

THE ZOLLVEREIN AND BRITISH INDUSTRY

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FOREWORDS.

As Mr. Chamberlain proceeded to unfold his idea of a fiscal arrangement between the Motherland and the Colonies, on May 28, to the House of Commons, it must have been evident to everyone present that a new chapter in the variegated life of the member for West Birmingham had opened. In that life the chapters are many and short, and the career which they record suffers from none of the dulness of consistency.

To review that career briefly is a necessary introduction to any discussion of the new chapter opened in it. It is not idle curiosity but wise caution which induces us to ask what has been the record of a statesman who proposes to revolutionize our fiscal policy, to readjust our political relations to the world, to abandon long-trusted principles of trade and economics, and who, whilst inviting us

to take these departures, confesses that he has not thought out their consequences in detail, that he is not prepared with any definite proposals which the Colonies are likely to accept, that he does not know how far into Protection his idea will lead us, and that the only thing he asks is that we should accept that idea, give him a blank cheque, and promise to accept whatever he may fill in. Half the argument for such an unusual proposal must surely depend on the career of the statesman who makes it.

In 1874 Mr. Joseph Chamberlain retired from business in order to devote himself to public affairs, and that year he stood for Sheffield as an advanced Liberal. He was beaten, and two years later was returned for Birmingham.

In these early days he was supposed to be tainted with republicanism, and he was quite emphatic on two points: he declared for universal suffrage and a reform of the House of Lords. A part of his creed was realized in 1884, when Mr. Gladstone introduced his Franchise Bill, but a perusal of the debates

in Parliament by which the Bill was altered gives us the first indications of Mr. Chamberlain's lack of practical ability to translate the generalizations of platform utterance into the clauses of an Act of Parliament. One is amazed to find that in the practical moulding of this Bill Mr. Chamberlain had so little influence, whilst men at whose hesitating convictions he had jeered left their mark upon it. At that point he dropped his enthusiasm for electoral enfranchisement, and his attempts to reform the Second Chamber have never appeared off the electioneering platform.

He then became a social reformer. He laid down wide definitions of the duty of the State to the individual. He had previously been dabbling in educational and religious matters, but in two directions he struck out a tolerably fresh line for himself. He condemned certain features of private ownership of land, and declared for old age pensions and compensation for injuries. His land proposals varied from time to time. Peasant proprietorship under the title of 'three acres and a cow' received his approval, and lease-

hold enfranchisement was blessed by him. He accepted proposals for levying improvement rates in towns and for burdening slum owners. But looking back upon a quarter of a century's land legislation, Mr. Chamberlain's platform pledges and attacks need never have caused a tremor to the interests he opposed. His policy of ransom, his description of those "who toil not, neither do they spin," roused enthusiasm amongst the people for the time being. He was regarded as a leader; indeed, he executed most successfully the first task of a leader, inasmuch as he raised deep vital issues. But off the platform he was a Samson shorn of his locks. Every criticism he ever made upon the land system of this country, every picture he ever drew of the deserted croft and the decaying village, is as true now as when he outlined it. He has been in office twelve years, and if he had never made a speech as a land reformer his record could not have been more barren.

Later on he ceased to utter "leading" opinions on the land, and turned his attention to other aspects of social reform. He

declared in favour of universal compensation for accidents, provided in such a way that no litigation would be necessary to secure it; he shared in the production of a Bill which was far from universal in its application, which has raised more litigation than any single industrial measure that has passed through Parliament, and which was drafted with such meagre practical sagacity as to be in many respects absurd and unworkable. No Act of equal importance has had to be supplemented by so many judicial judgments tantamount to legislative decisions.

Of the practical results of Mr. Chamberlain's contribution to the old age pensions controversy it is almost unnecessary to write. He has told us that no practical difficulty lay in the way of granting pensions, and when in opposition he poured forth deluges of blame upon the party to which he did not then belong for neglecting to provide them. He has both voted for and against the same Bill as the exigencies of opposition and of office directed. In 1896 he appointed a Commission to advise as to a scheme; in 1899 he appointed

another for the same purpose. In 1895 he said that he had a proposal "so simple that anyone can understand it." He was then in opposition, and angling for votes. In 1896 the subject had become "most complicated." He had in the meantime got votes, and was then in office. In 1901 he told the Friendly Societies that if they would agree upon a scheme the whole matter would be settled; a few days ago (May, 1903) he stated that there could be no old age pensions until there was an Imperial tariff. Despite all he has ever said on the "idea" that a person at sixty-five should be eligible for a pension, Mr. Chamberlain apparently has no more notion how that pension is to be paid than he had when he first used his "simple proposal" as a political cry.

So, again, with his Colonial Imperialism. His friends maintain that he has been consistent in his Imperialist visions; he has certainly been consistent in his failure to produce a practical Imperialist policy. He has had none for the development of the West Indies, and only the passion of a war has

given him an opportunity of claiming that during his reign at Whitehall the Mother Country and the self-governing Colonies have come closer together. His failure to understand the mind of Australia, even at a time when he was talking most about the Empire, nearly brought us and the Commonwealth into serious conflict, and he was compelled to withdraw from the position he then took up. The chief characteristic of his South African record has been its absolute want of a policy. He never understood the situation created by the Jameson Raid; he left Lord Milner complete control, even to the length of an appeal to arms; he went to South Africa, and confessed on his return that the great justification offered for the war—the treatment of the natives—had been mistaken, and at Bloemfontein he spoke of the "misunderstandings" which had caused the trouble. To this day he has no practical policy of South African reconstruction, and all the effective good of his visit last winter sprang from the fact that a Minister whose office commanded respect journeyed to South Africa and saw both parties.

In this matter of an Imperial fiscal arrangement his want of practical grasp is also apparent. The report of the Conference with the Colonial Premiers during the Jubilee celebrations shows the Colonial Secretary to have been devoid of any statesmanlike suggestions. But he talked at the banquet (as he had done before at the dinner during the Conference of the Chambers of Commerce of the Empire) of this idea of a modified Zollverein. Then, it was only an "idea." He confessed he had not thought it out in detail. To-day it is still only an "idea." It is in a form for platform use, and for that alone. In this form, however, it has reached full maturity so far as Mr. Chamberlain's capacity is concerned.

This brief review of his career shows Mr. Chamberlain in his true light. He is a leader of masses; he is no statesman. He can stir up popular imagination, raise popular hopes, give an apparent reality to political speeches, issue edition after edition of unauthorized programmes. That done, he can go no further. Of him it can justly be said that he is all cry and no wool. His record

is barren of practical achievement, except in municipal work, and even that he seems desirous of obliterating by his recent attacks on his old municipal policy. He stands in English politics as the politician who is always leading but never reaching any goal, who always has an idea but never carries a scheme, who is always rousing to expectation but has never satisfied by realization.

An impartial but critical study of this record may be held to relieve us of any need to pursue Mr. Chamberlain's Zollverein idea any further. He will probably never be in a position to present practical proposals for carrying it out; but if he were in such a position, he would fail, as he has always failed, in practical guidance. But whilst all that is true, we must recognise his extraordinary platform powers, by which he can agitate, mislead, and unsettle. He can raise hopes in the Colonies, he can put the Mother Country in a difficult position, he can create a situation which is bound to end in misunderstanding and bad blood between ourselves and our oversea cousins. Above all, there is a

remote possibility that, owing to the political condition of Liberalism, this statesman, who has never scored a practical success and who is never at a loss for a battle-cry, may be given an opportunity to meddle with our national trade and commerce, to experiment with its delicate mechanism, to risk ruin whilst pursuing problematical success. Moreover, as Imperialism is for the time being in the air, we are sure to hear of Zollvereins, and rumours of Zollvereins, so that the consideration given to the subject in the succeeding chapters may not be altogether amiss.

Moreover, there is another reason why this statement is issued. No party in the State is more gratified than the Independent Labour party that economic and industrial issues are coming to the forefront in politics. We recognise that the present position of British industry calls for an impartial reconsideration of the basis upon which the last century left it. We admit the foreign "menace"; we know that the country is not prepared to meet the competition of America and Germany. We have been arguing for years that the main

stream of twentieth-century progress is to run in economic channels. We are convinced that as the examination of our industrial outlook proceeds, it will be seen that the mere Free Trade position commands but a limited view of the future, and that ultimately the Socialist constructive policy must become the alternative to the inefficiency and timorousness of Protection. We are certain that the misunderstandings and suspicions which retard Socialist experiment will be removed, and that the discussion will show Socialism to be the practical working idea of the twentieth as 'Liberalism' was the practical working idea of the nineteenth century.

Before entering upon an examination of the figures from which we may come to rational conclusions regarding the meaning and effect of an Imperial Customs Union, I deem it advisable to say thus definitely that the Labour party is not merely a Free Trade party. Theoretically, indeed, it lays down a very important exception to the Free Trade dogma, on the ground that, as an essential item in a Labour creed is that work

should be done under reasonably good conditions, determined partly by Factory legislation and partly by Trade Union agreements, so, domestic non-sweated goods may reasonably claim to be protected against foreign sweated articles. The Government and many public authorities, for instance, will not purchase lead pencils made at home unless they are manufactured under certain conditions as regards wages, hours of labour, and factory sanitation, but they accept pencils from abroad without any inquiry as to the conditions of manufacture. The Labour party, however, has never supplemented its demands for fair labour conditions with the advocacy of import duties or exclusion. The time for such an advocacy has not come, probably never will come; but this shows that the bald dogmas of Free Trade do not inspire the Labour party.

That, however, is not the most important consideration. The Independent Labour party regards Free Trade as a mere first step in a long and fundamental social change, through which social organization must proceed from

Feudalism to Socialism. There has been no Society, ethically speaking, since the fabric of feudalism crumbled to ruin. There have been societies, there have been charities, there have been combining interests; but industrial society has not yet organized itself round a binding centre like the Church or the Court, nor has it been built up in a series of harmonious parts into an organic unity. Industrialism must supply a unifying idea just as militarism once did, but industrialism is as yet in its tottering infancy. Free Trade marked the time when the swaddling bands were removed; the beginnings of applied collectivism—Factory Acts, municipalization, fair wages clauses—showed industrialism putting its feet to the ground. The Free Trader looks round and is satisfied; the Socialist looks round and sees need for further effort. To the Free Trader the industrial organization of to-day appears to be that on which production and distribution are to be conducted for all time with but slight and non-essential modifications. Employer and employed, capitalist and workman, profit-seeker and consumer,

Trade Union and Masters' Federation, rivalry and competition, he thinks, are as permanent as the Egyptian thought the forced labour gang to be, the Athenian slavery, or the feudal landlord villenage. The Socialist looks beyond the beneficial results of Free Trade. Free Trade has not brought international peace; Commerce, which the Free Trader regarded as the handmaiden of Amity, has become the herald of War. Free Trade has not settled industry, it has not absorbed the unemployed, it has not brought pauperism within compassable limits, it has not increased wages so substantially that old age pensions are unnecessary, it has not provided such ample margins of profit that industrial improvements can be readily made; it has increased rather than diminished the aggregate rent and the dividends on dead capital which the producers have to bear. Fifty years after this country opened its ports, Mr. Charles Booth published his studies in industrial London, showing that over 35 per cent. lived below the poverty line, and that 78 per cent. earned, when in work, under 30s.

per week. Ten years later still, Mr. Rowntree wrote of York that over 51 per cent. of the poor are in that condition because they are earning, when in work, wages of under 21s. per week. In spite of Free Trade the population is becoming stunted in growth, and its general condition of life is such that its morale is being undermined, and its spiritual state shows even more threatening collapses than its physical.

The industrial problems which we are now facing are those which arise in the generation after Free Trade has been secured. To some extent, by helping to supply an ampler sum to be distributed, Free Trade improved material conditions all round—as a big collection at the gates of the Fleet prison used to give the inmates a better time. But it did not pave the way for any organization of society which would secure just distribution and economical management of industry. Whilst the economic problem which the nation had to solve was mainly that of how to produce wealth in a country dependent on the world for raw materials, Free Trade was an ample guide;

but so soon as the difficulties of distribution came to disturb our satisfaction with our amassed riches, it could be seen quite plainly that Free Trade carried us but a very short way. "If you ask me," said Mr. Morley, at Newcastle, on April 18 last, "for distinct proposals for the amelioration of labour, my answer is that in urging peace, in pressing for economy, in resisting every innovation upon the great policy of Free Trade, I am doing the best, according to my most humble abilities, that I can for the cause of Labour." Mr. Morley might as well feed a man by laying empty soup-plates in front of him, and regale him with eloquent descriptions of how the policemen give facilities to the grocer round the corner to take in plenty of stock from the railway-vans. Mr. Morley's lack of vision in social questions is phenomenal. Peace, Economy, Free Trade, are admirable. The Labour party favours them all, and has championed them, even when Mr. Morley's political associates were dumb or were heretical with regard to them; but neither Peace, Economy, nor Free Trade contributes

one hint as to how British industry is to be conducted, how labour can be paid equitably, how distribution can be more just. Peace, Economy, and Free Trade accumulate the pile; Landlordism, Capitalism, and Labour fight for its possession. Nay, more. The days when Peace, Economy, and Free Trade were alone sufficient for accumulating purposes have gone by. England has rivals on every market. The country must put itself on a business footing. The three Liberal guardians of the public purse must now call to their aid Skill and Organisation. These considerations mark off the Socialist who supports Free Trade from the Cobdenite of the stamp of Mr. Morley and from the ordinary Free Trade politician.

THE ZOLLVEREIN AND BRITISH INDUSTRY

CHAPTER I

OUR EXPORTS AND THEIR DISTRIBUTION

The Empire as customer.—Our “leading lines.”—
Colonial foreign imports.—A question of popula-
tion.—In the days of preference.

A STUDY of British trade is a neces-
sary preliminary to an understanding
of Mr. Chamberlain's new enthusiasm.
First of all, how much of our exported
products goes to places within the Empire?
The following table shows the destination
of some of our chief exports :

AVERAGE FOR THREE YEARS ENDING 1901 (STAT.
ABSTRACT, 1902).

	Total Export.	Export within Empire.
	£	£
Cotton manufactures* .	64,000,000	28,000,000
Linen*	15,000,000	1,000,000
Machinery	17,500,000	5,000,000
Iron and steel	28,000,000	11,000,000
Woollen and worsted .	15,000,000	5,000,000
Total	139,500,000	50,000,000

* Exclusive of yarn and twist.

It will thus be seen that, taking these staple industries — industries in which, according to the last census, 1,500,000 breadwinners in England and Wales alone were directly engaged—our Empire does not consume half of the home exports. On the average of trade shown in the above table a system of Imperial Protection would jeopardize nearly £90,000,000 of trade, whilst it would leave uninfluenced only about £50,000,000.

The point is further elucidated by the following table, showing in more detail the markets we supply :

EXPORTS TO VARIOUS COUNTRIES FROM THE
UNITED KINGDOM.

