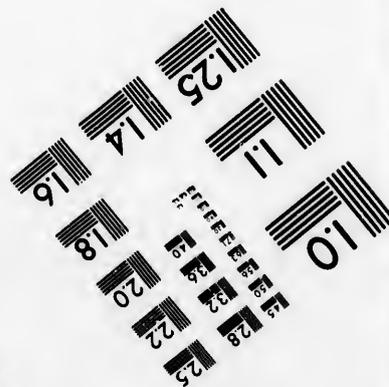
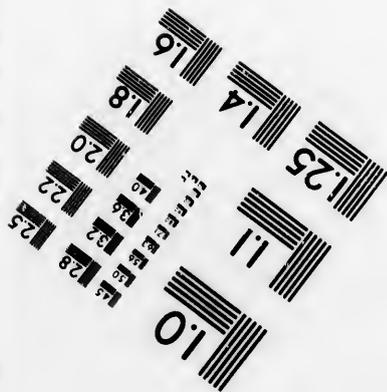
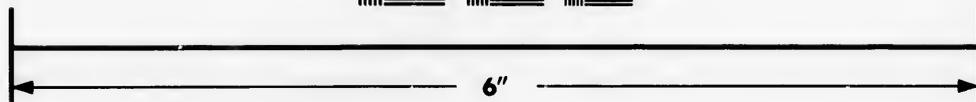
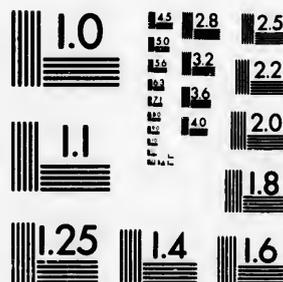


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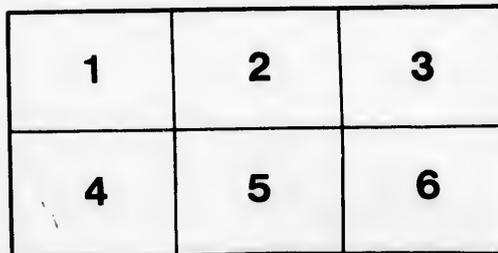
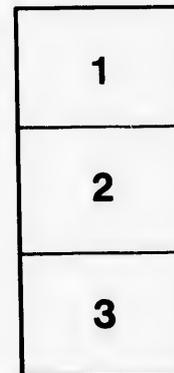
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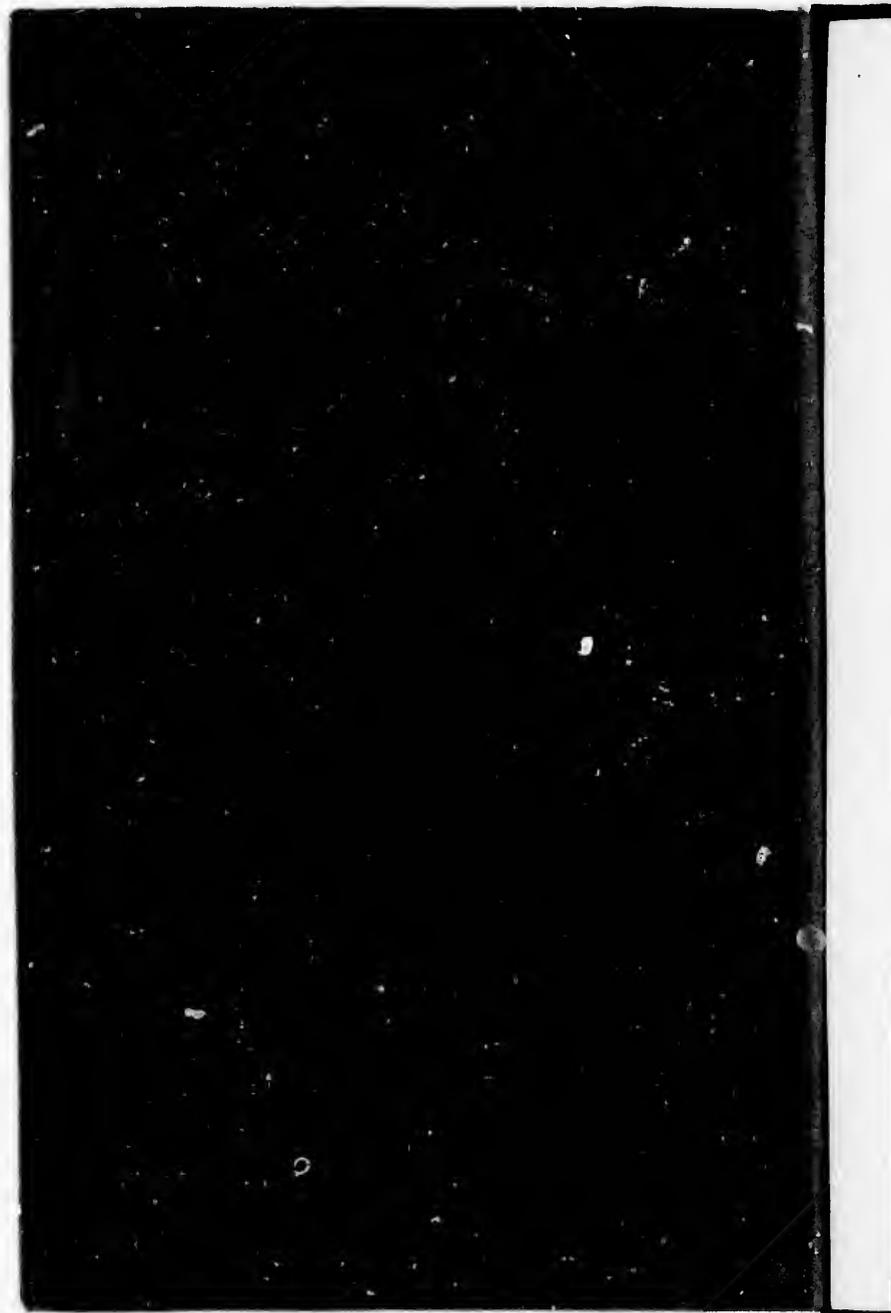
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THE  
NATIONAL POLICY OF ENGLAND.

AN UNPUBLISHED LETTER ADDRESSED TO THE  
EDITOR OF THE "TIMES,"

PRECEDED BY  
PREFATORY REMARKS ADDRESSED TO THE PUBLIC.

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BY  
KUKLOS, *pseud. of*

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*John Harris*

LONDON:  
PUBLISHED BY JOHN HARRIS.

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APRIL, 1878.

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PREFATORY REMARKS ADDRESSED TO  
THE PUBLIC.

SHUT out apparently from communicating with our fellow countrymen in the more usual manner, through the medium of the daily journals, or other periodicals, we again have recourse to the less usual method of directly addressing the public, in a publication of our own. "But why are you shut out from the more usual and convenient medium?" some one asks; "there must be some reason." The reason, so far as we know, and to the best of our belief, is simply this:— That the public critics do not like to be criticized, and that the public teachers do not like their doctrines and theories to be examined or called in question. This, we suppose, is our offence, and the cause why our communications to the public are to be ignored if possible. Some time since, for reasons duly set forth, we cited the "Saturday Review" before the bar of public opinion, for judgment, on a charge of literary injustice to ourself. Is it because we had the effrontery to convict one public reviewer of dereliction of duty in his important office, that we are to forego our right to speak to the public on matters of public interest?

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It would take much to convince us that the public so viewed the case, even if our own right only were in question; but there is much more than our own right to induce us to speak, for we have a message to those whom it may concern; and, "whether they will hear or whether they will forbear," we shall persist in the endeavour to make known to them what we have to say.

With regard to the letter published herein, addressed to the Editor of the "Times," the subject of that letter belongs to Commercial and Industrial Economy, a subject to which we have given especial attention, and on which, as the Editor of the "Times" is, or should be, well aware, we had previously written, advocating, on the one hand, and condemning, on the other, certain doctrines. It may be said very justly, the Editor of the "Times" has a great number of letters addressed to him, and, on any subject of interest, a selection has to be made, only those being admitted to the columns of the journal which, by their fitness are best adapted to inform the reader. As to which are best adapted, the Editor must exercise his judgment and decide accordingly. To all this we quite agree, but whether it be the "Times," or any other journal, the Editor is morally bound to exercise his discretionary power by rule, and to be as fair and consistent as his judgment may enable him to be. The present case, according to our view, is this:—The "Times" advocates at the present time very strongly, as it has done for many years past, that system of economical policy termed *Free Trade*. On March the 7th appeared in the "Times" a letter from Lord Bateman,

entitled "The Six Millions and how to raise them," which letter had for its purpose to commend the re-imposition of a toll or duty on certain imports, primarily as a means of furnishing the six millions granted by Parliament to the Government. The letter, well written and lucidly setting forth the views of the writer, appeared to us to be weak in argument, and based on a very evident fallacy, which rendered nugatory the proposal made by it. Now, if the letter emanating from Lord Bateman, as a known professed opponent to the Free Trade system, were allowed to stand uncorrected by any other opponent of that system, it would probably be inferred by many persons that the arguments set forth in that letter were endorsed and concurred in by others who also condemned the Free Trade system.

