Annual average, 1865–69, 102,000,000 lbs.; annual average, 1880–84, 280,000,000 lbs.

The reader who has thus far followed and verified this exposition of the facts and opinions relating to the production of wealth in the United Kingdom can scarcely escape from the conclusion that on this point the minority, and the dissentients

whom we have quoted, are much more near the truth than the majority. It is true that Lord Dunraven and Messrs. Ecroyd, Muntz, and Lubbock spoil their case a little, not so much by over-statement of it as by bringing to bear a battery of arguments which do not all hit the mark at which they are levelled. Convinced as they are, however, of the present extremely unsatisfactory phase of our trade and industry, of the necessity of a change in our commercial policy, and of the desirability of making out as strong a case as possible, this was perhaps an inevitable proceeding on their part.

Summing up finally the result of this investigation, it appears that during the interval elapsed between the quinquennial periods 1870–74 and 1880–84, in which the population of the United Kingdom increased by nearly 11 per cent., there has been (1) a decrease of 6·4 per cent. on an industry (agriculture) valued in the earlier period at nearly 238,000,000*l.* sterling per annum; (2) an increase of 25 per cent. on four industries (coal, pig iron, cotton, wool) valued in the earlier period at 144,000,000*l.* per annum; (3) a problematical increase on a number of industries of unknown value.

We must remember that there are a large number of minor trades and industries practically unrepresented by Chambers of Commerce and trade associations; but, as we have no other evidence respecting these trades and industries than

what may be inferred from the general state of production according to the reports of these bodies, we must suppose—if we suppose at all—that in the aggregate they do not differ in condition from that of the others which are thus represented.

If we assume that those industries respecting which there are no good general statistics available have increased at the same general rate as the population has done—an assumption which the evidence we have does not warrant—we have even then no reason to congratulate ourselves on our economical condition, for a decrease of 6·4 per cent. on 238,000,000*l.* set off against an increase of 25 per cent. on 144,000,000*l.* is equivalent to a mean increase of 5 per cent. on 382,000,000*l.*, that is, to an increase less than half that of the increase of population. If we do not permit ourselves to make this assumption with respect to the uninvestigated industries, our condition, in so far as production is concerned, will be deemed still more unsatisfactory.

CHAPTER IV.

OF RECENT CHANGES IN THE DISTRIBUTION OF WEALTH.

Diminution of Profits and Interest—Losses of Landowners and Tenants—Wages and Labour—Relative Decrease of Employment—Effect of the Appreciation of Gold on Distribution—Opinion of the Commissioners on Changes in Distribution—Effect of the Abolition of the Corn-laws on Changes in Distribution.

IT is convenient, for the purpose of analysis in the matter of the distribution of wealth, to consider the population as divided into four great classes: (1) the professional class, (2) the capitalist class, (3) the manufacturer or employer of labour, (4) the operatives; and, corresponding to these last three, (2) the landlord, (3) the tenant, (4) the labourer. Unless we use these terms with a certain degree of elasticity, however, we are apt to get into a hard-and-fast manner of looking at the phenomena of distribution which leads into error. For there are professional men who are at the same time capitalists, or landlords, or both; the manufacturer is sometimes an employer of labour

with borrowed capital, and sometimes with his own capital; or, again, sometimes partly with his own and partly with others' capital; and so, too, with the other terms. Where not otherwise specially stated, then, the reader is requested not to affix to these terms too rigid an interpretation, but to accept that which the context and general sense indicates.

From the evidence submitted on this part of the inquiry to the Royal Commission the following facts stand out in sufficiently clear relief:—

(*a*) There has been of late years a very considerable diminution in the profits of trade, and in the return on invested capital.

(*b*) Both landlord and tenant have suffered a serious diminution in their incomes.

(*c*) There has been no serious reduction in the rate of wages, but the employment of labour has not increased with the increase of population.

(*a*) On this point the evidence is so unanimous that I will do no more than merely quote the paragraphs in the two reports which relate to it.

Majority report (44): 'It is indisputable that, among the classes more immediately connected with the production of the large amount of wealth above alluded to (the principal industries), the complaints of diminished profits and restricted markets are widespread and persistent; and it is impossible to doubt that, whatever may be the condition of

the community as a whole, certain sections of it are suffering, or are at any rate in less prosperous circumstances than they were a few years back.'

'The complaints which are made are by no means of a uniform character; but, so far as we are able to judge, there is a general agreement on all hands that business, though not absolutely less in quantity, is carried on with the smallest possible margin of profit, and in very many cases with no profit at all.'

(45) 'While, however, we find this opinion too generally expressed to admit of much doubt as to its being substantially accurate, we may point out that the only statistics on the subject which are available do not altogether support it.'

The statistics to which this paragraph refers are those of the income tax. A large proportion of commercial profits are assessed under schedule D. The gross amount assessed under that schedule in the year 1885 was 293,000,000*l.*, and in the year 1884, 291,000,000*l.*, both of these figures being the highest recorded. Comparing these figures with the growth of population, we find that the amount per head was 8·1*l.* in 1885, 8·2*l.* in 1884; and to meet with figures exceeding these amounts we must go back to the years 1875 and 1876, when the amounts were 8·2*l.* and 8·3*l.* respectively.

(47) 'Too much stress however, should not be

laid upon these figures, as it is well known that the growth of the income tax assessment is largely attributable to the increased efficiency of collection in late years. There is, moreover, reason to believe that in some cases the tax is paid on profits which have not been earned, owing to the unwillingness of traders to make known the fact that they have sustained losses, and notwithstanding the option given them by law to be assessed by the special Commissioners of Income Tax at Somerset House. Due weight should also be given to the fact that the assessment is made on an average of years, and a diminution of profit may, therefore, not be immediately apparent in the returns.'

(50) 'There is also, in consequence of the unremunerative character of the trade of the country, less inducement to the capitalist to embark his capital in productive enterprise. This has resulted in a diminution of the current rate of both profits and interest, which has tended to create among the capitalist class a sense of depression corresponding to that which we have noticed as prevailing among the employers of labour.'

Minority report:—

(35) 'The complaints proceed chiefly from the classes interested in production:—

'(1) From . . . .

'(2) From those who conduct productive industries, such as farmers, manufacturers, and those

engaged in the mining and building trades. These all complain of the restriction or total absence of profit, and, in many cases, of a contraction of demand which enforces upon them a reduced and therefore more costly production.'

(36) 'The losses, both in the shape of reduced income and diminished value of principal, which have been suffered by the owners of property are so completely a consequence of the unprofitableness of the industries for which their property serves as a basis, that it would be useless to consider them separately. Their amount is, however, as distinct and disastrous a diminution of the wealth and wages fund of the nation as the like loss suffered by any other class would be.'

(38) 'Thus far, however, those who conduct and superintend productive industries, and those who own the property and capital employed in connection with them, have borne the chief burden of difficulty and loss. When a man has embarked his capital in, and devoted his ability and experience to, some industrial enterprise, whether farming, mining, or manufacturing, he is compelled to carry it on through adverse times at whatever loss may be less than that of a realisation at the worst possible moment, coupled with the breaking up of a specially trained and organised body of workers. . . .'

'The position of the employers of labour is,

therefore, of the deepest interest, since upon it depends in the long run both that of the owners of property and that of the artisans and labourers.'

(*b*) On this head the principal evidence is that of the senior Land Commissioner, Sir James Caird, to which the report of the majority invites attention.

According to Sir James's calculations, the owners of agricultural land have undergone a loss of income, as compared with ten years ago, of 20,000,000*l.*, equivalent to a reduction of 30 per cent. The tenants on their side have lost an equal amount, equivalent in their case to a reduction of 60 per cent. Another witness, Mr. W. J. Harris, estimates the total annual loss of production for England and Wales, as we have already seen, at 40,000,000*l.* compared with twelve to fifteen years ago. If this difference in the value of food produced has been calculated at the average prices of agricultural produce twelve to fifteen years ago, it corroborates Sir James Caird's figures up to a certain point; for this sum of 40,000,000*l.* would then represent, not the yearly loss of production (which should be estimated at present prices), but the yearly loss of income of the landlords, tenants, and agricultural labourers of England and Wales compared with twelve to fifteen years ago.

(*c*) With respect to the question of wages and employment the Commission addressed the labour

associations of the kingdom. From these associations about 280 replies were received.

Majority report (26): 'Owing to the varying circumstances of the different districts it is difficult to give an accurate summary of the views expressed.

'With very few exceptions trade is reported to be depressed, and in many cases it is considered to be more depressed than at any previous period. The number of workmen out of employment at the time when the answers were drawn up showed considerable variations, according to the districts and trades to which they belonged; but there appears to have been a greater want of employment among the unskilled than among the skilled workmen.'

'The rate of wages for time-work appears on the whole to be slightly higher than the average of the last twenty years, but it is not now at its highest point. The rate for piece-work has diminished in nearly all cases. A reduction is reported in the hours of work of from three to four hours a week during the last fifteen years.'

(53) 'We must point out that the displacement of labour which is always proceeding owing to the increased use of machinery, or other changes in the methods of production, cannot fail to create a certain amount of distress of a more or less temporary character among the working classes, who are naturally less able to adapt themselves to sudden

changes than those whose capital is in a more movable form. This distress, which is to some extent at all times inevitable, was aggravated during the last winter by the exceptional severity of the weather.'

'The demand for labour must of necessity be always fluctuating and uncertain, and within the last year or two this irregularity has been more marked than usual; but, notwithstanding the occurrence of periods of temporary distress, we think that the statistics of pauperism and the increasing consumption of the commodities most in demand by the working classes prove that their thrift has increased, and that their general prosperity has not materially diminished in recent years.'

The relative decline of the employment of labour in late years is shown by a set of tables contained in the minority report. These tables are extracted from a paper on the occupations of the people of the United Kingdom, by Charles Booth, Esq., read before the Statistical Society on May 18, 1886. From these tables I take the following figures:—

Per-centage of the whole population employed in agriculture:—

	1871	1881
England and Wales . . .	14·2	11·5
Scotland	17·3	14·2
Ireland	40·7	41·1

Per-centage of the whole population employed in metal-working :—

	1871	1881
England and Wales . . .	4·1	4·1
Scotland	4·7	4·4
Ireland	1·0	1·0

Per-centage of whole population employed in mining :—

	1871	1881
England and Wales . . .	4·5	4·8
Scotland	5·1	5·0
Ireland	0·3	0·4

Per-centage of whole population employed in shipbuilding :—

	1871	1881
England and Wales . . .	0·4	0·5
Scotland	1·0	1·1
Ireland	0·1	0·1

Per-centage of whole population employed in textile industries :—

		1874	1895
United Kingdom	Cotton manufacture . .	1·475	1·338
	Worsted and wool manufacture	0·851	0·764
	Flax, hemp, and jute ,,	0·528	0·452
	Silk ,,	0·161	0·127
	Total	3·015	2·731

Speaking generally, the tables from which these figures are taken show a gradual but slight increase in the per-centage of the population employed in the principal industries up to the year 1868, but the decrease in agricultural employment has been continuous since the earliest date (1851) from which the comparisons are instituted.

These tables, if correctly compiled—and there is

no reason to suppose they are not correct—supply us with conclusive evidence that the decline in agricultural employment following on the abolition of the corn laws has not, as frequently alleged, been counterbalanced by increased employment in the textile and other great industries.

It is remarked in the minority report (par. 56) that 'the insufficiency of employment is the most serious feature of the existing depression; and it is an important, indeed an anxious question, whether, in the face of the ever-increasing restrictions of our home market by foreign production admitted duty free, we shall be able to command a sufficiency of employment for our rapidly growing population.'

We have seen that, according to the majority report, the rate of wages in the manufacturing districts has remained tolerably steady, but this does not appear to be the case with agriculture. Sir James Caird estimates that the agricultural labourer's wages have undergone an average reduction of ten per cent. compared with those current ten years ago. From the detailed statement of the average reductions in the several agricultural zones, it certainly does not appear that this average general reduction of ten per cent. is by any means an over-estimate (see vol. ii. of report, pp. 293–295). The conclusion to which all this evidence leads is that the total amount of wages earned by the

working classes has been proportionately reduced: firstly, owing to the diminished proportion of the numbers employed; secondly, to the decreased number of the hours of labour (which affects the amount earned by time wages); thirdly, to the reduction of the rate of payment for piece-work; and fourthly, to an actual reduction of ten per cent. of the wages of a class which, in England and Wales, forms about one-eighth of its entire working population. The cumulative action of these four reductions is probably very considerable.

So much for the evidence in support of the three facts which, at the commencement of this chapter, were set down as standing out in tolerably clear relief. But now what is the bearing of the facts themselves on the principal question of production? There has been, as we see, a considerable reduction in the amount of the wage fund, a considerable reduction in the employer's profits, a reduction in the return on invested capital. The case stated in these bare terms, we should at first sight infer a considerable decrease in the total production of the country; for, as the elements of political economy teach us, the price of commodities is made up of the wages of labour, the profits of the manufacturer and middle man, and interest or the return on capital invested in manufacture. But such an inference must be modified by the complication introduced into the question through

the fall in prices, or, which is the same thing, the appreciation of gold, the effect of which, since we generally estimate production in terms of currency, is to falsify comparisons of present with past amounts of production. We cannot, therefore, judge safely of the progress or retrogression of production by means of such considerations. But as regards changes in the distribution of wealth, the appreciation of gold will certainly prove of help to us in tracing some of these changes. It is true that since wages, profits, and interest, as well as production, are estimated in terms of gold currency, it follows that an appreciation or depreciation of the currency does not vitiate any conclusions drawn from the figures which may represent the total sums of wages fund, profits, and interest, which totals, whether decreasing or increasing, must represent the same proportion of national wealth obtained by the three estates of production. Nevertheless, although the fluctuation of the currency does not vitiate comparisons instituted between individuals or classes at the same moment, it induces changes in distribution. For the appreciation or depreciation of gold is determined by its scarcity or abundance compared with that of the principal commodities of the world's commerce, of what are commonly understood and included in the expression 'the necessaries of life.' The value of those things which are usually termed 'articles of luxury' enters

very much less into the determination of the value of gold. I do not mean that the value of ordinary articles of luxury (works of art are of course excluded) is not determined by the same general laws as that of necessaries, but the causes which bring about an appreciation or depreciation of the value of necessaries in relation to gold do not necessarily affect that of luxuries in the same ratio; from which it is not difficult to see that different classes of society are differently affected by the movements in what is miscalled the standard of value. We can perceive, too, that a continual appreciation of gold must be detrimental to the employer of labour and advantageous to the capitalist; for the former, when he is working with borrowed capital, although repaying the same nominal sum, does in truth repay more than he borrowed. The gradual reduction of interest is, in part, an effect of these transactions, the employer being unable or unwilling to borrow under the same onerous conditions. It is usual in works on political economy to attribute the rise or fall of interest to the less or greater amount of capital competing for investment. No doubt this competition of capital is the general cause of the rise or fall of interest; but when there has been a continuous and rapid movement in the so-called standard of value, there can be no doubt that this also exerts a very considerable influence on the rate of interest.

Without doubt the working classes have profited more than any other by the appreciation of gold. We may safely assume that the reduction in the total amount of wages earned has been quite counterbalanced by the considerable fall in the price of the common necessaries of life.[4] This, in fact, is to admit that the proportion of the national production which falls to the share of labour has not diminished. And here the evidence afforded by the increase of deposits in savings banks and by the decrease of pauperism, evidence which we rejected as not bearing on the subject of production, becomes of greater value.

It is accepted without question that the classes which, from various causes, have suffered most severely are those of the manufacturers, the owners of agricultural lands, and the agricultural tenants. The appreciation of value of profits and rents is far from counterbalancing losses of 20 and 60 per cent. of income, or diminution of profits to an irreducible minimum. As regards the capitalist pure and simple, it is probable that, although the appreciation of gold has enhanced the value of his capital, yet in so far as his share of the yearly production of wealth is concerned he has not greatly if at all benefited, for the appreciation of gold has been

[4] The average prices of commodities in the period 1865-75 are to those in 1876-86 as 101 to 82.—A. SAUERBECK, 'Prices of Commodities,' *Proceedings of Statistical Society*, 1886.

met by a serious reduction in the rate of interest. We can measure the general fall of interest sufficiently accurately by the rise in value of 3 per Cent. Consols from $92\frac{1}{2}$ (average of 1870–74) to $100\frac{17}{50}$ (average of 1880–84). This is equivalent to a fall of interest from 3 to $2\frac{7}{10}$ per cent., or to a reduction of income of 10 per cent.[5]

But if the production of wealth has advanced in the same or nearly the same ratio as that of population, it is plain that, under the above suppositions, there is a portion of this production which is not accounted for. If the working classes and the capitalists obtain the same proportionate share of yearly production as formerly, and the manufacturers, landlords, and tenants who have suffered severe loss, obtain a far smaller proportionate share than formerly, who is it that has benefited? Is it the class of middle men, those who stand between producer and consumer and conduct the retail trade of the country? That is scarcely possible, for of late years there has been a very marked tendency to exclude the middle man, to place producer and consumer in more immediate relation, as witnessed by the establishment of so many dis-

[5] In an article entitled 'The Vampire Gold,' contributed to the June (1887) number of the *Fortnightly Review*, the Duke of Marlborough very clearly shows how the appreciation of gold unduly favours the capitalist, but the deductions which his Grace makes are vitiated from his not apparently seeing with distinctness that the evil complained of does, in some measure, carry with it its own remedy in the general fall of the rate of interest.

tributive co-operative societies. What, then, are we to suppose? That production has indeed diminished to a large extent, and that the diminution is to be measured by the losses of manufacturers, landlords, and tenants? I do not think the evidence we have had warrants such an inference in its entirety; moreover, the income tax returns and other considerations to which I shall presently advert do not bear out such a view. The conclusion to which I find myself driven is that the great and, in some cases, cruel losses suffered by the classes just named are due partly to a comparative decrease of production, partly to changes in the distribution of wealth which, as we shall see, manifest themselves in the increase of the numbers of the professional classes, and of that class which, known in France by the name of *petits rentiers*, is ill-translated in English by the term 'small capitalists.'

The majority report of the Commissioners points out that a change is probably taking place in the distribution of wealth, but they do not in any way enlighten us as to the reasons for this change.

'The view we are disposed to adopt is that the aggregate wealth of the country is being distributed differently, and that a large part of the prevailing complaints and the general sense of depression may be accounted for by the changes which have taken place in recent years in the apportionment and distribution of profits.'

'The reward of capital and management has become less; and the employment of labour is, for the time at least, not so full and continuous; so that even where the rate of wages has not diminished the total amount earned by the labourers has been less, owing to irregular or partial employment.'

In support of this alleged change in distribution the Commissioners append the following table, compiled from the reports of the Commissioners of Inland Revenue:—

SCHEDULE D—TRADES AND PROFESSIONS ONLY.

Number of Persons assessed to Income Tax in the years 1874-75, 1879-80, *and* 1884-85 *in the undermentioned Classes:*—

Incomes from		1874-75	1879-80	1884-85	Increase of 1884-85 over 1874-75	Rate per cent. of increase
£	£	No.	No.	No.	No.	
200 to	1,000	162,435	197,775	215,790	53,355	32·85
1,000 ,,	2,000	11,944	12,011	13,403	1,459	12·21
2,000 ,,	3,000	3,797	3,604	4,038	241	6·34
3,000 ,,	4,000	1,857	1,664	1,914	57	3·07
4,000 ,,	5,000	1,003	898	1,074	71	7·07
5,000 ,,	10,000	2,035	1,671	1,928	107 *	5·25 *
10,000 and upwards.		1,283	1,020	1,220	63 *	4·91 *
Total		184,354	218,643	239,367	55,013	29·84

* Decrease.

(57) 'From this table it would appear that the number of persons with incomes of less than 2,000*l.* a year has increased at a more rapid rate than the population (which in the period in question

increased about ten per cent.), while the number of persons with incomes above 2,000*l.* has increased at a less rapid rate, and the number with incomes above 5,000*l.* has actually diminished ; and further, that the lower the income the more rapid the rate of increase.'

(58) 'We think, therefore, that, whether the aggregate amount of profits is increasing or not, there is distinct evidence that profits are becoming more widely distributed among the classes engaged in trade and industry ; and that while the larger capitalists may be receiving a lower return than that to which they have been accustomed, the number of those who are making a profit, though possibly a small one, has largely increased.'

'This view is further confirmed by the figures given in the above table for the year 1879–80, which was undoubtedly a year of very general depression ; it will be seen that there was a decrease in the number of assessments in all classes above the limit of 2,000*l.* a year, while in the classes below that limit there was in all cases a considerable increase.'

Mr. Jamieson expressly dissents from the views expressed in par. 56 by his fellow-Commissioners :—

'I dissent from the inference drawn in par. 56 from the figures there quoted. It is probably the fact that the income tax payers in the lower sections have increased more rapidly than the large

capitalists, but the figures quoted do not convince me of this. It will be observed that the tendency referred to characterised only the former of the two periods which are contrasted with 1874–75. Thus the decrease of 170 in the case of incomes over 5,000*l.* is really the result of a decrease of 627 between 1875 and 1880, modified by an increase of 457 between 1880 and 1885. The inference from these figures would be that the tendency referred to did operate during the earlier period, but ceased to operate in the later; and it will be observed that the difference in incomes of 200*l.* to 1,000*l.*, which is the main feature of the table, and results in the large per-centage of 32·85, is due mainly to the increase between the two former periods. The rate of increase between 1880 and 1885 hardly, if at all, exceeds the general rate of increase common to all the divisions in the tables.'

No one can examine the above table without acknowledging the validity of Mr. Jamieson's protest against the inference drawn from it. Indeed, had the comparison been made between 1879–80 and 1884–85 instead of between 1874–75 and 1884–85, the deduction would have been almost exactly the reverse of that actually made. For we should see from it that while incomes between 200*l.* and 1,000*l.* a year had increased by about nine per cent., those over 5,000*l.* had increased by sixteen per cent.

The important points which this table establishes are—(1) A tolerably steady increase in the number of persons in trades and professions assessed to income tax during the ten years. (2) A still steadier increase in the amount of income assessed. But the expression 'trades and professions' is an elastic one. It includes a number of persons who are nominally in trades and professions; but in real truth, for the most part, live on small incomes indirectly derived from trade investments, pensions, &c.—small capitalists, in fact, living on the proceeds of their investments. The evidence does not at all convince one that the people actually engaged in trades and professions are better off as a whole than they were.[6] It must be remembered that the income tax is now much more effectively levied than formerly, and that consequently many nondescript persons who formerly escaped its imposition are now included in this schedule.

The evidence of the table as it stands tends rather to a general refutation of the theory that the poor are getting poorer, and the rich richer. The present tendency of distribution rather seems to be, if not to diminish the numbers of the poor, at least to add to the number of the well-to-do. But in what way this tendency is at work, and whether it is altogether as satisfactory as we might at first

[6] The reader will find further reasons for this opinion in the chapter 'Concerning Drones.'

sight suppose it to be, is a matter which purely economical considerations will not help us much to decide.

Meanwhile, I will draw attention to the character in the change of distribution initiated by the abolition of the corn laws, and continued through the enormous extension of agricultural enterprise in the New World. In the United Kingdom the effect has been, manifestly, to transfer wealth in the long run from the agricultural classes to the rest of the community. Compared with their income ten years ago, the present spendable income of the agricultural classes is diminished, as computed by competent authorities, by 42,000,000*l.* What is the meaning of this? The meaning is that if the total production of the United Kingdom is the same per head of population now as it was ten years ago, then a portion of this production equivalent to 42,000,000*l.* would have been made over from the producers to the consumers of agricultural produce. But this would be the case only under the supposition that the general prices of other than agricultural commodities had not fallen during the interval. Or, to put it in another way (for the fluctuation of currency tends to obscure these matters), the effect has been to alter the value of agricultural produce in relation to that of other commodities.

Bearing in mind, however, that the prices of

nearly all commodities have fallen of late years, the transfer of wealth cannot be properly measured by saying that 42,000,000*l.* has been made over to the food consumers. The food consumer now gives a smaller proportion of his particular produce in exchange for his food, and the food producer gives a larger proportion of his produce in exchange for any particular commodity which he may require or desire. It must be clearly understood that the loss of the agricultural classes in *purchasing power* is not to be measured (as the Commissioners in par. 73 perhaps inadvertently do so measure it) by their loss of spendable income. The real loss in purchasing power of the agricultural classes must be measured, first, by the actual diminution of agricultural produce; secondly, by the difference between the fall in the price of that produce and the general fall of prices. For instance, let us take the case as it actually stands. We estimate the loss due to absolute extinction of agricultural produce at 16,000,000*l.* This leaves, as the loss due to fall in price, 28,000,000*l.* Now if, in the same period of time, general prices have fallen say ten per cent., and prices of agricultural produce twenty per cent., the loss in purchasing power due to the difference between these falls would be 14,000,000*l.*, and the total loss in purchasing power of the agricultural classes would be, not 42,000,000*l.*, but 30,000,000*l.*

This, then, is the general conclusion to which it

seems we are led on the subject of the present distribution of wealth: that the working population as a whole obtain now about the same proportion of the yearly production of wealth as they did ten to fifteen years ago; that the manufacturers, employers of labour, landlords, and tenants obtain a considerably reduced share of this yearly wealth; that the loss sustained by these classes is attributable partly to the relative decrease of production, partly to causes not very clearly understood, but which are favourable to the increase in the number of small capitalists (by which term I understand the lower stratum of the leisured classes, not either landlords or actively engaged in the business of production); that the proportion of yearly wealth obtained by the capitalist class is thus larger than it was—that is, simply because of the increase in the number of capitalists, for the reduction in the percentage return on capital is counterbalanced by the appreciation of gold. It is to be borne in mind, however, with regard to the wealthier classes, that the advantages due to this appreciation may be more apparent than real, according as the ordinary luxuries, which (to be fairly latitudinarian in our ideas) are practically their necessaries, have or have not shared in the general depreciation of the value of commodities compared with that of gold.

CHAPTER V.

FREE TRADE AND PROTECTION.

Depression at home and abroad—Prince Bismarck's commercial policy and that of foreign nations generally—Foreign tariffs and British production—The orthodox free trade arguments—Their strength and weakness—Government contracts with foreign firms—Export bounties—Meaning of 'protection.'

