

3

# ECONOMIC DECLARATION

ON THE

## FOREIGN

# EXPORT BOUNTY SYSTEM,

BY

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FOREIGN EXPORT BOUNTY

NOTES - GENERAL HAYNES

ECONOMIC DECLARATION ON THE FOREIGN EXPORT  
BOUNTY SYSTEM.

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We venture to submit for the consideration of members of the Universities of Oxford, Cambridge, Dublin, and London, and the Scotch Universities, fellows of the Statistical Society, members of the Cobden Club and the several Chambers of Commerce and Agriculture, and the secretaries, officers, and members of the various Trades' Councils, the following economic declaration on the foreign export bounty system:—

ECONOMIC DECLARATION ON THE FOREIGN EXPORT  
BOUNTY SYSTEM.

ARTICLE I.

EXPORT BOUNTIES RESTRICT INTERNATIONAL COMPETITION.

Certain foreign States being advised and minded to protect the products of their native industry, are not content to restrict international competition on their home markets by hostile tariffs, but further seek, by means of State bounties on exported products, to restrict international competition on foreign markets, to wit, on the markets of our own and other States.

*Corollary.*—Export bounties, being restrictions on international competition, ought not to be allowed to operate on the markets of any State which has adopted free trade.

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## ARTICLE II.

EXPORT BOUNTIES CAUSE THE DISPLACEMENT OF SUPERIOR BY  
INFERIOR PRODUCERS.

The sale within the United Kingdom of agricultural or industrial products exported from countries granting export bounties thereon is calculated to diminish and restrict the importation into the United Kingdom of like products from other foreign countries and British possessions, and also prevent the raising and manufacture in the United Kingdom of like products as are naturally capable of home production and manufacture, and thus to cause the displacement of the natural and, therefore, best sources of production by the bounty-aided and, therefore, inferior sources of production.

*Corollary.*—Bounties are the badge of inferiority.

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## ARTICLE III.

## WHEN BOUNTIES ARE PRESENT, FREE TRADE IS ABSENT.

The artificial restriction and displacement of sources of production caused by the export bounty system, arrest and prevent, on the home markets of our own and other States, that due, legitimate, and salutary operation of the law of free competition which is the vital, material, and essential characteristic of the working of free trade.

*Corollary.*—In the presence of bounties, free trade exists in form but not in substance on all the markets upon which bounty-aided products are sold.

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## ARTICLE IV.

## EXPORT BOUNTIES SUBSTITUTE ARTIFICIAL FOR NATURAL PRICES.

The absolute reversal within the United Kingdom of the natural working of free trade caused by the foreign export bounty system is due to the arbitrary influence on market prices produced by export bounties, whereby the market price is in fact no longer the natural price, nor the one and only price for all competing sellers

but an artificial price which, supplemented by the amount of the bounty, gives a higher actual price for the seller with a State bounty as compared with his competitors who have no bounty. The natural price, as determined by free competition, is, upon the introduction of bounties, varied by a decrement as against sellers without, and by an increment as regards sellers possessed of, a State bounty, and this differential operation of the bounty exists whatever the price-level of any given period may be.

*Corollary.*—The ultimate result is a permanent price-level higher than that existent anterior to bounties; permanent, because superior producers, displaced by the bounties, will not resume industrial competition; higher, because the competition proceeds at the higher cost of production of the bounty-aided competitors.

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#### ARTICLE V.

##### THE EXPORT BOUNTY SYSTEM DESTROYS STABILITY.

Under free-trade conditions, market values tend to conform to the lowest cost of production, but upon the introduction of an export bounty this natural tendency is arbitrarily arrested, and in its stead the adjustment of market prices is artificially determined by the operation of the maximum export bounty, which, being dependent solely on the caprice of foreign Governments, is neither constant in amount nor in duration, and may, at the pleasure of such Governments, be abolished or revived, and thus there is produced an instability in the competing industries of our own and other States fatal to industrial progress.

*Corollary.*—Any State which treats products from States wherein the export bounty system exists on the same terms as like products from States wherein no such system exists arrests the legitimate development not only of national but of international industrial progress.

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## ARTICLE VI.

ANALOGY BETWEEN THE EFFECTS OF EXPORT BOUNTIES AND  
DIFFERENTIAL DUTIES.

Whilst competitors who enjoy the export bounty are indemnified by the amount of their bounty from the injurious consequences which are resultant upon an artificial and capricious interference with the natural adjustment of market prices, all other competitors, being fully subject to such injurious consequences, are thereby placed at a fiscal disadvantage economically equivalent to the disadvantage which would arise from the incidence upon them of a differential duty of the same amount as the bounty.

*Corollary.*—To intercept superior natural advantages by differential duties, and to acquiesce in the operation on the home market of foreign export bounties, are alike productive of all the evils of a protectionist policy.

## ARTICLE VII.

THE FAVOURED NATION CLAUSE INOPERATIVE IN THE PRESENCE OF  
THE EXPORT BOUNTY SYSTEM.

