

SOME PROTECTED BRITISH INDUSTRIES.

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BY
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I SHOULD like to have avoided the use of the word "protected"; but I cannot find a more convenient one. It is so often used in the sense of "subsidised" that it becomes necessary for me to explain that I do not use it in that sense; and the term "protective tariffs" used in this paper is synonymous with the term "countervailing duties" frequently used in official documents—both terms implying protection against unfair competition. I propose to submit to your consideration this aspect of the British Import Tariff, because it deals with a question of no little importance, not only to sugar planters, but to the labouring and other classes connected with the staple industry of these colonies; and to endeavour to prove, by reference to some protected and prosperous British industries, that—if it be taken for granted that the policy of the mother country towards her colonies should invariably be an Imperial, and not exceptionally, as has been the case with sugar, a merely insular one—there is nothing unreasonable in the request for the imposition of countervailing duties made on behalf of the British West Indian sugar producing colonies. I hope to be able to show, by the aid of statistical information from official sources, that it would be difficult for anyone to arrive at the conclusion that there is absolutely no such thing as protection for British industries, that the object aimed at by these protective tariffs is a very desirable and perfectly justifiable one, namely, to prevent unfair competition, and that the result has almost invariably been beneficial to the industries concerned. At the same time it is but right to state that the prosperity of the manufacturing industries is mainly due to the plentiful supply of raw materials which has poured in to Great Britain in consequence of the adoption of free trade, and to the skill, the energy, and the capital supplied by the people themselves. But the prosperity of manufactures is in striking contrast to the present deplorable condition of British agricultural industries. The abundance of raw material, so favourable to the growth and development of manufactures has had, as might be expected, the opposite effect upon agriculture; and all the skill and energy of British agri-

culturists is unable to check the ever-increasing invasion of agricultural products hourly landed in Great Britain from every country on the face of the earth. But no hopeful ray of countervailing tariffs illumines the outlook of the British agriculturist, unless he happens to be a grower of chicory; and the fostering care bestowed on the manufacturer is denied to him. The question of the relative importance of the agriculturist and the manufacturer as contributors to the wealth and resources of a nation is a very large one, and presents many aspects which cannot be dealt with in this paper. But in this apparent indifference to the depressed condition of British agriculture, we may be able to account for the apathy or hostility with which the complaints of the colonial agriculturist are received, although it may be incomprehensible to us who are familiar with the differences in the conditions affecting both. The colonial agriculturist has to contend against a direct subsidy, paid by paternal governments, which absolutely prevents fair competition, the British agriculturist has fair competition as a rule. Occasionally, cheaper or subsidised freights may interfere with fair competition; but his chief difficulty is dear labour, dear land, and a not too favourable climate for the production of the immense variety of substances now consumed in Great Britain. Having made this contrast between British agriculture and manufactures on the one hand, and the British agriculturist and the colonial sugar producer on the other, I will enumerate some instances of the countervailing or protective tariffs on British manufactures.

TABLE A.

BRITISH MANUFACTURES PROTECTED BY COUNTERVAILING TARIFFS.

	Customs Duty.				Amount of Protection.
	Excise Duty.	Unmanufactured Goods.	Manufactured Goods.		
	s. d.	s. d.	s. d.	s. d.	
Spirits for Consumption	10 6	..	10 10	0 4	per gal
.. .. Methylation	0 0	..	0 4	0 4	.. ..
Beer	6 9	..	7 0	0 3	.. ..
Cards (playing)	3 0	..	3 9	0 9	.. doz. pks.
Soap (transparent)	0 0	..	0 3	0 3	.. lb.
Tobacco .. ..	..	2/8 to 3/-	3/5 to 5/-	0/9 to 2/0	.. ..
Cocoa .. ..	..	0 1	0 2	0 1	.. ..
Coffee .. ..	..	0 1½	0 2	0 1½	.. ..
Chicory	12 1	13 3	18 8 1/2	to 6/7	.. .. cwt.

