

BRITISH IMPERIAL PREFERENCE AND SIR ROBERT PEEL

THE chief obstacle in the past to the establishment of a system of commercial preference throughout the British Empire has been the resolute adherence of Great Britain to free trade. But the experiences of war have powerfully stimulated the sentiment in England in favor of greater imperial unity, and of commercial preference as a means of attaining it. It now seems likely that the land of Cobden and Gladstone will abandon free trade and set up a protective tariff that will give preference to the products of her empire.¹ This prospect suggested the following inquiry into the old preferential system in the British Empire, and the circumstances of its decline.

I

Sir Robert Peel never fully accepted the views of his free-trade contemporaries on imperial questions. Though he came to be deeply influenced by the economic doctrines of the Manchester School, he was not prepared to carry them out literally at the expense of the integrity of the British Empire. He was never a "Little Englander" in the sense in which the term may be applied to Cobden or Bright. Nevertheless some of his commercial measures did strike directly at the foundations of the British imperial system, and in the ranks of those who supported him in the great battle of the corn laws were not a few who actually looked forward to the dissolution of the empire as one of the beneficent results of free trade. It is the purpose of this article to show how commercial preference in the British Empire was undermined during his ministry. The story of its fall will not here be carried to its end, since it was

¹ The principle of imperial preference was endorsed by a British Committee on Commercial and Industrial Policy in a report made in February 1917, and by the Imperial War Conference a few weeks later. It should be remarked, however, that preferential treatment may be accorded by other means than tariff discriminations; see Beer, *The English Speaking Peoples*, chap. vii, and p. 306.

reserved for Peel's successors to complete the work which he began.

Preference in trade between the various parts of the empire was an integral element of the old British imperial system. That system was reciprocal in its operation upon colony and mother country, for under it each enjoyed privileges and sustained burdens. The restrictions which England placed upon the commerce and industry of her colonies in the seventeenth and eighteenth centuries were justifiable according to the doctrines of mercantilism then prevalent, and were less oppressive to colonial interests, on the whole, than those imposed by other European states upon their dependencies. To some extent, certainly, these restrictions were compensated for by the obligation which the mother country assumed of defending the colonies in time of war, and by the privileges which she extended to various colonial interests.¹ The statesmen of the old empire rested their case ultimately upon national power; their system was consciously contrived and administered to secure that end. Their ideal was the creation of an imperial state that should be economically self-sufficing, commercially independent of the rest of the world.² They thought in terms of nationalism and of an international rivalry that was certain to explode from time to time in international war. The cosmopolitanism and pacifism of the Manchester School would have seemed to them utopian. They held national defense to be more important than individual prosperity, and, in the classic phrase of Francis Bacon, they subordinated "consideration of plenty" to "consideration of power." To attain their ideals they were prepared to impose economic burdens upon the mother country as well as upon the colonies. Their conception of a self-sufficient empire happened to be associated with the political ascendancy of England over the colonies, but it would have been equally compatible with the organization of the empire as a federation of self-governing communities.³ Their

¹ Beer, *Old Colonial System*, part i, vol. i, chap. ii.

² Osgood, *American Colonies in the Seventeenth Century*, vol. iii, pp. 193-195.

³ The same ideal is entertained today by many British imperialists who have no desire to subordinate the dominions to Great Britain.

purposes, though never fully realized, did not cease to be cherished in England until the whole mercantile system lay in ruins, shattered by the assaults of the commercial and industrial middle class, pursuing a self-interest which they insisted was "enlightened," and armed with the weapons of reason forged by the economists of the *laissez-faire* school.

It has sometimes been stated or implied that the old colonial system "fell" in consequence of the American Revolution.¹ It cannot be denied that the loss of the thirteen colonies convinced some Englishmen that the colonial relationship could not be permanent; and a number of advanced thinkers, fortified by the fact of successful revolt, ventured to repeat and elaborate upon Adam Smith's doctrine of the "uselessness" of colonies.² But it is easy to exaggerate the immediate influence of their utterances. The "discovery" that the colonies they had fought to keep were after all not worth having may have softened the sting of defeat in the breasts of a few British statesmen as they surveyed the dissevered fragments of their old empire, but it did not lead to any abrupt change in imperial policy.³ The traditions of expansion and imperialism, moreover, were stimulated by the Napoleonic War and the colonial acquisitions of Great Britain which resulted from it. The old system was gradually modified and relaxed after the Revolution, but it was not as a whole abandoned until the triumph of free trade.⁴ "The Colonial System," said Cobden in 1842, "with all its dazzling appeals to the passions of the people, can never be got rid of except by the indirect process of free trade, which will gradually and imperceptibly loosen the bonds which unite our colonies to us by a mistaken notion of self-interest."⁵

II

There were two sides of intra-imperial preference. There was discrimination in favor of colonial as against foreign pro-

¹ *E. g.*, Hertz, *Old Colonial System*, pp. 199, 203, 209-210.

² *Ibid.*, chap. x, *passim*.

³ Shortt, *Imperial Preferential Trade*, p. 24.

⁴ Earl Grey, *Colonial Policy of Lord John Russell's Administration*, vol. i, pp. 6-7.

