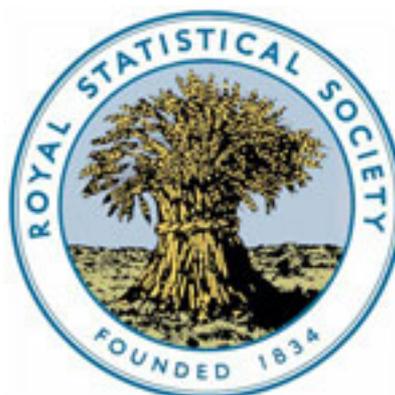


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Customs Tariffs

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Source: *Journal of the Statistical Society of London*, Vol. 48, No. 4 (Dec., 1885), pp. 617-627

Published by: [Wiley](#) for the [Royal Statistical Society](#)

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CUSTOMS TARIFFS. *By* A. E. BATEMAN, ESQ.

[Read before the British Association for the Advancement of Science,
at Aberdeen, September, 1885.]

SOME apology is perhaps needed for offering a contribution on a subject which has been worn almost threadbare by the writers of the Cobden Club and their opponents the Fair Traders, but as one who does not belong to either of these camps I may be permitted to address you for a short time, rather from the practical than from the theoretical point of view, twenty years' experience in the Board of Trade having brought to my notice many of the incidents of tariff difficulties abroad, which possess considerable interest at the present time.

I would here premise two observations: first, that the contemptuous language which is usually applied by the thorough free trader to his weaker brother the fair trader and his protectionist kinsman is to be deplored, seeing that the objects of abuse form so large a proportion of the world's civilised population; and secondly, that both parties are apt to attach too great importance to the raising or lowering of the tariffs in its effect on trade, and ignore such considerations as perfection in machinery and transport, fertile soil, technical education, and last, but not least, industrious and saving populations.

As regards the trade of the various countries, it is quite impossible to give in this short paper any adequate or even a brief sketch of the figures, which have all to be minutely analysed to be of any use in this discussion. Moreover, Sir Thomas Farrer in his recent edition of "*Free Trade versus Fair Trade*" has treated this part of the subject so exhaustively, that—whatever may be thought of his conclusions, the statistical part of the work can hardly be improved upon in completeness. I have, however, appended a Table (A) giving the very latest figures of trade for France, Italy, the United States, and the United Kingdom, for the first half of the present year, compared with the corresponding half of 1883 and 1884.* Comparing the present year with 1883—the last year of the short revival—French imports and exports have each declined 6 per cent. in value, Italian imports have increased 16 per cent., and exports decreased 25 per cent. United States'

* German returns are not available for this recent period as to values, but the six months' returns of exports show a falling off in quantity of about 10 per cent. in the chief manufactured articles compared with last year.

imports have decreased 20 per cent., and exports 15 per cent.; while the United Kingdom has declined 11 per cent. in both imports and exports. Taking into consideration that values of United Kingdom trade are declared values at present prices, while in most foreign countries, notably France, the values are calculated at the prices of a year or even two years ago, it is evident that in a time of falling prices, our accounts will show a larger falling off than those of foreign countries; although no unprejudiced person who has read the recent debates in the French, Belgian, and German Chambers on new tariff changes and schemes, can doubt that the present depression in trade and agriculture is by no means confined to this country, but is universal, and is to a great extent a depression of value and not quantity.*

I will now glance briefly at the tariff changes of the principal European countries in recent times, taking as my starting point the year 1859, which is twenty-six years, or nearly a generation, back. This date is convenient from being the year before what is known as the Cobden treaty with France was negotiated, and it has been taken in certain tariff returns issued by the Board of Trade in 1879 on Mr. Talbot's motion (House of Commons 200 and 218 of 1879), showing foreign and colonial rates of duty on the chief British articles in 1859 and 1879. These returns, and those issued on Lord Sandon's motion in 1881 (House of Commons 333 of 1881) will repay a careful study, but the information is too detailed to quote here. I have therefore prepared a short statement (Table B) of the duties in the principal countries of Europe and in the United States on five leading British manufactures, which also happen to be the chief articles of import in most of these countries, viz., cotton yarns, cotton tissues, woollen tissues, pig iron, and iron rails. Even in these I have often been unable to show more than a selection for comparison, owing to new and complicated classifications: averages more or less arbitrary have also occasionally been necessary.