Industries in which alcohol is used are protected to an extent equivalent to the duty on alcohol. These are shown in Table L.

* Since this Paper was read an addition of 6d. per gallon has been made to the duties on all spirits. This of course does not affect Prof. Carmody's argument.

The British Government derive a revenue of about £20,000,000 from spirits, about £12,000,000 from beer, and about £12,000,000 from tobacco—amounting altogether to nearly half of the total revenue of the United Kingdom; and as this revenue would suffer by any depression in the industries connected with these commodities, it is easy to understand that the Government are largely and directly interested in maintaining them in a prosperous condition. This fact supplies an argument in favour of the taxation of industries; for in spite of abstract free trade principles, the British Government has for many years protected the above very flourishing industries from unfair competition. In this colony, rum—a bye-product of the sugar industry—provides a revenue of about £100,000, or one-sixth of the total revenue; and for this and other reasons the Government are directly interested in the maintenance of the sugar industry and give to rum a very substantial protection. A protective tariff of 4d. a gallon has maintained the British spirit industry in a most prosperous condition, as the following table (B) will show:—

TABLE B.

SPIRITS OF BRITISH AND FOREIGN MANUFACTURE.

Years.	British Spirits distilled. Gals.	Imported Spirits of all kinds. Gals.
1890-91	44,623,000	8,598,000
1891-92	46,238,000	8,493,000
1892-93	44,414,000	7,836,000
1893-94	44,948,000	7,911,000
1894-95	44,870,000	7,702,000
1895-96	49,324,000	8,032,000
1896-97	54,622,000	8,282,000
1897-98	60,652,000	.. ..

Three new distilleries were started in 1896, and nine others in 1897, bringing the present total to 182—a very encouraging result after forty years' trial of a system for preventing unfair competition. Whilst the British made spirits increased from 44,000,000 gallons to 60,000,000 gallons, the quantity of imported spirits has remained stationary. The effect of the protective

tariff on the cheap kind of spirit used for methylation affords a more striking example of the advantages of protection. This will be seen from the following table (C.) :—

TABLE C.

SPIRITS USED FOR METHYLATION.

Year.	British made.		Foreign.	
	Gals.		Gals.	
1889	2,087,000		873,000	
1890	2,165,000		1,022,000	
1891	3,160,000		290,000	
1892	3,062,000		455,000	
1893	2,889,000		645,000	
1894	3,106,000		436,000	
1895	3,139,000		447,000	
1896	3,838,000		91,000	
1897	4,118,000		24,000	
1898	4,460,000		1,700	

In the ten years, British Manufacturers have increased their share in this branch to the extent of 100 per cent. and, aided by the surtax, have effectually crippled foreign competition. The protection afforded by this surtax amounted in 1890 to £17,000, for this quality of spirit, and the total yearly protection on the 8,000,000 gallons of foreign imported spirits amounts to £135,000—or roughly speaking £750 for each of the 180 British distillers. It is not surprising, therefore, to find that nearly 90 per cent. of the whole spirit trade of Great Britain remains in the hands of British distillers. Having secured these magnificent results by means of a protective tariff, it is not unnatural to expect that British distillers would use every effort to maintain the advantages they had gained. And accordingly we find that, when representations were made on behalf of the colonies for the removal of this surtax of 4d. a gallon on rum manufactured in *British Colonies*, an influential deputation of *British* distillers hastened to the Chancellor of the Exchequer and urged—unfortunately with success—the continuance of the surtax. This surtax of 4d. is equivalent to a 20 per cent. *ad valorem* duty; and on the 4,400,000 gallons of rum imported into Britain from these colonies (including *British Guiana*) amounts to the yearly sum of £73,000 or about £1,250,000 during the 17 years the 4d. surtax has been charged. It is desirable to turn aside here, and inquire why so recently as 17 years ago, the surtax on rum from these colonies was increased; and no more impartial statement of the facts can be found than that of an eminent official authority, the present

