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THE CAUSE .

OF THE PRESENT

COMMERCIAL DISTRESS,

AND ITS BEARINGS ON THE INTERESTS OF

SHIP-OWNERS;

A SPEECH DELIVERED BY

JAMES WILSON, ESQ., OF LONDON,

AT THE

FREE TRADE BANQUET,

HELD IN THE AMPHITHEATRE,

LIVERPOOL,

ON TUESDAY, 31st JANUARY, 1843.

LIVERPOOL:

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1843.



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ON TUESDAY, THE 31ST JANUARY, 1843,

JAMES WILSON, Esq.

Of London,

Responded as follows to the Toast, proposed from the Chair,—

“THE SHIPPING INTEREST,—*may they soon be convinced that
Commercial Restrictions are incompatible with Maritime Prosperity*”:—

MR. CHAIRMAN,

Sir,—I cannot but feel, in rising to address myself to this great and influential meeting, on the subject of the toast which has been proposed, that the history and rapid progress of this town, now second in commercial importance in the whole world only to London, exhibits a striking example of the advantages which commerce derives from liberal regulations and institutions; and I feel that you have proved that the more we approach to the principles of free trade, even in these matters of detail, the more we consult the true genius of commercial prosperity.

But, sir, there is a sort of fashion to consider the principles of free trade, and those who profess them as being merely theoretical, and incapable of practical application. Now, sir, I contend that the opposite is the fact. Let us, for one moment, consider what protection is, and how it acts: the greatest advocates for protection, at least profess, that the principle should be applied generally and equally to all interests. Now, sir, let us suppose that a given amount of protection could be, by great care and infinite pains, extended equally to all the varied interests of the community—to agriculturists, manufacturers, colonial producers, merchants, shipowners, and all others. Can we, for a moment, contemplate the amount of labour and knowledge which such fair allotment of protection would require—and believe it to be practicable? But, suppose it were practicable and accomplished, what benefit, I ask, could any one interest derive from *its* protection? Such fair allotment of protection would merely act as an artificial advance of price to all alike, doing

good to no one; protection in one case, cancelling the effect of protection in others, but being maintained by regulations of a costly and expensive character. But what effects would such artificial prices have on our export trade with foreign countries, beyond the pale of your principles of mutual protection? It would obviously be, to make every thing you had to sell dearer than the price of the world, and thus to circumscribe and narrow your trade.

But, sir, admit that this allotment of equal protection could be made, and were made, I ask how long practically would the arrangement avail or continue equal? A day would not elapse, not even an hour, before, by the changes which are constantly taking place in the relative condition of producers, the operation would become unequal and unfair, and the whole arrangement disturbed; and it would only be when it became unfairly applied to some interests that any (even of apparent) advantage would be gained by others; so that protection, while equal, is of no avail to any one, though maintained at a great cost, and only becomes valuable to any one as it becomes chargeable and unjust to others; while, on the other hand, a perfect free trade would always sustain each interest in its fair and equal relation with all others, without the necessity of laws and regulations; and would maintain the prices of commodities in this country at the proper natural value, so as not to interfere with our foreign trade.

Sir, I feel that I should ill perform the duty which I have undertaken, if I did not attempt to show that the present universally avowed and acknowledged depression in all the leading interests of the country, and now felt especially by the shipping interest, is to be traced mainly, if not altogether, to one of the most violent departures from the principles of free trade ever recorded on the statute book of any commercial country:—I mean to our Corn and Provision Laws. I feel this to be more important in consequence of an article published in the last number of the "Foreign and Colonial Quarterly Review," which has been generally attributed to one connected with this town, and holding an office in the present Government—an office which entitles his opinions on commercial matters to great attention;—this article, which in many respects, I may say in all where it applies any argument, is a most able vindication of the principles of free trade; but in dealing with the present alarming condition of the country it shows a singular disinclination to offer any opinion as to the real causes. It is true it does hint, and hints in such a way as if it would wish others to understand them as the causes—it hints at the operations of joint stock banks and injudicious credits—at over-production—at the decay of our export trade—at foreign loans, and the great losses incurred by them—at the American crisis—at the state of our currency—at new taxes rendered necessary by a sinking revenue; but it denies—nay, it even terms it "*fanaticism unaccountable*" to attribute the present distress to the late Corn Law. I cannot, however, but regret that it stops short with the *bare assertion*, strong as it is, without any attempt to answer the many arguments which have been used in favour of the opposite opinion; and, more particularly, to show for what reason the trade in corn should be an exception to all the principles which the reviewer so very ably maintains. As he, how-

