

III.—*The Linen Trade and the Customs' Duties.*—By Robert Donnell, Esq., M.A., Barrister-at-Law.

[Read Tuesday, 10th May, 1870.]

THE staple manufacture of Ireland—it might be said, our sole manufacture—that of flaxen products, is declining. No more serious announcement, whether we regard our agricultural or commercial classes, could be made. No subject could be proposed for the consideration of this learned and patriotic Society more deserving of its attention. I do not wish to make, I cannot with truth make, any alarmist statements on the subject. The linen business is not in a state of collapse. No transfer of production has been made from this to other countries demanding a moment's consideration. But during the last three years there has been a falling off in the production of flaxen products—a diminution of exports, a lowering of profits, and a fall in wages (not in wages reckoned by the day or the piece, but in the wages of the year—for the fall is due to the mills working short time) of the most serious character.

That these unfavourable symptoms have not been followed by collapse of credit and wide-spread ruin is to be attributed to the intelligence and prudence, and above all to the high commercial morality, of Irish manufacturers, merchants, and bankers. That serious calamity has befallen us is, I hope to shew, not our own fault; that that calamity has affected only those immediately concerned is due to our own commercial virtues.

The export returns of the Board of Trade do not distinguish Irish from British products; but, taking these together, the figures for 1866, 1867, and 1868, the latest year for which I could get full returns, are :—

	DECLARED VALUE.		
	1866	1867	1868
Linen Yarn	£2,374,132	£2,449,394	£2,309,111
Linen manufactures, piece goods	8,991,977	7,025,391	6,695,771
Thread	510,665	} 412,991	398,548
Hosiery and other goods	76,582		
Totals	£11,973,356	£9,887,776	£9,403,430

In each of the years 1867 and 1868 there has been a falling off in British and Irish linen exports of more than £2,000,000 since 1866, and of this falling off it may be safely asserted that about one-half is Irish. But these statistics give no adequate idea of the depression. Those engaged in the business say that the products have declined in far larger ratio than the exports; that in these exports are included large stocks produced in former years, and which have now been reduced to the smallest dimensions; and that the production is continued not because it secures the average, or indeed in some cases any, rate of profit, but because it would be ruinous to let the machinery rust or the workers be scattered, and therefore goods are manufactured, and sold at prices which do not realise the average cost of production.

Such then is the nature of the depression in the linen business, and I propose to show

1st. That for this depression our system of levying taxation by customs' duties is responsible.

2nd. That customs' duties are indefensible

(a) On the principles of free trade ;

(b) On the maxims of taxation generally received ; and

3rd. I shall suggest, subject to your better judgment, what is best to be done in order to get rid of a system so injurious to us, and in particular to develop the linen trade, and thus give prosperity to Ireland.

1st. *Are our customs' duties the cause of the depression in the linen trade ?*

In order to answer this question, I must first direct your attention to the customs' tariffs of foreign countries upon our linen ; and I propose to show that these are most unfavourable to our linen industry ; and that on grounds of international fair play and of political economy, we cannot hope seriously to alter these duties abroad, unless we are at the same time prepared to alter duties we impose of a similar sort at home.

In France, Brazil, and the River Plate, the duty charged upon linen products is about 25 per cent. of the value of the goods. In Austria, Denmark, and Sweden, it is about the same. These, if we except the United States, as to which I shall presently speak, and the Hanse Towns, are the principal consumers of our linen goods abroad.

In the United States in the present year there is imposed an import duty varying from 30 to 40 per cent., according to the class of goods. The following table exhibits the variations in the American tariff upon linen since 1842 :—

Year.	Tariff	Year.	Tariff.
1842 . . .	25 per cent.	1863 . . .	30 to 35 per cent.
1846 . . .	20 "	1865 . . .	35 to 40 "
1857 . . .	15 "	1870 . . .	30 to 40 "
1861 . . .	25 to 30 "		

In 1866, of a total export of 255,468,689 yards of linen piece goods, 119,000,000 yards went to the United States. In 1867 and 1868 the average exports of each year to the United States fell to 85,000,000 yards, out of a total export of 210,000,000 for each of those years. In other words, while the United States in 1866 took 46 per cent. of the exports of linen piece goods, in 1867 and 1868 they only took 35 per cent. Or we may express the same fact in this way: the exports to all countries fell from 255,000,000 in 1866, to 210,000,000 in 1867 and 1868—a decline of 45,000,000 ; and of this 45,000,000, no less than 34,000,000, or 75 per cent. of the whole decline since 1866 in our linen exports, arises from the exports to the United States

It would be impossible for me in the time at my disposal to discuss the subject as connected with the tariffs of every foreign country ; nor is it necessary. The principle is the same in all. I shall therefore discuss the question solely with reference to the United

States' tariff; for this reason, that it affects us at present, as I have shown, more than all the others combined, and for another reason which will be evident to you as I proceed.

In the years I have selected, the population of the United States has increased several millions, and their purchasing power has increased in immeasurably larger proportion. A larger population with resources augmented by their recovery from the prostration and devastation of the civil war, would, in the natural course of things, consume a larger quantity of linen goods. What then is the cause of the decline? It is not to be attributed to the competition of the cotton manufacture, for the falling off in our cotton goods exported to the United States has been equally marked.

Table showing number of yards of Cotton (British and Irish produce) exported to the United States in the following years

1862	.	.	.	97,000,000
1863	..	.	.	71,000,000
1864	.	.	.	64,000,000
1865	.	.	.	122,000,000
1866	.	.	.	114,000,000
1867	..	.	..	88,000,000
1868	..	.	.	74,000,000

Our manufacturers and merchants attribute the decline to its true cause when they point to the oppressive tariff of the United States.