	1898.	1899.	1900.	1901.	1902.
Cotton :					
Germany	3,600,000	3,600,000	3,700,000	3,700,000	3,800,000
France	420,000	450,000	560,000	556,000	660,000
United States	2,000,000	2,700,000	2,900,000	2,600,000	3,300,000
Australia	2,500,000	2,500,000	3,000,000	2,700,000	2,700,000
Canada	800,000	900,000	1,000,000	1,100,000	1,300,000
Cape Colony	800,000	600,000	700,000	900,000*	1,300,000*
Machinery :					
Germany	2,000,000	2,200,000	2,000,000	1,500,000	1,400,000
France	1,300,000	1,300,000	1,700,000	1,400,000	1,400,000
United States	352,000	463,000	802,000	565,000	690,000
Australia	900,000	700,000	1,000,000	1,400,000	1,400,000
Canada	105,000	180,000	192,000	180,000	135,000
Cape Colony	650,000	640,000	400,000	520,000*	1,000,000*
Iron — wrought and unwrought :					
Germany	1,800,000	2,700,000	3,000,000	1,200,000	1,000,000
France	606,000	1,000,000	1,300,000	749,000	634,000
United States	1,300,000	1,600,000	1,700,000	1,900,000	3,700,000
Australia	2,000,000	2,600,000	3,400,000	3,000,000	2,900,000
Canada	460,000	950,000	860,000	1,000,000	1,870,000
Cape Colony	1,000,000	815,000	990,000	1,000,000*	1,700,000*
Woollen and worsted :					
Germany	930,000	970,000	880,000	850,000	940,000
France	1,300,000	1,400,000	1,500,000	1,300,000	1,500,000
United States	2,000,000	1,300,000	1,300,000	1,100,000	1,500,000
Australia	1,500,000	1,700,000	2,000,000	1,800,000	1,800,000
Canada	1,200,000	1,300,000	1,400,000	1,500,000	1,800,000
Cape Colony	500,000	430,000	450,000	630,000*	960,000*

* Abnormal war exports.

The next point is, What proportion of colonial imports is of home origin ?

Some of the statements of the friends of an Imperial Customs Union assume that a

very considerable part of the Empire's trade is passing our doors, and some facts on this point may be enlightening. Let us take a few of the chief imports into our Colonies and see their origin. The following table is taken from Cape Colony imports for 1900:

	Total Imports.	Imports from Home.
	£	£
Cotton . . .	1,035,311	954,318
Iron . . .	391,000	375,000
Linen . . .	92,952	85,601
Machinery . . .	537,496	367,861
Railway and tram plant . . .	973,800	653,297
Steel . . .	30,435	29,131
Woollens . . .	312,456	297,105

Or take New South Wales (1900):

	Total Imports.	Imports from Home.
	£	£
Wearing apparel . . .	1,261,256	985,289
Hardware . . .	298,864	184,309
Railway and tram plant . . .	200,091	16,779
Plate and sheet iron . . .	93,896	69,009
Engines . . .	70,943	40,720
Matches . . .	80,656	47,827
Rails . . .	160,487	136,563
Woollens . . .	746,000	661,000

Canada is a little less satisfactory, perhaps, but the following table shows how little a preferential tariff can do to remedy matters. It will be remembered that since 1897 goods coming to Canada from the Mother Country and from certain Colonies have been receiving preferential treatment to the extent of from $12\frac{1}{2}$ per cent. to $33\frac{1}{2}$ per cent. The articles enumerated in the following table are those which are imported from home under that preferential treatment, and from the United States on the ordinary high duty:

CANADIAN IMPORTS, 1900-1901.

	Imports from United States.		Imports from Great Britain.	
	1900.	1901.	1900.	1901.
	Dollars.	Dollars.	Dollars.	Dollars.
Boots	22,417	42,003	3,285	6,810
Cotton fabrics	3,118,958	3,400,113	781,403	722,432
General machinery . . .	2,799,758	3,032,233	683,103	509,582
Pig-iron	577,124	433,486	233,745	114,050
Wool— all fabrics composed wholly or partly of wool	44,970	44,273	2,562,052	2,379,158

Evidently a preferential tariff is not such a great gain. People buy what they want, but colonists abroad, if everything else be

equal, will be inclined to patronize home manufacture.

This point is made with still more conclusiveness when the figures of colonial imports from foreign countries are analyzed. It is then seen that a very considerable proportion of these imports are of materials which the Home Country does not produce, and never can produce. Of the £23,000,000 worth of imports which Canada takes from the United States, practically one-half is for goods like ores, raw cotton, oils, and bread-stuffs, which we ourselves must always import. Of the £12,000,000 which Australia takes from beyond the Empire, again one-half is for material which the Empire cannot yield, and so on with the other Colonies. At least one-half of colonial imports from foreign countries consists of materials which the Empire does not produce, and if it did produce them, it would find, without any rearrangement of Imperial tariffs, a ready market for them.

I should be the last to insist that population alone ought to be considered when dis-

cussing this problem. But population is of great importance, and a comparison between the number of people in our Colonies and in our own cities will serve, at any rate, to correct the wild imagination of some Imperialist rhetoricians. Greater London, with its population of 6,000,000, offers a richer market than all Canada with its population of 5,600,000; Greater Manchester, with 1,000,000 people, than New Zealand and Tasmania put together with 970,000; Leicester, with 213,000, than Western Australia with 194,000; Lancashire, with 4,437,518, than the whole of Australia with 3,832,837; the West Riding of York, with 2,766,471, than Cape Colony and Natal put together with 2,500,000.* Leaving sentiment and political consideration out of account, these comparisons of population come as a cold douche upon our Imperialistic enthusiasm when it blazes up into Zollverein schemes. They remind us that, if we are to

* These colonial figures include native populations. For instance, whilst 2,500,000 are put down to Cape Colony and Natal, only about 330,000 are whites.

talk of business, we must begin by calculating market possibilities.

Thus it will be seen that if our Empire agreed to impose prohibitory duties on foreign goods which can be procured from home, it would increase immediately the volume of demand for these home products only by an insignificant fraction of our present export trade.*

Of course, there is the possibility of expansion of colonial imports. The table on the next page, showing the increase of population in our Colonies and certain States which are good customers of ours, has a bearing upon this point. It shows that, so far as an increasing population is concerned, Germany, Russia, and the United States offer us practically as good markets as our own Colonies.

* Sir Swire Smith, speaking at Keighley on June 9 last, put the case as it affected his locality in these words: "The German tariff on Keighley yarn is about 1 per cent.; the Canadian tariff under the present preference is 13½ per cent. . . . Keighley would probably do more trade with Canada than now, but half the mills would have to close if we lost our trade with Germany."

POPULATION OF COLONIES AND CERTAIN STATES
IN 1901.

Colonies and States.	Population.	Per cent. Increase in 10 years.
British Empire:		
Canada	5,371,000	11·1
Australia	3,774,000	18·5
New Zealand	845,000	20·2
Cape Colony	2,433,000	50
Natal	925,118	61
Total	13,348,118	
United Kingdom	41,456,000	9·87
Germany	56,500,000	14
France	38,961,000	1·6
Russia, including Asia	129,211,000	18·7
United States	76,356,000	19·5

The figures set out in this chapter show conclusively that we are now doing with our Colonies as great a volume of trade as is economical either for us or for them. They also give encouragement to the idea that our colonial trade is worth nourishing. Of course it is, and it is to be hoped that our manufacturers will never forget that the self-governing Colonies, being sentimentally British, offer special facilities

for the sale of British goods; but no one can rise from a study of these figures without banishing from his mind the erroneous impressions conveyed by Imperialist talk, and without feeling how important it is that our ordinary foreign trade should be zealously nursed.

Those who now advocate preferential duties as though they were the discovery of yesterday do not know, apparently, that preferential duties between the Mother Country and her Colonies were in existence up to the beginning of 1849. The first year of their removal showed an increase in British exports to the Colonies of 21 per cent., and, except 1852, every year showed steady increases over and above the proportionate increase due to population. Nor is that all. Providence seems to have designed that the Zollverein argument should be so weak that in every aspect it should be met with overwhelming contradictions. Whilst a preferential tariff existed, our exports to our Colonies were actually declining in relation to our aggregate export trade.

In 1841, 12·83 per cent. of our exports went to our Colonies; in 1842, 12·71; in 1843, 11·55; in 1844, 11·44; in 1845, 11·31; in 1846, 10·87; in 1847, 10·36; in 1848, 8·6; in 1849, 8·3; in 1850 (after the preference was abolished), 9·5; in 1851, 9·21; in 1852, 9·61; in 1853, 15·03; in 1854, 14·0. A generation of experience is worth an eternity of "ideas" which struck a politician holiday-making on the "illimitable veldt."

England's policy is to foster the colonial market without sacrificing the foreign one. But before discussing how that is to be done, we shall have to examine colonial trade, as we have done home exports, to see what Mr. Chamberlain's "idea" means to the Colonies.

CHAPTER II

OUR HOME MARKET AND COLONIAL TRADE

- (i.) Canada—Exports.—Canada's need.—Canada's self-protection.—Revenue needs.—(ii.) Australia—Exports.—Australia's needs.—Australia's self-protection.—Revenue needs.—(iii.) New Zealand—Exports.—New Zealand's needs.—New Zealand's self-protection.—(iv.) South Africa—Industry.—Revenue needs.—Conclusion.

MR. CHAMBERLAIN'S proposals affect our export trade only so far as our self-governing Colonies are concerned. Egypt is not yet diplomatically within the Empire, and at present we can control the fiscal policy of our Crown Colonies and India. Moreover, as Professor Flux pointed out in a paper read to the Statistical Society, "the great source of the growth of Britain's colonial trade is very clearly shown to be the growth of trade with the Colonies to

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which self-government has been granted.* In the commercial development of these self-governing Colonies lies whatever advantage there may be in an Imperial fiscal scheme, and the political relation of these Colonies to the Mother Country contains whatever Imperial problems may arise out of such a scheme. These Colonies alone are therefore discussed in this chapter. How will a Zollverein affect their trade? What Colonial exports will be touched by it? For which of its products will each Colony claim protection on our markets? Finally, what will be the effect upon home consumers?

The total value of Canadian exports (excluding Newfoundland) for 1901 was £40,374,171, and of these £19,854,585 worth came into the Mother Country. Of the £40,000,000, over £6,000,000 was for wood, about £5,800,000 for grain and flour, nearly £5,000,000 for cheese and butter, and about £1,500,000 for live stock, whilst over £5,000,000 was for gold. Canadian export

* *Journal of the Royal Statistical Society*, September 1899, p. 498.

is therefore mainly lumber and agricultural produce.

Evidently what Canada needs, if the Mother Country is to help her commerce, is that we tax our imports of agricultural produce from foreign countries.

Our imports of corn, grain, and flour in 1902 were £63,000,000, of which £10,000,000 came from within the Empire, £4,500,000 being Canada's share. Thus, this item of import is seen to be Canada's chief interest,* and an Imperial fiscal scheme is bound to take cognisance of that fact. If Canada is to share in the advantage of a Zollverein, we must tax foreign imports of grain, and that means that in order to benefit the importers of about £5,000,000 worth we shall have to tax the consumers of £69,000,000.† Canada may reasonably be asked to allow her wood exports to take their chance, but as she has a great desire

* The £10,000,000 includes nearly £1,500,000 for rice from the Indies.

† This does not include the 300,000,000 bushels of home-grown corn which would also be raised in price by an import duty.

to develop her dairy and fruit trade, she may well beg us to give her special privileges in this respect also.

But then, if there is anything in the argument* that open ports mean the dumping down of cheap produce from abroad, Canada surely needs protection against British iron, steel, and machinery, of which we sent in 1902 £1,314,350 worth—a sum which equals one-sixth of our total exports to the colony. In fact, the Dominion is at the present moment engaged in dealing with this matter. In 1899 the Laurier Government decided to grant a bounty on Canadian iron. This had the usual effect of stimulating ineffective working, and the company which was to produce pig-iron at 6 dollars a ton ignominiously failed to do so. Now an attempt is being made to raise the import duty, and the Opposition is committed to that policy. In the debate which took place in Ottawa on June 9, Mr. Tarte, Sir Wilfrid Laurier's

* Mr. Chamberlain, May 28, 1903, in the House of Commons.

late Minister for Public Works, declared that the 1897 tariff was too low, and Sir Wilfrid Laurier, who could only feel sure of defeating the amendment by making the question one of confidence in the Government, did not actually oppose but only temporized. He complained that the Government had had no information showing why the Dominion Iron and Steel Company was unable to produce iron so cheaply as it had anticipated in 1899. "We asked the gentleman who came to us" [to negotiate the increased tariff], he said, "to give us a statement in black and white which we could look into and study before we made up our minds whether or not we were to make any changes in our fiscal policy, or allow it to remain as it is." No information was given, and, only on that ground, Sir Wilfrid did not see his way to increase the tariff. I shall return to this point when dealing with Australia.

Further, Canada will very probably take the view that, whilst she is willing to show her patriotism by differentiating her dues

in favour of the Mother Country, she cannot sacrifice the revenue she derives from import duties. The Canadian Consolidated Fund account, which contains practically the whole income and expenditure connected with the ordinary work of the Government, showed receipts in 1901 of \$52,514,701, and of that sum no less than \$28,425,284 was raised from Customs, and \$10,318,266 from Excise duties. The remaining \$13,000,000 was derived from the sale of lands, public works' revenues, and the Post-Office. Canada is not to sacrifice her Customs income in order to meet patriotic sentiment. This method of raising national revenue is a principle in the Dominion, and it will not be abandoned now, for the very simple reason that no Canadian statesman could suggest any other practical way of raising \$30,000,000 annually.

As there are no Commonwealth figures yet published, the Australian States must be taken severally. The following table shows at a glance the chief articles of export from these Colonies :

AUSTRALIAN EXPORTS, 1901.

	Total Exports.	Wool.	Preserved and Frozen Meat.	Corn and Flour.	Butter, etc.	Gold.
	£	£	£	£	£	£
New South Wales .	19,915,884*	7,743,473†	903,468	795,000	460,000	4,063,598
Victoria .	18,646,097	4,318,332	195,000	1,939,383	1,244,614	4,298,618
Queensland .	9,249,366	1,438,028	1,283,229			2,197,108
South Australia	8,085,189	1,103,994		1,279,957		
West Australia	8,515,623	373,959				6,749,717
Tasmania .	2,945,757	242,207			330,000	204,164

* Figures in Coghlan's table, p. 1069.

† Home production only. Total exports, £27,351,124.

Thus we see that, leaving gold out of account, the bulk of Australian exports is wool, and that when frozen meat, corn, and dairy produce are added, the limit of Australia's export trade is reached. Indeed, the estimated value of Australian production is, that agricultural and pastoral products amount to £60,500,000, whilst manufactures total £27,191,000, over a third of which stands to the credit of New South Wales. It must also be noted that some proportion of those figures consists of inter-State trade.

Evidently the Australian side of a Zollverein bargain can only be met by special facilities, in the shape of a differential tariff, being given on the home market to Australian wool and meat imports. This would steady the price of the one, and protect the other against Argentine competition. Australian farming has suffered greatly by reduction in prices. "The first check to this prosperous state of affairs," says Mr. Coghlan in the official "Account of the Seven Colonies of Australasia, 1901-1902" (p. 414), "was brought about by

the fall in prices. High prices for all classes of local produce obtained in 1875, but from that year to 1877 there was a reduction equal to about 14 per cent. . . . In 1886 the country began to feel the effects of price reduction. . . . During the nineteen years 1875 to 1894 the total decline was equivalent to 49 per cent., and affected all descriptions of pastoral products, and as there was no corresponding reduction in the cost of production, and little in the cost of transport, the reduced prices proved a very severe blow to the staple industry of the country." Australia will therefore naturally ask us to steady her prices by Protection on our Imperial markets.

