

DUBLIN STATISTICAL SOCIETY.

THE WINE DUTIES

AND THEIR

EFFECTS ON THE COMMERCIAL RELATIONS

BETWEEN THE

BRITISH DOMINIONS AND FRANCE.

A PAPER READ BEFORE

THE DUBLIN STATISTICAL SOCIETY,

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BY

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The Wine Duties, with reference to their effects on the commercial relations between the British dominions and France. By Thomas Dunbar Ingram, Esq.

In the following paper I propose to lay before you a summary of the history of the wine duties, and of the present condition of the trade, chiefly with reference to our commercial relations with France.

Although these duties interfere with our intercourse with nearly all the nations of Southern Europe, I have considered only their effects upon our trade with France; partly because our commerce with no other nation has been clogged with so many impolitic restrictions, but principally because a trade with that nation, if free, would be of far greater importance to us than that with any other country.

It has been said that the trade between any two countries is likely to be advantageous to each, in proportion to the extent, productiveness, and proximity of the other. If this be, as it undoubtedly is, correct, there are no two countries so well fitted for carrying on an extensive and mutually beneficial intercourse as France and England. They are countries of almost infinite resources, both highly civilized, their respective wants and supplies are happily adapted to each other, and the narrow sea which flows between them seems to have been intended by Nature to unite rather than to separate them; but, unfortunately, the very circumstances which render an intercourse between them most desirable, have too often been the causes of national jealousy, or have been adduced as reasons for isolation and exclusion. The advantages which both countries would derive from an extensive traffic between them have been so clearly pointed out by Mr. Pitt, in his celebrated speech in favour of a reduction of the duties on French wines, in 1786, that I cannot do better than quote the passage here: "He ventured to assert it as a fact generally admitted, that France had the advantage in the gift of soil and climate, and in the amount of her natural produce; that, on the contrary, England was, on her part, as confessedly superior in her manufactures and artificial produce. The wines, the brandies, the oils, and the vinegars of France, particularly the two former, were articles of such importance and value, as completely to destroy all idea of competition as to natural produce; but, on the other hand, was it not a fact as clear, that Great Britain, in her turn, possessed some manufactures exclusively her own, and that in others she had so completely the advantage of her neighbour, as to put competition at defiance? This, then, was the relative condition, and this the precise ground, on which it was imagined that a valuable correspondence and connexion between the two might be established. Having each its own distinct staple,

having each that which the other wanted, and not clashing in the great and leading lines of their respective riches; they were like two great traders in different branches,—they might enter into a traffic which would prove mutually and greatly beneficial. When, in addition to all these benefits, we included the richness of the country with which we were to trade, its population of thirty millions, and of course a proportionate consumption, together with its vicinity to us, and the advantages of quick and regular returns, who could hesitate to applaud the system, and look forward with impatience for its speedy ratification? The possession of so extensive and so safe a market must improve our *commerce*; while the duties, transferred from the hands of the smuggler to their proper channel, would benefit our *revenue*,—the two sources of British opulence and British power.”

Such being the relative position of both countries, it might be expected that a large and extensive trade would naturally arise and be maintained between them, and that with an aggregate population of sixty millions, each would find in the other a market for her surplus productions, and be almost independent of the rest of the world. Yet such is far from being the case. In spite of the proximity and superior natural capabilities of France, the trade between that country and England is not nearly so extensive as that between England and Ireland; and yet, any one who considers the wealth and resources of both countries must be satisfied that, were it not for the high duties which repress all intercourse between them, the trade between the two former would far exceed that between the two latter.

But till lately, each nation was taught that the only way to advance itself was to depress the other, and to look with an envious eye upon the prosperity of her neighbour. Those who, in both countries, had the enactment of the fiscal laws which regulated their commerce, were entirely ignorant of the benefits to be derived from it, and of the real sources of national wealth. In 1678, the English Parliament declared “that the trade with France was detrimental to the country; that long experience had shown that French wines, brandies, silks, and other commodities of the growth, product, and manufacture of the French people, have much exhausted the treasure of the nation;” and so late as 1820, an English Chancellor of the Exchequer, Mr. Vansittart, when proposing an addition to the duty on French wines, acknowledged that he did so not so much with a view of increasing the revenue, as of discouraging their use.

It is to the prevalence of such opinions as these that we are to attribute the present contracted state of our traffic with France, instead of such a trade as might be expected from the wealth, extent, and population of both countries. It is such maxims as these that have hitherto rendered commerce a source of endless jealousies and animosities, instead of being a bond of union to all; and made us forget the great truth, that nations, like the individuals composing a community, are themselves but members of a larger society, in-

dissolubly bound together by common interests, and mutually dependent upon each other for a large share of the conveniencies and enjoyments of life; and that nature has shewn, by diversifying so infinitely her own products in every climate, and by varying so extensively the wants and the productive powers of the different races of men, that she intended that all the inhabitants of the world should be united into one commercial family.

