

III.—*The Expediency of the Differential Duty on Hops.* By  
Thomas Cairnes, Esq.

[Read May 18th, 1857.]

ALTHOUGH the subject I have ventured to bring under your notice this evening—namely, the expediency of the present differential duty on foreign hops—may not at first sight appear of sufficiently general interest to warrant its introduction here; yet as it is one that has been almost entirely overlooked, and as the ignorance that prevails regarding it is such, that the *Times*, in a recent article on our tariff, entirely ignored the fact of a differential duty existing at all, it may not be amiss to direct attention to it. Upwards of ten years have now elapsed since the principles of free trade were first adopted by this country, and the benefits arising from their adoption have been so marked, that they are now almost universally admitted, and have led, to some extent, to the imitation of our commercial policy by several foreign countries. Our tariff, nevertheless, is still far from being framed completely in accordance with these principles, and some duties are still allowed to remain unchanged that are quite inconsistent with our general policy.

It is to one of these anomalies in our tariff, arising from the present discriminating duty on hops, that I wish now to call your attention, and I think it will be found that not only do we suffer from it the evils inseparable from all protective measures, but that from special circumstances these evils are in this case greatly aggravated.

First, then, as the subject is one with the details of which many may be unacquainted, it is necessary that I should state briefly the facts of the case.

The present excise duty on English hops is 19s. 7d. per cwt. payable in six months, or, deducting discount, about 19s. cash. The custom duty on the importation of foreign hops amounts on the other hand to 45s. per cwt. cash—leaving a differential duty in favour of home-grown hops of about 26s. per cwt.; or, taking the average price of hops at £6 per cwt., of 22 per cent.—constituting a protective duty to that extent.

It is also to be considered that the inconvenience and expense imposed on the importer by the present mode of levying the custom duty, is much greater than that arising to the grower from the excise regulations—a circumstance which operates as a further impediment to importation from abroad, and may, therefore, be regarded as an addition to the differential duty.

Such are the facts with respect to the duty; but before pointing out the injurious effects of protection in this particular instance, I would quote for you what Mr. Mill says of the evils commonly arising from discriminating duties:—

“One of the commonest cases of discriminating duties,” writes Mr. Mill, in his chapter on the taxes on commodities, “is that of a tax on the importation of a commodity capable of being produced at home, unaccompanied by an equivalent tax on the home

production. A commodity is never permanently imported unless it can be obtained from abroad at a smaller cost of labour and capital on the whole than is necessary for producing it. If, therefore, by a duty on the importation it is rendered cheaper to produce the article than to import it, an extra quantity of labour and capital is expended without any extra result; the labour is useless, and the capital is spent in paying people for laboriously doing nothing. All custom duties which operate as an encouragement to the home production of the taxed article, are thus an eminently wasteful mode of raising revenue. This character," he continues, "belongs in a peculiar degree to custom duties on the produce of land, unless countervailed by excise duties on the home production."

Such is the character of discriminating duties generally, and now as to the mode in which the tax operates in this particular case.

It is liable, first, to the objection of being an almost purely protective duty, that is to say, of enhancing price without being productive of revenue.

The extent to which an advance in price has been caused by the differential duty may be inferred from the fact, that for some years past, notwithstanding its existence, a small portion of our supply of hops has been obtained from abroad.

The importation, however, that has taken place for home consumption has been but to a very small extent, 10,762 cwt. being the average importation for the last five years, (omitting 1854, as it was exceptional for reasons I shall hereafter refer to), and as the yearly consumption of the United Kingdom is about 400,000 cwt., it will be seen this forms a very insignificant portion of it. It is plain, therefore, that the differential duty operates almost exclusively as a protective one.

With regard to the amount of revenue derived from the tax, it is only necessary to state that the average annual importation, as before mentioned, being 10,762 cwt., the amount received by the exchequer from the differential duty was only £13,990 10s. per annum.