⁵ Morley, *Life of Cobden*, vol. i, p. 230.

ducts in the mother country; and there was discrimination in favor of British, including British colonial, products as against foreign products in the colonies. The principle that imports from the colonies should receive more favorable treatment in England than those coming from foreign countries goes back to the beginnings of English colonization.¹ In 1660 a tariff known as the "Old Subsidy" gave marked preference to certain colonial products, the so-called "enumerated articles," whose exportation from the colonies was by the law restricted to England, the preference being intended as a partial compensation for the restriction.² It was so effective that the favored colonial commodities secured a virtual monopoly of the English market.³ Preference was subsequently extended widely to other colonial products than those which were "enumerated." In 1840 there were more than eighty articles in the British tariff schedules upon which differential duties were levied in favor of the produce of the colonies.⁴ These duties, of course, had the effect of raising the prices in England of the commodities upon which they were imposed.⁵

Peel's tariff of 1842 reduced the duties upon many foreign imports, and it has generally been spoken of as a free-trade measure. Yet it not only retained but extended the principle of colonial preference.⁶ In arguing against that feature of it, Lord Howick, a free-trade Whig, asserted that the Government proposed to carry preference "to an extent never yet contemplated."⁷ It was agreed by most of those who took part in the debates on this tariff that the preferential system was essential to the pre-

¹ Beer, *Origins of the British Colonial System*, chap. iv.

² 12 Car. II, c. iv.

³ Beer, *Old Colonial System*, part i, vol. i, pp. 128-138.

⁴ Parliamentary Papers, Reports from Committees, 1840, vol. ii, no. 2, pp. 196-197.

⁵ For much testimony to this effect, see Parliamentary Papers, Reports from Committees, 1840, vol. ii, no. 2, *passim*. The writer of a pamphlet entitled "The Preference Interests" (London, 1841) estimated that the differential duties on sugar, coffee and timber alone amounted to a tax of £5,000,000 annually upon British consumers.

⁶ Holland, *Fall of Protection*, p. 104.

⁷ Hansard, third series, vol. 63, p. 513.

servation of the empire. In opposing a resolution against its extension Peel gave expression to this view. He asked:

What is the principle for which the noble Lord contends? The principle is this: that you shall treat your colonies without discrimination, as foreign countries in this respect . . . If that principle be correct there is an end of your colonial system. . . . If you sanction this proposition, then you ought also to say, let the colonies assert their own independence, and provide for their own maintenance.¹

Preference was upheld by a vote of 281 to 108.² The tariff of 1842 embraced some 825 items, and upon no fewer than 375 of them differential duties were levied in favor of the colonies.³ Thus it is clear that at the beginning of Peel's ministry the principle of colonial preference was still unshaken in Great Britain.⁴

Turn now to the other side of the preferential system. From the outset of the colonial movement in the seventeenth century colonies were viewed as markets for the manufactures of the mother country.⁵ Their consumption of the products of foreign countries was restricted by laws that confined their trade to English shipping, and prohibited their importation of continental European commodities unless laden in England.⁶ These laws did not, however, prevent free importation into English colonies of the produce of foreign colonies, so long as it was carried in English or English colonial ships. During the eighteenth century Parliament occasionally gave preference to British

¹ Hansard, third series, vol. 63, p. 546.

² *Ibid.*, pp. 541-542, 549.

³ 5 & 6 Vict., c. 47. In 1840 a select parliamentary committee on import duties had recommended revision of the whole system of differential duties and reduction of colonial preference. Their recommendation was not observed in framing the tariff of 1842.

⁴ A member of the House of Commons who supported preference said of the act of 1842, "I approve of all the principles upon which this tariff has been framed: Prohibition repealed, moderate duties substituted, the differential principle extended, and the degrees of protection revised and modified." Hansard, third series, vol. 63, p. 1305.

⁵ Beer, *Origins of the British Colonial System*, pp. 72-73.

⁶ 12 Car. II, c. 18 and 15 Car. II, c. 7.

colonial products in the markets of other British colonies by imposing differential duties upon competing foreign commodities. For example, in the interest of the British West India sugar planters it laid high protective duties in the North American colonies upon sugar, molasses and rum produced in the foreign West Indies. To enforce such legislation, however, was always difficult and often impossible.¹

It was not until foreign shipping was admitted to trade with the colonies that Parliament began systematically to regulate their commerce by means of colonial tariffs. An act passed in 1822 permitted certain commodities to be imported into British American colonies from foreign countries or colonies in America in ships belonging to the country in which they were produced as well as in British ships, and laid duties payable in the ports of the colonies upon specified articles when so imported.² These duties, it should be remarked, were imposed not for the purpose of revenue, but for the regulation of trade. They involved no departure, therefore, from the principle laid down in the "Declaration Act" of 1778, in which Parliament had disavowed the intention for the future of raising a revenue in the American colonies.³

The act of 1822 conceded to vessels of the United States a privilege not granted to the shipping of any European country. Huskisson, who became a member of the British ministry in 1823, was in favor of extending it to foreign vessels in general, and legislation enacted in 1825 embodied his policy. Henceforth foreign ships were permitted to import the products of the countries to which they belonged into British colonies and to export thence the produce of those colonies to any foreign

¹ 6 Geo. II, c. 13; 4 Geo. III, c. 15; 6 Geo. III, c. 52; Beer, *Commercial Policy of England toward the American Colonies*, chap. vi.