Had the Editor published any other letter from our side of the question, correcting that of Lord Bateman, and putting the issues satisfactorily before the reader, we should have made no complaint about our letter not appearing, although we had some claim to precedence. But neither ours nor any other letter, replying to Lord Bateman, appeared, nor was any notice whatever of our exposition vouchsafed.

We speak of having some claim to precedence on the subject; it is briefly in this wise:—The objections to the so-called Free Trade system, which had remained so long dormant that many supposed them to have ceased to exist, became reanimated only a few months since, and seemed to spring almost suddenly into vigorous vitality. The earliest of recent publications in this country, expressly and pro-

fessedly opposing the established commercial policy, was, so far as we know, our essay published nearly three years since, entitled "The Failure of Free Trade and the Cobden Club." This was followed, not long after, by another essay entitled "The Present Depression of Trade, its Cause and the Remedy." Subsequently, less than six months since, appeared, as a first letter to the public, our "Commercial Policy of England in the year 1877." Soon after the publication of this last, the first letter of Lord Bateman was published in the "Times" and almost simultaneously quite a number of writers took up the subject on independent grounds, without apparent concert or strict agreement in the views advocated by them, beyond their unanimous dissatisfaction with the (so-called) Free Trade system, and perception of the ill-consequences which are manifesting themselves as the outcome of that economic policy. Enough, however, has now been said on our part; we are not desirous to blame the "Times" on any merely personal grounds. The Editor and sub-Editors of the "Times" are, presumably, very busy men, and, like other men, liable to commit errors of judgment. Let the omission of our letter pass as an error of judgment; only that, in this instance, as in the case of the "Saturday Review," we must insist *on principle* that the public journalist or reviewer is morally responsible to the public for the equitable and impartial fulfilment of the important public duties which as such he takes upon himself.

Since writing the letter in reply to Lord Bateman's, we find ourselves at issue with the "Times" on a question of

Colonial commercial policy, which, in part, belongs directly to the same subject, and in part is only indirectly connected therewith. Appended to this publication, we reproduce, for the purpose of review, the last of the leading articles published in the "Times" of March 19th. The present commercial policy of Canada is its general subject, and, as will be seen by reference to it, the news of the rejection of a Protectionist readjustment of the Canadian tariff by the Dominion Parliament, constitutes the text of the article. In a somewhat *ex cathedra* style the writer lays down the precise policy which Canadians ought to follow, forbearing from laughing at their ignorance and folly only because it is on a par with that which prevailed in this country and elsewhere until about thirty years ago, when wisdom was first discovered, a discovery which, of course, was immediately followed by the inauguration of the great and immortal Free Trade system.

*"If we were credulous enough to suppose that educated Englishmen must be able to discern their own interests and pursue them, we should marvel that there could be in Canada any Protectionist at all. The case of Free Trade is there so simple and obvious; the advantages of an unrestricted commerce seem palpable. A huge market lies at the door of Canada, and though its neighbours are unwise enough to throw obstacles in the way of the importation of Canadian produce, the advantages of receiving it are too great to allow the trade to be destroyed. The true function of Canada is to pour over its borders into the United States the agricultural commodities it can send into the market under such favourable conditions, receiving back in*

*exchange those other commodities which, as the prices of the market show, its neighbours can produce more easily than itself. A division of labour would thus be established beneficial to both, and the populations of both countries would be developed, and their well-being increased in consequence.*" This statement includes more than may, for the moment, appear to the uninformed reader, because we are bound to assume the writer to reason logically, and that his statement is an inference from facts known or presumed. The statement, therefore, includes inferentially that of the facts which only will relate to it as a reasonable basis. The writer of the article evidently supposes Canada to be characteristically a corn and wheat-growing country; a vast natural farm, blest throughout with a rich fertile soil and with a climate such as to relieve the agriculturist from the cares and anxieties to which in other countries he is unfortunately subject. Whilst the sterile soil and unpropitious climate of Canada's neighbour, the United States, obliges the inhabitants of that unproductive country to employ themselves wholly in manufactures and handicraft industries, for which their natural qualifications especially adapt them. Thus appears the absurdity of Canada commercially shutting the door against the manufactures of the United States, which she so much needs, and which she can buy so advantageously with the grain which the people of the adjacent republic are equally in want of.

We are strongly of opinion that, on more particular enquiry, the author of the article in the "Times" will find that he has been greatly misled as to the facts. Certainly,

the territory of the Dominion of Canada includes much very good farm land, but the whole of the Dominion covers an immense area, somewhat greater than the whole of the United States. Canada proper, namely, the provinces of Quebec and Ontario together, does not possess those very great natural advantages for the cultivation of the cereals which the imagination of the "Times" has led it to suppose. In Western Canada there is a good deal of cultivated land and the produce, wheat, corn, and barley, is usually somewhat superior in quality to that of the neighbouring States of the Republic. But Lower Canada can scarcely be considered at the present time an agricultural country, or to be very well adapted for agricultural pursuits, although, if Canadians were to make agriculture their sole occupation, and adopt a more costly system of cultivation, like that of Belgium or Scotland, supported with sufficient capital, they might be able to export a much larger quantity of produce. But why should they do so, rather than give a part of their attention to manufactures? They have to compete with their neighbours of the United States in either case, quite as much in respect to the agricultural produce as to the manufactures. For the United States territory is not the barren sterile region which the "Times" article assumes it to be. It possesses, as every one should know, immense districts of rich fertile soil not yet utilized by the agriculturist; and, at the present time, besides being able to feed its own population without the assistance of Canada, sends a very large surplus to Europe. The United States farmer does not desire the competition of his

Canadian neighbour, and, therefore, takes measures to prevent it. He much prefers to supply the Canadian market with his grain whenever the price in Canada is sufficiently remunerative. The argument of the "Times" would have had more force if applied to the commercial relationship of the United States and Great Britain about forty years ago, for then the manufactures of America were quite in embryo. Great Britain actually wanted their agricultural produce, and was quite prepared to supply them abundantly with her manufactures in exchange. But Columbia wished to have manufactures of her own. She wished to clothe as well as feed her own people, and wished to find employment for a large population. All this has been done and much more, for, notwithstanding a great advantage in the abundance and cheapness of capital, and some advantage in cheaper labour, in favour of Great Britain, yet, in consequence of the superiority of the commercial policy adopted by the United States, not only have their manufactures been established, but they have succeeded in turning the tables, and are now actually taking away our manufactures from us, whilst we look on astonished but helpless; they are now sending us their manufactured goods in very large quantity as well as their grain, so that instead of buying the grain with our products, we now have to pay for both. No: If the Canadians were so insane as to adopt and persist in the policy recommended to them by the "Times," it would not result in the prosperity of Canada, but would soon put an end to the progress and development of the Dominion. After a time the inhabitants would become few in number,

and consist mainly of farm-owners, farm-labourers, agriculturists, and shepherds. Under the actual circumstances, however, the foolish experiment would soon terminate by Canada becoming a part of the United States. Would such a termination be, to the mind of the "Times," "a consummation devoutly to be wished"? We would not gratuitously nor readily put that construction on the meaning of the present article; but we are mindful that not nearly so much as thirty years has elapsed since influential writers and politicians of reputation told Canada plainly and undisguisedly to be gone, as well as gave her to understand by sarcasm and covert irony, that England no longer desired to be troubled with the care of Colonies. Canadians were told in so many words:—"We no longer want you. Put your loyalty in your pockets, and take yourselves off, like sensible folk. Probably the best thing you can do is to join the United States. They seem to want you, and are quite welcome to your company so far as we are concerned. Or, if you don't like that, why not set up for yourselves as an independent State? That, surely, would be very nice! anything you please, gentlemen, so that only you relieve us from all future responsibility about your affairs."\*

\* Is it not somewhat strange that, especially in the passage just quoted, but in some degree throughout the article, the "Times" overlooks the connection of Canada, as a colony, with Great Britain? If it were Canada's wisest policy to make it her sole function "to pour agricultural commodities over her borders in exchange for manufactured goods," why not pour them across the Atlantic, and take British manufactures in exchange? It can be done quite as cheaply as transporting them to distant towns in the States, and at

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*"Canadians themselves see the force of these truths, when they contemplate trade between the province of Quebec and the province of Nova Scotia, or between New Brunswick and Prince Edward Island, or between Ontario and all the rest. Inter-provincial Free Trade is good for all. In the same fashion the citizens of the Great Republic would refuse to erect Custom-house barriers between Massachusetts and New York, or to establish a Customs line between Pennsylvania and Ohio. Why is it foolish to cripple trade between Boston and Chicago, and wise to cripple it between Boston and Montreal? Why encourage the traffic between St. John and Halifax, and discourage it between Toronto and Buffalo?"*

The reason *why* is this:—Chicago and Boston belong to the same nation; Boston and Montreal belong to two different nations: St. John and Halifax have the same nationality, and both are subject to the same government; Toronto and Buffalo have different nationalities. The one is under the government of the Dominion of Canada, and belongs to the British Empire; the other under the government of the United States, of which Republic it constitutes a part. The writer in the "Times" has taken ground on one extreme, the opposite to which is occupied by the Home Ruler of Ireland. Neither of them has gone, as yet, quite so far from the *reasonable mean* as it is theoretically pos-

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the same time benefit and support the steamships and other vessels, owned partly in Canada and partly in Great Britain, which now in themselves constitute an interest worth giving some consideration to.

sible to do. The principle herein advocated by the "Times" is a sort of international communism. Why not cosmopolitanize the civilized world? Why have more than one parliament in Europe? for example. Berlin is nearly central, and the parliament there might consent to legislate for the whole of Europe. Yet even that arrangement might be theoretically simplified still further perhaps; the Czar of Russia might be not unwilling to govern the whole of Europe himself, without the complication and trouble of any parliament or parliaments. Would this be going too far for the writer in the "Times"? If so, where would he draw the line: and why?

