

THE MCKINLEY BILL IN EUROPE.

BY GUSTAVE DE MOLINARI, EDITOR OF THE "JOURNAL DES
ECONOMISTES," PARIS.

AS MIGHT have been expected, the two McKinley bills—that increasing the custom-house dues and that imposing even higher rates on various manufactured articles—have, especially the former, caused a lively commotion in the industrial and trading world of Europe. In France several chambers of commerce, that of Lyons in particular, have called the attention of the government to the Draconian provisions of the new tariff, "which," says this chamber, "is in a way equivalent to a prohibition of silk stuffs."

In a sitting of the Chamber of Deputies, which took place on the 21st of July last, the representative of a manufacturing district, M. Charles Dupuy, questioned the Minister of Foreign Affairs, asking him whether the government had entered into negotiations, either in concert with the European cabinets or separately, with the object that the McKinley Tariff Bill should be corrected by the admission of the guarantees afforded by international law. M. Charles Dupuy's strictures were chiefly levelled at the provisions of the bill which, in lieu of commissions wherein the exporters were represented, substituted a jury of custom-house experts or functionaries, and by which fraud was presumed whenever the difference between the value declared and that estimated by the jury should happen to exceed 40 per cent., thus entailing a penalty that might reach \$5,000 and two years' imprisonment. As stated by M. Dupuy, those provisions were wholly new. None of a like nature were to be found in the custom-house regulations of the most advanced of protectionist nations. In France, even the law of August 21, 1791, which is still in force,

expressly says that "the examination cannot be made except in the presence of the owners of the goods or of their mandatories."

The Minister of Foreign Affairs, in his reply, hastened to assure M. Dupuy that the affair had awakened his entire solicitude, and that he had even applied to the cabinets of London, Berlin, and Rome to see whether steps should not be taken in common and representations made to the American government respecting the unusual provisions of the bill; but that he had everywhere found "an extreme coolness on their part to engage themselves in any degree whatever"; it had been pointed out to him, and he was of a like opinion, that any steps of the kind would be likely to produce in the American Congress an effect opposed to that which was desired; that, as regards the Tariff Bill, Americans were the judges of the political course which best suited them; that that course at present tended towards protection; and that the ideal of certain American statesmen would be to organize a custom-house union with the object of instituting a sort of continental blockade against the products of European markets; that the question of retaliatory measures had been raised, whereby a grand *Zollverein* directed against America should be established in Europe, but that the project did not seem to him so soon feasible. While sharing on the latter point the opinion of the Minister, M. Dupuy concluded the debate by a threat of reprisals. "Now," said he, "our custom-house commission knows what remains for it to do."

This short parliamentary incident gives a fairly correct idea of the impression which the ill-timed McKinley Tariff Bill has made in Europe. The impression is a general one, but it is characteristic and curious to note that the impression is most acute in the camp of the Protectionists, despite the fact that these gentlemen have always had uppermost in their hearts a desire to introduce into Europe the commercial policy and custom-house schemes of Mr. McKinley. What else are we to expect? They do not pride themselves on being logical. If we lent an ear to them, all the states of Europe would enter a league to make sweeping reprisals, and interdict as far as possible the markets of Europe to all American products.

But who will listen to them? And is the McKinley Bill likely to exert any sort of influence on the custom-house legislation of Europe? That it exerts a moral influence over our minds, and

contributes to cool the natural feelings of sympathy we entertain towards our old American friends, there can be no doubt, for sympathy is born of a community of interests, and a protectionist policy tends to separate and isolate interests, instead of uniting them ; but will it exert a material influence ? In view of the fast-approaching time (1892) when the treaties of commerce concluded and renewed since 1860 between France and most other countries are to lapse, are the clauses of the new American bill likely to determine a general increase in custom-house rates ? Or, at least, is it likely, as foreshadowed by M. Dupuy, to provoke a rise in the rates levied on products of American origin ?

