

NOTES AND MEMORANDA

THE ALLEGED DECLINE OF THE BRITISH COTTON INDUSTRY

II.

IN the first portion of this article I have shown, by an examination of statistical facts, that although the progress of the British cotton industry during the last fifteen or eighteen years has been slow, and subject to many changes and vicissitudes, the industry has not ceased to grow. There remain now to be considered the forces which have tended to lessen its prosperity and to check its expansion. Amongst these, the growth of commercial and industrial efficiency abroad stands well forward. This is sometimes spoken of as if it were a necessary enemy of productive activity at home. Rightly considered, however, it is a real friend, at any rate so far as it arises from natural, and also from acquired, advantages, due to individual and not to legislative sources. The more capable and the more wealthy our trading customers become, the better it must be for ourselves. Temporarily, no doubt, particular producing interests at home must suffer whenever their markets abroad are invaded by the renewed energy or the increased facilities of competitors on the spot. The export of English cotton machinery, the best in the world, has done much to diminish the demand for English cotton goods in distant markets. What then? No one proposes to forbid its export, simply because, apart from the uselessness of such a prohibition, most people recognise that whatever tends to encourage industry amongst the nations who trade with us, must, in the long run, bring advantage to ourselves. Not least amongst these advantages is the stimulus to new effort and new contrivances. But then we have, it is said, with perfect truth and much force, to deal with nations who are under the domination of so-called protective policies and protectionist groups which have acquired political supremacy in their respective countries. Such nations consequently cannot receive our products freely, and the power of the exclusionists has been, in recent years, increasing. That is no doubt quite true, and it is one of the reasons why the exports of British cotton goods and yarns have been extending so slowly.

But a much more serious obstruction to the export, not only of cotton goods, but also of many other productions from the United Kingdom is that arising from monetary disturbance. I shall not attempt to engage, near the end of an article devoted to another subject, in the great economic controversy of our day—the ‘battle of the standards.’ It comes in my way, however, to state—imperfectly it must be, and briefly,—the injury which the disturbance between the relative values of silver and gold, beginning eighteen or nineteen years ago, has done, and is still doing, to the great cotton industry of this country. It has injured, in like manner, if not equally, many if not all other English industries producing for foreign markets, and it has also injured very seriously the home agricultural industry. The extreme importance of maintaining an even standard of value everywhere nobody denies, but this is absolutely necessary amongst advanced nations where long forward contracts exist and are continually being made, and where the custom of fulfilling, and the means of enforcing, contracts are unquestionable. In this country, at any rate, the maintenance of a stable standard should be regarded as a supreme consideration. English industries, regarded as a whole, have suffered greatly because of the rise in the value of gold, which has increased enormously the burden of their obligatory and customary charges. Turning from this aspect of the question, however, I pass on to deal with the discouragements to the export of British productions, and of cotton goods and yarns particularly, which have arisen from what is called ‘the fall in the value of silver.’

I wonder if it ever occurred to any uninformed person to inquire what is meant by this term ‘the fall in the value of silver.’ The ‘value’ of anything means, of course, the proportion in which it is exchanged for other things. Very well. In India and also in England, silver has fallen very little in value during the last eighteen years, according to this rule, except in exchange for one thing—gold. Most English and Indian products sell to-day in India for nearly as much money—and sometimes quite as much—as they did eighteen years ago. And yet they are all greatly reduced in price at home. If any unbiassed and uninterested inquirer will endeavour to understand this paradox—for paradox it really is—he will have gone far towards understanding the esoteric causes of the insufficient expansion in the exports of British cotton and other productions in recent years. He will understand why the Indian consumer has to pay, not quite, but not very far off, the same price for the ‘dhootie’ or the piece of cloth which he wants, whilst the English manufacturer, who has made it, has been obliged to reduce enormously his price for the same article. Never before have quotations of cotton goods in Manchester been so low, or anything like so low, as during the last two years, but the fall has been largely neutralised by a nearly equivalent decline in the gold price of silver and in the rates of Eastern exchange. The consumer in India, China, and other silver standard countries has, consequently,

not had the benefit of the reduced Manchester prices. It follows therefore that the proper economic effect of cheapness—the stimulation of demand—has not been produced. The following statistics of the exports of cotton piece-goods to India and China, from 1883 to 1892, are instructive, showing as they do that notwithstanding the extraordinary depression of prices in Manchester during the last two years, there has been no expansion but rather a contraction in the demand from those markets :—

Exports of Cotton Piece-Goods to India and China.