² 3 Geo. IV, c. 44.

³ This act (18 Geo. III, c. 12), passed in pursuance of Lord North's policy of conciliation with the revolted colonies, was a virtual pledge that Parliament would not again impose any tax upon the American colonies, except for the regulation of trade. It was clearly intended to bind future parliaments in this respect, but as Prof. Dicey has shown, no parliament can legally bind its successors; *Introduction to the Study of the Law of the Constitution*, chap. i. However, the pledge of 1778 has not, in fact, been violated.

country, provided the country to which the ship belonged granted reciprocal privileges to British shipping.¹ In the same year a "possessions act" was passed by Parliament to regulate the trade of the colonies. It contained a "table of prohibitions and restrictions," in which articles were enumerated whose importation into the colonies was forbidden or restricted, and a "table of duties" in which were specified duties levied upon foreign goods. Articles not enumerated were charged with duties of fifteen per cent, while a few imports were expressly exempted from taxation.² A subsequent "possessions act" of 1833 laid duties upon spirits manufactured in the United Kingdom or in any British colony in America or the West Indies, when imported into Canada or Newfoundland.³

In 1842 important changes were made in the colonial customs. Gladstone, president of the Board of Trade in Peel's ministry, in explaining the alterations proposed by the Government, informed the House of Commons that the parliamentary duties then levied upon goods imported into the British colonies in America could not be justified "either with regard to the interests of the revenues of the colonies themselves, or with regard to the principles laid down by Parliament with respect to its colonial legislation." He pointed out that in the Asiatic dependencies of the Crown the protective duties in favor of British manufactures were low, while in the American colonies they were so high as to be often prohibitory. Speaking for the Government, he proposed to abolish all existing parliamentary duties levied upon British goods imported into the colonies, chief of which were those on spirits, not because it was undesirable to tax spirits, but on the ground that such taxes were unnecessary, and scarcely compatible with the principle of the Declaration Act of 1778. As the law then stood taxes were laid, moreover, upon many foreign products imported into the colonies which did not compete with those

¹ 6 Geo. IV, c. 105.

² 6 Geo. IV, c. 114. All duties collected in the colonies under this act were to be paid into the colonial treasuries in accordance with the principle of the act of 1778.

³ 3 & 4 Gul. IV, c. 59.

of the mother country, and which could not, therefore, be called taxes for the regulation of trade. Gladstone proposed to select those articles which it seemed desirable to tax for the regulation of trade, and to permit the free importation of all others.¹

The "possessions act" of 1842 substituted new duties for those previously in force in the colonies and added to the list of exemptions. Upon foreign imports not specifically enumerated or exempted, it lowered the rate of duty to four per cent. Colonial legislatures were permitted to lay duties for revenue up to five per cent upon British products, and upon such foreign goods as were not taxed by the imperial parliament. The act provided, however, that if any colony imposed a higher duty upon a British product than was charged upon the foreign product, the imperial duty upon the latter should be increased by the amount of the difference.² The act of 1842 thus made important alterations in the colonial customs, but it retained the principle of imperial preference.³ It is clear, therefore, that at the beginning of Peel's ministry the preferential system was intact in the colonies as well as in the mother country.

III

The budget of 1844 involved no such conspicuous alterations in taxation as its more famous predecessor of 1842. It is, however, of significance in the subject with which this article deals, for it shows a willingness on the part of the minister who had come to power as a protectionist, to relax the preferential system. In the financial statement of 1844 the chancellor of the exchequer proposed to remove entirely the duty on foreign wool.⁴ Despite warnings from the protectionist benches that Peel and his colleague were taking a dangerous step in the di-

¹ Hansard, third series, vol. 60, pp. 150-156.

² 5 & 6 Vict., c. 49.

³ A subsequent "possessions act" was passed in 1845, but it made no material changes in the rates of duty (8 & 9 Vict., c. 93).

⁴ The tariff of 1842 had laid duties of 1d. per pound on foreign wool worth 1s. or more, and $\frac{1}{2}$ d. on foreign wool of less value; it admitted colonial wool duty-free. The customs act of 1844 (7 & 8 Vict., c. 16) repealed the duties on foreign wool.

resection of free trade, the abolition of the tax encountered no formidable resistance in Parliament. Many British wool growers accepted the Government's assurance that it would not prove injurious to them.¹ The interests of the Australian wool growers, however, were not wholly overlooked in Parliament. Mr. Miles, one of the leading protectionists in the House of Commons, called attention to the extraordinary increase in recent years in the growth of Australian wool and its importation into the United Kingdom. The quantity brought in had increased from 2,493,337 pounds in 1831 to 17,483,783 in 1843—and this, said Mr. Miles, under the slight degree of protection afforded by the low duty on foreign wool. The remission which the Government proposed was small in amount, he admitted, "but it showed which way the wind blew."² In the House of Lords, the Duke of Richmond, one of England's greatest landlords and flock-masters, predicted serious injury to Australian as well as to British wool, if the Government carried their proposal. Gladstone admitted that the abolition of the duty might have "a depreciating effect on the price of Australian wool." But, while conceding the claims of distant colonies to consideration in the British customs, he held that in this case "they were trivial as compared with the great value of the change to the manufacturers of wool."³ The fact is that the abolition of this duty, like the repeal of the corn laws two years later, was a measure in the interest of British manufacturers and consumers which disregarded immediate colonial interests. It did not, however, have the depressing effect upon Australian wool that had been predicted. John Bright asserted in the House of Commons in 1845 that it was "unanimously allowed" that the repeal of the duty had injured neither British nor Australian wool growers, and his statement was not challenged.⁴

The preference previously enjoyed by colonial coffee, while not abolished, was materially reduced in 1844. Under the tariff

¹ Hansard, third series, vol. 74, pp. 1286, 1288.