Beginning with Russia, it will be seen that the tariff was greatly reduced between 1859 and 1879. Recent increases, including the payment of duties in gold, have brought the rates back rather above the former level. In the last year and a half American and Indian competition in corn has affected the consuming power of the corn producing classes, and from this and other causes the revenue has suffered. Increased duties were put on herrings, wine, and tea in February, 1884, and subsequently the metal producers, who

* As regards France, see especially the Report to the Chamber of Deputies on the industries of Lyons and St. Étienne, and the general report on the State of Agriculture and Industry in France and on the Paris crisis (Nos. 3446 and 2695 of 1884).

were suffering in Russia as elsewhere, obtained a considerable rise on the coal, iron, and machinery rates. Since then there has been a general increase of from 10 to 20 per cent. on almost all articles, not, it is stated, as reprisals for what other countries have done, but "because the exports have fallen off, and it then becomes the "duty of the State to see that imports are reduced proportionately:" ("Journal du Ministère de Finances," quoted in Journal "de St. Pétersbourg" for June, 1885). The position of Russia is complicated by her dependencies, *e.g.*, Finland, where iron and cotton are supposed to be manufactured more cheaply than in Russia. To correct this inequality, and also to prevent the importation of foreign goods through Finland, duties have lately been imposed in Russia on these articles coming from Finland, and only a limited quantity in the year is allowed to be imported! There is also the difficulty of keeping the central Asian trade from what the "Nouveau Temps" of St. Petersburg calls the *inundation* of British goods, and this Journal states that a customs cordon starting from the mouth of the Atrek is contemplated, which would embrace Turkestan, Boukhara, and Khiva, and find employment for the Cossacks and local military forces.

Turning to the lesser northern countries of Denmark, Sweden, and Norway, the tariffs have been rather reduced than raised in the last twenty-five years, and are comparatively moderate on most articles.

In Germany we find the duties in 1879 much lower than those of twenty years before, but since then a new departure has been taken. In 1879 the tariff was generally raised, and recently cereals and food have been much more heavily taxed, to enable the landed interest to live; in addition, as a compensation to the manufacturer, increased rates on manufactured goods and semi-manufactured goods have been imposed. Germany has however most important compensations in her system of technical education and in cheap railway transport. In Holland, where the tariff has for a long time been a very moderate one, no increases have been made. Belgium has reduced many duties, and a Bill has been before the Chambers quite recently, to make further reductions in yarns and textiles; but owing to there being no time to discuss the measure, it has been postponed till next session. In this connection it is worth notice that a motion for inquiring into agricultural and trade depression was last session rejected by a large majority, the protectionists voting against it as a waste of time, and a proposal to tax corn and meat was also out-voted, but by a smaller majority. In France the tariff is still very much more favourable than before the well known Cobden treaty of 1860, although the substitution of specific for *ad valorem* duties in

1882 taxes cheap cotton prints and woollens rather severely. The difficulty of distinguishing materials from manufactures and of making a *fair* protective tariff is very forcibly shown in the case of France. Cotton yarns pay high duties as competing with Rouen and other manufactures, but they are an important raw material of the Lyons mixed silk industry, and the latter demands in vain an exemption of duty or what is called temporary importation, *i.e.*, the free importation of a material to be afterwards exported in a more finished condition.* The Government have power to add articles to this privileged list, under an Act passed about fifty years ago, but the exercise of these powers provokes much irritation among the interested parties.

In addition to these tariff difficulties the new corn and meat duties have led to reprisals on the part of Roumania as a corn growing country, and in return France has put a duty of 50 per cent. *ad valorem* on Roumanian goods; not, as stated in the French Chamber, "in an unfriendly spirit, but simply treating Roumania "as a younger sister," who, like many other young sisters, requires keeping in her place.

