

No settlement of the question of the issue of notes can be final, unless it is based on sound principles; and its settlement on sound principles would be an advantage not only in a purely economical sense, but also as setting men's minds at rest. A writer during the crisis of 1849 rightly discriminated between the money pressure and the money panic.* The pressure was inevitable as the result of a physical law: the panic, on the contrary, was the effect of want of wisdom somewhere. The law limiting the issue of the Bank of England was suspended, and the result was immediate relief. The bank did not find it necessary to exceed the issue as fixed by the Bank Charter Act; the relief was merely the effect of the knowledge that the power to increase the issue existed. It seems a legitimate inference, that had there been freedom of issue all the time, matters would never have become so bad as they were when that freedom was applied as a temporary remedy.

A money panic is an unmitigated evil. A food panic in the beginning of a famine is rather beneficial than hurtful, by promoting economy in the consumption of food, and the importation of additional supplies; but a money panic increases the present pressure without producing any future benefit. The use of food is to be eaten, and it can be eaten only once; if a panic causes it to be hoarded now, it will be consumed at some other time. The use of money, on the contrary, is to circulate, and if a panic causes it to be hoarded and withdrawn from circulation now, it will not circulate the more rapidly hereafter. The knowledge that there was perfect freedom of issue, and perfect security for the payment of the notes in gold, would probably prevent a pressure from degenerating into a panic.

II.—*The recent Progress of the Free-Trade Movement in Belgium.*—

By Henry Dix Hutton, Esq.

[Read March 16th, 1857.]

THE principles applicable to the question of free trade are the same for all countries, and the leading aspects of the subject, the arguments with which protectionists seek to prop up a failing cause, and freetraders to carry on their work, are essentially similar. But—as might be expected from that variety in natural gifts and social development on which the attention of the advocates of free trade has always been fixed—the strongholds of protection differ widely in different countries, and there are generally some few points, and occasionally some one point, towards which every effort must be at first mainly directed; because, being the key to the entire fortress, that once gained, all the rest falls with it.

In England we know this main point of contention sprang from what was called the agricultural interests. In France, on the other

* I think the article I refer to was in the *Morning Chronicle*.

hand, the mass of the agriculturists are more or less favourable to free trade, while protection is demanded by the manufacturers, and especially by the spinners of linen yarn in the *Departement du Nord*. In Belgium, it is the iron masters and owners or workers of coal-mines who form the main stay of the protectionist cause, although, no doubt, the manufacturers of cotton and linen yarn and fabrics also in some measure strengthen their forces.

On a previous occasion I had the honor of reading to the Society a paper on the Brussels Free Trade Congress and the *International Association* which sprang out of it. I now propose briefly to indicate the progress, very encouraging I think it is, which the free trade movement within Belgium, and as especially affecting its national interests, has made since the foundation of the "*Belgian Association for Customs Reform*," on the 20th January, 1856. It is important to observe that although the Congress naturally grew out of *this* association, and although the central committee of the new International Association and that of the Belgian Association are naturally worked by the same men, nevertheless the funds of both are kept perfectly distinct, for the express purpose of not giving any just ground for the common cry of the Belgian protectionists, that the free traders are sold to and subsidized by England. The sums subscribed *out of Belgium* are *exclusively* devoted to the expenses incident to the International congress and in otherwise forwarding the *general* interests of free trade throughout Europe; while Belgian money *alone* is employed for carrying on the Belgian agitation. This is the more honorable to its promoters, because the maximum yet subscribed (about £400 last year) in Belgium, is insufficient to defray the entire expenses of the agitation, which therefore in great measure fall upon its able and devoted leaders.

In the following short account I will take my statements from the speeches made at various great public meetings, chiefly by men practically acquainted with the facts and working of the system of customs duties as now existing in Belgium; and I beg at the same time to acknowledge my obligations to Professor de Molinari, the zealous and intelligent editor of the *Economiste Belge*, which he, as a corresponding member of the society, has been so kind as to send to us since October last.

In a meeting of the Belgian Association held in Brussels on the 8th September last, its president M. Corr Vander Maeren gave a view of its history, position, and objects. The great industrial city of Verviers, celebrated for its mechanical, spinning, and weaving establishments, gave in an early adhesion to the free trade movement, as did also Bruges, Ypres, Namur, Alost and Antwerp, besides various other towns; in some of which the chambers of commerce, and in others influential representations of commerce and industry, assented to the principles of the Association.

The objects sought by the Association as regards free trade in Belgium are mainly these:—

1. The immediate free admission of the raw materials of industry, especially iron, cast and wrought, and coal.

2. A scale of duties to be estimated, not by weight, but *ad valorem*, and not exceeding ten per cent. on manufactured articles,

not being the raw materials of other branches of industry; permitting, however, but only *provisionally*, a higher protection to certain manufacturers now protected.