² *Ibid.*, pp. 1288-1290.

³ *Ibid.*, p. 1286.

⁴ *Ibid.*, vol. 80, p. 321. The gross importation of wool into the United Kingdom from the British possessions increased from 21,132,352 pounds in 1843 to 37,333,104 pounds in 1847; Parl. Papers, sess. 1905, cd. 2394, pp. 106-107.

of 1842 it paid 4d. a pound upon importation into the United Kingdom as against 8d. paid by foreign coffee. The Government now proposed to reduce the latter tax to 6d., leaving a differential duty of only 2d. in favor of the colonial product. A free-trade member of the House of Commons, Mr. Ewart, moved to equalize the foreign and colonial duties at 4d., frankly avowing that he was aiming a blow at the entire preferential system. "He was the enemy of such duties, for they were unsound in principle, and he was satisfied they could not long continue." He even denied that in the long run preference was of benefit to the colonial coffee planter. It created a temporary prosperity for him, it was true, but it rested upon an insecure foundation that must eventually give way.¹ He found a special reason for advocating cheap coffee in the pleasing expectation he had formed that it would reduce the consumption of spirits, and promote sobriety among the working classes. The chancellor of the exchequer defended the Government's proposal on the ground that it would benefit the British consumer and at the same time preserve to the colonial coffee grower a fair degree of protection.² Under the operation of the act of 1844, however, the quantity of colonial coffee consumed in the United Kingdom was not diminished, nor was the amount of foreign coffee materially increased.³

Substantial modifications were made in 1844 and 1845 in the preference enjoyed by sugar, the most important colonial product.⁴ Until 1844 foreign sugar had been virtually excluded from the British market by prohibitive duties. Prior to the emancipation of the slaves throughout the empire, which took place in 1834, the West India colonies had been able to do

¹ Hansard, third series, vol. 74, pp. 1271, 1273-1274.

² *Ibid.*, pp. 1279-1280.

³ Parl. Papers, sess. 1846, vol. 44, no. 1, p. 2; *ibid.*, sess. 1847, vol. 59, no. 1, p. 2. For the years 1843 to 1847, inclusive, the gross importation of colonial coffee, expressed in pounds, was 18,277,335; 24,099,613; 23,235,102; 24,286,464; 34,301,316. For the same years the gross importation of foreign coffee was 20,665,134; 22,423,575; 27,142,813; 27,527,187; 21,052,728; Parl. Papers, sess. 1905, Cd. 2394, pp. 106-107.

⁴ The sugar duties were not included in the general tariff acts. They were levied annually by separate acts.

more than supply the British demand. But the effect of emancipation was to reduce the production of sugar in the islands, and, in order to insure an adequate supply for British consumption, Parliament presently lowered the duties on British East Indian sugar, with the result that large quantities of it were brought into the British market.¹

Anticipating an increased demand for sugar in the United Kingdom, Peel concluded that a larger supply ought to be made available for home consumption. He was, however, unwilling to permit the importation of foreign sugar cultivated by slave labor, or to leave the British West India planters, who had suffered severely in consequence of emancipation, without a fair degree of protection. He proposed accordingly to retain the duty of 24s. on British colonial sugar, and the prohibitive tax of 63s. on foreign slave-grown sugar, but to lower the duty on foreign sugar the produce of free labor from 63s. to 34s. He expected that by virtue of this reduction considerable quantities of free-labor sugar would be imported from Java, Manila and China, whereas the slave-grown sugar of Brazil and Cuba would still be excluded. The chancellor of the exchequer, who was in charge of the bill, did not deny that its effect would be to check a rise in the price of sugar in England, but he warned the sugar interests that in the long run the worst evil that could befall them would be a marked advance in the cost of their staple to the English consumer. From the language he used the West India planters were justified in assuming that the amount of protection which the Government proposed to leave them would be permanent, or at least that it would not speedily be still further reduced.²

The proposed alterations in the sugar duties were opposed in the House of Commons for different reasons by free-trade Liberals and protectionist Conservatives. The Liberal leader, Lord John Russell, was in favor of admitting all foreign sugar, whether the produce of free or of slave labor, at 34s., and ob-

¹ 6 & 7 Gul. IV, c. 26. This act equalized the duties on sugar grown in the East and the West Indies at 24s. per cwt.