On the other hand, what would the Home Ruler, assuming Dublin to be in favour of a limited monarchy, and a parliament of its own, say to Waterford preferring an autocratic government, with an emperor or dictator; whilst Cork decided to establish a municipal republic? Edinburgh might like to try an oligarchic form of government, and Glasgow choose to adopt Socialism. Why, indeed, should Cork submit to be legislated for by a parliament meeting at Dublin? Or why should not Glasgow scornfully repudiate laws made at Edinburgh or elsewhere? Supposing, however, these towns all to agree to choose a limited monarchy as the most preferable form of government, and each of them merely to insist on having its own supreme parliament, and legislating for itself as a sovereign and independent town. Would not *some* practical objections suggest themselves even to the Home Ruler, such as would cause

him to hesitate and, perhaps, to exclaim: "No, no; that would be going too far!"

*"The United States and the Dominion have suffered from great depression of trade ever since the autumn of 1873; and it is to this great depression across the Atlantic that we owe the bad years we have experienced contemporaneously. The depression originated there, and we must look for a revival of our trade to a new impulse of prosperity in the North American Continent."* Is there not something of the marvellous in this statement? How immense must be the proportions of the trade of the United States and the Dominion, and how dependent must the commerce of Great Britain be upon that of the North American Continent, for a depression of trade in the latter to cause a similar effect in the former. For the moment we will merely suggest that it does not quite necessarily follow, because a trans-Atlantic depression of trade preceded the depression which we have experienced on this side, that therefore the depression with us was caused by the other; for there is at least a possibility that ours might arise from an independent and distinct cause. And there is no small degree of probability that both might have a cause in common, but which commenced to operate at a somewhat earlier period in the one case than in the other.

*"The truth is that our heyday and riotous time immediately preceding 1873—when commerce advanced by 'leaps and bounds'—depended on the activity of the commerce of the United States, stimulated as that was by an excessive expenditure of capital on enterprises that proved to be un-*

*remunerative.*" The statement that "*excessive expenditure on unremunerative enterprises stimulates commerce*" challenges remark. Strict criticism might object that *any* expenditure on unremunerative enterprise is excessive, but the meaning is, if we apprehend aright, very great expenditure. "Unremunerative enterprises" is somewhat ambiguous, for we are not informed whether they were of a kind to be ultimately unremunerative, or whether they were merely unremunerative for a time—whether they were unremunerative in a general sense or in a particular sense. A railway running through a new and almost unsettled country may be unremunerative for many years and ultimately become highly remunerative. It may be unremunerative to the shareholders for a very long time, and at the same time benefit the country through which it passes from the very first. The Grand Trunk Railway of Canada may be mentioned as an example. Now the enterprises spoken of may have been of this kind, or may have been foolish undertakings in which the capital was virtually squandered and lost. Let us amend the proposition accordingly—"a very great expenditure of capital, even on enterprises of an unremunerative character, has the effect of greatly stimulating commerce." We are somewhat doubtful whether this proposition be wholly consistent with the commercial doctrines usually upheld by the "Times," but, for ourselves, we agree and accept it as correct; and, moreover, we request the reader to carefully take note of it, for it is noteworthy.

*"All went well until it was found that the capital which*

*should continue free to support labour had been fixed in worthless undertakings, and there was at once a cessation of prosperity in the United States, which was communicated after a very short interval to Canada and to ourselves."*

We are not sure that this belongs "to the clear thought expressed in simple language," which the writer of the article calls for in others. Let us again take a railway to illustrate the case, and suppose a railway constructed in a locality where it is not wanted, nor likely to be wanted. A railway previously constructed, we will suppose, in the same locality, is able to fully satisfy all the requirements of the country traversed by both of them, and the new line is consequently quite superfluous. This would be a worthless undertaking. But, observe, a considerable part of the outlay upon it has been in the payment of labourers employed in the construction of the railway; another part has been expended in the purchase of rolling-stock, which has employed labour in various workshops; another part in buying the rails, and so on. The capital has therefore passed out of the possession of the promoters of the new railway into that of the labourers. How then can it have become *fixed*? The labourers have paid it away as soon as it came into their possession, and it has been distributed amongst a great number of tradesmen. "*But the labour has been employed in a useless undertaking and lost.*" Just so, but then if the capital had been locked up in a safe, or in the vaults of a bank, and the labourers had been *unemployed*, the labour would also have been lost, and more completely lost, for the useless railway may, in some un-

expected manner, turn out to be worth something, and in the other case the railway would not have been constructed—there would be nothing; no railway nor any other product. In either case *the capital remains*, and its utility in the hands of a number of tradesmen is likely to be at least as great as in the hands or in the strong box of the capitalist. The capital, therefore, could not have become fixed in the worthless undertaking. Evidently the writer of the article has failed to appreciate the important economical proposition—that noteworthy proposition enunciated by himself—which immediately precedes this last statement.

To rightly and fully appreciate the causes of the depression of trade we must go back, not only to the time immediately preceding the commencement of the depression, but also attentively regard that earlier period when the gradual development and slow growth with which our forefathers on both sides of the Atlantic were well satisfied, and which was supposed by them to be much dependent on frugality and financial caution in the administration of national affairs, became converted with almost magical suddenness into a commercial and industrial expansion, augmenting yearly with increasing rapidity.

It has been stated, we believe on the best authority, that the national debt of the United States, which in the year 1861 was about 18 million pounds, increased, in the four following years of war, to upwards of 560 millions. This means, in the first place, that about 550 million pounds, in addition to its ordinary expenditure, was expended by the United States Government in four years. In what manner

was it expended, and for what purpose? Was it invested in public works devised and destined to promote the trade and commerce of the nation? No: It was in part paid to men engaged, not in work of a commercially remunerative character, but engaged in slaying and endeavouring to slay each other. Much of the other part was paid for war-*matériel*, and therefore served to directly benefit those branches of manufacture which supplied that *matériel*. Of the remainder, some part of it was said to have passed into the hands of those who, coveting its possession, did not scruple to adopt illegitimate means to obtain it for themselves.

A considerable portion of this large total was contributed by foreign countries, and became an addition to the capitalized wealth of the United States nation. And with regard to the other portion, contributed by the nation itself, much of that, it should be observed, was wealth previously dormant, which being then capitalized became, as capital, active and potential. The coin currency, for example, was almost wholly capitalized, and the purchasing power of the capital, thus obtained, immediately utilized.\* In other words, the metallic instruments of currency were sold and the proceeds made available by the United States Government as part of its monetary resources.

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\* We are not sure whether the capitalized coin, although expended by the Government, was included in the present estimate as a part of the national indebtedness. We incline to the supposition that it was not included, and to the opinion that it ought to have been; for the instruments of currency have been borrowed, financially, by the nation, and will have to be restored, if specie payments are to be resumed.

Practically the effect must have been nearly the same as if 550 millions, or a large part thereof, had been presented to the Government of the United States by some other nation, and then paid by that Government to those who would be most certain to utilize its purchasing capacity, and in so doing, would stimulate trade. Herein, then, we have a particular and very intelligible cause of the very active state of trade during the period almost immediately preceding the depression.