THE trade policy which, taking its initiatory step in 1845 with Sir Robert Peel's partial abolition of customs duties, obtained final and complete recognition in 1860 with the total repeal of all purely protective duties, is now, or shortly shall be, on its trial. In the last-mentioned year we cast off the last rag of protection and fared forth, confidently exposing ourselves to the keen breeze of unlimited foreign competition. From 1846 until within a very few years ago the production and general wealth of the country increased continuously and swiftly; but now, apparently, we have reached the summit of the wave of prosperity, and, to the general consternation, appear to be slowly sliding down the other side of it. Is this the case? And if so, why so?

It has been customary to ascribe our progress in industry to the action of free trade, and to explain our present depressed condition as the effect of the depressed condition of trade abroad, and the succession of bad home harvests from 1877 to 1882. This may possibly be a correct explanation, but it is worth while to remark that it is precisely since 1882 that the depression is described as having been most severe, and yet since that year the home harvests have been quite up to the average. Further, although it is quite true there has been a corresponding depression of trade abroad, it has not been either so pronounced or so uniform as with us. Paragraph 25 of the majority report enlightens us on this point: 'The answers we received from your Majesty's representatives abroad lead to the conclusion that the condition of trade in the various countries of the civilised world differs very materially, and that commercial depression has not been so widespread or so uniformly manifested as has sometimes been supposed.'

There can be no doubt that our prosperous career since 1846 was, in a great measure, due to the abolition of the corn laws. That measure brought our working classes cheap food, and cheap instead of dear food meant either cheaper production or better production. Its effect was, as it were, magical. We stormed and took the markets of the world. Presently, however, with rising wages

and enormous profits at home, the insidious foreigner, satisfied with smaller profits and employing cheaper, or nominally cheaper, labour, began to compete with us to some slight extent. But possession is nine points of the law, with markets as with most other things ; and possibly, had other nations adopted free trade, we should have maintained our lead, principally because of the excellent condition of our working classes, well supplied with the necessaries of life and working with the elasticity insured them by their freedom from the crushing weight of excessive hours of labour. But the race is not always to the swift. The foreigner, with highly reprehensible and low cunning, finding he could not compete with us in the general market, has determined to shut us out of his own. With a continual extension of this policy on the part of foreign nations, tending more and more to narrow the markets available for the sale of our produce, it is not strange that we begin to find our situation well-nigh intolerable.

But it *is* strange that the advocates of free trade have, as a mass, never understood in the past, and do not appear to understand in the present, that how admirable soever such a commercial policy may be for a country rich in natural products, or in the combined commercial aptitude and dexterity of handiwork of its people, it must necessarily be rejected, in the present political organisation of the

world, by those nations not in any way industrially gifted. How, for instance, could it be expected that a country such as Germany should adopt free trade? Were the German Empire to uproot its hedge of protective tariffs a number of its fostered industries must inevitably perish; and it possesses none endowed with sufficiently pronounced local advantages to absorb the resulting unemployed capital and labour with reasonable hope of successful competition against the better favoured industries of other countries. It would certainly be advantageous to the German consumer to obtain his manufactured goods cheaper than he does at present, but the important matter for him is, first, to obtain them. If he has not sufficient means wherewith to pay for foreign commodities, however cheap these may be, it follows that if he desires the commodities he had better set to work to make them himself. Bearing in mind that the present political development of the world necessitates a regard not only to the relative well-being of the individuals of nations, but to the positive extent of the power and riches of each race engaged in the struggle of nationalities—bearing this in mind, the more we reflect, the more inevitable becomes the conclusion that every civilised nation—whose territory is not naturally and exceptionally favoured—must, with an expanding population, be driven to manufacture for itself a very great proportion of the commodities

it requires—the extension of production being limited only by the conditions which time and place impose.

Do the advocates of unconditional free trade imagine that Prince Bismarck, who certainly possesses in a remarkable degree the faculty of seeing things as they really are, and not merely as they may seem, is incapable of fathoming its principles, and of applying them to the trade policy of his country if he thought it would derive benefit by reason of the change? Germany is naturally a poor country, and, moreover, imminently exposed to the dangers of war—a situation which, as we know, necessitates the spending of enormous sums of money in order to keep up a state of preparedness for action. To the heavy burden of military expenses, borne by the consumer, Prince Bismarck, with what must to some of us appear the infatuation of folly, not only adds that due to protective tariffs, but actually subsidises the German carrying trade, and in other indirect ways spends the consumer's money in furthering and establishing his country's trade in distant quarters of the globe! The German trader, as we well know, is beginning to supplant us in markets which until quite recently were ours. If some of our political economists had eyes for anything beyond their books, they would see that the efforts of German traders are especially directed to obtaining the command of those markets

in which we have hitherto been predominant. Does the reader infer therefrom that this action is due to any specially hostile feeling of the great Chancellor towards this country? Surely that is not the way of a great and successful statesman! But the way of great statesmen is to derive benefit for their country from whatever sources—hidden to less keen vision—the circumstances of the time may discover. Prince Bismarck has not been blind to the fact that public opinion in England is slow of change, that it has been, and still is, strongly in favour of free trade, and that it governs the action of English statesmen. The right way for the advance of Germany's foreign trade, therefore, was clear enough: to help and push forward German traders into competition with practically the only unsubsidised traders in the world—the only traders at all events who will look in vain to their own Government for support: to do this at a slight present sacrifice in order to reap a future benefit. When a market is once won, and has been well chosen, the subsidies which helped to win it need no longer be continued.

But the question of immediate importance to us is not what policy Prince Bismarck may think best adapted to the commercial development of Germany, nor what measures French and American statesmen may advocate in this matter for the commercial welfare of their respective nations.

The question of paramount interest to us is that of the development and welfare of our own country; and the commercial policy of foreign nations is germane to this matter only in so far as it may serve to show us in what respects our own has been mistaken. Clearly in one important point our reasoning has been fallacious. Free trade, by the irresistible logic of facts, was to have converted the world to its views, but the world remains obstinately unconverted. The recalcitrant nations, which were threatened with the certainty of industrial atrophy, are comparatively in a more prosperous condition than the only nation that accepted the principles of free trade in their uncompromising entirety.

It is unfortunate that in a question of so great moment to us we should be able to do little more than appeal to theoretical reasons in support of either view. Because the most protectionist nation in Europe has made the greatest strides in the course of the last ten or fifteen years, and the only free trade nation has made comparatively the least, it does not therefore necessarily follow that the free trade nation must be wrong as to the fitness of its policy to accomplish its own ends in the peculiar circumstances of the age; but the fact of our seeing a result which is in diametrical opposition to the confident prognostics of the initiators of our commercial policy certainly begins to tell

heavily against our once firm faith in their system. It is not difficult to imagine an ideal state of society in which such a system would be universally applicable, but our concern is to get a system which shall stand the rubs and general ill-usage of this work-a-day world.

We have to deal with certain plain facts. Whether we like it or not, we must face the fact that the great trading nations of the Continent, and incomparably the greatest trading nation in the two Americas, refuse to buy all their manufactured goods in the cheapest market. They insist on making their own, or at all events a continually increasing proportion of those which they consume.

For Great Britain, as yet the greatest manufacturing nation in the world, this general determination of the foreigner is unfortunate, for its inevitable effect is to restrict the productive capacity of the English people in those fields which are, or have been supposed to be, peculiarly their own. This effect we see to be actually taking place through the evidence afforded by the increased amount of our imports of finished manufactures during a period in which the amount of our exports of the like articles has seriously declined. So that not only has the market for our manufactured goods abroad gradually narrowed, but the home market has been supplied by the foreigner in growing proportions (allowing 15 per cent. for

the fall of prices, the increase of the import of foreign manufactured goods between 1870–74 and 1880–84 amounts to 70 per cent.) It would seem, then, that the foreign system of protective tariffs exerts two injurious influences on British production: the one, direct in its effect, closing foreign markets to our manufactured goods; the other, indirect, flooding our home market with manufactured goods at a lower price than the home manufacturer can supply them with any profit to himself. This, at least, is the contention of the fair traders, protectionists, or whatever they may please to call themselves. We shall see, when we come to consider the recommendations contained in the minority report, how far they justify their assertion that, in practice, foreign hostile tariffs produce an effect analogous to that of foreign bounties on exports.

The main difficulty under which we labour is to estimate correctly how much of the tendency to reduce production is due to foreign protective tariffs, and how much to other causes. If we admit that the fair traders are right in imputing to the action of hostile tariffs the principal share in bringing about the present sense of commercial depression in the United Kingdom, we need not find much difficulty in accounting for the slight effect they have as yet exerted on the total volume of British production. When capital and labour have been long engaged in prosecuting any parti-

cular industry, it takes a very great pressure to drive them away from it. The persons whose familiar line of life it has become will submit to great losses and inconveniences rather than abandon the occupation in every turn and detail of which they are at home, whether as head or hand workers. And, as we know, heavy losses *have* been incurred; the great reduction in profits is evidence of them. With the exception of two or three unimportant industries this complaint comes to us from every part of the country. It may be said, and indeed is said, that the consumer has gained what the manufacturer and employer of labour have lost. Perhaps the consumer has thus gained, but how much longer will the manufacturer apply his skill and what capital he may have to production, when, as is admitted by the most optimistic, profits have already in general dwindled to the lowest margin compatible with a continuance of production, and in many cases have altogether ceased to be made? A certain weight, however, must be conceded to the argument that British manufacturers are not, as a class, satisfied to work for a modest scale of profits such as that which in general prevails on the Continent. On the other hand, we must acknowledge that they are usually more ready to run risks of loss than their Continental brethren, risks from which, if we think of it, the consumer on the whole derives advantage.

That the nations of the world should severally apply their commercial activity and ability to the production of those commodities which, owing to advantages of soil or climate, or to the natural aptitudes of population, should afford the best return for the labour expended, and that these commodities should be freely exchanged—this was the sheet-anchor of the free trade system. But the anchor was let go without taking careful soundings, and now our ship of Free Trade, the ruthless gale of adversity upon her, seems like enough to drag in among rocks and shallows, and perhaps go to pieces on an inhospitable shore. To drop metaphor, we overlooked the manifold difficulties which the aims and ends of different races and nationalities were to oppose to the realisation of our own aim and end.

The predictions made by the men of our earlier school of free trade having been falsified by actual events, its later advocates lean somewhat more heavily on what was formerly a less frequently urged justification. The assertion now constantly made is that the nation as a whole benefits by one-sided free trade because, although its action is from time to time harmful to the interests of now this section, and now that section, of producers, it is always beneficial to the consumer, and thus the balance is clearly on the side of gain. This is logical so far as it goes, but it does not go far

enough. We have to consider the intensity as well as the area of interests. The whole population of Great Britain are bread and meat eaters, and to the working classes the relative cheapness of bread and meat is a matter of very great importance; of so great an importance that we may think it right partly to sacrifice to it the interests of the corn-growers and cattle-breeders of the country. Nay, when we consider the advantages which accrue to the country as a whole from the increased energy and well-being of its hand-workers, and when we further consider that the sacrifice must for the most part be made by a class which can bear loss without undergoing any very great hardship, we may safely affirm, and not merely opine. In any change of commercial policy the principal consideration is twofold. Does what one set of persons lose amount to more or less than what the others gain? and does the loss fall sufficiently easily not to cause real distress to the losers? We must not look solely to the 'how much' of gain here and loss there, but, if I may so express it, to the 'how borne' of it. You may strike a thousand different men with a feather and not do one of them an injury, but if you strike one man with the accumulated force of the thousand blows you will kill him.

It cannot be said that the protectionists or fair traders have completely made out their case against

free trade, but they have made out a sufficiently strong case to make it certain that sooner or later the question of our trade policy must be threshed out again, and the policy itself, if necessary, revised. As soon as we shall be in the possession of the statistics and detailed information needed in order accurately to map out our position we shall have to decide ; and in order to decide rightly it would be as well for us to begin by trying to find out why, if our system is indeed a good one, it is apparently so unfruitful in present good results and so ignored by all others but ourselves. If a system is right in theory, but yields bad results in the application of it, then it must be in the application that there is something faulty. Certainly, judging by the light of present experience, an unprejudiced person can scarcely be satisfied that there is no discrepancy between the actual results flowing from our application of free-trade principles and the results which were expected to flow from it.

There are certain positions, too, taken up by the advocates of this system, which, to a plain man, do not appear to be so impregnable to argument as they would have him suppose them to be. If you tell a political economist of the fixed free trade and unlimited competition type that you do not clearly see why the community as a whole should necessarily suffer by reason of the imposition of a protective duty on, for instance, articles of foreign

manufacture, he will say to you, with perhaps just a very slight smile of superior wisdom, something like this: 'My good sir, with regard to the general theory of free trade, it is quite plain that everybody being a consumer, the interests of the nation as a whole are best served by a commercial policy which takes the interest of the consumer as its paramount concern. Now, in this special matter of an import duty on any particular article of foreign manufacture which competes with the home make of it, the right way to look at it is this: if the manufactured article in question is one to the manufacture of which the natural aptitude of our artisans, the advantages of our soil or climate, or what not lend a favourable hand, it will defy the effects of foreign competition; indeed, submitted to the bracing influence of such competition, it will thrive the better. If, on the contrary, it is the product of an industry which has been artificially nursed into growth, or which can be more efficiently and cheaply conducted in some other country, the effect of open competition is to supply the home consumer with as good an article as the one of home make, or even perhaps with a better one, and at a lower cost. The country in the meanwhile avoids loss through the readjustment of labour and capital which is brought about; the labour and capital employed in this industry will be withdrawn from it and applied elsewhere. We can extend the reasoning still

further, and apply it perfectly logically to the question of the export bounties of foreign nations. In the case of bounties the effect may very possibly be to drive away capital and labour from an industry which, but for the effect of the foreign bounty, would be remunerative to those engaged in it ; but there is really no harm in this, for, again, this capital and labour, freed from its present employment, will migrate to other industries, while the consumers will benefit to the full by the cheapness of the bounty-propped article. It is almost as if the foreign Government put the bounty into the pockets of the English consumer.'

This, or something like this, is what the thoroughly orthodox free trader of the rigid school would answer, and at the first blush it reads well enough. But if we look closely into the argument there are two or three points which appear to require elucidation. In the first place, when the free trader speaks of taking as his paramount consideration the interest of the consumer, we see that in practice, at least, he really means to look only to the consumer's, and not at all to the producer's interest. Then there is a difficulty hidden in the glib expression about the readjustment or 'migration' of labour and capital 'freed' from any particular industry. How, as a matter of fact, do capital and labour 'migrate'? They do not, that we are aware of, take to themselves wings and fly

off to happier climes, as the swallows at the approach of winter. How, for instance, is capital sunk in the plant and machinery used in some particular industry—such, let us say, as that of silk weaving, which is at present and has been for years past in a most unsatisfactory condition, to accomplish this migration? And how is labour, especially the skilled labour of an artisan, who from his boyhood has been carefully trained to some particular kind of work, to migrate to some other employment? The necessary versatility is not in man. In a question of this kind what we have to calculate is the total gain enjoyed or loss incurred by the country through the policy we adopt. If we do not protect our silk operatives, the silk-consuming public reaps the advantage of a cheaper article. As a set-off to this, however, during the decline of the silk trade (I take an actual case, and the evidence on it as laid before the Royal Commission) at home a large proportion of the operatives are thrown altogether out of work, and the remainder of them less regularly employed, and in general less well paid. One silk factory after another closes or fails. People are apt to look at such losses as unfortunate for these individuals overtaken by them, but rarely stop to consider that they are also a misfortune for the country, whose yearly production of wealth is reduced by just that amount of produce which the unemployed

machinery and hands fail to turn out. After a good many years our silk industry is finally reduced to something like one-third of its original volume. How are we to estimate the loss of wealth incurred by the nation during this tedious process of migration of labour and capital? Doubtless the consumers of silk have in the meanwhile benefited by some slight reduction in the price of that commodity, but this gain will have to be continued during many years before it can counterbalance the loss we have just been considering. Now were these the sole considerations involved, were it immutably fixed that the foreign industry which has supplanted ours should continue in all circumstances to remain flourishing, we should in course of time reap the benefit of our policy; but many industries, especially those which do not depend for their success on any natural advantage of soil or climate, are born and grow, dwindle and disappear, in an almost unaccountable manner; wars, the growth or decadence of national enterprise or skill, a thousand accidents, interfere with, hamper, or forward them. Thus, we may find ourselves obliged, in the case of any particular industry, to revert, at great inconvenience and loss, to our former condition.

We should, if possible, judge each case by itself. When we see any industry of ours seriously hampered by foreign competition or foreign ex-

port bounties, the first question we should ask ourselves is whether there is anything in the nature of the circumstances connected with the industry which points it out as one unlikely to flourish in Great Britain. If this be not the case, if we can see no good reason why it should finally disappear from among us, we may confidently expect that it is merely subjected to a partial eclipse—the sun of prosperity will once more shine undimmed on it; but, in the meanwhile, it may be necessary to put our hands in our pockets in order to avert its total disorganisation. The condition of trade in these times is very peculiar and very significant. It was stated by many witnesses examined before the Royal Commission that the hostile tariffs of foreign nations produce on some of our minor industries the same disastrous kind of effect as that due to foreign export bounties. Although such a thing as a general and *pro rata* over-production is an impossibility—almost a contradiction in terms—yet it frequently happens that there is over-production in some one or more branches of commerce. Of the silk trade, and, in a less degree, of the paper trade, it was affirmed by several witnesses that, our ports being free, while those of other nations are not, whenever there takes place a production of silk or paper in excess of the demand abroad, our markets are flooded with the surplus produce at cost price, and sometimes at less than cost price.

Now, although this is advantageous to the British consumer, we have to consider whether the threatened industries can bear the strain to which this state of things exposes them. Almost all the witnesses from Macclesfield and Manchester, who expressed themselves on this matter, gave it as their distinct opinion that a few more years of exposure to these conditions would drive the silk industry completely out of the United Kingdom. During the last five-and-twenty years a continuous stream of operatives in silk manufacture has flowed out from England to the United States—energetic, hard-working, enterprising men, who are doing very well in their new homes, so we are told. Are we wise to drive men like these out of the country? When an industry is going to pieces, those who remain behind are the idlers and loafers, unless their passage is paid for them; even when this is offered to them, many prefer to remain and be a burden on their ratepaying brethren. This is a very serious aspect of the question.

We derive a fresh illustration of the questionable wisdom of our present system of untempered competition in the practice, to which our Government obstinately adheres, of contracting with foreign firms for the supply of goods when the offered terms of contract are more advantageous than those to be obtained from home firms. The opponents of this practice ground their objection

to it on the plea that its effect is to withdraw capital from the support of British labour, and cause it to be employed in supporting foreign labour. This is, in truth, a very sensible objection, but it has the demerit of not carrying with it a clear exposition of the real features of the transaction, nor of explaining its ultimate effects. We have, on the one hand, a clear gain to the taxpayer; on the other a loss, the amount of which entirely depends on the tendency of the Government action to diminish home production. This loss is most difficult to estimate, and must vary in every case and for every different set of circumstances. I will discuss a specific case by way of illustration. It has been the custom of late years for the Government to contract with a German firm for a large amount of paper used in the manufacture of postal cards. Let us suppose the amount paid by Government to be 100,000*l.*, and the saving effected 3 per cent., or 3,000*l.* This is a small, yet a perfectly definite gain. Previously to the acceptance of a foreign tender the contract for the supply of this paper must have been held by some British firm of paper-makers, and therefore the labour, the machinery, the skilled supervision involved in the making of the commodity must have been at that time existent. Now the question is, to what use will this productive capacity be turned? The astute defender of the Government

policy will opine perhaps that the firm will continue to turn out the same quantity of paper of one sort or another as it did before; that thus an increased quantity of paper will be thrown on the market, reducing the average price of paper in consequence; from which it follows that, while those engaged in paper-making may lose a little by the transaction, the consumer will gain, because he will obtain a cheaper article, and thus there remains the clear gain of 3,000*l.* to the taxpayer. But if it so happens that paper is already sold so cheap, that to sell it any cheaper will not pay those who make it, then the only thing left for the firm to do is to run their mill and their hands 'short time.' We have, in fact, only to look closely enough into the matter to see that, in any circumstances whatever, there must be a loss inflicted on a certain class whenever the Government transfer a contract from a home firm to a foreign one. The loss will be more or less severe according to the conditions of the industry, will be more or less justifiably inflicted according to these conditions, and to the relative saving of the taxpayer's money which is effected, and will spread itself out over numberless channels in such a manner as to make a correct apportionment of it an impossibility.

This point is one of such extreme importance, owing to the principle involved, that I will ask the

reader to bear patiently with me while we look at it in a different light. How does this policy of the Government affect, not production, but consumption? Let us suppose, first, that there follows no diminution of paper production in the United Kingdom as a consequence of the change of contract. We have, then, 100,000*l.* worth of paper in excess of the anticipated demand. Now, this excess will either be consumed or will rot in the storehouses. Let us further suppose that it will be consumed. Only, if it be consumed at the usual average price, the consumer, other things remaining equal, will have to decrease his consumption of other commodities; and if at less than the usual price, the paper producer will have to decrease his general consumption. The latter alternative is pretty well sure to be the usual one, so that we come to this: Increase of consumption valued at 100,000*l.* of a commodity already so cheap as to be wastefully used; decrease of consumption valued at 100,000*l.* of luxuries purchased with profits and of necessaries bought with wages; saving of 3,000*l.*—or increase of general consumption valued at that sum—to the British taxpayer. We have taken one extreme, let us now take the other—the case in which paper production is reduced by the whole amount previously supplied to Government; then we have a general increase of consumption valued at 3,000*l.* on the part of the taxpayer, and a decrease of con-

sumption valued at 100,000*l.* on the part of the paper producer. In either case the English paper producer's consumption is reduced by the amount handed over to the German paper producer. Truly this is, to a plain person's understanding, a very extraordinary proceeding. It is said that the loss of production will soon be put a stop to by the 'readjustment' of capital and labour, whereas the gain to the taxpayer, though small, is a constant one. On this point we have already expended time and trouble, and have found that the wisdom or unwisdom of the present Government policy depends precisely on a fair comparison, in every separate case, of the relative gains and of the time which each is likely to last; but it may be added that the present seems an ill-chosen moment wherein to deprive labour, even temporarily, of any accustomed support, seeing that, far from any 'migration' of it being at all possible in these isles, there is not enough work to be found even for those employed in our principal industries. It certainly seems, also, that this practice of transferring your custom from the home to the foreign producer or purveyor, the instant the latter can supply you a trifle more cheaply, must tend to the disorganisation and dislocation of the internal trade of the country. With a home market which constantly fluctuates in its demand for commodities of home manufacture there can be no truly economical production, there

must constantly be over-production of some articles and under-production of others.

But, no doubt, some one will long ere this have objected to the argument about Government contracts, that, in the case we have discussed, the withdrawal of the contract from a British firm will not in truth have done any harm to the paper trade of the United Kingdom, for the requirements of an increasing population will enable the firm which has lost the contract to set about meeting the growing demand. This is a foolish objection, perhaps idly coined by the imagination of the present writer, an 'air-drawn dagger' held at the argument's heart. It seems scarcely necessary to remark that the paper trade, in its *ensemble*, will have already made provision for the expected increase of demand, and that consequently that provision, in the shape of capital sunk and labour trained, will be wasted to the extent determined by the amount of the withdrawn contract. From a mere economical point of view it appears at least highly desirable that if the Government contracts with foreign firms, it should do so only when the saving of money to be effected is considerable and continuous enough to make up for any probable loss from the restriction of production which must follow.

When we come to consider the question of foreign bounties on export, it seems incredible that any one, not irrevocably wedded to and blinded

by a mere theory, can possibly welcome them as contributing to the welfare of this country when they act as do the sugar bounties. Let us admit in the completest manner the benefit which the consumer reaps by obtaining his sugar at a farthing a pound cheaper than he otherwise might. Meanwhile what has been going on these thirty or forty years with regard to the sugar industry? During this period of time sugar made from the beet has been steadily driving cane sugar out of the world's market. From a proportion of seventeen per cent. of the total production, beet sugar has increased to fifty-seven per cent. This has been in the main accomplished through the action of foreign bounties on export. Year by year the value and amount of the production of our West Indian possessions have decreased, and this in the face of an enormous increase in the world-consumption of sugar. But from our point of view the worst feature of this bounty system is one which the near future will, in all probability, disclose to our rueful gaze. When for the sake of the consumer our West Indian sugar shall have been driven quite out of the field, and ruin brought on the planters and traders connected with its production and distribution, when beet sugar shall have undisturbed possession of the markets, we shall see the Governments which have thus fostered the development of its production take off the export bounty. With our sugar

industry ruined, and with imported beet sugar no longer cheap as at present, we shall then be what our witty neighbours would describe as *le dindon de la farce.*

And throughout this chapter, I beg the reader to remark, there has been no advocacy of unqualified protection. We deceive ourselves if by the term 'natural laws' of production and distribution we understand 'unchangeable laws.' With changing needs and, above all, changing ideas and aims, these so-called laws are bound to change too; but, no doubt, within certain limits, fairly defined, they may be said to remain constant. Protection will be right or wrong, wise or unwise, according to the special circumstances of the case. For instance, in a country whose industries and commerce are the growth already of centuries, there would appear on the face of it to be a very great difference between initiating, dry-nursing, and protecting an industry which may or may not turn out to be a success, and protecting one already established, which, from circumstances of a temporary nature, is threatened with ruin. In the first case you take away capital and labour, which in all probability are already effectively employed in some department of production, in order to apply them to something untried which, in the end, may prove to be a failure. In the second case your capital and labour are already sunk, so to speak, in an industry

which has hitherto given signs of healthy vitality; the ruin or distress of it means a waste of wealth-producing capacity during a period of time more or less definite, a waste which it may, in certain circumstances, be wise to permit, but with which it is folly on our part not to reckon.

It seems that there is considerable confusion existing as to the real meaning of 'protecting' an industry. Many of the witnesses examined before the Commission, though engaged in depressed trades, would not definitely recommend protection; but a great number of these recommended the establishment of technical schools; among them a few who were thoroughly opposed to protection. Yet, at bottom, what intrinsic difference is there (save in the incentive to smuggling) between taking money out of the consumer's pocket by imposing an import duty on certain articles, and taking it from him in order to establish and keep up technical schools? In either case you 'protect' the trade, you abandon the gospel of 'competition, and devil take the hindmost.' The conviction is gradually being forced on us that in one way or another we must help our industries, or some of them at least, in their struggle against the foreigner; but we do not like to call it protection. 'Wide is the empire of words!' If technical schools will do for us what we want, let it be by all means that kind of protection rather than the other—a more

noble kind of protection, certainly, that which puts people in the way of helping themselves—only do not let us try to hide from ourselves the nature of what we are about to do. But, indeed, the immediate prospect in trade matters does not give wide ground for hope that technical schools will do much towards brightening it.