statistician to the British Board of Customs. He says:—"The modern history of the duty on rum is not quite parallel with that of the duty on brandy and other spirits produced on foreign soil. By far the greatest proportion of the supply of rum for use in this country has always been drawn from the British West Indian Colonies, and until 1881, rum always enjoyed, in some degree, preferential tariff treatment. It has been already stated that at the end of the great war, the duty on rum stood at 13/10½d. per gallon in Great Britain and 12/8½d. in Ireland as against 22/7½d. levied on foreign spirits in Great Britain and 17/3 2-3rd pence in Ireland. * * * At this time (1823) the consumption of rum amounted to 2,349,660 gallons, nearly double the consumption of brandy and Geneva, which stood at 1,190,678 gallons. By the Act of 1826, 6 Geo. IV. c. iii., the duty of rum was lowered to 8/6, though no change was made in the duty on brandy. At this time home-made spirit was chargeable in England with 7/- per gallon, and though slight changes were made in the rates, rum, foreign plain spirit, and English spirit, preserved about the same relationship to each other in the amount of the duties leviable, until Sir R. Peel reduced the duty on brandy from 22/10d. to 15/- in 1846. The West Indian planters had, about this period, complained bitterly, that in bringing their rum into the British market, they were subjected to a duty which acted practically as a prohibition, in order to protect the home-made article. Their complaint was doubtless true, for whilst the duty on colonial rum was at that time 9/4d. per gallon, the duty on British spirits was only 7/10d. in England, 3/8d. in Scotland, and 2/8d. in Ireland. It was pointed out at the time, that the effect of this arrangement had been almost to banish the use of rum in Scotland and Ireland, and that whilst the consumption of rum in the United Kingdom was fifty per cent. greater in 1802 than in 1844, the consumption of British spirit was 100 per cent. greater in 1844 than in 1802. Parliament, therefore, in 1847 decided to give some relief to rum and to return to the old system of charging lower rates in Scotland and Ireland than in England. * * * * The changes in 1860-1 left rum in the following position, as regards duty with reference to other spirits:—

Rum	**	**	**	..	..	10/2	per	gallon	proof.
Brandy, Geneva	**	**	**	**	**	10/5	"	"	"
Home Made Spirits	..	..	..	..	..	10/-	"	"	"

At this time, therefore, rum still preserved a preferential advantage of 3d. per gallon, an advantage which was probably neutralised by the freight incurred for its long voyage to the European market. * * * The duty on foreign spirits was reduced (in 1881) from 10/5 to 10/4, and at the same time that on rum

was raised from 10/2 to 10/4, thus putting an end to the preferential fiscal treatment which it had enjoyed for a century and a half. The reason for the change appeared to be, that it was considered that it would be "convenient to be able to reckon the duties on all foreign and colonial spirit at a single rate." (Customs tariffs of the U. K. by T. J. Pittar). It would appear from this that an extra surtax of 2d. a gallon has been imposed on these rum producing colonies during the past 17 years for no better reason than to facilitate clerical calculations; and with this fact in our possession it should not be a difficult task to persuade the British Government to return to the policy of preferential treatment that existed prior to 1881 for the rum from these colonies. To understand the origin of the unfair competition surtax on foreign spirit, which was first imposed in 1861, we must study the claims then made by the British distillers. They are based on the principle that excise restrictions for the security of the revenue add to the cost of manufacture, and are as follows:—

				d.	per gal.
1. Compensation for duty on foreign grain	..	..	..	0½	..
2. Prohibition against brewing and distilling at the same time	..	..	..	1	..
3. Prohibition against distillers mixing worts in separate vessels while in process of fermentation	..	..	..	0½	..
4. Loss of duty on rectification and flavouring spirits in separate premises	..	..	..	1	..
5. Colouring matter in foreign spirits	..	..	..	2	..
				—	
Total	..	..	..	5	..
				—	