But, why did the commencement of the epoch of the depression of trade in America precede its commencement in Europe? Two distinct causes may be assigned for the commencement of the depression in America sooner than in Europe, both of which may probably have acted in conjunction. The one was, that the subjects of the United States, having ended the war, and dissipated much of the wealth brought to them from other countries, found themselves face to face with an enormous national debt . . . an actual debt owing by the nation, and on which, as the borrower, it was bound to pay interest annually until the principal itself should be repaid. The other cause was the lesser quantity, compared with England, of reserve capital actually invested in productive industrial enterprise; and also the comparative scarcity and dearness of capital. Consequently when, from causes we are about to state, an epoch of depression of trade was about to set in, prudence and almost necessity required the American manufacturers and tradesmen to reduce their expenditure and restrict their business, thus at once un-

sking, and even increasing, the unfavourable symptoms, whereas in England the manufacturer or other capitalist engaged in industrial operations, would, in the fond expectation of an early revival of prosperity, endeavour to avoid any diminution in the quantity of his production. He, for instance, with his cheaper capital, and larger reserve of it, would keep his factory at full time under circumstances which rendered it almost compulsory on the American manufacturer to shorten his work-day considerably. After a time, of course, as warehouses became filled and markets overstocked, the English manufacturer would be also compelled to assimilate the rate of his production to the diminution in the demand for his product.\*

We have elsewhere† drawn attention to the arbitrary and illogical character of that inference, which, because a long period of unprecedented commercial prosperity *succeeded* the adoption of the (so-called) *Free Trade* system by

° It may be said very justly that the depression in trade generally must have existed for some time before even the American manufacturer could be affected by it; and that the depression was not a depression applying only to manufacturers. But what we have said above as to the relative capabilities of the British and the American manufacturer to withstand the immediate effects of a sudden diminution in the demand for his goods, applies also to the wholesale dealer and, in some measure, to the retail tradesman. The abundance and cheapness of capital enables, and *sometimes* may justify, the English trader to hold a large stock of goods, or even to stock heavily in the face of a failing demand. Hence the depression (being mistaken for a temporary dulness) would *naturally* take longer to declare itself on our side of the Atlantic.

† In "The Commercial Policy of England," and in "The Present Depression of Trade," etc.

England, concludes, in positive fashion, that the prosperity was *caused by* the operation of that system. We have carefully explained the reason why such inference is illogical; namely, that a certain other antecedent satisfactorily accounts, as a cause, for the effect, and is fully sufficient of itself alone to have had the whole effect as its consequent; and, moreover, putting the facts referred to (which, we allege, constitute the true antecedent cause), as an antecedent cause, philosophical consideration of all the circumstances, as connected and correlated, makes apparent that the effect to be accounted for is just such as might have been reasonably expected to follow as the consequent thereof.

What, then, was this cause, alleged by us to be the true antecedent? The question may be answered briefly and generally in these words: the application of the discoveries of steam navigation and railway transport. But observe that the primary consequents immediately combine with the primary antecedents to constitute a secondary antecedent; for as soon as the railway train and the steam ship had connected distant towns and countries with each other, greatly facilitating the intercommunication between them and diminishing the expense, the dormant wealth, which, in the most advanced countries, and especially in England, had accumulated to a very great amount, suddenly found employment as active capital. An immensely increased area soon became available for the operations of the capitalist. Railway communication between some towns, suggested and demonstrated the ad-

vantages obtainable by railway communication between other towns. Steam navigation, rendering distant lands accessible, and moving emigrants in much greater numbers and far more conveniently, soon became the occasion of very much building, existing towns having to be enlarged and many additional towns to be built to accommodate populations rapidly increasing in numbers and wealth. In calling attention to this part of the subject on a former occasion, we did not, perhaps, give sufficient prominence to the work of construction as *in itself* an abundant cause of commercial and industrial prosperity. For it is to this cause, or this part of the compound cause (although, as we shall presently take occasion to point out, less permanent in its character), that the suddenness as well as the great volume of that commercial expansion, so strangely attributed to the supposed magical effects of the Free-Trade system, has been mainly due.

If this should not be at once evident to him, let us remind the reader of that proposition enunciated by the writer in the "Times," to which we particularly called his attention as noteworthy; namely, that capital expended on even unremunerative labour (enterprises) stimulates commerce. It cannot, surely, be less true that capital expended on remunerative labour stimulates commerce. Let the reader bring his mind to collect together and contemplate, severally and collectively, some of the principal of those forms in which construction on a gigantic scale during the thirty years, from 1840 to 1870, was carried on. The network of railways over the greater part of

Europe and America, for instance: what an immense amount of work is represented in that alone. And then the adjuncts belonging thereto, the rolling-stock, locomotives and carriages, the stations and the workshops, the bridges and viaducts. Steam ships of all kinds and sizes. Consider the quantity of work in only one large-sized steamship, with its marine engines and boilers, and then the vast number of the aggregate. Be mindful also of the cities and towns of all sizes which have been either entirely built, or greatly increased in size and virtually rebuilt, within the same period. Now, if the matter be rightly apprehended, it will appear that the construction of these works, independently of their uses and purposes, must have had at first the effect of greatly stimulating and expanding commerce, and afterwards of supporting and so long as the work of construction continued, of perpetuating the increase.

Now it is evident that a period when this work was much of it new in kind, and much of it the immediate result of the application of new discoveries, must be to a considerable extent a transition period. A period of transition from stage coach and diligence to railways and steam transport . . . of transition from ships propelled by wind to ships propelled by steam, . . . of transition, in our own, and some other countries, from a postal service at a high rate, employing comparatively few, to a postal service at a low rate employing an immense number of letter carriers, . . . from a time in which telegraphs were unknown to a time in which telegraphic communication everywhere,

under sea and over land, is familiar to us, . . . of transition in the newer portions of the civilized world from dwellings of wood, and small, badly built, towns, to immense cities and capacious buildings of brick and stone—a transition period of this kind must in the natural course of things, if no fresh cause of disturbance and change supervene, be succeeded by a period of comparative calm and rest. More railways will be wanted and more steam ships, and also, as the newer countries become more populated, more cities will be wanted. But the demand for each and all of these will, unless some fresh stimulant be found to exercise a new and powerful influence, be far less urgent than it has been. As we have observed before, the railway system of England furnishes a good example. It is now in a great measure completed. There may be, and probably will be, many more railways constructed in England; but it will be by a gradual addition, as increase in population generates a demand for increased transport accommodation.

The transition from stage coach to railway has been completed in England some years ago, and the transition work, thereto belonging, is, of course, at an end. In that respect, we have now in England passed again into a calm era of gradual demand and gradual supply. On the Continent of North America the same holds good. A few years ago, work there became more difficult to find than it had been in times past. The labour market became overcrowded, and many labourers idle. During the summer months of the year 1876, the number of emigrant labourers returning to this country was, we believe, more than equal

to the number of those going out to America. Why did they return? Was it because trade was dull, because over-speculation had been rife, because merchants and store-keepers were overstocked, or because the currency had become inflated? Oh, no. Not because of any of these things, but simply because they found there was no work for them to do. They ascertained there was not even sufficient work for the labourers already in the Eastern States. They must either cross the continent and take their chance, for better or worse, of what fate they might meet in the far West, or else return. And so, many of them returned to England and to Ireland. It is true that trade was dull and much depressed, but if those labourers could all have got work at good wages, it would have helped to revive trade, for each of them would have gone with his wages to the storekeeper to procure the needful supplies.

Where, then, are we to look for a remedy? And, if there be a remedy, what must be its character? As we have already elsewhere treated this question with particularity,\* we will here only very briefly restate the proposed plan. It is to increase the relative quantity of labour by diminishing the length of the labourer's work-day; and to confer upon the labourer a potentiality of purchasing, by increasing his wages. The precise form and scope of our proposal is to reduce the length of the work-day by at least two hours, and to increase the minimum rate of

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\* "The Industrial Policy of England in 1877."

wages by fifty per cent. This last increase we propose for the nation to pay to the labourer through an agency expressly provided. Is the proposal an alarming one? To some persons, perhaps to many, it will appear alarming. In England alone, to carry the proposal into effect on such a scale as to be adequate, an annual payment of four million pounds sterling will be required. This will be quite enough to affright the men who mistake the crude inferences of prejudice for the conclusions of science. "*Labour is a commodity,*" they will say, "*which finds its market value the same as any other commodity. If you begin to interfere artificially with the price of labour, there is no telling what the consequences will be. Take money out of the national exchequer, and give it to the labourer! Such a thing was never heard of in England. Why pay men more than they are willing to work for?\**"

We are old enough to remember very distinctly a time when not only columns but entire sheets of the "Times"

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\* Be it observed that this question, which we here suppose asked by an objector, is an arbitrary assumption, as known to be true, of that which is *in fact* untrue. Quite frequently met with, it, at the present time, constitutes the substratum of much fallacy on the subject. It is not true that the labourer is willing to work at the conventional wages-rate. He has no option. He must work at that rate or starve. He does not even appear to give assent by silence, for every *strike* is a protest and a renewal of his claim to the just consideration of his fellow-men. This is one of the grand and glorious harmonies of the great *Free Trade* doctrine, namely, that a labourer must, *because he is a labourer*, work for the lowest rate of remuneration which will enable him to keep himself and family from actual starvation. "Is it true that there is a *natural law* which requires this?" No: it is false.

newspaper were filled, column after column, with the advertisements of new companies . . . mostly but not all railway companies . . . each with its hopeful prospectus, its list of directors, and the amount of its capital.\* We do not know whether anyone had the curiosity to add up and ascertain the aggregate amount of capital which it was thus proposed to invest,† and very much of which was subsequently invested in the manner proposed. We remember how the "Times" editorially shook its experienced head, and, in tones weighty and grave, cautioned the unwary as to the consequences of reckless speculation, prospectively lamenting the results which this wide-spread mania for the investment of capital in atmospheric architecture would inevitably bring upon the nation.