To answer such a question it is, above all, necessary to examine the present state of opinion in Europe on the question of protection or commercial liberty.

We shall teach the Americans nothing new when we say that that opinion has perceptibly varied within the last fifteen years. Under the influence of the propaganda wrought by Cobden's Anti Corn-Law League, and the great reforms accomplished in England by such men as Robert Peel, Gladstone, and their emulators, a current of free-trade ideas had set in on the Continent. In 1860 France was prevailed upon to relinquish her old-time protectionist *régime*, and to conclude a series of commercial treaties on a relatively liberal basis. But, it must be admitted, this current of free-trade ideas had only influenced the upper classes of society ; the whole mass of traders and workingmen remained Protectionists. Such a reform, especially in France, could never have been accomplished under a constitutional and parliamentary form of government : it was necessary that Napoleon III, converted by Cobden and Michel Chevalier, should bring to bear his dictatorial power to impose it. Yet the results of the new commercial policy proved so favorable that, during the first years at least, its adversaries were reduced to silence. They had predicted that French industry and agriculture would be ruined : these branches, on the contrary, made extraordinary progress ; the foreign trade of France rose from \$781,400,000 in 1859 to \$1,245,600,000 in 1869 ; and in other countries—Germany, Italy, and Belgium—the policy of commercial treaties exerted an influence no less favorable.

Unfortunately, this honeymoon of continental free trade was brutally interrupted in 1870 by the deep commotion which the

Franco-Prussian war occasioned in trade and commerce, and the extra burden of military and fiscal charges which it imposed on the population. Even in Germany, where people flattered themselves with the notion that victory and the war indemnity of a thousand millions of dollars would impart a decisive impetus to public prosperity, the deception was complete. To the years of excitement and great expectations that followed the war, a period of acute trouble and depression succeeded. Thereupon the protectionist ideas which had remained dormant in the minds of the multitude reasserted themselves more strongly and more noisily than ever, and they were hailed as helpful auxiliaries by governments the continued increase of whose military expenses compelled an unceasing augmentation of their receipts. Bismarck was the first, in 1879, to give the signal for the reaction, which soon spread from Germany to Italy, France, and the rest of the Continent, with the exception of Belgium and Holland, in which countries commerce and exports kept the interests of free trade uppermost. But the commercial treaties opposed a barrier to a change of the tariffs in a protectionist sense: it was necessary to wait until those treaties, concluded for a period of ten years, should reach maturity, in order to increase the rates; and, on the other hand, a large number of exporting traders, even among the Protectionists, were loath to renounce the system of commercial treaties, on account of the security it gave to their exports.

This obstacle in part postponed the triumph of the reactionary party, but without diminishing its force. What, then, was to be done? There were a certain number of articles, and among others most of the agricultural products, which were independent of the commercial treaties, and on which, therefore, the dues could be raised at any time. It was on this weak side that the Protectionists attacked the liberal *régime*, and they found a hearty support among the agriculturists and especially the landlords, whose incomes, after progressively increasing for half a century, had experienced a period of arrest and even of decrease, and who particularly attributed this state of things to American competition.

These fluctuations in the ground rent and, along with it, the value of the soil in central and western Europe, constitute an economical phenomenon of considerable importance. We will therefore briefly examine the question. Thanks to the natural

increase of the population, the development of trade, and the multiplication of railways, the mean value of a *hectare** of soil, which was estimated in France, for instance, at \$140 in 1815, reached in 1879, according to the computations of the Administration of Domains, \$366, and the landed proprietors entertained the hope that this progressive rise would continue. It came to a dead stop, however; and its upward flight was arrested by the influence of that same progress which brought about its rise, viz., the progress made in establishing ready means of communication. Those means, from the outset, not only brought into closer relations the markets of consumption with the fields of production inside the country, but spread those relations beyond its boundaries. Within half a century steam navigation has diminished by more than two-thirds the ocean highway, and your enormous net-work of railways has further contributed to break through the monopoly of providing food for your people, which was formerly well-nigh exclusively reserved to the landed proprietors of our agricultural domain. Hence the arrest and even the decrease in the income derived from the soil; hence also, on the part of the landed proprietors, a furious reaction against the policy of free trade, which was looked upon by them as responsible for the diminution of their revenues.