In 1860, the extra cost of manufacturing spirit under stringent British laws was at first estimated at 2d. per gallon; it was subsequently raised to 5d. per gallon; but the 5d. was surcharged on brandy and other spirits from *foreign* countries—I wish to draw particular attention to this—and only 2d. was surcharged on rum produced in a British colony. Subsequently, for certain reasons, claims Nos. 1 and 5 in the above list could no longer be justified, and in 1881, a re-adjustment took place very much to the disadvantage of British colonial rum, for the 5d. on foreign spirit was *reduced* to 4d., and the 2d. on rum of British colonies increased to 4d. If the origin of this surtax be impartially considered it will be seen that, in reality, there is but little difference between the unfair competition of which the British

distiller justly and successfully complained in 1860, and the unfair competition of which the West Indian sugar producer as justly, but as yet unsuccessfully, complains. In 1860, the British Government were about to enter into a treaty with France for the admission of brandy and other spirits, produced in France, at the same duty as that levied by the Excise on British made spirits. The British distiller feared the competition between French brandy and British whisky on these terms of apparent equality, and convinced the Government that to make the terms really equal, a surtax of 2d. or 5d. should be imposed on all spirits imported. The sugar producer of the British colonies complains that in British markets his sugar does not compete on equal terms with beet sugar, not because of any restrictions imposed by the British Government, either at home or in the colonies, but because of substantial advantages conferred by foreign Governments on the beet sugar industry. Competition is equally unfair whether your own Government for fiscal reasons *increases* the cost of manufacturing your whisky or a foreign Government for fiscal or other reasons *reduces* the cost of manufacturing beet sugar. Another point deserves to be noticed. When the surtax of 5d. a gallon was imposed on foreign spirit it applied only to spirits on which duty was paid for consumption. Another kind of spirit of inferior quality was imported for methylation, and for other industrial purposes. The British distillers found this branch of their trade steadily passing into the hands of the continental manufacturers of potato spirit. It might have been said of the British distiller, as it has been of the British colonial sugar producer, that this was a convincing proof that his methods of manufacture were obsolete, and that in consequence he must abandon his distillery, sacrifice his capital, and turn his attention to some minor and more lucrative industry. But instead of this he received sympathetic treatment in the shape of a surtax of 4d. a gallon; and the injurious effect of this surtax on foreign spirit is clearly seen in Table C. The market value of this inferior spirit is about 1s. 6d. a gallon on which a surtax of 4d. is a heavy proportional burden. This surtax of 4d. is an equally heavy burden on rum, the present price of which is 1s. 6d. to 1s. 8d. a gallon in the British market. The annual British consumption of rum for about a century back averages from 3 to 3½ million gallons, and has varied from 2 to 5 million gallons (approximately) during that period. The quantities annually imported have fluctuated somewhat irregularly. But from 1860 when the duty on all spirits was approximately equalised, and rum charged 10/2 a gallon as against 10/5 on foreign and 10/- on British spirits, the consumption of rum increased, reached its maximum from 1873 to 1880, (about five million

gallons a year), and has steadily declined since the duty was raised to 10/4 in 1881. The following Table D shows the consumption in quinquennial periods :—

TABLE D.

BRITISH CONSUMPTION OF RUM.

Years.	Gals.
1876-7 to 1880-1	24,358,000
1881-2 to 1885-6	20,791,000
1886-7 to 1890-1	20,329,000
1891-2 to 1895-6	19,943,000

I have dealt with spirit at some length because the surtax on it injuriously affects our main industry through its by-product rum, and because the case is on all fours with the bounties on sugar; and will now briefly submit to you the effect of protective tariffs on other British industries. The following Table E shows the consumption of beer :—

TABLE E.

CONSUMPTION OF BEER IN GREAT BRITAIN.

