

The relation of traders to the owners of railways is not comparable to the relation of tenants to landlords in Ireland. The Irish railways are in the hands of the Irish people. If it is for the advantage of Ireland that the railways should unite, let the shareholders agree upon terms of union and go to parliament, so far as necessary, for statutory authority to amalgamate. If the shareholders are blind to their own interest, let those who believe in the benefits of amalgamation agitate the question till they bring the country round to their opinion. The real obstacle to effecting amalgamation, assuming that it would be beneficial, is the difficulty of agreeing upon terms of union. I attach no importance to the opposition of directors who would lose in position by amalgamation. I believe an exaggerated importance is attached to it. The shareholders, if properly organised, can overcome any such opposition.

To return to the bill of last year—we find the terms of purchase thus defined:—The state is to give “twenty-five years’ purchase of the annual net revenue, calculated as an average over a period of seven years, dating from 31st December, 1883.” One fact seems fatal to such a basis of calculation. It requires us to assume that a period like that of 1879-’82 may be expected to recur regularly in the future history of Ireland. Clause 4 of this bill contemplates the possibility of some company objecting to be bought out on such a basis, and provides that if a company will not accept these terms, then—what?—the matter shall be referred to arbitration, or to a special tribunal, or to the courts of justice?—no, but parliament may authorise the construction of new railways in the district of the recalcitrant company. Without intending any disrespect to the names on the back of this bill, I think this may be fitly designated as the “your money or your life” clause. If a reasonable scheme of amalgamation can be framed, it ought to receive the fullest consideration; but mere general assertions of the advantages of union do nothing to promote the desired object.

My object has been to give a brief sketch of the principal topics of controversy regarding railway rates. I have not endeavoured to lay down what should be the course of legislation, but have sought to suggest some of the principles which require to be kept in mind in discussing this important subject. I ask your indulgence for the imperfections of this paper, of which no one is more conscious than myself.

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IV.—*Free Trade and Irish Manufactures.* By Richard R. Cherry, M.A. Barrister-at-Law.

[Read Tuesday, 27th February, 1883.]

THE movement which is at present on foot for the encouragement of native manufacturing industry in Ireland has been condemned by many economists as opposed to what are called free trade principles. It has been said that any attempt to divert industry from its natural course must be fruitless as an attempt to interfere with funda-

mental laws of nature, which are as certain and invariable in the economical as in the physical field—that the movement is nothing but protection in disguise, and, as such, condemned by all the great writers on political economy.

Here then we have a problem which will well repay thoughtful consideration, raising, as it does, the whole question of the application of the principles of economic science to individual cases. How far and within what limits are we to apply these principles? Are we to follow them rigorously, without regard to particular circumstances of any kind, or are we, on the other hand, to discard them altogether?

It has frequently been remarked that in politics there is nothing so dangerous as a general principle. The facts from which it was originally abstracted are almost invariably forgotten, and it is applied indiscriminately to all cases, without first considering whether any circumstances are absent which are essential to its truth, or present which may interfere with its operation. The faculty of generalization is undoubtedly a very valuable one, but it is also a very dangerous one, and if improperly used may lead to a great deal of error.

But in economic science there is far greater scope for general reasoning than in political science properly so called, and many valuable conclusions have been thereby obtained. The danger of a too hasty application of its principles must not, however, for that reason be neglected. The recognition of this danger is the stronghold of the new school of political economists, which has sprung up in this country. The result of the long controversy on the subject of economic method has been, I think, to prove, that although the abstract science is extremely valuable in itself, yet, on account of the endless variety of human affairs, it is impossible to apply its theories with any degree of certainty to a particular case, without a careful consideration of the reasons on which the theory is grounded, and of all the circumstances of the case. A general proposition should never be applied to a new case without first going over the reasoning by which it is proved. However valid the deductive method may be in *pure* or *abstract* political economy, when the science is *applied*, the only safe method to follow is that called the historical, according to which, before applying any theory, the whole of the surrounding circumstances must first be inductively investigated. We cannot, on the one hand, apply the theory unless the circumstances conform to its conditions, nor are we, on the other, to reject it *in toto* because we do not find it borne out in this particular case.