The total import of raw wool into the United Kingdom is (1901) 740,000,000 pounds, valued at £23,800,000, and of these totals 475,000,000 pounds, valued at £13,497,871 (out of a total Australasian wool export of £18,920,000), come from the Australasian Colonies, including New Zealand.

As regards her own industries, Australia

is well protected already. But she is determined to nourish her own trade still more, and the duties she levies are not likely to be materially reduced in view of her declared protective policy—a policy which stood in the way of federation because the constituent States of the Commonwealth were not prepared even for inter-State Free Trade. Particularly may she claim the right to nourish her own clothing trades, by keeping up a tariff against ours, and no Imperialist sentiment will induce her to allow her iron trade possibilities to lie dormant when she is strongly convinced that a protective tariff will develop them.

A few days ago newspaper readers must have noticed with some amusement that whilst we were discussing preferential tariffs in order to show our goodwill to our Colonies, our two leading Colonies were proposing to build their tariff walls higher against us. On the same day as the tariff debate at Ottawa, to which I have referred, was reported in England, the newspapers published extracts from a speech that

had just been delivered by the Australian Commonwealth Minister of Customs, Mr. C. C. Kingston. In that speech he declared that the Commonwealth Government proposed to copy the Canadian iron bonus "to secure the establishment of the industry of manufacturing iron from the ores in Australia." The Government is therefore to give a bonus to the Australian ironmaster of about 20 per cent. of the value of the manufactured article in addition to levying protective tariffs against British iron.

This point is of the utmost importance, and those who favour the Zollverein are doing their best to obscure it to the English manufacturer and workman by Imperialist gush. But fortunately, in the case of Canada, Mr. Chamberlain himself has uttered his warning. The Canadian preferential tariff applies only to manufactured goods, as we have no raw materials to export to the Dominion. It is, however, not low enough for us to compete with Canadian manufacturers, though it is just high enough to have arrested temporarily certain lines of

foreign imports. Speaking on the results, Mr. Chamberlain said to the Colonial Premiers in July, 1902: "The total increase of the trade of Canada during the period named (the preferential tariff period) was 69 per cent., whilst the total increase of trade with Britain was only 48 per cent." He then pleaded for terms of "greater equality"—greater equality, not with the foreigner be it noted, but with the Canadian producer. Those terms will never be granted either by Canada or Australia until years hence, when they have established their own industries so securely that they need not fear open ports.

This, then, is the situation we have to face. Mr. Chamberlain advises us to tax our food in order to provide a market for colonial produce, but whilst the advice is being given the leading Colonies are taking steps to secure their own markets against our staple exports. Our self-imposed taxation, therefore, will only hasten our ruin by directing our trading energies to the cultivation of markets protected not only by

tariffs, but by bounties, and supplied by an increasing volume of colonial production.

Australia has also to impose tariffs for revenue purposes. Last year, out of a total of £38,500,000 imports, only £10,257,000 was received free of duty, and it has been estimated that the loss to the State treasuries on account of the internal Free Trade established by the Commonwealth Act was £810,237.* As a consequence, State finances are giving a great deal of trouble, and it is impossible to conceive of Australia making any fresh departure involving further financial sacrifices. Besides, there is a decided tendency in Australia—in spite of the New South Wales good example—to increase the income from Custom duties. In 1891 the Customs raised averaged £2 6s. 5d. per head of the population; in 1893, £1 18s. 5d.; in 1895, £2 0s. 8d.; in 1897, £1 18s. 1d.; in 1898,

* This, of course, does not include Western Australia, which has been allowed to levy Customs duties from goods imported from the Federated States. £256,000 per annum goes into its treasury from this source.

£1 19s. 2d.; in 1899, £2; in 1901 (half year), £1 2s.; in 1901-1902, £2 6s. 5d.

The trade of New Zealand has most features in common with that of Australia. The total exports amount to £12,881,424 (1901), and of that sum £3,699,103 is for wool, and £2,300,000 for meat, whilst gold exports account for another £1,753,000. The Australian and New Zealand exports of wool and meat to the Home Country are £13,500,000 and £4,500,000 respectively, or nine-fourteenths and a little over one-third of our total imports of these products.

The New Zealand interest is therefore the same as the Australian interest, except that New Zealand is much more concerned with beef and mutton. In any Imperial tariff scheme the interests of both colonies would be opposed to the home consumer of meat and to the textile operative.

On the other hand, New Zealand is convinced that "the factories engaged in the woollen, printing, clothing, iron and steel, tanning, boot, furniture, brewing, jam-making, and brick and tile making indus-

tries owe their existence in the main to the [Customs] duties.* Nor is there any evidence that New Zealand will ever abandon its policy of Protection. Mr. Seddon's latest display of patriotism puts that colony in a painfully gross and selfish position, and justifies us in assuming that the present New Zealand Government only looks upon the homeland as a milch cow. Whatever changes in her tariff New Zealand makes will be with an eye upon the interests of her internal trade, so that the British producer who sees opportunities in the New Zealand market had better make up his mind that he is not going to get there except upon such terms as will enable the colonial producer to compete with him with deadly advantage.

South Africa is at present in the melting-pot, and what its future is to be no man can tell. Its gold and its diamonds will continue for some time to be placed on the market; but gold and diamonds are not

* See Mr. Reeves' admirable book on New Zealand, "The Long White Cloud," p. 352.

wealth. In the future, as in the past, South Africa will be mainly agricultural and pastoral. Before the war Cape Colony was exporting wool approaching £2,000,000 in value and well over 70,000,000 pounds in weight, but the quantity had not increased for about ten years, and the value was about the same as it was twenty years before. Leaving the problematic development of shadowy industries—created in imagination for war purposes—out of account, we may assume that a trade in iron and coal will spring up in South Africa, and that tariffs will be imposed at the ports to protect the beginnings of a metal and mining industry. A Zollverein consequently can bring no large benefits to South Africa, or to the home exporter dealing with that country.

We have no means of knowing what the settled fiscal policy of South Africa is to be, but there is no reason to believe that it will be different from that of our other Colonies—viz., that revenue ought to be raised chiefly by Customs. Cape Colony,

for instance, raised £1,788,392 at its entrance gates in 1900, and though that may seem a comparatively small proportion of its £6,236,000 revenue, it must be remembered that nearly £3,000,000 was raised by railway income.

Surveying the whole question, we have therefore to come to two main conclusions :

1. That we cannot help the Colonies except by taxing our food and raw materials; but as Mr. Chamberlain contends that such taxes would be paid by the foreign importers, and would not be borne by the price of import, foreign produce would be as cheap on our markets as Colonial produce. It is therefore difficult to see how a Zollverein can help the Colonies at all.

2. It also appears, however, from the figures given in this chapter, that the United Kingdom is already taking from the Colonies by far and away the greater part of their produce, and that whatever colonial trade may suffer from, it is not from a restricted British market. In 1901 Australasia (including New Zealand) ex-

ported £59,144,177 worth of produce, and of that only £13,170,000 went to foreign ports; in 1891 the figures were: Total exports, £43,243,000, of which £8,372,000 went abroad. If we take Cape Colony's 1898 export as a mark to which the colony may be expected to return, we find that of £25,318,701 worth of produce (including diamonds) sent out, the United Kingdom took £24,844,741. The Canadian figures do not wear such a pleasing Imperial aspect, but even they show that of a total value of exports amounting to £196,487,632 (1901) the United Kingdom took £105,328,956. Canada, in spite of a Zollverein or anything else, will always do a large trade over the border with the United States.

The Colonies as exporters have therefore only a comparatively small amount to gain by any expedient which may be devised for giving them a monopoly on the British market.

CHAPTER III

THE ZOLLVEREIN AND THE WAGE-EARNERS

Old age pensions.—The Lancashire operative.—Wool, etc.—The foreign tit-for-tat.—The chaotic period.—Wages.—Wages and cost of living.—England.—Germany and Austria.—America.—German Wages.—High wages.—American wages.—Wages under Protection.—The worker's share.

MR. CHAMBERLAIN has informed us that he is to make a special appeal to the workman, and that he is to bait his hook by promises of high wages and old age pensions. No part of his ill-digested speech was more crude than these demagogic sentences. The reference to old age pensions was particularly reckless. For what is the fundamental idea of this fiscal scheme? Surely it is that as speedily as possible the Empire shall be self-contained and the foreign imports be reduced to a minimum. But

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foreign imports alone are to pay revenue, so that just in so far as Mr. Chamberlain's purposes are realized, the fund from which old age pensions are to be drawn is to disappear. Or, I may state the position in another way. Mr. Chamberlain proposes to tax food and raw material. He admits that this may raise the cost of living, but contends that the tax will benefit colonial farmers, mine-owners, and capitalists, first of all, British agriculturists and landlords in the second place, and the British workmen in the third place. The benefits to the colonists and the British landlords are to be permanent, immediate, and secure, but the benefits to the workmen are to depend, in the first place, on their power to force up wages, and, in the second, on the existence of a considerable revenue from foreign imports. But the workman's power to force up wages diminishes as the cost of living increases, and it is Mr. Chamberlain's aim to speedily withdraw from foreign produce that patronage upon which the existence of the old age pensions fund

depends. Such is the workers' side of the bargain.

The old age pensions' pledge is, however, a mere bait, thrown out with unscrupulous disregard of responsibility. In a previous chapter I have sketched Mr. Chamberlain's rapid transformation of attitudes upon this subject, but the position which he now occupies is more detestably callous than any which he has held hitherto. Only 5 per cent. of the working classes reach the age of sixty-five, and on the off-chance that each adult living to-day may be one of those lucky souls, all are to be asked to submit to an increased cost of living. I wonder what an insurance company would say in its joy if it had to deal with simpletons willing to pay such a heavy price for such a small chance. The poor are to be made poorer; the rich are not to be asked to bear the burdens of their social responsibilities. The cost of social reform is to be borne by the most poverty-stricken of the victims of the evil conditions which exist to-day. The slum-

dwellers by eating taxed bread are to be made to provide the funds for housing reform; the families living below the poverty line are to ease the burdens of the ratepayers by feeding on taxed beef and mutton. Mr. Gould has aptly ridiculed the whole idea by representing Mr. Chamberlain in the character of Mother Hubbard telling the British workman that he can easily have an old age pensions bone if he bites a bit off the end of his tail.

But whilst these fictitious funds are supposed to be accumulating, the duties on raw material at our ports will be levied, and the foreign countries which deal with us will be withdrawing from us what benefits they now give under the most-favoured-nation provisions in their fiscal Acts, or they may be taking still more drastic measures to damage our trade.

Let us now consider how the Lancashire operative, as a type of British workmen generally, will be affected by the new system. Our cotton imports amounted in 1901 to £41,263,000 from foreign countries, and

£707,500 from British possessions. Of the former figures, £8,305,758 came from Egypt and £32,355,712 from the United States. For 1902 we imported £40,564,683 worth of cotton from foreign countries (of which £9,938,484 came from Egypt and £29,284,000 from the United States) and £584,519 from our Colonies and dependencies. These figures show at a glance how much the Lancashire cotton operative is at the mercy of the American should any retaliatory policy be adopted designed to withhold from English looms the cotton products of America. At the present moment the operations of financiers and speculators in cotton futures are hampering Lancashire industries and reducing the aggregate of Lancashire wages by withholding the supply of raw cotton; but if their efforts should be in any way supplemented by a State policy, say, of export duties, the Lancashire workman will be in the same famine-stricken condition as his grandfather during the Civil War.

The supposition that countries like

America, which send us raw material, will retaliate upon us by restricting the supply is not at all remote. If the Empire is to assume that aggressive trading attitude which is the dream of Mr. Chamberlain, we must not suppose for a moment that our challenged rivals will merely content themselves by increasing their own protective tariffs. They can hit us very much more severely than that, for they can control the supply of raw materials upon which our commerce depends. They are not stupid enough to fail to see that so long as we have to import raw materials their crushing reply to our feeble attempts to launch into Protection will be to starve our industries. That being so, our cotton industry lies at the mercy of the United States so soon as a lion's-tail-twisting Government rules from Washington and listens to the advice of the *New York Sun*. Nine-tenths of the people of Lancashire would then live on American sufferance.

Our woollen industry is better circumstanced. Of a total import of goat's wool or hair (1902), amounting in value to

£1,844,592, £1,054,658 came from Cape Colony ports; and of a total value of sheep's and lamb's wool imports amounting to £20,000,000, £16,669,000 came from within the Empire. But it is of some importance to note that there is less tendency for our imports of wool from the Colonies to expand than those from foreign countries. Our imported flax comes mainly from outside the Empire, and so do our hemp, hides, metal ores (except tin), and timber.

The prospect to the workmen of an Imperial Customs Union is therefore one of scarce and dear raw materials, stagnation of industry generally, and the obliteration of some industries altogether.

It has been said that countries exporting raw materials to us will not be foolish enough to limit their sales. That may be true of Chili or the Argentine Republic, but it is not true either of Germany or the United States. In the present industrial condition of these countries an export duty on raw materials would mean that our manufactured articles would meet with in-

creasing difficulty in competing with theirs, that their own manufacturers would have a plentiful supply of cheap raw materials, that their own industries would have an incentive to consume more and more of the native raw produce. If it be true that a small export duty on our coal is really borne by the foreign purchaser, equally true would it be that a small export duty on American cotton would be borne by the Lancashire manufacturer, and that extra cost would disorganize Lancashire trade.

It must be kept in mind, of course, that such an export duty would tend to develop cotton-growing in India, Egypt, and West Africa; but it would be many a long year before we could get supplies from these countries sufficient to make us independent of America, and meanwhile our trade would be depressed, our people unemployed, and our market destroyed beyond possibility of recovery.

Moreover, whatever may ultimately happen, it is quite certain that for some

years after the fiscal change our industry will have to undergo a process of readjustment. Food will increase in price, house-rents will tend upwards except in towns where industry is immediately damaged by the change. People with fixed incomes and salaries will have to lower their standard of living. During this change there is nothing more certain than that wages will fall.

It is not so very easy to disentangle the factors which will determine wages so soon as the country settles down to its new conditions. The classes who work on salaries, like clerks, or on wages protected by no combinations from falling, and fixed simply because satisfactory men can be got to accept them, will most certainly receive no substantial advance to compensate for dear food and other increases in living costs. This also will be true of the unskilled and the unorganized labourers—all those people struggling to live with their heads barely above water. There are crowds of them wanting work, and an increase in the cost of living will, with dire certainty,

make their lot harder without affording them the least chance of augmenting their wages. If, by-the-by, a generous Government recognises its obligations to its officials, and raises their salaries in order to compensate them for the extra cost of living imposed upon them, the Old Age Pensions Fund becomes still more shadowy.

But Mr. Chamberlain's bribe is evidently meant for the artisan—for the man we find in trade unions. As regards this class of wage-earner, it must be evident that an Imperial Customs Union will affect some in one way and others in other ways. Take the case of the railway servants, for instance. How will an Imperial Customs Union place more profits at the disposal of railway companies, so that these companies may voluntarily increase their wages bill? They will probably have to pay more for iron and wood, and their miscellaneous expenses, under such heads as oils, cotton-waste, etc., will be increased. They cannot very well charge higher freights than they are now doing, and they properly anticipate

that increased efficiency in working will mainly contribute to increased facilities being given to users. At any rate, no portion of their funds available from this last source will go to labour without a struggle, and labour is much more likely to win its battles when cost of living is low than when it is high, since cost of living is the only thing which stands between the striker and assured success in every struggle in which he engages.

