TRADE RELATIONS OF THE BRITISH EMPIRE

CHAPTER I

THE BASIS OF CUSTOMS UNION

The Desire for Fiscal Unity—Inapplicability to the British Empire—Contrast between the British Empire and the United States—The German Zollverein and the United States Constitution—How the First came to be Constructed—Want of Elasticity in the Second—Conflict of Interests in both Countries—Evidence afforded by Tariff Discussions and Rearrangements—The Case of Austria-Hungary—Federal Canada and Australia—Modifying Forces in American Protection—Influence of Railway Connection—Great Britain and Ireland—What Ireland needs for Industrial Development—The Essence of Working Partnership—Risks involved to Minor Possessions.

THE idea of bringing all the countries constituting the British Empire under the operation of a uniform federal tariff is of long standing, but has never crystallised into any practical shape. By some people, the obstacle is believed to be the want of a common basis of government in issues that are imperial, as distinct from those pertaining to what are merely local, or even state, affairs, and with such, imperial federation is regarded as the forerunner of

any form of customs union. By others, the reverse process is considered the practical one, and efforts are made to construct a fiscal policy from which some common means of imperial defence and government may eventually be evolved.

Assuming that something of the sort were feasible, as well as desirable, it is in the first place necessary to examine the conditions under which it would have to be consummated. The British Empire is a chaos; reduced to some sort of order, it is true, but still anything but symmetrical. The question is, whether its angles and corners and excrescences do not afford the surest means of protection, and whether if these were all nicely rounded off, many additional openings for attack would not be provided a possible enemy, political or commercial. Under existing circumstances, a distinct system of attack is necessary against each unit, as a merchant or manufacturer, to say nothing of a general or an admiral, must either limit the sphere of his activities, or make himself acquainted with a mass of detail such as would not be required in dealing with any other nation in the world. The tactics of Napoleon consisted largely in hurling a mass of troops against an enemy and breaking down its resistance by a single coup. Modern warfare teaches that the art of defence lies in the scattered distribution of the defenders, who, if beaten at one point, are able to present just as bold a front at the next. The world has had recent experience of the

success of such methods, though it may fail, nevertheless, when the next contest comes, to profit by the lesson.

An apt illustration of this is afforded by the two great English-speaking nations. In a political sense, the United States are most likely unconquerable. Their vast area would simply bewilder a successful foe, who would not dare to venture very far from his base of supplies, or imperil his lines of communication. But with a secure footing on American soil, the country would lie open to him, and though he might not determine to strike north, south, east, and west, he would be at liberty to choose in which direction to operate. In a commercial sense, the United States are more vulnerable still. They may be protected by a tariff wall, strong as well as high, but a breach in it, however minute, once made, permits the whole country to be flooded through it until it is repaired. The terror of American protectionists lest a single stone of the coping should be overthrown, has not only amused and instructed the world, but fosters the growth of a system of monopoly under which the entire community groans, while it prevents the removal of grievances that are universally admitted to be injurious to the commonweal.

To conquer and occupy the British Empire in the limited sense in which this might be accomplished in the United States, is a virtual impossibility. The overthrow of Great Britain would not open to the

successful foe Canada, or Australia, or South Africa, to anything like the same extent that Pennsylvania, or Illinois, or California, would be at the mercy of the conquerors of New York or Massachusetts: the conflict would entail the employment of entirely fresh forces, and probably of altogether different tactics and weapons. The work could only be accomplished, temporarily even, by a combination of powers. Russia might undertake the conquest of India and the East, Germany become responsible for South Africa and Australia, France for East and West Africa, the West Indies, and perhaps Canada, while all three might act in concert against Great Britain itself. But this would be equivalent to each part of the Empire waging warfare against a separate foe, and the world would really be witnessing three conflicts, not one. Such an alliance, moreover, is inconceivable, because however much each of the powers named would like the particular countries allotted to it, it would view the acquisitions of its partners as altogether too serious a set off. And further, possibilities of intervention by the United States in their own interests, quite apart from any feeling of frendliness that might be entertained for Great Britain, would have to be entirely ignored.

The difficulties of commercial conquest are equally great. The United States or Germany may capture a market in the United Kingdom and be as far out as ever in Australia or South Africa, whereas, if either gained entrance to a market of the other, it

would have the run of the whole territory. Diversity of tariffs and fiscal methods has consequently much in its favour from a strictly British point of view.

It is asserted, on the other hand, that the vaster the area over which a single tariff system prevails, the better it is for the people inhabiting it. The German Zollverein is the favourite instance employed, because it is the creation of modern times, and under it the enormous development of German industry has taken place. It might, in case of need, be dissolved by the forces that created it: the similar bond in the United States must be regarded as nearly indissoluble. It is part and parcel of the constitution of the country, and though the machinery has been provided for effecting necessary changes in that constitution, it is hardly conceivable that it can ever be powerful enough to work one in this particular direction.