In the last session of Parliament the policy of protection was given up by the solemn vote of the nation, and it was acknowledged that free trade had conferred great and general benefits on the community; but it should be remembered that exorbitant duties have all the disadvantages of protective duties except their injustice, that they have the same effects in lessening consumption, and thereby discouraging the productive energies of the people. If we purchased the wines and brandies of France, those commodities which we can produce with less expense than our neighbours—our coal, hardware, and textile fabrics—would be taken in exchange, and an extensive market would thus be created for many branches of our manufactures, and a natural and powerful stimulus would be given to the industry of both countries. The duties on foreign wines at present are so high, that they prevent their importation and discourage their use, and to the same extent discourage the consumption of our own commodities in those countries from which we would obtain them. “So far as they prevent the importation of French wines, they in the same degree check the progress of the wine culture in France; but this cannot be accomplished without proportionally diminishing *our own* foreign trade, and without materially abridging the comforts and enjoyments of a great proportion of the middle and upper classes. Commerce is nothing but an exchange of equivalents: and those who will not buy need not flatter themselves with the delusive idea that they shall, notwithstanding, be able to sell.”

There are certain circumstances which render it highly probable that any general demand for a reduction of these duties would, at the present juncture, be attended with success. Of late, the dread of an invasion, and of the horrors consequent on it, has shewn us the necessity of a close and intimate connection with a great and powerful neighbour, and has taught us that mutual dependence is the surest guarantee of the continuance of peace. To quote the words of a French writer, “Isolation, or as it is sometimes falsely called, independence, makes war more easy, less onerous, and consequently less unpopular. If nations offered to each other permanent markets, if their intercourse could not be interrupted without bringing the double infliction of privation and embarrassment, the peace of the world would no longer depend upon the caprice of a statesman, and war would disappear through want of incentives, resources, pretexts, and popular sympathy.” Wine is the staple product of France; her capabilities for supplying any increased demand are practically infinite, and large numbers of her

inhabitants are engaged in its cultivation. In a memorial presented to the French Chambers in 1828, and signed by upwards of twelve thousand landowners and others interested in the wine trade of the Gironde, it was stated "that in that department alone, 226,000 persons were supposed to be *directly* engaged in the production of the vine." No measure would be more grateful to the French themselves than a liberal reduction of the duties, nor is there anything to which they attach a greater importance than a free intercourse with this country. The British example of adopting free trade in food has created a great sensation on the continent; a similar step with regard to the wine trade would tend greatly to put an end to that opinion which is unfortunately too prevalent over Europe, and which diminishes so much the moral influence of this nation, viz, that a selfish and exclusive regard for our own interests is the predominating principle of our commercial policy. Besides this, the present system has not been at all successful. The consumption of wine has not kept pace with the increase of population; for many years it has been nearly stationery, and of late it has shewn a strong tendency to retrograde; it is the only article, too, upon which, since 1831, the duty has been increased; since that year, the tendency has been rather to reduce than to increase the duties; on wine *alone* they have been raised nineteen per cent. Although these duties have been changed no fewer than twenty-two times within the last seventy years, no attempt has ever yet been made to regulate them by any sound commercial principle; they have been altered and re-altered solely according to the prejudices or caprices of successive statesmen.

To shew the way in which the legislature has recklessly interfered with this trade, without the slightest regard being paid to the interests of the community at large, or of those engaged in it in both countries, I proceed to give a short summary of its history.

Up to the year 1688, the duty on all wine was 4d. per gallon: in this year it was raised to 1s. 4d. It remained uniform for the wines of all countries till the year 1693, when, from political motives connected with the support given by the French king to the exiled royal family of Great Britain, a differential duty of 5d. per gallon, in favour of the wines of the Peninsula, was imposed on those imported from France. In 1697, the duty had risen to 4s. 10d on French wines, and 2s. on those of Portugal, respectively.

No further change was made till 1703, in which year the celebrated Methuen treaty was concluded, by which England engaged to charge $33\frac{1}{3}$ per cent higher duties upon the wines of France than upon those of Portugal. This measure provoked retaliation on the part of France, which almost destroyed all commercial intercourse with that country.