Thus we see that, in the case of wage-earners working under conditions similar to those of railway service, not only will Protection in any form not increase wages, but it will put difficulties in the way of trade unions forcing up wage standards.

But supposing that, in the long run, the profits of certain industries are increased by Protection, how far will that affect wages? These profits will tend to fall to the economic minimum, and if it be true that profits determine wages, then wages will very soon drop to the present normal. But, as a matter of fact, profits do not determine

wages, except apparently in those industries where the principle of a sliding scale is in operation, as in some coal-mining districts. Even in these industries the sliding scale basis has to be revised from time to time. The sliding scale is, indeed, not a method of determining wages, but an expedient for temporarily settling how much a workman is to receive over and above a certain minimum. A working method of settling accounts between capital and labour must not be confused with an economic law of wages.

Nor will wages rise because cost of living has risen. Prices of food rose between 1900 and 1902 from 65 (1899) to 69 (1900) and 67 (1901) (Sauerbeck's index numbers).^{*} According to the Board of Trade Reports, the aggregate wages bill of the nation increased during 1900 by £209,000 per week, and fell by £78,000 during 1901. The rise in wages during 1900 thus appears to be considerable, and so far seems to sup-

^{*} *Journal of the Royal Statistical Society*, March, 1902, p. 87.

port Mr. Chamberlain's economics; but, as a matter of fact, it was confirmed practically to the miners, who had a weekly increase of £168,362 out of a total increase for the whole country of £209,379. Moreover, only 14.2 per cent. of the wage-earners of the trades affected participated in the increase. Therefore, figures which at first sight appear to support Mr. Chamberlain, in reality do not.

The increases in wages which took place owing to the disturbance which the war occasioned in industry had no direct connection with the increased prices demanded for the necessities of life, but arose mainly because a sudden scarcity of labour was created in some industries where wages were easily influenced (wages being less rigidly fixed in some industries than in others), and also because employers—*e.g.*, coal-owners—suddenly found they could increase profits of which, owing to the operation of sliding scales and trade-union vigilance, they had to give a small share of their work-people.

I know of no case where wages have been permanently increased relatively to cost of living simply because cost of living had increased, but the history of wages in England, Europe and America shows that real wages have increased most rapidly whilst the cost of living was falling.

Let us consider another period, somewhat similar to that through which we have been passing—that which centres round 1810. That year the average cost of living including rent was 27s. 4½d.* Since 1790 this cost had risen by 12s., and in 1824 it had dropped by over 7s. Anyone acquainted with industrial history knows that these extreme dates cover times of good and depressed trade, and also times of great industrial change and much suffering to the wage-earners. During the twenty years before 1810, wages rose all over the country. London tailors' wages rose by 8s. per week, London carpenters' by from 3s. to 6s. In

* "A Glance at Wages and Prices," by G. H. Wood, Manchester Co-operative Wholesale Society.

Sheffield the increase averaged about 30 per cent., and similar rises are recorded for country towns. The explanation is that large profits were being made, at a time when war depleted the labour market. The ending of the war and the return to specie payments relieved the pressure on the labour market, and at the same time caused wholesale prices to drop. But whilst the cost of living fell by 7s. 5d. per week between 1810 and 1824, Manchester cotton-spinners' wages fell only 2s., London compositors' remained stationary, and the London building trades' rates dropped between 6d. and 2s. A study of wages and prices in these two periods, therefore, shows that real wages in no way kept pace with the increased cost of living between 1790 and 1810, and that from 1812, although wages fell, real wages improved owing to the greater fall in prices. The following table, which I take from Mr. G. H. Wood's excellent study, will dispose at once of the contention that a rise in the cost of living means an equivalent rise in the cost of labour—*e.g.*, wages—or that wages

are fixed by cost of living. The table fixes 100 as the index number for both prices and wages in 1790, and the proportionate rises are shown under the various dates :

	1790.	1810.	1824.	1840.	1850.	1860.	1872.	1887.	1900.
Money wages .	100	169	155	139	141	161	210	205	236
Cost of living, including rent }	100	181	137	137	133	128	142	115	127
Real wages .	100	93	113	101	106	141	149	178	185

From this table it is seen that whilst cost of living fell between 1810 and 1824, real wages rose; whilst it was stationary between 1824 and 1840, wages fell; whilst it fell between 1840 and 1850, 1850 and 1860, wages rose rapidly towards the last date; whilst it rose considerably between 1860 and 1872, real wages did not rise so much as they had done when it was falling in the previous period; whilst it fell between 1872 and 1887, real wages again bounded up, and its final increase between 1887 and 1900 is not marked by any striking rise in real wages. This table, so far from supporting Mr. Chamberlain's contention, almost proves

the opposite—viz., that real wages rise most rapidly when cost of living is falling.

The Continental workman knows all this by hard experience, and the result is that the German Social Democratic party can increase its vote by millions simply on account of its opposition to the tariff. Whilst the German wage-earners were expressing their opinion of a tariff at the polls, the Austrian trade-unionists were meeting at Vienna in their annual Congress, and voting with enthusiastic unanimity a resolution opposing tariffs, on the ground that they are an expedient by which the wealthy rich can place financial burdens upon the struggling poor.

But the best foreign country to consider is undoubtedly America, the facts regarding which are to be perverted so magnificently by the Protectionists during the coming campaign. Let us take the period 1830-1860, during which the Eastern States began to awake to their industrial possibilities. Mr. Carroll D. Wright deals with the period in his "Industrial Evolu-

tion," and shows that whilst the prices of fourteen groups of necessities rose only 13 per cent., wages rose 52 per cent.* The only great increase in cost of living was in agricultural produce. For the period from 1860 to 1891 the Aldrich reports form our most reliable source of information, and they show during the period an increase of 3·9 per cent. in the cost of the chief necessities (due exclusively to the increased price of fish); but the average cost of living had fallen 4 per cent. in 1891 below what it was in 1860. (This, in view of increased efficiency of production, is a damaging indictment against Protection.) But in the meanwhile wages had risen 60 per cent.

The period between 1861 and 1868 is, however, of special interest in connection with our present investigation. During these years currency was depreciated by the issue of "greenbacks," and prices rose, comparing 1860 with 1865, by 116 per cent. During the same time wages only rose

* P. 225.

44 per cent., so that in 1860 the workman was one-third better off than he was in 1865.

These figures are conclusive. They show that Mr. Chamberlain was neither equipped nor qualified to enter into the economics of Protection as he did on May 28 last.

It only remains to give some figures showing the wages paid in Germany compared with those paid here in typical industries. I shall take the two staple trades of cotton and engineering. In the Reports from Various Nations* presented to the Textile Congress held in Berlin in July, 1900 (p. 15), it is stated by the German section: "The earnings of the men employed in the textile industry varied from 500 to 1,200 marks" (£25 to £60), "those of females from 250 to 550 marks" (£12 10s. to £27 10s.). Only 3 per cent. of the men were earning above 1,000 marks (£50), and over half were earning 800 marks (£40) and under. Weavers' wages never exceeded £50; dyers' £40. Of the

* Manchester Co-operative Society, Limited.

women 65 per cent. were earning only £20 and under, and only 10 per cent. received £25. The average working day was one of eleven hours. The Labour Department of the Board of Trade shows that the English average wage in the cotton industry is 25s. 3d. per week—from £10 to £20 per annum higher than the German average.

The iron industries show the same result. The Royal Statistical Office of Wurtemberg recently published a return of wages which seem to be a fair average for industrial Germany, and from that we find that turners get 24s. per week, fitters 23s., boilermakers 25s. 6d. The English engineering average, even including lads' pay, is now about 27s. or 28s., whilst turners and fitters are paid about 30s., and boiler-makers 40s.

Wages depend on the efficiency of labour in production, and the ability of labour to demand the value of that efficiency. Efficiency determines the maximum, effective power of demand determines the actual,

payment. The apostle of the Imperial Customs Union must therefore satisfy us on one of two aspects of the wages problem. Will Protection steady trade? And, will Protection make the workman more efficient? If it will steady trade, aggregate wages will rise; if it will make the workman more efficient, the price of labour will rise.

The first question is easily answered. There have been more severe depressions of trade and fluctuations in the demand for labour in Germany and the United States under Protection than in Great Britain under Free Trade. Indeed, one of the eventualities which Mr. Chamberlain threatens is a time when German and United States trade is so depressed that those countries will unload surplus produce upon us and ruin us by the weight of the "dump," sold under cost price, owing to the necessity imposed upon the hard-hit employers to clear off stock.

The second question must also be answered in the negative. If Protection has any influence upon the efficiency of

labour, it is to reduce it. America appears to be an exception to this. But America has had a command of young, virile colonist workmen, full of ideas and enterprise before they left their European homes. They have supplied the energy which has founded American industry, and that energy owes nothing to Protection. I have already shown how little the cost of commodities is a prime cause of the high American wages. That height is owing to the existence of the backwoods, the energy of American manufacturers, the efficient handling of American capital, the great waste that goes on in American life keeping the volume of consumption large, and it is conditioned by the social characteristics of America and the republican institutions of the country. Professor Levasseur, writing with a marvellous fulness of knowledge of American industry, says of wages: "It is not certain that wages are increased by Protection. Some of the protected industries pay high wages, like the steel industry, while others pay low wages, like the cotton

industry. And, moreover, one does not find the same kind of labour—carpentering or manual labour, for instance—receiving higher wages in protected than in unprotected industries.”

So it is with German trade. German industry is founded on German education, but education is not a result of the German protective system. Protection rather tends to make a country careless of its efficiency, and Germany’s intellectual keenness, not its fiscal policy, has made it prosper. Protection tends to encourage conservative methods, and, unless corrected in some way, it stereotypes old processes, and thus discounts education.

There is absolutely no economic or intellectual result of Protection which will increase the activity of those forces in British industry making for high wages or for steady industry. But the mere fact that it increases the cost of living means that it will hamper labour in its negotiations with capital for better conditions, and will make it more disastrous

for the workman to leave his work in order to enforce his demands against his employer. A strike will then be more expensive, the entailed suffering will be more acute, the chances of labour winning will be more remote; whilst a period of trade depression or even an ordinary reduction of wages* (as we know so well to be the case both in Germany and the United States) will be more terrible for every family whose breadwinners are out of employment.

The Imperial Customs Union will inevitably increase the cost of government, and therefore increase the relative share of wealth assigned to unremunerative labour, and reduce the available share due to the productive worker. Social reform will thus suffer, and so far from the Imperial duties being the means of enabling Mr. Chamberlain to redeem his pledge to grant old age pensions, they will supply no fund at all

* “The American Workman,” by Professor Levasseur, p. 431 : “If a reduction of wages or the loss of his place forces him temporarily to retrench a little, he thinks himself very unfortunate, and feels the privation keenly.”

for the purpose. And even if they do, it will be because they have so increased the cost of living that a pension of 5s. a week will not go so far as one of 4s. can go to-day, and not so many people will live to the pensionable age. Such is the workman's prospect under the Imperial Zollverein.

We have had no statement as to how heavy the tariff upon foreign imports is to be so that the preference may be sufficiently satisfactory to our Colonies, but anything under 10 per cent. would be futile. Supposing we imposed a 10 per cent. duty upon imports of foreign corn and meat, we should be adding to the burdens of the consumers of the country, three-fourths of whom belong to wage-earners' families, a sum of about £7,000,000. This works out at the rate of 3s. 6d. per head per annum, which means, on the basis of six persons to a family, that £1 1s. of a worker's family income (over an average week's wages) will go every year to maintain British landlordism, and increase the prosperity of Canadian and

Australasian agricultural pursuits. But, of course, a tax on grain, beef, and mutton will not suffice. Our Colonies are largely interested in butter and cheese (of which about £19,000,000 worth comes from outside the Empire and nearly £7,000,000 from within), and in fruit, lard, coffee, and live animals for slaughter. So that when the Imperial Customs Union is in full operation we may reasonably expect that the working-class families will be called upon to add to their burdens a sum of something between £2 and £3 per annum. This burden is seriously proposed for a class, 40 per cent. of which is under the poverty line, and of which 999 members out of every 1,000 die without accumulated property except what they are using for the time being—*i.e.*, household effects.

I am not going to describe the poverty and misery of the people before the Corn Law was abolished, because that was not merely owing to Protection. The country was undergoing an industrial revolution, the occupations of the people were rapidly

changing, uncertainty prevailed, men did not understand the fateful changes by which they were surrounded. But I do say that an increased burden of £2 to £3 per annum upon poor families will be disastrous, and will shadow the lower strata of our society with a deeper shade than has clouded it since the early years of the last century. To reduce the consumption of the working-classes by about £10,000,000 or £14,000,000 per annum, or to limit their expenditure on harmless "luxuries," intellectual or otherwise, to that extent is a serious lowering in their standard of living, and, like all such downward steps, will be followed by strenuous attempts to keep that standard from rising again.

It is almost futile, in the case of a politician who has championed as many contradictory opinions as the rainbow has colours, to quote his past speeches in reply to his current utterances; and if I bring to my assistance Mr. Chamberlain's 1883 and 1885 opinions, it is not to accuse him of an inconsistency (that would be lashing a dead

horse), but because he then put my present contention in a very satisfactory way. He said in Birmingham (March 30, 1883), replying to Lord Salisbury, who was then only the representative of privilege and property, that if Free Trade were departed from "it means that every workman in Birmingham and throughout the country should pay more for his loaf and more for his clothes, and more for every other necessary of his life, in order that great manufacturers might keep up their profits, and in order, above all, that great landlords might maintain and raise their rents."

CHAPTER IV

THE ZOLLVEREIN AND THE EMPIRE

What is a Zollverein?—Free trade in the Empire.—Zollverein essentials.—Colonial defence contributions.—Mr. Chamberlain's "idea."—Britain and the Empire.—The Colonies and the Empire.—The Zollverein and the Empire.—The Zollverein and armaments.

THOSE who dream of an Imperial Customs Union tell us that they take Germany as their model. They might also instance the United States and the Australian Commonwealth. How far do these States offer a model for the British Empire?

A Zollverein is a fiscal union of States under which the individual State agrees to levy no Customs duty from the other federated States. The federated States, however, protect themselves—or raise a revenue—by Customs duties levied on goods sent from foreign States. In other words,

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a Zollverein provides for Free Trade within the Federation, but levies Customs duties against the rest of the world.

Before proceeding further with the consideration of this proposal, it may be well to refresh our memories as to what the existing position of Free Trade within the Empire is. The Mother Country is free, and she takes from the Colonies and dependencies materials to the value of £105,500,000 (1901). India is also free (and that is one of the reasons why I have left it out of account in the figures of trade which I have used in previous chapters),* and it takes from the Empire goods and materials valued at £55,000,000; the Straits Settlements, Ceylon, Hong Kong, the West Indies, and our other minor dependencies are also free in the sense that they do not levy Customs duties for protection, but only for revenue. Summarizing the trading relations between the Home Country and the Empire, over one-third of our imports come from Free Trade sections, and one-half of our exports

* Except table on p. 28.

go to them. As a matter of fact, however, under an Imperial Customs system these Free Trade countries would be blots on the red, and the people of India, of West Africa, of Ceylon would be expected, out of loyalty to the Empire, to sink themselves into deeper poverty in order to afford preferential treatment for Imperial goods.