And not only the experienced journalist, but many an elderly experienced man of business, after contemplating the broadsheet, filled on both sides with the prospectuses of these new companies, would raise his spectacles, and, with a shudder, wonder how far the ill-consequences of all this wild speculation would extend. Perhaps the idea of history repeating itself may have suggested itself to him: "*The time of the great South Sea Bubble has returned to us,*" he may have said to himself; "*again the City of London will*

\* If we recollect aright, the whole of a supplement and a page or two besides of the "Times" was, during some weeks, entirely devoted to the advertisements of the new companies and projected enterprises.

† We mean the aggregate amount of the capital of those projected joint-stock enterprises advertised within a certain time, (say) during one month, or during three months.

*become a city of bankrupt and ruined victims, and again the people of England will awaken from their intoxication of covetousness, with a howl of vexation and shame over their folly and disgrace."*

*"Were they right? Were the fearful anticipations of those experienced minds fulfilled eventually?"*

Well; they were most certainly in the right with regard to the usual consequences of reckless and illegitimate speculation; and very many of those individuals who, eager to win, and regardless of risk, put their money into one or the other of those companies, found reason to wish they had listened to the cautions of prudent monitors.

*"But the general consequences to the nation, to which experienced men of business had looked forward with so much anxiety and dread, in what form did they, when their time came, manifest themselves?"*

Commerce and trade advanced by leaps and bounds! And, as year succeeded year, trade bounded higher and commerce leapt further, until the sober facts of the reality far surpassed and transcended the dreamy expectations of the most sanguine enthusiast.

How, then, are we to account for the amazing difference between the results of conduct, apparently quite similar and of the same character, on the part of the educated and wealth-possessing class of the English nation, on the two occasions respectively, at the time of the South Sea Bubble (of 1720) and the Railway Company mania (of 1842)? Did the parties concerned act badly on the earlier occasion and well on the later. Shall we term the motive which

rendered people intensely eager to inscribe their names as stockholders in the South Sea scheme, the frenzy of a gambling fever, and call the motive which rendered their descendants, on the more recent occasion, no less eager to secure allotments in some one of the railway projects, by another name? Judging by the eventual result, shall we say: The first were victims to their own folly and to illusions engendered by their greed for unearned wealth; and the subscribers on the later occasion were endowed, in a high degree, with commercial sagacity and foresight? No: the conduct of the reckless speculators on the last occasion was even more disgraceful in its vicious folly than that of their predecessors; for the gamblers in railway shares had more of the light of education to show them the real character of the game in which they were invited to take a hand.

*"But what, then, constituted the actual difference?"* The South Sea scheme had, at the first, an impracticable visionary enterprise for its professed purpose, and soon became, to a great extent, a mere deception on the part of its promoters . . . a huge swindling operation, which ended in, and could only end in, the loss of their contributions by the dupes. The railway project had a very practical purpose as a real and rational foundation upon which it actually rested. This, which, to the great majority of the speculators at that time, was a mere accident . . . a circumstance of which they were virtually ignorant, entirely changed the character of the result. What really happened on the last occasion was this: in the frenzy

of the gambling mania, ordinary considerations of safety were disregarded; the voice of prudence fell on inattentive ears; no longer guarded by the strong arms of caution, the national treasure-house was forced open; its hoarded wealth was dragged forth, and, in reckless haste, cast hither and thither on the waters of industry.

Then the slight loss of the comparatively few became the great gain of the many; for the wealth was not lost . . . but transferred, and converted from unutilized dormant wealth into active potential capital.

Afloat upon those wonder working waters, *the commercial staff of life* was carried into the realms of labour and through the busy precincts of human industry.

Into the hands of the railway contractor, of the machinist, of the engineer, of the master builder, did that previously unemployed wealth first find its way. From the railway contractor to his army of labourers; from the machinist and from the engineer to the artizans and mechanics; from the master builder to the masons. And then, from the labourers and the artizans to the retail traders; from these to the wholesale storekeepers; and, lastly, to the manufacturers, and to the agriculturists. On all these, exerting its vivifying influence, the active capital made its way unwearied, inspiring the well-nigh hopeless labourer with renewed life and vigour; bringing a large increase in the number of his customers to the trader, and furnishing him with the means of purchasing goods in larger quantity; supplying the manufacturer with larger buildings and improved machinery; and yet, after accomplishing all this,

not weary, nor worn out, nor less potential than at first, but augmented in quantity, and ready at any moment to renew the circuit, and again perform its beneficent functions. Would it not be well for our politicians and public men to study somewhat more carefully those useful lessons, taught by the experience of the past, which rest on the facts of history, instead of staking the prosperity and ultimate safety of the nation upon vague artificial dogmas, generated in the human imagination, having no fundamental truth to support them, nor any intelligible basis to rest upon.

We have found fault with much of this article on Canada's commercial policy in the course of our examination of it. It is, indeed, because our views differ much from those of the writer of the article that we have thought it would be useful to submit both together to the consideration of the public. The faults we have found hitherto, if they be faults, as we allege, are errors of judgment; we do not for a moment suppose the writer of the article to be insincere in the exposition of his opinions. We are convinced that when writing the article he actually believed in the existence of a reasonable economic doctrine which he calls *Free Trade*, and really felt the confidence in it which he expresses. But the last paragraph of the article is, in our opinion, faulty in a distinct and worse sense than the other parts of it; and of this last paragraph, the last few sentences are the worst. For the article, we are sorry to say, ends by making a very grave charge against a prominent public man; against an eminent statesman, who

has, in Canada, rendered the Imperial State, as well as the Dominion, highly important and long continued service.

*“ Sir John A. Macdonald has seized the opportunity of such a juncture to raise the cry of a modification of the tariff, in the hope of rallying around him all who have any Protectionist leanings. It is not believed that he shares their errors himself—this would be inconsistent with much of his past career, and, indeed, his intelligence would not permit him to be deceived by the fallacies he may countenance—but he is confident that he can play with these allies for a time, and he would get rid of them somehow if he again became Minister of the Crown.*

Thus the statesman named is charged on suspicion with falsifying his public life—of practising treachery and deceit. The reasons directly given for this suspicion we, of course, do not consider worth a straw. The insinuation of something very blameable in Sir John's past career is, we think, unjust to him, and also unfair to the public of the British Empire, which is much interested in the unsullied reputation of its most eminent ministers. It is, we believe, true that Sir John A. Macdonald's last Ministry fell because it was considered by those who were determined to give no encouragement to political corruption in any quarter, that he had not succeeded in satisfactorily explaining a circumstance which appeared to connect him, as Minister, with some bribery transactions set on foot by others. But this, we believe the only instance of any charge of the kind against him or his Government, does not justify the description of him as *“ distressingly careless as to the means of retaining power, and cynically negligent of purity of adminis-*

tration." It is probable that very many of his old followers who regretfully decided that under the circumstances it was better that he should quit office, came to that conclusion because of the great confidence they had previously placed in the purity of his administration, as well as in the sterling loyalty of the statesman himself.

If we put aside this entirely gratuitous charge of falsehood and premeditated treachery, there remains the significant fact that one of the most eminent and experienced of British statesmen now living has deliberately condemned the (so-called) *Free Trade* system, and has actively opposed himself to it. Whether the rejection of the motion for readjusting the tariff in such a way as to give more protection to the Canadian producer, has that mild kind of significance, even, which the "Times" claims for it, we are not prepared to say. It must be remembered that, supposing Canada at the present time greatly desires to protect her incipient manufactures, through the tender age of childhood, from the overwhelming competition of the British manufacturer on the one hand and of the United States manufacturer on the other, her political guides have to consider very carefully how far they can go in that direction without offending England.

It may be that the majority of the Canadian House of Commons were apprehensive that if the motion were carried, the news of it would be received here with a howl of indignation, and expressions of strong displeasure. Moreover, there is the American party, not willing to do any-

thing prejudicial to the trade with the United States. And again, it must be considered that the importers and agents of foreign manufactures form a strong and influential party, which will naturally do its utmost to defend its vested interests in the present state of things.

When due weight is given to these considerations, it may be understood that a great majority of native Canadians, and of those who, believing in a great future for Canada, desire to see a policy adopted by her statesmen calculated to prepare the firm foundation of future nationality, may be very much in favour of affording a larger measure of protection to Canadian industry, and yet unable for the time to overcome the difficulties opposed by the various interests of outsiders and foreigners.

The persistence of the "Times," and others influential in the counsels of the nation, in closing their eyes and refusing to hear, suggests the expediency of again adverting to a certain prominent and most interesting fact, although we have quite recently dwelt upon it with much earnestness and emphasis. It is, indeed, very pertinent to the present observations, and may be strictly considered to belong to them.

The United States and Great Britain have suffered, and are both suffering, from the depression of trade. "*Are both suffering alike?*" Well, not exactly: there is this difference:—

In the year 1865, England imported, from the United States, manufactured goods to the value of \$84,700,000, and exported to the United States to the value of

\$122,000,000. The balance, therefore, of \$37,300,000 being in favour of England.