3. The simplification of the tariff.

At that time the custom duty had by a law then just passed been reduced from five francs to 2f. per kilogram for cast iron, and from 12f. 70c. to 4f. per kilogram for wrought iron; this reduction to come into operation in the 1st of January, 1858, or sooner, if so ordered by royal decree. The iron masters, alarmed by this innovation, sought to postpone the evil day until the latest period allowed by the law, and it was feared that the great influence they possess would be successfully used. However, the growing interest of the public in the free trade movement induced the government to put this law in operation from the 1st of January last. It is also worthy of notice that the tariff was not only reduced but simplified; the above double scale being substituted for one based on an eight-fold classification of articles in iron. Moreover, on the discussion in the Chamber, there was a large minority (25 to 68) in favour of the *entire* suppression of import duties on iron. M. Corr Vander Maeren, after the passing of the law, addressed a letter to a leading protectionist iron master, M. Dupont de Fayt, in which he proved that even the present rate of duty is highly protective, (nearly 100 per cent.,) and that the figures circulated by him and his co-manufacturers were very erroneous.

The connexion formed between the Belgian Association and the *agricultural* interest is remarkable, and the discussions at the Congress on this head appear to have exercised a remarkable influence. The movement of 1846 with us led to a similar agitation in Belgium, the result of which was that in 1847 the importation of corn was rendered subject only to small duties. In 1856, however, although the custom regulations remained the same as to importation, *exportation* was *prohibited*. M. Corr Vander Maeren then, in a letter dated the 17th August, 1856, and addressed to the "Central Society of Agriculture," insisted strongly on the injurious effects of the protective system on agriculturists; showing that they were at once prevented from *buying* cheaply the clothes and implements they need for their families and labourers, and from *selling* their products in the best market; and that, although the agricultural population was one-fourth of the entire population of Belgium, being upwards of one million. He insisted on the iniquity of the heavy duties on cotton fabrics, the staple clothing of the labourer, who pays from 100 to 150 per cent. more than these articles could be bought for, if their importation was freely permitted. He also showed that the system of basing the tariff on weight and not on value, made the customs weigh far more heavily on the poor man than on the rich, and concluded by inviting the Society "to institute an examination into the existing customs-duties, in order to discover to what degree they affect the interests of agriculture." M. Corr Vander Maeren was subsequently, on the 3rd November, heard by the Society in support of his motion,

which was passed by a large majority. I will afterwards state the result of their enquiry thus instituted.

In October, 1856, the Belgian Minister of Finances circulated among the Chambers of Commerce a project for the *revision of the tariff*; requesting them to make it known in each locality, and to return it to him with their opinions respecting it. The Belgian Association thereupon determined to institute an examination of this project, and for that purpose invited the co-operation of merchants and others, by a circular which specially called their attention to the fact that the duties estimated on the *weight* of articles, which the government put forward as being only from 6 to 20 per cent., really amounted to from 40 to 50 per cent.

In their circular (dated the 9th November, 1856) the Association strongly condemned this project, on the grounds that it was based on weight and not on value, thereby making the duties fall very unequally on different classes; that it was still too complicated, not eliminating articles which brought little to the treasury; that it did not sufficiently reduce the protective duties, even on manufactured articles; and lastly, that it did not free from duties the principal articles of prime consumption by manufacturing industry. An eminent cloth manufacturer, M. Snoeck, who employs five hundred workmen, on the 31st October last wrote a letter to the President of the Verviers Chamber of Commerce, demanding the total suppression of custom duties, first on the raw materials of his industry, and secondly on *the manufactured article itself*, he being, he said, able to compete in the foreign market. He also condemned the reductions proposed by the minister as illusory. The dyers of Adrianople also addressed a petition to the minister relative to his project, and demanding the free introduction of the articles of first necessity for their trade, these being now protected for the sake of yarn-spinners, chemical manufacturers, and others. A petition numerously signed by influential machine-makers of Verviers was also, on the 31st October last, presented to its Chamber of Commerce, demanding the suppression of all duties on the importation of machines, *even though* the present protection should be maintained in favour of the raw materials of their industry. The card makers of Verviers and glass manufacturers of Charlerois have since come forward with similar demands in favour of free trade.

A great meeting of the Association was held in Brussels on the 29th of November last. Several eminent merchants and manufacturers spoke at length, showing the evil effects of the present system, and were heard with great attention by a numerous audience.

In the meanwhile, the protectionists had not been altogether idle, nor do they seem to regard the free trade movement with indifference or without fear for their peculiar protected interests. In December last, they formed an "Association for the defence of National Industry." Professor de Molinari thus describes its composition. "It is composed principally of iron-masters, owners of coal mines, manufacturers of linen and cotton fabrics, cotton spinners and makers of chemicals, whose names look strangely together. In fact, it is well known that makers of thread and tissues are deeply interested in having, as cheaply as possible, iron, coal, and chemicals. We know that it was the bitter complaints of

the manufacturers of Ghent which mainly determined the government to open the frontiers to the inundation of English coals; and it is equally well known that the greater number of the manufacturers of tissues who have organized this Association for the defence of National Industry, make no scruple of taking advantage of Article 40, that is to say, of buying from these "perfidious English" the yarns and thread they require, *duty free*, in order that they may export them when made into clothes. It is evident that this unnatural coalition cannot last long. Public opinion will in the end recognize the fact, that the true Association for the defence of National Industry is the Belgian Association for Customs Reform."