But supposing we make up our minds to recast the fiscal arrangements of the Empire on the model of the Prussian Zollverein, what are the essential features of such a plan?

All Zollverein federations we have hitherto known have been unions of contiguous States. That seems to be the first essential. For a Zollverein to be successful, it must become a political unity as well as a trading co-partnership. The existence of the Prussian Zollverein depended on the fact that the federated States were aiming at the fulfilment of the desire for German unity, not merely that they considered it good policy to pool their Customs revenues. If Massachusetts were

separated from Alabama by thousands of miles of sea, and knit to it only by a patriotic sentiment and by a trading arrangement, it would not accept with equanimity the new competition in Alabama cotton products. This propinquity of territory seems to be necessary if the federated States are to lose a sense of their separateness, and if they do not lose that sense in the Zollverein their rival interests are sure to clash, especially the moment one invades another's home market. Canada and Australia, competing together on the Home Country market, will accept similar terms (they have them now under Free Trade) and will not lose their tempers with each other; but if the time ever comes when Canada and Australia compete with each other on their own markets, it will be quite a different matter. We know as an experienced fact that though Canada offered special terms for other Colonies which treated its products as the Mother Country did, no self-governing colony came under the Preferential Treatment Act except New

South Wales, and that this favourable treatment was of no value to the Free Trade Australian colony.

And, as I have already shown, we have no grounds from the past history of our self-governing Colonies for supposing that any of them will allow the products of the Mother Country to elbow out local industries. The fact is that, scattered as they are over the world, the States of the British Empire are bound to develop an independence of feeling and of interest. Their political loyalty to their Motherland need never be weakened, and that loyalty will always make them regard the commercial interests of the Motherland with sentimental favour. We see that in the figures given in a previous chapter. But their local institutions, laws, and political movements will always be so much more real to them than their Imperial connections that they will never see their way to sink themselves, as Baden has sunk itself in Germany, in an Imperial organization from which they can receive but little

material help, and which, as I shall presently show, may be somewhat burdensome to them.

The British Empire, therefore, has not that propinquity of States which is necessary for the success of a Zollverein.

Another essential to a Zollverein is that the Customs revenues of the separate States are pooled for Imperial purposes. At the present time all Customs dues are paid into the Imperial Exchequer in Germany, the same holding good in the United States and also in the Australian Commonwealth. When the Zollverein was as yet only a Customs Union with Prussia as its centre, before the creation of the German Empire, the Zollverein exchequer was common to the Federated States, and its contents were divided out according to the State populations (Customs Treaty, 1833). It is impossible for the States of the British Empire to come to any such agreement.

Again, there can be no Imperial Customs Union, however tentative and incomplete, without an obligatory and systematic con-

tribution on the part of the Colonies to Imperial expenses, especially Imperial defence. This would be the Mother Country's side of the bargain. At the present moment the Colonies contribute practically nothing for their own safety. The Australian fleet is obsolete. The Canadian and Cape Colony contributions to our army and navy are hardly worth mentioning. I doubt if they will ever do much more than they are doing, and particularly there are no indications of their willingness to pay a properly calculated share of the cost of Imperial defence, whatever that cost may be. Voluntary contributions are not enough. If the Colonies are to force upon us Imperial bonds of a heavier and more rigid kind than we now wear, they must be prepared to share proportionate expenses year in and year out.

What a fair share in the cost of Imperial defence means to the Colonies can easily be calculated. The expenditure on the army and navy in 1902 imposed a payment of 29s. 3d. per head upon the people of the United Kingdom; the Canadian pays only

2s., the New Zealander and Australian 3s. 4d., and the South African 2s. to 3s. These are figures from one of Mr. Chamberlain's own speeches,* and with his comments on them I quite agree. "No one," he said, "will pretend that that is a fair distribution of the burdens of Empire. No one will believe that the United Kingdom can for all time make this inordinate sacrifice." Since then the Colonies have added about £300,000 to their Imperial naval contributions; but another £3,000,000 for the same purpose has been added to the home taxpayer's burdens, and so the distribution has become still more unfair. The population of the United Kingdom is 41,600,000, and it is estimated that there are about 12,000,000 whites in the rest of the Empire. It may be assumed that the normal cost of our army and navy will not fall under £60,000,000 per annum in future. If we regard this warlike expenditure as being necessary for the Empire's existence, it ought to be distributed over the Empire

* Colonial Conference, 1902.

according to population; that means that the Colonial contribution should be raised to about £1 3s. per head. We may, however, regard the navy as a form of trade insurance, and in that case the costs of the navy would be distributed in proportion to the trade of the various Colonies, when the result would be that the charge per head for the United Kingdom and Australia would be lowered, whilst for New Zealand and South Africa it would be increased, and for Canada it would not be much altered. No one seriously thinks, however, that the Colonies, unless granted a controlling voice in Imperial policy, will ever pay these charges, and few believe that they will accept the controlling voice if they have to buy it by meeting these costs.

The British Zollverein can therefore be but an apology at the best. It is to be an arrangement by which the Mother Country is to allow her foodstuffs and raw material for manufacture to be increased in price so that Colonial exports may find a ready sale in the British market—a position they

already occupy—whilst, on the other hand, the Mother Country herself is to have preferential treatment by the Colonies—such a treatment as Canada at present offers without very much advantage to British produce. Evidently, when such an arrangement is likened to the Prussian Zollverein of the German Empire, or the United States of America, the ignorance of the British public is largely taken for granted.

We are, however, at a loss in criticising with a definite marshalling of arguments the proposal which the Government, in its secret chambers, is fortifying by darksome inquiries and misleading messages. The whole business has not reached a more mature stage in Mr. Chamberlain's mind than that of an "idea"; in Mr. Balfour's than that of an interesting problem; in the Chancellor of the Exchequer's than that of an impractical suggestion that, for the sake of Cabinet harmony, may be inquired into.

But we do know what expectations have been formed of the result of the change. These expectations are delightfully con-

tradictory, and I shall only state those which Mr. Chamberlain has given us as his own. It is to promote colonial trade with the United Kingdom and diminish our commerce with foreign States. That vain hope has already been dealt with. It is, however, to furnish us with Imperial funds derived from duties on foreign imports, and these funds are to be available for social reform. That claim, inconsistent with the first, has also been dealt with. It is to protect the home farmer and also provide a market for colonial grain, another inconsistency which needs no consideration. But behind all these its chief virtue lies. It is to unite the Empire, in the first place, and, in the second, it is to protect our home manufactures and raise wages more than it increases the cost of living. In its first aspect the "idea" is in keeping with a Zollverein; in the second, it is simply the old familiar Protection cry.

Let us now examine these two further aspects of Mr. Chamberlain's "idea."

The newly-created Imperialist feels no security in a mere blood relationship, in mere sentiment, in a common origin, common racial character, common political problems, a common literature, a common historical past. He sees individual State development going on in the Colonies, and he does not like it.

I have shown how futile it is to imagine that the British Empire can be united as the German, American, or Australian States have been; but an Imperial Customs Union would undoubtedly bring the Colonial States into more frequent touch (it might be harmonious or the opposite) with the Mother Country, and more bargains and arrangements would be concluded between the sections of the Empire. The Colonies would then naturally step into more prominence and power in determining Imperial policy. The seat of Empire would tend to be removed from the old Motherland; the control of the Empire would no longer centre in London; from being dutiful daughters, the Colonies would become equals.

This aspect of Imperial Federation has never been honestly faced by Imperial Federationists. One here and there has recognised it. Mr. Bernard Holland, for instance, considering the change which would come about after federation and an Imperial Zollverein, describes it in these words: "And then England will have to melt into the British Empire, even as Rome, proud Rome, had to melt into the Roman. England, the metropolitical country, must ever hold the first place in point of honourable primacy or precedence, but in respect of controlling power she will hold but that place to which she is entitled by her relative population and resources." Coloured by Mr. Holland's fine words, "that place" seems to retain some dignity. In sober truth it contains none. England will then be but the aged beauty whose day of rule is past, and who is tolerated in her decay by those who have taken up her sceptre.

This may be in store for us; indeed, in due time, if the Empire last, something like this is bound to happen. But in the

meanwhile we can surely pay our due respect to and show our real affection for the Colonies, and yet say that at the present time the colonial mind has not become settled enough, colonial interests have not become matured enough, the colonial outlook has not widened enough, the colonial touch with the world Powers is not close enough, the colonial responsibility in Imperial affairs is not heavy enough, for us to feel justified in hastening by hurried political action the time when the Home Land, "even as Rome, proud Rome," will cease to be the central authority in determining Imperial policy.

The present relationship between the Colonies and the Mother Country is not final. But whatever form of Imperial unity the British Empire, if it lasts, is ultimately to assume must be allowed to grow slowly, and must not be forced by the wild day-dreams of an impractical politician. The bonds of Empire cannot be forged by the presence of a few gentlemen, removed thousands of miles from the people they

represent, at a council sitting in London. The strength of the Empire can never be of the rigid legal kind such as that of the German Empire or the United States of to-day. The only true policy—true both from the point of view of the Colonies and the Home Land—is to allow the present loose relationship to mature, to let time harden it here and soften it there, to let the Colonies themselves open out the road homewards again—in short, to trust to spontaneity and development rather than to masterful reconstruction and legal enactment.

An Imperial Parliament is bound to be either a mere shadow or a heavy yoke, and those who advocate its establishment have written many essays and magazine articles, impressive only on one point—their ability to shun a consideration of the difficulties attending their proposals. But yet the experiment of an Imperial Parliament representative of colonial and dependency interests is safer imperially than a Zollverein. Every time that Canada has made an attempt,

or has had it made for her, to readjust her tariff in order to accommodate the Mother Country's exports, every time Imperial fiscal questions have been brought before her manufacturers, a movement in favour of closer union with the United States has been created. This movement reached a dangerous point in 1891, when, in order to obtain free access to United States markets, the Canadians were about equally divided as to whether they would or would not haul down the Union Jack for ever. Let us once establish in Canada two trading sections, one competing with home products and interested in open United States markets, the other supplying the home and Imperial markets with raw material, and we once more call into being the separation movement. At the present moment this movement is submerged beneath a flood of sentiment, but no flood runs down more rapidly than sentiment once the ebb begins.

We have also had a proof from New Zealand of how irritating unfulfilled trading hopes are. Mr. Seddon's vulgar display of

temper and bullying threats occasioned by the fear that Mr. Chamberlain's utterances may be rejected by the country in its sane and calm moments, lift a corner of the veil and show us a little of the repellent motives concealed behind. "If we do not get our way, if you do not tax yourselves in our interests," said Mr. Seddon in effect, "I shall conclude treaties with foreign countries, and allow the Empire to look after itself." This is the first footnote contributed by the Colonies to Mr. Chamberlain's argument for Imperial harmony and unity.

Only nominally can our Empire be united by an Imperial Customs Union; in reality, such a union will crush apart rather than weld together, for the conflicting interests of its different States, harmless so long as each State is left to decide what is good for itself, become terribly weakening when they have to be haggled over by a Joint Committee, a Federal Chamber, or a Motherland arbitrator.

The fact is, Mr. Chamberlain has thrown down the apple of discord, and has put the

Mother Country in a position which compels her either to sacrifice her own interests or seem to meet the Colonies with cold rejection. It is the first step in England's decline, "even as Rome, proud Rome," into Imperial servitude.

And if the Empire does not gain in real cohesion by its establishment of the symbols of unity, it certainly will not gain in stability in relation to the outer world. In a military sense we are very vulnerable, and no nation would suffer more than we should if engaged in a war with a first-class Power. Yet we are deliberately provoking attack. If our markets at home and abroad are shut, or partly shut, against foreign products, international irritation will follow and the enemies of the Empire be strengthened. The world has entered upon a fierce struggle to supply markets, the capital sunk in productive undertakings increases by leaps and bounds, industrial revolution is inevitable: tariffs can no more hold it off than magnets. The nation which is preparing for the struggle by

sharpening the wits and training the intelligence of its people is the nation that may have to face distress, but it is going to win in the end. The nation that controls important markets and closes them, is calling down upon it the armed forces of its competitors. If the United States were a Free Trade nation, it would command more love than it does. Russia's trade policy in China, France's in Madagascar, have led to more shakings of the mailed hand against them than any other action they have taken during the past generation. In spite of all the nasty things said against this country, our policy of the open door and the open market has won for us a regard which has perhaps lain unexpressed or even denied by those who held it, but which, nevertheless, has had a great influence in determining international conduct towards us. The day we begin to tinker with tariffs, either for protective or Imperialist, for trade or for political, purposes, will also herald a policy of bristling armaments, and there will be no reasonable answer to

the politician who then declares that the one safety of the Empire is to be ever ready for war. From this deadweight, from this menace, we should strive to deliver an Empire whose one justification is that it desires to promote international commerce and to maintain peace.

V

THE ZOLLVEREIN ALIAS PROTECTION

Fencing the "dumping-ground."—Protection and industrial problems.—Will Protection repopulate the soil?—Will it improve manufactures?—American progress.—Germany's progress.—Great Britain's start.—Germany's advantage.—American enterprise.—The facts.—Retaliation.

WE are now in a position to discuss Mr. Chamberlain's second purpose—the protection of the British manufacturer against "dumped-down" articles.

"Is it not conceivable," he said in the House of Commons that night when he stole a march on his leader and Cabinet colleagues (May 28), "that we shall have to defend our own trade against unjust competition; not against free exchange of commodities at the natural price, but against something which I believe is absolutely new, and to which I am afraid insufficient attention has

been given up to the present time? Has the House considered what is the practical working of the great trusts which are now being formed in America and in Germany and on the Continent—the enormous aggregations wielded by one man, by a single brain, and which can be brought to bear in the way of destroying a particular industry in this country without running any risk whatever? We are the one open market of the world. We are the one dumping-ground of the world. (Ministerial cheers.) Now what happens? Let me try to make that clear. Let us suppose a manufacturer sells goods to the extent of £50,000 a year, and makes a profit of £5,000. His fixed expenses would be probably £6,000. But now if he can increase his business and sell £100,000, his profits will be, not merely £10,000, but they will be added to by the reduction in the fixed expenses on the second £50,000. His profits upon the £100,000, instead of being £10,000, will probably be £15,000; and the result of that is that he can afford to sell, as com-

pared with his previous condition, his second £50,000, not only without profit, but at a loss. That is what is happening. In America the manufacturers are making and building up their works, and when there is a boom, as there has been recently, the works are at once increased; and so long as the home trade will take all the works make, that is a most profitable arrangement for the manufacturers, and no goods come to this country. But the moment—if to-morrow—there was a depression, say, in the iron trade, there is not the slightest doubt—it has been stated publicly by the president of that tremendous Steel and Iron Corporation, and it is actually being done at this moment by the great German Trust—it is perfectly certain that quantities of iron will be put down in this country or the countries we are supplying at a price we cannot possibly contest. Remember, that is the issue."