In Italy the tariff, which had been much reduced between 1859 and 1879, has since been raised, but not quite as high as the former rates on the chief articles. Austria-Hungary also shows a great reduction between 1859 and 1879, and an increase since, though not to the old level. The tariff situation of Austria is somewhat complicated by the opposite interests of the Austrian manufacturers and the Hungarian corn growers. I have not alluded to the Spanish or Turkish tariffs, owing to their peculiar position at the present time. In Spain, British goods, even under the existing arrangement, pay less than they did in 1859, and would pay considerably lower duties if the recent arrangement for giving us as good treatment as other European countries had been carried out. In Turkey negotiations for revising the tariff have been going on for some time; the former duty was nominally 8 per cent. *ad valorem*, but many duties being levied specifically, and calculated at prices much higher than those now ruling, amounted to 12 or 15 per cent. in some cases, and a conversion into specific duties at present prices will probably improve the operation of the tariff, if the equivalent *ad valorem* rates are not raised too high. The United States is conspicuous in having raised its duties very considerably between 1859 and 1879. The late Tariff Act of 1883 made some modifications, such as not including packing and transport charges to the port of shipment in the cost on which *ad valorem* duties are calculated, and many changes

* Fine cotton yarns are now in the list, but this is not enough for Lyons.

of classification were also introduced, which reduced the average *ad valorem* rate on dutiable goods from 42 to 40 per cent., but the great wall of protection still awaits the trumpets of some future Joshua! It must however be remembered that the United States with almost every variety of soil, climate, and capacity, is really a most splendid instance of free trade, *malgré lui*, since there are no customs barriers between State and State.

I have in this short sketch mentioned only the tariffs of the chief European countries and the United States, and have omitted the civilised and semi-civilised States of South and Central America, and the great eastern markets of Japan and China. There has been little change, speaking generally, in all these tariffs, the American ones being still very exorbitant, though the State does not succeed in pocketing all that is prescribed by the tariff; in China and Japan moderate duties are still levied.

To say then that the chief markets of the world have of late years been *closed* to our produce savours somewhat of exaggeration, when the foregoing comparison of duties twenty-six years ago and now is considered; although owing to the fall in prices the incidence of unchanged specific duties has become more severe, and for this reason *ad valorem* duties are much to be preferred. Germany and Russia indeed are trying to give increased protection all round without checking cheap manufacture. France has lately revised differential duties in her colonies, not being able to export manufactures there without this assistance; and there is a scramble for Africa amongst European nations with the same object of getting exclusive trading rights; but this evident confession of the difficulty of protecting manufactures without injuring cheap production should not disturb us further than by showing us the importance of keeping the colonial markets in which we have a fair field and no favour. The chief tariff puzzles in front of us are in connection with our colonies and their federation, and as affecting present and future commercial treaties.

In regard to the colonies, I have not encumbered this paper with a comparative statement of tariffs in 1859 and now, but will here shortly review the chief changes that have been effected.

In India 5 per cent. on cotton yarns, and 10 per cent. on other goods, were reduced at various times, and finally abolished in 1879, and duties now are levied only on spirituous liquors, and arms and ammunition, besides that on salt, which is really an excise duty. In Ceylon and Mauritius moderate tariffs of 5 to 7 per cent. *ad valorem* are maintained. In some of the Australian colonies, notably in Victoria and New Zealand, rather high duties have been imposed since 1859, and New South Wales alone can now be

called a free trading colony. Cape of Good Hope levies 15 per cent. *ad valorem* on most articles, chiefly for revenue purposes, instead of half that rate in 1859, and the tendency of the West India Islands is towards higher duties. Canada is however the most striking example of increase, a very elaborate protective tariff having been adopted as a bulwark against United States' importation in 1879, which has been maintained with some modification ever since. This policy is annually challenged on the budget, and speeches bristling with figures prove to their authors' satisfaction that the successes or failures of the various industries are *all* due to the tariff. It is apparent however in Canada, as in the United States, that the fluctuations of trade cannot be prevented by a protective tariff, over production bringing its own punishment everywhere. Thus in Canada the iron and cotton industries are in a state of great depression at the present time, in spite of high customs duties that have been most carefully balanced, so as to protect home manufacture in every possible way.