At such a distance of time, it is impossible to estimate the disastrous effects which must have followed such a measure in both countries. An old and considerable trade was annihilated at a blow, the extent of which may be conjectured from the fact, that,

previous to the year 1693, our importations from France amounted to the enormous quantity of 20,000 tuns; and that at a time when our population had not reached seven millions, and our revenue was under three millions. The capital and industry of both countries were diverted from those channels in which they would naturally have flowed; workmen were thrown out of employment; an impulse was given to smuggling and contraband dealing of every kind, the taste of the country at that time being decidedly in favour of French wines; all friendly intercourse between the two nations was put an end to, and the old national jealousy was aggravated and increased tenfold. These are only some of the evils which must have resulted from it; but as it may appear incredible that any government should have sanctioned a measure fraught with such consequences, it may be useful to give an explanation of the motives which prompted it.

At the end of the seventeenth century, what has since been called the Mercantile Theory was in full operation, and influenced the conduct both of merchants and statesmen. This theory, the remains of which still linger among us and confuse our reasonings, represented the wealth of a country to consist in the quantity of the precious metals it contained; and inculcated the advantages of increasing that quantity, either by exporting more than it imported, so as to leave a balance to be paid in specie by the countries with which it traded; or importing only, if possible, from those with whom the exchange was considered to be favourable.

The supporters of this theory were well aware that such was the case with Portugal, that she received more of the precious metals from her American possessions than she could employ at home, and they endeavoured in consequence to divert to Portugal the trade which was carried on with France; the exchange with the latter country being considered unfavourable.

It is hardly necessary *now* to say, that these opinions were based upon a complete ignorance of the benefits bestowed by commerce, and of the laws which regulate the intercourse of nations; that, though the state of the exchange may be interesting to the merchant individually, inasmuch as according to it he buys cheaper or dearer, it can only be of importance to the nation at large so far as it indicates the condition of its currency; that a trade with a nation which in return for our manufactures sells us gold, is not on that account more advantageous than a trade with one which exchanges commodity for commodity; that the supply of gold and silver in a country cannot be increased artificially by any rules or regulations, without detriment to its wealth and resources; and that the capital and industry of a nation cannot be violently displaced without injury to the community.

In the year 1786, a more liberal policy was introduced by Mr. Pitt. He obtained a treaty in this year with France, by which the prohibition against several articles of British manufacture (amongst others, woollens and cottons) was taken off, and the duties upon

French wines were reduced by nearly half their amount; the usual results followed. Notwithstanding the discriminating duties in favour of Portuguese wines, the importation of those of France increased as follows; from 1784 to 1786, with a duty of 7s 10 $\frac{3}{4}$ d. per gallon, an average of 435 tuns; from 1786 to 1790, with a duty of 4s $\frac{1}{2}$ d., 1117 tuns were annually imported.

In 1795-6 Mr Pitt again changed his policy, by imposing an additional duty of £30 per tun on French wines, in consequence of which the consumption fell as low as 262 tuns.

In 1803 and 1804, further impositions were made with the like diminished results.

Throughout the whole history of this trade, we may remark a constantly recurring fact, a marked reaction in favour of French wines invariably following any relaxation of the differential duties; shewing the preference of the people for them over those of the Peninsula, and disproving what is now so commonly asserted, that the light wines of France are not suited to our taste.

But the most important change was made in 1831, in which year the duties upon all *foreign* wines were equalized at the uniform rate of 5s. 6d. per imperial gallon; all differential duties in their favour were abolished; but a discriminating duty was retained in favour of the wines of the Cape of Good Hope, on which 2s. 9d. per gallon, or half the general rate, was imposed. In 1840 an additional five per cent. on existing rates was placed upon all imports of wines, and in 1849 a duty of 2s. 9d. per gallon was imposed upon wines, the produce of any other possession of the British Crown.

From this it may be seen, that at present, the statutory classification of wines is three-fold, and that there is a different rate of duties for each class.

The first consists of Foreign wines, Upon which there is a duty of 5s. 6d., with an additional 5 per cent. making together a little more than 5s. 9d. per gallon.

The second consists of the wines of Cape of Good Hope, On which there is a duty of 2s. 9d., and 5 per cent. additional.

The third includes all wines, the produce of any other possession of the British Crown, On which there is a duty of 2s. 9d. per gallon.

These are the existing rates.

Against the system thus established a strong feeling of dissatisfaction prevails at present, and a movement has lately been made, principally among the commercial classes, for its reformation. The most objectionable points in it are, (1) the existence of differential duties in favour of Cape and Colonial wines, and (2) the great inequality resulting from a high uniform tax on a class of articles differing so greatly in value as wines. For the purpose of remedying

these defects, two principal changes have been recommended by a Committee of the House of Commons.