The distinction between the pure and applied branches of political economy has not hitherto been sufficiently attended to by economical writers. The late Professor Cliffe Leslie, probably the most distinguished exponent of the latter branch has, to my mind, conclusively shown that the historical method is the only safe one in dealing with particular problems in economic science. Had he confined himself to this, instead of extending the same method to the whole science, he would have occupied a position from which it would have been impossible to drive him, even if the orthodox economists had attempted to do so. It is nonsense to apply economic theories as we do propositions of Euclid, but the theories are true nevertheless; nor need

we say that political economy is banished to Saturn, because a system sound in one country needs considerable modification in another.

In the discussion of the question of free trade the danger of too great reliance on abstract reasoning is abundantly shown. The original expounders of free trade principles were men of strong scientific minds, who pursued the train of their reasoning logically to its conclusion, without losing sight of the premises from which they started. They saw the limitations to which their theory was subject, and the necessary conditions of its success, and if they did not dwell at any great length upon these, it was entirely because it was unnecessary in the case of the country with which they were more particularly concerned. That the abstract theory of free trade is true, and that it applies to England, is all that can certainly be said on their authority. To say that it must necessarily be applicable to all other countries, no matter what their economic conditions, is not a safe ground to take.

When once a theory is generally accepted, its original supporters are recruited by others who have not sufficient intelligence to understand the reasons on which it is based, and simply take it up because everybody else does. Every proposition of the theory, whether premiss or conclusion is made a party cry—no distinction is made between ultimate principles and remote deductions, all are enforced as equally certain and necessary. Such has pre-eminently been the case with free trade. The host of newspaper writers who denounce as ignorant and stupid any person who does not accept all their shibboleths as of universal application really do not understand the question at all. It may flatter English vanity to declare that the rest of the civilized world are all fools—as ignorant as those who say that the earth is flat—but is this likely? Surely the non-acceptance of free trade by so many nations cannot be in all cases the effect of ignorance. In some cases, at any rate, it must be justified by circumstances. The *Times* puts free trade on a parallel with the law of gravitation. One, it says, can no more be argued against than the other. To compare, however, an ultimate law of nature, like that of gravitation, with the practical application of a number of derivative and complex laws, is a course which would only be taken by one who was totally ignorant of all scientific principles, and who certainly had not read *Mill's Logic*.

My object, so far, has been to show that a general acceptance of free trade principles is not conclusive against the present Irish Manufacture movement, or even against some form of legislative protection for home industries if such were possible. Adam Smith, the father of free trade, admitted that it was not of universal application. He not only states that in some cases it may be a matter of deliberation how far it is wise to admit foreign goods free, but he actually goes on to mention two instances, where in his opinion

“it will generally be advantageous to lay some burden upon a foreign, for the encouragement of domestic industry.”\*

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\* *Wealth of Nations*, book iv. chap. 2.

He thought it wise to continue the navigation laws for political reasons, and he admits, that by artificial expedients

“a particular manufacture may sometimes be acquired sooner than it could have been otherwise, and after a certain time may be made at home as cheap or cheaper than in the foreign country.”\*

It is extraordinary how completely these statements of Adam Smith are overlooked. His name is constantly cited as an authority in favour of free trade at all times and circumstances, yet we find that he with his wonderful breadth of view saw that the reasons on which it was supported were liable in some cases to counteraction. Next to Adam Smith the greatest exponent of free trade is probably John Stuart Mill, and he too admits that there are cases where protecting duties are defensible, if temporarily imposed. It would be well if the doctrinaire politicians who are so fond of sneering at the “crudeness” of the theories of foreign protectionists would study the works of Adam Smith and Mill a little more closely than they do.