Yet free trade was not alone guilty; it was merely an accessory to steam navigation and the railways. But, unable as they were to suppress the chief authors of the crime of reducing their incomes and the value of the soil, they laid the blame on the accomplice, and the "agricultural party" called for an increase in the tariff rates sufficient to compensate for the progress which, they alleged, exposed European agriculture to a complete submersion by reason of the constantly increasing inundation of American meats and cereals. These mournful complaints have been complacently heard by governments only too eager to seize an opportunity for increasing their own revenues; the rates on alimentary produce were accordingly raised, and carried from 25 to 30 per cent. in France, Germany, and Italy. And when the custom-house rates were found insufficient to stay the threatening flood of incoming transatlantic food, recourse was had to hygienic excuses. Thus, because a wretched

* The *hectare* is a little over two English acres.

pig happened to die of trichinosis in the little French commune of Crépy-en-Valois, the authorities at once rendered the whole race of American pigs responsible for its sad fate, and American pork was prohibited without further ado, in spite of the protests raised by traders in our seaport towns, and the complaints of the consumers.

Protection was thus easily set up again over articles which were outside the pale of commercial treaties. At the same time a way, certainly very ingenious, was discovered to get round the treaty difficulty and even to bring about an increase in the tariffs; I allude to the *droits de combat*, or "fighting rates." Prince Bismarck, we believe, if not the actual inventor, was the propagator of this novel scheme, and the example he set before Germany was promptly imitated by Italy in prevision of the renewal of the Franco-Italian treaty of commerce. As the process is, no doubt, unknown to the American reader, we shall briefly set forth its main features.

There are two treaty tariffs—the *general tariff*, which is applied to the products of nations with whom no treaty has been concluded; and the *conventional tariff*, which stipulates reductions more or less high on the general tariff rates, and which is applied, by virtue of the clause known as that of the most favored nation, to all countries with whom treaties have been made. Now, when it is desired to renew a treaty of commerce in a protectionist spirit,—viz., by according the weakest possible reductions on the rates of the general tariff for imported articles, and by seeking to obtain in exchange the highest possible reductions on the rates payable for exported objects,—what is the course adopted? Why, the general tariff rates are simply raised. They are carried, for instance, from 25 to 50 per cent., and you say to your adversary: "I consent to renew the treaty, and I generously grant you a reduction of 20 per cent. on my general tariff, subject to a like concession on your part." If your adversary has had recourse to the same process,—that is, if he also has established "fighting rates,"—the two strategic manoeuvres neutralize each other, and the result is a renewal of the treaty, with a mere increase of 5 per cent. in the rates on either side; but if he neglects such a precaution, he risks a negotiation which takes for its basis the general tariffs of both nations and is obliged to concede an effective reduction of 20 per cent., while his

rival, who has previously raised his general tariff by 25 per cent., and who seemingly grants a like reduction, in reality raises his conventional tariff by 5 per cent. This is what took place when the Franco-Italian treaty was about to be renewed, and it brought about a rupture in the negotiations. The Italians, who are very sharp, had set up "fighting rates" which went so far as to increase ten times the former rates, and they wanted to negotiate on this new basis; while the French, who had neglected to take the same precaution, wished to negotiate on the old line. It was impossible to come to an understanding; the treaty was not renewed, and a "war of tariffs" ensued, which, if it has not interrupted, has strongly impaired, the commercial relations of the two countries.

These, then, are the results of the protectionist reaction: on the one hand, the rates on food products not included in the treaties have been raised by the principal Continental powers in Germany, France, and Italy; on the other hand, "fighting rates" have been established, which have raised the level of general tariffs in view of the expected renewal of the treaties; finally, a "war of tariffs" has followed the non-renewal of the treaties.