As to the general question of free trade and protection, it is the opinion of many men well qualified to judge that the only alternative to a return to a modified protective policy in this country lies in a more general adoption of free trade abroad. On this alternative it seems vain at present to speculate. We might as well hope to arrest the course of the sun in mid-heaven as to bring round the rest of the world to free trade. The tendency is exactly in the opposite direction. America is resolutely protectionist, so are our self-governing colonies. In Europe, Germany has developed yet more a policy irreconcilably hostile to free trade; and, heresy awful to think of, the French Government has just increased the light import duty on wheat (April 1887). The counsels of every commercial community, old or young, developed or undeveloped, are as far removed as ever from the influence of free-trade doctrines. In a word, the most favourable view of the effect of our present system may be presented in the guise of a question addressed by the chairman of the Commission to

the principal witness on the state of the Sheffield trade, Mr. J. D. Ellis (chairman of the firm of John Brown & Co., and of the South Yorkshire Coal Association).

Q. 3,191. It comes to this [that is, the burden of Mr. Ellis's evidence], that a change takes place which *may* [italics mine] in the end be for the national benefit, but which in process of taking place injures and perhaps ruins a great many individuals?'

Answer: Yes; also removes trade from the district.

There is, in short, temporary decrease of production throughout the country, dislocation and loss of local trade, issuing presently in local distress and its unfailing concomitants, crime and drunkenness. And all this—capital and labour migrating (somewhat aimlessly at this time, it must be owned) to fresh fields and pastures new—*may* in the end be for the national benefit.

But, say some, the real and effectual remedy for our present misfortunes is in cheapening production by reducing wages to the level of those earned on the Continent, or by increasing the amount of work done for the present wages. No doubt this would solve the problem; only our object is to solve it with due consideration of justice, and it seems that, weighing wages against work done, our artisans are not overpaid in comparison with their Con-

tinental brethren. Be this as it may, there is a very general and honourable disinclination on the part of nearly all concerned to proceed in any direction which should lead to a darkening and narrowing of the already sufficiently dull lot of the working classes. We seem, nevertheless, in the present stage of world-commerce to be approaching a limit in the decrease of the number of hours of work, beyond which it would not be prudent to step. We cannot shake ourselves altogether free from our common bondage with other nations. The status to which we can possibly raise labour at home must in a great measure depend upon that status abroad—with free trade it must almost entirely so depend. Nor is there any contradiction of what has gone before involved in admitting that the present comparatively high status of labour in England is very possibly due to the past beneficial action of free trade, and that we owe to this high status our comparative immunity from the fever of Socialism. Better food, and a more fit proportion of recreation to labour than obtains on the Continent, have certainly helped to keep Socialistic troubles away from us. These are considerations of the weightiest kind. If it is true that idleness is the root of all evil, there is no less wisdom and truth contained in the homely saying that 'all work and no play makes Jack a dull boy.' The word 'dull' is exquisitely and fitly

chosen: incessant toil, especially under its modern conditions, consisting often of a thousandfold repetition of the same act, dulls the feelings, dulls the intellect, and dulls the finer physical capabilities.

CHAPTER VI.

RECOMMENDATIONS OF THE ROYAL COMMISSION.

Recommendations contained in the report of the majority—Of the minority—Examination of the alleged effects of foreign tariffs—The proposal to impose an *ad valorem* duty on the import of manufactured goods—The 'preferential' treatment of the food products of our colonies.

IT is probable that an extreme sense of their responsibility, and of the difficulty and complexity of the matters they were called on to investigate, rendered the greater number of the Royal Commissioners timid in recommending trenchant measures for the improvement of our commercial position. No doubt the wish to avoid controversy, especially of the kind which might lead to reopening the question of the fitness of our commercial policy—a question which they were not overtly invited to examine—also acted in limitation of the range of recommendations. Naturally, where *laissez faire* is the reputed 'open sesame' to success, *laissez faire absolument* becomes the only possible emendation of the text, and, accordingly, that emendation we

get from the main body of the Commission. But if the state of our trade is in general such as we must suppose it to be from an overwhelming proportion of the evidence, then the recommendations contained in the majority report are quite inadequate to bring about the much-desired improvement. For what do they amount to? In brief, to these: Cheapen production; search for new markets; improve technical education; amend the legislation connected with the internal transport of commodities.

It would be too lengthy, and too tedious for the general reader, to enter into a detailed examination of the value of all save the first of these suggestions. Those interested in them will find plenty of information about them scattered throughout the five blue-books which contain the evidence and reports; but it will soon become evident to them that, however excellent these recommendations may in themselves be, they can exercise at best but a very inconsiderable influence on our commercial prosperity. New markets are not suddenly discovered like hidden treasure, nor, when found, do they open out their arms to us with a warmth of welcome sufficient to make us forget the cold shoulder of others of longer standing and of far greater importance. To improve technical education is an excellent plan, but it is weighted with the disadvantage that, by present arrange-

ments, the foreign manufacturer frequently reaps the advantage of the improvements which we bring to our industrial processes, while we ourselves have to remain contented with the credit of them. How this often comes about, whoever is curious to know need only study the evidence given as to the condition of the silk trade. The better regulation of our internal transport, and the facilities which may be afforded in this respect by Government intervention, form a more promising field of endeavour. No doubt all these recommendations are worthy of earnest attention, but they are surely not of the kind likely to go to the root of the matter. The suggestion to cheapen production, however, consistently with maintaining good quality and sound workmanship, is indeed an admirable if perhaps somewhat obvious one, and, could it be carried out, would go far towards relieving us of our present embarrassments. Only, as we already incessantly strive to cheapen production, and as we cannot do so beyond the point to which our inventiveness and skill (admittedly equal, even superior, to those of most nations) have brought us, the recommendation loses a good deal of its force. There is but one effective means of cheapening production : by a general reduction of wages, or by increasing the amount of work done for the same wages. But all the Commissioners, with the doubtful exception of one of them, agree in repudiating this method,

involving as it does merely a possible immediate increase of the wealth, at the expense of the future welfare of the nation.

Up to a certain point it is satisfactory to find the Commissioners generally of the opinion that the volume of trade and production has increased with the increase of population, or even faster, to within two or three years ago, and that in these last two or three years it has not suffered any very material diminution. But this increase is going forward in the face of difficulties which seem likely in the end to prove incompatible with a continuance of it. The danger which, commercially, gives the greatest cause for uneasiness lies in the extreme reduction of the manufacturer's profits. There is a vast quantity of capital and skill bound up in our industries, and, good times or bad times, there is nothing for their owners but to persevere in their business to the bitter end. The very fact that the profits of manufacturers have been so pared down will have acted as a spur to increased production as the only means of making both ends meet, by realising profits at a low rate over as wide a field as possible. The habits and interests of the present generation of employers of labour and manufacturers, the pride of power born of their consciousness of long-tried and approved skill, will bind them to their work so long as life and capital last—and after? This state of affairs may be very

favourable to the consumer at present, but how long will it last? Do we then take our stand here and survey the situation from the elevated platform of *après moi le déluge*?

I do not affect to misunderstand the Commissioners' recommendations. When they say, in effect, though not in the very words, 'Cheapen production, this being the principal means of bettering the position in which we find ourselves,' they desire us to understand that they do not believe in, or approve of, coddling any industries or trades whatsoever; they do not approve of 'sacrificing' the consumer's interests to those of the producer. Therefore they say: cheapen production! But in the same breath they exclaim, 'Keep firm hold of your high wages and your hard-won hours of recreation, artisans and labourers of England.' All of which is equivalent to saying to the nation, Eat your cake and have it! If we are of a mind that our working classes shall retain their present physical and—dare we say it *truly* as well as unvauntingly?—moral superiority to that of foreign working classes, we must be prepared, if necessary, to make a sacrifice for it. The protectionist or fair-trade minority of the Commissioners believe, rightly or wrongly, that we can carry this out without making any sacrifice whatever, as we shall presently see. The free-trade majority really evade the question. If I may say

it without risk, as I say it without intention of offence, the majority of the Commissioners appear to be still much of the opinion that 'God is great, and Plugson of Undershot is His prophet. Thus saith the Lord, Buy in the cheapest market, sell in the dearest!' This is the only mode of salvation.

The Commissioners who sign the report of the minority have, in a considerable measure, lost faith in this programme; chiefly, I regret to believe, because the gospel according to Plugson is at present impossible to carry out, foreign tariffs having put it out of our power to buy and sell, or at least to sell, as directed.

The most important and drastic of the recommendations contained in this report (minority) are the following:—

(128) 'We have already described (pars. 60, 62, 64, 76) the way in which the high protective duties levied by foreign nations whose industries are almost, or quite, on a par with our own as regards cheapness of production, constitute in effect a bounty upon their exports of the protected articles.[1]

'So far as this affects their competition with our products in neutral markets we have, of course, no direct remedy in our hands. Of the possibility of

[1] See pp. 121–126, in which these paragraphs 60, 62, 64, 76 are reviewed.

applying an effectual though indirect remedy we shall have hereafter to speak.'

(129) 'But as regards their practically subsidised competition in our home market, which is doing so much to destroy the fair profits of producers and to diminish the employment of labour, we have at command an effectual remedy. The imposition of duties equal to 10 or 15 per cent., *ad valorem*, upon all manufactures imported from foreign countries, would, we believe, sufficiently countervail both the bounty-creating effect of their protective tariffs and the unenviable economy of production obtained through longer hours of labour and less effective inspection and regulation of its conditions. For our aim ought not to be to countervail any natural and legitimate advantage which foreign manufacturers may possess, but simply to prevent our own industries being placed at an artificial disadvantage by the interference of either home or foreign legislation; and to replace them, as nearly as may be, in the position in which they would have found themselves but for such interference.'

(130) 'Such duties would, undoubtedly, to a considerable extent keep foreign manufactures out of our home market, and thereby give increased employment to our home industries. But in this country, so insufficient is the present employment of the available labour and agencies of production, and so great is the pressure of capital seeking

investment and labour seeking employ, that in our opinion neither prices, profits, nor wages could possibly be raised by the operation of such duties above the lowest remunerative level.'

(131) 'It by no means follows, however, that great advantage would not accrue to the producer and those employed by him. On the contrary, the fuller and more regular output—upon a given basis of investments and fixed expenses—secured by the exclusion of that surplus production of protected foreign industries which periodically floods this, the only duty-free market, would reduce the cost of our manufactures in the most healthful manner, by the distribution of fixed charges over a larger annual production. Our producers would thus be strengthened for competition in neutral markets, not by a reduction of the wages and comforts of their workpeople—which must inevitably further depress the home trade—but by the sound economical method of full and steady production, which is beneficial alike to employer and employed.'

(132) 'For it must be remembered that the adoption of the system of protection by all foreign countries has not merely left our producers, alone amongst all others, destitute of an artificial stimulus —that they might well have endured without complaint; but it has at last brought upon them an unnatural and practically subsidised competition. From this they have none the less right to be

defended because, in the presence of general or even partially prevailing free trade, they would be the last to desire protection of any kind.'

(133) 'The measures we have indicated would counterwork the effects of protection, and strengthen the position of our producers, directly in the home market, and indirectly, though substantially, in neutral markets. It is, of course, out of our power to obtain more free access to the protected markets of countries like the United States, France, and Germany themselves. In past years we had little occasion to regret this, or to trouble ourselves about it. Their course of action did not harm us so long as we were able, in spite of it, to obtain full employment for all our available labour. To buy everything in the cheapest market—though not permitted to sell in the dearest—may be the best policy, so long as we can find other full and equally remunerative employment for the home enterprise and industry which we displace in so doing. But no longer, for, from the moment in which the combined effect of protective tariffs abroad and foreign competition at home limits our market so as to cramp the free and full exercise of our industries, it begins to choke the living fountain of our wealth, our social well-being, and our national strength. We think the evidence is conclusive that during the past ten or twelve years this point has been reached, and that the adoption of a national

policy suited to the changed conditions is imperatively demanded.'

These are in the main, I think, true words. But the opposition to a return to a protectionist policy of however mild a character will be a most strenuous one, and the cause of protection suffers slightly here from overstatement of the benefits which may be expected to follow from its adoption, and perhaps from an apparent exaggeration of the evils inflicted on our industries by the action of foreign tariffs. If we turn to paragraphs 60, 62, 64, 76, in which is described how the high protective duties levied by foreign nations constitute in effect a bounty on the export of the protected articles, the description fails of being quite so convincing as we might have expected it to be. Will the reader have the patience to read them attentively?

Par. 60. 'Over-production of the commodities to which they apply is again an inevitable result of high protective tariffs. They artificially create in the protected country a duplicate production of articles which, under the natural laws of supply and demand, were already produced in sufficient quantity in those places where they could be best and most cheaply produced. The effect is a universal glut of those particular articles—(1) in the natural seats of production, which are violently deprived of all or part of their wonted employment; (2) in the neutral markets, upon which they

are now driven to force their accumulating productions ; and (3) in the protected market itself, which, oppressed by an artificially stimulated production, pours its surplus upon the markets it finds most freely open.'

There is in this paragraph evidence of a misconception of cause and effect, or else some inadvertence of expression. How protection is to create, even temporarily, in the protected country, 'a duplicate production of articles which, under the natural laws of supply and demand, were already produced in sufficient quantity in those places where they could be best and most cheaply produced,' seems hard to understand. There is not a duplication, but a transfer of production from one country to another. This transfer of production is accompanied by a plethora of the taxed commodity in the country which had hitherto had the practical monopoly of its manufacture, but this plethora cannot be of long duration for any one commodity. In the United Kingdom, as one after another of our industries is attacked by the development, under the ægis of protection, of foreign rivals, attacked both by the narrowing of foreign markets and the competition of the product of these in our own market, there is naturally a feeling of more or less continual over-production, now in this industry and now in that.

When, therefore, there is an universal glut of

particular articles, this can be attributed only in part to the action of high tariffs. It seems far more probable that such gluts are in the main attributable to speculative productive enterprise which is found not to have been justified by the demand; and when the unsuccessful speculative enterprise has been undertaken by foreign producers, then comes the moment when the absence of a protective tariff with us, rather than the adoption of it by others, produces an effect analogous to that of the foreign export bounties; for the particular commodity which has been the object of speculative production being in excess of the demand, and the other protected markets being closed to this excess, it overflows in the line of least resistance—in other words, deluges the only free market, and is there disposed of at a forcedly low range of prices, which makes the competition of home producers for the time being a hopeless matter. It must be plain, however, that high tariffs cannot possibly be the direct cause of over-production in the protected market itself; for although the protected manufacturer may be glad enough to find means of disposing of his surplus stock at unremunerative prices when not otherwise saleable, he cannot possibly wish to supply us with goods below cost price.

The combination of speculative enterprise and high foreign tariffs brings about a state of things advantageous enough to us as consumers of manu-

factured articles; within certain limits, then, advantageous to the nation as a whole: but it is evident that we eventually reach a point, determinable only by experience, at which national advantage disappears and national loss sets in. For in order to obtain—at however cheap a rate—the commodities we require, it is absolutely necessary, as has already been remarked, that we, since we must pay for them, shall produce on our own side. But if one after another of our industries is attacked, hampered, and partially or wholly ruined, we shall find our production, and hence our purchasing power, more and more reduced.

It must be remembered that the rock of defence of free trade, the point about which its adherents' arguments all cluster (with respect to this particular question), is that the labour and capital displaced by the action of foreign competition 'migrates' to other and fitter home industries. We have already inquired into the manner in which this migration takes place, the conclusion at which we arrived being that in very many cases it must be attended with loss to the wage-earner, the employer, and the capitalist more considerable than, in the changing circumstances of trade and production, can be counterbalanced by gain to the consumer. But even were this migration attended with no loss whatever, the case for English free trade *v.* the world's protected trade would not be materially

altered; for as protection gains ground abroad more and more, so will more and yet more of our industries become handicapped, until we shall have to ask ourselves where our displaced labour and capital is to migrate. We cannot well become all coalheavers, iron-puddlers, cotton-spinners, and merchant sailors. The more rigorous becomes the protective system abroad, the more circumscribed will be the area of our activities; and, with a nation as with an individual, the fewer the activities, the poorer and more incomplete the nature.

Paragraph 62 explains why the producer in the protected country can afford to sell more cheaply in the English market and in the neutral market.

(62) 'The producer in the protected country, placed in secure possession of a great and steady home trade, enters with confidence and spirit upon an enlarged scale of operations, and in doing so brings into play every invention or improvement that can contribute to the perfection and economy of his work. He thus becomes far stronger than before for competition in neutral markets, and can well afford to dispose of his surplus production and to clear his stock at the end of each season in the English, the only duty-free market, whilst the tariff of his own country shields him from reprisals.'

How far this reasoning may be correct as regards the advantageous position of the protected producer in relation to ordinary circumstances of sale

with profit in *neutral* markets seems a matter of great uncertainty. The protective tariff naturally extends the demand for the home-made commodity, and no doubt acts in some measure as described in the above paragraph, but it does not appear that the production of any particular commodity can in this manner be always cheapened so considerably as to compete successfully in neutral markets with the same commodity produced in the unprotected country, where its manufacture is naturally cheap.

Throughout paragraphs 64 and 76 there runs the same thread of what seems the fallacy of ascribing over-production to the action of high protective tariffs alone. Our own industries being naturally most unwilling to 'throw up the sponge,' there certainly exists on that account a tendency to over-production; but, on the other hand, the protected producer, satisfactory as he may occasionally find it to make a not too ruinous riddance of surplus stock, cannot but try to keep within the margin of profitable production—a matter in which he will be influenced far more by the conflict of greed of gain on the one side, foresight and prudence on the other, than by any system of protection. Be this as it may, the opinion we entertain of the complete validity of the reasons on which the dissenting minority base their recommendations does not necessarily deprive these of their value. If the majority of the Commissioners do not positively

give us a stone when asked for bread, they nevertheless afford us but cold comfort. The dissentients have grappled with the problem of depression, and do at least show a determination to deal effectively with it could they be allowed their way. The reading of the majority report leaves us with an undefined sense that things are in a bad way—not perhaps so bad as it has been made out, but that, whether things mend or get worse, there is really little else for us to do but cross our hands and let our fate overtake us.

The calm foresight which discerns, and the patient courage which endures an unavoidable evil, are very different indeed from this kind of Oriental resignation, new to the English mind, which would prompt us to sit down before our difficulties in the hope that they will take themselves away of their own accord. Free traders must make up their minds to a complete resifting of all the arguments for and against so uncompromising an application of free-trade doctrines as obtains with us at the present time. To men who long years ago made up their minds on this subject, it is no doubt disagreeable to find themselves obliged to reopen a controversy which, it was hoped, was happily ended ; to have perhaps to admit that if their theory is right, it must nevertheless be modified or abandoned on account of the practices of a foolish world, practices which have interfered with the proper

application of the theory. Our foolish world has gone quite wrong, quite hopelessly astray, so it seems, in this matter; yet we are so tied, so bound to it, that it is impossible for us to pursue our own path in sublime indifference to its proceedings. The little leaven which was to leaven the whole mass of the world of commerce has failed of its effect; perhaps it was put in somewhat too redolent of Pharisaical hands.

It might have been imagined that remedial measures suggested by men who have given to the subject of our industrial depression the greatest care and attention would have met with something better than the contemptuous dismissal accorded to them in influential organs of public opinion. Perhaps it would be wiser as well as more courteous to consider carefully and in an unprejudiced manner the recommendations contained in the report of the minority. For although it is signed by four members only of the Commission, and the main report by eighteen, yet of these eighteen there are eleven, as we have seen, who sign subject to various reservations, the most important of which refer to the too optimistic tone of the main report, and to the inadequacy of the recommendations contained in it. If we read between the lines of the several reservations (not a single one of which is *more* optimistic in tone than the main report), it certainly appears as if several of the Commissioners were

shaken in their belief of the wisdom of an unqualified and uncompromising application of free-trade principles in the actual circumstances of home and foreign production. There is, in fact, but one thoroughgoing free trader of 1846 principles among the twenty-three Commissioners, and as such he dissents from paragraph 87 of the main report because it implies a distinct repudiation of the 'great doctrine' of free trade. This dissent will be more properly discussed in the chapter entitled 'What is the Nation's Welfare?' than it could be here. Meanwhile, the main difference which exists between the so-called fair traders and some of their colleagues who sign the main report subject to reservations, is that these deem the evidence on the whole subject not yet sufficiently complete to advocate a decided departure from our present commercial policy; whereas those do consider the evidence as so complete that the risk of further experimenting with present methods is not worth running.

Having so far cleared the ground before us, let us resume the consideration of our paragraphs (minority report).

Par. (128)—We have already seen that there appears to be no good reason for supposing that commodities produced in the unprotected country compete at a disadvantage in *neutral* markets with the same commodities produced under the ægis of

protection. But it must be added to this that where the foreign trade of the protected country is either directly or indirectly subsidised for the purpose of wresting from competitors the command of a market, the result, though due to other causes than those assumed by the minority of the Commissioners, is practically the same as that described in this paragraph (128). Thus the great strides of Germany's foreign trade is noticed in par. 75 of the majority report, but this success is there entirely ascribed to the German trader's perseverance and enterprise, his intelligent appreciation of the wants of his customers, his knowledge of the markets of the world, &c. There is doubtless much that is true in this view of the case, but how much of this superiority of the German trader is due to the spirited commercial and general foreign policy of the German Empire? The Commissioners [1] then proceed to remark :—

(76) 'We cannot avoid stating here the impression which has been made upon us during the course of our inquiry, that in these respects there is some falling off among the trading classes of this country from the more energetic practice of former periods.' To which I cannot avoid adding, as a rider, that it is not altogether strange that the British manufacturer's courage and energy should be impaired in some slight degree, labouring as he

[1] Report of the majority.

does under great disadvantages. Not only at home are matters made hard for him, but as regards foreign trade, while the German Government, for instance, does all in its power to help and push forward its merchants and traders, ours in England looks on coldly at the efforts of our own men, ignores their difficulties and losses, and when their legitimate interests are in any way threatened, looks —not to the justice or injustice of their cause or claim—but to the way in which the 'cat will jump' at home, for inspiration as to how to act.

Par. (129)[1]—Should the 10 to 15 per cent. *ad valorem* duty here recommended be imposed on *all* imported manufactures, or rather, since the object is to protect from *unfair* competition, only on those of foreign industries whose surplus product is now periodically thrown on our market and disposed of at forced low sales? Such a duty levied on all imported manufactures without distinction seems unnecessary. In the case of industries not suffering from unfair competition it would tend to their enervation, while inflicting a totally unnecessary loss on the consumer. It may be, however, that the difficulties in the way of bringing selective action to bear in the imposition of the duty are, or would be, too great. It is worth while to consider whether our present Board of Trade, invested with greater powers, might not, in

[1] Report of the minority.

conjunction with the Chancellor of the Exchequer, exercise such a selective action, guided in it according to the changing conditions of production of our own and foreign industries.

Par. (130)[1]—There is this point to consider: the imposition of the duty, although it must tend to keep foreign manufactures out of the home market, must likewise tend to raise the price of the corresponding home-made ones, and thus, to some extent, diminish the demand for them. The contention is, however, though not explicitly set forth in the paragraph, that the rise in prices would induce the application, in British industries, of capital now lying idle, invested in foreign securities, or wasted in unsound speculations. This increase of capital applied to home industries would carry along with it a general increase in their production, a more complete utilisation of the available labour and agencies of production, and a fall of prices to something like their former level. It must be borne in mind (in case the recommendation were adopted) that the decrease in demand (at first due to rise of prices) for home-manufactured goods could only be a *relative* decrease ; the positive demand must grow larger by the deflection to the home market of that part of it hitherto addressed to the foreign manufacturer. It may be asked, and indeed it is asked, with a certain dull pertinacity, what relief these

[1] Report of the minority.

measures are to bring to the producing classes, if, as it is made out, prices will not be raised by them? Why, surely, by employing the labour which is now unemployed, by increasing production. But there is already over-production! Yes, but only of a few commodities at a time, and due just to that very instability of the market which, it is hoped, these measures, if adopted, would put an end to. There can be no such thing, it seems necessary to repeat *ad nauseam*, as a general over-production; and there may very easily be over-production of certain commodities while there is a general dearth of the mass of commodities. Moreover, there is nothing whatever in the nature of the proposed measures which should cause a diminution of the foreign demand for our products, therefore we cannot suppose that we should merely be employing one section of the working classes at the expense of another.[1] The contention is thus narrowed again to its old battle-ground, it is all a matter of whether or no the consumer would suffer; and, certainly, if prices are not raised he will not suffer.

We should be too sanguine, however, were we to suppose that, on the adoption of the measures indicated, there would follow no rise of prices

[1] Were there even a diminution of the foreign demand for our products, the case would scarcely be altered. If A is producing at home and exchanging with B abroad, and C is doing nothing at home, it is clearly advantageous to the country as a whole that C should be enabled to produce and exchange with A.

whatever; nor, be it remarked, do the minority Commissioners assert any such thing. What they say is that, internal competition being so keen owing to the pressure of capital seeking investment and labour seeking employment, prices would not rise beyond the lowest level consistent with a continuation of profitable production. And, in common justice, we should not wish it to be otherwise; for is it not acknowledged on every side that profits are generally at a minimum, and in many cases have altogether ceased to be made?

(131, 132, 133) These paragraphs we need not dissect too curiously; they contain a restatement and amplification of the case for protection. But it is important to notice that beyond mere mercantile considerations a regular output, implicating greater continuity and regularity of employment, must exercise a beneficial influence on the habits and character of the working classes. We now come to the consideration of the measures advocated with the object of bringing about an expansion of the foreign market for our manufactures.

(134) 'Though we may be unable to alter the protectionist policy of other nations, we can do much to free ourselves from its injurious effects. The more we can draw our supplies of imported food from countries which will largely, and under moderate tariff rates, accept the products of our

industries in exchange, the fuller and the steadier will be the employment of our population.'

(135) 'Our command of the fiscal arrangements of India has saved the industry of Lancashire from the calamity which must have overwhelmed it had that great empire come under the control of a commercial policy like that of Russia or the United States. And the growth of our colonies, with their very large consumption per head of British manufactures, has helped all our industries to endure with less suffering the stifling pressure of foreign tariffs.'