—	India.	China.
	Yards.	Yards.
1883	1,653,073,000	370,626,000
1884	1,642,731,800	394,583,600
1885	1,664,636,600	523,927,000
1886	2,118,838,400	455,823,000
1887	1,811,964,500	552,742,700
1888	2,035,138,900	574,547,500
1889	2,031,153,400	474,425,600
1890	2,021,028,500	570,296,800
1891	1,836,391,900	534,137,600
1892	1,850,371,500	497,485,200
Average 1883-87	1,758,248,860	459,540,460
Average 1888-92	1,948,916,840	530,178,546

Exports of Cotton Yarns to India and China.

—	India.	China.
	lb.	lb.
1883	42,172,400	13,370,700
1884	45,585,100	15,721,300
1885	41,520,600	20,373,900
1886	46,605,800	10,599,200
1887	48,852,400	11,882,200
1888	54,069,000	17,474,000
1889	45,354,300	8,828,900
1890	49,734,000	14,768,900
1891	49,990,800	13,144,800
1892	39,505,200	8,501,300
Annual average 1883-87	44,947,260	14,389,460
Annual average 1888-92	47,730,660	12,543,580

The normal condition of the exports of these commodities to India and China is one of increase. Growth of population, improvements

in the means of communication, better adaptation of quality and kind of goods to the diversified wants of consumers, and other changes tend constantly to enlarge their requirements. And, in fact, an examination of the preceding figures in quinquennial periods shows that so far as piece-goods are concerned the annual average exports to India have increased to the extent of 10·8 per cent. during the last five years, whilst in those to China the increase is at the rate of 15·2 per cent. Turning to the shipments of yarns, I find that whilst those to India were 6·1 per cent. more during 1888-92 than in 1883-87, the exports to China actually declined to the extent of 12·8 per cent. But the striking and really discouraging feature in the figures is the serious falling off in the exports, all along the line, within the last two years, during which prices in Manchester have been lower than ever before. Nothing in the way of great famines or disasters can be pointed to as a cause of this decline, at a time when the stimulus of low prices should have augmented the trade, if only the consumer could have reaped the benefit of them.

There are other and better-known ways in which low and widely fluctuating rates of exchange with silver standard countries have adversely affected our exports to these great markets, but these I need not dwell upon. It is worth while to point out, however, that the foreign demand, not only for cotton manufactures but also for many other British productions, even in gold standard countries, has been seriously checked by the general fall of prices which has taken place within the last fifteen years. This fall has compelled the debtor nations, having gold obligations in England, to send hither increased supplies of the produce of their labour in liquidation of constantly accruing debt for interest and other charges, which, at the time when the obligation was contracted, would have been met by much smaller quantities. This consideration has often been urged as an advantage which England, as a creditor country, derives from the appreciation of gold. But it is clear that whoever may benefit by it British industries engaged in producing manufactures for such nations are injured. These nations have no other means of discharging their obligations but the merchandise which they produce. And when, through a heavy fall of prices, more of it is required to effect this object, it is manifest that, to this extent, they are the poorer. They must therefore either take so much less of our manufactures in exchange, or must obtain them at lower prices. The effect so far as their trading power is concerned is the same as if their harvests had been deficient. In short, having regard to the great dependence of our industries upon foreign markets, we cannot afford to be indifferent to the fortunes of our customers. That which hurts them hurts us, and the argument that a rise in the purchasing power of gold is beneficial for some people, has its converse, viz., that it tends to impoverish consumers of British products, and is therefore a matter of serious concern for British industry.

But, again, it is unquestionable that the fall of prices has brought

about a practical enhancement of the customs duties levied by foreign countries on British manufactures even where the rates prescribed in their Customs tariffs have not been altered. Most of these rates are specific, and it is obvious that whenever a great decline occurs in the prices of manufactures the incidence of these specific duties is correspondingly increased. If, for example, the duty upon a given article, worth ten shillings at the time when the duty was fixed, was three shillings, the rate of duty was then 30 per cent. But if the price decline to six shillings, the duty will be increased to 50 per cent. There can be no doubt that in this way the protective effect of the tariffs of foreign countries and their deterrent effect so far as our own trade is concerned, in consequence of the decline of prices, has been greatly enhanced, and the decline has thus tended to check the export to foreign markets not only of cotton goods but also of very many other products of British industry. And it need hardly be insisted upon that a like restrictive influence has been occasioned where the tariff rates have been actually advanced.

