

## FREE TRADE AND THE 'HAMILTON COMMERCIAL ADVERTISER.'

We have read with care and attention the articles in the *Hamilton Commercial Advertiser* of the 26th and 29th ultimo, on the subject of Free Trade, but cannot see that they shake a single position we assumed in our paper of 16th ultimo, to which they purport to be an answer. Indeed the theoretical difference of opinion between us on the subject of taxation, is contracted to a narrow compass, since we infer the explanation we afforded, that our views in the present circumstances of the country are decidedly in favour of indirect taxation—which also we consider must principally be levied on imports—is viewed by our friend as satisfactory.

The principle which we laid down also, that the object of the Legislature ought to be, "to equalize as nearly as circumstances will admit, the pressure of taxation, so that the burthen may be distributed, in proportion to the capacity of the tax payers,—in other words, in proportion to the revenue [i.e. the income] which they enjoy under the protection of the State," is also not far from being in accordance with the views of the *Hamilton Commercial Advertiser*, "that there is a peculiar propriety in levying duties on all such goods imported from foreign countries as belong in any considerable degree to the class of articles of ostentation." At all events the results would probably be nearly similar, and whether a new fiscal scale of duties were framed on the one or the other principle, a great and salutary revolution in our taxation would be effected.

If the editor of the *Hamilton Commercial Advertiser* will take the trouble to glance over the Table of Customs Duties now in force, he will find that the very contrary of the principle which he invokes has hitherto as yet been the rule:—numerous articles, necessary, useful, or essential, to the comfort of the poor, being subject to far higher imposts than those which contribute to the luxury or ostentation of the rich. For instance, lace, silk, and other manufactures of Great Britain, of those costly fabrics singled out by our friend, are subjected to a duty of only five per cent on the cost at the place of manufacture, whilst Muscovado Sugar, Foreign—the only kind in use—pays a duty of at least 75 per cent, Refined, Foreign 60 per cent, British only 50 per cent, Molasses 75 per cent, Tobacco, unmanufactured 35 per cent, manufactured 40 per cent, Coffee, green 30 per cent, roasted 50 per cent.

This list might be extended; but sufficient is adduced to show the injustice of the present system, and its complete opposition to that advocated by the *Hamilton Commercial Advertiser*: in its reform we therefore look for his assistance.

We believe that the opposition which the Editor of the *Hamilton Commercial Advertiser* has expressed to our views, has in a great degree arisen from misconception; and our *confrère* will observe that our remarks are rather directed to remove that misconception, than to obtain any victory over him on abstract questions in Political Economy. If we can approach to an agreement in the goal to be attained, we shall trouble ourselves very little as to the paths by which we may respectively reach it. On this account we hope we may not be considered as treating his arguments with disrespect, because we pass over very lightly his objections to Political Economy as a science. Notwithstanding his remark, that "all the world, with the exception of Great Britain, act in practical opposition to its principles," we must continue to maintain our belief, that those principles are founded in truth, and susceptible of the most rigid demonstration. Nor can we admit that Great Britain is the only country which is disposed to adopt them; on the contrary, there is not a steamer that crosses the Atlantic, which does not bring tidings of some new victory which the principles of Free Trade have achieved. It is true, true in this, as in every other movement in the onward path to freedom, our own country—we rejoice to be able to state it—has taken the initiative; but surely our contemporary cannot shut his eyes to the fact, that nearly every nation, to a greater or less extent, shows a disposition to follow in her wake. In France, which he specially singles out, the progress towards Free-Trade opinions is uncommonly rapid; and the triumphant reception of Mr. CORDON in that country and Spain, together with that of Sir R. PÆL in Prussia, may be viewed as equally favourable omens; whilst even in the United States, as we had occasion recently to observe, there is evidently a disposition amongst the leading statesmen to relax or diminish the protection which the manufacturers at present experience.

As already stated, we do not consider that our opinions differ so widely from those of the *Hamilton Commercial Advertiser*, as to the taxes on luxuries, as he seems to imagine; but we express our dissent from some of his reasoning. For instance, he draws a distinction between taxes on necessities and those on luxuries in these terms:—

"We believe the common sense of every one will tell them at once that there are two classes of commodities, one valuable for their intrinsic qualities, such as wheat and the other grains, butcher meat, glass, iron, &c.; others, such as the finer fabrics of linen, cotton, silk, &c., which are chiefly valuable as marks of riches. A main error in the defendants

of free trade is their confounding these two classes of commodities, and maintaining that a tax on them does equally take out of the pockets of the community all that the tax-gatherer collects; whereas, we hold that while a tax on the one set does so, a tax on the other merely makes them fit for the purpose of ostentation, and stamps with an indelible impress the marks of riches. A tax on lace, for instance, could it have been collected, would, in our apprehension, have put money in the Treasury, without in any way inconveniencing the parties buying it."