The courtesy of my friend Mr. Adam Duffin, jun., has placed at my disposal two letters which he received from very high authorities on the linen trade of Ulster—Mr. M'Ilwrath of Belfast, the compiler of *The Linen Trade Circular*, and Mr M'Call of Lisburn, the author of *Ireland and her Staple Manufactures*, a work full of the most valuable and interesting details as to the history of the Ulster manufactures.

Mr. M'Ilwrath says:—"Few circumstances could arise which would have such a favourable influence on the linen trade of Ireland as the reduction or abolition of the American duties on linen goods."

Mr. M'Call says:—"If the trade with the United States were left open, the exports from hence would be doubled in a couple of years."

The importance of these statements can hardly be over-rated. They do not concern Ulster merely, but every part of Ireland. If it were a mere provincial question, in the present temper of Irishmen, disposed to unite for their common good, as seldom (if ever) they have been so disposed, it would not be without its interest for all of us. It is not only that the moral of the fable of Menenius still holds good, that one member of the body cannot suffer without the other members suffering along with it, but the flax manufacture ought to be, and but for the system of taxation I arraign in this paper, would have been diffused through South, and East, and West the source of the same prosperity there which it has been in the more fortunate North. The climate and soil of Ireland, South as well as North, are peculiarly adapted for the growth of flax.*

* Thus, Sir Robt Kane, in his admirable work on *The Industrial Resources of Ireland*, says.—"The linen manufacture has been hitherto almost exclusively

An extension of the demand for linen would enable the south to share in the prosperity of the north which flax cultivation has produced. What stands in the way of this extension? The proximate

confined to the north of Ireland. This does not arise from any physical circumstances of soil or climate, or from the greater facilities of access to mechanical power, on the contrary, the soil of Ulster, if we except the valley of the Lagan and some scattered districts, is not by any means equal to the soils of the south and centre. The growth of this department of industry in Ulster is owing rather to moral causes. Its population was essentially of a class devoted to industrial pursuits, and eager after the independence and power which pecuniary success confers, and which was within their reach, whilst in the south the wretched remnants of feudal barbarism paralysed all tendency to improve. The lord was above industry, the slave was below it; and hence, although the circumstances of a fertile soil, easy access to markets, and abundance of motive power were in themselves favourable, the blessings which nature presented were left unutilized by the ignorance and inertness of the people.—(*Industrial Resources*, 2 ed. p. 338.)

To this testimony, recorded twenty-five years ago, as to the suitability of the south of Ireland for flax cultivation, I shall add the opinion obtained the other day of the able lecturer on agriculture at Glasnevin, Mr. James Watt Smyth, a northern who, in addition to high scientific attainments, has had practical experience as an agriculturist in every part of Ireland. He says that the climate of the south is still better adapted to flax cultivation than that of the north; that the soil is generally better than in the north, where much of the land is exhausted—"flaxed out," as it is termed—from too frequent croppings with the plant; and that only skill and patience in handling the crop are required to make it most remunerative to the southern farmer.

Mr. M'Call says, "Fair crops have been raised off light soils as well as off stiff clays. The sheltered vales and low-lying grounds of the plains, the sandy subsols of the mountain sides, or the peaty bottoms of old bogs, have been alternately used as flax fields; but no variety of land produces such ample crops of the finer qualities of flax as the rich loam when well drained." Mr. M'Call gives an instance reported in the Belfast papers relative to the crop of 1864. "A plantation acre of old lea that had not been broken up for forty years, was prepared for flax early in the spring, and sown with 112 quarts (three and a-half bushels) of Riga seed, and the produce exceeded a stone of fibre for each quart of seed sown. Off that plot of ground there was sold a gross weight of 120 stones, which, at the sale price of 9s. a stone, brought the grower the handsome amount of £54." He adds, "This could not be taken as any correct estimate of the profits of flax culture, seeing that it was at least 40 per cent. above the average. Still it proves the vast capabilities of Ireland's soil, and its remarkable adaptability to flax culture."—(*Ireland and her Staple Manufactures*, p. 261.)

This was on northern soil, but the "rich loams" which produce "such ample crops of the finer qualities of flax," are far more frequent in the other provinces than in Ulster. The drainage of these loam soils has, I am afraid, been neglected by both landlord and tenant, but we may fairly anticipate from the present time a change for the better. Then, with flax factories now rare out of Ulster thickly planted in the chief centres of population in the neighbourhood of these rich loams then well drained, and producing in seven-year rotation luxuriant flax crops, we should have a prosperity among the population of both town and country in Leinster, Munster, and Connaught surpassing, I believe, that so well described by Mr. M'Call as the result of flax cultivation in the northern province. "Wherever the tall chimney," he says, "rears its head, poverty in its extreme phases is seldom seen, farm produce finds a ready market, and prices are well supported. As a matter of course, the value of land rises under these circumstances. On the estates of the Marquises of Downshire, Hertford, and Londonderry, as well as those of Lord Lurgan and other proprietors whose lands lie in the manufacturing districts, the tenant-right of farms sells at from £10 to £20 an acre, and the purchaser binds himself to pay the owner in fee an annual rent which is generally as high as that paid in England."—(*Id.* p. 249.)