When the various adverse forces making against the sale of British cotton manufactures abroad in recent years are considered, the fact that the total exports have been so well sustained as is shown in the figures previously given and have even increased, all obstacles notwithstanding, is a proof of the vitality of the cotton industry of Lancashire. It may be well therefore to examine the foundations of its greatness and its strength. Undoubtedly the first favouring condition, of a permanent kind, is the pre-eminent suitability of the climate for the spinning and weaving of cotton. At first sight, it might be thought, and many people do think, that the natural and ideal arrangement, towards which actual conditions must tend, and with which they must eventually conform, is that the cotton mill should be close to the cotton field. But this notion will not stand the test either of experience or of reason. For, in the first place, a great cotton manufacture has never yet been established close to the field of growth of the raw material. Even in India, up-country mills are small and few in number, and they increase very slowly. In the United States the principal manufacturing districts are not in the south but in the north, and although there are a few cotton mills in Brazil and Mexico, protected, in both cases, by enormous customs duties on competing foreign goods, they make little or no progress. The truth is, that, as a rule, and almost always, the climate of the cotton-growing regions of the world is ill-adapted to the manufacture of the staple. There are, indeed, very few portions of the world possessing, along with other requisites, an atmosphere moderately and steadily moist throughout the year. These conditions Lancashire and the bordering counties have. There is only one part of the United States, so far as I know, where they exist, and that is in the State of Rhode Island and the south-east corner of Massachusetts. There, accordingly, as at Fall River and Providence, the cotton manufacture of the United States is tending to concentrate itself.

A further consideration of which every one is conscious, and yet which is often neglected in discussions upon international trade and competition, is that the cost of ocean transit has long been declining, and is now a comparatively trifling item, at all events along the principal routes. The expense of carrying a bale of cotton from the plantation in Georgia to the cotton mill in Lancashire is very little more than that of conveying it to the mill in Rhode Island or Massachusetts. Mere distance, especially where the main portion of the route lies over a great ocean, is therefore a trifle, and is largely outweighed by other circumstances favouring manufacture far away from the field where the raw material is grown. And the same argument applies of course when the question is one of competition in distant distributing markets for the manufactured commodity.

But, secondly, we have in the training and the energy of our cotton-spinning and manufacturing population—in which term I include managers and employers as well as operatives—an inheritance of the highest value from the present point of view. This needs, and is happily not being deprived of, adequate means of improvement. Technical schools have been established in most of the larger factory towns of Lancashire, and much attention is being given to their improvement and extension. A leading manufacturer of Blackburn recently said that he believed the founding of the technical school in that town had been largely instrumental in saving it from very serious loss of trade.

The wages question is, no doubt, a difficulty. Lancashire workpeople know well that they work hard. They receive high wages, much higher indeed, in relation to the hours of labour and the cost of living, than those who work in any cotton mills in the world, not excluding those of the United States. There is not, consequently, and there has not been, for twenty years or more, any emigration of cotton operatives from this country to the States. The workpeople have a settled idea, however, that wages ought never to be reduced, and that as opportunity offers they should be advanced. Whenever, as for some years past has happened, profits have been narrow or have disappeared altogether, they think that organised 'short-time' or restricted production in some form should be adopted. This is impossible, simply because of the wide diversification of the cotton industry of this country. That is indeed one reason for its success, since nowhere else in the world can a buyer of cotton goods, who wants change or variety, get his requirements supplied so readily as in Lancashire. But it entails this difficulty, that there must always be a certain number of mills or portions of mills engaged wholly, or partially, in producing particular descriptions, the manufacture of which cannot be stopped without very serious inconvenience and loss. I say nothing as to the fundamental error involved in the proposition that there is no other remedy for an adverse state of trade but that of lessening production. It is essentially a protectionist notion, and it is nowhere favoured by public opinion, when plainly put, but in protectionist countries. The workers in the anthracite collieries

of the United States could give the Lancashire cotton operatives an impressive lesson, if they had the opportunity, about the advantages or disadvantages of systematically lessening production, stopping work, and reducing annual earnings in order to raise prices.