² Hansard, third series, vol. 75, pp. 161, 167.

jected to a differential duty based upon what he called a new principle, the principle of morality in international trade.¹ Mr. Ewart, opposed to differential duties on general principles, desired to see the distinction between colonial and foreign sugar entirely done away with. Mr. Miles, speaking as a staunch protectionist and in behalf of the colonial sugar interests, insisted that the reduced degree of protection contemplated by the Government was insufficient. When the House went into committee on the sugar-duty bill the opposition that developed was strong enough to defeat the provision by a vote of 241 to 221. Peel, however, refused to accept amendment, and by what amounted to a threat of resignation he compelled the House to reverse its vote and pass the bill.²

Further changes were made in the sugar duties in 1845. The tax on colonial sugar was reduced from 24s. to 14s. and that on foreign free-labor sugar from 34s. to 23s., while the prohibitive tax of 63s. was retained on foreign slave-grown sugar.³ A resolution to abolish the colonial preference by equalizing the duties on foreign and colonial sugar was supported by some of the free traders, but was decisively beaten by a vote of 217 to 84. The acts of 1844 and 1845 did not greatly increase the consumption of foreign free-labor sugar, and the colonial product still retained a virtual monopoly of the British market.⁴

IV

The preferential system received its first severe shock at the hands of Peel in his commercial legislation of 1846, especially in the alterations then made in the corn laws and the timber duties.⁵ In the case of the corn laws colonial preference had

¹ Hansard, third series, vol. 75, p. 170.

² 7 & 8 Vict., c. 28. The duties referred to above were those levied upon unrefined brown sugar, described as "muscovado or clayed."

³ 8 & 9 Vict., c. 5.

⁴ Parl. Papers, sess. 1846, vol. 44, no. 1; *ibid.*, sess. 1847, vol. 59, no. 1; *ibid.*, sess. 1905, Cd. 2394, pp. 126-127.

⁵ It is, of course, impossible within the compass of this article to explain the precise effects upon the preferential system of all the numerous changes in the British customs made during Peel's ministry.

never been of primary importance. Their main purpose had long been the protection of British agriculture from external competition. When Peel took office in 1841, this policy was still adhered to. The importation of grain was then regulated by an act passed in 1828, whereby the duties on foreign cereals were arranged on a sliding scale, varying inversely with their prices in the British market. In the case of foreign wheat the act imposed a duty of 1s. per quarter when the price stood at 73s. or above, a duty which rose as the price fell, reaching 25s. 8d. when it was between 61s. and 62s.; for every shilling or fraction thereof by which the price fell below 61s. the duty was increased by one shilling.¹ The average duty on foreign wheat for the ten years ending in 1841 was 30s. 8d., high enough virtually to exclude it from the British market.²

Though the act of 1828 was a Tory measure, the Whigs permitted it to stand unaltered during their tenure of office from 1830 to 1841. Its principal beneficiaries were the landlords, and the Whig party, as has been truthfully said, was a landlord party only one degree less than the Tory. The conviction was rapidly gaining ground, however, especially among the middle and lower classes, that the social misery then prevalent, the "condition-of-England-question," as Carlyle called it, was in large measure attributable to the corn laws; and the propaganda of the Anti-Corn Law League kept the question of reform constantly in the public mind.

Peel's corn law of 1842 revised the grain duties downward, but preserved the protective principle and the sliding scale.³ Under it the duty on foreign wheat rose from 1s. to 19s. as the price fell from 73s. to 51s., and remained constant at 20s. for all prices below 51s. For the year 1843 the average price of wheat was 50s. 1d., so that the average duty was 20s. Under the act of 1828 it would have been 36s. 8d.

The legislation that has been described gave preference to colonial grain. Under the act of 1828 colonial wheat paid 5s.

¹ 9 Geo. IV, c. 60. The sliding scale was applied also to the duties on foreign barley, oats, rye and other grain.

² Spencer Walpole, *Life of Lord John Russell*, vol. i, p. 368.

³ 5 & 6 Vict., c. 14.

when the price was below 67s., and was admitted at a nominal duty of 6d. when it rose above that figure. For the ten-year period ending in 1840 the average duty on colonial wheat was only 5s. Despite this seemingly great preference, however, very little of it was actually imported, and British agriculture enjoyed a substantial monopoly of the home market. How little the preference really benefited the Canadian farmer is shown in a petition adopted by the assembly of Upper Canada in 1840:

Your Majesty's faithful Commons are aware that the products of these colonies are admitted into the ports of the mother country at a duty of 5s. per quarter, when wheat is below an average of 67s. per quarter, but from the expense of transportation from the interior to the sea, and thence to the United Kingdom, experience proves that they derive very little advantage from this protection.¹

Under the corn law of 1842 colonial wheat was admitted at uniform duties of 1s. for prices at or above 58s., and 5s. for prices below 55s., while for intermediate prices duties were arranged on a sliding scale. For the year 1843, therefore, the average duty on colonial wheat was 5s., as against 20s. paid by the foreign product.

In that year, however, an extraordinary preference was granted to Canadian wheat and flour. Since 1831 wheat grown in the United States had been admitted into Canada duty-free. Considerable quantities of it had been imported into the province and there manufactured into flour, which was exported to the United Kingdom, where it was admitted at the preferential duty payable on colonial flour.² British agricultural interests objected, not unnaturally, to this indirect importation of foreign wheat in the form of colonial flour, and the "possessions bill" of 1842, as originally introduced, placed a duty of three shillings on foreign wheat entering Canada. But in Canada the opposition to this provision was so strong that it was dropped from the bill. Then, by virtue of an agreement reached by the

¹ Canada and Its Provinces, ed. by Shortt, vol. v, p. 190.