ever, has omitted to do so, I shall attempt shortly to show that these laws form no exception to his principles, but that they are, by a violent departure from true principles, the real great cause of our present distress and derangement, and that the other causes hinted at are only so many primary effects of this first cause. For this purpose, I must shortly recall your attention to what has occurred during the last few years, while the national interests have been rapidly decaying.

I think, sir, all present will recollect the money panic, which occurred in 1836, and continued during the first six months of 1837;—that this crisis arose out of the great excitement and rapidly accumulating wealth of the country during the three preceding years, fostering, as it did, speculations of all kinds to an extravagant degree, I think we will be all agreed; but I am sure that all who narrowly observed that crisis must have seen that it was merely a monetary derangement, and, however violent, could not be of long duration;—that there was no evidence of any material interruption of the ability of consumption, either here, or among our customers abroad, or any real reason why such should exist. Accordingly we find, that after the first of June, 1837, when the public mind was relieved of all further suspense respecting the three great American firms, confidence was quickly restored, and commercial activity rose with an unexampled buoyancy into its former prosperity;—before the close of 1837, every trace of the crisis had passed away. The bullion in the Bank of England, which had been reduced in April, 1837, to *four millions*, rose, before the close of the year, to upwards of *eight millions* of pounds, and in March following to ten millions. At this period, business of all kinds had assumed a most healthy appearance, and 1838 was remarkable as one of the most steady and prosperous years that this country ever experienced—all the results of the extravagant speculations of 1835-36 had passed away. Whether I refer to our export trade, whether I refer to our home trade, whether I refer to the private experience of individuals, or to the state of the public revenue, there never was a year of better and more legitimate business, with every appearance of its continuance.

But, sir, towards the close of that year it was discovered that the harvest was very defective and short, and the price of provisions rapidly rose, so that, on the 6th of October, one million and a half of quarters of wheat were imported at the lowest rate of duty,—the price having risen from about 50s per quarter, in the early part of the year, to upwards of 73s. This period demands our most serious attention, for I believe here we ought to date the commencement of the train of events which have terminated in the present depression.

At the time, to which I now refer, compared with previous years, the cost of the consumption of wheat alone increased at the rate of upwards of £300,000 weekly, which additional absorption of the national income in the price of the first necessary of life could not fail to abstract an equal sum from the fund disposable for the purchase of manufactures and other less necessary articles of consumption: and thus importantly to abridge the home consumption of such articles.

In the beginning of 1839 the price rose still higher, until it reached 76s per quarter, and continued about the same rate during the whole year; we consequently find that the home trade of the country experienced a very material diminution; we find, that while the quantities of raw material taken for consumption were much less than the preceding years, yet the portion of what was worked up into goods, and which, as such, was exported, was even much greater than the preceding year, thus proving a greatly diminished home consumption. In the article of cotton alone the quantity *in goods* retained for home use in that year was 33,336,739lbs., of a value of £3,889,286 less than the preceding year; of wool we imported less by 3,000,000lbs., and exported more of the goods to the amount of £500,000. Of flax we imported less by 400,000 cwt., and exported more of linen to the amount of £600,000; of silk we imported less by 129,000lbs., and exported more goods to the amount of £88,000. Here, then, we have the most striking evidence ever exhibited of the sudden decline of the home consumption of manufactures, but which is perfectly consistent with the fact that the wheat alone, consumed in that year, was at a price of twenty millions of money more than in preceding years.

Well then, sir, thus establishing the fact, that the rise in the price of food was the first cause of the material decline in the home consumption of manufactured goods, let us for one moment glance at the character of the additional export trade, which accompanied the diminished home trade. Was it a trade of real demand? Was it a trade of speculative purchases induced by the very low prices to which the diminished home trade reduced goods? Or was it a trade of mere consignment of goods from this country to others in the hope of finding markets, and for the facility of the money advances made on such consignments? The experience of those I now address will, I am sure, bear me out in saying that the export trade of that year, and two following, partook very largely of the latter character, and that the result has been most ruinous to all concerned. It would be difficult to estimate the extent of loss and of consequent bankruptcy which has issued from this forced export trade.