This Association has had several meetings called public, but in which the free traders are refused discussion, and sometimes even admittance; while, on the other hand, the Belgian Association for Customs Reform has acted on the opposite principle of inviting discussion, in which, however, the protectionists appear to have no desire to engage, preferring to circulate erroneous allegations of facts, and even it is to be feared resorting to underhand measures for exciting popular feeling, as in the case of the meeting of the Belgian Association held at Ghent, where the free trade speakers with difficulty succeeded in obtaining either a place of meeting or a hearing.

However, public opinion continues to favour the movement increasingly. In January, the Verviers Chamber of Commerce unanimously decided that their manufacturers no longer needed any protection, but that for the sake of the treasury they would accept a reduction of duties on manufactured articles to a maximum of 5 per cent. The Chamber of Representatives also recently adopted two laws; one taking off the prohibition to export corn after the 15th February last; the other, reducing from the 1st January, 1858, the import duties on corn, cattle, and other articles of food. At Antwerp, on the 20th December last, the Association held a meeting which was attended by all the *élite* of that great commercial port, who gave in a cordial adhesion to the principles of free trade, and several remarkable speeches were made showing the evils resulting from the present complicated and onerous duties. To this they ascribed the fact, that for the past twelve years the commerce of Antwerp had been *stationary*, while that of Holland and Hamburg had steadily progressed. They also expressed their strong disapproval of any protection to the shipping interest by differential duties, the abolition of which in Belgium had been to the real advantage of the merchants, and even of ship-owners themselves.

M. Vandebroek having made a report for the committee charged by the Agricultural Society to examine the free trade question, the Society met on the 15th of January last to take it into consideration, and after an animated discussion, the majority voted generally in favour of the free trade recommendations of the committee, except as regarded the importations of wood. This Society having agitated for a general petitioning by the agriculturists in favour of the free admission of iron and coal, their efforts in this direction seem to have met with much success, showing hitherto 321 petitions, with 8,760 signatures, chiefly of the most intelligent classes of farmers.

The effects of the new law on the iron works seems not to be as disastrous as the protectionist iron masters anticipated; for three new establishments are being erected, of which one, it is stated, belongs to the great champion of protection, M. Dupont de Fayt.

The actual condition of the Belgian tariff is clearly shown in two remarkable documents recently published in the pages of the *Economiste Belge*. The first is by Mons. Vandebroeck, who compares its effect on the purchases made by the richer and poorer classes. Thus the duties for them respectively; on furs, 6 per cent. for the one, 100 per cent. for the other are as follows; furs, 6 per cent. common leather, 20 per cent.; rich cotton fabrics, 3 per cent., common ditto, 149 per cent.; cashmere shawls, 15 per cent., common woollen fabrics, 50 per cent.; and so on through a variety of necessary articles of consumption, always to the advantage of the richer classes. The second document is a letter dated the 17th of February, sent by M. Corr Vander Maeren to M. Rey, the president of the protectionist association above mentioned, inviting him to discussion, and recapitulating the principal facts relative to the existing tariff.

The influence of high duties levied on articles of the first necessity, as tending to introduce smuggling and thus to degrade the national character, has been well illustrated by M. Vander Maeren in an earlier publication of the year 1846. I will conclude with the following extract on this head taken from his essay:—

“In Belgium, where both the extent of the country and the shape of its frontiers eminently favours smuggling, every excessive duty is a premium offered to fraud, and the exchequer never profits by it. Light duties, on the contrary, are not worth the dangers incurred in smuggling, and the exchequer is sure of its returns. The duties on silk goods offer a striking example of this assertion. We know that 6 per cent. was the basis of the tariff of 1822 for foreign produce imported into Belgium; but exceptions were admitted, and silk goods were valued at a duty of 8f. 44c. the kilogram. The then existing government imagined that by means of this protection, a similar trade might be created in Belgium; an establishment was even founded at the expense of the state for the training of silk worms. Not, however, till considerable sums had been expended, was the folly of this forced national trade recognized. And what was the result of this excessive duty of 8f. 44c. the kilogram?—that the customhouse received nothing on this article; that all the silk goods imported into Belgium were smuggled; and that the protective duty had protected smuggling at the expense of the public treasury.

“It was not till the 7th April, 1838, that the protective duty was replaced by a duty of 5f. the kilogram on silk goods; at the same time smuggling ceased, and all the silk goods imported into Belgium passed through the customhouse subject to the new tariff, nearly equivalent to 5 per cent. on the value of the merchandize. Any attempt to increase this duty immediately transfers the profits of importation to the smuggler; this therefore is the rate at which to maintain it if the duty is to be really fiscal, by which we mean remunerative to the exchequer.”