These remarks have nothing to do with knitting the Empire together, but raise the question of pure and unadulterated Protection in as crude a form as Mr. Chaplin or

Sir Howard Vincent has ever dreamt of. So soon as the American iron market gets glutted, either owing to overproduction or to a slackening of demand, Mr. Chamberlain proposes to put an import duty on American iron so as to prevent it being exported under cost price to flood our markets. If such a flood were to happen—and it may happen—it could not be of long duration, and whilst it lasted it would give a great impetus to our engineering trade, though it might temporarily inconvenience and depress other branches of the iron industry. But on the whole our industries would not suffer, and our national wages bill would be as likely to increase as to diminish. If, however, it is necessary to protect ourselves against the cheap overproduction of Trusts abroad (and there is only one Trust as yet that we may fear, and that one, as Mr. Jeans* points out, is overcapitalized and on a very unsound financial basis), the Protection should be steady and continuous.

* "American Industrial Conditions:" "The Steel poration."

For it is not a sudden flood of iron we need dread, but the constant imports year in year out of the surplus of normal production. This means Protection naked and unashamed—the protection of the inefficient British equipment against the efficient American equipment; and it must be discussed, not from the special point of view of the Steel Trust or of sections of the iron industry, but from the point of view of national industry, the national wages bill, and the national cost of living.

If, however, Mr. Chamberlain is right, and these bounty-fed Trusts really menace our industry, how is he to meet the competition of the Trusts now being created in our Colonies?

Canada is at this moment paying a diminishing bounty of 11s. per ton on her pig-iron manufactures, and Australia proposes to follow suit. Not only are these Trusts protected by tariffs as in the United States, they are fed by grants of public money. Will their products be turned away from our ports? Will they be sub-

ject to a specially high duty? If they are, our Colonies will soon discover that there is not much sentiment in trade, and our own people will be taught that this policy, begun as a scheme for uniting the Empire, will create in its development wider gulfs than ever have been fixed between us and our children across the seas. The home producer will not be more but less content to be ruined by specially favoured colonials than by Germans, and the colonial will not be more consoled to see his Trust products turned away by us than by foreigners. Whilst this is passing through the press the following paragraph appears in the weekly *Times* (July 10, 1903): "In order to encourage the lead industry the Canadian Government has decided to grant a bonus of \$15 a short ton on all lead produced during the next five years. When, however, the standard price of pig-lead in the London market exceeds £12 10s. a long ton, the bounty is to be reduced proportionately by the amount of such excess." It is thus clear that the Canadian bounty is

to be paid in order to allow Canadian lead to compete on the London market.

It is apparent to everyone that Great Britain has to face an industrial competition which, in point of keenness and efficiency, is unlike any which it has had to meet hitherto, and in the light of this new condition of affairs we have to consider what our future guiding industrial idea is to be. Does Protection really touch the problems which we have now to face?

What is the plea of those who have more insight than the Colonial Secretary, and who hail with joyful expectation his tottering incursion upon the territory of Protection?

They say English exports are relatively declining. The following table, taken from a paper read by Mr. D. A. Thomas, M.P., to the Statistical Society,* will show precisely upon what figures the Protectionists rely.

* "Trade in Coal during the Last Half Century" (Royal Statistical Society), at present in private circulation, but the paper will probably appear in the Society's *Journal* for September. Lest it should appear by the context that Mr. Thomas is a Protectionist, I desire to make it clear that he is not.

TABLE SHOWING THE ACTUAL AVERAGE ANNUAL EXPORTS* OTHER THAN COAL OF THE LEADING INDUSTRIAL CENTRES OF THE WORLD BY QUINQUENNIAL PERIODS IN MILLIONS STERLING.

	1896-1900.	1891-1895.	1886-1890.	1881-1885.	1876-1880.	1871-1875.
United Kingdom . . .	226·8	210·4	223·3	221·8	193·5	229·0
United States . . .	239·2	180·5	150·0	160·5	129·6	—
Germany	189·3	149·7	133·6	131·9	136·6	—
France	149·3	133·2	137·1	134·9	134·8	143·6
Belgium	66·2	52·3	49·9	49·7	42·9	39·3
Italy	48·9	38·9	38·2	44·2	42·6	42·8

* Domestic produce; merchandise only except in the case of Italy, wherein silver bullion is included, and in the case of Germany, in which, prior to 1891, broken gold and silver, etc. (i.e., gold and silver other than bullion and specie), were treated as and included in merchandise.

These figures show that the values of our exports of domestic produce are practically stationary if increasing population is not taken into account, but that, if the figures are worked out at so much per head of the population, they show a decline. On the other hand, our two great competitors, the United States and Germany, show an increase both as regards aggregates and per capita amounts.

These facts are admitted; the dispute only arises when we consider explanations. Accompanying this comparative check to our exports is an increase in our imports of foreign products of various kinds, some of them manufactured articles ready for immediate consumption, others only semi-manufactured, and requiring further expenditure of labour. From these industrial facts the Protectionist concludes without further consideration that all that British trade requires is a system of protective duties. But any system of protective duties must include food—*e.g.*, corn and flour—as well as manufactured articles, and it must carry

with it, as a consequence, a system of retaliatory duties upon British exports at foreign ports. This the Protectionist admits; but he points out, in the first place, that it is in the interest of the nation that a rural population should be maintained, and in the next, that if we allow ourselves to be an open dumping-ground, our staple manufacturing industries are bound to decline, just as, according to Gresham's Law in economics, debased coin can always elbow out of circulation the more genuine article. Protection, he admits, will cost something, but in preserving our rural population and maintaining our industries we receive value for our money.

It is not the purpose of this book to discuss in detail the economics of free ports as the Free Traders do. I agree with the Free Traders' conclusions, but I reject most of their arguments, and I totally reject their fundamental assumptions regarding individual liberty and freedom to purchase in any market. For my present purpose I shall only refer to the reply to the Protec-

tionist which has the most direct bearing upon politics and the most complete illustration in social conditions.

What, then, is the bearing of Protection upon the problem of rural depopulation?

The contention is that, if the price of corn were so raised on the Home market by import dues that it would pay British farmers to grow wheat, the disastrous drain of the country population into the towns would be stayed, and the village would return to its old place in English life. If that result really followed, dear taxed bread would be cheap. But would it follow?

In the first place, we must remember that men do not leave the country for want of work, but because they want a different kind of work, and that in many cases families who would like to remain in the country can find no accommodation, as it has been for a long time the policy of English landlords to reduce the number of houses on their estates. The clearances of the Dukes of Argyle and Sutherland in Scotland, the robbery of the crofters when deer forests

became luxuries demanded by the idle rich, the deliberate neglect of village property in England, have done much more than lowness of wages and scarcity of employment to drive our peasantry from the soil on to the paving-stones.

Moreover, to this day the small farmer manages to do something more than eke out a bare living. Where we still find the peasant in England we find a man who grows corn, is healthy, and is rearing a healthy offspring. He is paying an exorbitant rent, he is working unduly hard, but he is flourishing, and Protection would not put an extra penny in his pocket nor another plough upon his land.

The only agriculturist who would benefit by Protection would be the farmer who owns a large farm. He might put down more wheat. But the special value to the nation of agriculture is not that home-grown corn should be upon our markets, but that a prosperous country population should be upon our soil. That, however, is not to be secured by making the large

farms prosperous, for a prosperous large farmer simply means high rent for the landlord. The days of the hired sower and reaper are over. Agriculture may be conducted on a large scale, as in Canada, by machinery, or on a small scale by men. To aid the former method by increasing the price of corn is folly, because large farms have been a means of driving men from the soil ; to try and aid the latter method by Protection is also folly, because Protection has nothing to do with the conditions under which a peasantry can be re-created.

We shall not have an English peasantry again until we break the power of British landlordism, brighten village life, and by means of technical education, agricultural schools and colleges, and plans of land settlement, train our people to an appreciation of the country life. That is the labour reply to the mistaken conclusions of the Protectionists regarding an agricultural policy. The Protectionist wants to maintain landlordism at the public expense ;

we want to maintain a rural population by its own labour.

An examination of Protectionist proposals regarding town industries shows the same absolute failure to touch the real problems of the case. The Protectionist frankly admits that he has no proposal for increasing our commerce with the world ; he only proposes to give our home produce a little better chance on our own markets, although he hopes that we may still be able to struggle along on foreign markets, more particularly on Imperial markets where we have preferential treatment. He is, consequently, quite unable to assure us that Protection will increase our volume of trade, and thus call for an appreciably greater demand for British labour. Protection, therefore, breaks down when tested by the first essential of working-class prosperity—steady work and plenty of it.

A few decaying industries might be revived and be maintained at the expense of the more flourishing industries. It would be exactly as though we deliberately

increased the number of millionaires in our midst in order to increase at the same time the demand for footmen, domestic servants, and gardeners, and imagined by so doing that we were improving trade. For a year or two statistics of employment might be satisfactory, but the industrial position of the country would in reality be weakened.

"But," ask the deluded Protectionist, the Zollvereinist, and their inquiring sympathizers, "how do you account for the prosperity of the United States and Germany? They are Protectionist countries." We may admit, partly because it is not worth discussing here, that Mill's idea that Protection may be advantageous for newly-started industries has proved to be true both in Germany and the United States, and yet with Mill we may deny that Protection as a permanent policy is of any value to a country. As a matter of fact, Protection has little to do with the success of German and American trade. Protective duties may exist alongside increasing exports, and may

have as little to do with these exports as the increase in the output of sixpenny novels has to do with the improving sanitary condition of London. Both facts exist side by side, but that does not prove that one is the cause of the other.

British trade had a magnificent and accidental start. The United States lay undeveloped until long after the Civil War. Within their borders lay vast fields of coal and iron, great grain and cotton-growing areas, and the market afforded by the consumers arriving at American ports and spreading themselves over the land from Canada to Mexico, and from the Atlantic to the Pacific, was unique. The people themselves were the pick of Europe for energy, enterprise, and push, and no notion could be more absurd than the expectation that that land would not increase as an industrial factor in the world by leaps and bounds. Even if every American State had a tariff of its own, and every American city imposed *octroi* duties, the volume of American trade would have been bound to increase. So

long as land remained unappropriated wages were certain to be high, and when the soil became private property the habits of the people and the efficient organization of industry still maintained the high level of labour's income. One has only to study any well-informed description of American industry, its natural resources, its organization, its home market, its enterprise in risking and experimenting, to see that America's industrial developments depend not upon the tariff levied at the ports, but upon the policy pursued in the workshops, the character and genius of the people, the incentive to the individual afforded by the republican sentiment and the absence of a titled aristocracy.

So also with Germany. Whilst Germany was still an undeveloped group of separate States struggling to come together in political unity and fighting against European rivals on the field of battle, we were busy at our looms and furnaces. But in the breast of the German soil were coal and iron, and awaiting the settlement of political and

national affairs was the German's industrial intelligence, enterprising on account of its racial stock, and carefully trained by an excellent system of education. What power on earth could have prevented the exploitation of German natural wealth and the exercise of the German industrial intelligence? Certainly not a peevish British policy of Protection.

It is very significant that Protectionists should choose our export figures for the early years of the seventies as the standard by which our trade of to-day is to be measured. These were the years of the Franco-German War. During that time we were bidding farewell to our monopoly as the workshop of the world. By 1880 Germany and the United States had begun their policy of self-development. The Industrial Revolution, which dates back more than a century in this country, dates for Germany and the United States not much earlier than 1880. Since then we have been slipping into our natural place in the world of commerce. The nation previous to that had

been in the same advantageous position as that in which the original Mr. Brassey, the contractor, found himself at the beginning of his successes, according to his son :* "Large profits have been generally made . . . by being first in the field in opening out a new branch of industry. My father's success as a railway contractor was due to this cause. . . . Advantages gained suddenly and by such exceptional causes can never be retained."

In some respects our ancient greatness has hampered us. Germany and the United States have both had the benefit of our experience, and we have been doomed to work with machinery fit only for the heaps of scrap-iron, whilst they employed up-to-date appliances. They have also been more enlightened in their education than we have been, and their attempts to capture our markets have led to their paying greater attention to the real needs of their customers than we old monopolists.

Let me test these general statements by

* "Foreign Work and English Wages," p. 300.

a few figures showing how our two competitors have hurt us most. Looking down the statistics of our imports from Germany,* we find that the first import of steadily increasing value is dye from coal-tar, the value of which in 1898 was £68,242, and in 1902, £93,962. This loss to the British dye industry is purely owing to the education of the German chemist, and we can re-establish the whole of that group of trades so soon as we support our chemical manufacturers by an efficient system of technical education.

A comprehensive review of this subject was presented to the London County Council recently by a committee, which reported upon the application of science to industry in connection with the Technical Education Board, and I make no apology for extracting the following lengthy section from the report :

"Professors Ramsay and Thorpe and Mr. Tyrer stated that the primary cause of the loss of the coal-tar colour industry was the loss of Hofmann. If Hofmann could have

* "Annual Statement of the Trade of the United Kingdom, 1902," vol. ii., p. 203, etc., Cd. 1617.

been induced to remain in England, he would have collected round him a band of trained investigators, by whom the industry would have been developed as fully as it has been in Germany. Dr. Perkin attributed the stagnation of the industry to the scarcity in England of highly-trained chemists. There is, moreover, no doubt that in this, as in other industries, temporary prosperity and temporary demand for a certain class of goods deterred those in authority from entering upon fresh developments. The glass industry has suffered from the inability of manufacturers to appreciate the value of science, from want of touch with scientific institutions, and especially from the want of an institution similar to the Physical Institute at Charlottenburg (Reichsanstalt). The recently established National Physical Laboratory will, it is hoped, now fulfil this want. The electrical industry has undoubtedly suffered from the want of sufficient facilities for electrical training of advanced character in its application to particular branches of industry. Notwithstanding that England was first in the field with electrical laboratories for students' systematic work, there are now no electrical laboratories in England which can compare for completeness of equipment with those of Darmstadt and Stuttgart.

"Professor Cormack observes that 'although British manufacturers may say that they were hampered and restricted by statutes, the fact remains that when the chances came in electric lighting and traction they were unprepared, and now they are not taking their proper share in the development of these industries.

"The prosperity of electrical engineering in America, Germany, and Switzerland can be directly traced to scientifically trained leaders. It required scientifically trained men to develop polyphase current machinery, and no one who examined the electrical machinery at the Paris Exhibition could fail to be struck with the rapidity of the progress which is being made all over the Continent.'

"That industries are affected by education is, perhaps, best proved by the vitality of scientific industries in those countries in which the system of secondary education is supplemented by scientific education of University rank, for the perfecting of which no expense is spared. This condition obtains in Germany, Switzerland, and the United States; and in these countries scientific industries have rapidly developed, whereas in England they have been either stationary or retrograde. When Liebig commenced his work, there was practically no scientific

industry in Germany. In 1897 the total value of the productions of chemical industries alone amounted to £47,391,132. In that year the State expended £31,609 on the Technical High School in Berlin, and contributed 83 per cent. of the cost of maintenance of the Berlin University.

"Education has in Germany fostered the development of industries, but the development of scientific industries has in return encouraged and stimulated scientific culture and research in every branch of knowledge.

"Summing up all the evidence, we are convinced that the main causes of our relative failure in the chemical, optical, and electrical industries are the following:

"(a) The lack of scientific training of the manufacturers themselves, and their consequent inability to recognise the importance of scientific assistance. 'The English manufacturer,' says Mr. A. G. Green, 'has considered that a knowledge of the benzol market was of greater importance than a knowledge of the benzol theory.' The result is that he has presently found the market lost to him, without his knowing why.