Now there is a looseness and inaccuracy in the terms of this statement, which we cannot permit to pass unnoticed. That a tax on luxuries may frequently be collected to the advantage of the revenue, and without inconvenience to the payer, we apprehend no one can deny, and this, as we have already stated, is a strong argument in favour of the taxation of such commodities; but that such a tax does take just as much wealth from the pocket of the payers, as any tax on necessities, is we think equally clear.

The main objection to the excessive taxation of those articles which conduce solely to luxury or ostentation, is its tendency to defeat its object, by causing diminished consumption. In Great Britain, where wealth is so widely distributed, several instances of the injurious consequences of this exorbitant taxation have occurred. "In 1767, £1,500,000 was borrowed on a duty on ladies' chip hats. The duty was made large, that it might be productive: the consequence was that chip hats were discontinued, and the tax produced nothing."—(See Eden's Letters to the Earl of Carlisle.) A similar result followed from a tax on the use of hair-powder laid in 1797, an article in very general use prior to that time, but nearly totally discontinued since. Legislators commonly err in not marking the distinction between what a man can and what he will pay. In levying duties, the rule should therefore be, to proportion them in a considerable degree to the intrinsic value of the articles, and not to the means of those who it is presumed may be the purchasers: and this is probably as nearly an approximation to a just and advantageous system of taxation as can probably be arrived at.

We do not see, in the fresh case put by the *Hamilton Commercial Advertiser*, that he at all mends his position originally assumed, and from which we believe we drove him. We give his further illustration of his views:—

"Let us, then, suppose that some one community has been in the habit of purchasing from some other a certain commodity, coming within the class of utilities, things valuable solely for their useful qualities. Let us call this commodity iron, and say that the quantity imported amounts annually to the value of £1,000,000. Let us now suppose that a tax of twenty per cent. is levied on the article, and that it has the effect of almost entirely prohibiting its importation. Now, as we cannot suppose any community to act thus without a motive, we shall farther assume, that they are induced so to act from their wish to encourage the domestic manufacture of the commodity, and that it comes to be so produced, though at an increase of cost of nearly twenty per cent. The first question that rises is, will the same quantity be consumed as before? We answer, it is very probable it will. Iron enters so universally into all the operations of art and industry, that the quantity used would probably be but very little diminished by such a tax. The community would therefore pay nearly £200,000 more than they did for the same article, and, apparently, no one would be benefited. For, as admitted by the *Economist*, from the tendency of the profits of stock to equal in themselves, the manufacturer of this commodity would receive no permanent advantage from the proceeding. It would, therefore, seem a very foolish one, and yet might not be quite so much so as at first sight it would seem, for it might be that the encouragement given to the home manufacture would, in a few years, so improve it as that it would furnish the consumers with an article so much cheaper than the former imported commodity, that the operation might, on the whole, be beneficial. It is a proceeding, however, to which we do not refer, and the propriety, or otherwise, of which seems to depend on many points which we have not time to discuss.

Suppose that the imported article is lace, and that the annual quantity so imported is also £1,000,000. Let a duty of twenty per cent. be levied on this, for mere revenue purposes, and then we would ask the question, will the same amount be consumed as before? We are of opinion that it will not. We think the impost would diminish either the quantity or costliness of the articles imported, till the whole amount, tax and all, came to be about what it was before, £1,000,000. Our reasons for this are, that lace was once an article of dress distinctive of rank and riches. It is a fabric of which we do not mean to disparage the beauty, but it is quite apparent that that was not the main charm to the fair wearers of it. For though that beauty has been greatly increased, as the cost has been more than proportionally diminished, it has, we see by Macculloch, in a great measure ceased to be worn by the higher ranks. It being, therefore, an article of ostentation, the quantity of it used will be determined, other things being alike, by its price. Just as the tax laid on gold by the King of Spain took nothing from the pockets of those using it for coin, so would the tax on this commodity take nothing out, or take out a very small amount from the pockets of the consumers of lace. The revenue might gain something like £160,000 without any inconvenience to any one."

Now it is evident that the editor of the *Commercial Advertiser* altogether loses sight of the obvious answer to his illustration, to which we referred in our former article, and which is, that commerce being a system of exchanges, we cannot diminish the import of any article, without in a corresponding degree diminishing the export of some other article; so that in the case put, we should be taxing other classes, nay, actually discouraging those branches of trade which the natural circumstances of the country point out as