In the year 1877, England imported from the United States to the value of \$367,352,000, and exported to the United States to the value of \$98,000,000. The balance, therefore, of \$269,352,000 being against England.\*

The change brought about in the twelve years, is the loss by England (in favour of the United States), and a gain to the United States (at the expense of England) of export trade to the amount of about 400 million dollars *per annum*.

The fact is indisputable, for the amounts are those officially returned by the Boards of Trade. Will the "Times" in the simple language which expresses clear thought, explain in what manner the fact here noted illustrates the soundness of the (so-called) *Free Trade* doctrine?

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SUPPLEMENTARY NOTE.—The notable circumstance appears as yet to have escaped the observations of the "Times" and of others, that in Literature, the economic co-relations of Great Britain and the United States, are, at the present time, precisely the reverse of those which prevail in Commerce. For, in Literature, Great Britain is firm in upholding the principle of protection to authors, and conservation of the international rights of property; whilst the United States are persistent in ignoring these, and in adhering to the system of *Free Trade* deliberately adopted by their nation as its economic policy in literature, many years since.

There is indeed this difference . . . that whereas the United States benefits greatly by the *Free Trade* commercial policy of Great Britain,

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\* "We have now reached the anomalous position of buying from foreigners exactly twice as much as we sell them."—The *Daily Telegraph* of October 17th, 1877.

it cannot be argued that Great Britain benefits by the Free Trade policy of the United States in regard to literature. But, with this exception, the effect is very similar. Great Britain, in its anxiety to buy foreign products in the home market at the lowest rate, sacrifices the industrial interests of the nation at large, as well as the particular interests of the manufacturers and other producers belonging to the nation. Just so, in the other case, the United States in its desire to buy English literature in the home market at the lowest rate, sacrifices the educational interests of the nation at large, as well as the particular interests of its own authors.

Does this statement require explanation? It may not be, perhaps, quite clear to all that the subjects of the United States are injured by that selfish policy in regard to international copyright which is so dishonourable to them as a nation. The effect of that policy is to overwhelm and destroy the native literature by exposing it in early youth to a competition against which it cannot make progress, and scarce maintain itself. It is true there are some few writers of eminence belonging to the United States, as natives of that country, who may correctly be called citizens of Athens, and described as belonging to the world of intellect and literature, rather than to any geographically distinctive territory; but of whom, so far as they have any national characteristics in the geographical sense, those characteristics are English rather than American, (and where not English, they are, for the most part, German). Themselves taught by the teachers of England (or of Germany), they stand on English soil, and, as exponents of English thought, they regard the intellectual characteristics of their own countrymen as those of aliens and strangers. The consequence is that Columbia's natural monitors of the highest grade, do not admonish her. That kindly criticism of her faults, which, given with the sympathy and privileged plainness of a kinsman by one of her own illustrious teachers, would be listened to with respect, and, perhaps, with reverent attention, is but seldom heard: for, to her greatest thinkers, she is as a stranger, in whose national education and intellectual development they have personally but little concern; and they to her are as foreigners, near to her in bodily kinsmanship, indeed, but, intellectually, far removed and distant. If this be so, what gain can compensate the people of the United States for so great a national loss?

*Article from the "TIMES" of March 19th, 1878,  
referred to and criticized in the foregoing pre-  
fatory remarks:—*

"IN those days, when so many are drawn away from the right faith, it is a matter of satisfaction to find that a motion in favour of re-adjusting the Canadian tariff in a Protectionist sense has been rejected by the Dominion House of Commons. We fear we cannot say that the Canadians are Freetraders. They are, like their neighbours across the line, uninstructed in the true doctrine, and their delusions have been encouraged by immigrants from England whose education ought to have preserved them from such backslidings; but if they are not Freetraders, neither are they devoted Protectionists. Like many other men, they think they show their political sagacity by holding what are called moderate views. They are not in favour of any prohibitive measures—this is the way they speak of themselves—neither would they sanction the unrestricted importation of the cheap products of European industry so as to drive colonial manufactures out of the market. So they approve a tariff including a selected, though large, list of articles, and imposing upon them duties which are substantial without being overwhelming. In this way they demonstrate their moderation, and escape, as they believe, the falsehood of extremes. We ought not to laugh at them too much because in economical knowledge they are just where we ourselves were thirty years ago, and are content to remain in a backward stage to which so many of our countrymen at home are not indisposed to retrograde. Let us rather give thanks that, if they do not see their way to shaking themselves free from old errors, they refuse to commit themselves more deeply to them. The motion in favour of stricter Protection has been rejected, and the majority against it was exactly half as much again as the minority in its favour.

“The Canadian House of Commons has declined to approve Sir JOHN A. MACDONALD's motion in favour of a re-adjustment of the Canadian tariff. If we were credulous enough to suppose that educated Englishmen must be able to discern their own interests and pursue them, we should marvel that there could be in Canada any Protectionist at all. The case of Free Trade is there so simple and obvious; the advantages of an unrestricted commerce seem palpable. A huge market lies at the door of Canada, and, though its neighbours are unwise enough to throw obstacles in the way of the importation of Canadian produce, the advantages of receiving it are too great to allow the trade to be destroyed. The true function of Canada is to pour over its borders into the United States the agricultural commodities it can send into the market under such favourable conditions, receiving back in exchange those other commodities which, as the prices of the market show, its neighbours can produce more easily than itself. A division of labour would thus be established beneficial to both, and the populations of both countries would be developed, and their well-being increased in consequence. Canadians themselves see the force of these truths when they contemplate trade between the province of Quebec and the province of Nova Scotia, or between New Brunswick and Prince Edward Island, or between Ontario and all the rest. Inter-provincial Free Trade is good for all. In the same fashion the citizens of the Great Republic would refuse to erect Custom-house barriers between Massachusetts and New York, or to establish a Customs line between Pennsylvania and Ohio. Why is it foolish to cripple trade between Boston and Chicago, and wise to cripple it between Boston and Montreal? Why encourage the traffic between St. John and Halifax, and discourage it between Toronto and Buffalo? If any Canadian or New Englander could ask himself these simple questions, he could scarcely refrain from seeing that international tariffs are as prejudicial to the interests of those they separate as inter-provincial tariffs would be to the citizens of the same Dominion or Federation; but simple language is the expression of clear thought, and it appears to be easier to lose

oneself in a cloud of words of no definite meaning. We may, however, hope that the Canadians are really getting somewhat nearer the truth, as we believe the inhabitants of the United States are, despite unfavourable appearances suggesting retrogression. The United States and the Dominion have suffered from great depression of trade ever since the autumn of 1873, and it is to this great depression across the Atlantic that we owe the bad years we have experienced contemporaneously. The depression originated there, and we must look for a revival of our trade to a new impulse of prosperity in the North American Continent. The truth is that our heyday and riotous time immediately preceding 1873—when commerce advanced by 'leaps and bounds'—depended on the activity of the commerce of the United States, stimulated as that was by an excessive expenditure of capital on enterprises that proved to be unremunerative. All went well until it was found that the capital which should continue free to support labour had been fixed in worthless undertakings, and there was at once a cessation of prosperity in the United States, which was communicated after a very short interval to Canada and to ourselves. The four years and a half which have since elapsed have undoubtedly been years of trial for Free Trade. Men who had accepted its dictates on trust, without knowing the principles upon which they are founded, accused Free Trade as the cause of a depression of commerce which would have been much more sharp and severe had not Free Trade opened up to us other markets to compensate for the partial loss of North American custom. Protection, disguised under the name of Reciprocity, found advocates here, and inspired its advocates in Canada and the United States with fresh energy to propagate its fallacies among people who were disposed, by a very practical sense that they were in an evil economical condition, to accept any plausible explanation of their distress. But the reaction is not alarming, and, if the happy signs we see around us of a revival of trade are realised, it will disappear. In the United States there is a distinct movement towards a relaxation and simplification of the existing tariff; and the Canadian House

"of Commons have refused to sanction a Protectionist re-adjustment of the tariff of the Dominion.

"The worst symptom of the movement in Canada in favour of increased protective duties is that Sir JOHN A. MACDONALD has put himself at the head of it. We do not for a moment suppose that he can give it success, but his action is much to be regretted in the interest of a reputation that requires rather careful handling. The career of Sir JOHN A. MACDONALD has now been for many years a part of the history of Canada, and when he quitted office some years since it was observed with satisfaction that he remained the leader of the Opposition. He had shown a somewhat distressing carelessness as to the means of retaining power; but, though cynically negligent of purity of administration, he had kept himself free from the imputation of graver faults. The chance was left open to him of reconstructing his shattered party, and of returning at some future time to power. The temptation to anticipate this future seems to have been too strong for him. Bad times, an inelastic revenue, restricted trade, and unremunerative industry are all favourable to an Opposition. In some way or other the Government are held responsible for every evil that happens, and the Opposition gain support through mere vague discontent. Sir JOHN A. MACDONALD has seized the opportunity of such a juncture to raise the cry of a modification of the tariff, in the hope of rallying around him all who have any Protectionist leanings. It is not believed that he shares their errors himself,—this would be inconsistent with much of his past career, and, indeed, his intelligence would not permit him to be deceived by the fallacies he may countenance,—but he is confident that he can play with these allies for a time, and he would get rid of them somehow if he again became Minister of the Crown."