Year.	British. brls.	Foreign. brls.
1893	31,572,000	41,000
1894	31,789,000	40,000
1895	31,382,000	42,000
1896	32,970,000	42,700
1897	33,541,000	43,700
1898	35,040,000	—

This shows that 99% of the Beer Trade remains in the hands of British brewers, and that foreign beer is making very slow progress.

Few persons are aware that playing cards are protected. In this case, and in one other, the protection has failed to repress foreign importations. I think this may be owing to foreign superiority in the art of colour printing. The following Table F shows the results :—

TABLE F.

DUTY ON PLAYING CARDS.

Year.	Of British Manufacture.				Foreign.
	£.	£.	£.
1893	19,600	..	..	4,000	
1894	18,100	..	..	6,800	
1895	19,500	..	..	7,500	
1896	20,200	..	..	10,500	
1897	22,200	..	..	10,000	

A slight increase in British, a large increase in foreign. America, Holland and Germany show the largest increases. The surtax in 1897 amounted to £1,580—an average of about £40 in favour of each of the 37 British makers.

Transparent soap is an highly protected article, because it was at one time made with duty paid alcohol. The quantities imported have fallen off very considerably, as might be expected.

TABLE G.

TRANSPARENT SOAP.

Years. (Six years.)						Quantity Imported. lbs.
1880 to 1885	..	..	..	..	..	739,000
1886 to 1891	..	..	..	..	..	236,000
1892 to 1897	..	..	..	..	..	88,000

Transparent soap is now made with methylated spirit, whenever spirit is used, and the cost of this amounts to very much less than the amount of the protection.

At least 95 per cent. of the tobacco trade is in the hands of British manufacturers, and this is, no doubt, largely owing to the difference in duty charged on manufactured, as compared with unmanufactured tobacco.

TABLE H.

IMPORTS OF TOBACCO.

Year.	Unmanufactured. lbs.	Manufactured.			
		Cigars. lbs.	Cake lbs.	Snuff.	Other sorts.
1893	81,600,000	2,400,000	1,000,000	6,000	448,000
1894	87,700,000	2,400,000	900,000	2,000	483,000
1895	72,800,000	2,600,000	1,000,000	3,000	532,000
1896	83,500,000	3,300,000	998,000	143	657,000
1897	80,700,000	2,900,000	1,000,000	2,000	668,000

The imports of cocoa are of special interest to us. Up to 1896, British manufacturers monopolised 92 per cent. of the

British trade. In 1897 this fell to 76 per cent.—a matter requiring most serious consideration. The following Table (I.) shows the actual figures:—

TABLE I.

Year.	Unmanufactured. lbs.	Manufactured.	
		Cocoa, lbs.	Cocoa Butter.
1893	32,982,000	2,660,000	.. ..
1894	39,115,000	2,720,000	.. ..
1895	42,769,000	2,977,000	.. ..
1896	38,281,000	3,794,000	242,000
1897	34,533,000	8,992,000	1,601,000

The increased imports from Holland alone amounted in 1897 to 4,500,000; this, and the increase in the imports of cocoa butter, leave no room for doubt as to the source and nature of the competition. The prepared cocoas of commerce are mainly of two types—the fat extracted type, and the mixture with starch and sugar type. The latter type supplies an excuse for adulteration, and for this reason, if for no other, I regret to say that it is still largely manufactured in Great Britain. One records with regret this sudden and serious encroachment on British trade.

The coffee trade in Great Britain is almost wholly in the hands of British manufacturers, as the following Table (J) shows:—

TABLE J.

Years.	Raw.	Kiln dried, roasted, or ground.
	cwts.	cwts.
1893	826,000	130
1894	730,000	115
1895	774,000	150
1896	713,000	120
1897	756,000	108

The protection amounts to only $\frac{1}{2}$ d. per lb.

British manufacturers can claim more than 98 per cent. of the British trade in chicory.

TABLE K.

