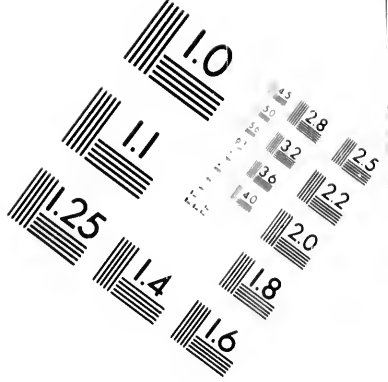
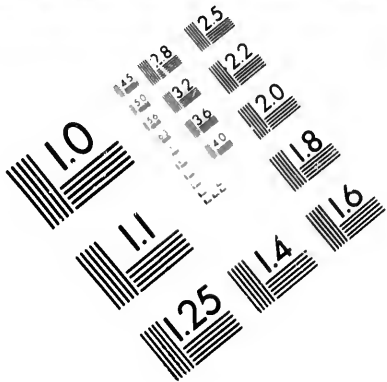
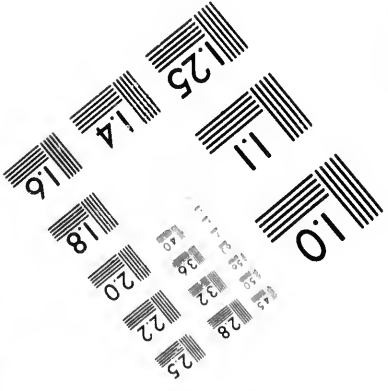
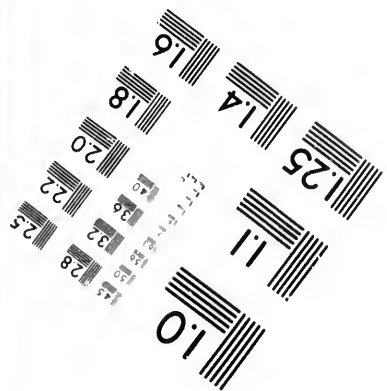
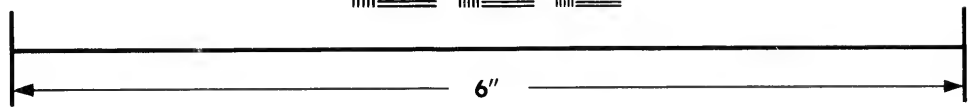
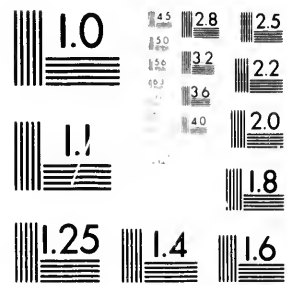




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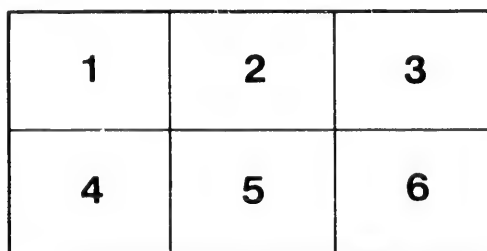
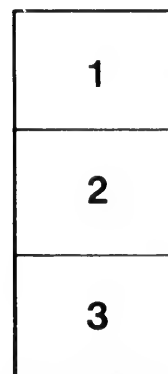
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THE MARQUIS OF LORNE, K.T., G.C.M.G.,  
&c., &c., &c.,  
GOVERNOR-GENERAL OF CANADA, &c.

1

MAY IT PLEASE YOUR EXCELLENCY,

With your permission I have now the honour to submit my report upon the present commercial policy of Great Britain and its effects as shewn by the Returns of the Board of Trade.

The termination of the Commercial Treaty with France restores to England the free control of her Trade Policy, and affords an opportunity, which may indeed be regarded as a duty, of very seriously considering the effects of Free Imports maintained now for upwards of twenty years, in the face of persistent and increasingly hostile tariffs in Europe.

It may not, therefore, be out of place to consider the circumstances under which the system of Free Imports became in the past synonymous with Free Trade, and then to trace by an examination of the progress of British Foreign Trade, its effects upon the well-being of the country, and the prudence of its continued uniform maintenance, irrespective of the action of other nations.

The occasion has now arisen when the whole subject can be considered solely in the interests of Great Britain, and the examination of the facts may be expected to disclose the direction in which the Trade of the United Kingdom can be most easily and profitably developed. -

No one will now be disposed to question the wisdom of the course adopted by England in abrogating the duties upon Raw Materials and Food. Her manufacturing industries were plainly overweighted in their competition with foreign rivals by these artificial burdens, and their removal produced immediate and most beneficial results. Political economists, then exulting in the triumph and success of their principles, pressed their views still more strongly on the public mind, declaring that all duties were necessarily an artificial burden upon the nation imposing them, which was thus rendered less able to compete with others, and that no matter what other nations might do, the course of England should unhesitatingly be in favour of Free Imports.

To-day we once more listen to these assertions: we are still again assured that the Balance of Trade is a delusion, and that the prosperity of a nation is to be measured, not by its exports, but by its imports; that the fact of vast importations of foreign products is not to be viewed with alarm, but rather accepted as evidence that the nation, having required these articles, has obtained them at low prices, and certainly would not have purchased unless it had the ability to pay for them, although such payment has latterly ceased in a large measure to be made by exports of British industry.

Undoubtedly the reiteration of those arguments has been caused by the Fair Trade discussion: though in my opinion the

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judgment will not be as to the wisdom of the adoption of Free Trade (or Free Imports) in those articles which enter largely into the cost of British Manufactures, but whether the political economists who have directed the commercial policy of the nation for thirty years past have not, through their belief in and admiration of general principles, failed to attach due weight to the disturbing effect of other and artificial causes of great importance; and whether it is possible for England to prosper under a system whereby her markets are open to all the world, and those of many other countries practically closed to her,

I have no thought of questioning the laws of Political Economy as generally laid down by our best writers, but I desire to draw a marked distinction between those laws and Free Trade, which I observe is constantly spoken of as if it were a principle in itself, instead of being a deduction only from sound principles, and if, a deduction, then necessarily subject to all the disturbing influences which may surround its application.