cause is undoubtedly the restrictive tariffs of foreign countries ; an "ostensive instance" of which is the United States tariff, the effects of which on our linen industry we have noticed. But the ultimate cause is the indirect taxation of this country. We cannot ask the Americans to forego the revenue which they derive from imports from this country, while we retain the revenue we derive from imports the produce of America. We levy a duty upon tobacco of from 3s. to 3s. 6d. per lb., while the average price for five years ending in 1868 was only 10³/₄d. per lb.—a duty of over 300 per cent. Now of the 49,000,000 lbs. of tobacco imported in 1868, 28,866,000 lbs. or 58 per cent of the whole, came from the United States. On grounds of international fair play we can hardly ask the United States to give up their 35 per cent. *ad valorem* duty on linen, if we are to retain our 300 per cent. *ad valorem* duty on their tobacco. On grounds of political economy we are also put out of court. Mr. Mill says, "Considerations of reciprocity, which are quite unessential when the matter in debate is a protecting duty, are of material importance when the repeal of non-protecting duties is discussed. A country cannot be expected to renounce the power of taxing foreigners, unless foreigners will in return practice towards itself the same forbearance."—(*Political Economy*, b. v. ch. 4, § 5.)

We thus come to the irresistible conclusion that our customs' duties are the obstacles to an extension of our linen manufacture. And this brings me to the second head of my inquiry.

2nd. *Are customs duties defensible ?*

(a) *Are they defensible on principles of free trade ?*

(b) *Are they conformable to the maxims of taxation ?*

To these questions I think the answer must be an unhesitating negative.

(a) *Are customs' duties consistent with free trade ?*

"In countries," says Mr. Mill, "in which the system of protection is declining, but not yet wholly given up, such as the United States, a doctrine has come into notice which is a sort of compromise between free trade and restriction, namely, that protection for protection's sake is improper, but that there is nothing objectionable in having as much protection as may incidentally result from a tariff framed solely for revenue." (*Ib.* b. v. ch. x. § 1.)

The English free-traders, even after they had victoriously carried the main positions of the protectionists, left them in possession of this outpost. Mr. M'Culloch, the apostle of the Political Economy of the last generation, regretted to the last that a duty had not been left of 6s. or 7s a quarter on wheat, "because," he says, "in scarce years a duty of this description would fall on the foreigner, without either affecting prices or narrowing importation." (*Edition of A. Smith's Works*, note on *Corn Laws*, p. 527.) While such were the narrow minded and erroneous views of Mr. M'Culloch, we need not be surprised to find a tariff existing in this country after the abandonment of protection, which fell, in many respects, far short of commercial liberty.

In 1845 no less than eleven hundred and sixty-three articles were subject to customs' duties; in 1849 there remained five hundred and

fifteen ; but Mr Gladstone, impressed with the idea that a tariff framed for revenue might still be far from a free-trade tariff, by his budget of 1853 set free from duty one hundred and twenty-three articles ; and by his magnificent budget of 1860, which embodied the reforms conceded in the French treaty, "struck away the shackles from the arms of industry, leaving only forty-eight articles subject to customs' duties." The duties on timber and pepper were abolished in 1866, and last year—and only last year, so tardy were we in reaping the full fruits of the free trade victory—Mr. Lowe abolished the last remnant of the duty on corn.

But still there is not full commercial liberty. In the financial year 1868-'9, to a revenue of £72,591,991 the customs contributed £22,424,000, and excise £20,462,000. It is said a customs' duty is not a protective duty ; but I say it often acts as and has most of the bad effects of a protective duty. It interferes, just as protection does, with commercial freedom.

Now if protection is, as I must take for granted you all admit it is, a national loss, however it might serve particular interests, protection for any and every purpose is wrong. In politics we can only look at consequences or results ; we have nothing to do with motives or intentions. In judging of private responsibility we have a right to examine into motives—but in politics, whether utilitarians or anti-utilitarians, we must admit that there is but one rule of morality—general expediency or the greatest good of the greatest number, and if a maxim of policy, a system of taxation, does not conform to this test, it is no answer to say that the motives of its framers or supporters are the best imaginable. If protection is wrong, a system of taxation which without proposing to do so, has the same results as protection, must also be wrong. It is with the result, not the intention, we have to do in politics. Now a fiscal tariff acts as a protective tariff in two cases, the first and more obvious, when a customs' duty is imposed on a commodity which comes into competition with a similar article of home produce ; the second and less obvious, when the imported article, though not of the same sort, has the same use as, and may be substituted for, the home commodity—as for instance, tea and coffee, which as stimulant beverages come into competition with beer. Now to tax tea and coffee at the custom house, and not to levy an excise duty on beer, would be to protect the beer manufacturer ; and the tariff which would do this, though intended merely as a fiscal tariff, would be a protective tariff. It would interfere with commercial freedom. The American tariff on linens, whether imposed for protection or for purely fiscal purposes, works protection and must be condemned accordingly. A linen manufacture, though of extremely limited proportions, and not worth protecting, is through this tariff in existence. I take it for granted that none of the articles in which customs' duties are now levied by us, except gold plate, come into competition with untaxed home manufactures, whether similar or substitutes. In the case of substitutes, there is no doubt that our excise and customs' duties are far from equalized. And in other respects we fall far short of the full benefits of commercial freedom.