The first change proposed to be made is, that the differential duties in favor of Cape and Colonial wines should be abolished, and that one uniform rate should be adopted for the wines of all countries.

All differential duties are in reality protective, with this difference, that they are adopted not for the protection or supposed advantage of the home population, but for the interest of colonies, or favored foreign nations. Whatever arguments may be advanced in favor of protection, nothing can be said for differential duties; the only effect they can have is to benefit the foreigner at the expense of the home consumer, and impoverish the country without adding any thing to the revenue. In the Report of the Committee it is stated:—"The impolitic advantages which the wine-growers of the Cape enjoy, far from inducing exertion to the attainment of excellence in the manufacture, have operated in a contrary way. The character and reputation of their wines are exceedingly low; Cape wines, as such, although the cheapest in the market, cannot find a purchaser; and there is too much reason to believe that the principal, if not the only use to which they are applied, is the fraudulent manufacture of fictitious wines, to be consumed at home, or re-exported for consumption in foreign countries or the colonies. In either case the consumer is defrauded, and consumption, the source of revenue, greatly checked. In the latter case, there is a further and direct fraud upon the revenue in respect of drawback."

Besides this, it is found that these duties are injurious to the interests of the colonists themselves, by diminishing the natural competition which should exist between them and other countries, and particularly by holding out inducements to the employment of capital in the production of an article for which the soil and climate are unfitted, to the necessary neglect of others for which nature has provided greater facilities.

The other change is to reduce the inequality to its minimum, by lowering the duty to such an amount as will least interfere with the trade and general prosperity of the country, without diminishing the present returns of the revenue

Any uniform rate on equal bulks of different values must be unequal. In the abstract, an *ad valorem* duty is the fairest; but in the case of wines, it is to be feared that such a duty is practically impossible, and would only serve to facilitate fraud, and increase the expense of supervision and inspection. Every reduction, however, lessens the inequality inseparable from a uniform rate. Influenced by this consideration, and still more by the conviction that the increased consumption consequent on a liberal reduction of the duty would more than compensate any deficiency that might be expected, the Committee of the House of Commons recommended that a duty of one shilling per gallon should be imposed upon all wines imported into this country. Such a reduction may appear to many too great, but it was felt that the remission ought to be considerable, for unless, it were such as would bring the article within the reach of the arti-

zan, and create an entirely new class of consumers from among the great mass of the people, it would be only equivalent to giving away so much of the revenue.

The present duty of 5s. 9d. per gallon, "ranging, as it does, from 22 per cent on the short prices of the costliest to 650 per cent and upwards on those of the cheapest, amounts practically to a prohibition of the vast bulk of the wines of Europe." Like all the other indirect taxes, it is grossly unjust, for as none but the highest priced can afford to pay it, it must operate as a virtual exclusion of the numerous kinds of low-priced wholesome wines which would come into general use if the duty permitted, and thus presses most heavily upon persons of limited circumstances. What effect it has upon the development of our trade may be conjectured, when we consider that there is not a country of Southern Europe, from the Peninsula to the Levant, which does not produce such wines, which are now hardly known even to the merchant, and are valueless for want of a market. So far as the duty prevents the *importation* of these, it to the same degree prevents the *exportation* of what we would give in exchange for them; for every restriction on importation is in reality a restriction on exportation. In refusing to accept the productions of other countries, we are at the same time discouraging the exertions and energies of our own manufacturers, and violating the great principle of international trade, "Let us encourage the imports, and the exports will take care of themselves."

It is commonly said that these wines are unsuited to our climate and national taste, and that even if the duty were reduced they would not be used. In reply to this, it may be stated that the evidence of witnesses, "who had peculiar opportunities of forming an accurate judgment," shews that the taste for ardent spirits, and even for fiery wines is diminishing among the middle and inferior classes of society; but that under the high prices produced by the present high duty, they are in a manner compelled to give the preference to the more alcoholic drinks as being the cheapest. Several licensed victuallers in London were examined before the Committee. The evidence of one of them, a Mr. Short of the Strand, is most interesting. He says:—"We have a thousand people a-day in our house, and not a drunken man among them. We have a great many cabmen and omnibus men, and that class of men who used to drink gin. They come often, five or six together, to drink a glass of sherry for four-pence, instead of gin for two-pence. We do not draw thirty glasses of gin. They prefer the light wines, French and Rhenish. If we could get the duties down, they would prefer them to port."

In the north of Germany, "with a climate similar to ours, and notwithstanding the competition arising from the produce of their home vineyards, they take above eleven times more of the cheap wines than are exported to this country."