IMPORTS OF CHICORY.

Year.	Raw or kiln dried. Cwts.	Manufactured.	
		Roasted or ground. Cwts.	Mixed with Coffee. Cwts.
1893	99,000	1,500	300
1894	108,000	1,200	250
1895	112,000	1,600	220
1896	103,000	3,100	200
1897	98,000	1,700	120

The protection amounts to about $\frac{1}{2}$ d. per lb.

Of the substances in the manufacture of which alcohol is used. Some protection is afforded to the following:—

TABLE L.

	s.	d.	
Chloral Hydrate	1	3	per lb.
Chloroform	3	1	"
Chocolate (additional)	0	0 $\frac{1}{2}$	"
Collodion	25	0	per gal.
Confectionery..	0	0 $\frac{3}{4}$	per lb.
Ether Acetic ..	1	10	"
Butyric..	15	8	per gal.
Sulphuric	26	2	"
Ethyl Iodide ..	13	7	"
Bromide	1	0	per lb.
Chloride	15	8	per gal.

The importation of chocolate, in the manufacture of which spirit has been used, amounts to about 75,000 lbs., of confectionery to about 250,000 lbs. per annum. The imports of chemicals, with the exception of chloral hydrate, are nominal; but Germany sends annually 16,000 lbs. of chloral hydrate, 3,000 lbs. of chloroform, 1,500 gallons of collodion, 2,000 lbs. of acetic ether, 3,500 lbs. of sulphuric ether, and in so doing gives ample warning of what might happen if these protective tariffs were abolished.

We see from these figures that the principle of affording to British industries that amount of protection necessary to prevent unfair competition has been in practice during the last forty years. The British Government should, in my opinion, grant the same protection to Colonial products. The imposition of countervailing duties was regarded as impracticable, and unlikely to benefit the cane sugar producers. The United States and India have now shown that the scheme is workable. And we in these colonies know that the prospects of sugar have materially improved since countervailing duties gave us the advantages of fair competition in the United

States markets. We have seen that countervailing duties in the States are more advantageous to us than a reduction of 25% off the Canadian tariff. We ought not to have to look to the United States for that protection that is denied us at home. And in addition to the losses we suffer in sugar, we ought not to be required to pay £73,000 a year for the privilege of sending our ruin to the British markets. The 1½ million pounds these colonies have lost by the surtax on rum during the past seventeen years would have provided us with two fair-sized Central Factories. We must bring these facts persistently forward in order to prevent the ruin of the industries of these colonies, just in the same way as British producers do in the interest of theirs. It is not improbable that beet sugar will be produced in Great Britain before many years, and then we shall have the assistance of the British producer in advocating the imposition of countervailing duties. Beet growing has not yet passed the experimental stage in England, but already the injurious effect of the bounties on that industry are being pointed out. Mr. Cave, agent to the Earl of Denbigh, in reporting the results of experiments, writes:—"The experiments made at Newnham Paddock, and in other parts of England, show that we can grow sugar beet of an even better quality than the best continental beet, and it is for the British to say whether foreign bounties are to be allowed to continue as an absolute obstacle to the establishment of what might well prove a most remunerative agricultural industry in many parts of England." If the sugar beet develops into an agricultural industry in England, it would be impossible for the Government to refuse the advantages of fair competition, which can only be secured by neutralising the effect of the bounties on foreign grown beet, and maintain at the same time the differential tariff that favours the *manufacture* of such products as tobacco, cocoa and coffee, which are imported into, but not grown in England. If beet sugar cannot be grown in England because of the foreign bounties, how much more difficult must it be to produce cane sugar profitably in these colonies under less favourable conditions as regards freight to distant markets, and the importation of the expensive machinery and skilled employees required for its manufacture? Secret commissions and tips to barnaids, are isolated instances of the unfair competition against which the upright British trader rebels; national bounties on sugar are surely a more serious form of unfair competition.