(136) 'But these aids, though welcome, are insufficient. It is a striking fact that during the past twenty years sixty-seven per cent. of our emigrants have gone to the United States, and only twenty-seven and a half per cent. to our own colonies. The more extreme protectionist policy of the United States, so far from repelling immigrants, has operated as an effectual bribe to capital and labour, by holding out the inducement of higher prices and higher wages.'

(137) 'It would be an act of suicidal folly on our part to attempt to counterwork these influences by a like system of enormous import duties, designed to raise the price of commodities for the advantage of home producers. We have a far better and more effectual remedy at command. A slightly preferential treatment of the food products of India

and the colonies over those of foreign nations would, if adopted as a permanent system, gradually but certainly direct the flow of food-growing capital and labour more towards our own dependencies and less towards the United States than heretofore.'

(138) 'When it is noted that in the year 1884 the Australian colonies, with only 3,100,000 inhabitants, purchased 23,895,858*l.* worth of our manufactures, whilst the United States, with about 55,000,000 inhabitants, purchased only 24,424,636*l.* worth, it will be apparent how great would be the effect of a policy which should lead to the more rapid peopling of the Australian colonies in giving fuller employment to our working classes at home, and thus increasing the healthful activity of the home trade, as well as the import of raw materials for our various industries to operate upon. On the other hand, it must be pointed out that the growth of our colonies in population, wealth, and the other requisites of successful manufacturing enterprise, and the necessity felt by them of counter-bidding to some extent the bribe which the high tariff of the United States offers to capital and labour, must operate to convert gradually the revenue duties of the colonies, which now permit so large an import of British manufactures, into protective duties which will seriously restrict that import.

'This has already happened in the case of the

Dominion of Canada, and it is an influence which may act with increasing and disastrous force upon the most valuable portion of our export trade, unless a fiscal policy be adopted which will enable the various portions of the empire to co-operate more effectually for mutual aid and defence in commercial matters.'

(139) 'We believe that specific duties, equal to about ten per cent. on a low range of values, imposed upon the import from foreign countries of those articles of food which India and the colonies are well able to produce, would sufficiently effect this purpose. Their adoption would, of course, involve the abolition of the heavy duties on tea, coffee, cocoa, and dried fruits, which are now levied on Indian and colonial equally with foreign produce. It would widen the basis of our revenue, and render us less dependent upon the sustained productiveness of the income tax and the duties upon intoxicating liquors. And, what is even more important, it could not fail to draw closer all portions of the empire in the bond of mutual interests, and thus pave the way towards a more effective union for great common objects.'

It is a question how far this preferential treatment of the food products of our colonies would bring about the wished-for result. With regard to India, whose fiscal policy we control, the measures advocated would no doubt work well if we could

depend on India to supply our necessary food imports; but we cannot depend upon this sole resource: and as for our self-governing colonies, what is to shield us from the danger of their profiting by our preferential treatment of their food products, while at the same time following the example of the United States in attracting European capital and labour for the development of their manufactures by the adoption of a system of prohibitive tariffs?[1] It is true that from the moment we increase the amount of our food imports from the colonies we thereby endow them with a greater purchasing power, which in the present state of their industrial development must for the most part be utilised in the purchase of our manufactures. But unless we can get from the colonies some concession or promise in return for this preferential treatment of their agricultural produce, it seems doubtful whether we should obtain more than a very temporary expansion of the market for our commodities. For if our self-governing dependencies are determined to develop their industries even at the expense of their agricultural population, it is plain that a proportion of this additional purchasing power, which by our action we should transfer to them from our present purveyors of food, would, by the operation of a protective tariff directed against our manufactures, be

[1] As South Australia has just done (August 1887).

diverted to the purchase of the machinery and implements necessary to the development of colonial internal industry. If we can prevail on our colonies to continue levying duties on our exports only to the extent necessary for the purpose of raising revenue, the measures recommended in the minority report would doubtless prove beneficial both to us and to them. In due course of time their industries would attain to greater power and importance; but, under the condition of free competition with ours, it must be long before we should lose our command of the colonial market.

The difficulty of obtaining from the colonies *en masse* any such promise or concession is the main objection to the preferential treatment. But it is not necessary that we should enter into a compact with *all* our colonies—that we should necessarily form with them an English imperial Zollverein, or customs union. What we require is a commercial compact which shall take in as few or as many of our colonies as may be necessary to insure in the course of a few years a sufficient export of food-stuff to the United Kingdom. Let those of our colonies who please to remain unfettered with this bond remain thus unfettered; their exports will always be admitted on terms at least as advantageous as those accorded to the produce of foreign countries. We must remember, also, that with a vastly increased exportation of food

products our dependencies would think very seriously before they ventured on any course of action which would imperil their retention of our custom. Were they to exclude our goods by the imposition of prohibitive duties on them, we could then only gain by repudiating the preferential treatment, and our present food purveyors would regain their command of our market. It may be suitable for an independent and great nation of some fifty or sixty millions of inhabitants to insist on the development of its industries even at considerable sacrifice to the consumer, but the case is very different with our colonies in their present state of development, and so long as they remain dependent in some measure on the mother country. Looking at the matter by the light most disadvantageous to it, there yet seem to be good grounds for believing that the measure recommended would operate to a great extent as described in this report. It would at all events be well worth our while to consider what practical drawbacks and legislative difficulties stand in the way of its adoption. One of these drawbacks would be found in the dislocation of our present carrying trade. We have a very large number of rather undersized steamers employed in the grain trade with Russia, and it is a question how far they would be available for the new work which would of necessity be thrust on them in the course of time. Our great Transatlantic

steamship companies, too, or at least those engaged in the transport of British manufactures and American corn and cattle, would suffer considerable inconvenience and loss from the altered conditions of trade. But these conditions would necessarily not alter too rapidly for possible accommodation to them. As to any legislative difficulties, their discussion is beyond the scope of this work and the ability of its author. There is one fact, however, to which we should be foolish to shut our eyes: the adoption of the measures discussed must, for a time at least, entail on the consumer a slight but none the less certain sacrifice; he will be 'condemned' to pay a somewhat higher price for the staple articles of food, and will continue to do so—other things remaining equal—until the development of colonial agriculture shall have rendered the importation of taxed food no longer necessary.

CHAPTER VII.

WHAT IS THE NATION'S WELFARE?

True political economy—The average Englishman's idea of national welfare—Confusion of means with ends—Dissent of Professor Bonamy Price from the views of his colleagues—A word from 'Past and Present.'

PERHAPS the reason that political economy is so unsatisfactory and unsatisfying a study, and continues to be *par excellence* the 'dismal science,' as Carlyle terms it, lies in the sorry but inevitable confusion which ensues from attempting to elucidate the laws of the growth and distribution of wealth apart from any real consideration of those other and circumscribing laws which govern men's welfare. We make between wealth and welfare either a violent and unnatural severance, or else, what is yet more dangerous and misleading, a tacit assumption that the same laws govern both. Already are we not somewhat too apt to forget that 'the life is more than the food, and the body than the raiment'? So that political economists do us but a sorry service in presenting us with the ele-

ments of a pseudo-science, which is to its changeling brother—mysteriously disappeared from *their* eyes —as the dingy sordidness of some grotesque satyr to the gracious splendour of the Apollo Belvedere.

Nor is this a sentimental or *quasi*-poetical way of looking at the matter. It is, on the contrary, an entirely practical and reasonable way of looking at it, and by no means a new way. The more we make accumulation of wealth subservient to men's welfare, the more precious such accumulation becomes, the more fraught with possibilities of future happiness ; but the more we make it reckless of the manner of making, and of the ends to which it is applied, the more we heap up obstruction along the path of progress which we all admittedly, though with wide-straying steps, endeavour to follow.

No single sentence, however pithy, however full of meaning it may be, can do more than illustrate one aspect of a great central truth. As we are told that 'the life is more than the food, and the body than the raiment,' so, from the same source of wisdom, there comes to us the warning, 'If any will not work, neither let him eat.' Upon the basis afforded by these two gnomic sayings might be upreared a system of political economy worthy of a great and noble nation. Such a system, in its inception at least, has been already traced by a master hand. In 'Unto this Last' and 'Munera

Pulveris' Mr. Ruskin has sketched the outline of a noble structure of political economy. It has been objected to his doctrines that they are sentimental and unpractical; but the melancholy truth is not that they are unpractical, but (if by practical we understand not merely what is generally practised) too practical—too practical for a world which the *ignes fatui* of its imagination occasionally lead to the most distressingly illimitable quagmires, for a world which in the main is a visionary rather than a practical world. And this is not said for the poor pleasure of airing a would-be smart paradox. I desire to be neither paradoxical nor smart, but, on the contrary, very matter-of-fact; and for that reason I sorrowfully reject Mr. Ruskin's political economy, which is not sufficiently visionary for present application.

A certain philosopher, walking with his head among the stars in search of truth, tumbled into a well, at the bottom of which he found, not *the* truth, but *a* truth, from which he learnt that truth is sometimes relative. But I will not inveigle the unwary reader into a metaphysical train of thought; indeed, like a certain famous bard,—

> I don't pretend that I quite understand
> My own meaning when I would be *very* fine.

So, if you please, we will quickly get back into the safe region of the commonplace, and complacently pronounce, with a pompous appearance of solid sense

and worldly wisdom, that the best political economy is that which is best adapted to our present state of social development, to the realisation of dreams of wealth accumulation, throughout which runs a perpetual pale thought of moral improvement—in fact, to a happy compromise of the service of God with the service of Mammon.

I would ask the average Englishman what he understands by the nation's welfare ; because if we can get from him an answer to this question, we may reasonably expect him to accept a system of political economy, or, not to be too ambitious, a commercial policy, expressly devised to further the attainment of his ideal, supposing always that it is fitly and truly devised for the stated purpose. But the average Englishman is a figment of the imagination, the *quidam homo*, the *individuum vagum* of the logician, as Cardinal Newman has it in that admirably subtle work, the 'Grammar of Assent.' We have each of us our own notion of the average Englishman excogitated from the numberless impressions of the individual Englishmen we have met, conversed with, or otherwise noticed. I can do no more than let *my* average Englishman speak out with what distinct articulatory power there may be in him. If I interpret him aright, he is much readier to tell me what the nation's welfare is *not* than what it is. I ask him, is it to be measured solely by the accumulation of wealth? Certainly

not. By the equitable distribution of wealth? Not altogether. Is it dependent on the accumulation of wealth? The more wealth the nation possesses the more solid the foundation of its welfare is likely to be, other things remaining equal. What other things? The other elements which contribute to welfare. What are they? Health—bodily, mental, and moral; nay, this triple health is welfare itself, and comprises all for which we struggle. Then the accumulation and equitable distribution of wealth are means to an end only? Certainly. So that it is conceivable that, carried on under certain conditions, this accumulation and distribution, though increasing, might be positively detrimental to national welfare? I suppose so.

And so do I, and so, probably, does the reader. If we may sum up what my average Englishman thinks of this matter—having been driven to thought of it, the want of which is after all the principal hindrance to a tolerably sound conclusion—we should not be far out in saying that by the increase of a nation's welfare he understands the increase of its endowment of healthy and happy human beings; and that to this end the accumulation, equitable distribution, and right use of wealth contributes in a marked degree. Only, when we come to the application of principles derived from a general proposition such as the one just set down and accepted merely in its theoretical sense, we are over-

whelmed by a very sea of difficulties; rather would it appear as if, far from the beneficent principles we supposed them to be, they bore analogy to the dragon's teeth of the beautiful old fable, so surrounded, confronted, and confuted we seem by a host of armed objections. But, in truth, we are not far wrong in supposing the general and abstract sense of the community to be fairly just, nay, even charitable; only the good seed of its sowing falls in among the thorns of individual and class cupidities, stupidities, and ignorances.

What should we say of a man whom we saw sacrificing comfort, health, life itself, in the attempt to amass a fortune with the object of ministering to that very comfort, health and life? What, as a matter of fact, *do* we say of such a man—when our personal interests are not in any way involved—but that he is foolish and ill-advised? And then we incontinently proceed to moralise on the subject, just as I am permitting myself to do here, and probably with much the same result. Yet what perversion of the commonest of common-sense, what insane confusion of means with ends, is involved in such a line of conduct! That we should freely give ourselves—careless of comforts and common pleasure—sacrifice ourselves, in order to attain some great object which we prize above such things is, for that very reason, reasonable; and, according as we more or less approve the object, we call such

conduct more or less noble and meritorious. But the foolish man is he who proceeds in the way we have seen, who, in the slaving, sacrifices that for which he slaves, who lets slip the substance to grasp at the shadow. What, then, should we say of a nation which, in a similar manner, was engaged in accumulating wealth, careless of the wane of vitality, of the secret sapping of its virile virtues? I do not assert that this is the case with us in England now. Toil, hard almost to the verge of degradation, may be necessary for us in the present condition, and at this stage of the world's development; but, though from the dun chrysalis breaks forth the butterfly, and with daedal wings beats the sunlit summer air, this cannot come to pass save under the inexorable condition that the chrysalis state shall have been sound. But what I do assert is that, dropping metaphor, there lies at the root of our trade policy the tacit assumption that the matter of greatest importance to us is the rapid accumulation of wealth, with too great a disregard of whether it be or be not at the cost of the true welfare of the nation.

All this, you will say, is trite enough; but it is not, on that account, any the less true. Nor, again, is it as commonly accepted as we might suppose and hope it to be. For, lo! in the very midst of our assembled Royal Commissioners, dreaming of, and wishing for, better things, rises up the ghost of

our old friend Plugson of Undershot, in the highly respectable form of Mr. Bonamy Price, professor of political economy at Oxford.

Ghost of Plugson *loquitur*, with sepulchral but severely clear articulation: 'I beg to express my dissent from paragraph 82 (of the majority report). It contains a specific repudiation of the great doctrine of free trade. Shorter hours of labour do not, and cannot, compensate to a nation for increased cost of production or diminished output. They tax the community with dearer goods in order to confer special advantages on the working-man. They protect him, and that is a direct repudiation of free trade. The country is sentenced to dearer and fewer goods.'

We may make light of Plugson's ghost, but his teaching while in the flesh got a very firm hold of us; the expression of opinion just quoted would be endorsed and supported by a class of thinkers still large and influential in England. To such as these, what I have said above, trite as it would be proclaimed from a purely speculative standpoint, becomes, the moment it would lead to practical application, mere windy foolishness.

But what is it which this paragraph 82 contains, calling forth dissent so emphatic? It runs as follows—with a portion of that which immediately precedes it, here inserted to make the matter more intelligible:—

'(81) Whatever may be the comparative advantage of the longer hours which are worked abroad, we cannot recommend, and we feel satisfied that public opinion in this country would not accept, any legislative measure tending to an increase in the present number of hours of labour. . . . '

'(82) As regards the future, should any symptoms present themselves that foreign competition is becoming more effective in this respect, it must be for the country and the workman himself to decide whether the advantages of the shorter hours compensate for the increased cost of production or diminished output. We believe that they do, and on social as well as economical grounds we should regret to see any curtailment of the leisure and freedom which the workman now enjoys. No advantages which could be expected to accrue to the commerce of the country would in our opinion compensate for such a change.'

In sober earnest, this expression of dissent on the part of Professor Bonamy Price is nothing but an indirect, though possibly unconscious, justification of the worship of the Golden Calf, expressed with apparent indifference to the pestilence which an avenging Providence may have in store for us. But let us compare the two views bit by bit. There is a despotism in logic and detail which cannot well be shaken off.

The minor point at issue between the professor

and his colleagues regards the limit to which the number of hours of labour may be reduced without prejudice to the cost of production, the amount of output being necessarily involved in this question of cost. But this point is one which no cogency of purely theoretical argument can decide, it can be settled only by experience; and it is just upon the basis of such experience as we as yet have in the matter that the Commissioners found the opinion to which they give collective expression. Granting that the number of hours of labour is not carried beyond the limit at which healthy recuperation of bodily strength and mental elasticity ceases to be sufficiently active, there can be no doubt that Professor Bonamy Price is right in his contention; but it is precisely on this question of limit that the right or wrong of the whole matter hinges, and the evidence taken before the Commission leads very plainly and directly to the conclusion which both the majority and minority have adopted in their reports.

Far more radical and important is the main divergence of opinion, for it amounts to this: The Commissioners tacitly admit that the welfare of our working population is a matter of greater moment to us than is the material wealth of the nation, whereas to the professor 'shorter hours of labour do not, and cannot, compensate to a nation for increased cost of production or diminished output;' in other words—so it seems at least—shorter hours

of labour cannot carry with them advantages, be they health-giving, joy-giving, life-giving, which can make up to the nation at large for increased cost of production. But, indeed, what appears most to vex the professor's soul is a possible repudiation of the 'great doctrine' of free trade. Is it then with political economy as with some religious creeds, that salvation is attached, not to right practice, but to dogmatic belief?

What the Commissioners clearly see is this: Granting that, in the endeavour to cheapen production and thus undersell the foreigner, we push the hours of labour beyond the limit indicated to us as safe by practical experience, and further granting that this course of action would issue in an immediate increase of the nation's wealth (a disputed and disputable point, because of the probable inferiority of production from labour thus overtaxed), the ultimate result would be disadvantageous and perhaps ruinous to the nation, by leading to the mental and physical deterioration of the race. This, it seems to me at least, is what the Commissioners mean when they draw our attention to the choice of alternatives which the nation and the workman himself will have to make.

It may well be doubted whether, thirty years ago, a Royal Commission on this subject of inquiry would have given expression to the sentiments and opinions contained in paragraphs 81 and 82. Its

members would probably have repudiated as a body what Plugson's ghost now repudiates in the person of Professor Bonamy Price—to wit, the side thrust which is delivered in these paragraphs at the 'great doctrine of free trade.'

This happy change in the manner of looking at the principles which govern our commercial policy we owe in a great measure to change of circumstances, but not a little also, I imagine, to the gradually broadening influence of Carlyle's writings. It is now some forty years since he penned in 'Past and Present' these memorable words—already quoted by Mr. Ruskin in 'Munera Pulveris':—

'The Continental people, it would seem, are importing our machinery, beginning to spin cotton, and manufacture for themselves, to cut us out of this market, and then out of that. Sad news, indeed, but irremediable. By no means the saddest news—the saddest news is that we should find our national existence, as I sometimes hear it said, depend on selling manufactured cotton at a farthing an ell cheaper than any other people. A most narrow stand for a great nation to base itself on! A stand which, with all the corn-law abrogations conceivable, I do not think will be capable of enduring. My friends, suppose we quitted that stand; suppose we came honestly down from it and said, "This is our minimum of cotton prices; we care not for the present to make cotton any

cheaper. Do you, if it seem so blessed to you, make cotton cheaper. Fill your lungs with cotton fur, your heart with copperas fumes, with rage and mutiny; become ye the general gnomes of Europe, slaves of the lamp!" I admire a nation which fancies it will die if it do not undersell all other nations to the end of the world. Brothers, we will cease to undersell them; we will be content to equal sell them, to be happy selling equally with them! I do not see the use of underselling them: cotton-cloth is already twopence a yard or lower, and yet bare backs were never more numerous among us. Let inventive men cease to spend their existence incessantly contriving how cotton can be made cheaper; and try to invent a little how cotton at its present cheapness could be somewhat justlier divided among us.'

'Let inventive men consider whether the secret of this universe does after all consist in making money. With a hell which means "failing to make money," I do not think there is any heaven possible that would suit one well. In brief, all this mammon gospel of supply and demand, competition, *laissez-faire*, and devil take the hindmost, begins to be one of the shabbiest gospels ever preached.'

Comment on such a passage is, at this time of day, superfluous. A wise man will know how to read it and between the lines of it, now no very difficult matter. We have no doubt improved a

little since those days in the matter of bare backs ; these do not appear to be quite as numerous as they were ; but this leads us to the consideration of the general condition of the working classes, and to the next chapter.

CHAPTER VIII.

PRESENT CONDITION OF THE WORKING CLASSES.

Dependence of England's welfare on the general condition of the working classes—Necessity of a basis of physical well-being—The Commissioners on the condition of our working population—Indirect evidence afforded by the increase of deposits in savings banks—Intrinsic value of necessaries of life.

It may be said without exaggeration that on the condition of its working classes depends in a great measure the health, wealth, and stability of a nation. This is so, to a marked degree, in England, where class touches class and class acts and reacts on class in a manner more complex perhaps than in any other community on the face of the globe. In no country, I believe, do the landowners, as a class, so thoroughly comprehend the character and capacities of their tenants and agricultural labourers, or take a more intimate personal and perennial interest in their welfare. In no country does the manufacturer so well understand and enter into the peculiarities and temperament of the arti-

san. In no country do we see fewer and less savage outbursts of class hatred, mistrust, and rancour. Whether this as yet happy state of things is due partly to our system of aristocratical descent and primogeniture, which not only tends continually to bind class with class by the practical class degradation of younger sons, but, by heaping into few hands the ownership of lands, makes possible a princely magnificence and generosity of return to the land itself; partly to the traditional sentiment awakened and fostered by the circumstances in our history which have caused peer and peasant, priest and king, artisan and yeoman to band themselves in turn against kingly, spiritual, or class oppression; or, again, partly to the total absence of militarism (soon developing a marked class feeling)—from which every European country has in turn more than once suffered—from what cause or causes soever, there can be little doubt that this feeling of solidarity, weakened though it appears to be throughout the old world, is yet fairly strong in England.

It would be idle to discuss once more the question, already so often and aimlessly discussed, whether the progress or retrogression of a people depends upon the ability of its leaders or the morality of its masses, whether the good and the evil in it percolate from the upper classes downward or well from the masses upward. In such

matters there is manifestly action and reaction, as plain in their general effect as they are indistinguishable in their particular features. The courage, resolution, and patriotism of an oligarchy controlled and long saved from ruin the fortunes of the Queen of the Adriatic. The simple faith, resignation, and valour of its working population has retarded in a marked degree the dissolution of the Turkish Empire, rendered apparently inevitable by the sloth, corruption, and inefficiency of its governing classes. Stability and continued prosperity, marked here and there of course with the ups and downs inevitable in all communities, belong only to those nations in which every class does its appointed work and duty, or where, at least, a betrayal of trust is but the effect of temporary weakness, not a sign of moral degeneration.

The gradual and seemingly inevitable extension of the franchise, carrying with it a government of the country more and more 'broad based upon the people's will' (or whim is it, perhaps, my lord?), makes this question of the well-being and soundness of our working population one of the most important which statesmen can be called on to consider. For the moment the tide is making, sublimely indifferent to any man's efforts, in the direction of popular government. If it be true that of our forty million of inhabitants the correct definition is that they are 'mostly fools,' it is plain enough that, in-

stead of lamenting what we may perhaps consider to be a false or inadequate notion of the right control of a nation's affairs, our wisest endeavours will be directed to establishing grounds for a modification of this severity of definition, to raising the electorate to a finer comprehension of their welfare. But every one will readily admit that in order to the ultimate welfare of a nation—the triple wreath of beauty, grace, and intelligence which should crown its eventual perfection—there must be, as a condition of the possibility of its luxuriance, a basis of physical well-being ; a mighty tree-trunk of national health and vigour, that we may presently have also the flower and the fruit.

What, then, is the truth about the condition of our working classes? In the chapter on the distribution of wealth, its subject-matter obliged me to some extent to anticipate the question of wages and employment. In this chapter, I will endeavour not to repeat myself more than may be absolutely necessary to bring before the reader, in as small a space as possible, a fairly comprehensive survey of this matter. We have already seen that, although probably the total proportion of yearly production appropriated to the use of the working classes has of late years not proportionately diminished, there is nevertheless a real and very considerable amount of distress, the immediate cause being the contraction of the demand for labour, and the contraction

itself being due probably in a great measure to the continual improvements which take place in the various processes of production, and the increasing use of machinery.[1] The evidence also goes to show that the irregularity, as well as the contraction, of the demand for labour is the cause of much distress. On this point I will quote further from the reports :—

Main report.—'(29) The actual condition of the working classes was also a point on which very conflicting opinions were expressed. On the one hand it was contended that their position had materially improved during the last ten or fifteen years, wages not having fallen to any very great extent, the hours of labour being shorter, and most of the necessaries of life cheaper. On the other hand it was pointed out that, though this view might fairly represent the case of those who were able to find regular and constant work, the actual earnings of a large proportion of the labouring classes were greatly reduced owing to insufficiency and irregularity of employment.'

Minority report (already quoted).—'(56) We think the insufficiency of employment is the most serious feature of the existing depression, and it is an important, indeed an anxious, question whether,

[1] People who have made this matter a subject of special inquiry declare that since 1850 the average reduction of the labour which enters into the production of general commodities amounts to forty per cent.

in the face of the ever-increasing restrictions placed upon our industry by foreign tariffs, and the ever-increasing invasion of our home market by foreign productions admitted duty free, we shall be able to command a sufficiency of employment for our rapidly growing population.'

This is the reverse of the medal. Now for the obverse :—

Majority report.—'There is no feature in the situation which we have been called upon to examine so satisfactory as the immense improvement which has taken place in the condition of the working classes during the last twenty years. At the present moment there is, as we have already pointed out, a good deal of distress owing to the want of regular work, but there can be no question that the workman in this country is, when fully employed, in almost every respect in a better position than his competitors in foreign countries, and we think that no diminution in our productive capacity has resulted from this improvement in his position.'

The reader who has followed thus far will not, I think, find any difficulty now in understanding why, although until recently production has increased more rapidly than population, there should nevertheless exist among the producing classes a sense of commercial and industrial depression as intense as the great weight of evidence declares it

to be. The sense of depression comes, on the one hand, from the reduction of profits, due in a great measure to the action of hostile tariffs and foreign bounties, but especially aggravated of late years by the rapid appreciation of gold, which has told heavily on those who work with borrowed capital. On the other hand it is due to this shrinkage of the demand for labour, a shrinkage which cannot be avoided so long as there is a continual extension of the employment of labour-saving apparatus, unless production increase much more rapidly than the number of workers. Until recently this latter condition has been fulfilled, but now it is no longer so. Consequently a fluctuating, but on the whole steadily increasing, proportion of labourers and artisans remain out of work. In the meanwhile the wages of those actually employed have not much diminished, and concurrently there has been a heavy fall in the price of the principal necessaries of life. Very naturally, therefore, we get conflicting accounts of the condition of the working classes. Those individuals who are employed with tolerable regularity are better off in almost every respect than they would have been twenty years ago; but, the number of the unemployed steadily increasing, we observe signs of an ever-increasing intensity of depression—very disagreeable signs some of them, as our London shopkeepers experienced last year.[1]

[1] 1886.