The United States have developed still more rapidly, and attained to a higher measure of prosperity than Germany, and as the tariff system of both is much on the same lines — absolute free trade within, and protection from without—it is not altogether surprising that a good deal of the success should be attributed to it, rather than to the peoples, or the natural resources of the countries. In both cases, however, the unit is, or was until quite recently, geographical as well as political, and lines of demarcation would be most difficult to draw. In the case of Germany, it is true, they previously

existed, and might presumably, therefore, be resuscitated. But it was only under entirely different political conditions to those that now prevail. Down to the period of the Franco-German War, several of the states now constituting the German Empire were so completely independent, that for a time it was doubtful whether their rulers would cast in their lot with the French or German armies. Neither commerce nor manufacturing industry were taken much account of anywhere on the Continent of Europe outside France, and each state devised its system of taxation almost disregardless of them, and with the main object of filling its coffers in the most efficient manner, often without consideration for the general welfare.

In those days too, both France and the United Kingdom were already commercial units, and any attempt at constructing an entirely new Kingdom or Empire would naturally be based, more or less, on principles long established in what had hitherto been the two greatest and most successful of the European states. Nor were there any serious obstacles to be overcome. In the first enthusiasm for national unity, secondary interests were likely to be surrendered, and commercial interests were certainly regarded as secondary by all but a few of the more far-seeing statesmen, except in one or two instances where they were really paramount. And it is necessary to bear these in mind, because the efficacy of any system that interfered with their

independence was so greatly doubted, that they were actually left outside the Zollverein. It is true the Hanse towns which were the centres principally affected, were gradually induced to join, but not always willingly, and the two most important of them, Hamburg and Bremen, held out until 1889 and remained free zones within a tariff Empire. They would probably have continued so down to the present day, had not persuasion, amounting almost to compulsion, brought about their surrender. Hamburg at least has made more progress since than it ever did before, but it would be entirely wrong to attribute it to that cause. The city might have been still more prosperous had it remained a free port.

No part of the United States was ever afforded a choice in the matter; to be subject to the rule of President and Congress, with or without representation in the latter, carried the privilege, or entailed the drawback, whichever point of view might be adopted, of being equally subject to the same tariff and fiscal laws. This rule admits of no exception, and though it was instituted solely in view of the expansion of the United States from the continental boundary lines, which would necessitate no break in continuity of territory, it has had to be extended to oversea possessions. Hawaii and Porto Rico could only be recognised as integral portions of the political union on condition that their trade and tariff regulations were equally assimilated; Cuba

and the Philippines remain outside, partly at any-rate, from objections to grant that condition.

And similar, or even greater, difficulties would arise, if the United States or Germany had to-day to construct their customs unions instead of merely to conserve them. It would be going too far to say that such difficulties would prove insurmountable, though that is quite possible, in view especially of recent occurrences. The interests in each country have become so numerous, as well as so conflicting, that reconciliation is out of the question, and at irregular intervals, some sort of compromise or deal has to be arranged. From the point of view of an unprejudiced and disinterested outsider, the German tariff in force during the latter years of the nineteenth century was almost entirely unobjectionable. Orthodox free traders may not have liked it because it did involve a certain amount of protection, of which ultimately in several instances very questionable use was made. But in hardly any case was the protection afforded extravagant, and the tariff answered its purpose as a revenue producer. It held the scales as evenly between each section of the Empire as it is perhaps possible to balance them.

But one part happened to prosper under it, while another either did not, or imagined it did not. The existing scale of duties was quite satisfactory to nearly everybody engaged in the textile, chemical, and iron and steel industries, which, with their

numerous offshoots, progressed more rapidly than any others. But the agrarian element in the community became more and more dissatisfied, although the measure of protection afforded it was fully as great, if not greater, than to the others. The particular grievance was not so much a fall in prices as a rise in wages and the cost of production which resulted from the increasing prosperity of the country as a whole. This had either to be checked, or an equivalent given in the form of higher duties on all agricultural products, and the latter was chosen as the less of two evils.

The increased cost of living this was bound to entail was calculated to injure the manufacturing section of the community, which has become the more important one. A conflict thus appeared certain, and would have assumed a still more formidable aspect than it did, had not some sort of acquiescence been purchased by the promise of higher duties, and consequently increased protection, on manufactured goods as well. That would not have settled the difficulty a few years earlier, because such a step would have involved the loss of foreign markets, becoming of such immense importance to German industry. But in the meantime the machinery of what is known as the cartel was brought to a state of nearly absolute perfection, and under the operation of the system it is possible to squeeze the last pfennig of profit permitted by the tariff out of the unfortunate home consumer.

Higher duties, provided they are more than sufficient to cover any increased cost of production, by this means offer a source of additional profit at home which permits foreign markets to be retained without any direct profit at all, and perhaps at possible loss.

The curious spectacle was witnessed of the agrarians, having secured the enactment of higher duties for agricultural products, though not as high as they aimed at, joining forces with the socialist element to prevent increases, and in some instances enforce decreases, of duties from which they would derive no benefit, but would rather enhance the cost of goods they required to purchase. Now it so happens that the states or kingdoms constituting the German Empire have mostly distinct characteristics as regards agriculture and manufacturing industry. Prussia and Bavaria may be classed under the former; Westphalia and Saxony under the latter. Each of course has interests more akin to the others than to itself as a whole, which show themselves in any general assembly of the Empire, but were each state a unit, it is tolerably certain it would adopt the fiscal policy best suited to the majority of its own population, disregardless alike of the minority and of its neighbours.

On the other side of the Atlantic very much the same state of things exists. There never have been national distinctions in the United States, but the economic ones are quite as marked as in the German