But, sir, leaving for a moment the consideration of commerce, permit me to call your attention to another most important feature in that eventful year. On the first of February, 1839, the Bank of England held bullion to the amount of upwards of £9,300,000, and deposits upwards of £10,300,000; and in every way the currency of the country appeared in a most healthy and safe position. It is scarcely necessary for me to remind you to what an extent during the whole year the foreign exchanges were deranged, in consequence of the sudden import of about three millions of quarters of wheat; or of the disastrous effects which the derangement produced on the currency at home. Nor, is it necessary that I should prove (for it is, I think, universally admitted) that all these baneful effects arose directly from the uncertain and accidental character of our Corn Laws. So violent were the effects on our currency, that, by the close of the year, the bullion in the Bank was reduced to £2,800,000 (including the aid of £2,500,000 borrowed from the Bank of France), and the deposits to £5,900,000.

During this year of severe and fearful financial difficulty, it would be

impossible to calculate the enormous sacrifices made by bankers and individuals to sustain their credit, or of the sacrifices of merchants and manufacturers from the sudden reduction of prices, consequent on an equally sudden and severe restriction of the currency. To those sacrifices we are able to trace many of the most important bankruptcies which have since occurred, and the origin of much of that commercial derangement which has continued to act and re-act on all the varied interests of the country, until it has produced the present unhappy state of affairs.

Now, sir, I think I have fairly proved that, to the direct effects of the Corn Laws, we can trace the first great derangement of the consumptive ability of the country, as well as of our monetary affairs; a derangement which, by a succession of similar causes, has continued to spread on all hands and to all classes up to the present time. During the years 1840 and 1841, the price of food still continued dear, in each year twenty millions of money additional to the preceding years were absorbed in the cost of wheat, and, abstracted from other uses; large importations continued necessary; the currency continued deranged and restricted; day after day, and month after month, trade became worse and worse; the difficulties which began with bankers and large manufacturers gradually ramified through every branch of industry; labourers of all kinds were thrown out of employment; consumption gradually fell off, reacting again upon trade, commerce, and the demand for labour, and at last on the revenue. An attempt to restore the revenue, by additional taxes on consumption, was only attended by more than a corresponding reduction in the consumption of taxable commodities; the deepest depression became visible on all hands in the home trade, while a large portion of our manufactures continued still to be forced on our foreign markets at enormous sacrifices, so much so, that while in

1839—	£97,000,000	official value,	represented	£53,000,000	real value, in
1840	} £102,000,000	"	"	only £51,000,000	"
and					
1841					

Commerce and trade thus became so unprofitable and uncertain that capital, as it was released, was not reinvested, but gradually accumulated in a stagnant state. The rate of interest fell; the price of the funds rose, from the impossibility of employing money in trade; and the profitable application of capital and labour became almost annihilated.

It was thus, sir, that we commenced the year 1842; those who looked for any revival of trade must have been very ignorant of the real state of the country, and the causes of that state. I entertained no such hopes; on the contrary, I expressed the strongest belief that matters would become still worse. I looked at our foreign markets, I found them all deranged, first, from the constant glut of goods forced upon them to relieve the home market; and next, from our inability to consume their articles of production, either in the same quantities, or at the same prices as we had formerly done; our diminished ability at home to consume thus reacted on the ability of our consumers abroad to purchase; and for these reasons I could not but expect a greatly diminished export trade; even our power of *forcing* an export trade was exhausted. On the other hand, there was no reason to expect any improvement in