But though the quantity of hops imported forms such a small part of our entire consumption, that it is quite insignificant as regards the amount of duty it brings into the exchequer, the fact that any hops at all are imported is still most important, as an indication of the benefit likely to be derived by the consumer from the removal of the duty.

That *any* portion of our supply is obtained from abroad, however small, plainly shews that the price of some qualities of English hops has advanced, till it exceeds the price of the same class of hops abroad by the amount of both differential duty and cost of transit; from which it is evident that the excess of the average price here over that prevailing on the continent must approach very nearly to the same amount. In other words, that so great are the natural advantages enjoyed by the continent over this country for the production of hops, that they can be grown there more cheaply than in England by almost the entire differential duty and cost of transit.

The effect, therefore, of the duty is by an enhancement of price to afford an artificial stimulus to the growth of hops here, thus inducing their cultivation at an immense cost on inferior lands, and injuriously diverting capital from its natural and more productive channels.

Such being the state of the duties and their effect on the English market, the next point to be considered is the extent to which the soils on the continent are available for such an additional growth of hops, as may be required to supply our increased demand in the event of the removal of the duty.

On this point it is almost unnecessary to say that no statistical information is to be had. I have, however, been kindly favoured by some gentlemen, who have had considerable experience in the foreign hop trade, with their opinion on this point, and I find their testimony unanimous to the effect, that the extent of land in Belgium, Alsace, Bohemia, Bavaria, and other parts of Germany, available for an increased growth of hops without having recourse to soils inferior to those at present in use there, is, as regards any probable demand from this country, practically unlimited. One gentleman of very extensive experience in the trade, in reply to my enquiry on this subject, states that "the area of cultivation may be extended abroad to any degree required by any increased demand;" and again, that "there is no doubt suitable land may be found for the extension of hop culture in Bavaria and Bohemia to meet any increased demand."

Such, then, being the capabilities of foreign countries in relation to the production of hops, we are warranted in concluding that the additional requirements of this country would not be attended with any increase in the cost of production abroad, and that therefore, in the event of the reduction of the duty, consumers here would benefit to the full extent of that reduction, which on our average annual consumption for the last 5 years, 387,072 cwt., would amount to £503,193 per annum.

In fact, however, there is every reason to expect that the benefit attending the remission of the differential duty would be still greater than this, as the increased trade would undoubtedly lead to improvements in the mode of cultivation abroad; and that this would be considerable may be inferred from the fact, that the character of that cultivation is at present most imperfect, and admittedly greatly behind that which prevails in England.

In further corroboration of this view, it may be well to call attention to the experience of the year 1854. In that year, owing to the almost complete failure of the crop in England, government consented to the temporary remission of the differential duty. The effect of this was, that the importation of foreign hops for home consumption, which the previous year had been only 22,588 cwt., reached at once the considerable amount of 116,461 cwt., or nearly one-third of our entire consumption, quickly bringing down prices here to nearly one-half; and this, too, though the growers abroad were quite unprepared for such a demand.

So much for the benefit this country may be expected to derive in its capacity of consumer from the removal of the differential duty; from this of course there might be some deduction in the loss sustained by the revenue; but this, if it existed at all, would be, as I have already shewn, to quite an insignificant amount.

It might be supposed, however, that the removal of the differential duty might be injurious to the interests of the English grower and landowner, in a degree corresponding to the benefit derived from it by the consumer, and that the country on the whole would gain nothing by the change; but this opinion will be found to be quite erroneous, if we consider how the increase in the price of English hops consequent on the duty is disposed of. This it will be found may be divided into two parts—that which goes to indemnify the grower for the loss incurred in cultivating inferior ground, and applying additional capital less productively to lands previously in use—and that which is paid to the landlord in increased rent. By the former, which composes by far the greater portion of the whole, the grower is merely repaid for the loss he has incurred in labour wasted and capital unproductively employed; by the latter, the landlord, it is true, to a small extent benefits; but most unfairly, as it amounts to a tax paid by the community at large to those few landlords who happen to have ground suited for the growth of hops; which is manifestly unjust, being the result of a monopoly in that particular class of land arising from the duty, by which its value is artificially raised at the expense of the rest of the community. There is, therefore, no reason to suppose the grower would be deprived of any benefit by the equalization of the duties, while the landlord would merely cease to enjoy the fruits of a monopoly to which he had never been in the slightest degree entitled.