During the earlier years of the period which has elapsed since our present commercial policy was inaugurated, the years in which trade advanced by leaps and bounds, as Mr. Gladstone phrased it, the enormous expansion of our productive capacity carried off, counterbalanced the disadvantages to our working classes inherent to growth of population accompanied by extension in the use of appliances for saving labour. We are now face to face with a problem, satisfactorily to solve which will tax our most strenuous endeavours. If we do not attempt to solve it, the socialists will; and the more narrowly we examine the possible socialist solution, the less satisfactory it appears.

It is doubtful whether in this particular matter we can gain a better understanding of it by entering at length into detail. On the contrary, I am inclined to think that, where details are not very clear and precise in their bearing on the main points of a complicated question, they are more apt to confuse than to enlighten, if for no other reason than that of the difficulty—I may say the impossibility—of attaching to each detail its due weight in comparison to the mass of unknown details which make up the whole. And this impossibility is, I presume, the main reason for the frequency with which people come to diametrically opposed conclusions as to matters of fact. For instance, in this subject of the well-being of the working classes, what are we to

think of the increase of investments in post office savings banks? It is really impossible to say, without we have an intimate personal knowledge of these classes, of those whom they trust and those whom they do not trust. How can we separate the increase or decrease of deposits in local (private) banks from the general banking movement of the kingdom? And, first of all, does not this increase point perhaps simply to the supposition that old stockings, teapots, private hoards of all kinds, have become a thing of the past? Does it not also point, especially at the present time, to a probable diminution of investment of working class savings in industries found to be unremunerative? Similarly, when we are told that there has been a decrease of the number of paupers in receipt of relief, we remain doubtful as to the exact bearing of this fact on the matter in debate, because we do not know to what extent it may be an effect of the greater amount of private benevolence and the increased means and efficiency of private charity organisations.

There is one point, however, which, though not more clear, is probably of greater relative importance than any of those which have gone before; and yet it does not appear to have engaged the attention of the Commissioners in their endeavour to form a just estimate of the relative well-being of the working population. It is, whether the present intrinsic value (value in use, or goodness) of many of

the necessaries of life is as high as it was, say, twenty years ago. There is a very general impression—whether founded on fact I have not the knowledge or experience necessary to judge—that the present age is to some extent an age of shoddy, of cheap and nasty manufacture. Now if I, as a working-man, receive the same wages as did my father twenty years ago, and if I pay lower prices than he did for the necessaries of life, it is only if these necessaries are not reduced in intrinsic value proportionally to the reduction of price that I can be said to be better off than he was. Bread and meat are no doubt cheaper than formerly, and as good in quality; but if my boots are made of ill-tanned leather, and badly or hurriedly put together, and if my coat is made of shoddy material, so that where my father bought one pair of boots and one coat I have to buy two, I do not see that in the matter of boots and coats I am any better off than he was.

It is true that, as regards manufactured articles, the Commissioners seem to be generally of opinion that British labour shows no sign of deterioration in the quality of the manufactures it turns out; but as a vastly increased proportion of our cheaper necessaries are imported from abroad than was formerly the case, and as these imports are pretty universally characterised as of the cheap and nasty order, this opinion is by no means conclusive of the

point at issue. Further, a number of witnesses deposed that there is now, and has been for some time past, a strong temptation and tendency to manufacture inferior and cheaper articles in order to make head against the very serious competition to which sounder and better-class goods are exposed by the free import of these foreign articles. Perhaps in course of time our workmen, or those who buy the inferior imports, may find that real economy consists in obtaining and using good and durable articles—and for that matter there is a certain amount of unconscious action in this respect, for it appears that customers rarely inquire into the origin of the goods they purchase—but the fact that cheap and inferior articles are in the market in large quantities, and are bought and sold there, must be taken into account in estimating the real position of the workman in relation to his command of the necessaries of life. That position is further affected by the ceaseless extension of our large towns, and the centralising tendency of the great industries, which impose upon our artisans additional expense of locomotion to and from homes and workshops. According to the degree of importance which we attach to the presumed relative inferiority of manufactured goods of the common kind, we shall modify our impression of the justness of the conclusion at which the Commissioners arrive.

Thus, we see, this question of the actual condition of the working classes is an extremely complicated one, and not easy to answer by the help of mere statistics, which, according to this able manipulator, go to prove one thing, according to that able manipulator, diametrically the opposite. Better than all this kind of evidence are the general impressions of honest and single-minded men belonging to the classes in question, or of individuals outside the classes themselves who are brought not only into official but private contact with them. A certain number of both these kinds of persons—honest and single-minded, we will hope—gave evidence of this valuable kind. The burden of it is to the effect that there has been perhaps a falling-off in comfort, but that in the direction of sobriety, cleanliness, and general sanitary state there has been a forward stride.

CHAPTER IX.

OF GOVERNMENT INTERFERENCE IN OTHER PEOPLE'S CONCERNS.

Protection a weapon in the hands of the State—State interference—The argument from history—The sociological theory of Mr. Herbert Spencer—Its one-sidedness—Public profession and individual performance.

WHATEVER may be the reader's opinion of the efficiency of some degree of protection as a remedial measure for the depression of our trade and industries, whatever he may think of the advantages or disadvantages which might accrue to the nation as a whole by the adoption of changes in our commercial policy such as those recommended in the minority report of the Royal Commission, he cannot but see that to place in the hands of government the power of applying protection to all our industries, or, at its good will and pleasure, to some industries and not to others, is to arm it with a weapon which may be used or misused to carve the fortunes of classes and individuals—is, in fact, to give the government some control over the dis-

tribution of wealth. I have already discussed the relative effects of free trade and protection, in present circumstances, on the production of wealth; and although it may be considered an open question whether the imposition of an *ad valorem* duty on imported articles of manufacture would benefit the country or injure it, there cannot be any reasonable doubt but that it must proceed by way of benefiting one class at the expense of another, or, more correctly, one set of individuals at the expense of another set.

The mere fact that any proposed line of policy would invest the government with greater powers, or in any way enlarge its sphere of action, would be sufficient to condemn it in the eyes of a certain school of political doctrinaires. Merely theoretical politicians, of whatever colour, do not, indeed, exercise any very direct influence on the conduct of public affairs in England, but to some extent, of course, they help to form the principles and mould the ideas of the younger generation. Distinguished rather by the brilliancy of their speculations than by the solidity of their judgment or the keenness of their spiritual vision, the advocates of the system of restricting government intervention to its narrowest possible limits nevertheless exercise a very considerable indirect pressure on the somewhat flexible principles of English statesmanship. The extremists of this school would, as we know, re-

strict the sphere of government action to the care of national defence, the security of personal property, and the enforcement of contract. Evidently, for persons who hold these views, a proposal to place in government hands a more direct control of our commercial policy would stand self-condemned; and, generally, with many estimable and sensible persons, an allied sentiment finds expression in the milder protest against a too paternal, a too 'grandmotherly' legislation.

Notwithstanding many learned and ingenious arguments to the contrary, it seems to me that government control is good or bad not so much with regard to the thing controlled as to the manner of controlling. In other words, an honest and capable government may, with advantage to the community, be entrusted with the direction of affairs which would be better kept out of the hands of a dishonest or incapable one. You may say that this is merely to beg the question, that the advocates of non-interference ground their conviction of its inexpediency on the teaching of experience, which, according to their reading of it, goes to prove that even the most trustworthy governments are incapable of dealing in a satisfactory manner with other matters than those set out above. The study of history, they say, bears out this view of theirs. But history may be written and read, and, in fact, is written and read, so as to support almost

any preconceived theory. Mr. Herbert Spencer lends the authority of his great name and all the weight of his phenomenal learning to the school of *laissez-faire*. We are told that in the system of universal evolution—of which our poor political and social development has claimed some small share of Mr. Spencer's attention—everything proceeds by way of differentiation and specialisation of parts. This law, it appears, is universal, runs through not only all organic creation from the humble protoplasm to 'our noble selves,' but is again recognised as reigning supreme in the evolution of the social body, proceeding on the same lines as in the human organism. The discovery of this great law and the consummate skill with which its workings are traced out and illustrated are embodied in a great many stout volumes, which it is well known some persons have read through from beginning to end. I myself can only lay claim to the merit of having studied some of these volumes, with a degree of care, and at an expenditure of time, which I have not regretted. Mr. Spencer's work is certainly a noble monument of human learning and ingenuity, but, probably owing to his dealing generally with all things in heaven and earth, which, as we have been told, include many things undreamed of in the philosophy of common people, it is possible that in his treatment of purely human affairs, under their social and

political aspect, he has overlooked certain matters which are very pertinent to this subject of inquiry.

The truth is Mr. Herbert Spencer has immolated himself on the altar dedicated to the luminous splendour of his great theory. The passionate love of truth which is characteristic of great minds, and which lights up into clear-obscure the realms of thought and speculation in which they live and move, is too often—we cannot but recognise it as being the case in many powerful intellects—accompanied and vitiated by an equally passionate desire to fathom the 'secret of the universe,' to reduce the action of all phenomena to that of one single great law. Vitiated, I say, because in such a search, and spurred by such a desire, there is a constant disregard of minor facts and truths which may be found to modify the action of the most persistent and important fact or truth. But even were we to take it for granted that the analogy which Mr. Spencer seeks to establish between the animal and the social body does in very truth hold good throughout, that differentiation and specialisation of parts is the law of social as well as of bodily development, I cannot see that there follows from this a necessary decentralisation of authority and power. On the contrary, the more differentiated and specialised become the parts of a complex body, the more, on Mr. Spencer's own showing, do they depend for

their existence and well-being on one another, and the more necessary becomes an all-controlling and powerful co-ordinating authority. The will which controls and co-ordinates the conscious actions of the highly specialised organs of the human body may perhaps be *relatively* less in power and intensity than that which performs the same office for other beings lower down in the scale of physical organisation, but, *absolutely*, is it not much greater?

We have a complicated social organisation, the parts of which are becoming more and more differentiated in form and specialised in function. The parts, however, exist not merely for themselves, but also for the whole which they constitute. Here, rightly considered, we have an analogy which should help us to a true solution of the problem of local and central government; neither of them should grow at the expense of the other, but each, with the greater need, grow greater; not forgetting that local implies sub-local and individual self-government. Nor does it necessarily follow that these powers, wherever vested, need harden the social fabric so that it will not yield to the development of the social body, for under modern conditions, although the power given or acquired may be very great, it is necessarily plastic. The divine right of kings, and the conquered right of classes,[1] to govern nations are fast disappearing.

[1] That is, the divine and conquered right as generally under-

In their place, history for ever repeating itself, we have as yet established only the right (?) of the popular man to govern. God send it may soon be that the popular man shall be also the able man. When we shall have invented a method by which always to place an able man at the head of affairs, and not merely an inflated windbag, upborne for a moment on the rank breath of popular applause, I care not with how much power we entrust him. Somehow, I cannot think we are seeking for this method quite in the right direction. Meanwhile we cannot help giving, though with a miser's hand, the increased power imperatively required for the settlement of our growingly complex national affairs. With us, the complaint at present is, that the government has already more than it can do. Putting aside the momentary deadlock in the legislative machine, is this not perhaps because government is overburdened with local, at the expense of national, concerns? What we require is decentralisation with regard to local, centralisation with respect to national, business; but by no means curtailment of either local or central power. How does the reader suppose it would answer to curtail the authority of the captain of one of our modern line-of-battle ships, on the ground that the

stood. There is a divine and conquered right of governing—the only true one—that of the able and honest to govern the less so. This right is the articulate exponent of the tendency to Cosmos as opposed to Chaos.

services to be performed by the several parts of the whole are now more difficult and complicated than they were in Nelson's day? The analogy is tolerably accurate. It would be difficult to instance a case in which differentiation and specialisation have taken place to a greater extent. Even a highly gifted commander could scarcely be expected to be at the same time a first-rate seaman, engineer, electrician, gunner, torpedoist, tactician, and navigator; yet it is none the less necessary that he should be invested with the power to co-ordinate in a common service and guide to a common end the parts of the complex machine of which he is, or should be, the moving spirit.

It does not appear, therefore, that, however much we may deprecate the extension of government interference in local affairs, we should seek to dwarf its powers with respect to national ends. The free development of the individual is quite compatible with the continued action of a high executive and legislative authority. Other and perhaps as profound students of history and human nature as Mr. Spencer deduce from their studies that the affairs of nations are as liable to go wrong when their rulers are indolent, apathetic, and of the *laissez-faire* persuasion as when they are animated by a spirit of intolerant meddlesomeness. There is no doubt that nations do suffer from the kind of legislative imbecility which issues in a tactless and

fussy interference with matters far better left to individual energy and resource. Somewhere in Mr. Spencer's 'Study of Sociology' there is a passage in which he adduces, in support of his theory of the general perniciousness of government interference, the fact that a very considerable proportion of the bills passed in Parliament during a recent period of years have either been repealed or allowed to become inoperative. But what does this prove? Not that law-making is a useless or wrong thing, but that the persons entrusted with the framing and criticism of these laws may have been incompetent. Indeed Mr. Spencer himself elsewhere points out with his accustomed force and clearness that, whereas it is deemed incumbent on every man about to adopt a profession specially to qualify himself for its exercise, men nevertheless enter into the profession of law-making, the most difficult of any, without, as a rule, in any way preparing themselves for it. As to these particular repealed laws, however, we need not be even so severe as this in our judgment, for is it not just possible, probable, that a considerable number of the bills repealed or lapsed into desuetude were thus repealed or allowed to become inoperative because they had fulfilled the several objects for which they had been passed? Doubtless, in some cases, the enactments were injudicious, and in quietly repealing them or allowing them to become

a dead letter we have an earnest of the good sense and capacity for governing and being governed of the English people.

Is it not, after all, that the very *fin mot* of legislation is neither Conservatism nor Radicalism, Benthamism nor Socialism, but Opportunism in its best sense?—which does not mean that you are to have no principles of government, but that you must look to the expediency of their application, and to the natural growth of the principles themselves. Indeed, this is, to a very great extent, what we are coming to in England now, for—notwithstanding, and in the very midst of, the delirium of the Irish question—do we not see each political party in turn adopt—with admirable good sense, though it might be with a little more candour—a part, sometimes the whole, of its opponent's measures? Men who set themselves to govern and make laws in accordance with some immutable political theory either come to grief themselves or else bring to grief those whom it is their especial object to shield from it. And this holds pretty universally of all laws which men make for others and for themselves; hence, perhaps, the saying that none but a fool is thoroughly consistent—consistent, it may sometimes mean, in his own folly, or the continual misapplication of means to ends. To govern men well it is at all times requisite to possess at once strength and flexibility, and an intimate

knowledge of human nature, not in its finer and more secret traits, which lie rather within the province of the poet and the artist, but in its broad and social aspects. No mere bookman or theorist ever has made or ever will make an able legislator or governor. There is no abstract science of government—as of mathematics—which can dispense us from the necessity of studying, of *feeling*, the intimate and peculiar requirements, the 'form and pressure,' of the day, which, in the natural course of things, do not and cannot remain the same. It may be advantageous to all concerned that the government should undertake now the control of affairs which it had better not have undertaken a hundred years ago, and which it may better not undertake a hundred years hence. Human nature, indeed, does not change within such short periods, but the circumstances of a nation's life change, more rapidly than it is itself aware of. Our institutions are our clothes, and government is our tailor. I would a little more attention were paid to season than to fashion.

Every one will admit, for instance, that the postal service is at once more efficiently and cheaply managed by government than it would be if left to the initiative of private enterprise. Again, in the case of telegraphs, it is generally allowed that the advantages of government control outweigh its disadvantages. Then why not 'extend the prin-

ciple' to the state ownership and management of railways? This is the usual line of argument with persons who pin their faith to the notion that social development must perforce advance along some narrow lane of their own imagining. If they happen to be imbued with the socialistic idea, then government must be called on to undertake the direction of everbody's affairs; if they adopt the principle of government non-intervention, they will push it to the extreme logical conclusion. Somehow what seems good logic is very often not good commonsense; the premiss is usually not broad enough. There may be little or no difference of principle between state ownership and management of railways and that of telegraphs, but there is a great difference in the qualities and the amount of knowledge involved in the successful management of one and the other. No scheme of state railways yet elaborated has satisfied persons, competent to judge, of the advisability, desirability, or even possibility, of the change. It is of very little moment to us that in Germany and France state management of railways meets with tolerable success, because there are in these two countries certain valid reasons for this state action which do not exist in England, reasons which might make this state control necessary to them, even at a considerably greater cost than that now entailed. But, just as it seems inexpedient for us now to follow

the example set us in this matter by foreign nations, so in the course of twenty, fifty, a hundred years it may become expedient for us to do so.

If the conditions under which the production and distribution of wealth at present take place in Great Britain are such that now one class, now another class, now this set of individuals and now that, benefit unduly at the expense of others, or suffer unduly for the benefit of others, would it not be wise to entrust to a government, representative of all kinds and classes of these individuals, the power of curtailing that undue benefit and of mitigating that undue severity of loss, over neither of which the individual can exercise a personal control? What, in fact, was the abolition of the corn laws but a curtailment of undue gain and a mitigation of undeserved loss? And if, from what cause soever, certain classes now gain unduly and others suffer undeservedly, why should not the government to some extent endeavour to recover the lost balance between them, even—let us make the dreadful supposition—at some small cost to the country at large? The nation which gave its money, and was ready to shed its blood, for the abolition of the slave trade must stand above the desire to profit by the misfortunes of any section of its own people—a desire opposed to the better instincts of men in general, especially opposed to

our national love of fairplay, that fine jewel set in an Englishman's crown of good qualities.

But, say some, we do not think the government should exercise an Englishman's good qualities for him ; let him exercise them himself, under no compulsion whatsoever, save that of his own sense of duty and of right. And thus we come to the cant phrase : 'You cannot make people virtuous by act of parliament,' and to the Bishop of Peterborough's : 'I would rather see the people free than sober.' No, indeed, you cannot make people either virtuous or happy by act of parliament, but what you can sometimes do, and should always try, is to remove obstructions in the path of virtue, and see if you cannot protect a little from wanton injury the flowers of happiness which grow on either side of it. It does not seem to me that the last word on progress is to be found in the 'free and unfettered development of the individual,' nor that all which we desire and deserve is to be compassed through the agency of limited liability companies. I wonder, should we have 'formed a company' for the abolition of the slave trade? Who is free and unfettered to develop? Who ever has been or will be free from the influences, political or other, which surround him? It can never be aught but the substitution of one influence for another, and if we exercise any sort of control over our development, knowing how to 'refuse the evil

and choose the good,' it is madness on our part not to attempt to substitute a good influence for a bad—or, at the very least, to remove the bad, by what means soever, be they governmental, corporate, individual, or of any other description. The capital error which lies at the root of the Spencerean social philosophy is in the assumption that society is what the individual makes it, with total disregard of the converse: that the individual is also what society makes him. Those who have not made any study of Mr. Spencer's works might suppose this to be an exaggeration. Here, then, is a neat illustration of his theory, taken from 'The Study of Sociology' (International Scientific Series, p. 48 *et seq.*):—

'Out of bricks, well burnt, hard, and sharp angled, lying in heaps by his side, the bricklayer builds, even without mortar, a wall of some height that has considerable stability. With bricks made of bad materials, irregularly burnt, warped, cracked, and many of them broken, he cannot build a dry wall of the same height and stability. The dockyard labourer, piling cannon-shot, is totally unable to make these spherical masses stand at all as the bricks stand. There are, indeed, certain definite shapes into which they may be piled—that of a tetrahedron, or that of a pyramid having a square base, or that of an elongated wedge allied to the pyramid, In any of these forms they may be put symmetri-

cally and stably; but not in forms with vertical sides or highly inclined sides. Once more, if, instead of equal spherical shot, the masses to be piled are boulders, partially but irregularly rounded, and of various sizes, no definite stable form is possible. A loose heap, indefinite in its surface and angles, is all the labourer can make of them. Putting which several facts together, and asking what is the most general truth they imply, we see it to be this—that the character of the aggregate is determined by the characters of the units.'

'If we pass from units of these visible, tangible kinds to the units contemplated by chemists and physicists as making up masses of matter, the same truth meets us. . . . In brief, it may be unhesitatingly affirmed, as an outcome of physics and chemistry, that throughout all phenomena presented by dead matter the natures of the units necessitate certain traits in the aggregate.'

'This truth is again exemplified by aggregations of living matter. . . . Those who have been brought up in the belief that there is one law for the rest of the universe and another law for mankind will doubtless be astonished by the proposal to include aggregates of men in this generalisation. And yet that the properties of the units determine the properties of the whole they make up evidently holds of societies as of other things.'

The passages marked by dotted lines as

omitted do not alter the general sense of the rest; they are merely amplifications and illustrations. I would wish to quote the passages *in extenso*, because of the aptness and clearness of the illustrations, but must consider space. What of the excerpt as it stands? The analogy between an aggregate of human beings and one of units of matter, organic or inorganic, is plain up to a certain point, but at that point it vanishes. The properties of the social unit, says Mr. Spencer, determine the properties of the social aggregate. True enough; but what determines the properties of the social unit? Why, in a great measure, surely the properties of the aggregate. We now begin to perceive where the analogy is misleading. The character of the heap of cannon-balls is determined by the character of its constituent units. And what are the characteristics of a cannon-ball? Well, these are some of them: hardness, roundness, smoothness. But a cannon-ball is endowed with these and every other of its qualities quite independently of other cannon-balls. If there were only one cannon-ball in the world it would still be hard, round, and smooth; moreover, it would undergo neither increase nor decrease of its qualities owing to the absence of its kindred. But how is it with a human being? Considered under his social aspect, a man is a mere bundle of qualities, which cannot even be enumerated without instantly impli-

cating the existence of other men. You can consider the properties of a brick apart from other bricks, but you cannot consider the properties of a man, save the purely physical ones, which have no bearing on the present argument, except in relation to other men, because outside that relation most of them have no existence. Mr. Spencer would have us infer from his analogy that social reform is determined by individual reform ; an inference also to be drawn from the doctrine which was taught in the fulness of its beauty, purity, and loving-kindness nineteen centuries ago. But then again we ask, What does individual reform depend on ? Solely on the individual ? Or partly on his surroundings, on the influences to which he is exposed, and from which he cannot altogether withdraw himself ? It is plain that there is action and reaction between the social unit and the social aggregate, and no one, I should imagine, ever before doubted it. We may say of Mr. Spencer, in this instance, what Mr. Matthew Arnold said with great justice of Pascal : Did ever a great reasoner reason so madly ? (preface to ' God and the Bible '). And we may say this without flippancy or ingratitude. The world has learnt much from Pascal and much from Mr. Spencer.

Be this as it may, if Mr. Spencer knows himself to be right, he will at all events not be the first to discover that no man is a prophet in his own

country, for, in England at least, the *Zeitgeist* is leading men fast away from the *laissez-faire* theory—the legislation of the last five-and-twenty or thirty years shows which way the tide is running. For my part, I trust the tide has turned into a steady and equable current, notwithstanding the many swirls, rips, and backwaters which we see on its surface.

Surely it is good that we should expect, nay, insist, that government should give effect to the better instincts and desires of the population, and steadfastly resist giving effect to its bad ones, taking as its guide the *professed* public morality which, in the healthy state, is generally higher than that practised by the average individual (for our ideal self is ever before and above us). Where government fails in its efforts, it will be because the public profession is insincere, when we shall at least profit by the unmasking of national hypocrisy, and, recognising ourselves for what we really are, be in a fair way towards realising that 'giftie' which others besides the poet have vainly desired.

CHAPTER X.

INDIVIDUAL INTERFERENCE IN OTHER PEOPLE'S CONCERNS.

Selection: natural and arbitrary—Compromise between contending principles—Charity and patriotism—The individual *and* the state, or *versus* the state?

THERE is something very convincing, though inexpressibly mournful, in the contemplation of the ruthless, and yet to all appearance beneficent, operation of the law of natural selection, bringing about, so it seems, the survival of the fittest throughout this little sand-grain on the shores of Infinity. As we toil through the endless complexity of detail which fills the pages of the 'Origin of Species,' this general law goes ever before us, like the pillar and the cloud, to guide us, with Mr. Darwin's help, to a correct understanding of the phenomena of evolution in the organic world. The untiring industry, the acuteness of perception, of analysis, of synthesis, and the breadth of view displayed by the author, are matched only by the true modesty and singleness of mind which are apparent in every page of his great work.

But this somewhat trivial praise of the great natural philosopher is inconsequent to the matter in hand. I allude to the 'Origin of Species' and the action of natural selection, because this action is made by many the subject of hasty generalisation, and equally hasty application to the conduct of social affairs; because it is advanced as an argument in support of the wisdom of *laissez-faire* and unrestricted competition among men.

The 'Descent of Man' was written by Mr. Darwin because he clearly perceived that, as regards man, however true the law of natural selection might be when applied to races, it requires considerable modification when applied to the individual. How far Mr. Darwin may be right in the importance he has attached to the effect of sexual selection in descent, I am too ignorant to discuss, but it must be tolerably plain to any thinking man that what may be termed arbitrary, as distinct from natural and sexual, selection must exercise a growing influence on the future of the human race. *Pari passu* with mental and moral development, arbitrary selection—expressing itself in self-imposed customs and laws—must play an ever-increasing part in the affairs of men. In a very extended sense of the word 'natural' this arbitrary selection may be said to be included in natural selection, but certainly not in the Darwinian sense of the word.

It is a melancholy fact that intelligent persons

will argue that it is useless to attempt to interfere with the action of natural selection, because, since among animals the competition for food and for the conditions necessary or favourable to life determines the survival of the fittest, so among human beings the same competition determines the survival of the fittest. Well, so it does, or would do if given free play; but the fittest for what? For success at the game of grab. Just so, only we have come to agree among ourselves that this fitness, desirable as it may be, does not constitute the whole and sole fitness of man; whereupon comes in arbitrary selection to modify the action of natural and sexual selection; or, what comes to the same thing, sexual selection and free competition for the necessaries and creature comforts of this world, not entirely determining the survival of what we arbitrarily consider the fittest human being, we agree in some small measure to hold our own and one another's hands at the aforesaid game, so arranging it that even some of us not at all fitted for contention shall nevertheless survive.