the home trade, but, on the contrary there were many reasons to apprehend a continuing decline. The numbers of unemployed had increased, and were daily increasing, and poor-rates were increasing in proportion. A sinking and insufficient revenue pointed to the necessity of new taxes; and it now became evident that the mere inability to consume even the common necessities of life must, ere long, re-act with fearful force on the agricultural classes, who had hitherto been flourishing, amid the general wreck and ruin which resulted from the direct operation of laws made to shield them from the vicissitudes of harvests, with which Providence might be pleased to visit the land; to turn bad harvests into a source of profit to themselves, and utter ruin to all other interests; for, singular and anomalous as it may appear, the result of four successive bad and defective harvests, the natural vicissitudes and misfortunes of land—while they reduced all commercial, manufacturing, and shipping prospects, to half their former value, actually raised the price and rent of land, and created what was termed agricultural prosperity. But when the devices and conceits of man are opposed to the great laws of Providence—when a class, however powerful, think they can secure prosperity by infringing and disregarding the rights and interests of others, and especially of the GREAT MASSES, on whose well-being ALL must ultimately rely; such devices can only end in the disappointment which their injustice and selfishness deserve. Agricultural distress was evidently at hand; diminished consumption became apparent on all hands, and great numbers of unemployed fell back on the land, and demanded the pauper's portion; there was, therefore, no hope for a revival among the trading classes, while there was every certainty that the agricultural interest must soon fall into the general gulf of distress and sufferings, and thus work out the great principle for which I have so long contended; that *all* must either flourish together, or, ere long, decline together.

Now, sir, that the year has closed, what has been the result? So prostrate has the consumptive ability of the country been, that at every point we meet with unquestionable evidences of it,—all that we foretold has happened. The revenue derived from the customs and excise has fallen off *two millions*, than which a stronger evidence of the diminished home trade could not be furnished.

Our foreign markets, already glutted with goods, have taken, during the year, in the five leading articles of manufactures, to the extent of four millions sterling less than the preceding year, as follows:—

Of Cotton Goods.....	£2,100,000
Hardware.....	200,000
Linens.....	900,000
Silk Goods.....	200,000
Woollens	660,000

£4,000,000

Concurrent with this depression, alike in our home and export trade, as might naturally be expected, our import trade has also fallen off—in all the leading articles of consumption. In the first eleven months of last year, compared with the same months in 1841, we imported less of

Sheep's Wool.....	5,000,000 lbs.
Flax.....	150,000 cwt.
Butter	85,000 „
Cheese	70,000 „
Sugar	170,000 „
Coffee.....	3,000,000 lbs.

the only exception of importance being the article of Cotton, which has increased, but which has been again re-exported in the form of yarn, and not in manufactured goods.

With such evidence of decaying and contracted commerce, can it be a matter of surprise that your docks should be found full of unemployed ships, which, with the want of employment, are of such reduced value. Such a state of matters directly accounts for the fact, that during the last year a decrease in the number of ships cleared out to the East India ports has taken place, to the extent of *one hundred and eighty-six* ships, measuring 61,738 tons, and to the Australian colonies of *one hundred and forty-six* ships of proportionate tonnage.

But the lessened employment, or demand for ships, is not half the evil;—the competition for the small quantity of freight which remains becomes so great, that your vessels have to wait double the usual time to obtain a cargo, being obliged at last to sail only half full, and for that half, to accept a greatly reduced rate of freight—with such small actual receipts, that at last, the voyage and labour all accomplished, it is often a fact that the mere expenses of sailing the ship absorbs the whole freight, and that ships lying idle and rotting in the dock, are not less profitable than those going to sea. In such a state of things, and the probability of their continuance, without great alteration in your commercial laws, the shipping interest bids fair to become a general wreck. In the docks in London, at this moment, the quantity of unemployed ships is so great that the directors are obliged to find temporary convenience elsewhere to lay them.

Does it not then, sir, become evident how deeply interested the shipping interest is in solving the great question—What is the cause of the unexampled depression which is thus reducing the condition of the country—why shipbuilders are idle, and their property is lying useless and unemployed—why the sound of the anvil is not heard, and machinery is rusting—why capital is a drug, and without profitable employment—why clothing, food, and fuel, are beyond precedent abundant and cheap, amid a naked, hungered, and starving population, pining and dying amidst a glut of all things?