Taking then the self-governed colonies generally it may be said that their duties are now much higher than in 1859, and the question arises, how can federation be more than a name, if such barriers are to exist between (1) intercolonial trade, (2) trade between the mother country and the colonies. In 1873 the Act 36 Vict., cap. 22, was passed to enable any of the Australian colonies and New Zealand to make a customs union among themselves. Up to the present time no such unions have been formed, but Tasmania and Victoria have lately been in negotiation for a reciprocity treaty. The influence of sentiment on trade is so important that it would be worth while sacrificing a few fine abstract principles of political economy to make a customs union of Great Britain and her colonies, if it could only be practically carried out; but besides the geographical objections to a Zollverein of which many of the component States would be thousands of miles apart with good foreign markets intervening, there would be the tremendous difficulty of reconciling the complicated and conflicting tariffs of the various colonies. Take for instance the Canadian tariff, in which there is a special list of materials for manufacture allowed in free by order in council. Some of these categories are complicated by reservations, that the article is only to be used in manufactures and not for private use *e.g.*, coke; another frequent limitation is that the article should be free only so long as it is not made in Canada. Imagine the complication of an imperial tariff of Great Britain and her colonies, which should contain these provisions, not only for Canadian, but for all the other manufacturing interests of the Empire, with the additional conditions of reciprocity to be applied to every foreign

country! The attempt to distinguish manufactured goods from raw material would alone be a herculean task, since no two people can be found to agree in classifying such important articles as chemicals, leather, iron of many kinds, petroleum, yarns, and printing paper.

Food too must be a great stumbling block, for while fair traders as a rule deny the wish to tax it when it comes in proper season, one or two eminent members of Parliament have declared themselves in favour of a duty on *early* fruit and vegetables, which compete disastrously with home produce. An imperial tariff, differential in time as well as in origin, would indeed be complicated, especially if the "temporary importation" system of drawbacks on the materials of manufacture be appended, as it must probably be, to secure cheapness of manufacture. As an official taking great interest in tariff making, I should rejoice at the task, but the manufacturer here or in the colonies, whose prosperity or even existence might depend on the maintenance of protective duties, would find himself in a dangerous position. From a manufacturer's point of view it would even be preferable to restore the so called registration duty of 1s. a quarter on corn imported into this country, or even increase it to 2s., giving differential exemption to colonial produce. Considering the large proportion of fixed charges of manufacture and distribution, to the price of the raw material in bread, the food of the people would probably not be any dearer, while the revenue would benefit. There is a good deal of exaggeration as to the effect of taking off the 1s. corn duty in 1869. It has been stated that Liverpool and other ports have owed their increased prosperity to this cause, but looking at the figures of re-exports, we find that the value of foreign and colonial wheat and flour exported from the United Kingdom averaged 170,000*l.* annually in the fifteen years 1855-69, and 514,000*l.* in the last fifteen years, thus showing an increase of 344,000*l.* per annum—not a very important business even if the whole increase is due to the removal of the 1s. duty. The objections to a general colonial tariff would be greatly lessened by grouping them geographically, such as an Australasian group, an Eastern group, a South African group, and a Canadian group, including perhaps the West Indies, though here the interests of the islands and Canada would occasionally be very divergent. The same difficulty would moreover arise in making a differential tariff in favour of the mother country, that the most favoured nation article in several of our commercial treaties would be imperilled; and this brings me to the last point, on which I would say a few words.

These treaties at present secure for us facilities of trade in

almost every important market of the world, and the exception of Spain, where we are still treated on a worse footing than other countries, is a striking example of the inconvenience that would arise if this system of treaties were done away with. It must also be remembered that these treaties provide for subjects of the parties to the treaty carrying on business in each other's dominions, which is a valuable safeguard against very high duties, for under this provision a protected article may be, and sometimes is, manufactured in the very protecting country itself by foreign workmen, who are introduced by the foreign capitalist in order to avoid paying the extravagant duties.