I said, in a former chapter, that perhaps the most important question a people can put to itself with respect to political economy is this one: Into whose hands does the accumulation of capital tend? Because, according to the economical views (not necessarily laws, as political economists make out) held, the class of holders of saved wealth will to

some extent vary. The followers of Mr. Herbert Spencer and, generally, the old school of philosophical Liberals say, in effect: It *should* fall into the hands of those most adroit at our world-wide game. The extremists of the opposite school cry out, on the contrary: Trim us down the too exuberant growth of these vulpine claws; let us all have claws of equal length and strength! Of the two views, the former is a thousand times the more reasonable, because, had we a mind to try it in the degree of completeness to which, thank God, we do not yet quite attain, we should find it quite feasible; whereas the practice of the other is for ever impossible. Thus the two extremes. Then come those who take the *via media*, having long arrived at the understanding that wise human action comes of happy compromise between contending principles—those loyal servants, but most tyrannical of taskmasters. And such persons I would fain persuade that no abstract theory of social evolution, but only plain considerations of right and wrong, expediency and inexpediency, such as we can most of us rightly decide without need of philosophical disquisitions, should guide us on our journey, and that we should avail ourselves of every kind of help, be it individual, corporate, or governmental, in seeking to direct the accumulation of capital into hands which will make good use of it.

The utmost that can be done in this direction is little enough, however, compared with what might possibly be done, could it be brought home to the minds of the present holders of the world's accumulated wealth how colossal is the influence which they bring to bear on its development. It may in a sense be said that they are the world's masters. On them and their desires or caprices immediately depends the direction of labour not employed in the production of the necessaries of life. In respect to this, if we may so call it, surplus labour, they stand as the centurion to the soldier, and as the centurion to his servant: 'Do this, and he doeth it.' What, my masters, shall it please you that your servants do? On you depends whether the work upon which they are to be employed shall bring with it health, happiness, and life, or carry in it the seeds of disease, misery, and death. On you depends whether the work to which they are to be set shall tend to raise or lower their intellectual powers, distort or straighten their moral sense, blunt or sharpen their sense of beauty and refinement. If your pleasure be to fare sumptuously every day, rather than take your ease in broad pleasure grounds, the difference to your servants is that involved between kitchen and garden work, between idly waiting in fantastic garments and working under the clear sky and among the flowers and fruits of the earth. If it please you to feast your

eyes on the half-indecent, half-ludicrous posturing of ballet girls rather than on the fine work of feminine fingers, the difference to your servants is that involved between exposure to a life of ordinary trials and temptations, and exposure to a life in which temptation leads, and degradation and misery dog, the footsteps of those engaged in its path. In a hundred different ways which your own ingenuity can track out, the mere choice between one idle pleasure and another involves far-reaching consequences to your ministrants, making or marring lives, leading to true and honest or false and degrading service. And if we look a little farther, the difference involved in the consequences which arise from the choice between noble and idle pleasures is yet more startling. But of this I will not speak. What there is to say has already been said a hundred times better than I could hope to say it.

I should be curious to know, were it possible, what the original inventor of the saying, 'Charity begins at home,' would think of the meaning with which it is now generally invested. I will, at all events, not do him the injustice of supposing that its present application was also his. I would rather think he meant by his maxim that the first and most important business of charity is to be found immediately about us, is to deal with those whose wants, misfortunes, merits, demerits, and general circumstances we are intimately acquainted with ;

that, however painful the process may be to us, we should resolutely pass by cases of apparent want and misery the histories of which we have not the means of investigating, because, if charity begins, as it should, at home, it is there also that the history of the want may be truly learnt and its right relief administered; that, in fact, charity is better employed in caring for the ills of known dependants and friends than in manufacturing flannel waistcoats for the aged inhabitants of inter-tropical regions. To which it may be added, for fear of being misunderstood, that, as true charity begins at home, it only ends very far abroad—without being abroad. If patriotism is not altogether an antiquated prejudice, being, indeed, nothing else than an unconscious adaptation and extension of this saying concerning charity, we may surely feel touched with admiration for the charitable impulse which moves Englishwomen to associate themselves in order to aid local industries by purchasing their dress materials, their personal and home decorations, from them rather than from the foreigner. A dreadful heresy from the economical point of view, though very orthodox from another and infinitely higher standpoint. But, if justice is rightly symbolised as blind, charity is not, and associations such as those to which I have alluded cannot be too careful to inquire into the particular circumstances of the industries to which they desire to come in aid, for, although

orthodox political economy is indeed a very dismal science when we wrap ourselves up completely in its conclusions, it nevertheless has, on such matters, a note of warning to which we should be unwise to turn a deaf ear. The considerations involved in the exercise of this kind of charity—helping people to help themselves—are none else than those which, in my opinion, should influence government in an application of a measure of protection to suffering industries, and these I have to the best of my ability explained in the chapter on free trade and protection. Only, individual action, and, in a less degree, corporate action, being more free and unfettered than that of government, and better circumstanced to inquire into minor and local details, it follows that a more elastic interpretation of the conditions of, and the application of means to, the relief of industries may be adopted than could be possible where government action is concerned.

And here I would once more urge on the fiery advocates of this principle and of that principle, that it is not in the application of one principle, but in the amalgamation and application of many principles, to human affairs that wisdom consists, and success follows. That 'middle' which has been 'excluded' from the realms of metaphysical thought by Sir William Hamilton and other philosophers has taken refuge with, and will bring comfort to, the common of mortals. With a passing apology

to our metaphysicians for this irreverent jesting, I venture to assert that, in the language understanded of the people, one principle does not necessarily exclude its opposite, because the truth is that, when we say principles are opposed, we often mean nothing more than that they are distinct. So, as this apparent opposition of individual and government action keeps on surging up, verbal contention is incessantly occupied obscuring the real issue of things. In this very matter we have been considering, which is nothing else than a question partly of charity, partly of mere justice, there is no real opposition, no mutual exclusion of action founded upon 'opposite' principles—distinction, that is all. And if you have two horses to your coach, and a stiff hill road before you, do you sit down and discuss which of the two is the better fitted and the stronger for the work to be done, or do you not rather put them both in the traces and make the best of your way—sparing the weaker a little at the expense of the stronger, but sparing not the whip when it becomes necessary?

CHAPTER XI.

CONCERNING DRONES.

Socialism and national character—The poor-law—Equivalent sacrifice the basis of just taxation—Increase of population in health and pleasure resorts—Progressive income-tax—Taxation of luxuries—'Paper' property and legacy dues.

OUR globe spins round on its axis once in every twenty-four hours, and, in the same period of time, rushes along one three hundred and sixty-fifth part of the circle of the ecliptic; but we, walking about on the earth's surface, pay no attention to this rapid and complicated movement—should, in fact, know nothing whatever of it had we not as children been taught that these are the facts. So it is, in a measure, with us and with the world of thought and feeling about us, which also spins on in its eternal round, or moves on to an end—who can say? Each one of us pursues his daily round of avocations, is brought day by day into contact with the same people, reads the same newspapers, is surrounded with the same local atmosphere of ideas, seldom renewed by a fresh blast from the outside world. How few men are there—those

with a large and varied circle of acquaintances even can count them on the fingers of one hand—who usually, and as it were naturally, without effort, consider events with regard to their effect over a larger area than that occupied by their own immediate class, or even their own immediate circle! Thus influences, which only seem, but are not, evanescent, which, in their inception, are scarcely discernible, but which, time after time, give rise to symptoms adequate to warn us of coming change, break strangely and abruptly upon us as we quietly pursue our little round of life. Of a sudden we are brought face to face with some question which urgently requires settlement, which altogether refuses to remain longer in the unsettled state. Then we gird up our loins, and after frantic efforts finally blunder into some kind of 'arrangement' (in black and scarlet too often), and once more turn to our series of familiar occupations, persuaded that nothing more will ever require settling, except quarterly bills.

A question which will soon insist imperiously on being taken in hand is the one to which now and again vibrates—as forest leaves to the searching sudden squall—the soul of modern civilisation: the question of socialism. Since many years we have had recurring ebullitions of socialistic energy, and with every manifestation of it we look up and look round uneasily. The ebullition subsides, so

does the anxiety of our looks, and round we go again in our circular rut: 'Surely this is the last we shall hear of this absurd matter!—plainly against all laws of political economy and common-sense!' Alas, yes, plainly against the laws of political economy, against the laws of common-sense. But there, whether we like it or not, looms the stubborn figure of socialism; there stand the socialists, as obdurate and obstinate as ever, more obdurate, more obstinate, and more numerous than ever. Perhaps, after all, this is because there may be something a little too dry in our political economy, something a little too gross in our common-sense.

It is not altogether a matter of labour *versus* capital, this question. It may even in the time to come get to be a matter of labour *and* capital *versus* the consumer (by which term I understand all who are not directly engaged in production). For the moment, especially in England, when the artisan complains, the capitalist-employer exclaims, 'My hands are clean enough in this business, as clean as is my balance-sheet of profits!' At bottom, the socialist rebellion is against the economical laws which control the distribution of wealth. So the socialist says, 'Let us make the electorate socialistic, for the electorate controls the government; the government will then amend the economical laws, which are not at all natural laws, but of selfish men's making.'

As yet, certainly, socialism has got very little hold on the English masses, and it will be a hard task to persuade the average Englishman that our freedom from it is not in great measure due to our economical policy. All the surface evidence leads to such a conclusion. Germany, the most protectionist country, Russia perhaps excepted, in Europe, is also the country in which socialism has found its widest acceptance and its greatest leaders. England, the only free-trade nation in Europe, is also the one in which socialism has met with the least encouragement. In France, too, socialism and protection appear to have advanced hand in hand. But appearances are proverbially deceptive. To what, then, can we ascribe our insular immunity from what I cannot but stigmatise as a social disease? I answer: To the courage and self-reliance of our working population. But the courage and self-reliance of a whole people are things of slow growth. Our policy of free trade and unlimited competition is barely half a century old; for ages before it came into operation the legislation which prevailed in England was altogether protective, and as anti-competitive as trade guilds, merchant guilds, monopolies, and protection could make it; it was tinged even with the socialistic principle, as witnessed by the poor-law which, though amended, exists to this day. The characteristic qualities of the several working populations

of the present European countries are the outcome of a complication of causes and of hereditary race-tendencies which defy analysis, were anyone venturesome enough to attempt it. The status of labour is Great Britain is comparatively high ; our working classes are at once unthrifty, hardworking, and self-reliant. It is surely not his unthrift which disinclines the British workman to lend his ear to the teaching of socialism. His courage, capacity for work, self-reliance, are what cause him to turn a deaf ear to the siren strains of Mr. Henry George *et hoc genus omne*. So that it really seems, from the study of past history, as if socialism and small-pox were best treated by similar methods.

I do not think that free trade or protection, or, in fact, any merely commercial policy, exercises any but the most inconsiderable influence on the formation of a people's character, but rather that a people's character will strongly mark its policy, of what kind soever. Self-reliance, if it testifies to power, also leads to imprudence. The character of a nation, together with the particular circumstances of the hour (such as labour-status, commercial activity, &c.), determine the degree of acceptance found by such a theory as that of socialism. But the tendency of modern industry and commerce is inevitably to weave about us a web of difficulties, from which, if we have resolution and knowledge, we may victoriously rend ourselves,

but whose only free exit is through socialism, genuine or otherwise. The feature which especially marks the age is the enormous progress which is continually being made in nearly all the processes of production. This progress almost entirely consists in the various devices and inventions for reducing the quantity of human labour which enters into the manufacture of different commodities. With every reduction of the labour necessary for producing a fixed quantity and quality of some staple commodity there should be an outflow of benefit to all concerned. With an increased quantity of production for the same amount of labour there should be an increased share to workman, employer, and consumer; for the inventor of any better or cheaper mode of producing some particular article of commerce does not make a present of his invention to this set or to that set of men, but, eventually to all men; his own reward being at all times a very small affair compared to the benefit conferred. I am persuaded that to a great extent the socialist complaint arises from the fact that labour, although eventually it always gets some share of the advantages arising from improved or cheapened methods of production, does not usually get its due share, or, if it does, cannot do so until its bondsmen have undergone much pain and tribulation.

Indeed, where the admitted rule of proceeding is 'competition and devil take the hindmost,' what

else is to be expected? This doctrine means that the strong, the adroit, the unscrupulous shall take advantage of the weak, the foolish, and the conscientious. The devil's doctrine this, and very different from the divine doctrine that the strong and skilful man shall govern his weak and foolish brother. You think, perhaps, that education and extension of the franchise will raise the weak man to the level of his strong brother, that the doctrine of competition and spoliation is ultimately true because men shall compete on practically equal terms; and yet nothing learnt from the teachings of the past or from the experience of the present is so everlastingly true as this: that men are naturally unequal, under all aspects, and that the strong man makes his own terms. If the conditions of the production of wealth in these times are such that unlimited competition is found favourable to it, then, in order to preserve this advantage and yet have regard to just distribution, you should, in common humanity, give back with one hand and with discerning judgment what you have extorted, not justly gained, with the other. And if private charity is a channel insufficiently broad, deep, and equable in the current which it pours back on your weak, foolish, and unfortunate brothers, why not give to an upright and just central authority the power of coming to your aid—as, indeed, you already have done, in theory, by the establishment

of the poor-law? In theory only, for, either through the short-sightedness of its framers or their intentional sleight-of-hand, it had become, until some twenty-five years ago, a tragi-comedy in which the poor supported the poor, and the rich supported—a light burden apparently—the ignominy of a false position.

This seems a harsh thing to say, and to say harsh things rarely serves a good purpose; still, it is better to be harsh than untrue. The reason commonly urged in justification of our poor-law in its recent form is this: that by throwing on the poor the burden of support—that is, by levying the poor-rate by parishes—the poor themselves exercise a repressive influence on the vices and the improvident conduct which lead to pauperism. Doubtless this is so, but how about the *right* to lay the whole, or nearly the whole, of the burden on the poor man's shoulders? If you hang for sheep-stealing you without doubt exercise a repressive influence on the commision of that crime, but we no longer hang for sheep-stealing, having come to the conclusion that the punishment is too heavy for the offence. Then, at least, there was the satisfaction of hanging the thief, whereas until recently you punished a man for not being his brother's keeper—a punishment which, it has generally been understood, is best left to the award of a higher than earthly authority. If we think it right that

the nation as a whole should bear the burden of pauper relief, that burden should, in justice, in common honesty, be borne by each individual according to his width of shoulder. In this direction we have advanced, but have not yet reached the end. I know of one set of circumstances only in which even our amended poor-law could find justification. Were the incidence of taxation so arranged that the poorer classes should on the whole pay only their due share of it, then it might be expedient that this due share, or a portion of it, should be paid as a poor-rate and levied as at present. That is, the poorer classes would pour into the exchequer, through one channel, more in proportion than the other classes; and less, in proportion to these classes, through other channels.

But what is this *due* share of taxation to be paid by the working classes? Is it a proportionate share?—proportionate to income, that is, from whatever source derived. So think many people, and the idea seems a fairly good and obvious one; but to others it appears a better and essentially juster proceeding to ground taxation on the principle of requiring from every individual an equivalent *sacrifice* towards the exigencies of the state. It would of course be impossible in practice to carry this idea out to its logical conclusion, for even where A and B have the same income they have different temperaments; what is a slight sacrifice to A may be a

much heavier one to B; but then, as the reader may have guessed, I rather deprecate carrying out things—all things—to strict logical conclusions—mere seeming conclusions for the most part. Between class and class it is not so very difficult to arrive at a working notion of equivalent sacrifices. And this is a matter in which right feeling will stand us in better stead than strict logic. I cannot prove to you that it is a greater sacrifice to a man who has five shillings a day to subscribe one shilling than it is for another who has five pounds a day to subscribe one pound, but you will probably feel that this is the case. You have only to make a *reductio ad absurdum* to feel it yet more strongly. Suppose the state to require four-fifths of income; then the one man would be left on the verge of starvation, while the other would still be in possession of every reasonable comfort. We do, as a fact, admit this principle in the assessment of income-tax, but, on the total of taxation, do not carry it out, for the poor, as it is, pay even more than the rich in proportion to income.

The present moment may seem ill chosen in which to advocate the claims of labour, seeing that of late years the working classes in Great Britain appear on the whole to have obtained a fair share of the increase of national wealth. But they have admittedly obtained this increase at the expense of employers of labour and manufacturers, whose pro-

fits have been very unsparingly cut down, and this is a process which cannot be continued beyond the point at which we have now arrived, without carrying with it serious loss to all parties. There is no inference to which all the evidence we have had more clearly leads than this : that the individual who has obtained the greatest relative share of the national increase of wealth is the consumer pure and simple ; and further, that this tendency manifests itself principally in the increase of number of these consumers, of—I use the term with no thought of implying censure—the drones in our social hive.

It is plain that, if this alleged increase is real, we ought to find a greater proportionate increase of population than the general increase in those places to which the class in question resort. The evidence on this point, though indirect, seems to me to bear so strongly upon it, that I give it here as a supplement to that which we had in the chapter on distribution.

From a dictionary of watering-places I have taken all the seaside and inland watering-places which also find a place on the list of urban sanitary districts contained in the census report for 1881, and I have compared their population with that of 1871. By this means we take in pleasure and health resorts unbiassed by any leaning of our own, and also seal one source of

serious error: that of making our deduction from a comparison of the population of places which may have become fashionable, at the expense of others, since 1871.

Watering Places	Population in 1871	Population in 1881	Percentage Increase
Ashbourne	3,211	3,485	8·5
Bath	52,548	51,814	1·3[1]
Bournemouth	5,906	16,858	185·0
Buxton	3,717	6,025	62·0
Brighton	92,469	107,546	16·2
Cheltenham	41,923	43,972	4·7
Eastbourne	10,499	22,014	109·5
Folkestone	12,698	18,816	48·0
Great Yarmouth	41,819	46,159	10·3
Harrogate	6,903	9,482	36·2
Harwich	6,097	7,842	28·0
Hastings	29,291	42,258	44·0
Isle of Wight (Cowes, Ryde, Sandown, Shanklin, Ventnor)	28,244	32,058	13·4
Ilkley	2,511	4,736	88·6
Lowestoft	15,246	19,696	29·0
Margate	11,995	16,030	33·3
Matlock	1,386	1,698	22·5
Malvern	5,693	5,846	2·6
Ramsgate	19,640	22,683	15·3
Scarborough	24,259	30,504	26·0
South Shields	45,336	56,875	25·4
Torquay	21,657	24,767	14·3
Tunbridge Wells	19,410	24,308	25·2
Tynemouth	38,941	44,118	13·4
Weston-super-Mare	10,568	12,884	21·9
Weymouth	13,259	13,715	3·7
Windermere	909	1,269	38·4
Total	566,235	687,458	21·4

From this table we see that, while the total population has increased in the ten years by a little

[1] Decrease.

more than 10 per cent., the population of places to which the leisured classes resort has increased by 21·4 per cent. This increase is probably, to some extent, due to the general increase of urban population at the expense of agricultural districts—to a very slight extent, however, for if we turn back to the chapter on distribution, we see that the decrease of the number of agricultural labourers between 1871 and 1881 was but 2·7 per cent. in proportion to population.

All schemes for the reckless confiscation of property, legally, though never so immorally, acquired, carry their own condemnation along with them—'force from force must ever flow,' force or, worse, fraud—but it should be within the power and competency of government to devise such legislation as it may deem fit to restrain any particular class from unduly profiting at the expense of others. Private charity—restoring with one hand what we have consciously or unconsciously extorted with the other—cannot cope with the matter, and, what is more, will not, in the great mass of cases.

In due season, our community of real bees removes its drones by the simple but somewhat barbarous expedient of killing them. Evidently, the humane sentiment, or its analogue in the bee mind and heart, is not highly developed. In this respect at least, if not in fertility of resource, we

may flatter ourselves that we are well ahead of bees. An indignant humanitarian, whose zeal outruns his discretion, makes the observation that to *him* the human drones' action bears less resemblance to the action of the real Simon Pure than to that of the predatory biped who appropriates the proceeds of the summer toil of our winged community, leaving them only as much of it as will enable them to exist, reproduce, and set to work again the following spring—an interesting application of a certain golden rule of our political economists. Our friend is more indignant than just, though it must be conceded there is a spice of truth in his remark.

English radicals are for a drastic settlement of this matter. They make such propositions as that of imposing a progressive income-tax, which shall rise finally to a confiscation of fifty per cent. of incomes above a certain figure. We need not, I think, attach very much weight to one of the principal objections urged against this scheme, that the imposition of such a tax would militate strongly against the accumulation of capital, for a nation's welfare is far more dependent on the wise spending of capital than on its accumulation. A very great portion of our accumulated capital now goes to creating and satisfying a number of vain and foolish desires which involve a lavish wastefulness of human labour. A far stronger objection to the radical proposition is that it would tend to hamper the

necessary industries of the nation. In these days of gigantic industrial operations, when a great reserve of capital (which is saved income), massed in single hands, is necessary to ward off ruin during unpropitious seasons, such a tax, levied on the profits of trade, would so cripple those engaged in it as to act in a manner most prejudicial to the national interests. Speaking generally, the main objection to a graduated income-tax rising to the confiscatory stage comes to this, that you intercept large masses of capital without any regard to the way in which that capital would have been applied —a most serious consideration when the tax ceases to be a few pence in the pound, and becomes a matter of shillings.

Whichever way we look at commerce and trade policies the all-important question repeats itself: Into whose hands does the accumulation of capital tend, and how does commercial legislation affect the disposal of it? As those hands are clean or unclean, busy or idle, so will the capital accumulated in them be well or ill applied. As the commercial legislation of a country tends to favour the man who 'corners' or the man who trades (in the modern English, not the derivative, sense), so that legislation, other things equal, will be bad or good. This is a matter much more worthy of study than are the usual problems which occupy the political economist. The conclusion to which we come is that

the present conditions of distribution are unduly favourable to those not directly engaged in production. We naturally inquire, then, whether it is in any way possible and expedient to alter those conditions, or minimise their effect by taxing undue benefit.

The direct method (change of conditions) is none other than the application of protection. It is needless to say more here concerning this remedy, save to repeat that, if applied, it should be so applied as to cause the least possible detriment to the nation's total production of wealth. If it can be so applied as to favour the increase of production (which seems not impossible), we should obviously, in the existing circumstances, accomplish two desirable objects: increase of production and just distribution of it.

The indirect method is much more difficult of application. In the first place there is an almost insuperable objection to the inquisitorial action it would entail on the government, to say nothing of the difficulty of separating drone from bee—for individuals run through a complete gamut from bee to bee-drone, drone-bee, and drone pure and simple. A scheme, to be theoretically perfect, should tax not only the drone but the bee in its drone capacity An extension of the principle of taxing luxuries would go some way towards fulfilling this object, and would be much less objectionable than any

increase of income-tax, for reasons already given. As to the particular luxuries the consumption of which, or the indulgence in which, might be made productive of revenue, I hazard no suggestions. To each proposition it would be easy to raise a score of objections; but the principle being already admitted, its extension would not fail for lack of ingenious applications.

Another plan of gentle confiscation (I have no wish to sail these paper boats under false colours), another resource lies in the imposition of a heavier legacy duty on what I will call 'paper property,' on what may be defined as 'orders on the property or productive industry of others,' a definition which excludes title-deeds and other documents certifying the possession of lands, houses, &c., that is, certifying real ownership and implying personal interest and supervision, but which I mean to include currency, bonds, shares, and scrip of all kinds—as a rough definition, say all shares, &c., quoted 'on 'Change.' The objection to a heavy legacy duty on actual or real property (I use the term 'real' not in its legal but in its ordinary sense), exclusive of paper, lies in the excessive inconvenience and loss—beyond that due to the immediate operation of the tax—which it may entail on legatees by bringing about a 'winding-up' of useful and profitable business, or in causing forced sale of property, notwithstanding facilities of payment afforded. The effect would

be analogous to that sometimes brought about in countries where the law obliges a man to leave his property equally divided among his children. Where the children cannot come to any satisfactory private arrangement by which one of them undertakes and continues the father's business, the inevitable result is that the property, business, engine of production, or what not has to be sold—frequently at great loss—and the proceeds of sale divided among them. Now, of course, there is no real difference between scrip and other property, so far as the individual who owns it is concerned—he can at any moment convert his paper into capital—but, in the measure in which he owns scrip, he is clearly a drone, i.e. one who lives on the proceeds of others' industry. He may be a drone also in some other measure, but we have no means of testing it. It is not necessarily more *just* to tax this kind of property more heavily than any other. A landlord who takes his rent, but takes no interest in his tenants' welfare, nor occupies himself in any way to increase the value and productiveness of his property, is as completely a drone as the scripholder, but there is no means of showing this landlord to be a drone without making excessive use of inquisitorial powers, which all of us would resent.

Landlords, farmers, manufacturers, and others occasionally 'lock up' their capital in scrip for a short time, preparatory to re-stocking in their

several businesses. A man dying while his capital was thus temporarily locked up, considerable injustice would be done to his heirs by levying the heavy duty on the whole of the scrip thus temporarily held. Doubtless legal ingenuity could help us out of that difficulty. 'But why should not I, towards the close of an industrious and well-ordered life, retire from my business and live in comfort on the proceeds of my savings, whether invested in scrip or in any other kind of property?' 'Why not, indeed, and, if it please you, so you shall, without let or hindrance.' 'But there is my son—why should he suffer because I prefer to invest my savings in scrip rather than in land? Is this, then, one of the sins which are to be visited on the children unto the third and fourth generation?' 'Yes, your son must pay the succession dues of inherited droneship.' 'But he may be an acute lawyer, or a skilled physician, or an able soldier!' 'Just so, and therefore I do not propose to tax him in his character of lawyer, physician, soldier, or in anything but his inherited character of drone, so far as that may be measured by his inheritance of scrip, and in that character only because the circumstances of the time make him an unduly favoured individual.' 'Well, I consider your tax a most iniquitous one, and I would do my best to evade it.'

Yes, this is the practical difficulty. Such a

duty, involving an invidious selection, would be evaded by a shuffling of property, pretended sales, collusive action of various colours. These would be resorted to more or less according to the general sentiment of people touching the justice of such a tax. But then, in England at least, it could not well be imposed in the face of a general and enlightened opposition to it. So we get into a kind of vicious circle of reasoning, from which there is no escape but by asking people to be good enough to consider the justice and expediency of increasing taxation in this direction and lightening it in others, and, if they think it worth while, to come to a conclusion on the matter.

