

This balance of produce and consumption is entirely different from what is called the balance of trade. It might take place in a nation which had no foreign trade, but which was entirely separated from all the world. It may take place in the whole globe of the earth, of which the wealth, population, and improvement, may be either gradually increasing or gradually decaying.

The balance of produce and consumption may be constantly in favour of a nation, though what is called the balance of trade be generally against it. A nation may import to a greater value than it exports for half a century, perhaps, together; the gold and silver which comes into it during all this time, may be all immediately sent out of it; its circulating coin may gradually decay, different sorts of paper money being substituted in its place, and even the debts, too, which it contracts in the principal nations with whom it deals, may be gradually increasing; and yet its real wealth, the exchangeable value of the annual produce of its lands and labour, may, during the same period, have been increasing in a much greater proportion. The state of our North American colonies, and of the trade which they carried on with Great Britain, before the commencement of the present disturbances, {This paragraph was written in the year 1775.} may serve as a proof that this is by no means an impossible supposition.

CHAPTER IV OF DRAWBACKS

MERCHANTS AND MANUFACTURERS are not contented with the monopoly of the home market, but desire likewise the most extensive foreign sale for their goods. Their country has no jurisdiction in foreign nations, and therefore can seldom procure them any monopoly there. They are generally obliged, therefore, to content themselves with petitioning for certain encouragements to exportation.

Of these encouragements, what are called drawbacks seem to be the most reasonable. To allow the merchant to draw back upon exportation, either the whole, or a part of whatever excise or inland duty is imposed upon domestic industry, can never occasion the exportation of a greater quantity of goods than what would have been exported had no duty been imposed. Such encouragements do not tend to turn towards any particular employment a greater share of the capital of the country, than what would go to that employment of its own accord, but only to hinder the duty from driving away any part of that share to other employments. They tend not to overturn that balance which naturally establishes itself among all the various employments of the society, but to hinder it from being overturned by the duty. They tend not to

destroy, but to preserve, what it is in most cases advantageous to preserve, the natural division and distribution of labour in the society.

The same thing may be said of the drawbacks upon the re-exportation of foreign goods imported, which, in Great Britain, generally amount to by much the largest part of the duty upon importation. By the second of the rules, annexed to the act of parliament, which imposed what is now called the old subsidy, every merchant, whether English or alien, was allowed to draw back half that duty upon exportation; the English merchant, provided the exportation took place within twelve months; the alien, provided it took place within nine months. Wines, currants, and wrought silks, were the only goods which did not fall within this rule, having other and more advantageous allowances. The duties imposed by this act of parliament were, at that time, the only duties upon the importation of foreign goods. The term within which this, and all other drawbacks could be claimed, was afterwards (by 7 Geo. I. chap. 21. sect. 10.) extended to three years.

The duties which have been imposed since the old subsidy, are, the greater part of them, wholly drawn back upon exportation. This general rule, however, is liable to a great number of exceptions; and the doctrine of drawbacks has become a much less simple matter than it was at their first institution.

Upon the exportation of some foreign goods, of which it was expected that the importation would greatly exceed what was necessary for the home consumption, the whole duties are drawn back, without retaining even half the old subsidy. Before the revolt of our North American colonies, we had the monopoly of the tobacco of Maryland and Virginia. We imported about ninety-six thousand hogsheads, and the home consumption was not supposed to exceed fourteen thousand. To facilitate the great exportation which was necessary, in order to rid us of the rest, the whole duties were drawn back, provided the exportation took place within three years.

We still have, though not altogether, yet very nearly, the monopoly of the sugars of our West Indian islands. If sugars are exported within a year, therefore, all the duties upon importation are drawn back; and if exported within three years, all the duties, except half the old subsidy, which still continues to be retained upon the exportation of the greater part of goods. Though the importation of sugar exceeds a good deal what is necessary for the home consumption, the excess is inconsiderable, in comparison of what it used to be in tobacco.

Some goods, the particular objects of the jealousy of our own manufacturers, are prohibited to be imported for home consumption. They may, however, upon paying certain duties, be imported

and warehoused for exportation. But upon such exportation no part of these duties is drawn back. Our manufacturers are unwilling, it seems, that even this restricted importation should be encouraged, and are afraid lest some part of these goods should be stolen out of the warehouse, and thus come into competition with their own. It is under these regulations only that we can import wrought silks, French cambrics and lawns, calicoes, painted, printed, stained, or dyed, etc.

We are unwilling even to be the carriers of French goods, and choose rather to forego a profit to ourselves than to suffer those whom we consider as our enemies to make any profit by our means. Not only half the old subsidy, but the second twenty-five per cent. is retained upon the exportation of all French goods.