If a real war of tariffs should ever come, and this provision has ceased to exist, such rights will certainly be endangered, and foreign workers in industries which compete successfully with home manufactures will be excluded from coming to exercise their callings. This would intensify materially the tariff war. It is held indeed by some that customs tariffs in each country should be entirely autonomous, and that commercial treaties, and especially those which contain tariffs guaranteeing fixed duties for a certain time, are an offence against political economy. The Cobden treaty with France and those which followed it have been especially objected to as being contrary to Cobden's true principles. But it can be claimed for these treaties that besides securing commerce against sudden increases of duty, they often break down the barriers of protection by enlisting on the side of free trade important classes in both the countries between which such a treaty is being negotiated. For instance, free trade in England was brought about chiefly by the manufacturer combining with the consumer to get cheap food. It is not more immoral for the French wine grower to combine with the English cotton producer to make a commercial treaty with lower duties on French wines and English cottons. This sort of bargain is however very different to negotiations commencing with one or both parties making what is called a *tarif de combat*, or tariff which is avowedly bad for the country itself and for trade generally, but is put on only as a weapon to secure concessions from another Power. As there is no limit to the duties which may be imposed in a tariff war of this kind, the absurdity of negotiating on such terms is apparent, but in connection with duties which are not essential *per se*, nor on the other hand really injurious, it is difficult to imagine why commercial bargains should not be made. The consumers in a country are generally a feeble folk, or at any rate do not know their own strength, and it is desirable for them to secure the support of a producing class to play off against another class of producers who may think themselves injured by reduction of duties, and indeed

may be temporarily injured, although general trade and industry will be benefited thereby.

I have tried then in this necessarily brief sketch to show that it is not the case that European tariffs have generally been raised in the last generation, although the present out-look is dark; that there are great practical difficulties in trying to impose protective duties without interfering with cheap manufacture; that a Zollverein of the British Empire, a desirable object in itself, entails geographical objections, and a tremendous complication of tariffs, besides interference with commercial treaties; that such treaties when wisely made are the best aids to trade, and in conclusion I would express the hope that the threatened continental war of tariffs may be averted, and that an extension of trade both between European States and also with new markets in Asia and Africa may again restore prosperity.

TABLE A.—Statement showing the Total Value of the IMPORTS for Home Consumption and the EXPORTS of Domestic Produce into and from France, Italy, the United States, and the United Kingdom, during the Six Months ended 30th June, 1883, 1884, and 1885.

(MERCHANDISE ONLY.)

[000's omitted.]

	Imports.			Exports.		
	1883.	1884.	1885.	1883.	1884.	1885.
France..... { frs.	2,333,811,	2,209,987,	2,193,062,	1,665,607,	1,522,140,	1,568,223,
£	93,352,	88,399,	87,722,	66,624,	60,886,	62,729,
			-6% from '83			-6% from '83
Italy { lire	648,749,	683,005,	751,826,	614,006,	580,724,	491,276,
£	25,950,	27,320,	30,073,	24,560,	23,229,	19,651,
			+16% from '83			-20% from '83
United States*... { dols.	352,125,	332,757,	280,921,	387,768,	335,209,	327,937,
£	73,359,*	69,324,*	58,525,*	80,785,	69,835,	68,320.
			-20% from '83			-15% from '83
United Kingdom £	217,000,*	199,000,*	193,000,*	117,000,	116,000,	104,400,
			-11% from '83			-11% from '83

* These figures represent the general trade, the special not being distinguished.

TABLE B.—Statement showing the Import Duties Levied in the undermentioned Countries on certain Articles of British Produce in each of the Years 1859, 1879, and 1885.

Tariff Classification.	Rates of Duty.		
	1859.	1879.	1885.
RUSSIA.	£ s. d.	£ s. d.	£ s. d.
Cotton yarns	cwt. 1 17 11	cwt. 1 12 -	cwt., aver. 2 13 -
„ tissues, excluding prints and very fine tissues	„ aver. 8 - -	„ aver. 7 - -	„ „ 9 - -
Cotton tissues, prints	„ „ ... 14 10 -	„ „ ... 12 - -	„ „ 14 14 -
Woollen „	Different classifications, but generally decreased rates in 1879 compared with 1859.		
Pig iron	cwt. - - 6½	{ cwt. - - 6 (free for machinery)	{ cwt. - - 7
Iron rails	„ - 3 9½	cwt. - 1 11½	„ - 4 11
GERMANY.			
Cotton yarns, unbleached..	cwt. - 9 2	cwt. - 6 1	cwt., aver. - 13 -
tissues (all)	„ 7 12 5	„ { from 1 10 - to ... 4 - -	„ { from 2 - 8 to 8 17 10
Woollen „, printed	„ 7 12 5	„ 3 16 2	„ about 4 15 -
Pig iron	„ - 1 - ¼	Free	„ - - 6
Iron rails	„ - 4 6¼	„	„ - 1 3¼

TABLE B.—Showing the Import Duties Levied on Articles of British Produce—Contd.