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## THE SIX MILLIONS—HOW TO RAISE THEM.

*First Letter.*

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TO THE EDITOR OF THE "TIMES."

SIR,

In Lord Bateman's letter, published in the "Times" of Monday last, it is proposed to raise the six millions by making the merchants of certain foreign countries pay it. We are asked, "What more legitimate means of relief can be devised than to make the too-intelligent foreigner contribute as a toll or octroi on his imports to this country, his quota to our already enormous taxation?" The reply is . . . that we are quite unable to do what Lord Bateman proposes. We cannot make the foreigner contribute to our taxes in such a manner. The effect would be that the purchasers and consumers of the imports upon which the toll or duty was levied, would be substituted for the general body of taxpayers, and made to bear alone the burden of the additional tax. It is quite true that the import duty would protect our own manufacturer, and in benefiting him, would benefit the labourer. And, moreover, that within certain limits it would be more fair and more just to the general

interests of the community than the present system, which sacrifices our own producer and gives our home market to the foreigner. There are, however, three independent practical objections which your correspondent appears to have overlooked:—

(1) The difficulty of determining and defining a limit. It will here suffice to point out that the pure theoretical application of the principle of protection must entirely exclude all foreign products (manufactures) which can or could be carried on profitably in our own country *if relieved from foreign competition*. Hence, since even the most ardent Protectionist would draw back in alarm if required to commit himself to a national policy of exclusion, the difficulty of determining a limit becomes manifest.

(2) The gain, direct and indirect, is attended by a loss, direct and indirect; and the beneficial influence is counteracted by a prejudicial influence, which, in some cases, may more than counterbalance the former. Let us take an example, partly hypothetical, and suppose that the hairs and bristles imported from Russia, used in the manufacture of painters' and plasterers' brushes, are much superior in quality and are supplied at a considerably lower price than those procurable elsewhere. The effect of levying an import duty of ten or twenty per cent. *ad val.* on this article would be to tax the painters and plasterers to that extent. It would be also prejudicial to the interests of the home brush manufacturer. If the duty were put

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upon imported wheat and other grain (as a permanent impost), the Freetrader's old argument would, as a practical objection, again present itself as indisputable, namely that such a tax is unequal, bearing most heavily upon the day-labourer and the least wealthy members of the community, and necessarily increases in severity in those inauspicious seasons when a scant harvest renders the poorer taxpayer least able to meet its demands.

(3) The articles especially indicated as suitable for the application of a fiscal duty, namely, tobacco, wine, and foreign spirits, are already subject to an import duty. Now it has been ascertained experimentally, and is considered established as an axiom in political economy, that the imposition of too high a duty on imported goods defeats its own object, by rendering the profits on smuggling so great as to induce many persons to risk the consequences of evading, or more directly breaking, the law.\*

I will, in a second letter, if your columns are open to me for that purpose, point out that a very important consideration, belonging essentially to the subject of it, is unnoticed in Lord Bateman's letter; and will then endeavour to show that the

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\* To this may be added the remark that to heavily tax tobacco and wine has, to say the least, a tendency to increase drunkenness, and to promote the use of things deleterious and harmful even when used with moderation.

specified objections to the method of levying an import duty, may be entirely avoided by the far more beneficial system recently introduced to the notice of the public, as a National Economic Policy, under the title "The Promotion of Home Industry."

Your obedient Servant,

KUKLOS.

*March 14th, 1878.*

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## THE SIX MILLIONS—HOW TO RAISE THEM.

*Second Letter.*

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TO THE EDITOR OF THE "TIMES."

SIR,

The letter of Lord Bateman commences by his noting the circumstance that "the country has granted the Six Millions Credit required by Her Majesty's Government." And then he asks, "How are we to find the money? Out of whose pocket is it ultimately to come?" This commencement at once suggests a doubt as to whether the dependence of the question he asks upon the manner of utilizing the credit granted to the Chancellor of the Exchequer, is apprehended; or, if apprehended, whether it has not been overlooked by his lordship. Taking the letter as a whole, it seems evident that the writer of it has inferred from the first that the Government intends to take Six Millions of the National Wealth and pay it away to foreigners, or expend it in foreign territory. In a case of this kind, where the Government asks for a credit with a view to military preparations and precautionary measures, it would be impracticable for the minister to state precisely in what manner the whole credit

will be used, for he does not himself know beforehand which, of the many things suggesting themselves as desirable to be done or to be acquired, may be eventually selected by himself and his colleagues. And, even if he supposed he knew this, it would obviously be inexpedient for the Government, under such circumstances, to make public its plans and intentions, or to bind and fetter itself in its prospective action by promises, as to the mode of expenditure, made to Parliament in advance.

The distinction we wish to point out, may be most readily shown by an example of each case. Let us first suppose that the Government, has decided to raise an army of a hundred thousand men, additional to the present organized force, to be composed exclusively of natives of England, Scotland, and Ireland, now living in the home country, and, in order to expedite the business and facilitate the enrolment of men of superior size and physical development, to offer a bounty to those enlisting of £10 (to each). Thus, we should have One million out of the Six Millions disposed of. "But, would the country be any the poorer in consequence of this expenditure? Would it have paid away any of its wealth?" No: none at all. What would have actually taken place would be a transfer of some of the nation's wealth to certain of the less wealthy constituents of the nation. Practically the effect would be very nearly the same as if the nation had received a donation of a million pounds. For, if the tax, called for and rendered necessary by the

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credit, were judiciously levied and the payment of the whole amount spread over several years, it would be scarcely felt by the taxpayer: whereas the *expenditure* even of the One million pounds by the *recipients* of it from the Government, might, in consequence of the advantageous manner in which that expenditure would take place, very sensibly affect the business of the whole nation by its stimulating influence on the internal trade of the country.\* Next, let us suppose another One million to be expended in the purchase of military and naval

\* An argument for or against a large army of regulars (professional soldiers) is outside the purpose of the present letter. But to the minds of many persons the mere supposition, as an example, will at once suggest the argument, and call up opinions either in favour of, or in opposition to, an increase of the present army. We are desirous, therefore, to make here a few remarks on certain opinions now very prevalent which appear to be one-sided and erroneous. It is quite commonly inferred that the men composing the army represent so much labour-power or productive capacity diverted from industrial employment, and hence constitute, practically, a national loss of wealth. A little careful consideration will show that such inference can only apply where the aggregate labour capacity does not exceed the work to be done. In Great Britain the number of labourers has, for a long time past, been much in excess of the quantity of labour offering itself for their employment. Consequently, there is not only no diversion of labour, but employment is found for those who otherwise would be

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stores—arms, ammunition and clothing, all of which are products of native industry and the property of

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unemployed.\* The argument is, therefore, narrowed to the good or bad effect of military employment on men in the service, and to the utility or the harmfulness of maintaining a largo army.

As to the utility of an army, if used for its military purpose only, that utility must be, in a considerable measure, dependent upon the circumstances of the nation. The value of a well-founded feeling of security, whether on the part of an individual or of a nation, should not be lightly esteemed. The difference between a nation . . . feeling, on the one hand, that all *may be safe*, and that, even if certain untoward eventualities should place it in apparent jeopardy, good fortune and able management *might suffice* to carry it through perils which have proved disastrous and fatal to others . . . and feeling, on the other hand, that by the completeness of its preparations and fullness of its defensive power, it is practically secured from serious danger, however suddenly and unexpectedly the necessity for the exercise of defensive power may arise, is very great. A nation in a chronic state of incertitude as to its ability to do, and of unreadiness to do at the right time, that which it feels and knows that it ought to do, is, to say the very least, not in a condition of robust health: and, should there be, behind this, any degree of fear or nervous apprehension as to the consequences of endeavouring to fulfil its duties and maintain its

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\* That is to say: the number of the unemployed is diminished by the number of the additional soldiers.

our own countrymen. Here again we find simply a transfer of wealth, leaving the country no poorer

honour, then, indeed, the condition of the nation is that of sickness and ill-health.

With reference to the effect of military employment on the men engaged in it, there are persons who regard it as, on the whole, demoralizing in its influence. Now, it is true that the soldier's life in a time of peace, compared with that of the ordinary labourer, is not so conducive to habits of steady industry. But this comparison supposes the labourer to have regular employment which an overcrowded labour market may not afford him; and, on the other hand, there does not appear any necessity why the soldier, in times of peace, should be made to pass much of his time in enforced idleness. A frequent, perhaps the most frequent effect of military service, may be thus described. A young man enters the army. He is what is termed a clodhopper. Awkward and uncouth; his faculties seem to be little more than rudimentary. He appears to be almost hopelessly stupid; slow in manner and untidy in dress; he seems to have scarcely wit enough to care what others think of him. After a few years' service the young man leaves the army, or obtains leave of absence, and appears amongst his old friends *metamorphosed*. Neat in his dress now, quick in manner, intelligent, and, comparatively speaking, well informed, the change wrought in him by military discipline and the educational process to which he has been subjected is marvellous to his old friends. We are of opinion that the educational process, which is better than it has been in former times, is not so good as it may be rendered; but, taking the

in a direct sense, and occasioning indirectly the stimulating effect on trade already alluded to, only in this case less general in its influence than in the former, because mainly confined to those particular branches of industry whose products formed a part of the purchase.