The economic position of a writer is frequently determined for him in a great degree by surrounding circumstances. Thus, Adam Smith being in the midst of the mischievous commercial regulations of the last century, looked on government interference in matters connected with trade as in all cases injurious. This *laissez faire* theory, as it is called, has however been carried much too far, as a brief consideration of the subject will show. It is said that if people are left to themselves they will find out far better than Governments can what is the most profitable course for them to follow. But the advocates of *laissez faire* doctrines forget that a certain course may be advantageous to an individual, provided others take the same course, but prejudicial to his interests if others act in a different way. Colonization affords a familiar illustration of this principle. If every colonist occupies only a limited amount of land, it is found that in the end all are better off than if they possessed a larger tract, on account of the comparative ease with which labour and all other necessaries are obtained. But the advantages only arise when all are limited in their possessions; if ninety-nine occupy large tracts the hundredth gains no advantage by taking only the smaller share. We can thus easily understand that it may, in certain cases, be for the advantage of an individual to purchase foreign goods, when others are at liberty to do so, although if all confined themselves to home manufacture all would equally be benefited.

Of late there has been a considerable revulsion against the extreme form of *laissez faire* principles. Most economists, as well as other people, will now acknowledge that industry may be very greatly benefited by legislative enactments, based on right principles, as well as by the indirect encouragement which is given by a popular movement; but those who hold such opinions think that there is a conflict between them and the principles of free trade. I have already stated that I do not think any such conflict exists—that the theory of free trade is scientifically true, but that it rests on con-

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\* *Wealth of Nations*, book iv. chap. 2.

ditions which do not universally exist, and must therefore be applied with caution.

I will now state shortly the leading arguments in support of free trade, and consider how far they are applicable to Ireland.

In the first place it is said that the industry of any country is limited by its capital, and by the field for employment which is open to this capital, *i. e.*, its resources. Protection, whether direct or indirect, cannot increase this capital, nor can it increase the natural resources, therefore it can never actually increase the amount of industry in a country.

All this is no doubt true, but are there not sometimes artificial causes which prevent the capital in a country from being fully employed, and which lead to its exportation, in spite of the fact that there are undeveloped resources in the country itself. The resources of Ireland are undoubtedly capable of far greater development than they have hitherto received ; and there is a large amount of capital in the country in the shape of bank deposits which is not employed as it might be in their development, but is lent to investors in other countries. The amount of savings' bank deposits has frequently been referred to as an indication of prosperity in Ireland ; but is it really such while the country's resources remain undeveloped ? If any individual, more courageous than another, instead of depositing his capital in a bank invests it in some new trade, he finds that he is at once undersold by some large English firm, who, besides the advantage which a well-established trade gives them, often find it expedient temporarily to sell at a loss in order to drive the Irish competitor from the field. It may indeed be said that the same reasoning applies to a new competitor in England itself ; but the answer to this is, that a competitor who endeavours to establish any industry in a country where it has not previously existed has far greater difficulties to contend with than one who endeavours to do so where it is well established.

The second leading argument in favour of free trade may be stated shortly as follows :—The importation of a foreign commodity never can diminish the amount of industry at home, because for every article of foreign production that is brought into the country it is necessary that some article of home production should be exported to pay for it. The purchaser of an article made abroad does not then give employment to the foreigner at the expense of the home producer, but to one branch of home industry in preference to another, and the fact that the exchange takes place sufficiently shows that the country is better adapted to produce the commodity which it exports in payment, than that which it imports in exchange. Any interference with this exchange, whether by protecting duties, or by bounties, or by voluntary encouragement of home production, does evil, it is said, instead of good, by directing the industry of the country from a more to a less profitable employment, and by encouraging industries for which the country is not suited, at the expense of others for which it is better adapted.

I think I have stated this argument as fairly as it is possible to put it, and I hope I cannot be accused of underrating its force. As

an economical theory it is perfect, and experience has abundantly shown its applicability to England ; but according to the principles which I have laid down in applying economic theories, it is necessary to look a little into the particular circumstances of Ireland, before admitting that it is equally applicable to this country.