But of the general effect of a legacy duty thus increased? This is a point which would naturally influence people's judgment on the question of justice and expediency. To impose a tax on any kind of property is to bring about a depreciation of its value, always with the proviso that the tax is really borne by the holders of the property in question. Were an additional legacy duty of, say, ten per cent. (irrespective of the degree of relationship between testator and legatee) imposed on scrip to-morrow, the price of all these acknowledgments of debt would fall each of them to a point at which the new price would be held by buyers as compensatory for the loss entailed on their legatees by the duty. But it is evident that this future loss to suc-

cessors would in the vast majority of cases be discounted by possessors at an extremely low rate. This immediate loss would of course be borne by present holders, but beyond this the tax would really fall on the successive inheritors.

CHAPTER XII.

INTERNAL COMPETITION.

Evils of unrestricted competition—Rival companies—The London cabmen—Local control of competition.

ON a grand scale the question of the relative merits of free trade and protection is nothing else than that of the relative merits of free and constrained international competition. If there were the least probability of our arriving 'within a measurable distance' of the world's, or even of European, acceptance of the former system, it might not only be interesting but useful to speculate on its probable effect on the increase or decrease of general production. It does not at all follow, as many people seem to think it does, that international free trade would lead to increased production, for if what I have said in a former chapter be true, it must tend to the depopulation of naturally poor countries. What we may think with regard to this point is not of much consequence—free international competition is a long way off from us. But even from the economical stand-

point there are good reasons for us to modify our conception of the blessedness of unrestricted internal competition. A method which leads to wasteful expenditure or wanton destruction of capital must, in the measure of this tendency, be a bad method. Unrestricted competition does, in certain circumstances, lead to this waste or destruction. So long as the burden of loss is borne by those who owned the wasted capital, nothing can well be done; it is not easy, nor is it generally expedient, to interfere with an individual who foolishly ruins himself. But the case is widely different when such persons, driven by the insatiable desire to amass wealth at all hazards, bring to ruin, or inflict severe loss on, quite innocent persons. Reckless competition opens a way to such people, of which they are not slow to take advantage. I have in my mind an actual case which will illustrate my meaning, and which, from the nature of the conditions under which competition is frequently initiated in these days, is fairly typical of others.

The conditions to which I refer are peculiarly characteristic of the age, of the highly developed commercial activities of the principal European nations: a great accumulation of capital and an insufficiency of remunerative employment for it. From such a state of things arise occasional and destructive conflicts between holders of capital for the sake of getting it invested in remunerative

business, conflicts from which the direct advantage sometimes derived by the local public is more than counterbalanced by the indirect loss inflicted on the nation.

In one of our principal seaports the conveyance of passengers from one side of the harbour to the other was done till some twenty years ago by means of manual labour, by sail and oar. A company was formed to establish steam traffic with launches between the two shores ; but in order to save from loss the watermen whose living depended on the conveyance of passengers, as many of the former as possible were taken into the company's service, and given facilities to sell their stock-in-trade and invest the proceeds in the new concern. The undertaking proved successful, was apparently well managed, and paid good dividends. Recently, however, a rival company has made its appearance and brought its steam launches into competition with those of the pre-established company ; it has reduced the passage money to one half the original fare, a reduction which the old company was forced to adopt in order to retain a share of the traffic. Under the present conditions both companies are doing a bad business, but the object of the new one being evidently to oust its rival, it is probable, having no doubt estimated the cost beforehand, that it will be successful in its endeavours, with the result that the pre-established company

will have to get rid of its stock-in-trade at a ruinous loss, thus bringing to penury the boatmen who invested (almost of necessity) their savings in the undertaking. This, from the purely economical point of view, does not seem to be a very admirable result of competition, and from any other standpoint is nothing less than execrable, involving as it does a reckless disregard of the welfare of others.

It is very probable indeed that the first company of which we have been speaking was 'trading' on its freedom from competition, was not doing its work as well or as cheaply as it should; but this seems a very insufficient reason for permitting the second one to set to work, and by virtue of greater means to drive the first out of the field. To the unsophisticated and perhaps ignorant outsider, it does seem desirable that the local authorities should have had power to prevent this misapplication of competition, excellent when kept within reasonable bounds. The mere threat of permitting a rival company to compete would probably have been sufficient to bring the members of the old one to amend their ways. Once warned, if they persisted in their evil practices, let Nemesis in the shape of a rival company overtake them. But to trust all enterprise to a system of reckless competition, to permit one set of men to outstarve another and less well provided set in order that the public may

derive some ofttimes insignificant advantage by this internecine strife, and to justify such action on the plea of this advantage, is more worthy of a race of cannibals than of a great and civilised nation. Competition in these cases is, after all, really beneficial to the public only if it enforces a permanently better service at the same or a less cost. Where it does not do this, its effect is not unlike that of the foreign export bounties. The public reaps a temporary benefit at the cost of the ruin of a section of it, and when the ruin is consummated the public finds itself temporarily again at the mercy of its new purveyors.

We see the ill effects of another form of unrestricted competition in the present condition of the London cab-drivers. There are now some 11,000 cabs in the metropolis, and nearly 15,000 licensed cab-drivers. The competition of drivers for cabs thus enables cab-owners to exact from the drivers so high a cab-rent (averaging from 14*s.* to 18*s.* a day) that these men have the greatest difficulty, as a body, in making a living out of their occupation. A deputation connected with the Amalgamated Cab-drivers' Society waited upon the Home Secretary (July 29, 1887) with a request that the issue of drivers' licences might be suspended until such time as the requirements of the public should render necessary an issue of more. To this request the Home Secretary answered that, in effect, what was

required of him was to put the screw on cab-owners in order to oblige them to hire out their cabs at a lower rate, and that this would be detrimental to the public. Inferentially, I suppose, we should get a less good class of cabs. The *Times*, in a leading article devoted to the consideration of this matter, is at one with the Home Secretary, upholds his thesis, and finds that to grant the request would be to go against modern notions, and would be very unfair to those who would wish to hire cabs on the present conditions, hard though they may be. The *Times* admits that the case of the London cabmen is a hard case, that they are on the whole a deserving and well-behaved body of men, and points out that their difficulties spring mainly from the fact that their ranks are swelled by an influx of novices of all kinds, artisans out of work, small tradesmen whose affairs have gone to the bad, servants out of employment, &c. We cannot, however, says the *Times*, admit an oligarchy of cabmen to rule over us in this matter; there are four cab-drivers to every three cabs, and they would like to be paid as if there were three drivers to every four cabs.

No doubt this is what the cabmen would like, but it is not what they ask for. They ask, not that competition shall be abolished, but that it shall be restricted within reasonable bounds. There is surely some compromise possible between the two courses, between the three-cab and four-driver

system, and the four-cab and three-driver system, between good cabs with lean drivers, and bad cabs with fat ones. If the fact of there being 15,000 drivers to 11,000 cabs makes life to the cabmen a very hard affair, as the *Times* acknowledges, and if at the same time efficiency of public cab service necessitates some degree of competition, might we not arrive at a satisfactory solution of the difficulty by having, say, 13,000 drivers to the 11,000 cabs? The cabmen who know their business are hampered by the amateur cabmen who do not know it, by numbers of the unemployed who imagine that the possession of a licence carries with it the qualifications necessary to drive a cab properly from any one part of London to another. Perhaps the limitation of issue might take the form of keeping out these incompetent persons; or is it beyond the resources of modern civilisation to devise means by which this might be accomplished?

To anyone who will look a little beneath the surface of things, it will grow clearer and clearer that unrestrained competition (which is not liberty, but licence) is an evil, and one which, like a hidden cancer, must increase in the gangrenous malignity of its attack on the moral sense of the nation. Men are naturally prone to carelessness and idleness, and therefore emulation, competition, is found to be a necessary spur to action and enterprise; but then come our principle-mongers

who would persuade us that, because competition is a good thing, we cannot have too much of it. Conduct, of whatever description, which takes for its basis and for its justification the selfishness and cupidity which is implanted in men's hearts inevitably carries moral degradation in its train. There is no escape from such a conclusion, unless experience is a delusion, our better feelings a snare, and the world-drama of ages a phantasmagoric dream from which we are but just awakening.

It will be asked, To what limit are we to push interference with open competition? To the limit which common-sense and honesty of purpose shall in every case point out to us! But are we endowed with these qualities in the measure sufficient to carry this out? For my part, I cannot be brought to believe that we are so morally plague-stricken as a negative answer to this question, if a true answer, would make us. I have a firm hope that, if the great mass of Englishmen clearly realised the meaning and the bearing of unrestricted competition, the general moral sense would be offended by it, just as the individual moral sense is now, in many cases, so offended. And this because that general sense has not so much been perverted as lulled to sleep by false maxims of political economy—lulled in the lap of Sleep, not lying corrupt in that of Sleep's brother, Death.

But how carry this out in practice? Why, here

we may perhaps find help in that decentralisation of affairs and delegation of authority which Mr. Chamberlain and his friends are so anxious to bring about—extension of local government, that is, the conduct of affairs by the persons best acquainted with them, by those who have their right conduct most at heart. It may be objected that to give local bodies the power to prohibit competition is to open a door to jobbery and corruption. Local bodies, or some of the individuals constituting them, it will be said, will to a certainty be pecuniarily interested, or will have friends and connections thus interested, in the concerns to be adjudicated on ; local bodies are prejudiced, narrow-minded, vestry-minded ; whereas members of parliament are free from local prejudices and are not pecuniarily interested in local concerns. Yes, but members of parliament are ignorant of local affairs, they have no local knowledge, and their time should be taken up with considerations of national, not parochial, policy. Then again, if a mistake is made by the parliament men, who cares very much about it, save the immediate sufferers? The government will not go out on a question of steam-launches or tramways ; but if the local authority makes a mistake, the local population will promptly turn out that local authority, and put in its place some other, more careful, less venal authority, as the case may require. In brief, may it not be with

regard to this matter of competition that we have fallen into error through attempting to decide it by considerations of an apparent, rather than a real, utilitarianism?—too forgetful, perhaps, that morality is the groundwork of the finest and truest kind of utilitarianism. Try what you will, you cannot separate in you the trader from the man, without injury first to the man, and then, inevitably, to the trader. A nation, or its rulers, may play with the easy catch-words of a shallow and sophistical worldly wisdom, but the 'Eternal which makes for righteousness,' steadily, changelessly, inevitably, will in the end prove too much for it, or for them. There was a certain custom among the Lacedæmonians, so we learn from Mitford,[1] which is finely illustrative of, and was highly ministrant to, the survival of the fittest. We now look back upon this custom and find it to be cruel, and not only cruel, but carrying with it the seeds of a disease fatal in the end to the development of the highest attributes of man.

This also was a system of competition for the right to live, but in some respects it was perhaps less barbarous than the present one.

[1] 'All children, presently after birth, were examined by public officers appointed for the purpose; the well-formed and vigorous only were preserved; those in whom any defect either of shape or constitution appeared were exposed without mercy to perish in the wilds of Mount Taygetus.'—*Mitford's Greece*, vol. i. p. 307.

CHAPTER XIII.

OTHER PEOPLE'S POCKETS.

Morals and the Inland Revenue—Taxation and individual freedom—Politics and morality—War and the National Debt—Cost of the Seven Years' War to Prussia.

THERE is a certain humility of virtue, or virtuous humility—I cannot quite make out which—in the phrascology which our rulers in general, and our Chancellors of the Exchequer in particular, adopt when they speak of the principles by which they are guided in the imposition of taxes wherewith to furnish the national purse. Far be it from them to set themselves up as judges of what is good or bad, wholesome or unwholesome, right or wrong, for people to spend their money on. What they (our rulers) have to consider and decide is how to replenish the purse with the least inconvenience to the nation at large.

In March last (1887) Mr. Goschen delivered a characteristic and amusing speech at the Mansion House, in which he described the difficulties with which an unfortunate Chancellor of the Exchequer

is beset, the perpetual communications received from amateur financiers who desire to swell the national purse at the expense of those whose way of living is not their way, who prefer cats to dogs, or parrots to either, who consider it more moral as well as more healthy to drink tea than ale, and to listen to the inspiring strains of the ambulatory German brass band than to the daily roulade and faltering quaver of the street organ. 'There is this curious fact to be learnt from my correspondence, that social reformers wish to utilise the Inland Revenue as a means of carrying out their views. There are, it appears, two classes of opinion as to the imposition of taxes. According to the one, taxation ought to be imposed in such a way as to produce the largest revenue in the most convenient manner and with the least friction. That, of course, is the orthodox view, accepted in the established departments. Another school, however, think that taxes ought to be organised so as to produce social reform, and that those whom they deem to be wicked ought to be made to pay high taxes, while more virtuous men ought to be relieved. . . . I admit that that is a lofty and philanthropic view, but it is not the traditional view of the matter, which is that the revenue is to be the main point which the Chancellor of the Exchequer has to take into consideration.'

This is very excellent sense. Indeed, the whole speech is conceived in a vein of sound common-sense and good-natured banter which is characteristic of the speaker. But is it not after all likely to lead people astray somewhat from the consideration of forces which do, as a matter of fact, very greatly modify from time to time the traditional views of the established departments? The business of the Chancellor of the Exchequer is 'to produce the largest revenue in the most convenient manner, and with the least friction.' So we understand why there is now a brewer's, but not a baker's, licence—not, in this case, because it is more convenient, but because there is less friction than there would be by the opposite arrangement. But why is there less friction? Because people would not stand a tax on a prime necessary of life as quietly as one on a necessary which occupies quite a secondary position, because the former tax would cause a feeling of irritation, a feeling of rebellion at its injustice. So that at the root of our notion of convenience and absence of friction we find a notion of justice, of equity. In truth, then, governments and Chancellors of the Exchequer do in a measure take upon themselves to decide that it is more necessary, and, generally speaking, more right, for people to spend their money on some things than on others. The only reason for making publicans (and sinners?) pay

for a licence, and not bakers, is that it is better to hamper the manufacture and sale of a comparatively unnecessary commodity than that of a necessary one. In much the same way and for much the same reasons the Chancellor of the Exchequer decides—always with a becoming humility of which I am deeply sensible—that if I buy pug dogs for pleasure I shall be taxed, but if I buy sheep dogs for use I shall not be taxed; and if I purchase playing-cards or gold plate I shall be taxed, but not if I purchase Christmas cards or books. In the latter case I have to pay if my taste lies in one direction rather than in the other; it cannot be urged that there is here any question of convenience; a very light tax on books would bring in more than that on gold plate, and would be levied with the greatest ease. The real reason, the real motive of choice, is to be traced to the general and natural feeling that a taste for playing-cards and gold plate is of more doubtful public value than a taste for Christmas cards and books. Cleanliness being next unto godliness, the government raises no revenue on the use of soap and water; and godliness itself being of inexpressible value to us, we are not merely left to seek it undeterred by taxation, but, until quite recently, were actually taxed[1] in order that we might surely be provided with it. Many people rebelled against this parti-

[1] And, indirectly, are so even now.

cular tax, but that was not so much because they did not set store by godliness as because they did not rejoice in the form in which it was supplied to them.

All this is highly commendable, but it is a little perplexing when considered in relation to the modest disclaimers of our statesmen. The fact is that in no branch of legislation can the government quite divest itself of its paternal character. It is in some measure the guardian of the nation's welfare, and as the public morality is inextricably bound up with its welfare, it follows that our rulers must in some measure be the guardians of public morality. Too great an assumption of humility on the part of our public men in their relations with the electorate seems to be very undesirable. We hear too much of their being the nation's servants, and not enough of their being its leaders. In the best sense of the word they are servants of the public; but perhaps it would not be amiss if some of them remembered that a servant gradates to a menial, and that a menial sometimes becomes a pander. The politician who, contrary to the best traditions of English statesmanship, substitutes delegation for representation, and blindly follows instead of wisely leading, is in danger, consciously or unconsciously, of becoming a pander.

We delude ourselves when we say that it is not the business of government to look after the

people's morals. The great mass of the electorate expect and require of the government that it shall from time to time, as the occasion arises, embody measures for the preservation of public morality; the real objection to such measures being, not that they run counter to some imaginary principle, but that it is often difficult to arrive at a wise prescience of their effects. When we vote for a parliamentary candidate, we do not merely satisfy ourselves that he is a sensible man who will not dip his fingers into the public money bag; we are also a good deal concerned as to his general moral worth, though we may not say so in so many words. Our public men are well aware of this, and of the importance of at least keeping up the appearance of private morality. The reader need scarcely be reminded that only the other day one of them voluntarily retired, for a time at least, from public life, because his private moral reputation had in one particular only suffered, whether justly or unjustly is not to the point.

So, it seems, even with regard to taxation we must take our statesmen's disclaimers *cum grano salis*. A truly modest man is often not aware of his own worth. These modest men have literally been doing good by stealth, and may one day blush to find it fame. Or would it perhaps be a truer statement of the case to say that each in turn has been *le médecin malgré lui* of the nation's moral

condition? However this be, we may confidently say that taxation, considered apart from its direct and obvious function, constitutes a force which, temperately and consistently wielded, in a genuinely unpharisaical spirit, makes for the health and happiness of the nation—and can we dissociate morality from health and happiness?

On this subject of other people's pockets, and what various individuals propose to do with their contents, I would take the opportunity to call the reader's attention to a few facts in connection with the National Debt, and to invite him to reflect a little on them. They are not new facts or recondite, by any means; anyone who will may glean them for himself from the plentiful harvest in the 'Citizen's Series,' the special field of inquiry being 'The National Budget'—they may even be gathered, in a rough way, from the pages of that marvellous publication, 'Whitaker's Almanac.' It is with a certain sense of sorrow and shame that I have to acknowledge I have been quite unsuccessful in my attempts to devise a satisfactory scheme for the rapid extinction of the National Debt. It has, however, occurred to me—perhaps to others also—that this desirable object might be furthered by the simple expedient of paying a larger yearly sum towards amortisation.

On January 5, 1815, towards the close of the Napoleonic wars, the total amount of the

National Debt was 900,436,000*l.* On April 5, 1885, the debt amounted to 742,282,411*l.* Thus in a period of seventy years the nation has reduced its debt by about 150,000,000*l.* In 1861, we paid as cost of interest and management of the debt, including the sinking fund, 26,328,207*l.* In 1885 we paid for the same purpose 28,883,673*l.* In the period included between these two years the population of Great Britain has increased nearly thirty per cent., and her wealth probably more than fifty per cent. The amount of money which has been paid to the successive bondholders by the successive generations of Englishmen since the debt was first established may be imagined when we are told that in the period of twenty-five years which we have been considering the sum thus paid amounts to some 630,000,000*l.*

Let us look at the principal items which have gone to swelling our indebtedness :—

1. Period of the Seven Years' War (1756–63 ; war expenditure continued till 1766).—Total cost of war, estimated by deducting the average military peace establishment, 82,623,738*l.*

2. Period of the American War (1776–85).—Total cost (estimated in the same way), 97,599,496*l.*

3. Period of the Napoleonic wars (1793-1815).—Total cost (estimated in the same way), 831,446,449*l.*

These are not the amounts by which our National Debt was increased during those periods.

A portion of the necessary expenditure came out of contemporary pockets.

The grand total of war cost since 1688—always deducting the average peace establishment—is 1,258,681,000*l.* Of this 864,260,827*l.* has been furnished by means of loans.

These things are generally known, at least to the Englishman of average education and information, but I question very much whether they are generally thought about. Do the great majority of Englishmen realise all the meaning that lies in these facts and figures—as well as they realise a part of it? Here, at all events, is one rather sad meaning: The people of Great Britain, or rather their rulers (for the great mass of the people, including the educated classes, scarcely comprehending the exact nature of the transactions, cannot be held morally answerable for their adoption), in order that everyone—during certain periods of danger and disaster—might take life a little more easily by avoiding some of the hardships entailed by wars not always just or necessary, condemned the future generations to pay to the lenders and their successors (for the most part non-producers of wealth) a sum which, before complete discharge of the debt, will amount to a figure which it baffles us to estimate, and which we cannot well realise in imagination. The English people, or rather their foolish or knavish rulers, instead of stoically endur-

ing misfortune when the fitness or unfitness of things brought it upon them, shifted the burden of pain from off their own shoulders to those of successive generations, heedless of adding to the pain and trouble to which these generations were to be born—as the sparks fly upwards.

But, it may be urged, we could not have well lost the American colonies for less than the ninety-seven millions which that transaction cost us ; nor could we have maintained our death-struggle against Napoleon without borrowing the 600 millions which had to be placed to our National Debt account in the course of the twenty-four years which the struggle lasted. The nation, some will explain, had it not borrowed, would either have succumbed to the Corsican or so crippled itself, that the loss consequent on its enfeebled state would have been greater than that entailed on future generations by saddling them with debt. This is a very obvious objection, but is the supposition it involves a true one? Let us look at another national treatment of a similar difficulty, the Prussian treatment of the Seven Years' War, when that kingdom confronted and kept at bay almost the whole of Europe in arms. This was Prussia's death-struggle, the struggle of a nation numbering some four and a half millions (helped a little by England during the latter part of it) against the armed forces of Austria, France, Russia, Sweden, and the chaotic con-

federation which went by the name of the Empire. During these seven years Frederick the Great kept in the field a force of some 200,000 men ; his yearly war budget amounted to about three and a quarter million sterling, of which during the last four years England supplied about three-quarters of a million yearly. When in 1763 came the Peace of Hubertsburg, Prussia was in an almost desperate condition ; the country was apparently quite ruined, fields untilled, farms untenanted, industries abandoned ; one man in nine of the population gone from them. Seven years, or at most ten years later, ruined Prussia was completely repaired, once more in a prosperous condition. All this was done—war and the repair of the destruction of war—without borrowing any money save some insignificant sums from the local Prussian Stände in the course of the war, sums which were punctually repaid at its close. The Prussian nation did not borrow, it gave what it had, to the last groschen, ate what it could, and for the rest managed to live on hard fighting. The royal plate went to the mint, the coinage—sad expedient—was debased, and Frederick drove hard bargains all round, but no one was robbed – except the contemporaries who were paid in debased coin, and, in practice, these constituted the whole nation ; merely, then, a bad system of taxation—least of all those who were to come after, and could not defend themselves save dishonourably. In 1778,

when Austria made a bid for Bavaria, Frederick put in the field a splendidly equipped army of 200,000 men, and the Bavarian affair was shortly settled by compromise. One of the reasons why Frederick could do these things was that he and his father before him were always ready for war—not seeking war, but on the look-out for it, an example which we might follow with profit to ourselves.

During this very period of the Seven Years' War (or, as we have seen, this period extended to eleven years) England, partly for the conquest of Canada, partly for the conquest of the Duke of Cumberland's laurels, expended the sum of 82,623,738*l.*, of which something like fifty or sixty millions (with interest) was left for posterity to pay.

'Look here upon this picture and on this.' Which bears the nobler features, the finer colouring? Which is the genuine and which the counterfeit presentment of national honour, valour, and self-sacrifice?

It is a mistake to think that even the most lavish expenditure of a nation's amassed capital, the most ruthless destruction of a nation's property, the most complete temporary cessation of a nation's commerce, can permanently cripple that nation's resources or dwarf its real greatness. For a people's riches, apart from the natural advantages of soil and climate, depend upon its energy and

capacity for work, and its greatness on the fine temper of its endurance. The war of 1870–71 was, for so short a war, a ruinous enough one to France; yet within three or four years of its cessation the country was as rich and materially prosperous as ever, save perhaps for the burden of the war indemnity; and what difference would it have made to this recovery had the necessary war funds been directly raised instead of being borrowed? But it is not the borrowing of money that is immoral; it is the leaving it to be paid by others. Possibly it may be more convenient and less immediately costly to raise a loan for purposes of war than, as in bygone days, to proceed by levying a tenth, eighth, or even fourth, of men's goods and chattels. Wars are too sharp and sudden nowadays to trust to the more cumbersome method of old times. But if it is necessary thus to obtain money it should be honestly repaid by the actual borrowers; for all practical purposes it would probably be near enough to the mark were the payment effected in the course of one generation. The essential heartlessness of the present system as compared with the old becomes evident when we consider how the burden is borne in the two cases. In the old days the cost of war was defrayed by each man in proportion to his possessions; thus, those whose only possession was their capacity for labour felt the pressure of taxation least; whereas now war is a

profitable source of investment for the capitalist, and in order to secure this for him we mortgage the labour of unborn generations. This is a dishonest and disloyal proceeding. And to pretend that we engage in costly wars for the benefit of distant generations is a piece of hypocritical cant which can pass current only with those who are accustomed to palm off on a blind, perverted judgment the false coin of an undisciplined imagination.

Of late years we have made some praiseworthy efforts to reduce our debt, because people and politicians have begun to understand that, far from being advantageous to the nation, as it was the fashion to believe, it is a very heavy direct burden on it, and indirectly tends to cripple industries and restrict production ; but to the moral aspect of the question, to the cowardice and folly of the nation's past conduct, to the insidiousness of decay in the national character brought about by seeking a too easy refuge out of difficulty and danger, we do not appear to be alive ; and this must be, surely, more because the matter is distasteful to think of than hard to realise. Are we not somewhat too full of commiseration for ourselves ? Does the shoe pinch a little somewhere, does taxation bear a little heavily on us, we at once tamper with the sinking fund, as the Chancellor of the Exchequer has done in this year's (1887) 'humdrum' budget. If the

income-tax presses hardly on a certain class of the community, it would be more statesmanlike on the part of the Chancellor of the Exchequer, more honest on the part of the nation, to distribute the burden on our own backs than to let it slide off on to our children's.

Moderation in all things, certainly. No one expects the nation to sacrifice itself to an exaggerated ideal of duty; but self-pity pleads with so melodious a voice, our immediate interests loom so large, that the sternest reading of this moderation is the safest one to adopt.

CHAPTER XIV.

RECAPITULATION AND CONCLUSION.

Recent statistical information respecting income tax and foreign trade—The agricultural question viewed by the light of recent protective legislation in France—Cobden's time and ours—Summary of the main points of our commercial condition.

I.

BEFORE asking the reader to arrive at a final conclusion on the subject of our commercial policy, I will lay before him, in convenient juxtaposition, the latest statistical information which may be said to bear at all markedly on the question.