The ideal of free trade, or, as I prefer to call it, commercial freedom, is that no obstacles should intervene between producer and consumer; that all artificial, all avoidable obstacles, should be removed, and as a consequence that the price of all commodities to the consumer should be as nearly as possible their cost of production to the cheapest producer—the cheapest producer being understood to mean the person who can supply the commodity at the lowest rate at the place where it is wanted, whether the article supplied is produced on the spot or brought from abroad. In the latter case, its cost of production is its cost of production abroad *plus* the cost of transport—the latter item being a cost which it is the tendency of all improvements in locomotion to lessen. Now there is a natural protection in distance, which it requires cost to overcome—the cost of transport, and there is a truth in protectionism which must be recognised, that home production is, *ceteris paribus*, the cheapest production, because it is production freed from the cost of transport. It is the tendency of progress and invention to overcome this cost, and our fiscal policy should move in the same direction.

But in recognising the truth that home production is, *ceteris paribus*, the cheapest, let us not fall into the error of protectionism, and mistake the means for the end. The end of protection to home production, which is production freed from the cost of transport, is cheap production. But foreign production, even when the cost of transport is added, may be cheaper than home production, and when it is, must be preferred. The protectionist admits this, and acts upon it on his national platform. It is only on the international platform, when prejudice against foreign nations blinds him, that he overlooks it. No one proposes that the linen of Belfast should be taxed to encourage the making of linen in Dublin. No one in Belfast would tax the poplins of Dublin to encourage the making of poplin in Belfast. And yet it would be an advantage to the consumer—I mean as a consumer solely—of linen in Dublin, that linen were made in Dublin, because then the linen would be cheaper, being freed from the cost of carriage from Belfast to Dublin. But because the cost of carriage does not balance the loss that would be caused by the production of linen in Dublin at a disadvantage compared with its production in Belfast—the disadvantage arising from certain local circumstances which need not now engage our attention—Dublin would think it absurd to demand protection against the linens of Belfast. Now what is absurd on the stage of a small territory, does not cease to be absurd when the small territory becomes a large territory; when instead of Belfast, we say the United Kingdom; instead of Dublin, the United States.

The cost of carriage always operates as a protection between nations; but it would be well if this means of protection could be extinguished, and it is the tendency of progress and invention, if not to extinguish, at least to diminish it. The best protection in the world would be the abolition of the means of transport—of ships and railways, docks and roads. But every nation is struggling to escape, and is escaping from this state of natural protection, and, absurdly

enough as it seems, interposes an artificial obstacle which acts in the same way as the natural protection, and so far counteracts the results of abolition of the latter in the course of progress. By good roads, by steam cars, by improved ships, we lessen the cost of carriage of linen and tobacco between Virginia and Dublin, by (say) £12 a ton. By customs' duties at one end on linen, at the other end on tobacco, we raise the price of linen and tobacco (say) £12 a ton. Where is the gain? what is the use of our improvements? With one foot we move forward—with the other we step backwards. For what is the Suez Canal made? It is to facilitate our intercourse with the East—in other words, to cheapen the products of the West to the East, and those of the East to the West. It tends to cheapen English cotton in India—so far destroying the natural protection which distance gave the native Indian manufacturer. The Indian can neutralize the advantage by taxing imported cotton for fiscal purposes. It tends to cheapen tea in this country, but by a reform of our customs' tariff we can obtain a result I know not how many times more beneficial than that in this respect achieved by the magnificent engineering exploit of M. de Lesseps. If our ports were open to the productions of all nations, as our cities are open to the productions of our own country, we should have, but not otherwise, a really free commerce. Thus the productive capabilities of every country would be turned to the best account; the producers in every country would produce in larger quantities the products for which their country is best adapted. The consumption of these products abroad would be increased. The great benefit of production, its benefit in use to the consumer, would be spread more widely. For we must never forget that production is but the means, consumption is the end. It is the consumer's interests we must mainly consider. What hinders consumption must be an irremediable loss. Productive power, checked in one quarter, can be transferred to another. Productive power that exists solely through protection, if deprived of its support, can be turned to more effective use. The capital set free by its withdrawal from a protected manufacture, which is a manufacture that requires a pull at the consumers' or taxpayers' pockets to ensure an adequate return, can be applied in the manufacture of commodities which can be produced at the usual profits, to be expended in payment for the commodities heretofore produced by the protected manufactures. Gentlemen, these are the mere commonplaces of free trade doctrine; but for that very reason they must be kept the more prominently before our eyes. If the duty on sugar or tobacco were removed, there would be a greater demand here for tobacco and sugar. The greater demand requires a larger supply. How is the supply to be paid for? By the export of our commodities, or of gold or silver which were paid for by our commodities. These commodities would require increased production, which means increased energy of commerce and manufactures, higher profits to the capitalist, higher wages to the laborer.

To come to my special case, if the American duties on linen were removed, the Americans would be thereby doubly benefited. They would consume more linen, without diminishing their consumption

of other things. This would be a benefit to American consumers. They would export more of the commodities for which their soil, climate, or other natural advantages give them special aptitude. This would be a benefit to American producers. The larger imports and exports would employ more ships in transporting them, and more shops to distribute them. The Americans would lose a small tax, which they could easily pay directly out of largely increased incomes.

How would it be with us, supposing in reciprocity we removed the duties on American products? We would export more linen. Our mills would be busy; our laborers better paid; our capitalists better rewarded; the cultivation of flax—the raw material of linen—would be stimulated, and through every vein of the body politic the reviving current of free trade would find its way. There might be an additional benefit in the permission to cultivate tobacco. The *Irish Times* has lately, in some able articles, advocated tobacco cultivation as a profitable branch of Irish agriculture. Our present fiscal arrangements, it seems, forbid the experiment. Under the policy supposed, we would be at liberty to test by actual experiment a project which seems to possess many of the conditions of success.