² Raw materials brought into the colonies and manufactured there were treated in the British customs as colonial products; Hansard, third series, vol. 67, pp. 1319-1320.

imperial and Canadian governments, the parliament of Canada levied a duty of three shillings on foreign wheat entering the province,¹ and the imperial parliament admitted Canadian wheat into the United Kingdom at a fixed duty of one shilling, irrespective of price, and wheat flour at the duty payable upon the quantity of wheat used in its manufacture.² This Canada corn law, as it was called, was opposed by a number of agrarian protectionists among Peel's followers, whose fear of Canadian competition was by no means allayed when the Prime Minister assured them that what was intended as a boon to the agriculture of Canada would not prove injurious to that of England. It was also opposed by some Whig free traders who objected to building up new protected interests in the colonies. Lord Howick spoke for this group when he said:

When the act [the corn law of 1842] should be swept away and gathered into that lumber of old, absurd, repealed measures, what would be the condition of the Canadian merchant who, by the measure the House was called upon to sanction, had been induced to invest his capital in extensive mills for grinding corn, and in making arrangements for forwarding flour to this country? In his opinion the Canadian would have a very good claim upon the Government of this country for compensation.³

Lord Howick's party forgot the principle of compensation to colonial interests when they swept away the preferential system!

The law of 1843 had precisely the result predicted. It stimulated milling and transportation in Canada. From October 1843, when it took effect, to January 1846, 1,462,260 hundred-weight of wheat flour manufactured in Canada were imported into the United Kingdom, more than was admitted from foreign countries and the other British colonies combined from 1842 to the same date.⁴ There is no doubt that political considerations had much to do with this favor granted to Canada, for in view of recent disturbances there the British government was anxious to conciliate public opinion in the colony. The capital

¹ Provincial Statutes of Canada, 6 Vict., c. 31.

² 6 & 7 Vict., c. 29.

³ Hansard, third series, vol. 69, pp. 630-631.

⁴ Parl. Papers, sess. 1846, vol. 44, no. 130, p. 9.

invested under the encouragement given by this act in constructing mills and improving transport facilities suffered severely when presently Canadian flour lost its protection in England.¹

The farmers of Australia, whose only important products were grain and wool, saw no reason why their wheat should not be admitted to the English market on the same terms as that of Canada. Petitions were received from legislatures and governors in Australia asking that the tax on Australian grain be lowered. On May 8, 1845, Mr. Hutt introduced a resolution in the House of Commons for equalizing the duties on Australian and Canadian grain and flour. He called attention to the excellent quality of Australian wheat, and asserted that the great distance of the Australian colonies would not prevent their exporting considerable quantities of grain to England if the duty were reduced. He told the House that Australia viewed the 5s. tax on its wheat as unjust and indefensible, and warned the Government that it was unwise to arouse a sense of injustice in distant colonies. Said he:

Up to last year Australian wool had a protection in the British market of 1d. per pound as against foreign wool. You took that protection off last year, in accordance with the principle of sound policy and scientific legislation. The Australians lost their monopoly. They never complained of it. But they do complain, loudly and indignantly complain, that whatever turn you take they are always sacrificed to your policy. You remove the duty from European wool, and tell the Australian farmer that the proceeding is required by the principles of free trade; and then you insist on charging a duty of twenty per cent upon his corn, and justify your conduct on the principle of protection and monopoly. What are the people of our Colonies to think of the justice and consistency of the British Government? . . . The right Hon. Baronet may probably observe, by and by, a "cloud" rising in the southern horizon. Do not complain if it be so. You have taught the people of Australia how to ensure attention to their demands; you may some day reap the harvest of your act.²

¹ Canada and Its Provinces, *op.cit.*, vol. v, pp. 196-197; Allin and Jones, Annexation, Preferential Trade and Reciprocity, pp. 12-13; Earl Grey, Colonial Policy of Lord John Russell's Administration, vol. i, pp. 220-221.

² Hansard, third series, vol. 80, pp. 295, 340.

Notwithstanding the evident justice of the Australian demand, the motion was negatived by a vote of 147 to 93.¹

On January 27, 1846, Peel began the great battle for the repeal of the corn laws. He proposed to admit all foreign grain at the nominal duty of 1s. per quarter after February 1, 1849, until which date temporary duties were to be arranged on a new sliding scale. Colonial grain was to be admitted at once at the one-shilling duty.² His plan, therefore, contemplated the abolition of the colonial preference in grain at the end of three years.³

The preferential feature of the corn laws, as has been said, had been merely incidental; the taxes on grain had not been designed, like the sugar duties, primarily to protect colonial interests. It is not strange, therefore, that in the debates on Peel's measure comparatively little was said about the colonies or the preferential system. A few members, however, chiefly among the opponents of the bill, did dwell upon its imperial aspects.

The argument that free trade would destroy the colonial system and lead to the dissolution of the empire was presented most effectively by Lord Stanley. He had held the office of colonial secretary in Peel's ministry, but had resigned because he could not agree with his chief on the repeal of the corn laws. "Destroy this principle of protection," he said, "and I tell you in this place that you destroy the whole basis upon which your colonial system rests."⁴ Dissident peers protested that the corn bill would tend to "sap the foundations of that colonial

¹ Hansard, third series, vol. 80, pp. 340-342.