Ireland is essentially an agricultural country ; the manufactures which exist here are so small that they need not be taken into account. The country, indeed, is better adapted for pasture than for agriculture in the strict sense of the term. The great mass of our exports consist of cattle, and butter, and wool. These are the commodities with which we pay for the manufactured articles which we import. Now suppose that instead of importing manufactures from England or abroad we succeeded in establishing them in our own country. Suppose, for instance, that instead of wearing English cloth in our clothes we use Irish : according to the theory we do not benefit the Irish cloth manufacturer at the expense of the English but rather at the expense of the Irish grazier, whose cattle were formerly exported to pay for the cloth, and we direct Irish industry from the more profitable employment of cattle grazing to that of woollen manufacture, for which England, according to the hypothesis, is relatively better adapted.

Now does anybody really suppose that if an extensive manufacturing industry were established in Ireland, the land would be left idle—that less cattle would feed on her pastures because there were more mills and factories along her rivers or in her towns. Is there any example in the world of a country which through the abundance of its manufactures neglects the cultivation of its soil ? Is the land of England or of Belgium left deserted ? Or is it not rather a fact that the greater the amount of manufactures in a country the more carefully every rood of ground is cultivated ? Can any instance be pointed to of a country which has developed her manufacturing *at the expense of* her agricultural resources ?

Experience shows that, on the contrary, when the exports of a country consist, not of manufactured articles, but of the raw produce of its natural resources, an artificial encouragement of manufacturing industry does not create a corresponding diminution in its other products, because these products, from their nature, cannot be very greatly increased or diminished. Natural resources cannot be altered artificially. The Corn Laws did not to any very considerable extent increase the amount of corn grown in England, nor, I am convinced, would the strictest system of protection diminish the number of cattle fed in Ireland, or consequently lessen the production of wool or of butter.

But if the capital for extending manufactures is not taken from agricultural industry, where, it may be asked, is it to come from ? In reply, it is only necessary to say that, although industry undoubtedly requires capital to support it, yet industry itself creates capital by a gradual process of development. In Ireland, too, there is a large amount of uninvested capital deposited in banks which would probably, on sufficient encouragement, be invested in manu-

facturing industry in the country, instead of being sent abroad as it now is.

The third and last leading argument in support of free trade which I shall mention, is, that industries which are suitable to any country naturally spring up without any artificial assistance, and that such assistance can only have a mischievous effect in creating industries for which the country is not suited. This argument is often carried to such an extreme degree that we are tempted to ask whether houses and machines grow like grass, and if no effort is necessary for their construction. Of course its real meaning is that individual effort alone is necessary, and in so far as it applies to a country whose commercial position is well established this is true. In such a country individual effort is all that is necessary to develop the natural resources; but in a country which artificial causes in the past have kept in a backward state, the enterprise of individuals alone, without any assistance from the State or popular aid, is not sufficient to revive decayed manufactures.

It is a great mistake to suppose that the absence of an industry can only be caused by want of natural resources. The cause is frequently accidental, arising from something in the previous history of the country, a long continued disturbed state of society, the presence of a richer and more enterprising neighbour, want of education among the people, all these are quite sufficient to explain the backward state of a country, and all, if I mistake not, have had a great deal to do with the present economical position of Ireland. During the seventeenth century the woollen trade flourished throughout Ireland; the narrow commercial policy of England at the time, however, crushed it through jealousy, and it has never been able to re-establish itself since. The fact of it having injured the English trade proves conclusively that it was suitable to the country. The English House of Commons, in the petition which they presented to King William III. stated that they could not

“without trouble observe that Ireland, dependent on, and protected by England, should of late apply itself to the woollen manufacture, to the great prejudice of the trade of this kingdom, and so unwillingly promote the linen trade, which would benefit both them and us.”