Several causes have been urged. The injudicious credits of joint-stock banks:—But how far have these credits become injudicious? Only from the general circumstances of bad trade, the consequent ruin of their debtors, and the sinking value of their securities. How far have joint stock and other banks, merely been the victims of the huge losses sustained and arising from the causes we have just been considering? Over-production:—This is a comparative term, which would be much better expressed when there is so much want and starvation, by the term *under consumption*. Wherever there is not the means to con-

sume, there will appear over-production. Over-production has been caused only by the diminished power of consumption, to which I have already so fully referred. The decay of our export trade :—We never can continue to export unless we are able and willing to import the produce of other countries ; and a diminished ability to consume the produce of other countries, must always end in a diminished demand for our produce, which constitutes our exports. Derangement in the currency, and diminishing revenue :—Have not these all been clearly traced to the effects and operations of the Corn Laws during the last four years? Yes, sir, I contend that the derangement during the last four years, is fairly imputable, and has been fairly traced, to the operations of those laws which attempt to regulate the price of food, by violently interfering with the legitimate exercise of exchanging the labour of our country in the most profitable way which free and unrestricted communication would permit.

By such a free state of intercourse there is no interest that could be more benefitted than the shipping interest. Free intercourse and exchange must be the very life of our maritime existence : it would appear as needful as breath to the lungs, or as blood to the veins ; and by what strange misunderstanding of their own interests shipowners have generally been found either advocates for restriction, or very apathetic on the subject, I cannot conceive ; unless, indeed, it be that they have fancied themselves included among the privileged classes : if so, no class of men ever laboured under a greater error. It is true the law does attempt, or profess, in some cases, to afford the British shipowner some protection against his continental rivals ; but it must be quite clear that, while our shipowners have to enter into open competition with all the world in, at least, three-fourths of our foreign trade, the rates of profits and freights must be, by general competition, reduced to the same level on the remaining one-fourth. Great pains have always been used to connect and associate our shipping interest with our colonial interests ; and to infer that the advantages given to the latter by our system of differential duties were shared, in some proportion, by the protection afforded to our ships engaged in that trade. To show how great a mistake our shipowners commit by this supposition, I need only call your attention to the fact, that very little more than one-fourth of our whole export trade is to our colonies, while nearly three-fourths is with foreign countries, where neither your goods nor your ships have any advantage whatever. Our exports in 1841, to all the world, amounted to £51,000,000, of which £38,000,000 went to foreign neutral countries, and only £13,000,000 to our colonies. In like manner, we find that, of 17,633 British ships which entered outwards in that year, 11,074 were destined to neutral ports, and only 6,559 to ports of British possessions.

Now, is it consistent with your experience, or with reason, that in a common market at home, either the goods or the ships sent to our colonies should produce higher rates of profit than those destined to the great markets of the world? The truth is, that in both the articles exported, and the ships for exporting them, you compete freely and without any advantage with the whole world. Goods are bought as cheap in Manchester, and ships are chartered proportionally as low in Liverpool,

whether they be destined for Jamaica, or the Brazils—for New York, or Quebec.

But, in competing with the whole world, you labour under many and singular disadvantages. While your competitors build their ships with cheap and good timber, you are obliged to use dear or bad timber, the differential duties on continental timber operating as a distinct and very heavy tax on the raw material of your manufacture; the food and provisions, with which your ships are built, and then sailed, being also much dearer than that used by any rival with whom you have to compete. But more serious evils arise indirectly in the course of your experience from the operation of our restrictive laws. You compete with the whole marine of the world to carry out three-fourths of our exports to neutral markets, but when you get to many of our largest and best markets, for example—the Brazils, Cuba, Batavia, &c., you find that all the chief articles of their produce are practically prohibited from coming to this market. You, therefore, have to enter into a new competition with the ships of Antwerp, Amsterdam, and Hamburgh, to carry goods at the same rate to their own ports, then returning to England in ballast. A large proportion of the ships which leave Antwerp are English ships in ballast. Who, then, can for a moment pretend that your shipping interest has any protection from our restrictive policy? On the contrary, who does not perceive that you labour under singular disadvantages, bearing heavy and peculiar burthens, in the great and formidable competition which you have to encounter?

Is it not, then, obvious how deeply interested the shipping interest is, in common with the whole community, not only in the cheapness of provisions, but more especially in such an intercourse with all the world, as would secure a free and uninterrupted exchange of labour, wherever and whenever exchange could be profitably made?—which, in justice and policy, is the only restriction which ought to exist. Ships ought ever to be considered the mere medium of conducting that now universally admitted principle, of selling in the dearest, and buying in the cheapest market.