"(b) The defective condition of our secondary education, and the consequent lack of sufficiently prepared recruits for advanced technological training. Dr. Merz, of Newcastle-upon-Tyne, put his forty years'

experience of English manufacturing industry in the following terms: 'The centre of the whole educational difficulty lies, I believe, in the deficient secondary education in this country, and until this is improved no marked advance is likely to be recorded. The science teachers at secondary and public schools are not of sufficiently high standard as compared with the teachers abroad. They have too little time for improving their knowledge by further study as soon as they start teaching, with the result that they very soon become mere disciplinarians instead of scientists.'

"(c) The lack of a sufficient supply of young men who have been trained, not only in scientific principles and method, but also in the application of science to particular industrial processes. 'The young chemists,' says Dr. Gordon Parker, 'who graduate in this country at the age of twenty-one or twenty-two are, in my opinion, only at the beginning of their chemical training, and require another three years of practical research or technical training before they are much good in works.'

"(d) The lack of any institution providing advanced technological training which is sufficiently equipped and endowed to enable it to give adequate attention to post-graduate or advanced work."

Dr. Frederick Rose, our Consul at Stuttgart, in a report on German Technical High Schools just issued by the Foreign Office, states :

"In a former report . . . details were given demonstrating that Germany had been able by means of the thorough chemical instruction afforded by her Universities and Technical High Schools, and by the sound preliminary education of her students, to rise within the last fifty years to the front rank in chemical industries, and not only to render herself independent of many imports from foreign countries, but also to deprive foreign countries of many lucrative branches of chemical manufacture by substituting her products for their own" (p. 5).*

German hardware exports have risen in value between 1900 and 1902 from £102,272 to £280,083, owing to cheapness of production, and we are also using more and more German gloves, owing to speciality of manufacture. Semi-wrought iron and steel are

* Diplomatic and Consular Reports, No. 591, May, 1903.

also more freely imported (although there is a serious falling-off in 1902), but these imports are really in the nature of raw materials, and aid our own finished iron products, and machinery of various kinds has come in in increasing value. This is also owing to certain specialities, the use of which adds to our efficiency, and the amounts are nothing more than one naturally expects to be taken from one country by another. Oils, chemical and other, are also imported in greater quantities, and so are paper, cheap prints and engravings, skins and furs, and sugar (especially unrefined and glucose), tobacco, toys, and woollen yarn for weaving. This list points to one or two conclusions of some importance. It proves, in the first place, that if we prohibited German imports altogether we should not be benefiting by one jot our most highly skilled and best paid industries. It also shows that most of our imports from Germany are of raw or semi-wrought material, and that Germany is successfully attacking us mainly in the products of in-

dustries managed by a few technically educated experts, and in such trades as toy-making. An acquaintance with the various trades affected by the above imports also shows that in many cases the German superiority is not in German goods, but in the care which the German takes to please his customers. These circumstances give no verdict for Protection, but a pretty definite one against it.

Turn now to the United States. By far and away the greatest volume of our imports from the United States are of food and raw material which we cannot produce ourselves, and could not get from within the Empire for many a year to come. Out of £127,000,000, the value of imports in 1902, £16,500,000 was for grain, £29,300,000 for cotton, £1,500,000 for unpreserved fruit, nearly £4,000,000 for lard, over £3,500,000 for leather, nearly £20,000,000 for meat, over £3,000,000 for petroleum, £3,350,000 for unmanufactured tobacco, over £3,500,000 for undressed wood, and so on. Our imports of American clocks and watches

remain stationary, confectionery decreases in value, and so do manufactured cotton, dye-stuffs, implements and tools. Manufactured copper, pig and puddled iron, bar-iron, and iron generally, woollens, all show reductions, in spite of much booming and advertising on this side. They, moreover, show great fluctuations, and the latest figures seem to indicate that British manufacturers are adapting themselves to the conditions of the new competition, and are regaining apparently lost ground. Take as an example the figures of boot and shoe imports from America :

BOOT AND SHOE IMPORTS.

	Dozen Pairs.	Value.
		£
1898 . .	21,416	73,890
1899 . .	42,984	156,466
1900 . .	47,607	201,265
1901 . .	85,697*	405,743
1902 . .	83,313	451,582

There is no reason in the world why Leicester, Northampton, and Norwich boot

* This leap is partly accounted for by the war.

and shoe manufacturers cannot, by improving machinery and the style of boot, reduce American imports below the 1898 level. They were caught napping, and the above table ought simply to show how far the Americans got before they were overtaken and overcome.

It is a great pity that the two ponderous volumes of statistics, published annually by the Board of Trade under the title of "Annual Statement of the Trade of the United Kingdom with Foreign Countries and British Possessions" are not more widely studied. They show the necessity for better education, for more brain-work and more taste being put into our industries, for the adoption of schemes for cheapening production. They do not furnish a single argument for Protection in any form if their figures are handled with some knowledge of the industrial facts and conditions they represent. They only show that Great Britain has no longer a monopoly of the world's markets, that other iron and coal fields are being developed, that the brains

and energy of other nations are being turned to industrial pursuits. The only warning they give to us is to go on developing machinery and cheapening production—a strangely Socialist warning, as I shall presently proceed to show.

There is one final consideration which one may give to the modified Protection aspect of Mr. Chamberlain's "idea." He sees Britain sitting in the midst of her daughters, clothed in peace, and he trembles because she wears no frown to the world, and because her daughters are not standing in the dramatic pose of "touch me if you dare." And so he is anxious that the Empire should let the world know that it is prepared to retaliate on unfriendly tariffs.

Let us fix a definite meaning to this notion that the Empire should be able to go to foreign countries and say, "If you do not grant me favours, I shall boycott you." The sentiment is excellent to the person who would rule the world as schoolboys govern the playground. But let us put it into figures. When Mr. Chamberlain

uttered the threat, he had Germany in his mind. Now, supposing Mr. Chamberlain were Premier at this moment, with a free hand to pursue his tit-for-tat statesmanship, the Board of Trade and the Colonial Office would send him such a table as this to guide him in his policy :

GERMAN EXPORTS TO—

	Canada.	Australia.	New Zealand.	Cape Colony.
	£	£	£	£
1900 .	1,722,637	2,706,837	182,074	551,101
1901 .	1,442,754	2,799,956	198,521	805,620

EXPORTS TO GERMANY FROM—

	Canada.	Australia.	New Zealand.	Cape Colony.
	£	£	£	£
1900 .	352,583	1,642,536	24,186	36,162
1901 .	440,045	2,552,958	10,470	119,831

GERMAN EXPORTS TO GREAT BRITAIN.

	£
1900	... 31,181,667
1901	... 32,207,214

BRITISH EXPORTS TO GERMANY.

	£
1900	... 38,542,790
1901	... 34,221,080

Such is the volume of trade that would be affected. So far as the Colonies are concerned, any retaliation which would have the effect of closing German markets to their produce would be most detrimental as their exports to that country are steadily on the increase, having improved by over £2,000,000 in 1900-1901. The Colonies will give us very little thanks for our tit-for-tat friendship so soon as it gets into working order.

The most serious argument against the policy of retaliation, however, is that it has no finality, that it will lead us on and on to thorough-going Protection. It will not succeed in opening ports, as Lord Lansdowne supposes, because a threat of retaliation on our part can easily be met by a counter-threat on the part of the other side, and in that game we stand to lose most,

on account of the importance of foreign markets and foreign raw material to us.

We admit the growth of new conditions which bear with them pressing problems for the British statesman, workman and manufacturer, but previous chapters have shown that neither the old-fashioned, simple-minded Protection nor the newly-discovered, perky Zollverein has any bearing upon these problems, except in so far as a tariff change will indirectly tend to perpetuate the pessimism, the conservatism, and the burdens which are the bane of British industry to-day.

CHAPTER VI

THE STAGE AFTER FREE TRADE

The Trust.—Britain's true policy: (i.) Political.—(ii.) Rent and land.—Mining rents and royalties.—(iii.) Railway policy and British trade.—(iv.) Waste and loss.—Industrial organization.—The Free Trader once more.

THE efficient organization of foreign industry, the skill with which it is conducted, its freedom from dead charges, offer a serious menace to the future of British industry, and should awake us out of our day-dreams and our ignorant assumptions that we can continue to be the workshop of the world. But whether we avoid the threatening disaster or rush into it depends upon what we now do. I have shown in previous chapters that whether we adopt a Zollverein, an Imperial Customs Union, or simple Protection, we step into

the abyss—we drop a bone for its shadow. What, then, must we do?

The bogey of the day is the Trust. It is an American importation, and our Free Traders tell us that it is a child of Protection. It has no more to do with Protection than with the moon. Protection has given it some advantages and deprived it of others. But Protection has not called it into being. The Trust is the logical and economic ending of capitalist disorganization and industrial anarchy. It is the rise of cosmos from chaos—a cosmos which may be dangerous to the State, as it is in America, or which may be used by the State as it is in this country in the shape of municipalization. Even here, although the opportunities of combining businesses are fewer than in America, and although there is no protective tariff levied at our ports, the trust has taken root. During 1902 in Great Britain eleven trusts were either formed or extended with an aggregate capital of £26,500,000.

The danger of the Trust is not its organi-

zation, but its control. In America it subverts politics and rules States; in England it seems mainly to raise prices. But it is not business-like either to close our ports against it or to pass legislation limiting its influence. We have reached a time when Imperial minds are to control commerce, and when the managers of syndicates will deal with revenues bigger than those of States and control populations more numerous than those of nations. In this movement there is no sentiment either patriotic or human. It is all hard business. Some English patriots sell their fleets of ships for an advantageous percentage, and others threaten to sell theirs unless they receive State subsidies. Birmingham is as willing to manufacture arms for the Boer as for the British Government, and as ready to cheat the one as the other. Such is the spirit of modern commerce, and Germans, Americans, English alike act in accordance with it. The price-list is the final arbiter in trade.

The problem we are therefore called

upon to solve is how to cheapen production and yet retain its efficiency. A more liberal expenditure of public money on technical and scientific education is a necessary step to this end. But certain political, social, and economic changes are also necessary.

To discuss these changes in elaborate detail is impossible in this book. But as their advocacy is the only possible alternative movement to an agitation in favour of Protection, I shall indicate, as briefly as possible, their general outline.

We can dispose of the necessary political changes in a few sentences.

In the course of the discussion on Mr. Chamberlain's "idea," much is to be made of the removal of Canada from Germany's special treatment list, on account of the preferential treatment which Canada has granted to us. The incident should be discussed with common sense. Germany has a perfect right to discriminate between Canada and ourselves, for the sufficient reason that Canada itself objects to being merged in the Empire for fiscal purposes,

and insists upon being regarded as a separate State. Canada has, therefore, no fair ground of complaint. It is, of course, a pity that its goodwill to us should entail evil consequences upon itself, and it is the duty of our Foreign Minister to do what he can to save the Dominion. This raises a political consideration vital to the existence of the British Empire. Are the classes from which our statesmen are at present drawn competent to govern? The mess they made in South Africa is admitted by everybody qualified to speak. Mr. Brodrick, in any country except one of a rather ponderous and careless frame of mind, would long ago have been first a laughing-stock and then a victim. Lord Lansdowne, to come to the person most concerned in the German trouble, has but one distinguishing characteristic as a Minister: that of absolute and utter failure in every office he has ever filled. His one qualification for the important post he now occupies is that he speaks good French. Not one-fourth of the present array of heavily-paid

Ministers would have risen, had they been born in working-class families, above the status of mediocre workmen or of make-shift secretaries to local branches of trade unions. When we were still the workshop of the world, we had no need to trouble about a million or two either way; we did not require to support private enterprise by efficient State activity; Consuls and Ministers alike could then be nobodies of social influence, selected for their offices by feminine patronage, and it did not matter very much. But that day has gone by, and if the Mother Country is to retain the confidence of her daughter States and effectively aid them when their interests are menaced, her Ministers must be chosen on account of their ability, and not because their blood is blue and their names appear on the gilded list of Society. We need a Cabinet of business men—not in the mistaken sense in which poor befogged Lord Rosebery, floundering and blundering about as usual between his excellent instincts and his political incapacity, used the word, but

in the sense of men of political and administrative experience, men who have shown a firm grasp of large sociological and industrial problems, men who have governed trade-unions, men who have controlled great organizations, men who have dealt with affairs involving a knowledge of people's minds, instincts, and social, political and business motives.

Given such a body of statesmen, what would they do for Great Britain to-day in order to equip her for the industrial struggle ahead of her, in order to establish a reign of contentment in her homes and of peace in her workshops?

Their first reform would be a change in the law which enables the landowner to exact a toll of annually increasing weight upon the producer. It is estimated that British labour has to pay to classes which do nothing to assist national industry £250,000,000 per annum as rent. The meaning of this is so clear that it is almost unnecessary to emphasize it by illustrative instances. Such cases as that of the land

upon which the Glasgow Town Hall stands, which was sold about the year 1800 for £800, and bought by the Corporation in 1890 for £175,000, are already well known. One of the claims which the London County Council contested in its land purchases in connection with its Holborn to Strand improvement related to a plot which had been purchased in 1879 for £5,000. Since then it had been kept vacant, and no money spent upon it except for a hoarding. It was in the midst of a congested population and in a good business situation, and had a building been erected upon it in keeping with the surrounding houses, at least £600 a year would have been paid in rates. In spite of this neglect to use much-needed land, and this failure to contribute to local revenues, the Council was asked to pay £14,025 for the site, and was finally compelled to buy it for £11,084. Every local improvement, like a new street or a tramway extension, adds to the toll-levying power of the landlord; every expenditure of public or private money on town amenities

enables landlords to put their hands deeper into social income; and this incubus of unearned exactions increases year by year. For every £1 earned by labour 3s. 4d. is abstracted in rent, and this wealth might be thrown into the sea for all the good it does to trade. It is a dead weight on industry.

We are told that rent does not enter into prices, and that therefore it can be paid without harm to society. That was the only conclusion which individualist economists could reach. They seemed somewhat surprised at their own conclusion, and wrote of it as though it were something approaching the miraculous. Their sociological views blinded them to the real nature of rent. Land value is not an individualist creation, and therefore in any system of economics which leaves out of account all forms of property, except private property, rent must be treated as something which only expresses the value of a special natural advantage, the payment of which, consequently, can be made without in any way

upsetting the market price of products. But so soon as we recognise that the State or the community can not only create value, but can also hold property, and that it can use that property for the public good, we see that public expenditure can increase the efficiency of labour by providing it with proper living conditions, supplying ample educational facilities, and so on, and therefore can determine price. Moreover, the robbery of the public resources by landlords not only necessitates a serious limitation of municipal and State action, but also imposes burdens upon trade in the shape of rates and taxes which directly add to the cost of carrying on industry and to the uncertainty of a livelihood which besets the industrial classes. The existence of private ownership in land stands as an unsurmountable barrier against the relief of the industrious from the ever-increasing financial burdens of government.

This point is obscured by the pretentious jargon economists use whilst dealing with it. They speak of "economic rent" as

though it were something fixed in nature, and as though any departure from its standards were a violation of the creative decrees of Providence. There is no such thing as "economic rent" when the expression is used to indicate that the open market value of land is its true value. That which is "economic" must satisfy more conditions than that of a free exchange of price. A rent which necessitates overcrowding, or which drives the people into towns, or which is wrung out of people owing to the existence of monopolies, is in no sense "economic." An "economic" rent expresses the market value of land, or of other purchasable things of the nature of land, when conditions are attached to its use designed to preserve social interests.