The laws of Political Economy must be accepted by all mankind before any deduction from those laws can be capable of universal application. The division of the World into Nations, with all their varied differences in condition, character and laws,—their ambitions, jealousies and rivalries,—must always forbid the hope of any system of economical policy becoming cosmopolitan. Sound principles exist, but their influence must be modified by the distinct peculiarities which govern each Nation individually; and therefore the application of such principles falls rather within the sphere of the statesman than the philosopher, the object being to adhere as closely as disturbing circumstances will permit to admittedly sound laws of Political Economy, and thereby to secure the largest possible advantage from them, in the contest with other countries by whom those laws are violated or disregarded.

Apart from the artificial distinctions separating Nations, it may indeed be questioned whether Nature herself does not impose certain modifications in the application of the laws which underlie and regulate human industry. One country, it is argued, naturally produces cereals, another wool or cattle, a third timber while others are plainly pointed out as centres for manufacturing industry. But in most of these cases this condition is only that existing to-day—it was not true of those countries in the past—it will not be true of them in the future. It is idle to suppose that any amount of reasoning will convince the people of such countries as the United States or Canada, that they should remain producers of cotton, wheat or timber only, while they have daily under their eyes treasures of coal and iron, inviting them to become at least their own manufacturers.

If it cannot be denied that the present condition of the world is such that each Nation will certainly pursue its own selfish policy, the question that Englishmen have now to decide is whether their own policy is in their individual interest, and, if it be not, then in what direction it is susceptible of modification. In the





determination of this question the whole Colonial Empire is most deeply interested, and I hope to show it is in their direction that the commercial greatness of the United Kingdom can be most surely maintained and increased. 3

Free Trade as now applied in England is a misnomer: no such term can justly be applied to a system which places England in a position of isolation; the freedom from artificial burdens on trade being given to the Foreigner in her markets without any corresponding advantage being conferred upon the British producer. The system may be wise and capable of being shown to be in the interest of England, but it is not Free Trade.

The argument in support of this one-sided system is that all Customs duties are a burden on the consumer, that they consequently diminish his productive power, and render him less able in his other character of a producer to compete with foreign rivals. But, while the general truth of this argument must be admitted, still it is only relative, and though England, freed from such imposts may be well able to produce at a certain percentage of lower cost than other nations, still it is beyond all dispute that the difference does not by any means equal the duties which meet the British manufacturer in their markets. He may have the satisfaction of knowing that the United States pay higher for their goods than they might under a sounder system, but he will not the less find himself excluded from their market, and his goods glutting those to which he is confined.

One fallacy, as it seems to me, in the advocacy of so-called Free Trade, consists in speaking of the interests of the consumer as the ruling consideration. Were England only a nation of consumers, no doubt this would be true, but she is at the same time the largest producing country in the world, and it is in the sense of enabling her to produce cheaply that the great triumphs of Free Trade have been achieved. The truth appears to consist in recognizing the fact that though consumption in England may be said to precede production, still in her complex system the two are so intimately blended, that they must work in harmony, or disaster will ensue. It seems bitter irony to tell the working man that your system has given him cheap food, if its effect is to expose his labour to foreign competition, which deprives him of the means of purchase.

The rapid and vast increase in the importation of foreign manufactures that might be made in England, has drawn the attention of the public to this subject and has produced the Fair Trade movement. On the other hand, the Free Traders adhere to the general arguments already stated and contend that England's Trade must be considered as a whole, whose supremacy can only be maintained by a rigid adherence to the existing status.

Before proceeding to examine critically the constituent parts of the Foreign Trade of England, I desire to offer some remarks upon the Balance of Trade, and the assertion which has been strenuously made since the Imports have so largely exceeded the Exports, that the prosperity of a country is determined by the balance of trade.



buys and not by what it sells. If this were true, it is not easy to understand why the enormous exports of the United States should be coincident with a condition of great prosperity, when we find equally vast importations by England attended by great depression. If the present school of economists were right the state of the two nations should be exactly reversed.

But this dilemma will not bear examination in the light of the Board of Trade Returns, as it will thereby clearly appear that prosperity attends increasing exports and more employment for labor and capital, while adversity is as constantly marked by decreasing exports and diminished employment. The Statistical Abstract, 1880, page 34, gives the following exports and imports for the last ten years in millions of pounds.

I may here observe, that in dealing with the Monthly Trade Returns, commentators rarely, if ever, notice the exports of foreign and colonial merchandize,— which is most misleading; as to their extent, they pay for the imports in which they are included, and thus diminish the apparent balance against England.

The abstract referred to states:—

|      |      | Imports. |      | Exports. |  |
|------|------|----------|------|----------|--|
|      |      | £        |      | £        |  |
| 1871 | .... | 331      | .... | 283      |  |
| 1872 | .... | 354      | .... | 314      |  |
| 1873 | .... | 371      | .... | 311      |  |
| 1874 | .... | 370      | .... | 297      |  |
| 1875 | .... | 373      | .... | 281      |  |
| 1876 | .... | 375      | .... | 256      |  |
| 1877 | .... | 394      | .... | 252      |  |
| 1878 | .... | 363      | .... | 245      |  |
| 1879 | .... | 368      | .... | 248      |  |
| 1880 | .... | 411      | .... | 286      |  |