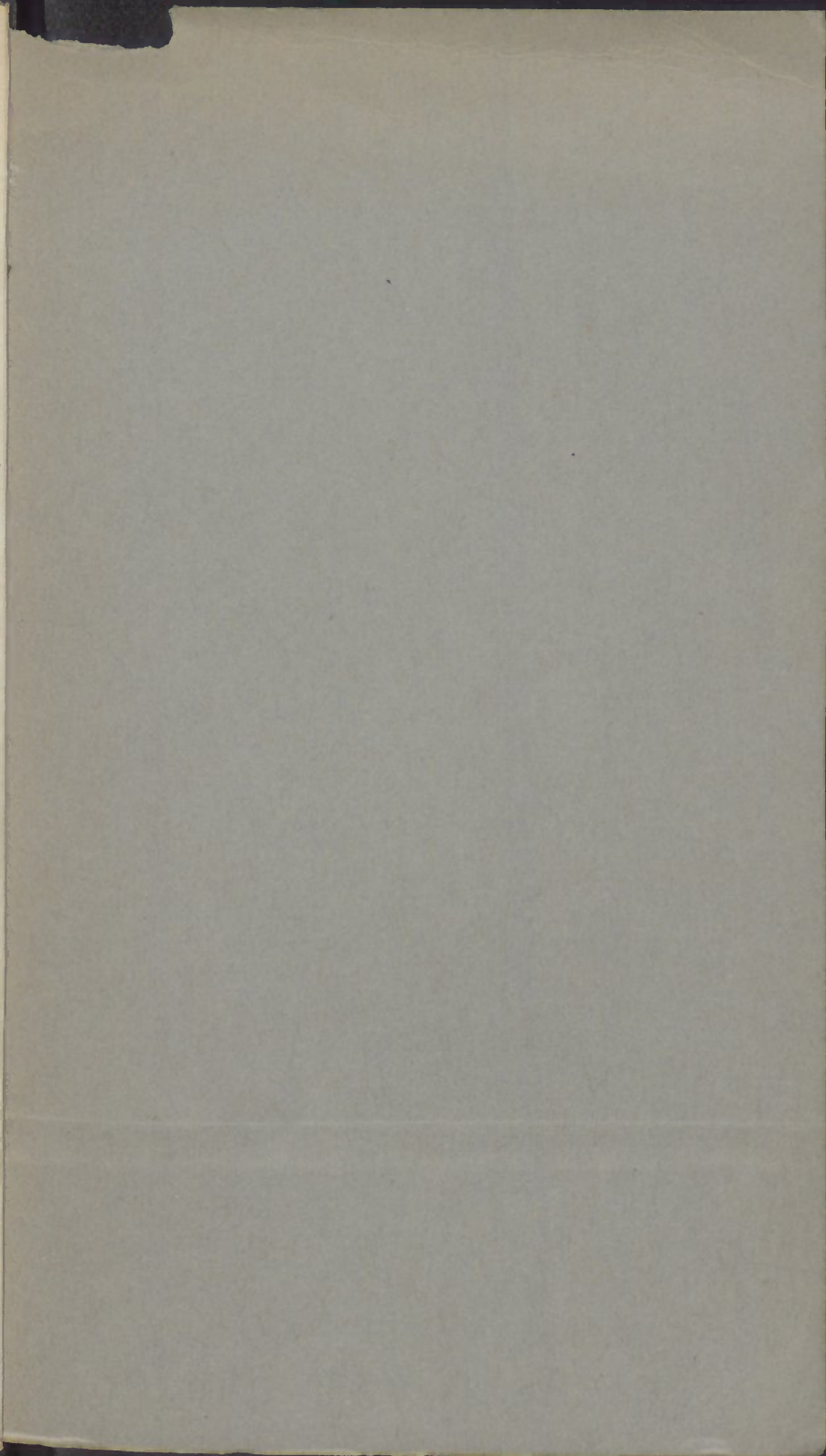
It has indeed, sir, often been said, with an air of triumph, by the advocates of protection, what wonders have English commerce and English shipping performed, with the present or old policy; all we have to reply is, that if English commerce and English shipping have performed such astounding feats, amid the trammels and manacles with which we have found them surrounded, the imagination can give no limit to the results of the same unwearying energy and enterprise, if unbound and unfettered and freed from that narrow policy which vainly and blindly hopes to raise and sustain individual interest against the general weal.

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