We thus see that in every way tariff duties interfere with and check the development of trade and manufactures, just in the same way as protection duties. But have these duties, so opposed to the principles of free trade, other recommendations?

(b.) *Do customs' and excise duties conform to the received maxims of taxation?*

I here consider customs, and excise duties together, for both must stand or fall together.

The qualities desirable in a system of taxation have been summed up in four maxims by Adam Smith, which have been accepted by every subsequent writer. Let me shortly examine the duties in question by the light of these maxims.

The first is, "The subjects of every state ought to contribute to the support of the government as nearly as possible in proportion to their respective abilities." Does every one contribute to customs' and excise duties according to his ability? To ask the question is to answer it. The man of £10,000 a year does not consume one hundred times the amount of tea, coffee, sugar, tobacco, beer, spirits, or even of wine, consumed by a clerk with £100 a year. Nay, the latter, if he have a large family, may consume more of these articles than a bachelor with £10,000 a year. Can anything be conceived more unequal?

There was a time when these taxes were defensible as taxes on luxuries. Thus Adam Smith terms coffee, chocolate, tea and sugar, luxuries, the duties upon which "fell principally upon people of middling or more than middling fortune," but the luxuries of the past generation became the necessaries of the present, and a tax upon necessaries has all the inequality of a poll-tax. It may be said tobacco, beer, spirits, and wine are luxuries, and can be dispensed with by any one who pleases. They are just as much luxuries as tea or coffee, or shoes and stockings, which some of our sanitary teachers assure us ought to be dispensed with in the interests of

good health and cleanliness. But we do not need to prove that they are necessaries. The question is, are the articles in general use? Now the fact is that most of these articles are in as general use among the poor as among the rich, and if wine is an exception, it is probably because of the high duty that up to 1860 was imposed upon it. We tax cheap things highly, and call them luxuries. But if they are articles in general use, the tax must be unequal. It may be said, many of these taxes are imposed upon articles that people are better without.

I do not believe, however, the tax gatherer ought to teach morality, and I am sure he has not done so. The high customs' duties on wine made us a nation addicted to ardent spirits. And if high taxes could make us virtuous, we ought to be the most sober nation in Europe. The people of Great Britain and Ireland are the most drunken. Is it because spirituous liquors have been made so dear? Perhaps not; but Mr. Lang, in his tour in Norway, tells us that though spirits are distilled in every farm-house in that country, drunkenness is entirely unknown. In France, where wine is as cheap as beer in this country, a drunken man is rarely seen.

My friend the teetotaler, with whose noble aims I entirely sympathize, need not quarrel with my argument. If the Permissive Bill becomes law, as is not at all improbable, we shall have to abandon the duties on spirituous liquors, for there will be nothing to levy them upon. Therefore he is specially called upon to prepare for the day which he is moving heaven and earth to bring upon us—the day of direct taxation. To levy upon the remaining articles the sum lost to the tax-gatherer by the success of the Permissive Bill, would be to make the present inequality still greater. Mr. Gladstone's remissions of customs' duties have generally affected articles more largely consumed by the rich than the poor; but even if this were not so, the concentration of indirect taxation on a few articles must produce great inequality, because these few articles, to produce a large revenue, must necessarily be in general consumption.

There is another inequality under the present system, to which the poor are subjected. As the duties are levied by the weight or measure, and not according to the value or quality of the article taxed, the tax which the poor pay is a much larger percentage upon the price than the tax paid by the rich. Champagne at 10s. a bottle pays the same duty as claret at 1s. In other words, the poor man's claret pay ten times as much taxes as the rich man's champagne. An inequality peculiarly affecting Ireland has been noticed in a paper read before this society by Mr. Mowatt, that "The Irish working classes use more tea and sugar than the same classes in England." This is quite true, as any one acquainted with the habits of the working classes knows; and the result is that the Irishman out of small wages pays more than the Englishman out of large wages.

Customs' and excise duties are then unequal, and even the reforms in them have made them more unequal.

2nd. "The tax which each individual is bound to pay, ought to be certain and not arbitrary." Now customs' and excise duties are by no

means certain beforehand either in time or in amount. How do the poor know when Mr. Lowe, to punish the Greek brigands, may increase the duty on tea. How does the poor mother know when she may be required to pay extra taxes in the shape of wine for her sick child? So far as to certainty beforehand: what of certainty afterwards? Who amongst us know, unless it be the grocers, how much we have paid the state in the price of our tea and sugar? When a tax is remitted, can we tell how much of the remission goes into the dealer's pocket? The sugar-duty has lately been reduced: is any lady in the room certain of the fact from an inspection of her grocer's bill? I question the policy of making men who adulterate their goods—there are a few such in Dublin, perhaps—the gatherers of indirect taxes for the state. There is not certainty then in customs' or excise duties.

3rd. The third maxim of taxation is, "Every tax ought to be levied at the time, or in the manner, in which it is most likely to be convenient for the contributor to pay it." Are customs' and excise duties taken from the consumer at the most convenient time and in the most convenient manner? As regards such of them as are taxes on luxuries, they may be convenient, as the purchaser of them can choose his own time, or forego their use altogether. But taxes on articles of necessity or of general comfort and use, such as are most of the articles on which we levy customs' and excise duties, are taken at the most inconvenient time. The least convenient time for one payment is when a person has to make another. We are called on to contribute to the state at the time when our grocers' bills have to be paid. Those who grumbled at having to pay additional income tax last Christmas, when the household bills were flying thick about their heads, will feel the force of this argument. Customs' and excise duties are inconvenient.