Before establishing a balance it is, however, necessary to correct these figures by allowances for freight, insurance and profit, which are variously estimated on Imports by deducting from 5 to 8½ per cent. and by adding to the Exports 10 to 13½ per cent. Taking roughly, as a mean, 7 per cent. for the Imports and 12 per cent. for the Exports, we have the following result as the actual balance for or against England during these years:—

|      |      | Balance |     |      |
|------|------|---------|-----|------|
|      |      | £       | £   | £    |
| 1871 | .... | 308     | 317 | + 9  |
| 1872 | .... | 329     | 351 | + 22 |
| 1873 | .... | 345     | 348 | + 3  |
| 1874 | .... | 344     | 332 | — 12 |
| 1875 | .... | 347     | 315 | — 32 |
| 1876 | .... | 349     | 287 | — 62 |
| 1877 | .... | 367     | 282 | — 85 |
| 1878 | .... | 342     | 274 | — 68 |
| 1879 | .... | 338     | 278 | — 60 |
| 1880 | .... | 382     | 320 | — 62 |



The circumstance that England is a creditor nation for vast sums will, undoubtedly, while this condition lasts, enable her without inconvenience to import more largely than she exports, and when she ceases to extend further Foreign Loans it must necessarily result that the sums due to her will be paid in goods or in bullion. The extent to which England thus draws interest annually from abroad is only partially known; but has been generally estimated at sixty millions per annum. If this annual payment be taken into account in balance, we shall find that in the period—

1871-5 there was at her credit £290,000,000;  
while in 1876-80 there was at her debit £37,000,000.

The first period on balance England was certainly growing richer, while in the latter she was becoming poorer, as the balances must have been paid in money or money's worth. These figures seem to be thoroughly borne out by attendant facts, which indicate arrest of progress, not exhaustion, or even serious diminution of resources. If, however, with such seemingly unimportant balances, so much depression and apprehension exists, may we not look with great dread to a continuance and extension of the evil of over importation and will it not be wise to arrest its progress by taxing those foreign products which are now displacing home labour and capital.

Another and somewhat remarkable theory has been propounded, and has lately formed the subject of an elaborate report by the eminent statistician of the Board of Trade, Mr. Giffen, who contends that Trade, as a measure of profitable employment, must be taken by the quantities rather than the values. He thus proves that, making the necessary allowances, 1880 was a better year than 1873. I confess myself quite unable to subscribe to this doctrine, as it seems to me if less goods brought more money in 1873 than a much greater quantity brought in 1880, there must *ex necessitate* have been a larger residuum for Labor and Capital in the former than in the latter year. Take the important article of Coal as an example—in 1873, 12,617,566 tons produced at its declared value, £13,188,511, while in 1880, 18,729,971 tons only produced £8,372,933. It is clearly impossible that the excessive quantity exported in 1880 gave as favorable results to the Capital and Labour that produced it as the smaller quantity in 1873. The only true test is that of price—it is not the quantity exported, but the money it produces which establishes the fund by which imports are paid for. Again, the crucial test of actual experience declares that in the one year employment was plenty and wages good, while in the latter year the conditions were sadly reversed.

Believing that in the present condition of the Foreign world, and even of the constituent parts of the British Empire itself, no general rules can be laid down for an uniform policy towards others, regardless of their course towards England—it becomes



most interesting to observe the relations of the Foreign Trade, and to discover how far its operation has tended to promote the welfare of the mass of the people. It is not satisfactory that the necessaries and even the luxuries of life should be cheap, if they are obtained through a system which is gradually diminishing the employment of the people and restricting their power of purchase.

The advocates of the present system of trade, and notably Mr. Gladstone in his Leeds speeches, have treated the Foreign trade as a whole and as the natural outcome of Free Trade, created by it, and only to be maintained through it—exulting over its vast volume of exports as proof of the impotence of hostile tariffs, and minimising the imports of foreign goods as a small drawback unworthy of consideration, beside such great and manifold benefits, while any change is stigmatized as a return to Protection. These statements have been severely commented upon (by Mr. Ecroyd and others), and it has been clearly shown that to summarize our Foreign Trade in this manner is most misleading. Self defence may in a sense be Protection, but when used to repel attack it ceases to be a term of reproach.

This discussion upon the Foreign Trade has led me to an analysis of its composition, and especially in relation to its bearing upon the employment of the people. It is self-evident, apart from the profit or loss that may attend its conduct, whether as merchants or carriers, that it is fairly represented in the official figures of the Board of Trade Returns, as indicating the actual employment of labour and capital it has created, and equally so that the imports of foreign manufactured goods capable of production in England show the extent to which they have diminished the wages fund of the nation.

Any examination of the results of the Foreign Trade should properly have reference to the classes of the population affected by it, and not to the whole nation, and to be valuable and reliable it requires to be through a comparison at different periods. It is the manufacturing and trading portion of the community who furnish the labour and capital for the exports, and it is almost exclusively the same classes who consume the imports of foreign manufactured goods. It is then the urban, as distinguished from the rural population, who are mainly concerned in this portion of the Foreign Trade. The other branches of trade which cover the *free* importation of raw materials and food are an unmixed blessing to the urban working men, whatever they may be to the farmer.

The agricultural population have never shewn very great enthusiasm respecting Free Imports. They have, until recently, found in the general prosperity of the towns' people, indemnity for their exposure to foreign competition in food, and if their condition is now one of great trial, it may, I believe, be largely traced to the depression in the trading centres, which has curtailed





their home market. The bad harvests have impoverished them, while bad trade has prevented their receiving any compensation through better prices and enlarged consumption.

To enable a comparison to be made of the bearing of the Foreign Trade upon the employment of the people, it should, I think, be confined to the urban districts, which comprehend all the mercantile, trading and manufacturing classes—except miners—but in the first instance, it may be less open to objection to refer to the whole population of the United Kingdom.

The analysis which I desire to submit is based upon the Census for 1871 and 1881. It happens, somewhat singularly, that this period—which is the latest, and therefore the best, that can be chosen for present comparison—shews an almost exactly equal Export Trade of British and Irish produce in 1871 and in 1880 (223,000,000 each year), while the ten years included within it comprehend the period of greatest prosperity and also that of greatest depression in trade.