It would seem, therefore, that the protectionist cause has to-day gained a complete victory in Europe, and that to a relatively liberal period of commercial policy, opened in 1860, must succeed a new period of protection, and even prohibition, during which the protectionist majorities will impose on existing governments the obligation of favoring national agriculture and industry in view of supplying our home markets, and consequently of excluding as far as possible the agricultural produce of America, together with the industrial products of England. These forecasts, however, which appeared pretty safe even two or three years ago, now begin to seem less certain of fulfilment. Dark spots at present dot the sky of protection and threaten to cloud it over;—in Germany the increasing misery of the population, brought about by the advance in price of provisions and the diminution of external trade; and in Italy the results of the disastrous war of tariffs engaged in with France. To lend additional weight to the argument and further darken the picture, we have before our eyes the extraordinary development of England's trade, and the increase in the well-being of her people under the banner of free trade.

These are not purely theoretical speculations, but hard facts daily attested by more and more decisive proofs. German exports are decreasing : from 3,269,000 marks in 1883 they have fallen to 3,205,000 in 1888 and 3,166,000 in 1889 ; the rates on cereals have well-nigh destroyed the trade of Königsberg, Dantzic, and Stettin. In the face of the calamitous results arising from Prince Bismarck's protectionist policy, the principal chambers of commerce earnestly entreat the government to return to a more liberal *régime*. "The doctrine that the foreigner has to support the rates," says the Königsberg chamber, "is now altogether an exploded theory. An experience of ten years proves the contrary." The chamber of Frankfort says : "We have reached the culminating point of a period which has created numerous exaggerations. May the governments and the peoples soon recognize that it is time to turn from the road of reciprocal isolation." "By persisting in our autonomous custom-house policy," says the chamber of Mayence, "we are provoking reprisals and closing the outlets of our industry. Existing treaties of commerce should be retained and extended, and a careful watch kept that the custom-house war in Europe does not assume fresh proportions."

Exports in Italy have fallen from a mean annual total of 1,053 millions of *lire* from 1883 to 1886 to 950 millions in 1889, and the continuous outpour of migration, which rose from 167,829 individuals in 1886 to 290,750 in 1888, attests the continual increase of misery among the people. M. Vilfredo Pareto, the author of a remarkable work on the economic crisis in Italy, published in the *Journal des Economistes* (May, 1889, and June, 1890), says : "There are localities in Venetia and the Neapolitan provinces where the exodus is complete. Entire villages have lost their population. The answer of the prefects, when questioned by the government, is unanimous : it is misery that compels these unfortunates to leave their country." Doubtless the system of protection cannot be held alone responsible for such a situation; the increase in the burden of military expenses and the general increase of public taxation have contributed their share; but the aggravation of hardships borne by the people incident to protective rates, and latterly to the war of tariffs with France, is shown by incontrovertible facts. Cast your eyes then on the brilliant picture offered by the prosperity of free-trading England, as sketched by

Mr. Medley at the last Cobden Club meeting, and you cannot fail to admit that the reporter in no wise exaggerates when he states that it is the real triumph of free trade.*

These opposite results of two policies, which official statistics fully set forth, and which gradually come to the knowledge of the people, begin to act on public opinion, and although in France, for instance, the Protectionists have in the Chambers a crushing majority, we much doubt whether they care to make such an ill use of their preponderance as they appeared ready to make a short time ago. For a like reason we do not think, in respect of the McKinley Tariff Bill, however damaging it may be to French industry, and however lively may have been the protests it gave rise to in the chambers of commerce and the parliament, that it will determine the adoption of a policy of reprisals towards the United States.