4th. The fourth maxim of taxation is, "Every tax ought to be so contrived as both to take out and to keep out of the pockets of the people as little as possible, over what it brings into the public treasury."

Adam Smith, who thought customs' and excise duties "as agreeable as any other" tax to the first three maxims—for the reason that most of them were levied on what then were luxuries—considered that "they offended in every respect against the fourth."

He notices as objectionable features,

1st. "The great number of custom-house and excise officers, whose salaries and perquisites are a real tax upon the people, which brings nothing into the treasury of the state." This evil is as great now as in Adam Smith's day. A great body of coast-guard and revenue officers are employed to collect duties all round the coast, though the amount actually collected is *nil*, or almost *nil*, save at a few principal ports. The frauds of government officers, too, have been stated by a Royal Commission to be unlimited—no amount of salary being sufficient to check this corruption, the bribe of one day being worth more than a year's salary—(*Commission appointed to inquire into the Customs' Frauds in Silk Goods.*)

2nd. Adam Smith notices "the obstruction or discouragement

such taxes necessarily occasion to certain branches of industry." We have seen in the prior part of this paper how they interfere with and prevent the extension of free commerce.

Some of them banish manufactures altogether. The soap manufacture in this city is of considerable importance, but neither here nor anywhere else in Great Britain and Ireland can transparent soap be manufactured. It cannot be made without alcohol, and alcohol is so heavily taxed that its use in manufactures is impossible. Again, the malt duties exclude a good deal of inferior barley from being available to serve either purpose, brewing or food for cattle, as may happen to suit the farmers best. They thus act as a fine on inferior barleys, sufficient to discourage the sowing of them. While an excise duty on glass existed, it impeded the manufacture of glass so much, that no good scientific lenses were made in this country. On its being taken off, the Astronomer Royal stated at a meeting of the British Association, that he expected considerable progress in astronomy from the possibility of making higher qualities of scientific glass. Chemists, too, were unable to procure vessels suited for their purpose, and thus chemical researches were obstructed. Herbert Spencer notices that the duty on paper acted as a heavy tax upon figured silk, through the medium of the Jacquard-cards employed.—(*Essays*, p. 320.) These duties interfere with manufactures in the most unexpedient directions.

We have seen how the customs' duties have prevented our foreign trade from taking its natural direction. They also prevent a great deal of domestic trade. In order not to have too great a staff of officers to collect the customs, some places quite adapted for foreign trade are prevented from having it by positive prohibition. The permission to open new ports for foreign trade has repeatedly been refused.

3rd. Adam Smith notices all the loss and ruin caused by smuggling. He might also have noticed another evil—the great success of smuggling. It is stated in the Report of a Parliamentary Committee that there were fifteen cases of escape of vessels smuggling tobacco for one capture.

4th. Adam Smith finally notices the subjecting of "the dealers in the taxed commodities, to what he calls the frequent visits and odious examinations of the tax-gatherers." These interferences, when they take place, as we have seen they do, in processes of manufacture, are most pernicious.

Finally, we may notice a violation of the fourth maxim, the fact that these duties are advanced by the dealer, who reimburses himself by an advanced price of the taxed article, so that the consumer pays a profit as well as the tax. This necessitates also larger capitals—thus limiting competition and giving a monopoly to a few dealers. The rise of price, moreover, checks the demand for the commodity, and thus prevents improvements which require a certain demand to make it profitable to produce them.

But, it is said, these duties have one great redeeming merit—they are taken out of the tax-payer's pocket without his knowing it. Now, in the first place, this is not so; in the second place, if it were

so, it would be no merit. "The real incidence," says Mr. Mill, "of indirect taxation is every day more generally understood and more familiarly recognized." Besides, it is well for each tax-payer to know what he is paying; he will be better able to appreciate the value of war and other national luxuries. But the question is not whether a man would rather pay £5 in taxes without knowing it, or the same sum with the most bitter knowledge of the fact: it is whether he would rather pay £5 in the latter way than £15 in the former. When the question is put in this form, we need have no doubt of the answer we will get. We see then that on every ground customs' and excise duties are objectionable as taxes.

I have now shown that customs' duties are indefensible on free trade principles, and on the maxims of taxation; and I proceed to my third inquiry.

3rd. *What is to be done in order to get rid of duties so objectionable? How in particular are we to restore the prosperity of the linen trade?*

It follows from the foregoing, that customs' duties must be replaced by direct taxation; and we must consider how best we can convince statesmen of this truth, and get them to act upon it. Let us first see what precedents are in our favour. And, looking at the matter in this way, we are struck with the fact that nearly all our local taxation is direct. The analogue in local taxation of customs' duties is octroi duties. These are duties levied on commodities entering towns from the country for purposes of local taxation. They have been abandoned by every civilized country. The substituted local taxation is direct.