But in addition to the loss sustained by this country in the increased price of hops, this duty also affords a remarkable instance of another evil arising from protection, in the large and sudden fluctuations in price it leads to, which, I believe, are quite unparalleled.

We can form some idea of these from the published list of prices each year in the London market, though this only indicates the fluctuations in each year's average price, not the extreme variations during the year. On referring to this, I find that the average prices yearly varied since 1800 from £27 per cwt. in 1817, when they reached the highest, to £2 5s. in 1848, when they were at the lowest; or, taking an instance of two consecutive years, from £19 in 1825 to £5 in 1826; or again, more recently, from £4 5s. in 1852, to £11 11s. in 1853.

These extraordinary fluctuations in price may be ascribed almost entirely to two principal causes—the great uncertainty of the growth of hops here, and the exceedingly limited extent of ground available for it.

The uncertainty of the crop in England is so notorious, that it is scarcely necessary here to do more than refer to it. I may, however, give you one or two instances of the extraordinary variations in the yield, realized in favourable and unfavourable seasons.

In the year 1825 the average growth in the entire kingdom was 1 cwt. 8 lbs. per acre, while the following year it amounted to 11 cwt. 5 lbs. per acre, being an increase of nearly eleven fold. Again, in 1839 the growth amounted to 8 cwt. 15 lbs. per acre, while in 1840 it was only 1 cwt. 2 qrs. 8 lbs. And very recently, in the years 1854 and 1855, we had a fluctuation from 1 cwt. 2 qrs. 15 lbs. per acre grown in 1854, to 12 cwt. 3 qrs. 12 lbs. in 1855, or upwards of 800 per cent.

These, it must be remembered, are the variations in the average growth per acre over the entire kingdom; the variations in the yield the same years in particular districts are, of course, greater still. In Hereford, for instance, which is a very considerable district, the duty charged (which of course indicates the yield) averaged in the year 1839 only 8d per acre, while in 1840 it amounted to £1 19s 8d per acre, or nearly 60 times as much; and again, the Worcester district, which in 1839 paid only 11d. in 1840 paid £3 7s. 7d. per acre, or 73 times as much. In fact, it is a matter of no unfrequent occurrence for the produce of the same district to vary two consecutive years 40 or 50 fold.

The extremely limited source of supply is another circumstance to which these fluctuations are greatly attributable. The entire area in England applied to the cultivation of hops was, till within the last few years, generally under 50,000 acres, and so fully did this embrace all the lands suited for the purpose, that the extraordinary fluctuations in price I have noticed have produced the most remarkably slight variations in the breadth of land cultivated—and the supply has, in consequence, been most imperfectly adapted to the demand. As an instance, taking the ten years from 1840 to 1850, while the average duty per acre varied from £1 8s in 1840 to £9 17s in 1850, or upwards of 700 per cent. the number of acres cultivated varied only from 45,768 acres in 1841 to 43,244 in 1851, or less than one per cent.

The result of these extraordinary fluctuations in the yield of our English hop grounds—the effect, no doubt, in some degree of the peculiar character of our climate, but, as I am given to understand, chiefly to be set down to the excessive degree to which cultivation is forced on the very contracted area suitable for the growth of hops in this country—the result, I say, is, that a system of gambling has been introduced into this trade to an extent that I believe is without parallel in any other.