We will now go to our Indian Empire for an example, and imagine that the Government has determined to raise an additional Indian army of two hundred thousand natives of India, and, as an inducement to enlist, gives to each suitable man who proffers himself a bounty equal to fifty shillings. The half million thus invested is equivalent to so much wealth gone from the home country, which, taken alone, would be so much the poorer, but as both the home country and India belong to the British Empire, the direct benefit and gain to India constitutes an indirect benefit and gain to the home country. And to India itself, it would be similar

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average soldier at the present time, after a few years of military service, and comparing him with the raw recruit, is not the soldier worth more to the nation to which he belongs than the untrained man? If it be allowed that the trained soldier is of more value than the recruit, it must be admitted that the increase in value, whatever it may be, is a product of the military service. So much increased value per man, multiplied by the number of the men in the army, will then give an item of gross profit or gain to the nation, as a set-off to the expense of that army's maintenance.

in its effect to a donation of half a million expended in that country in the most useful manner.

But now let us imagine that our Government is impressed with the importance, in the event of war, of Austria being well prepared to act in military concert with this country, and, finding that the Austrian Government is desirous to do so, but is prevented or impeded in its action by want of funds, decides to give Austria a subsidy of three millions. Evidently, in this instance, it would be just so much actually paid away by the British nation, and invested in a political speculation (so to speak). The investment might be a good and judicious one, or the reverse, according to the circumstances and the interest of the nation; but the three millions, and the potentiality belonging to it as capital, would be gone from our territory and out of our possession.

Comparing these three cases together, the dependence of the answer to the second part of Lord Bateman's question upon the manner of the expenditure becomes evident; for in the first example it is merely a transfer of property from certain of the constituents of the nation to certain others of them which takes place. The expenses of the nation are not increased by the transaction, nor are its resources diminished thereby. The amount expended by the Government passes into the hands of certain of its own subjects, and, being employed by them, yields them interest. Let us suppose they pay that interest annually to

the Government, and that the Government, having borrowed the money in the first instance, pays interest annually on the loan. Since the Government would then receive interest and pay interest on the same sum, it becomes evident that the nation has suffered no loss of wealth by the internal transference, nor can it be held, in a reasonable sense, to have expended any part of its wealth.

In the second example, there is an actual transference of wealth from Great Britain proper to India; and a correct answer to the question whether the nation has expended a part of its wealth, must be dependent on the meaning attached by the enquirer to the expression *nation*: whether by it he means to *include* or to *exclude* the inhabitants of India.

In the third example, the nation utilizes a portion of its wealth, speculatively, in the endeavour by influencing the course of events outside its own territory . . . to bring about or to determine a certain future event favourably to its own interest. In this case, therefore, the *nation*, which buys an event presumptively beneficial, actually expends a part of its wealth as the purchase-money.

Your obedient servant,

KUKLOS.

LONDON, *March 16th*, 1878.

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APPENDIX A.—ILLUSTRATIONS.

*Advertisements from the "TIMES" Newspaper of March 20th, 1878, illustrating a certain part of our argument (see "Industrial Policy," (Note) pages 96 to 99). And also, the Second Letter addressed to the "TIMES."*

**HUNGARIAN GOVERNMENT FIVE per CENT. LOAN, 1871.**—The COUPONS due 1st April next will be PAID on or after that date, being previously left seven days for examination.

R. RAPIHAEL and SONS.

No. 25, Throgmorton-street, London, E.C., 18th March, 1878.

**IQUIQUE and La NORIA, PISAGUA, and SAL de OBISPO and JUNCTION RAILWAYS, Peru.**—The Trustees beg to inform the Bondholders that they have received advice that the gross earnings of the Railways for the month of January last have been as follows, viz.:—Iquique Section.—Soles 167,412 55. Pisagua Section.—Soles 50,948 43.

CARL EGGERT, for Self and Co-Trustee of Iquique, &c., Railway.  
London, 18th March, 1878.

**ROUMANIAN LOAN.**—The holders of BONDS of the ROUMANIAN FIVE per CENT. LOAN of 1875 are informed that the PAYMENT of the COUPON due 1st April, 1878, will take place on and after the 1st April next, in Paris, at the offices of the Société Générale pour Favoriser le Développement du Commerce et de l'Industrie en France, 54, Rue de Provence, from 10 till 4 o'clock, and in London, at the Agency of the Société Générale, 38, Lombard-street.

The Manager of the Société Générale, E. HUARD.

**BOSTON CITY STERLING FIVE per CENT. BONDS, NEW BRUNSWICK SIX per CENT. BONDS, CANADA FIVE per CENT. BONDS, CANADA FOUR per CENT. GUARANTEED BONDS, and RUPERT'S LAND FOUR per CENT. GUARANTEED BONDS.**—The DIVIDEND WARRANTS falling due on the 1st April next on these Bonds will be PAID on that or any succeeding day (Tuesday and Friday excepted), between the hours of 10 and 2 (Saturday 10 and 1), at the counting-house of Baring Brothers and Co., 8, Bishopsgate-street Within, where lists may as usual be obtained.

**BUENOS AYRES SIX per CENT. LOAN of 1873.**—The DIVIDEND WARRANTS falling due on the 1st April next on these Bonds will be PAID on that or any succeeding day (Tuesday and Friday excepted), between the hours of 10 and 2 (Saturday 10 and 1), at the counting-house of Baring Brothers and Co.; and the 69 Bonds, amounting to £12,500, Drawn for repayment, the particulars of which were advertised in The Times, Daily News, and Morning Post of the 1st February, 1878, will also be Paid by the same firm. Lists for both Bonds and Coupons may be obtained at No. 8, Bishopsgate-street Within.

**S<sup>T</sup>. PETERSBURG RUSSIAN CONSOLIDATED RAILWAY OBLIGATIONS, FIVE per CENT., SECOND EMISSION.**—The Commission Impériale d'Amortissement notifies the public that, on the 17th February (1st March) 1878, the drawing of the Obligations was effected according to the Tableau d'Amortissement printed on the back of each Obligation. The following NUMBERS of the OBLIGATIONS were DRAWN:—  
At £1,000 sterling, etc., etc., etc.

APPENDIX A.—ILLUSTRATIONS.

**EMPIRE OF BRAZIL.—SAN PAULO and RIO de JANEIRO SIX per CENT. DEBENTURE BONDS** for £600,000, secured by the guarantee of the Provinces of San Paulo, and of the Imperial Brazilian Government.—Notice is hereby given, that the HALF-YEARLY INTEREST, due 1st April next on the above Bonds, will be PAID on that or any succeeding day, at the offices of the undersigned, 31, Throgmorton-street, E.C., where forms for listing the coupons can be obtained. The coupons must be left three clear days for examination, and will neither be received nor paid on Saturdays.

LOUIS COHEN and SONS.

18th March, 1878, 31, Throgmorton-street, E.C.

**RUSSIAN ANGLO-DUTCH FIVE per CENT. LOANS of 1864 and 1866.—The DIVIDEND WARRANTS** falling due on the 1st April next on these Bonds will be PAID on that or any succeeding day (Tuesday and Friday excepted), between the hours of 10 and 2 (Saturday 10 and 1), at the counting-house of Baring Brothers and Co.; and the 1,208 Bonds of the Loan of 1864 (being 860 Bonds of £84 15s., and 348 Bonds of £100 each), drawn in St. Petersburg on the 2nd (14th) December, 1877, for payment on the 1st April next, the particulars of which were advertised in The Times of the 9th January, 1878, will also be Paid by the same firm between the 1st April and the 30th May, 1878. The Bonds not presented during that time will only be paid at the subsequent periods of the payments of the half-yearly interest.

Lists for both Bonds and Coupons may be obtained on application at the counting-house of Baring Brothers and Co., No. 8, Bishopsgate-street Within, E.C.

EXPLANATORY NOTE.—The phase of our argument to which these illustrations apply may be also *here* briefly indicated. We are not by any means desirous that England's wealth should be kept exclusively for her own use; nor yet that the enterprise of Englishmen should be artificially (unnaturally) restricted from a liberal promotion of the interests of other countries. But we are very earnestly desirous of drawing attention to the fact that, whilst Englishmen for many years past have been investing wealth in foreign interests, in such a manner and in such amount, that we can scarcely avoid employing the terms "*lavishing and squandering* the national wealth" in speaking of it, there are national interests of the highest importance languishing, and now suffering most grievously, for want of the aid and support which can be (and might have been) rendered by the judicious employment at home of the very wealth which we are now in such haste to throw out of our hands.

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