Thirdly, we have a great, and almost perfect, commercial organisation, which is in touch with nearly every nook and corner of the world. This is also an inheritance, and although it may be improved, it cannot be neglected, except at the risk of permanent loss. A visitor to the Manchester Royal Exchange at the hour of 'high change' sees before him 5,000 or 6,000 men engaged in business. To him they are nothing but a crowd, and although there are certain loosely marked divisions, where this or that particular branch of trade is carried on, there is nothing to indicate the completeness and the vast extent of the industrial and commercial organisation which is the main cause of this great assemblage. Workmen in cotton mills, and the public generally, know little of the great commercial system existing in Manchester, and of the speed and exactness with which the desires of customers all over the globe are satisfied. This is, however, one of the special advantages which Lancashire possesses, and which she need not lose.

Still further. We have our Free Trade policy, which has happily never been in serious jeopardy since it was established. Occasionally doubts have been expressed as to its power to outlive the Protectionism of foreign countries, but, outside Sheffield, these have never been widely entertained, and in Manchester, where the obstruction of foreign protectionist tariffs is a matter of daily experience, no demand for retaliation has arisen. Meanwhile, as everybody knows, 'British Free Trade'—as it is called in America—brings to every family in the country the largest possible supply of good things at the least possible cost. It brings also to our manufacturing industries abundant—or at all events the most abundant possible—supplies of raw and accessory materials. In the cotton industry this advantage is evident, although it is not always fully appreciated. It must be further observed that the settled determination of the British people to adhere to the policy of Free Trade has always secured for our manufactures 'most favoured nation treatment' abroad, except in the case of Brazil. The conduct of Brazil toward this country in its 'reciprocity' arrangement with the United States has been a matter of surprise even to British merchants engaged in trade with that country. It is quite certain, however, that our exports thither have not diminished at all seriously in consequence of the preferential treatment of American competing products. No further arrangements of this kind are likely to be made in the future, but, in any case, the great advantages which we enjoy as producers from freedom of trade cannot be taken from us, and it is by no means unlikely that Brazil may before long remove the disgraceful though not very hurtful discrimination against British manufactures which has been set up.

The conclusion to which the numerous facts and considerations.

previously stated have brought me is that the cotton industry of this country is too securely founded, and too well sustained, to admit of the idea of its permanent decadence. Wages disputes when they ripen into actual conflict tend no doubt to drive away, at least for a time, a portion of our trade. But wages disputes are transient incidents. So far as more lasting conditions are concerned, we shall probably have to wait some time for the advent of Free Trade abroad, and although this will assuredly bring into play new competition, there is no reason why we should fear it. Meanwhile our trade with foreign countries is being conducted with difficulty. Profits are usually small, and where they are not cut down merchants have to content themselves with a scanty trade. New outlets are being sought for in many directions, and much hope is centred in Africa. The improvement of the older markets presents, however, a large field for renewed effort, and, if the success of the Democratic party in the United States Presidential Election should prove the forerunner, as I believe it will, of the downfall of High Protectionism in the United States and elsewhere, there will be an ample field, by and by, in which our cotton manufactures may find, even among the older peoples—and without eventual injury to competing producers there—a fuller and freer market. The permanent utility to mankind of cotton manufactures is unquestionable, and no one who is engaged in the English home trade and who knows how greatly low prices enlarge consumption can doubt that even in the most advanced nations abroad an abundant demand for increased and greatly varied production would follow every movement in the direction of Free Trade. Cotton goods are still much too dear in many countries, and if they could be obtained more easily than is now possible, the demand for them would be indefinitely increased.

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THE NATIONAL AGRICULTURAL CONFERENCE

ON Wednesday and Thursday, the 7th and 8th of December last, St. James's Hall, London, was the scene of an assembly described by the *Times* as the 'largest and most representative gathering of every interest connected with the cultivation of the land that has probably ever been brought together in this country.' The Conference was convened by the Central and Associated Chambers of Agriculture, and the Chairman of that body, Mr. James Lowther, presided over the deliberations. The object of the meeting, as he observed in his opening remarks, was to enable 'full expression to be given to the views of the agricultural community at the present grave crisis in their affairs.'