To such a degree does this prevail, that for several months in each season there is a regular record published of the betting each market day on the probable amount of the coming crop, and the excitement, at the approach of the time at which the result is officially declared, is, I have been told, little short of that which prevails at Tattersall's on the eve of the Derby.\*

---

\* It has been maintained that the betting which takes place in the hop trade is a perfectly legitimate commercial operation, being the means to which those interested in the trade naturally resort, with a view to lessen the risks incident to their business. In order that this should be so, it would be necessary that those interested in the success of the crop should all bet one way—namely,

I have stated that the importation of our supply of hops from abroad under the existing state of the duties, indicates the great natural superiority of the lands on the Continent over those of England, for the production of hops. This may appear strange to those who are acquainted with the remarkable fertility of some parts

against the crop: the bets on the other side being taken up by the public at large, or at all events, by persons *not* interested the same way in the result. If this represented the actual state of the case, and if the bets of each person were regulated in some degree with reference to the extent of his transactions in the trade, the proceedings in question might not unfairly be regarded as much in the nature of insurance against risk.

It is, however, scarcely necessary to say that not one of these conditions is in point of fact observed. The betting, in the first place, takes place, not between those who are interested, one way or other, in the abundance of the crop, and those who have no interest in it, or one of an opposite kind, but between growers, factors, and merchants indiscriminately; whether a man bets for or against the crop being an accident, generally depending upon the view which he happens to take of the prospects of the crop being more or less sanguine than his neighbour. The case is just the same as if half a dozen persons took shares in a horse for the Derby, and then commenced making a series of bye-bets with one another. The man who happened to bet against the horse would lessen his risk but, on the other hand, he who took up the bet would proportionately increase his, and the aggregate risk of the whole would be in no degree affected.

But, secondly, the amount of the bets have no kind of reference to the extent of the interest which the bettor may have in the trade, but are regulated simply by the virulence of the gambling propensity. A gentleman long and extensively connected with the hop trade, to whom I am indebted for much information upon the subject, gives the following cases as examples:—

“In 1854, Mr. T——, the well known merchant of Old Swan Wharf, laid 20 to 1, viz., 6,000 guineas to 300, that the duty would pay £50,000. This bet was made, I think, in May or June before the blight had set in, and when even betting on the duty was doing at about £130,000 to £150,000. The duty fell to between £47,000 and £48,000, so Mr. T—— had the pleasure of paying on the 1st of January following (the settling day), 6,000 guineas. The gentleman who received this sum was a factor, and he made over £50,000 on the duty that year. Men are often led to bet beyond their means of payment, or to such an extent as seriously to cripple their resources. In 1855, a hop factor was a defaulter on his betting to the extent of 14,000 guineas. He could not pay. He offered one shilling in the pound. It was refused. Of course, being ‘debts of honour,’ there could be no legal claim. The man has lost his character and position, and no doubt smarts under the degradation.” It is in this way that the hop betting operates as an “insurance against risk.”

Further, the betting in the hop trade is not only not a legitimate speculation, but it is the reverse of one. In legitimate speculation in the stock or produce market, the successful speculator gains by anticipating, through superior information, or possibly through good luck, a rise or fall in the rate of interest or in prices; he thus brings the rate of interest or prices at an earlier stage to that point which the conditions of demand and supply require; thereby, while he gains himself, performing a service to the public. In the hop betting, on the other hand, so far as the betting influences the market at all, it influences it in a direction *opposite* to that which the conditions of demand and supply require. On this point my correspondent observes, “The market is often unduly influenced by betting. For a purpose, factors often lay in favor of the duty for a time; the market becomes depressed; they slip into stock; then the tables are turned, and if possible a reaction is brought about.” The betting in the hop trade, in short, differs in no respect from any other form of gambling, and is attended with the same consequences. There is the same book-making, hedging, and at times the same defaulting. ‘The leading merchants,’ observes the same correspondent, ‘on principle oppose the practice, and never bet at all.’”

of the English grounds, and the exceedingly large crops that are frequently obtained from them (usually much greater than those derived from equal areas on the Continent).

But it must be remembered that this fertility is not natural, but artificial; that the large crops obtained in England are not the result of the natural adaptation of the soil, but of the artificial means that have been resorted to, owing to the limitation of the market consequent on the state of the duties.