In order to discover the real bearing of the Export Trade in British and Irish produce upon the industry of the people, especially in view of the discussion upon the merits of a continuance of Free Imports, it becomes necessary to divide it into three general classes.

First. The Nations who have developed manufacturing industries, and who already compete with England in her own markets and in other foreign countries. These comprehend France, Germany, Holland, Belgium, Spain, Italy, and the United States.

Secondly. The remainder of the foreign world.

Lastly. The British Possessions.

The Population of the United Kingdom was—

|                          |    |    |              |
|--------------------------|----|----|--------------|
| In 1871                  | .. | .  | 31,845,379   |
| „ 1880                   | .. | .. | 35,246,562   |
| The Export Trade in 1871 | .. | .. | £223,066,162 |
| „ „ 1880                 | .. | .. | £223,060,446 |

Representing as a measure of employment to the people and to capital—

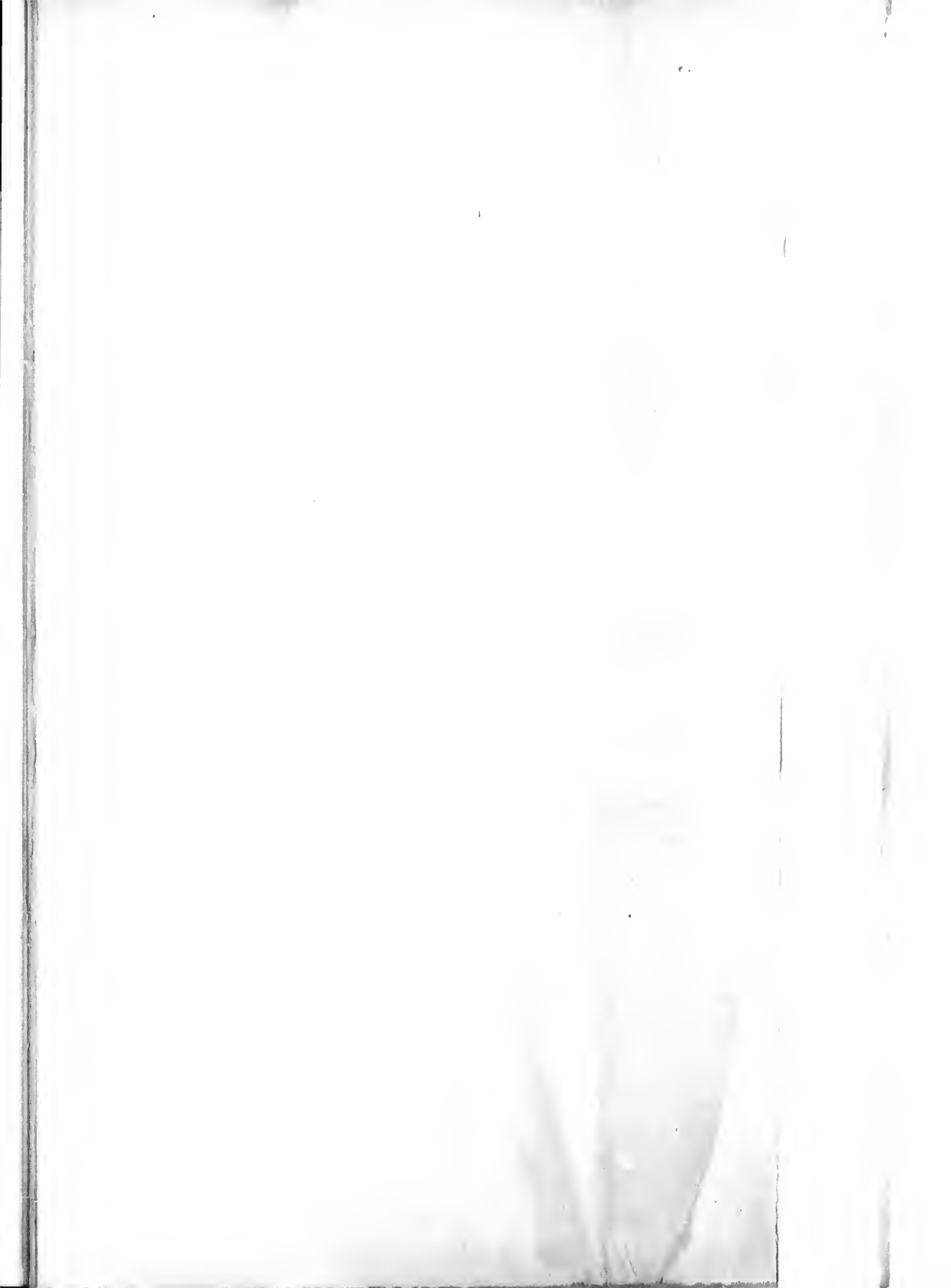
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| In 1871, per head | .. | .. | £7 0 1 |
| „ 1880 „          | .. | .. | 6 6 7  |

Decrease .... £0 13 6

Such are the undeniable results of the Export Trade of British and Irish produce taken as affording employment to the resources of the whole nation, and the decrease is unsatisfactory. But it now becomes necessary to divide this general result into the three classes before specified.

To the first-class the exports were as follows :—

|               | In 1871.          | In 1880.    |
|---------------|-------------------|-------------|
| France .. ..  | £18,205,856 .. .. | £15,594,499 |
| Holland .. .. | 14,104,157 .. ..  | 9,246,682   |



|                  |                  |            |
|------------------|------------------|------------|
| Belgium .. ..    | 6,217,005 .. ..  | 5,796,024  |
| Germany .. ..    | 27,434,520 .. .. | 16,943,700 |
| Spain .. ..      | 3,143,419 .. ..  | 3,222,022  |
| Italy .. ..      | 6,294,737 .. ..  | 5,432,908  |
| United States .. | 34,227,701 .. .. | 30,855,871 |

£109,627,395                      £87,091,706

Per head      £3. 8s. 10d.                      £2. 9s. 5d.