² *Ibid.*, vol. 83, pp. 262-263. The degree of protection which Peel proposed to leave against foreign grain during the interval from 1846 to 1849 was much less than that afforded by the corn law of 1842. On foreign wheat the duty was to vary from 9s. to 4s. as prices rose from 48s. to 53s.; it was to remain fixed at 4s. for all prices above 53s., and at 10s. for all prices below 48s.

³ For the years 1846 to 1849, inclusive, the annual gross importation of colonial wheat, expressed in quarters, was as follows: 888,114; 100,780; 32,560; 25,401. From foreign countries for the same years it was: 1,343,777; 2,555,673; 2,548,398; 3,819,977. The repeal of the corn laws led to no abrupt fall in the price of wheat in England. For the ten years ending in 1850 the average price was less than that for the preceding decade by only 3s. 8d., while for the next decennial period it rose by 1s. 4d.; Holland, *Fall of Protection*, pp. 361-362.

⁴ Hansard, third series, vol. 86, p. 1165.

system, to which, commercially and politically this country owes much of its present greatness."¹

It was suggested that if the experiment of free trade was to be made, it should have been first tried with the colonies, by extending to all of them the principle of the Canada corn law, and preserving colonial preference. Sir Howard Douglas, formerly a colonial governor, and one of the members of Parliament most conversant with colonial questions, enlarged upon the advantages of complete free trade between the United Kingdom and the colonies, with protection against foreign countries. He would have been glad to see the commercial organization of the empire take the form of an imperial Zollverein.²

It was asserted with much force by opponents of the bill that it broke faith with Canada, that it would severely injure that colony, and very likely drive it to annexation with the United States. "You are going to break the promises held out to Canada," said Lord Stanley, referring to the act of 1843; "I will say nothing of the shock you will give to the loyalty of the people . . . You are doing your utmost to irritate them by the breach of your engagement . . . political independence may follow closely upon commercial independence."³ In the debate on the third reading in the House of Commons, Lord George Bentinck, the leader of the protectionist Conservatives, referred to disquieting news from Canada, and urged that further action on the bill be postponed till full information respecting conditions there had been received. The legislative assembly of the province, it was known, had gone on record as opposed to the commercial policy of the British Government.⁴

Peel did not propose to alter the preference enjoyed by British goods in the colonies, but it was not difficult to show that justice required that this should be done. To quote Lord Stanley again:

¹ Hansard, third series, vol. 87, p. 963. The anti-imperial character of the legislation of 1846 was dwelt upon by the writer of a contemporary pamphlet, "Our Free Trade Policy Examined" (London, 1846). He predicted the loss of Canada and the West Indies as a consequence of free trade.

² Hansard, third series, vol. 83, p. 850.

³ *Ibid.*, vol. 86, pp. 1167-1168.

⁴ *Ibid.*, pp. 553-567.

I presume that if you deprive the Colonies of all the protection they now enjoy, you intend to repeal that Act of Parliament which compels the Colonies to impose a differential duty in favour of your produce. I can conceive no grosser injustice than your refusal to do that . . . Protection is mutual—free trade must be mutual also.¹

As a matter of fact, soon after Peel's resignation an act was passed by Parliament empowering the queen by order in council to assent to acts of colonial legislatures to abolish the differential duties in the colonies in favor of Great Britain.²

The members of Parliament who supported Peel touched but lightly upon the imperial aspects of his bill. No doubt those of them who privately hailed it as the first step toward the disintegration of the empire, believed it expedient not to make public their opinions or hopes. Others, however, undertook to refute the contention that it was based upon anti-imperial principles. The prime minister himself tried to show that it did not involve the abandonment of preference and would not lead to the loss of the colonies. He insisted that discriminating duties would still be left in favor of many articles of colonial production. "Your colonial relations," he said, "are perfectly compatible with the just and cautious application of a liberal policy in the commercial intercourse between the mother country and its dependencies."³ Lord John Russell remarked that differential duties did not create the only tie between colony and mother country, and said there was no reason to anticipate the dissolution of the empire.⁴ Earl Grey, formerly Viscount Howick, went so far as to assert that free trade would actually strengthen the imperial tie. His conception of empire, however, was radically different from that associated with the old colonial system. What he looked forward to was a co-operative alliance between self-governing colonies and the mother country.⁵

¹ Hansard, third series, vol. 86, p. 1170.

² 9 & 10 Vict., c. 94.

³ Hansard, third series, vol. 83, pp. 1036-1037.

⁴ *Ibid.*, vol. 86, p. 685.

⁵ *Ibid.*, pp. 1307-1309. Earl Grey's argument anticipated the contention of certain contemporary free-trade imperialists in England who insist that free trade is essential to the preservation of the empire; Cunningham, *Wisdom of the Wise*, lecture ii.