The free trade of the world must conform to the ideal furnished by the free trade of a nation. If octroi duties are to be condemned, so must customs' duties. If duties of passage within a nation have ceased to be levied, so must customs' duties — the duties of passage between nations — cease to be levied. What is good for the divisions of a country cannot be bad for the divisions of the world. Customs' duties must in logic stand or fall with octroi duties, and duties of passage. Mr. Hastings, at the meeting of the Social Science Congress in York, described the operation of the octroi duties in Belgium from personal observation. He said, "All the municipalities there had the power of raising taxes on articles that came into the towns, precisely as in this country articles coming into our ports are taxed. He had seen the effects of this system in diminishing trade, and rendering people unwilling even to go outside the walls, for if they did they were searched on their return, and if they had bought anything elsewhere, were stopped at the toll-gate to pay the tax upon it. The system operated most prejudicially both on individuals and on the trade of the towns. But now the Belgian government had abandoned this system. In the teeth of great opposition — all sorts of objections as to the alleged impossibility of raising the necessary revenue for municipal purposes otherwise — the most eminent political economists and financiers in Belgium came to the conclusion that it was absolutely necessary to abolish the octroi system; by one comprehensive measure it was swept away; and anyone who had been in the country formerly and

visited it now would see the happy effect of the abolition."—(*Transactions* for 1864, p. 688.)

But we have precedents more in point. The abolition of customs' duties on immense numbers of articles by Sir Robert Peel and Mr. Gladstone was followed by increased trade and general prosperity. "If I select," said Mr. Gladstone, "several years in which Parliament has, with firm and unsparing hand, addressed itself to the business of liberating commerce, these operations have been immediately followed by striking augmentations in the trade and commerce of the country." The tax substituted by Sir R. Peel and Mr. Gladstone was an income tax. The French Treaty, productive of such benefits to both France and this country, had for its object the extension of free trade by the reduction of duties imposed, at least in this country, not for protection but for revenue. The French substituted for their system of exclusion and prohibition a 30 per cent. *ad valorem* duty from October, 1861, and a 25 per cent. *ad valorem* duty from October, 1864; while in the budget of Mr. Gladstone, which gave effect to the treaty, 371 articles were set free from duty. A relief from indirect taxation was given to the extent of four millions. M. Michel Chevalier, the co-worker with Mr. Cobden in carrying the treaty, says in a letter to Mr. Bonamy Price: "the name of free trade is not named in the French treaty, nor in the reports and documents relative to the affair, but the part which Richard Cobden and I took in it was a proof for all the world, and most of all for the protectionists, that free trade was the object that was pursued." (*Principles of Currency*, p. 240.) Now how was the deficit produced by the remissions of customs' duties in the French treaty met? By an additional penny in the income-tax. What were the results of the French treaty? The whole question was lately discussed in the House of Commons, on the motion of Mr. Birley for a select committee to enquire into the operation of the French treaty. Every one admitted that it had largely increased the trade with France. On the linen trade its effects have been most beneficial. In 1860 the exports of linen yarns to France were 572,585 lbs.; in 1869 they were 3,474,452 lbs.—an increase of 600 per cent. In 1860 the exports of linen piece goods were 1,119,379 yards; in 1869 they were 10,094,853—an increase of 900 per cent. Mr. Birley did not attempt to deny the great benefits of the treaty; his complaint—and no one denied it was well-founded—was that further reductions were required, inasmuch as we had not received all the advantages we expected.

But I appeal to wider precedents than Gladstone budgets or French treaties. I appeal to the history of civilization. There is a natural tendency in the progress of nations to substitute indirect for direct taxation. In the early stages of society all the taxes, unless we are to call by this name the feudal services of vassals to their superiors, were levied on commodities. In feudal France the gabelles, aides, traites, fell upon commodities at every stage. The Constituent Assembly largely substituted direct contributions by land and houses. In Spain the *alcavala*, a tax upon every transfer of moveables, has been replaced, and not so long since, nor until it had ruined the

manufactures, and been the cause, as Adam Smith says, of the declension of the agriculture of Spain.

The heavy taxes upon the necessaries of life ruined, Adam Smith tells us, the principal manufactures of Holland. The same author says that under the absurd management of the revenue laws of Milan and Parma, "nothing but the great fertility of the soil and happiness of the climate could preserve such countries from soon relapsing into the lowest state of poverty and barbarism" (p. 408). In the state taxation of the United States, we find that barbarous South Carolina derived most of its revenues from the taxation of moveable property, a term including slaves. In Massachusetts, on the contrary, seven-eighths of the revenue are derived from fixed property. "A tax on auction sales, yielding but a small amount, is the only portion of it not derived from direct and honest application to the parties by whom it is paid."—(*Carey's Manual of Social Science, by M'Kean, Philadelphia, 1866.*)

And to come to our own country, the whole tendency of the enlightened fiscal legislation of recent times has been the emancipation of commodities from taxation to the state. About forty articles are now subject to taxation. What a change from the time when, as Sidney Smith wrote, "taxes were piled on taxes, till they reached every article which enters into the mouth, or covers the back, or is placed under foot; taxes on everything which it is pleasant to see, hear, feel, smell or taste; taxes upon warmth, light, and locomotion; taxes on everything on earth and in the waters under the earth; on everything that comes from abroad or is grown at home; taxes on the raw material; taxes on every fresh value that is added to it by the industry of man; taxes on the sauce which pampers man's appetite, and the drug which restores him to health, on the ermine which decorates the judge and the rope which hangs the criminal; on the poor man's sauce and the rich man's spice; on the brass nails of the coffin and the ribbons of the bride; at bed or board, couchant or levant, we must pay. The schoolboy whips his taxed top; the beardless youth manages his taxed horse, with a taxed bridle, on a taxed road; and the dying Englishman, pouring his medicine which has paid seven per cent. into a spoon that has paid fifteen per cent. flings himself back upon the chintz bed which has paid twenty-two per cent., makes his will on an eight pound stamp, and expires in the arms of an apothecary who has paid a license of a hundred pounds for the privilege of putting him to death."