Income Tax.—It has been a matter of surprise that, notwithstanding the depression of trade, the income tax returns have continued to show a steady increase in the gross amount of trading profits assessed. Various explanations of this have been given (see pp. 60 and 61), and it seems not improbable that they may on the whole have been correct, for we find that the tide has begun to turn here also. The gross assessments under Schedule D (trades, professions, railways, &c.) for 1885–86 show

a decline of 3,101,000*l.* from the amount of the previous year; but even this figure does not measure the full extent of the decrease, for, as the *Economist* of August 27, 1887, points out, the returns under this schedule for 1885–86 are higher than they would otherwise have been owing to the measures adopted by Mr. Childers in his budget for 1885–86, and designed to prevent the evasion of the tax on coupons paid abroad. The *Economist* estimates that the real decrease under this schedule amounts to about 6,000,000*l.*, a decrease of rather more than two per cent.

A significant feature which these returns disclose is that, while every important section of profits in British industry shows diminution, the profits arising from investments in foreign and colonial government securities continue to increase; an indirect, though very convincing, proof that British capital shows a decided tendency to abandon British industries for more remunerative foreign investments. It would be interesting to know whether the same tendency obtains in the directions of *private* foreign and colonial enterprise.

Imports and Exports.—A statement of the trade of the United Kingdom with foreign countries and British possessions in 1886 was issued on September 17, as a blue-book.

The following abstract is taken from the *Times* of September 19:—

Value of the Total Imports and Exports of Merchandise, distinguishing British and foreign and colonial produce exported.

	1882	1883	1884	1885	1886
	£	£	£	£	£
Imports . . .	413,019,608	426,291,579	390,018,569	370,967,955	349,863,472
Exports — British produce .	241,467,162	239,799,473	233,025,242	213,044,500	212,432,754
Exports — Foreign and colonial produce .	65,193,552	65,637,597	62,942,341	58,359,194	56,234,263
Exports — Total . .	306,660,714	305,437,070	295,967,583	271,403,694	268,667,017
Total of imports and exports . . .	719,680,322	732,328,649	685,986,152	642,371,649	618,530,489

This table establishes a fall of 14 per cent. in the total value of imports and exports between 1882 and 1886, and of 12 per cent. in the value of British produce exported during the same period. But such comparisons are misleading without proper corrections. The fall in prices between 1882 and 1886 is in proportion to the fall between the numbers 84 and 70,[1] but on the other hand the increase of population between these years is estimated to be about 4 per cent. Taking the sum of imports and exports for 1882 as in round numbers 720,000,000*l.*, and increasing it in the ratio of 100 to 104, and then decreasing it in the ratio of 84 to 70, we get, as a correct figure for comparison with 1886, the sum of 624,000,000*l.* For

[1] See Mr. Augustus Sauerbeck on the prices of commodities. *Proceedings of the Statistical Society for* 1886.

1886, the table gives us 618·5 millions, so that the fall is not a great one, but it is highly significant of the change which is coming over our foreign trade. Between 1882 and 1886 there is a distinct reduction of it per head of population, whereas, if we make the same corrections for population and prices between the periods 1865–69 and 1880–84, we find the total of imports and exports to have increased per head of population in the ratio of 17 to 24·4.

One word more on this subject. The statistical evidence afforded by the returns of foreign trade is very valuable up to a certain limit; it affords a fairly trustworthy though indirect record of production, but it can never, in ordinary circumstances, be conclusive with regard to total production. It may, indeed, be entirely misleading in this respect. Take the following imaginary but quite possible case. Twenty years ago, in a certain country whose inhabitants numbered 10,000,000, it was found that 1,000,000 of these were employed in producing certain commodities and exchanging them for commodities of foreign growth; the other 9,000,000 were engaged producing and exchanging among themselves. At the present time matters stand as follows: the population has increased to 12,000,000; of these there are now 3,000,000 occupied producing and exchanging with the foreigner, and, as before,

9,000,000 are producing and exchanging among themselves. Certain economists of that country, with their eyes fixed on the import and export returns, declare that the country is in a most prosperous condition, and are very indignant with some 9,000,000 grumblers who complain that, for reasons unknown to them, the production and internal exchange of the country are unsatisfactory.

Agriculture.—The commercial reports of British consuls residing in France having just been published (September 1887), I take the opportunity to discuss a little more confidently the question of agricultural protection, for in these reports we have valuable information regarding the effects of the recent protective legislation of the French government.

Before 1885 the duty on the import of corn into France was merely nominal: equivalent to 1*s.* a quarter. In that year a duty of 5*s.* 3*d.* was imposed on corn, as well as other duties affording a moderate protection to meat and cattle. Last year (1886) the duty on corn was raised to 8*s.* 9*d.* Of the effect of this last augmentation of the duty we have as yet no information, but the consular reports enlighten us with regard to the protective legislation of 1885. In order that no suspicion may attach to a summary of the information contained in these reports, I will adopt that which appeared in the *Times*—the frankly outspoken advocate of our

present commercial policy—of September 19, 1887. This summary runs as follows :—

'From what has been said here we may fairly come to the following conclusions :—The increase of protective duties on agricultural produce in France has caused not only a decrease in the imports, but a considerable decrease in the exports as well. (2) The increase, so far, has not been of the smallest benefit to the farmer or to the consumer ; on the contrary, in almost every case the price of agricultural produce of all sorts is lower now than it was before the duty was imposed. (3) There is an ever-increasing demand among all persons connected with land for stringent protection, which is likely to make itself powerfully felt in future French governments. (4) The real enemy of the French agriculturist are not foreign competitors, but expensive intermediaries between themselves and their customers (a complaint not unknown elsewhere), heavy local dues, and the wasteful and slovenly system of tillage incident to peasant proprietorship.'

Now number (1) of these conclusions is simply incorrect. There has been a decrease in the import of cereals into France from 34,295,040*l.* in 1879 to 9,280,000*l.* in 1885 ;[2] that is, the decrease of import took place *before* the imposition of the 5*s.* 3*d.*

[2] These and the following figures are given on the authority of the *Times* itself.

duty; and, since the imposition of that duty, the import of cereals has increased (in 1886) to 9,760,000*l.*

In 1877 the export of cereals was 7,600,000*l.*; in 1885 it was 5,300,000*l.*; in 1886 it was 4,680,000*l.*

In 1878 the cattle and sheep imported were valued at 9,520,000*l.*; in 1885 at 5,300,000*l.*; in 1886 at 4,680,000*l.*

In 1877 the cattle and sheep exported were valued at 1,440,000*l.*; in 1885 at 1,040,000*l.*; in 1886 at 920,000*l.*

The only reasonable deduction to be made from these figures is that there has been in general a gradual decrease both of import and export of agricultural produce irrespective of the duties laid on import.

Conclusion (2).—The farmers will either have gained or not have gained according to the relative fall in price of agricultural produce and general commodities; but even if it be admitted that the farmers have gained nothing, and that the consumers of agricultural commodities have not had to pay dearer for them, the obvious conclusion is that the country as a whole has gained by the amount of money paid into the treasury as import duty, which enables the government to remit taxation in some shape or other. If it be asked who then has sustained the loss, we can only suppose it to be the

foreign exporter or merchant. Prices of foreign agricultural produce imported into France must have been reduced—possibly by the whole amount of the duty. This, indeed, appears to be the opinion of the Consul-general at Havre, who says 'the government received a considerable increase of revenue without loss to anyone;' by which we must understand, presumably, without loss to anyone in France.

Conclusions (3) and (4) may very likely be sound, but they do not concern us in the present subject of inquiry.

Now, in considering the probable effects of imposing duties on the import of agricultural produce into the United Kingdom, we must bear in mind that our case is different from that of France in many important particulars. In the first place it does not follow as a matter of course that because a duty of 5*s.* 3*d.* a quarter has not raised the price of corn in France it would not do so in the United Kingdom. When we consider that the excess of import over export of cereals in the case of France amounts to no more than some 5,000,000*l.* worth annually—not exceeding $\frac{1}{20}$ of the total consumption—we can understand that even a very heavy import duty would probably fail to raise the price of this produce to any appreciable extent, for its effect would be to exclude the foreign commodity completely and to extend the home cultivation of

cereals at the expense of other kinds of agricultural produce; or, again, it might lead to a slight alteration in the character of food consumption; in either case, probably, to the detriment of the nation. But we, in England, are in quite a different position. In 1885 we imported 53,000,000*l.* worth of corn and flour, or more than half the national consumption. We cannot, without an extravagant outlay of capital, add very largely to the present home growth. Hence it would be a suicidal proceeding on our part to impose a high tariff on the import of foreign corn. But the case is different for a moderate duty. It is very improbable that an import duty of 5*s.* a quarter would be followed by the same effect as in France with respect to price; the foreign corn grower and merchant are well aware that we are, and must to a great extent remain, dependent on foreign food supply; consequently they will not reduce their prices so readily as in the case of a market which can, at a pinch, altogether dispense with their supplies.

It seems likely that of a moderate duty on corn part would be borne by the foreign merchant or grower, part by the British consumer; that is (taking a duty of 5*s.* for example), the foreign merchant would reduce his price by, say, half-a-crown a quarter, the British consumer would pay half-a-crown a quarter more both for foreign and home-grown corn, and the national exchequer

would profit by the amount paid in as duty. Admitting that the foreign grower or merchant bears part of the burden of duty, it seems clear, so far, that the nation as a whole would benefit from its imposition, for although the British consumer would pay half-a-crown more for the home-grown corn, this would not constitute a national loss, but a transfer of wealth from the nation to the agricultural classes.

But there is another and very important point of difference between France and the United Kingdom. In the former country corn crops take up all the land which can fairly be described as good corn-growing country; but in England the case is notoriously different. In the course of the last twelve years more than a million and a half acres in the United Kingdom have ceased to grow corn.

Here are a few facts worthy of notice, taken from the agricultural returns of 1886:—

	Average of 1871–75. Million acres	1885. Million acres
Total acreage (crops, fallow, and grass)	47·0	47·9
,, permanent pasture . .	23·2	25·6
,, arable	23·7	22·2
,, corn crops . . .	11·5	10·0
,, green crops . . .	5·1	4·7

This table shows us that nearly two million acres of land which used to grow corn and green crops have ceased to do so, and, further, that a

million and a half of these acres have been turned into pasture land. Now it is doubtless quite true that, at present prices, farmers cannot grow corn and wheat crops with profit on these particular acres—that is the reason of course why they have been turned into pasture; but the people who argue from this that it is better so, since it does not pay to grow corn, leave out of consideration a very important point. Better for whom? For the farmers of those particular acres, certainly, because although they get a smaller return from the land their outlay is reduced in yet greater proportion. But better for the nation? No, most emphatically! Class interests are here again at work to blind us to our true national policy. These two million acres and probably two or three million more are capable of growing good corn and green crops, they have in them a greater life-sustaining power than they are now made to yield, and the difference between their present yield of life-support and what they should yield is a clear loss to the country, a clear loss of wealth which the land is capable of yielding.

The matter is essentially one of compromise. The question to be settled is: At what point must we draw the line of conversion from pasture to arable? for up to a certain limit conversion will enrich, and beyond this limit will impoverish, the nation. Practical agriculturists and authorities

such as Sir James Caird could doubtless draw that line accurately enough for us, and, once drawn, we should cautiously feel our way to the right degree of protection which must be afforded in order to bring about the required change in cultivation. One of two things: the imposition of a duty on the import of corn either will not raise the price of it, will not make bread dearer, and will not benefit the agricultural classes, in which case the nation will benefit by the amount levied on import; or else it will raise the price of corn, will make bread dearer, and will benefit the agricultural classes. In the latter case, however, let us clearly understand that what the consumer loses will be divided between the exchequer and the home corn-grower, so that the consumer will lose more than the grower will gain, though the nation need lose nothing more than the cost of collection of the duty. Further, the rise in price will cause an extension of the home growth, a diminution of the import, of corn, and the nation will be enriched by the difference in the value of produce of average corn land and pasture land—the difference, that is, due to the number of acres re-converted.

There is here no question of diverting capital and labour from more profitable home industries; there is more labour in the market than can find employment, and capital is yearly leaving England in greater quantities in order to seek more profit-

able investment abroad. Indeed, with regard to the general question of protection, the right or wrong of the policy hinges upon the amount of unemployed labour and the extent to which the available agencies of production, natural and industrial, are underworked; from which it must be plain that neither free trade nor protection are right in the abstract, but are relatively right or wrong according to the particular conditions of a nation's industrial development in any period of time.

II.

The adherents of the orthodox English school of political economy maintain the conclusion that all state interference with the 'free' development of industry and the 'national' distribution of its products is not only harmful but, in the end, impossible to carry out. Until quite recently that conclusion was accepted without question throughout the length and breadth of the land. For many reasons, which I have already set down and attempted to make clear, I cannot but think that the time has come for us very seriously to reconsider this conclusion. The fact is that the conditions under which the commercial policy of 1846 was initiated have passed away, and new conditions have taken their place. The nations at large have refused, with inaudible expressions of regret, to

substitute the beneficent Cobden scheme of world-development for that which lay in the lap of the gods. Consider the essential change which has come over the industrial and commercial position of the United Kingdom in the course of the forty years during which so much has been done to build up the material prosperity of the nation. In 1846 the industries of foreign nations were, comparatively to their present stage of development, in their infancy. England was already industrially superior to the rest of the world, her artisans were more skilful, hard-working, and independent than those of any other race, her merchant fleets brought to the world's mart the manufactured commodities and the raw produce of the four quarters of the globe. With admirable but strictly limited human foresight Cobden perceived that here was a magnificent opportunity for the development of industrial England. Quickened industry, sound workmanship, production on a large scale: these must lead to an outturn of manufactured produce at a price which should conquer all markets for us. But in order to attain this end two things were necessary: cheap raw material, cheap food and the other necessaries of life. Hence the repeal of the corn laws and of the duties on imports. Population was everywhere expanding; foreign nations might tax our products—so much the worse for them and for us—but they would require them and

buy them, having no others in sufficient quantity or at all comparable to them for cheapness and quality.

Cobden was a sober enthusiast, but he was the victim of his enthusiasm, all sober as this was. Circumstances appeared to be the sport of Cobden, but, in reality, Cobden was the sport of circumstances. To him it seemed quite natural, inevitable, that England should make cotton nightcaps for the rest of the world, and that in return for this commodity the rest of the world should provide Englishmen with cheap and plenteous food, cheap and plenteous raw cotton ; so that, with advancing civilisation, we might go on making more and more cotton nightcaps—until the crack of doom should dispense generally with the laws of supply and demand.

But it was not to be altogether so ; and we who come after Cobden, can now see clearly enough that it could not possibly be so. Some who were of Cobden's own time perhaps saw, quite silently, that this cotton nightcap vision was a nightmare, the sorry consequence of ill-digested intellectual pabulum. When we reflect that the history of the inhabitants of this planet has been the history of race-struggles for supremacy, of internecine strife between sub-races and nations for headship and mastery, it becomes at once clear that for a long time to come—until the time, in

fact, when the lion shall lie down with the lamb—the prime object of concern to these nations will be to shape their general and commercial policy not so that each may accumulate the greatest possible amount of wealth per head of population, but so that each may be as rich as possible and at the same time as populous as possible, so that each may be as self-dependent as possible with the least detriment to the well-being of its members.

Under universal free trade—so far as one may forecast—the tendency of population and production in Europe would be to diminish, population diminishing faster than production, and nations thus becoming less populous but richer in proportion to population. In their character of homogeneous peoples, of fighting entities, however, they would be less powerful than at present. The essence of successful modern statesmanship is to reconcile these conflicting claims of national survival and individual comfort, to adjudge to each its due share of influence, varying the proportion of each according to the peculiar character and circumstances of every nation.

III.

If we would understand our present industrial and agricultural condition, we must turn our most earnest attention to the following special features of it :—

(1) A population increasing at the present rate of one per cent. per annum.

(2) A continual improvement in the processes of industrial production and in the invention and adoption of labour-saving machinery.

(3) A reduction in the cost of transit of goods (especially by sea) already so great as practically to annihilate what was once the natural protection afforded by distance.

(4) A narrowing of the foreign markets for the produce of our labour, accompanied by an increasingly severe competition of foreign with home produce (both agricultural and industrial) in our own market.

(5) The appreciation of the gold currency.

The reader will readily see that in an inquiry into a possible amelioration of our circumstances, and the part which each of these phenomena play in our progress or retrogression, it is necessary to make a radical separation of numbers (2) and (3) from the others. We cannot desire to hinder the operation of causes which are intrinsically beneficent. But with respect to (1), (4), and (5) the case is very different. A considerable number of the preceding chapters are devoted to the examination of the state of things described under (4), and of the remedial measures suggested in connection with it. The discussion of the effects of (1) and (5)—increase of population and appre-

ciation of the gold currency—has also to some extent been entered into, but it is better not to speak of remedies where we have already many doctors in the field. The question of the appreciation of gold has received very close attention and very able treatment; moreover, it is at the present moment under the consideration of a Royal Commission of inquiry. To this it must be added that, if a bimetallic currency is the right remedy, it is one which can only be undertaken in concert with other nations; it is not a matter which rests entirely, like that of a change in our commercial policy, upon England's decision.

One word with regard to the increase of population, which, at bottom, is the most important of all these difficulties, but which, alas! is also immeasurably the most difficult of solution. There are apparently three courses open to us: Direct legislative hindrances to increase. Emigration. Progressive rise of the standard of living, of the status (not *political* necessarily) of labour. The first of these we are mostly agreed is quite impracticable. The second can never be anything more than a temporary expedient, a temporary relief from the pain of disease, not a cure of the disease itself. The third course is that which most recommends itself to thinking men. The Malthusian theory is doubtless accurate in the general application of it, but whether it is an evil that

population presses on the limit of subsistence depends relatively on what that limit is. The further the line recedes from its final position where to subsist is merely to keep body and soul together and continue the species, the less the evil becomes.

IV.

To what final conclusion, then, do we find ourselves led by the thread of reasoning which we have followed through the somewhat bewildering maze of evidence on the subject of our economical condition? I will not venture to assert that the case for a return to protection is so strong as to warrant our making a complete *volte-face* in our trade policy, but it certainly does appear sufficiently strong to justify us in proceeding tentatively and cautiously in that direction.

But, in truth, what I may or may not venture to assert is of very little moment to me, if only I have succeeded in leading a thoughtful few to see that it would be folly in us to pin our faith obstinately to free trade and the principles of 1846, in the vague hope that by some means or other this free trade and these principles will pull us through our difficulties. It is indeed no longer possible for an intelligent and unprejudiced man to maintain that the argument for protection has not something to recommend it, even from the standpoint of speculative political economy. To do so is

unconsciously to betray colour-blindness of the intellect, absence of the faculty of seeing and understanding what is taking place about us. Men in general, and Englishmen in particular, to be sure, are not often converted to any view of a matter by argument or reasoning. It seems to be in the nature of things that we should first hurt ourselves more or less by running against something undeniably hard and immovable, and then make up our minds to reconsider our course. Judging from past events in our national history as well as by the sturdy character of the inhabitants of these islands, it seems likely that in this case also we shall wait to see, or rather to feel, whether or no we need alter our course. This method of doing things has a good deal to recommend it, but it is sometimes costly, even for the richest nation in the world.

POSTSCRIPT.

REMARKS ON MR. MEDLEY'S PAMPHLET, 'FAIR TRADE UNMASKED.'

MR. GEORGE MEDLEY informs us that he was requested by the Committee of the Cobden Club to draw up, for the information of its members, some notes on the 'Fair Trade' report of the late Commission on the depression of trade and industry. Those notes are embodied in the above-named pamphlet.

I have neither space, leisure, nor, to say the truth, inclination to examine in detail all that Mr. Medley, who deals largely in scolding epithets, has to say on this matter, but will fasten at once upon the backbone of the controversy: the imposition of an *ad valorem* duty of 10 to 15 per cent. on imported manufactures. This recommendation is the head and front of the offending of the Commissioners who sign the minority report.

Excerpt from Mr. Medley's pamphlet, pp. 48 and 49:—

'I now go on to comment on the doctrines

contained in the six paragraphs (128, 129, 130, 131, 132, 133). The "Four"' (an exquisitely satirical and playful manner of designating the members of the Commission who sign the minority report, in delicately veiled allusion to the four evangelists) 'speak of two sorts of foreign competition to which their producers are subjected—that which takes place in neutral markets, and that which meets them at home. As regards the former, they see no way of applying what they call a direct remedy, but they see their way of applying an indirect one, which, of course, is that differential treatment of the food products of our colonies and dependencies which forms No. 3 of their remedies, and which is dealt with in the following section.'

'With regard to competition in the home market, which, according to them, is doing so much to destroy the fair profits of their producers and to diminish the employment of labour, they propose the imposition of 10 to 15 per cent. *ad valorem* duties on all foreign imported manufactures. But this is neither more nor less than the re-establishment of protection, and it will now be my business to deal with the arguments brought forward to induce us to revert to this discarded policy.'

'The first of these with which I shall deal is that in (130):—

'"Such duties would, to a considerable extent, undoubtedly keep foreign manufactures out of our

home market, and thereby give increased employment to our home industries."

'How so? How can a cessation of these imports, or of foreign trade of any kind, increase our home industries? If foreign manufactures are excluded, which is the aim and object of the "Four," similar articles will have to be made at home, it is true, but then other industries which the foreign importations would have set going would cease. Our artisans might possibly be equally employed, but the reward of their labour would be less, there would be less to be divided, and the community would be injured.'

I think the answer to 'How so?' is very simple. Mr. Medley admits that the exclusion of foreign manufactures would be followed by the manufacture of similar articles at home, but then he adds: 'Other industries which the foreign importation would have set going would cease.' Now this is just where I think Mr. Medley is wrong. The other industries would not cease, there would merely be a different disposal of their produce, which, instead of being sent abroad in payment of the foreign imported manufactures, would, through the thousand channels of distribution, be used at home to pay for the 'similar articles' of home manufacture. There would thus be a fuller employment of labour, a greater total expenditure on its support (roughly by the amount of production retained at home

instead of being sent abroad); there would be more, not less, to be divided, and the community would not be injured, but benefited.

Let us take quite a simple case: This year I buy 5*l.* worth of foreign imported articles of manufacture; this means, in what roundabout way soever it comes to pass, that I send out of the country 5*l.* worth of home produce in payment of the foreign import. Next year, however, I do not buy any articles of foreign make, but similar articles of home make, so that instead of sending 5*l.* worth of home produce abroad in payment, I send it, in some roundabout way again, to the home producers of the 'similar articles.' This much is quite certain: I have given to some hitherto unemployed or insufficiently employed British artisans instead of to some foreign ones a purchasing power of 5*l.*—practically in the English market—and it seems a common-sense and just view to take of it that the individuals who were supplying the foreign artisans will now supply the English ones. Mr. Medley and those who think with him are led into these and similar errors because they concentrate their attention on the growth of imports and exports. Mr. Medley sees in Great Britain many millions of men producing and exchanging with other millions beyond sea, but perhaps he does not always remember the millions who are occupied producing and exchanging among themselves. What the

fair-traders (unlucky name) see plainly enough, but do not at all make clear as they should, is that there are a number of persons in the United Kingdom who are doing nothing, would wish to do something, and could do something, profitably to all concerned (seeing that the agencies of production are underworked)—persons who wish, had they the chance, also to produce and exchange with their fellows. These latter fellows, however, are already profitably engaged amongst themselves and with the foreigner. Now the fair-traders desire to bring it about that some of those who are taken up producing and exchanging with the foreigner should produce and exchange with their now unemployed brethren. This, in truth, is what the whole matter comes to. The real objection which is struggling to emerge into the light from the depths of Mr. Medley's inner consciousness is that the people who are at present doing a good exchange business with the foreigner will probably not do so good a business with their brethren who are not at present engaged in producing anything but trouble. This is a sound objection, and, as I have already more than once urged, shows us that what we have to fix our attention on is, (1) the extent of loss incurred and gain enjoyed by the several parties concerned, and (2)—alas that it should be the second, not the first, consideration—the 'how borne' of the loss.

A word regarding Mr. Medley's treatment of the sugar bounties question :—

Page 43.—'The "Four" tell us that the position of the British consumer would be the same' (through the effect of countervailing duties) 'as if we had by negotiation obtained an equivalent reduction of the bounties, whilst in his quality of taxpayer he would be a gainer by the diversion of foreign money into our exchequer. Both these assertions are false. The position of the British consumer would not be the same. The British consumer not only eats and drinks sugar in simple forms, but uses it as a component material in a variety of industries which, if the present supply were stopped, or the present price were raised, would cease to be carried on. . . . It is false, therefore, to say that the position of the British consumer would be the same under a countervailing duty.'

What is to be said of reasoning like this? One scarcely knows what to answer to it, whether it were better not to answer it at all. The price of sugar, admittedly, would be raised by the reduction or abolition of the bounties; it would also, admittedly, be raised by the imposition of countervailing duties; the sugar itself in either case might or might not continue to be used in some manufactures, though it is hard to believe that a difference in price of a farthing a pound could be fol-

lowed by the disastrous effects which Mr. Medley's imagination forecasts; but what difference it could make to the consumer as a consumer, whether the price is raised by this process or by that, remains a profound mystery. Mr. Medley is extremely careless in his argument. A little further on he tells us that the minority Commissioners 'speak of the British consumer recouping as a taxpayer what he loses as a consumer.' What the Commissioners do say is, 'in his quality of taxpayer he would be a gainer by the diversion of foreign money into our exchequer,' and this does not in any way imply that he would altogether recover in one direction what he would lose in the other.

Our government, according to Mr. Medley, has been unwise in trying to obtain from foreign powers the abolition of the sugar bounty. Admitting that government interference is advisable, it should have been directed to obtaining an increase of the bounty, so that we might be provided with sugar for nothing, if possible. Well, to be sure, although a somewhat brutal proceeding, involving as it would the utter and speedy ruin of our West Indian sugar trade, this would have the merit of procuring us a very substantial advantage. The question we have to ask ourselves, however, is whether our obtaining sugar at the present price—at a farthing a pound cheaper than but for the bounty—is a sufficient inducement to lead us to

disregard the slow extinction of our West Indian trade. Our government, true to right feeling, but hand-tied by a vicious system of political economy, has attempted in vain to bring about what common justice requires, not to speak of humanity.

In paragraph 59, the four Commissioners, alluding to foreign investments, have not made their meaning very clear; perhaps this is due to some slight confusion of thought. But Mr. Medley, instead of attempting to elicit their meaning, proceeds to make nonsense of it—not a very helpful way of dealing with a difficult matter. I imagine the Commissioners do not look upon the foreign investment of British capital as objectionable in itself, but only so when it is thus invested at the sacrifice and to the prejudice of home labour; and this growing excess of investment in foreign securities they declare to be in some measure due to the unprotected state of our industries.

INDEX.

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