There is an argument brought forward against the proposed reduction, which at first appears to be valid, that the revenue would

suffer from it. But if we are to judge from past experience, we need not entertain any fear that even a great reduction will be detrimental to it ; we may expect that the vast increase in consumption consequent on such a change will more than compensate for the remission of the duty. Such has hitherto been the invariable result in similar circumstances. For examples of this I need only refer you to the history of our commercial policy, from 1831 down ; since which year, the tendency has been to reduce duties and relieve trade, and always with advantage to the revenue. Tea, coffee, brandy, and the Post Office are instances. The revenue derived from coffee was tripled by a reduction from 1s. 7d. to 6d. per lb. ; and that from British spirits was materially increased by lowering the duty from 5s. 6d. to 2s. 6d. per gallon. Immediately after a reduction, the revenue may suffer for a short time, as it did in the case of the Post Office ; but in a year or two, when the change has had time to take a hold on the people, and influence their habits and way of life, it is certain to be ultimately benefited.

In the memorial presented to the Chancellor of the Exchequer by the Bradford Chamber of Commerce, respecting a reduction of the Wine duties, the following passage occurs, "The memorialists would particularly urge upon her Majesty's Government, that no treaty should be concluded with France, unless it gave facilities for the exportation of our textile fabrics for the consumption of the French people."

Those who framed this recommendation must have been influenced by the reciprocity theory, which teaches that every reduction of the duties on foreign articles is a concession which should not be adopted without stipulating for an equivalent remission in return.

This theory having so long prevented the adoption of free-trade, and now creating a difficulty about the reduction of the duties on foreign wines, I have thought it right to notice it here. It is a remnant of the old Mercantile theory, and includes two principal fallacies ; first, by the word 'concession,' it suggests the idea, that the interests of two nations *can* be opposed, and that whatever is gained by the one is necessarily lost by the other ; and secondly, that commerce is the creature of treaties, and that as it can be injured by impolitic restrictions, so its prosperity depends upon successful negotiations.

The history of our trade with France furnishes a complete refutation of this doctrine. Previous to the year 1831, the value of our annual exportations to France did not amount to half a million sterling. In that year, England, without any stipulation for reciprocal reductions in the duties charged upon her manufactures, commenced the system of relaxation which she has ever since pursued. The duties upon French wines, silks, and brandies have been reduced. In the mean while, France has made no relaxations in favour of British produce, but, on the contrary, has in the presumed interest of her flax-spinners and linen-weavers, more than doubled the duties upon linen and linen-yarn. Notwithstanding

this, the result has been that our *greater purchases* from France have compelled her to increase her purchases from England, and that our shipments to that country have since amounted in one year to upwards of three millions, or more than seven-fold their value before 1831.

This point was distinctly given up by the Manchester Chamber of Commerce in their memorial, and an opinion was expressed that the "tariff of this country should be regulated by the interest of the community, quite independently of the measures adopted by foreign governments."

But a higher authority than any I have quoted has expressed its disapprobation of the doctrine. It was noticed in the celebrated petition of the British merchants presented to parliament in 1820; what their opinion was may be collected from the remarks made concerning it.

"That although, as a matter of *mere policy*, it may sometimes answer to hold out the removal of particular prohibitions or high duties, as depending upon corresponding concessions by other states in our favor, it does not follow that we should maintain our restrictions in cases where the desired concessions on their part cannot be obtained; our restrictions would not be less prejudicial to our own capital and industry, because other governments persisted in preserving impolitic regulations

"That, upon the whole, the most liberal would prove to be the most politic course on such occasions.

"That, independent of the direct benefit to be derived by this country on *every* occasion of such concession or relaxation, a great incidental object would be gained by the recognition of a sound principle or standard, to which all subsequent arrangements might be referred, and by the salutary influence which a promulgation of just views by the legislature, and by the nation at large, could not fail to have on the policy of other nations."

Let us remember, however, that any reduction, however liberal, is only a *step* in the right direction; and that all duties—even those which (so long as the present mode of raising the revenue is retained) it will be absolutely necessary to continue—have the effect of preventing consumption, and of changing the direction which industry and capital, if left to themselves, would take. The impossibility of imposing an indirect tax which shall be equal, and the consideration that such taxes are burdensome, not merely in proportion to what we are obliged to pay, but also in proportion to what we are prevented from producing, point to the necessity of adopting a system of Direct Taxation.

A direct tax on Income is the only tax which would not interfere with industry, and would leave the commerce of the world free and unfettered. As laws are the result of the deep and wide-spread convictions of the people, every advance in economic knowledge hastens the time when such a system shall be adopted, and when the intercourse of nations shall be limited only by their mutual wants and supplies.