The corn bill became law on June 26, 1846, and the preference to colonial grain was thereby put in process of speedy extinction.¹ On the same day a tariff bill received the royal assent.² The latter affected the preferential system principally with respect to timber. Great Britain had long been dependent upon foreign countries, especially those of the Baltic, for most of its supply of lumber. During the Napoleonic War the duties upon foreign wood had been greatly increased, and in 1813 it paid 65s. per load (50 cubic feet). In 1821 the duty on foreign timber was reduced to 55s., and 10s. were levied upon the colonial product.³ In 1841 the Whig Government proposed to reduce the colonial preference by lowering the foreign, and raising the colonial duty, but it did not survive to carry its measure. In his financial statement of 1842, Peel proposed to reduce duties on foreign timber for the benefit of British consumers, but insisted that it must be done in such a way as not to injure the lumber industry of the British North American colonies.⁴ He proposed, accordingly, to reduce the foreign duty from 55s. to 25s. and at the same time virtually to abolish the tax on colonial wood. Despite the opposition of the Canadian timber interests he persisted in his policy, expressing the conviction that they could continue to compete successfully in the British market with Baltic timber.⁵ The tariff of 1842 lowered the duty on foreign timber immediately to 30s., and after 1843 to 25s., while on colonial timber it retained a mere nominal tax of 1s.⁶ Thus 24s. became the amount of the differential duty in favor of the colonial product.

The tariff of 1846 materially reduced this preference, providing for the reduction of the tax on foreign timber to 15s. after 1847. The Canadian timber interests at once took alarm, and their case was pleaded, though unsuccessfully, in Parliament. One member of Parliament said that if this measure was to be carried, Canada might as well be presented to the

¹ 9 & 10 Vict., c. 22.

² 9 & 10 Vict., c. 23.

³ The duty referred to was that imposed upon undressed timber. Laths, battens, deals etc. were subject to special duties.

⁴ Hansard, third series, vol. 61, p. 459.

⁵ *Ibid.*, p. 1113.

⁶ 5 & 6 Vict., c. 47, table a, class v.

United States. "It would appear," he added, "that Ministers were actuated almost by hostile feelings towards our colonies."¹ Lord George Bentinck warned the House not to tamper with the attachment of that colony to the mother country.² Several protectionists, pointing out the importance of the North American timber trade to British shipping, predicted serious injury to the latter by the Government's measure.

The gloomy forebodings of men like Lord Stanley and Lord George Bentinck were by no means fantastic. The press of Canada teemed with protests against the repeal of the corn laws and the reduction of the timber duties; local boards of trade remonstrated; threats of separation from the empire and annexation to the United States were freely and openly made.³ Lord Elgin, who arrived in Canada at this crisis as governor-general, wrote that among the commercial classes in the colony the conviction was almost universal that they had better be annexed to the United States.⁴ In his opinion, however, the proper solution of the Canadian problem was not a restoration of the old system, but a further development of free trade by the repeal of the navigation laws and the extension of commercial intercourse with the United States. But even free traders admitted that the commercial legislation which has been described entailed grievous wrong upon Canada.

When Peel left office in 1846 Great Britain still gave preference to many colonial products. Nevertheless the commercial principles upon which he had acted were ultimately fatal to the whole system of protection, of which preference was a part. One after another the remaining protective duties were removed, until presently the victory of free trade was complete. Its triumph did not, it is true, lead to the results that some of Peel's supporters had hoped for, and most of his opponents had feared. It did not destroy the British Empire. What it did destroy was the old British imperial system.

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¹ Hansard, third series, vol. 84, p. 1290.

² *Ibid.*, pp. 1313-1327.

³ Allin and Jones, *Annexation, Preferential Trade and Reciprocity*, chap. i.

⁴ *Letters and Journals of James, Eighth Earl of Elgin*, p. 60.

THE CHALLENGE OF MID-EUROPE¹

EVER since the day Bismarck, pursuing his high aim of Prussian hegemony in the evolving German Empire, slammed the door of the Zollverein in the face of Austria, thinkers in the Fatherland have debated the possibility of some sort of economic union with the Hapsburg dominions. To the south of the Austrian boundary, too, the plan of a customs union has found both advocates and opponents. The relative backwardness of Austrian manufactures by comparison with German has prevented a too enthusiastic approval at Vienna, and Hungarian particularism has always been in evidence at Budapest. None the less the question has been one of something more than academic interest in all three of the great states concerned.

During the years when Bismarck for political reasons was excluding Austria, an alternative economic policy presented itself in the development of closer German trade relations with the countries to the west, and during the sixties the Zollverein negotiated with those countries a series of treaties modeled on the Cobden treaty between England and France, and in some degree necessitated by that instrument. During the years since 1870 there has been a similar alternative to the Austro-Hungarian economic alliance—the development of Germany's oversea trade; and the Kaiser's celebrated phrase, "Our future lies upon the water," together with Germany's naval policy of the past twenty years, indicates the triumph of Hamburg and Bremen over the forces of Austrian alliance. But the continental idea, too, has had its victories; the economic conquest of Turkey, and the Bagdad railway scheme as well, mark distinct steps in working out a policy not contingent on the control of the seas. Customs union with the Austro-Hungarian Empire became in this view part of an imperialist scheme of world politics whose economic foundation included among other things the great natural resources of Asia Minor, the corn lands of Hungary, and the factories and applied science of Germany. Both ideas have had their advocates, and the economic and military implications of each have been considered with some care by German writers.

The war abruptly decided the question for the time being, but reopened with new vigor the general debate. German ships were driven

¹ Central Europe. By Friedrich Naumann. London, P. S. King and Son, Limited, 1916.—xix, 354 pp.