To return, then—we have seen that the present differential duty on foreign hops is inconsistent with the principles of free trade, and liable to the condemnation passed by Mr. Mill on all discriminating duties—that by it this country sustains a serious loss in its capacity of consumer, from the increased price of hops, for which there is no corresponding benefit to the revenue. We have seen also that the evils arising from protection in this case are considerably aggravated by special circumstances connected with the hop trade; in short, that there is not a single objection to which a protective duty is liable, that does not apply in the strongest manner to this particular case.

I think, therefore, the meeting will agree with me we are warranted in concluding,—that the present state of the duties requires alteration,—that such a pernicious anomaly in our tariff should not be allowed to continue,—and that the principles of free trade in this, as in our general commercial policy, should be consistently carried out.

Whether hops are a fit subject for taxation or not, is a question perfectly distinct from that I have been considering. If they be, by all means let them be taxed, but let it be done in accordance with economic principles now universally admitted, and let the country not be unnecessarily mulcted beyond the sum brought into the exchequer.

The most obvious way of equalizing the duties by removing the differential amount would, as I have pointed out, afford a very considerable saving to the consumer, without affecting the revenue to an extent worth noticing.

It would seem, however, from a letter by a hop-grower, in the *Times* a few days since, that the excise duty on English hops is considered inconvenient in its operation, and exceedingly oppressive by those concerned in its collection, and that hop-growers would have no objection to the removal of the customs duty, if the excise duty were also repealed.

If such be the case—though I see no objection myself to a portion of our revenue being derived from hops—it might, perhaps, be desirable, as a practical compromise, to abandon this source of revenue altogether, and entirely repeal both excise and custom duties, the amount obtained from them being so very small. I am, however, quite unable to see on what grounds the writer of that letter can anticipate as the result of this the extension of hop plantations in England. On the contrary, as it appears to me, from the great natural advantages enjoyed by the Continent, any change which will remove the present protection—whether by making the duties

countervailing, or by repealing them altogether—cannot fail to develop the natural resources abroad, and throw a large quantity of inferior land in England out of cultivation.

But some may, perhaps, be disposed to think that all my observations have been based on a false assumption, and that cheapness in such an article as hops is so far from being desirable, that dearth should, on the contrary, as tending to discourage the use of malt liquors, be considered as a boon, no matter from what cause arising. Though, however, it is not for me to advocate the cause of malt liquors, especially before gentlemen, some of whom, I understand, are for placing it under penal proscription, yet as there appears to be at present so little prospect of their views being realized; as no indication of an immediate advent of the teetotal millenium is yet observable; and the great bulk of mankind, insensible to the superior charms of cold water, continue to exhibit an unmistakable predilection for bitter beer; I may be permitted to urge, that as long as the state of opinion continues, it is but fair the public should be permitted to gratify this taste (morbid though it may appear to some) as cheaply as possible, and not be required to waive a right which was successfully vindicated against the entire landlord interest of the United Kingdom, for the benefit of the proprietors of a few favoured localities in Kent and Sussex.

---

IV.—*The Social and Moral Elevation of our Working Classes.*—By James Haughton, Esq.

[Read 16th March, 1857.]

GENTLEMEN,

THE subject I have chosen for my present paper is one of acknowledged importance; it has engaged the thoughts and the pens of many able men, so that I cannot hope to invest it with much fresh interest, or to bring it under the notice of the Society in any very new or attractive form. But, as it is a subject in which I have long taken a deep interest—which interest has, I doubt not, been equally shared by many of our members, I venture to trespass on your time and attention for the brief period allowed by our rules, in the hope that every effort made in a direction so likely to excite the warm sympathy of reflecting men, will serve to stimulate all the members of the Dublin Statistical Society, to strive to acquire a knowledge of those natural laws which may best enable them intelligently and wisely to promote an object of such national and universal importance as the elevation of the working classes.

It is my conviction that ignorance is the chief cause of the many social and moral evils which interrupt human happiness, and retard the civilization of man. It seems to me that men act pretty generally up to their own ideas of duty. I do not apprehend that