The export bounty system destroys the operation of the "most favoured nation" article in commercial treaties, inasmuch as the very fiscal equality which by the terms of that article one State accords to other States in treaty with it, as between each one and the others of such States, no longer exists when some of them grant export bounties; and such fiscal equality can only be restored by all States either giving or abolishing export bounties, or subjecting articles exported under bounty from any one or more States to a countervailing duty on their import into other States.

*Corollary.*—Acquiescence by any State in the export bounty systems of other States lessens the value to other States of the favoured nation treatment accorded by that State, and thus endangers the international operation of the favoured nation article in commercial treaties.

## ARTICLE VIII.

## EXPORT BOUNTIES MET BY IMPORT DUTIES.

The imposition of a countervailing duty on articles imported from States granting bounties thereon, and the admission of like articles from all other States free of such duty, would, by intercepting the bounty, restore, on the markets of the State imposing such duty, the competing conditions which, in the absence of the bounties, would naturally exist.

*Corollary.*—A countervailing duty upon articles exported from States granting bounties thereon, restores free-trade competition, and is not only a national, but an international advantage.

## ARTICLE IX.

## COUNTERVAILING DUTIES CONVERT BOUNTIES INTO REVENUE.

The effect of intercepting foreign export bounties by countervailing duties, as regards the State imposing such duty, is the transfer of such bounties, whilst existent, into the revenue; and the duty, being payable out of the foreign bounty, is at no time an element of natural price, or incident upon the consumers; and such duty, neutralising the operation of the bounty, removes restriction from, and restores stability to, the particular industry, whether home or foreign, affected by the competition of bounties.

*Corollary.*—A countervailing duty, being operative upon a foreign export bounty, and not against foreign States generally, nor against States possessing superior natural advantages, never causes, but, on the contrary, destroys protectionist advantages.

## ARTICLE X.

## OPERATION OF COUNTERVAILING DUTY ON STATES GRANTING EXPORT BOUNTIES.

The sole effect of intercepting foreign export bounties by countervailing duties, as regards the States granting export bounties, would be to deprive such States of the fiscal advantage of the bounty on the markets of the State imposing the duty. Such

duty would intercept no natural advantage, and in no wise restrict the competition of the State liable to such duty, except in the case of a State being unable, without the aid of bounties, to compete with other States; in which case the inferiority of such State in its producing powers, and not the countervailing duty, would be the real cause of its being displaced by other States in the competition.

*Corollary.*—To object to a countervailing duty is to object to the superior producer being allowed, by the force of natural advantages, to displace the inferior producer.

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#### ARTICLE XI.

##### ABSENCE OF ALL ANALOGY BETWEEN COUNTERVAILING DUTIES AND PROTECTIVE DUTIES.

The advantage of a countervailing duty, as regards international competition, is co-incident with the advantage derivable from the cessation of bounties and restoration of free trade; and, as regards producers, such advantage, being not only national but international, is in every respect a free-trade, and in no respect a protectionist, advantage.

*Corollary.*—Protection cannot be alleged when international, and not merely national, advantages are secured.

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#### ARTICLE XII.

##### ABSENCE OF ALL ANALOGY BETWEEN COUNTERVAILING DUTIES AND RETALIATORY DUTIES.

A duty intercepting a bounty and a duty imposed as a retaliation for the imposition of a like duty are in no degree analogous, for in the latter case natural values might be varied, whilst in the former they are maintained; the retaliatory duty might be incident on the consumer, whilst the countervailing duty must be incident upon a foreign export bounty. The mutual operation of retaliatory duties, as compared with the conditions existent in the absence of such duties, may be adverse to our consumers. The mutual operation of

export bounty and countervailing duty, as compared with the conditions existent in the absence of either bounty or duty, creates no disadvantage to our consumer.

*Corollary.*—Every State has the power to benefit by foreign export bounties without detriment to its industries or injury to its consumers, and with advantage to its taxpayers, by levying countervailing duties.

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### ARTICLE XIII.

#### THE NATIONAL LABOUR IS THE ULTIMATE SUFFERER FROM FOREIGN EXPORT BOUNTIES.

The ultimate and most material effect of the continuance of the foreign export bounty system, without the intervention by our State of countervailing duties, is the substitution of Foreign for British labour; and this substitution, being effected by artificial means, and not by the operation of natural causes, is a disadvantage to our working classes, and an injury to the nation at large.

*Corollary.*—Our national labour cannot support free trade if free trade is interpreted as permitting acquiescence in the displacement from our home markets of the products of our national labour by a protectionist device.

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### CONCLUSION.

#### ACT OF PARLIAMENT REQUIRED.

It is the duty of this State, as well as in its power, to keep its home markets pure and free from protectionist influence; and the most expedient and practical method of meeting export bounties would be for the legislature to confer on the Queen in Council power to impose, as may from time to time be necessary, by order in Council, countervailing duties on all commodities proved to be exported from foreign States under the export bounty system, and to remove such duties, by order in Council, as and when such system ceased to exist.

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