To the second-class, comprehending all other Foreign Nations,  
I find the Trade in British and Irish produce to have been—

|                                     |             |
|-------------------------------------|-------------|
| In 1871 .. ..                       | £62,188,554 |
| „ 1880 .. ..                        | £60,714,561 |
| Representing per head in 1871 .. .. | £1 19 1     |
| „ „ 1880 .. ..                      | £1 14 5     |

Decrease ..      £0 4 8

The third and last class comprises all the British Possessions,  
to whom the export of British and Irish produce was—

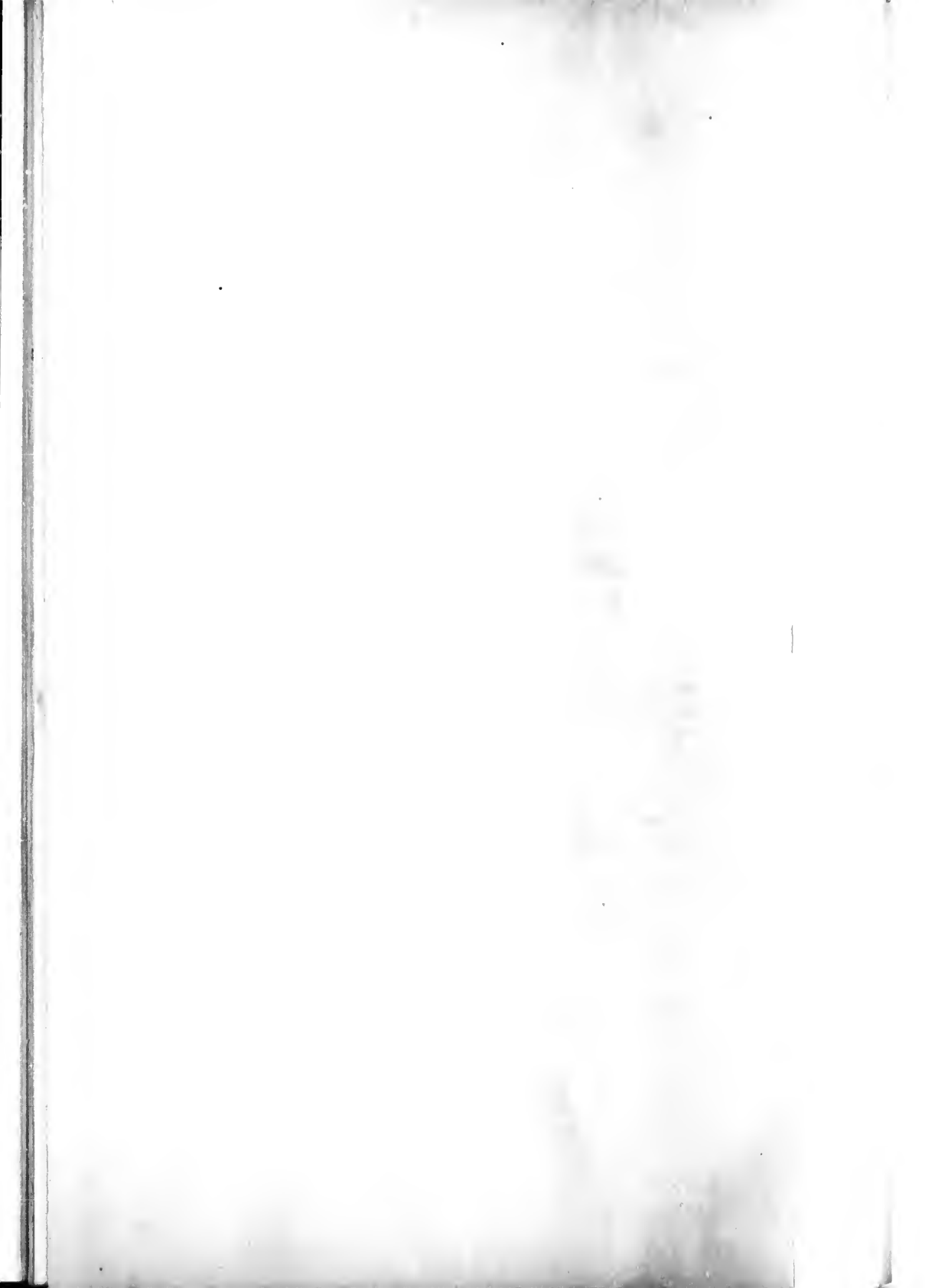
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|------------------------|-------------|
| In 1871 .. ..          | £51,250,213 |
| „ 1880 .. ..           | £75,254,179 |
| Per head in 1871 .. .. | £1 12 2     |
| „ „ 1880 .. ..         | £2 2 8      |

Representing employment for labour and capital  
in United Kingdom, per head .. .. £0 10 6

The summary of the foregoing analysis of the Trade Return, therefore, proves that, as a means of creating wealth by employment of labour and capital, Export Trade with competing nations has fallen off in 1880 as compared with 1871, from £3. 8s. 10d. per head to £2. 9s. 5d. With the rest of the Foreign World it has nearly remained stationary, having decreased from £1. 19s. 1d. to £1. 14s. 5d., per head. While with British Possessions the exports have risen from £1. 12s. 2d. per head to £2. 2s. 8d.