We consulted on the subject a member of the upper trading circles of Paris, who cares little for theory, but who is thoroughly well informed on questions relating to industrial pursuits, and especially in regard to the commercial relations between Europe and America, and this is what he said :

“Somespeak of making reprisals in order to oblige Americans to give up their system of protection now carried to excess, and of which the McKinley Tariff Bill is the crowning feature; but to what purpose ? It is a piece of work for which that system will itself furnish the cure. If protection ends by closing the American market to European products, will it not by the same stroke as effectually close the European market to American products ? For it is quite clear that people only sell inasmuch as they are able to buy, and that products must be exchanged for products.

* We will here reproduce, in support of what we have said, a few of the more significant figures in Mr. Medley's report. From 1888 to 1889 England's foreign trade rose from £635,520,979 to £743,230,274; the railway traffic increased from £64,111,000 to £67,588,000; the operations of the London clearing-house, from £8,942,172,000 to £7,618,766,000; the bank deposits, from £589,000,000 to £610,030,000; and the savings banks, from £104,574,456 to £107,882,373. Agriculture has largely benefited by this general improvement: the number of acres brought under cultivation has increased by 106,809; the number of horses by 8,684; of oxen by 4,165; of sheep by 546,058; of pigs by 90,222. On the other hand, emigration fell by 185,500 individuals in the first six months of 1889, and by 158,964 in the corresponding period for 1890; the number of the poor succored in England and Wales, which was 825,509 on January 1, 1888, and 810,132 on January 1, 1889, was reduced to 793,465 on January 1, 1890. Finally, the number of criminals, which in 1868-1869 was set down at 53,441, fell in 1887-1888 to 43,336, although in that period the population increased from twenty-two millions to twenty-nine millions of persons.

The Americans, you say, will cause us great damage by rendering their markets inaccessible to our products : let them do so; they will entail much greater damage on themselves. In order to convince yourself of this you have only to compare the importance of the United States market for Europe and that of the European market for the United States. In 1887-1888, on a total export trade of \$683,862,000, the United States furnished \$519,298,000 of products, or seven-tenths of their exports, to the seven European nations with which they do the most business, viz., England, Germany, France, Belgium, Holland, Spain, and Italy. During the same year those seven countries supplied the United States, on a total export trade of \$2,723,000,000, with only \$264,300,000 of products, or less than one-tenth. Compare those figures. What else do they mean than this?—that, while the closing of the United States market would only make us lose *one*, the closing of the European market would entail on the Americans a loss of *seven*.

“ I know that some of our industries would be rather badly hurt, but not so much, after all, as some fancy. Thus, our woollen industry, the total production of which is estimated at \$160,000,000 and the exports at \$80,000,000, only supplies \$8,000,000 worth to the United States, or one-twentieth of the production. Our silk industry, the production of which is set down at about the same figure, exported \$3,000,000 worth more, but the rigors of the tariff have for several years past gradually lowered the exports to the United States under this head, without any very perceptible damage arising therefrom. The reason for this is that, side by side with an outlet which protectionism closes, there are others that free trade opens and extends. See, for instance, what took place in regard to our wines. Formerly the United States constituted one of our best markets. Forty years ago, in 1852, we sent them no fewer than 230,000 *hectolitres*.* In 1888, under the influence of increased rates, our exports under that head fell to 59,000 *hectolitres*, although the number of likely amateurs has doubled within that space of time in the American Union. But here is the compensation. Whilst the United States increased their tariff, England lowered hers : from five shillings and sixpence per gallon she reduced her rate to one shilling. The result was that our wine exports to England mounted from 27,000

* The *hectolitre* is a little over twenty-two imperial gallons.

hectolitres to 270,000, thus amply making good the loss American protectionism had entailed.

