

Regarding the relations between employers and workmen generally. These are as good as in most trades where the 'new trades unionism' of recent years makes itself felt to be what it too often is, an awakened consciousness of power unbalanced by reason, judgment, or experience. Such a democracy is the happy hunting-ground of the demagogues or office-seekers, whose influence over their fellows often is too strong for the more matured judgment and wiser counsels of the older leaders who spell revolution without the 'R.' These things will right themselves in time; but there are certain ideas which the democracy of shoemakers in England share in common with workers in all trades to-day, and those are the idealisms of the collectivist school. The unionists say truly that they are not opposed to machinery as machinery, but what they claim is some share with machine owners of the advantages accruing from the use of modern machinery in place of hand labour. Machine owners, on the other hand, deny the right on the part of workmen to any claim beyond a fair day's pay for a fair day's work. Thus the English wholesale boot industry is face to face with the problem not only of adjusting the apportionment of wages for work produced under conditions and by methods comparatively new, but also with the anti-commercial spirit of the new socialistic religion, which claims the right to labour for all, but which does not fit in with the more rapid production of goods in an industry which, even when the slower hand methods prevailed, has not been able to afford employment during certain periods of the year for a large number of its workers. There is selfishness and blindness on both sides, and there will undoubtedly yet be much travail and possible friction between the respective sides before things find their level; but the time will surely come when, in the boot trade as in other trades, our children will have cause to bless, in healthier workshops, in happier homes, and in generally happier lives, the iron helps of industry which to-day are a cause of contention between employers and employed.

W. B. HOFFMAN

THE INDIAN IMPORT DUTIES ON COTTON GOODS AND YARNS.

Two questions of particular interest arise out of the re-imposition, in December last, of the Indian import duties on cotton goods and yarns. Will they protect the cotton industry in India? Will they injure the cotton industry in Great Britain? An affirmative answer to the first question involves, necessarily, an affirmative answer to the second. The rate of duty is 5 per cent. on all imported yarns and goods, but the Indian Government has, in deference to a former resolution of the House of Commons, sought to prevent the duty from

becoming protective by levying an equivalent excise duty on all yarn spun in the cotton mills of British India, finer than 20s, that is to say on all yarn of which more than twenty hanks of 840 yards each, are required to weigh one pound avoirdupois. The exemption from excise duty of such part of the Indian production as is coarser than this 'count,' or number, is justified on the ground that no appreciable quantity of yarn of and below 20s was imported, immediately before the import duty was imposed, and when in fact the trade was free. There can be no protection, it is said, when, even without duty, no importation is commercially possible.

The case thus presented for the non-protective character of the new duty seems, at first sight, sound. But it will not stand the test of careful examination. It must be observed, in the first place, that although the quantity of cotton yarn coarser than 21s, imported into India *as yarn*, is undoubtedly very small, the quantity imported in the shape of cloth made from such yarn is by no means inconsiderable. Yet upon this English product duty is now levied in respect of its whole cost, including that of the coarse yarn from which it is made, whilst Indian yarn of like description is exempt from excise duty. Secondly, imported cotton goods of all kinds are subjected to import duty, not only upon the price of the contained yarn, but also upon the price of the weaving, or manufacture, whilst the Indian weaving process is entirely free from countervailing duty. This whole section of the Indian mill industry is therefore protected, and, as a natural consequence, steps have been taken to increase considerably the number of looms in Indian mills since the new duties were imposed. Thirdly, and in like manner, upon imported bleached, printed, and dyed goods, the duty is levied in respect of their full price, including the cost of various, and sometimes expensive, additional processes which they have undergone after being woven.

Enough has been said to show that, as the matter now stands, the new duties are already protective. But this is not all. There is the further consideration that the duties will certainly become still more protective by the operation of *the law of substitution*. Every merchant or manufacturer is familiar with the fact that whenever any class of commodities, or any particular description within a class, is appreciably raised in price, the competition of substitutes is at once stimulated. In many instances a comparatively small addition to the cost is sufficient to bring this process into play. Habit and limited means, both of which are especially forcible in the Indian markets, impel the consumer to resist the payment of more than his accustomed price for the article he buys—so much for a piece of plain cloth or for a pair of dhooties—and no more. If the price is raised, he looks about for some other quality or description which he can substitute for the other. A striking example of this principle occurred in 1879, when the old Indian import duty—then, as now, only 5 per cent.—on cotton goods made from 30s and under, whilst it was retained on those made from

finer counts. The Indian demand in Manchester for cloths containing yarns between 30s and 46s began immediately to diminish, and a corresponding increase of demand set in for the 'duty free' descriptions. This process of substitution steadily and rapidly extended until, after the lapse of a couple of years, it had to a very large extent extinguished the shipment to India of the enormous quantity of goods previously made from the finer counts just named.