It is now necessary to examine Foreign Trade from the point of view of imports of such Foreign Goods, most, if not all, of which are produced in the United Kingdom; but before doing so I desire to call attention to the following comparative statement of the entire Import Trade for 1871 and 1880:—

|                                      | 1871.          |                  |                   | 1880.          |                  |                   |
|--------------------------------------|----------------|------------------|-------------------|----------------|------------------|-------------------|
|                                      | Total Imports. | Less Re-exports. | Home Consumption. | Total Imports. | Less Re-Exports. | Home Consumption. |
|                                      | £              | £                | £                 | £              | £                | £                 |
| Food .....                           | 112,924,237    | 15,201,108       | 97,723,129        | 173,799,700    | 18,437,605       | 155,362,095       |
| Raw Material ..                      | 158,596,289    | 37,695,047       | 120,901,242       | 154,494,258    | 35,819,030       | 118,675,228       |
| Wines, Spirits, }<br>Tobacco, &c.. } | 13,083,075     | 2,421,140        | 10,661,935        | 10,667,595     | 1,513,053        | 9,154,542         |
| Manufactured Goods .....             | 46,412,066     | 5,191,242        | 41,220,824        | 72,368,012     | 7,584,332        | 64,783,680        |
|                                      | £ 331,015,667  | 60,508,537       | 270,507,130       | 411,329,565    | 63,354,020       | 347,975,545       |



In the preparation of this and other statements relating to the Trade Returns, it is proper to remark that apparent differences may arise out of the sub-division of unenumerated articles which necessarily are more or less the subject of estimate. I think, however, the results arrived at will be found substantially accurate.

Omitting food, raw materials, wines, &c., and following the same classification, the Trade Returns show that manufactured goods were imported from :—

|                   | 1871.              | 1880.              |
|-------------------|--------------------|--------------------|
| France . . .      | £15,525,998        | £26,303,449        |
| Holland . . .     | 4,267,819          | 13,873,539         |
| Belgium . . .     | 9,129,543          | 7,173,132          |
| Germany . . .     | 2,818,426          | 3,906,937          |
| Spain . . .       | 1,929,097          | 2,218,262          |
| Italy . . .       | 683,428            | 537,014            |
| United States . . | 1,648,763          | 4,316,891          |
|                   | <u>£36,003,074</u> | <u>£58,329,224</u> |
| Per head . . .    | £1. 2s. 10d.       | £1. 13s. 1d.       |

From the remainder of the Foreign World we imported :—

|                | 1871.      | 1880.           |
|----------------|------------|-----------------|
|                | £2,526,392 | £2,440,958      |
| Per head . . . | 1s. 7d.    | against 1s. 5d. |

From the British Possessions the imports were :—

|                | 1871.      | 1880.           |
|----------------|------------|-----------------|
|                | £2,691,358 | £4,013,498      |
| Per head . . . | 1s. 8d.    | against 2s. 3d. |

Viewing the Foreign Trade in manufactured goods, both Exports and Imports, with the whole world, in its relation to the well-being of the United Kingdom, and especially of the working classes, the following instructive results are disclosed.

The total amount of Export Trade being nearly uniform in 1871 and 1880, while the Imports of manufactured goods have increased from £41,220,824 to £64,783,680.

France, Holland, Belgium, Germany, Spain, Italy, and the United States, gave employment to British Industry, in 1871, to the extent of . . . . . £3 8 10 per head.

|                                                                |               |   |
|----------------------------------------------------------------|---------------|---|
| Less that which they displaced by goods they sent us . . . . . | 1 2 7         | „ |
| Leaving a net result of . . . . .                              | <u>£2 6 3</u> | „ |

While in 1880 they gave employment to the amount of. . . . . £2 9 5 per head.

|                                     |               |   |
|-------------------------------------|---------------|---|
| Less displaced by Imports . . . . . | <u>1 13 1</u> | „ |
|-------------------------------------|---------------|---|

Leaving as their entire contribution to Labour and Capital in the United Kingdom . . . . .

£0 16



|                                                             |         |    |                |           |
|-------------------------------------------------------------|---------|----|----------------|-----------|
| The remaining Foreign Nations in like manner were customers |         |    |                |           |
| for goods, in 1871, to the extent of                        | ..      | £1 | 19 1           | per head. |
| Less Imports                                                | .. .. . |    | 0 1 7          | „         |
|                                                             |         |    | <u>£1 17 6</u> | „         |

|                                       |         |    |                |           |
|---------------------------------------|---------|----|----------------|-----------|
| While in 1880 they gave employment to |         |    |                |           |
| the amount of                         | .. .. . | £1 | 14 5           | per head. |
| Less Imports                          | .. .. . |    | 0 1 5          | „         |
|                                       |         |    | <u>£1 13 0</u> | „         |

|                                                            |       |    |                |           |
|------------------------------------------------------------|-------|----|----------------|-----------|
| The British Possessions, in 1871, took products of British |       |    |                |           |
| Industry to the extent of                                  | .. .. | £1 | 12 2           | per head. |
| Less Imports                                               | .. .  |    | 0 1 8          | „         |
|                                                            |       |    | <u>£1 10 6</u> | „         |

|                          |         |    |               |           |
|--------------------------|---------|----|---------------|-----------|
| While in 1880 they took. |         |    |               |           |
|                          | .. ..   | £2 | 2 8           | per head. |
| Less Imports             | .. .. . |    | 0 2 3         | „         |
|                          |         |    | <u>£2 0 5</u> | „         |

These figures are sufficiently striking, but it may make the relative value of the Export Trade more clear if it be arranged in its proportions of 100.

|                              |               |               |
|------------------------------|---------------|---------------|
| <i>Class First—</i>          | In 1871       | In 1880       |
| Comprising Foreign Competing | <u>      </u> | <u>      </u> |
| Nations furnished .. ..      | 49            | 39            |
| <i>Class Second—</i>         |               |               |
| Other Foreign States .. ..   | 28            | 27            |
| British Possessions .. ..    | 23            | 34            |
|                              | <u>100</u>    | <u>100</u>    |

Taking the Export Trade and deducting the Imports of manufactured goods.