Tariff Classification.	Rates of Duty.		
	1859.	1879.	1885.
	£ s. d.	£ s. d.	£ s. d.
HOLLAND.			
Cotton yarns.....	cwt. { from - - 11½ to - 5 9 }	Free	Free
„ tissues	4½% <i>ad val.</i>	{ 5% <i>ad val.</i> Free for printing and dyeing	{ 5% <i>ad val.</i> Free for printing and dyeing
Woollen „	cwt. 1 8 9	5% <i>ad val.</i>	5% <i>ad val.</i>
Pig iron.....	Free	Free	Free
Iron rails	„	„	„
BELGIUM.			
Cotton yarns (except the finest)	cwt., about 2 6 -	cwt., about - 10 -	cwt., about - 10 -
Cotton tissues, un- bleached or bleached.. }	„ 4 7 10	{ Various, but average less than 3 <i>l.</i>	{ Various, but average less than 3 <i>l.</i>
Woollen tissues	„ { from 6 - - to 9 - - }	10% <i>ad val.</i> or cwt. 5 5 8	{ 10% <i>ad val.</i>
Pig iron.....	„ - 1 -	„ - - 2½	cwt. - - 2½
Iron rails	„ - 2 -	„ - - 5	„ - - 5
FRANCE.			
Cotton yarns, unbleached	{ Prohibited, except the very fine	cwt. { from - 6 - to 6 - - }	cwt. { from - 6 - to 6 - - }
„ tissues „	Prohibited	{ Various, but average 3 <i>l.</i> or 4 <i>l.</i>	{ Various, but ranging from 1 <i>l.</i> to about 11 <i>l.</i>
Woollen „	„	10% <i>ad val.</i>	{ Various, but average from.... 1 10 - to 2 10 - }
Pig iron.....	cwt. - 2 -	cwt. - - 10	cwt. - - 7¼
Iron rails	„ about - 6 -	„ - 2 5	„ - 2 -½
SARDINIA (ITALY).			
Cotton yarns, fine	cwt. - 18 8	cwt. - 9 4	{ cwt., average of all un- bleached - 16 - }
„ tissues, un- bleached or bleached.. }	„ 1 15 1	„ - 18 9	cwt., aver. 1 16 -
Woollen tissues	„ 4 13 6	10% <i>ad val.</i>	„ „ 3 3 -
Pig iron.....	Free	Free	Free
Iron rails	„ - - 5½	„ - - 5½	„ - 1 2½
AUSTRIA.			
Cotton yarns	cwt. - 10 8	cwt., aver. - 9 -	cwt., aver. - 10 -
„ tissues „	„ 4 5 4	„ „ 2 2 -	„ „ 2 2 -
„ common.....	„ 5 6 8	„ „ 3 - -	„ about 3 6 -
Woollen tissues, common...	„ - - 10¼	„ - 6	„ - - 10
Pig iron.....	„ - 5 4	„ - 2 6½	„ - 2 9½
Iron rails	„ - 5 4	„ - 2 6½	„ - 2 9½
UNITED STATES.			
Cotton yarns	19% <i>ad val.</i>	About 50% <i>ad val.</i>	About 50% <i>ad val.</i>
„ tissues, unbleached.	19% to 24%	„ 40% „	„ 40% „
Woollen „	24% <i>ad val.</i>	From 60 to 70% <i>ad val.</i>	From 60 to 70% „
Pig iron.....	24% „	cwt. - 1 5½	cwt. - 1 5
Iron rails	24% „	„ - 3 3	„ - 3 3