By the fourth of the rules annexed to the old subsidy, the drawback allowed upon the exportation of all wines amounted to a great deal more than half the duties which were at that time paid upon their importation; and it seems at that time to have been the object of the legislature to give somewhat more than ordinary encouragement to the carrying trade in wine. Several of the other duties, too which were imposed either at the same time or subsequent to the old subsidy, what is called the additional duty, the new subsidy, the one-third and two-thirds subsidies, the impost 1692, the tonnage on wine, were allowed to be wholly drawn back

upon exportation. All those duties, however, except the additional duty and impost 1692, being paid down in ready money upon importation, the interest of so large a sum occasioned an expense, which made it unreasonable to expect any profitable carrying trade in this article. Only a part, therefore of the duty called the impost on wine, and no part of the twenty-five pounds the ton upon French wines, or of the duties imposed in 1745, in 1763, and in 1778, were allowed to be drawn back upon exportation. The two imposts of five per cent. imposed in 1779 and 1781, upon all the former duties of customs, being allowed to be wholly drawn back upon the exportation of all other goods, were likewise allowed to be drawn back upon that of wine. The last duty that has been particularly imposed upon wine, that of 1780, is allowed to be wholly drawn back; an indulgence which, when so many heavy duties are retained, most probably could never occasion the exportation of a single ton of wine. These rules took place with regard to all places of lawful exportation, except the British colonies in America.

The 15th Charles II, chap. 7, called an act for the encouragement of trade, had given Great Britain the monopoly of supplying the colonies with all the commodities of the growth or manufacture of Europe, and consequently with wines. In a country of so extensive a coast as our North American and West Indian colo-

nies, where our authority was always so very slender, and where the inhabitants were allowed to carry out in their own ships their non-enumerated commodities, at first to all parts of Europe, and afterwards to all parts of Europe south of Cape Finisterre, it is not very probable that this monopoly could ever be much respected; and they probably at all times found means of bringing back some cargo from the countries to which they were allowed to carry out one. They seem, however, to have found some difficulty in importing European wines from the places of their growth; and they could not well import them from Great Britain, where they were loaded with many heavy duties, of which a considerable part was not drawn back upon exportation. Madeira wine, not being an European commodity, could be imported directly into America and the West Indies, countries which, in all their non-enumerated commodities, enjoyed a free trade to the island of Madeira. These circumstances had probably introduced that general taste for Madeira wine, which our officers found established in all our colonies at the commencement of the war which began in 1755, and which they brought back with them to the mother country, where that wine had not been much in fashion before. Upon the conclusion of that war, in 1763 (by the 4th Geo. III, chap. 15, sect. 12), all the duties except £3, 10s. were allowed to be drawn back upon the exportation to the colonies of all wines, except French wines,

to the commerce and consumption of which national prejudice would allow no sort of encouragement. The period between the granting of this indulgence and the revolt of our North American colonies, was probably too short to admit of any considerable change in the customs of those countries.

The same act which, in the drawbacks upon all wines, except French wines, thus favoured the colonies so much more than other countries, in those upon the greater part of other commodities, favoured them much less. Upon the exportation of the greater part of commodities to other countries, half the old subsidy was drawn back. But this law enacted, that no part of that duty should be drawn back upon the exportation to the colonies of any commodities of the growth or manufacture either of Europe or the East Indies, except wines, white calicoes, and muslins.

Drawbacks were, perhaps, originally granted for the encouragement of the carrying trade, which, as the freight of the ship is frequently paid by foreigners in money, was supposed to be peculiarly fitted for bringing gold and silver into the country. But though the carrying trade certainly deserves no peculiar encouragement, though the motive of the institution was, perhaps, abundantly foolish, the institution itself seems reasonable enough. Such drawbacks cannot force into this trade a greater share of the capital of the country than what would have gone to it of its own accord,

had there been no duties upon importation; they only prevent its being excluded altogether by those duties. The carrying trade, though it deserves no preference, ought not to be precluded, but to be left free, like all other trades. It is a necessary resource to those capitals which cannot find employment, either in the agriculture or in the manufactures of the country, either in its home trade, or in its foreign trade of consumption.

The revenue of the customs, instead of suffering, profits from such drawbacks, by that part of the duty which is retained. If the whole duties had been retained, the foreign goods upon which they are paid could seldom have been exported, nor consequently imported, for want of a market. The duties, therefore, of which a part is retained, would never have been paid.

These reasons seem sufficiently to justify drawbacks, and would justify them, though the whole duties, whether upon the produce of domestic industry or upon foreign goods, were always drawn back upon exportation. The revenue of excise would, in this case indeed, suffer a little, and that of the customs a good deal more; but the natural balance of industry, the natural division and distribution of labour, which is always more or less disturbed by such duties, would be more nearly re-established by such a regulation.

These reasons, however, will justify drawbacks only upon exporting goods to those countries which are altogether foreign and

independent, not to those in which our merchants and manufacturers enjoy a monopoly. A drawback, for example, upon the exportation of European goods to our American colonies, will not always occasion a greater exportation than what would have taken place without it. By means of the monopoly which our merchants and manufacturers enjoy there, the same quantity might frequently, perhaps, be sent thither, though the whole duties were retained. The drawback, therefore, may frequently be pure loss to the revenue of excise and customs, without altering the state of the trade, or rendering it in any respect more extensive. How far such drawbacks can be justified as a proper encouragement to the industry of our colonies, or how far it is advantageous to the mother country that they should be exempted from taxes which are paid by all the rest of their fellow-subjects, will appear hereafter, when I come to treat of colonies.

Drawbacks, however, it must always be understood, are useful only in those cases in which the goods, for the exportation of which they are given, are really exported to some foreign country, and not clandestinely re-imported into our own. That some drawbacks, particularly those upon tobacco, have frequently been abused in this manner, and have given occasion to many frauds, equally hurtful both to the revenue and to the fair trader, is well known.