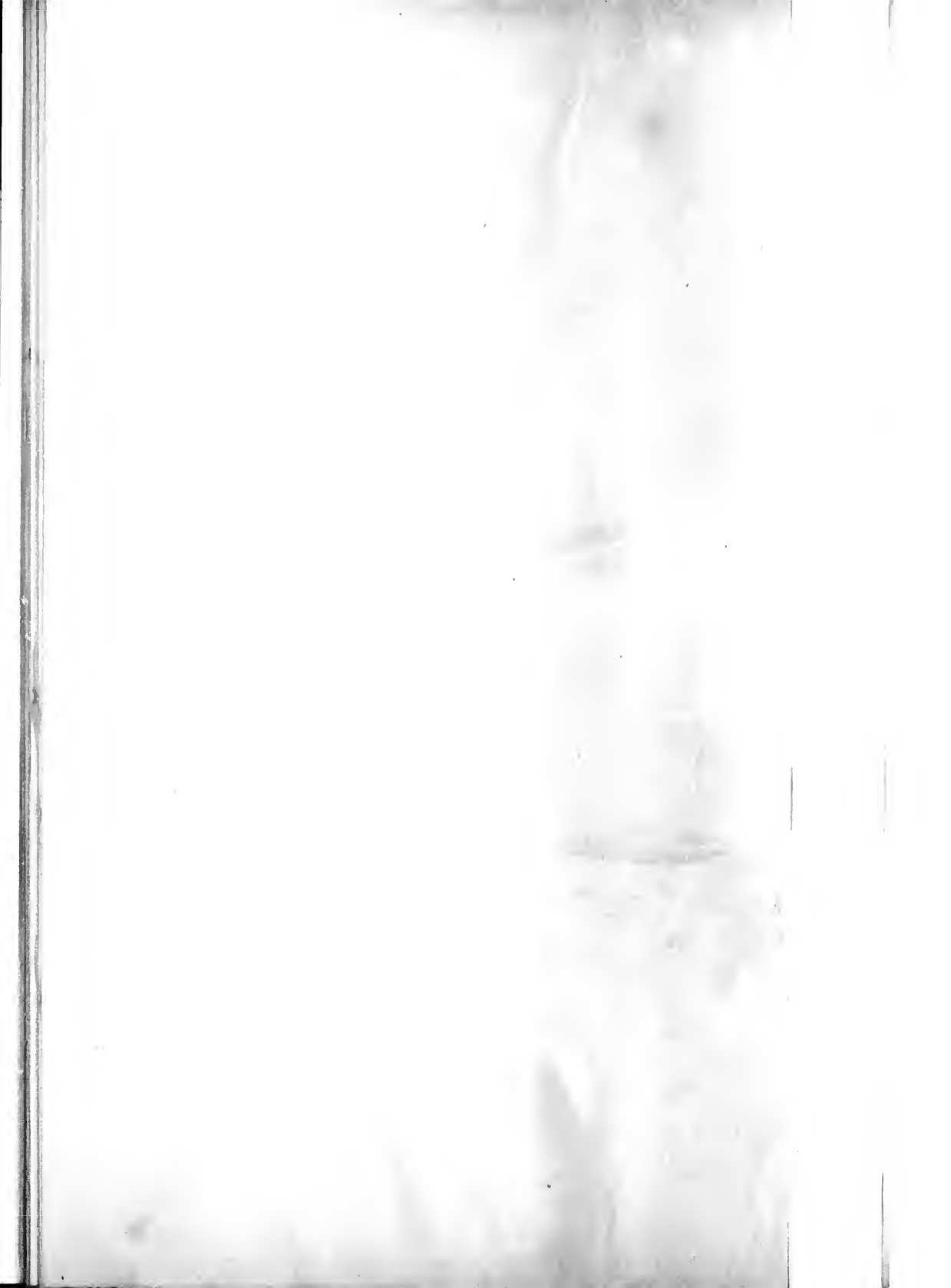
|                                     |            |            |
|-------------------------------------|------------|------------|
|                                     | 1871       | 1880       |
| <i>Class First—Represents</i> .. .. | <u>40</u>  | <u>18</u>  |
| „ <i>Second—</i> .. ..              | 33         | 37         |
| British Possessions .. ..           | 27         | 45         |
|                                     | <u>100</u> | <u>100</u> |

I have previously stated that it is really the urban rather than the agricultural part of the population which are interested in the Foreign Trade. If, therefore, the foregoing calculations be restricted to the urban population, we shall obtain still more striking results.

The Census of 1871 gave as the Town population—

|                          |            |
|--------------------------|------------|
| In the United Kingdom .. | 15,870,966 |
| „ 1881 „ „ ..            | 18,803,583 |





Applying these figures to the Foreign Trade as before analysed, we find—

|                                                                      |                |    |               |
|----------------------------------------------------------------------|----------------|----|---------------|
| <i>Class First</i> —Employment of Capital<br>and Labour reduced from | £4 12 10       | to | £1 10 8       |
| „ <i>Second</i> — „ „ „                                              | £3 15 2        | to | £3 1 11       |
| British Possessions increased                                        | £3 1 2         | to | £3 15 9       |
| ..                                                                   | <u>£11 9 2</u> |    | <u>£8 8 4</u> |

From the foregoing analysis it is evident that the Foreign Trade with the great competing and manufacturing nations has steadily become less valuable as a means of employing labour. If the United States be omitted from this category, the result appears that Great Britain imported from these European nations manufactures in 1880 to within £2,000,000—as much as she exported to them of British and Irish produce.

If, however, within the last decade these countries have so far competed with England in her own home market, may it not safely be assumed that they have still more seriously encroached upon her markets abroad. In what other way can the fact be accounted for, that the Trade with other Foreign nations which do not manufacture remains very nearly the same in volume as it was ten years ago?

It must also be remembered that the trade with Europe is that which is least valuable as an employer of Shipping. The vast, rapid and profitable development of the Mercantile Navy of Great Britain is to be traced, not to her commerce with the Continental Nations; but to the growth of her trade with America, Asia, Africa and Australia. It is true that through her pre-eminence as a carrier, she has made herself the emporium for the supply of Europe with the products of the East, but this is wholly apart from her commercial policy of Free Imports and must continue if that policy were changed, until other nations are able, as France is now endeavouring, to stimulate their marine to the point of successful competition in neutral ports.