But there is one form of rent which enters directly into price, and which has most serious consequences on our industry—I mean mining rents and royalties. Here the owner of land practically stands at the mouth of the mine and seizes upon every ninth or tenth truck that comes up for his

own use. The mine may be rich or poor, working at a profit or a loss, but the landlord has power to exact his royalties. The Royal Commission on Mineral Rents and Royalties adduced evidence to show that coal paid on the average a royalty of about 8d. in the ton. Mr. Percy, late of the Wigan School of Mines, tells of a Lancashire Colliery Company which went into liquidation after having paid £80,000 in mining rents. Sir Charles Palmer told the Mineral Rents Commission that he knew of one colliery in Northumberland which, on an output of 650,000 tons, paid royalties to the tune of £27,000. The royalties paid on ironstone, coal and lime together, Mr. Percy calculates, amount to no less than £6,000,000 on the manufacture of 40,000,000 tons of Cleveland pig-iron. Contrast this with what obtains in Germany, France, and the United States. In Germany the State owns the coal and iron. On the latter no royalty is paid, on the former 2 per cent. on the profits of the undertakings. In France the State is also

the owner of coal and iron, and the royalty is 5 per cent. on profits. In Belgium the royalty on coal is only $2\frac{1}{2}$ per cent. on profits.

Sir Christopher Furness, M.P., in his book "The American Invasion," publishes the following table showing the mining rents and royalties borne in France, Germany, and England by the products mentioned :

	France.		Germany.		England.	
	s.	d.	s.	d.	s.	d.
Pig - iron, per ton .	0	8	0	6	4	6
Ship-plates, " .	1	$1\frac{1}{2}$	1	0	5	9
Steel rails, " .	0	11	0	$8\frac{1}{2}$	5	6

The United States iron industry started under a very low scale of royalties, but as the fields become more valuable the royalties are being raised by the owners of the mining rights. America is just beginning to suffer from the evils of landlordism, but even now, after repeated increases, the average rate is not quite so high as it is with us. The same applies to coal, but it is worth noting that the Steel Corporation only charges itself

with a royalty of 4d. on coal from its own fields. It is evident that the United States will soon have to face the problem of mining royalties. We know how the problem will be solved there. The owners of the fields will be merged in the great operating companies like the Steel Corporation—that is, the American Trust method.

What this means to British industry is illustrated by the experience of the London County Council. During the electrification of its trams it advertised for tenders of steel rails. On February 12, 1902, it reported that of seven tenders for 6,000 tons of rails and accessories, the three lowest were Belgian and German; that the lowest foreign tender was for £41,742, and the lowest English tender for £50,463, a difference of 18 per cent. In the January following another similar contract went abroad.

It is interesting to work out from the figures supplied by Sir Christopher Furness how much landlordism cost the British competitors for this contract. At 5s. 6d. per ton the owners of mining rents and

royalties alone would receive on the London County Council order no less a sum than £1,650. One-sixth of the weight of the British handicap is therefore imposed by British landlords, and as much again by British railway rates, as we shall presently see.

And yet the governing classes pretend that they are business people, and appeal to business people to protect property against Socialist economics and Socialist morality. The fact is, British industry is being strangled by British landlordism. A half-century of trade union "tyrannical interference" is less damaging to British trade than half a dozen years of the plunderings of men like the Duke of Devonshire, who owns the Barrow iron-fields, or the Marquis of Londonderry, who owns Durham coal-seams. The British iron industry may or may not need Protection, but it certainly needs immediate relief from the heavy incubus of a small class of landowners who contribute nothing to social well-being or national wealth, but who are in the position to abstract hundreds of thousands of pounds

each year from the hives which the busy workers store with riches.

Capitalist interests also prey on rival capitalist interests. Take our railway charges for instance. Nothing is more necessary for a vigorous national industry than transport facilities, and yet the English railway rates are the dearest obtaining in any industrial country in the world. Mr. Stephen Jeans has recently supplied us with reliable figures comparing American and English freights.* He says that Mr. Schwab gave him information showing that ores are carried to Bessemer and Homestead from Lake Erie (156 miles) for 40 cents (1s. 8d.) per ton, equal to half a farthing per ton mile, whilst the North-Eastern Railway Company charges almost a penny per ton mile. "When one thinks," writes Mr. Jeans, "of the rates charged on British railways, as typified by the normal charge of 10s. to 12s. for the transport of pig or other metal from South Staffordshire to London, a

* "American Industrial Conditions" (Reports of British Iron Trade Commission), 1902.

distance of 120 miles, and by a charge of 7s. 6d. for carrying a ton of coke from the South Durham Coalfields to West Cumberland, an average distance of less than 100 miles, this American ore-carrying line (Lake Erie to Pittsburg) surely suggests great possibilities in the way of cheapening British mineral transportation in the future."* And again: "When we say that mineral traffic is carried on certain American railroads for one-fifth to one-tenth of the rate charged by British railways, the fact is liable to create an erroneous impression unless it is accompanied by an explanation of the increase of the cost of working due to short hauls. Even so, however, the difference by increase against the rates charged on British railways is such as provokes feelings of dissatisfaction."†

The following table showing the results of Sir Bernhard Samuelson's investigations into railway rates at home and in Germany, Belgium and Holland is an eloquent supplement to Mr. Jeans' American figures :

* Pp. 95, 96.

† P. 100.

	RATES FOR SAME DISTANCES.			
	British.	German.	Belgian.	Dutch.
Bar-iron (N. Staffs to London)	13s. 4d.	9s. 10d.	6s. 4d.	8s. 8d.
Iron wire (Birmingham to London):				
Packed	24s. 4d.	10s. 4d. to 11s. 2d.	8s. 11d.	8s. 2d.
Unpacked	15s. 2d.	8s. 6d.	8s. 11d.	8s. 2d.
Hardware (Birmingham to London)	23s. 6d.	11s. 4d.	13s. 11d.	11s. 3d.
Cutlery (Sheffield to Hull)	20s. 6d.	6s. 7d.	8s. 9d.	6s.
Cotton goods (Manchester to London)	36s.	20s. to 23s.	18s. 1d.	14s. 4d.
Cotton goods (Manchester to Liverpool)	10s. 6d. (6s. 10d. for export)	5s. 4d. to 5s. 11d.	5s. 9d.	4s. 2d.
Woolens (Bradford to London)	30s. 4d.	20s. 8d. to 23s. 8d.	18s. 4d.	14s. 6d.
Machinery (Leeds to Hull)	25s. (12s. 6d. export)	4s. 6d.	8s. (3s. 5d. export)	5s. 6d.
Cotton (Liverpool to Manchester)	7s. 2d.	4s. 2d.	4s. 6d.	4s. 2d.

These figures are more instructive than all the tables of falling exports ever published, for they explain such tables. In order that these rates may be kept up the companies have bought up canals as possible rivals, and have allowed them to go to wreck and ruin. In these charges at the mine and the railway depot are buried the prospects of English industry. Looking down these tables, one can understand the presence of American and German manufactures on our

markets, and one can also understand how those "who toil not, neither do they spin," but who flourish on royalties and inflated railway charges, desire to induce the British workman, in a moment of unthinking Imperialist fervour, to submit to dear food in order that these exactions may be continued for another generation.

But, on the other hand, whenever the question has been faced by business men, their recommendations have always followed the Socialist lines of "Let the State own the minerals and operate the railways." For instance, the Delegation of the British Iron Trade Association, which went abroad to study the causes of the increased pressure of foreign competition, reported in 1896: "Undoubtedly the greatest factor in favour of the foreign producer is the much larger cost of carriage in this country. . . . The Belgians send their iron 100 miles to Antwerp by rail, and thence by sea to London, for *considerably less* than is charged by railway from Staffordshire to London. . . . We are of opinion that if English

manufacturers enjoyed the same railway rates and royalties as those on the Continent, foreign competition could be defied in neutral markets."

The supreme importance of cheap and efficient railways to national industry is well illustrated in America, where the control of railroads and preferential railway rates have been regarded as essential by every successful Trust operator like Mr. Rockefeller and Mr. Morgan. Railway manipulation has, indeed, done much more to build up the American Trust than Protection. The Standard Oil Trust would hurry down to ruin were it not for its hold on certain railroads; the existence of the Steel Trust would be much more precarious than it is were it not for its ownership of railroads. The most recent tendency in American capitalist concentration is for railroads to acquire controlling interests in certain industries within their area of service, and in this way the Pennsylvania anthracite coal-fields, the Nevada and Montana silver and copper deposits, the farms

of the middle States, are becoming adjuncts of railway enterprise. As time wears on, and the minds of business men are turned with fresher vigour to grapple with the industrial problems which are maturing for solution, it will be seen more and more clearly that one of the most important bulwarks of our industrial position is our railway system. So long as British railways are run by antiquated titled directors for shareholders' profits, British industry will suffer; as soon as railways are nationalized, and regarded as part of the great national mechanism of production, distribution, and exchange, British industry will have a chance.

These are but specific instances of our present waste and mismanagement. But those of us who have patiently thought out the trend of capitalist industry, and see in it only the chaotic beginnings of a properly organised State, are filled with a greater "dissatisfaction" than can arise from a study of this and of that source of national loss. We look round and see nothing but

disorganization and chaos. There are scores of shops where one would suffice; hundreds of thousands of pounds are sunk as capital where thousands would more adequately meet the needs of the community. Industries which are naturally interdependent are operated separately and even in antagonism. M. Leroy Beaulieu estimates that out of every hundred attempts in France to establish a business, twenty fail immediately, fifty or sixty drag on a mere existence, and only ten to fifteen really succeed. Our own Board of Trade returns show an equally "disappointing" state of things. During the year 1901 there were 4,244 bankruptcies and 3,369 deeds of arrangement in England and Wales alone, involving altogether a loss of £8,300,000 to creditors, a sum equivalent to over 4 per cent. of the annual national savings; and 1901 was a good business year. In America the waste is still greater. "There has long been a substantial agreement," writes Mr. David A. Wells, the American economist, in his "Recent Economic Changes" (p. 351), "among

those competent to form an opinion, that 90 per cent. of all the men who try to do business on their own account fail of success."

These failures are not all dead loss. Some of the capital, which apparently has disappeared, has in reality been sunk as national capital, just as capital lost in experiments is ultimately productive. But the great mass of these failures is absolute and irredeemable loss, and it has all to be paid for from the aggregate productions of labour.

We need organization of industry and conservation of capital and labour, and in this America is leading the way. Mr. Rockefeller not only owns the Standard Oil supplies: he controls the railways, the banks, the shops (in many instances), and, people whisper, the Legislatures as well, upon which his Trust depends. The Steel Corporation not only makes steel: it owns coal and iron fields, ore steamers, railways; it pays the miners on Lake Superior, the engineers and the sailors on Lake Erie, the railwaymen on

the Erie and Pittsburg mineral railway, as well as the operatives in Homestead. We oppose the Trust, not as an organization, but because it is controlled by individuals who use its powers for their own ends, and who study the needs of the consumers only in order to make profits out of them.

But the Trust points out the line of British advance. In this country, however, the introduction of the Trust should be marked by public ownership.

Municipalization is the beginning of organized industry. The municipality can write down the value of land when it needs urban sites for working-class dwellings, and it can recoup itself ultimately from the improved stamina and morals of its citizens. Its expenditure on parks, music, libraries can yield a similar return—a return which the private provider could never secure, as social values have often no exchange value. In addition to that, the municipality can dovetail its tram policy into its housing policy, and though it may show very little ledger-profit on either, it may be doing

better business than if it made big percentages on both services. It can throw away apparent profits on gas and water, and by doing so increase the real income of the users of these services, and thus, though apparently returning no great benefit to the citizen as ratepayer, it may greatly benefit him as consumer without violating any sound law in economics.

The future lies with co-operation and co-ordination, with the party which does not merely utter the shibboleths of Free Trade, but which supplies constructive ideas for the further improvement of business organization, for the easing of the burdens which productive labour and skill have to bear, for the final elimination from our national charges of those remnants of antiquated feudalism which now hang as millstones round the neck of our industry, for the abandonment of that chaotic disorganization known as capitalist competition which was the natural interregnum between the social organization of the medieval ecclesiastical and military spirit—Feudalism—and

that of the future industrial and international régime—Socialism.

So long as England was the workshop of the world, only the landlords, thinking of their rents, cried for Protection. Now that other countries are exploiting their natural wealth and skill, some manufacturers, too timorous to seize new opportunities, too conservative to welcome progressive change either in the State or the workshop, will join the landlord classes, and seek to protect their inefficiency against foreign competition. And against them will stand the mere Free Trader. He will pulverize their whining complaints, he will destroy their statistical miscalculations, he will hold up their muddled economies to the derision of every man who can follow an economic argument. As a hilarious trouncer of wheezy Protection he is excellent. As one who stands at the opening of the temptingly smooth road leading to the Castle of Giant Despair, challenging everyone to combat who would turn the people aside on to that road, he is worthy of

support; but as a leader he is hopeless. He may understand the German secret of success, efficient education, but he is puzzled by the American secret, efficient co-ordination and organization of industry. He has not discovered that a State organization is necessary; he does not believe it to be possible. The whole idea is alien to his social philosophy. He lisps the shibboleth that we should buy in the cheapest market, and considers that to be the last word in national economy and fiscal criticism. Distribution, according to him, is effected by a tug-of-war between capital and labour, the scanty advantages won by the latter being husbanded by the exercise of thrift.

On the other hand, we consider that buying in the cheapest market need not be of itself either economical or enlightened. We prefer to speak of buying in the best market, and the idea of the best must include some consideration of the circumstances under which the produce on the market has been made. Progress in the present century is marked by a limitation of the field of indi-

vidual enterprise and action which the Free Trader desires to see unfenced. Factory Laws, Fair Wages resolutions, Trade Unionism itself, are contradictions of the economic creed based on the cheapest market policy. They are all Protection—not the Protection of Mr. Chaplin, the landlord, nor of Mr. Chamberlain, the demagogue, but the Protection of the Socialist; not the protection of tariffs, but the protection of the communal conscience and the communal wisdom imposing itself upon individual conduct.

It is the same with the Free Trader's view of industrial competition. We are in no way enamoured with the hundred men who start business in order that ten to fifteen may succeed ; we fail to see any hope of an equitable distribution of wealth ever arising from working arrangements which labour can exact from capital. We see capital-concentrating Trusts becoming more powerful, the small business undertaking being more and more completely elbowed into back streets and jobbing trades, and over all

we see the power of the common interest directly expressed by State and municipal control.

Co-ordination, organization, public control, democratic Trusts, are as necessary to British industry now as Free Trade was three-quarters of a century ago. It is not enough that we conserve our advantages against a revival of economic ignorance and political ineptitude; we have to discover how to seize upon new opportunities, how to move with the times, how to meet the energies and the devices of the new generations. This cannot be done with an equipment which has been rusting for a century in our halls, but with one which has been devised and tempered to resist all the attacks which can be brought against us to-day. That equipment must be the practical application of the Socialist idea to the industrial and political problems of the time.

THE END