“Are the Americans likely to find similar compensations if the European markets were to close, or merely to contract, in front of them? In what consists nearly the whole of their exports to Europe? In three articles: cotton, food products (meat and cereals), and petroleum. They have not, however, the monopoly of these staples. We do, in fact, receive from the United States 66 per cent. of the total quantity of cotton used in our manufactures, and the failure of American cotton during the War of Secession brought about in England and other manufacturing countries a woful crisis. Still, the high price of cotton encouraged and developed its production in India, Egypt, and Brazil, so that if the war had lasted a few years longer, the deficit would have been fully retrieved. As regards petroleum, Russia is as well supplied in this respect as the United States, and the petroleum from the wells of Bakou daily takes up a larger place on our markets. As regards the food products, they arrive from all parts of the globe. Forty-five different countries vie with each other in providing England with cereals, and preserved meat or live stock comes to us even from the antipodes. I do not know whether American farmers are in such a state of prosperity as readily to dispense with the markets of Europe, but it is quite certain that their produce would visibly be replaced by Argentine, Chilian, and Australian imports, if the McKinley Tariff Bill gave rise to all the effects that are expected from it. Let us, I say, note its action. It will more effectually contribute to convert Americans to free trade than the most violent reprisals are likely to do.”

We shall take care not to add theoretical reflections to this estimate of the McKinley Tariff Bill by one who is a thoroughly practical man. We would, however, seize the occasion which is offered us to compare incidentally the natural order which the great Ordainer of things has established with the artificial order which European and American politicians make it their business to put in its place. He has diversified the productions and the aptitudes of production in such a way that men, if they were willing to conform to his beneficent intentions, might readily procure all the things necessary to the satisfaction of their wants, in as great an abundance as possible, and in exchange for the least

amount of labor and trouble : the Americans might drink their fill of our good wines, whilst our poor workmen would eat their full quantum of the meat that encumbers your shambles, and of the maize that your farmers are obliged to burn in order to get rid of it. But political Protectionists have interfered, declaring that it is better to drink the sour national beverage rather than good foreign wine, and to go without food rather than seek for it beyond the frontier—in short, that each people should be self-supporting ; and while the great Ordainer of things has dug the beds of oceans and rivers that man may more easily communicate with man and exchange earth's products, they have raised barriers that are daily run up higher and higher to thwart and prevent those exchanges. If, moreover, the barriers were fixed, they would establish a certain stability in the scale of the production, and, while raising the cost of living, would insure to a certain extent the means of existence of the producers.

But those barriers are movable ! Their level rises and falls from one day to another, according to the caprice or the interest, more or less avowed and honest, of those who build them ; and each time the level changes, the conditions of existence of a multitude of individuals are upset, without their even being able to say whence comes the crisis to which they fall the victims. They are none the less told that the artificial system to which they owe these continual upheavings and troubles is instituted for their "protection." May we not be allowed to think that the system set down by the great Ordainer of things would protect them better and at less cost ?

GUSTAVE DE MOLINARI.

CLIENT AND ARCHITECT.

BY MRS. SCHUYLER VAN RENSSELAER.

FANCY a painter unable to make pictures except when some one says to him : Paint now, paint this or that, and paint it thus and so ; or a poet or musician forced to wait for similar behests, and getting them, very often, in the shape of uncongenial themes and narrow limitations. Imagine this and you will realize the architect's actual position, and the contrast between his life and that of other artists. Of course, the difference is neither accidental nor designed, but inevitable. It is the natural result of the fact that architecture is not an art pure and simple. It has a practical side. Its products are not mere objects of beauty. They are useful objects made beautiful, and they cannot be spun out of the artist's brain, but must cost a great deal of money. When useful, costly things which take up a great deal of space are in question, demand must precede supply. The poet or the painter caters to the public's taste ; the architect serves the public's express wishes.

These facts mean two things. They mean that the architect must be something more than an artist, and that the client has a part to play which is only less important—which from one point of view is even more important—than the architect's own. As neither perfectly fulfils his duty in America to-day, it may be worth while to define in brief what that duty is. Let us begin with the client.

I.

The client—whether a unit or that multiple of units called a committee—should remember that architecture is not practical only, but that its æsthetic side is as inevitable and important as its utilitarian, should realize that he who meddles with artistic things owes a duty to others as well as to himself, and know that this is especially the case when the result is to stand conspicuous-