Believing the Free Import system to have decidedly failed in Europe, there cannot I think remain any doubt that it is steadily sapping the prosperity of the nation and diminishing the employment of the working classes, and I fail to see that any advantage can possibly arise to this country by continuing the displacement of their own labour and capital by that of foreigners. It certainly does not help England in her trade with the rest of the world, and I believe an Import Duty on Foreign goods and also on such articles as wines and spirits, is the only means of obtaining fair consideration for the claims of her own people.

The fact is that the Foreign Trade which is truly valuable to England is almost wholly with extra European nations and with her own possessions. It is valuable because it is carried on almost wholly by British shipping and British capital, and consists in the



exchange of British manufactures for raw materials and food, both essential to the well-being of the vast masses of working people congregated in our towns. 12

I think it is a great misfortune that the question of Fair Trade has not been strictly confined to the specific cases where Trade is not fair, and with the notable exception of the United States, this limitation would confine the discussion to Europe alone, and would not bring up such general issues as Free Trade or Protection.

The imposition of duties upon the productions of foreign nations, who resolutely refuse admission to British goods on reasonable terms is easily understood and can be defended as politic and necessary. But when this demand is made as part of a general change of policy in regard to trade, and especially when it is suggested that in fairness taxes on food should be re-imposed, it opens up so wide a field that the whole argument becomes changed.

As a matter of fact there is nothing in the great bulk of the Foreign Trade of England, viz., that with ~~European~~ European nations and with her own possessions, which requires any change whatever except in the case of the United States, and as she must have their cotton and their food for the present it is idle to class them with the others in considering the commercial policy of the nation. Upon all the articles England receives from the East, South America, Africa and her own Dependencies, there is nothing to be gained as affecting the employment of labour, by the imposition of new duties.

It has been contended that if duties be imposed upon the productions of France or other protective nations, as a measure either of retaliation or of self-preservation, that it would operate solely for the benefit of the manufacturing classes, and that as the agricultural interests are also painfully depressed, such duties must be accompanied by a duty on food. But this argument tends directly to defeat the whole measure. The working man will never consent to a positive and known evil in the increased cost of his living for the contingent advantage of increased wages by a tax on foreign goods. Neither is a tax on food a measure which the farmers will place much confidence in, if imposed as they know it would be simply to bring a pressure upon other countries to relax their protective tariffs. The farmers would regard it as illusory and transient and would much more readily accept as an indemnity the assumption by the State of those local rates and taxes which so sorely and persistently oppress them. The truth is, that in the present state of England and Scotland, the prosperity of the agricultural class in all its branches has become identified with that of trade, and of the many millions of busy hands in the workshops; good employment to them brings renewed hope to the farmer, and it needs no bribe of a tax on food to make him assent to a policy that will revive industry in the towns.



Strange as it may seem, even as a colonist, I would not ask a discriminating duty on foreign food; no doubt in Canada it would instantly stimulate our farmers and hasten the settlement of our country, but we can wait in full confidence that in a few short years, we shall be able to supply England with all the food she wants, and we can have no desire to stand before our suffering fellow-countrymen here, in the attitude of benefiting by that which they would feel as an injury and a wrong.

I firmly believe the present system of trade must be speedily revised in the interests of the working classes both in town and country; but let it be done by taxing articles that compete with home labour, and luxuries which benefit none but those who enjoy them. Use the revenue thus obtained in removing the burdens on the farmer. Keep the British markets free and open for all that furnishes food for the workman and employment for his industry, and England will be in a stronger and better position to compete with other countries in neutral markets, and to maintain and extend her trade with her own dependencies.

The Colonies are prospering and will prosper, having the vast and varied resources of a new country within their grasp. All they ask is the manly straightforward backing of their own fellow-countrymen in their early struggles. They want the overflow of British population to come to them, and not to go to the United States. Give Canada a million of British settlers in her North-west Territory, and she will speedily solve the food question. Whenever that time arrives, and it is not distant, then it will be possible to deal on terms of perfect equality with all foreign nations, and to secure that perfect British and Colonial Union which should be the desire and aim of all lovers of the British Empire.

In conclusion I contend that the Trade Returns for the past ten years distinctly indicate that for the employment of labour and capital the commerce with European nations is becoming of very secondary importance; that the Foreign Trade with Asia, Africa and America continues of great value, especially in the employment of the mercantile marine. But that the only trade which has been steadily progressive through good and bad years, is that within the British Empire; and that the recent revival is mainly attributable to the prosperity of the British possessions.

I do not believe the time has yet arrived for the establishment of a thorough system of British Imperial Trade but it is rapidly approaching, and in the revision which must now be given to the trade relations of the United Kingdom, I trust her statesmen will not be led away by the idle hope of conciliating the foreigner, from the development of the internal trade of the Empire, which already nearly equals that with the entire foreign world, as



ns of furnishing employment to the working classes of  
United Kingdom.

Respectfully submitted,

A. T. GALT,

High Commissioner.

LONDON, 1st March, 1882.

P.S.—The Trade Returns for 1881, which show a partial recovery in trade, will be found to corroborate the statement hereinbefore made as to the direction in which permanent improvement will be found.

Adopting the same classification, the increase in the total exports of British and Irish produce, amounting to £10,878,473, was thus divided:—

|                                   |    |             |
|-----------------------------------|----|-------------|
| First Class, Competing Nations    | .. | £1,048,329  |
| Second „ other Foreign Countries. | .. | 6,464,904   |
| Third „ British Possessions       | .. | 3,365,240   |
|                                   |    | <hr/>       |
|                                   |    | £10,878,473 |



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on by Sir A. T. Galt 1882  
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These items