It is clear that the law of substitution, verified beyond question by mercantile experience in every market, has been entirely ignored in the countervailing excise arrangements of the Indian Government. Mr. Fowler was evidently aware of it, for in his despatch to that Government, dated May 31st, 1894 (*Papers relating to the Indian Tariff Act, 1894*), he says, alluding to the exemption of yarns of 30s and under, and of goods made from them: 'Much difficulty and some hardship occurred in the practical working of the exemptions. Manufacturers in England were driven to making for the Indian market goods coming within the exemptions; a revolution was effected in the trade; the proportion of exempted goods quickly rose from a small fraction to nearly the whole of the importations in certain classes of fabrics, and the customs revenue yielded by duties on cotton goods greatly declined.' Yet, in the face of this statement from the India Office, the Indian Financial Secretary has, by imposing the duty on all imported yarns and goods, and the exemption from excise of Indian 20s and under, denied to the English spinner and manufacturer the opportunity of competing on even terms for the supply of the new demand for goods made wholly or partly from 20s and under, which, by the law of substitution, is sure to arise. Thus, in two ways—by entirely exempting from excise duty Indian weaving, bleaching, printing, and dyeing, and by imposing it only on the spinning of counts above 20s—the Indian Government has unquestionably created a system of protection, contravening an express resolution of the House of Commons.

To come to the second question:—Will the new duties injure the cotton industry in Great Britain? The question is answered already. But in what way will the injury be realised? It has been said that the duty will be paid by Lancashire, that is to say, by those who earn their living in the cotton industry of this country, for the population dependent upon it is by no means confined to Lancashire. There is nothing in the present case to remove it from the operation of the general principle that a duty, like any other item in the cost of production and distribution, is paid by the consumer. But he pays the duty only on what he actually buys. And if the quantity of duty-paid goods which he buys is lessened, either by the competition of home made, duty-free goods, or by diminished purchases owing to enhanced prices, the market for imports is, so far, narrowed. The contraction of demand thus brought about constitutes the injury inflicted upon the English producer. Instances occurred—rare it is true—in which orders were

received in Manchester, very shortly after the new duties were imposed, for particular descriptions of goods, the supply of which happened to be relatively small, at prices sufficiently advanced to cover the amount of the duty. But for much the largest proportion of the kinds shipped to India, the demand at once ceased, or was reduced to a very small amount. Meanwhile manufacturers, particularly in the Blackburn district, where goods for India are chiefly made, were compelled either to stop their machinery, or to seek other markets, at a certain sacrifice, for their production. As a matter of fact, a good deal of machinery was thus brought to a stand, and workpeople were deprived of their earnings. This result was caused partly, no doubt, by the large anticipatory purchases and shipments made in expectation of the duty. These extra supplies are now being worked off, and it cannot be doubted that ultimately the 'higgling of the markets' will bring about an adjustment of prices in India to the altered conditions occasioned by the imposition of the duties. It may happen that the flow of English cotton goods to India will by and by reach its former dimensions, or may even increase. But that will be no proof that the damage inflicted on the British cotton industry by the Indian fiscal policy in question is imaginary. It will be the consequence of improving tendencies which, but for that policy, would have brought about a still larger increase of trade. In this, as in all complicated economic issues, it is especially necessary to guard against attributing results to causes immediately antecedent or concurrent, without clearly tracing the connection between cause and effect.

To me it appears unquestionable that a good case has been made out against the present arrangement. It violates the resolution of the House of Commons which the Secretary of State for India has pledged himself to obey, and which he has shown no disposition to evade. On the contrary, Mr. Fowler has promised that if the new duties are protective, the defect shall be remedied.

ELIJAH HELM

THE PRICES OF THE RUPEE AND SILVER.

It has occurred to me that it would be interesting to construct a diagram showing the course taken by the prices of rupee and silver since the closing of the mints on the 26th of June, 1893. Upon inquiring at the India Office for the necessary material, I found that a chart had already been prepared there, and by permission I reproduce it here with slight modifications. The method of construction is explained in the footnote.

I also attach a table showing the net movement of the precious