Accordingly enactments were past which completely destroyed the woollen trade, though little was done to fulfil the King's promise of promoting the linen trade instead. For the existence of that trade in the country to-day we have to thank rather the sturdy perseverance of the inhabitants of Ulster than any help from the Crown. It is said that these hindrances have long since been removed, and that there is nothing to prevent the woollen manufacture being carried to any extent in Ireland now. But historical causes cannot be passed over so lightly as all that, and I believe they have much more to do with the present state of industry throughout the world than is generally allowed. It is all very well to say that, the restraints being removed, both England and Ireland now compete on equal terms; but if two men start in a race and one is held back for ten minutes while the other goes on, can we say that when he is let go they compete on equal terms? If an industry has been artificially

extinguished in a country, it is not sufficient to remove the restraints in order to place it on an equality with a foreign competitor; it is necessary that some active steps should be taken to replant it and protect it in some way until it is able to compete on fair terms with its more fortunate foreign rival; if then indeed it languishes, the cause may fairly be said to lie in some natural defect, but not until then.

This is the true justification of protection in the colonies—a justification which is quite consistent with the reception of free trade principles in the abstract. In proof of this statement it is only necessary to refer to the pages of such a well known book as Mill's *Principles of Political Economy*—and it need scarcely be said that such an eminent champion of free trade as John Stuart Mill would not accept any doctrine inconsistent with it; yet we find that in discussing the subject he admits that there are circumstances which call for a limit being placed to it—

“The only case,” says he, “in which, on mere principles of political economy, protecting duties can be defensible, is when they are imposed temporarily (especially in a young and rising nation), in hopes of naturalizing a foreign industry in itself perfectly suitable to the circumstances of the country. The superiority of one country over another in a branch of production often arises only from having begun it sooner. There may be no inherent advantage on one part, or disadvantage on the other, but only a present superiority of acquired skill and experience.” “It cannot be expected,” he goes on to say, “that individuals should at their own risk, or rather to their certain loss, introduce a new manufacture, and bear the burthen of carrying it on until the producers have been educated up to the level of those with whom the processes are traditional.”\*

Every word of this extract is applicable to Ireland; and those who have set their hearts on fostering by every means in their power the manufacturing industry of Ireland, if they are sneered at for the “crudeness” of their “protectionist” theories, may have the satisfaction of knowing that if they are protectionists, then Adam Smith and Mill were protectionists also. The doctrinaire free traders of the English newspaper press contemptuously smile at those who refer to past restrictions as having anything to do with the present industrial features of Ireland. The *Times* a short time ago referred to the—

“curiously widely-spread belief that Irish industries are not in a flourishing condition, by reason of the injustice done to them in the remote past.” “No doubt” it admits, “the English Parliament behaved selfishly in the past. But events which happened centuries ago are no reason why enterprises put down or injured then should not revive, if capital and energy are forthcoming.”

To ignore history is a convenient but by no means satisfactory way of dealing with political questions. We will never have a sound system of applied economical science, until the principle is recognised, that historical causes have a great deal to do with economic characteristics, and if there is good ground for supposing that the cause of the absence of any industry is historical rather than economical, I see no objection whatever, on principles of political economy, to protecting

\* *Principles of Political Economy, People's Edition, p. 556.*



that industry by legislation. Legislation cannot, of course, increase the natural resources of a country, but it may increase the skill of the inhabitants. Nothing can be more absurd than an attempt to protect any raw production; but the same reasoning does not apply to manufactures. The protection should, however, in the words of Mill—

“be confined to cases, in which there is good ground of assurance, that the industry which it fosters will, after a time, be able to dispense with it.”