The history of civilization is largely the history of the substitution of direct and fixed for indirect and uncertain payments to the state.

The arguments which I have used in this paper point to a wide reform—the abolition of customs' and excise duties, and the substitution of an income tax. But though this is the *logical* result of the principles I have enunciated, and though I am persuaded that it will be in no remote time the *actual* result, not in this country only, but in every civilized community, I do not think the time has yet arrived for agitating so far-reaching a reform. That a thing is practically impossible even, would not disprove the principle. But

I have shown that all the financial reforms of recent years have been steps in this direction ; I have shown historically that the tendency of fiscal reform is altogether in this direction ; and I am not shrinking from the logical consequences of the principles I have laid down, when, in the desire to be practical, I content myself at present with the demand that the tobacco duties and perhaps the sugar duties as well, may be abolished, in lieu or as an inducement to the removal of the United States' duties on linen, and perhaps on cotton or woollen manufactures as well.

And I think with such a demand we could appeal with confidence to the government and people of the United States. The proceedings of this Society are, I know, read and welcomed in that country ; and though I cannot hope that in my name the subject or arguments of this paper could command any attention, yet if fortunately they should receive the approval of this Society, I am confident they would appeal with peculiar force to the United States' government and people. That government, in its hour of fiercest trial, received all but unanimous sympathy from the people of Ireland. Of the people of the United States fifteen millions at least are of Irish descent. From the flax fields of Ulster proceeded the most valiant soldiers of the revolution—the body guard of Washington. From the loins of settlers from the linen-loving North sprang five Presidents of the Union—the two Adams, Jackson, Polk, and Buchanan. The fifteen millions of Irish descent have, every man of them, the traditional love of flaxen goods. They remember kindly the old land which gave them or their fathers birth. Our words will receive respectful attention there. It is no pauper's cry we address to them—no appeal to their benevolence. We appeal to their reason, and we ask for no benefit for ourselves which is not equally a benefit to them. To adopt the words of Mr. Gladstone in speaking of the French treaty—it is not a bargain we ask, for we are offering nothing to the United States which is not a gift to ourselves, and we are asking nothing from the United States except measures by which the United States may confer benefits on themselves.

One word, and I have done, as to the tax we are to substitute for our taxes on American products. I have suggested an income tax. The present income tax is in many respects, objectionable, but, bad as it is, it is infinitely better than our best indirect tax ; and if my full programme—the abolition of customs' and excise duties—were likely to be carried out, I should feel it my duty to sketch the income tax which should then be required—an income tax to be levied on every person according to his means. Dr. W. Neilson Hancock, has in papers read before this Society, sketched an income tax with the main features of which I can only now express my general concurrence. I shall not now discuss its practicability, and for this reason : If the tobacco duties only are to be removed, only six and a half millions will have to be provided for ; if the sugar duties also go, two and a half millions more. Temporarily an income tax of a small amount would be required to meet the deficit. An additional penny sufficed, when in 1860, Mr. Gladstone remitted four millions of indirect taxation. Therefore a small addition to the present income:

tax, at the very most 6d. in the £1, in lieu of tobacco and sugar duties, would be required, and that only temporarily. The increased vitality of the large indirect taxation still remaining would soon fill up the deficit. Mr. Gladstone, in his budget speech of 1861, likened the recuperative power of indirect taxation to "Virgil's tree, from which when one branch was plucked another took its place." This recuperative power is the result of added prosperity which the substitution of direct for indirect taxation infallibly brings about, and it is the experimental evidence of the scientific truths I have advanced in this paper.

V.—*Report on the extension of Admiralty Jurisdiction in Ireland to cases of Freight and Demurrage; prepared for the Council by Henry Dix Hutton, Esq., LL.B.*

[Read Tuesday, 14th June, 1870.]

HAVING examined into the question referred for consideration by the Council of the Statistical and Social Inquiry Society of Ireland, namely, the justice and expediency of extending the jurisdiction of the Court of Admiralty in Ireland to disputes relating to Freight and Demurrage, I beg to report as follows:—

While the Court of Admiralty in Ireland has jurisdiction to proceed against the masters of ships at the suit of the merchants employing their vessels, it has no correlative power of entertaining complaints by captains in respect of freight or demurrage. This state of things causes delay, which involves hardship, and not unfrequently a practical denial of justice, since the Court of Admiralty sits all the year round, while the Superior Courts of Common Law only sit at intervals for the trial of such causes. The long vacation extends practically over four months, and during that period no cause can be brought to trial. Even in the other eight months the remedy is very slow, and may be so dilatory as to be practically useless. Such cases can only be tried at the sittings of each term, or at assizes (in March and July). The Consolidated Nisi Prius Court, which sits during term, has no jurisdiction in such cases; nor can the Courts of Quarter Sessions in Ireland deal with them beyond their ordinary jurisdiction of £40.

A similar injustice formerly existed in England, but has been to a great extent remedied by recent legislation, which applies to that country only, but equally admits of application to Ireland.

The attention of the Commissioners appointed to inquire into the High Court of Admiralty in Ireland, who sat in 1864, was called to this particular question by some of the foreign consuls residing in Dublin—among others by the representatives of Italy and Greece, who made strong observations upon the injustice and impolicy of the then state of the law, which remains in full force as regards Ireland.

Influenced, no doubt, by these representations, the above Commissioners reported as follows as regards extending the jurisdiction