Of course, when the effort to develop manufactures is voluntary, as in the present movement, the danger of artificially establishing an industry, for which the country is unsuited, does not exist. So also, the difficulty, that protective duties, when once imposed, cannot be easily withdrawn, does not arise, though this, even as a matter of fact, is doubtful. There seems to be every prospect that the tariff of import duties in the United States will soon be considerably reduced. Undoubtedly, however, the protected industries offer great opposition to the remission of the duties; and, consequently, if any system of protection is thought desirable, a system of granting bounties in some form, seems preferable to the imposing of duties. The assistance being more direct, the cost to the rest of the community is more easily perceived, and, consequently, there is much less difficulty in withdrawing it. In our own case, where protecting duties are manifestly out of the question, there is no hinderance to an encouragement of manufactures in other ways. Government loans at a low rate of interest are not unknown in Ireland. Why should they be confined to the payment of the rents of bankrupt tenants, or at least to the encouragement of agricultural improvements. There is still something left of the Church surplus, why should it not be lent to enterprising manufacturers in Ireland, as large sums have been lent to landlords for building purposes. If the English people have really put aside the selfish jealousy of the last century, let them show their good will to the Irish manufacture movement, by supporting such a scheme as this. None of the evils anticipated from protection could arise. The borrowers might be allowed themselves to select the kind of industry in which to invest the loans. Would they not be able to judge what industries were most suitable to the country? There would, undoubtedly, be some losses, but in the great majority of cases, the loans would be repaid.

It is frequently said, that in consequence of the want of coal in Ireland it is hopeless to establish any manufactures here; but the absence of coal has not prevented the linen industry of Ulster from developing into a flourishing trade. In fact, many parts of Ireland are more advantageously situated for a supply of coal, than if coal was produced in Ireland itself. It is always cheaper to carry by sea than by land, and it is much cheaper to carry coal from Wales to the east coast of Ireland than to many parts of England, where manufactures flourish. Again, coal is not the only motive power available. An immense amount of water power runs waste in Ireland; and we have it on the best authority that water power, wherever it exists in England, is always employed in preference to steam. One-ninth

of the total mill power of Lancashire, according to Sir Robert Kane, is furnished by water, and that eminent writer has calculated that so much more abundant is the water power of Ireland than England, from the humidity of the climate, that if it was used as extensively as it is in Lancashire, the mills in operation would be (relatively, to the size of the two countries), as numerous as those worked by both water and steam in England. Water power, too, has an advantage over coal in one respect, that it is inexhaustible, while every day renders the coal supply of England less abundant. It is not generally known that in Dublin a thriving manufactory of pins exists, worked by water power alone. The establishment of Messrs. Thomas Hoey and Co., on the Grand Canal, turns out weekly, over 700 lbs of pins.

There are many manufacturing industries for which Ireland is undoubtedly suited, and which would probably revive with a little encouragement. Prominent among them, is the woollen manufacture. We annually import woollen goods from England of over £2,000,000 in value, while we possess every possible advantage for the manufacture at home. Wool is produced here in abundance. Water power to work the mills runs to waste throughout the country, and the natural humidity of the climate is, it is said, favourable to the manufacture—making the yarn elastic, and preventing it from breaking easily in the process of weaving. The celebrity of Irish woollen goods in former times is itself a proof that the industry is suited to the country. Any manufacture, too, which requires a considerable amount of intellectual ability, one would naturally suppose would be suitable to the character of the Irish people—such as the construction of delicate mathematical and surgical instruments. Irishmen are naturally quicker and more versatile than Englishmen, and these qualities in a great measure supply our deficiencies in solid, business-like qualities. In many cases, they are indispensable. Dublin has already produced the greatest telescopes in the world. Is there any reason why the superiority in this branch should not be extended to other kindred manufactures?

There is nothing then inconsistent with free trade principles, as these have been expounded by the great writers on political economy, in giving every assistance in our power to the present effort to develop Irish manufactures; nor, I am convinced, would it be inconsistent with the soundest economical principles to promote the same end by legislation. We need not apprehend any evil effects from protection, in a country where agriculture is the sole employment of the people. The industry of the country cannot be diverted from this employment. The absence of manufactures may be due to economic causes; but it is by no means certain that such is the case. Political and historical reasons are amply sufficient to account for the deficiency; and in so far as the want is due merely to our being a little later in the race, it may be cured at the expense of a little temporary inconvenience.

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