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Source: *The Economic Journal*, Vol. 31, No. 121 (Mar., 1921), pp. 17-27

Published by: Wiley on behalf of the Royal Economic Society

Stable URL: <http://www.jstor.org/stable/2223284>

Accessed: 27-06-2016 10:10 UTC

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The Economic Journal

CORN PRICES AND THE CORN LAWS, 1815-1846

MR. R. G. HAWTREY'S articles on the Assignats and the Bank Restriction of 1797 have raised high hopes in the breasts of economic historians; for they have shown the aid which exact economic history can render to the elucidation of economic theory. It is much to be desired that the same service should be rendered to the economics of agriculture. How large a part of the classical political economy was built on corn is sufficiently well known. Some of the classical economists, notably Malthus, had a broad historical sense; others, like McCulloch, had an encyclopædic knowledge of facts; others, again, like West and Ricardo, were keen critics of particular episodes in financial policy; but there was only one among them who combined history and theory in the sense in which they were combined by Adam Smith. This was Thomas Tooke (1774-1858), economist, statistician, and Baltic merchant. His *magnum opus*, *The History of Prices*, is unfortunately so rare and expensive that the present generation can hardly procure it, except from a library; but it possesses much more than antiquarian value. Dealing alternately with currency and corn prices, Tooke achieved a double result. He led the way along the path which Mr. Hawtreys has followed with such enviable success; and he advanced along a second path, where he still awaits a follower. This is not surprising. Currency theory and Treasury experience are so intimately associated that the time was bound to come when a Treasury expert would visualise for us the reactions of the currency to the disturbances of the Napoleonic wars. But though we have a Ministry of Agriculture and Fisheries, we have not a Minister of Corn Markets; and it is to be feared that our agricultural experts would find little profit in West's Law of Diminishing Returns or Ricardo's doctrine of Rent. Mr. N. S. B. Gras, an American writer, has given us recently *The Evolution of the English Corn Market* down to the eighteenth century, but this work stops at the point where the theorist would be most likely to make liaison with history, and we feel greatly the need of a continuation, such as Thomas Tooke would have written if he had lived in our day and been asked for an historical introduction to a

governmental report on "corn production and bread prices after the war." We should have studied it with the assurance that, as an expert, he would be alive to the indirect consequences to which the amateur is so apt to be blind, except in retrospect. The few pages which follow were inspired by Tooke's work, and are offered to readers of this journal in the hope of providing yet another point of contact between the historian and the theorist. The writer, however, must confess that he is as innocent of the secrets of Mark Lane as was Edward West, the young barrister from Oxford, of the economy of an English farm.

In the period from 1815 to 1846 the Corn Laws had a material influence on prices; but how far, if at all, they raised prices it is impossible, even approximately, to determine. Several of the witnesses before the Import Duties Committee of 1840—whose report is nothing more than a manifesto in favour of Free Trade—attempted the task, but arrived at their conclusions by making assumptions which were unwarranted. Thus Mr. Bowring said¹: "Supposing that of every sort of corn the consumption of this country is 45 millions of quarters; I do not speak of wheat only, but corn generally; upon that, if (*sic*) the rise of price be 5s. per quarter, it is clear that the Corn Laws impose an indirect taxation of more than 11 millions sterling upon the community." And, again, Mr. Smith, President of the Manchester Chamber of Commerce: "Assuming that the consumption of grain of all kinds in this country be 60 millions of quarters per annum (Mr. McCulloch, I think, estimated it at 52 millions of quarters many years ago); supposing (*sic*) that the effect of the Corn Laws be to raise the price of grain in this country 10s. a quarter higher than it would otherwise be, and supposing that the consumption of all other agricultural produce together be equal to the consumption of grain, then you have a consumption equal to 120 millions of grain, which at 10s. a quarter would amount to 60 millions of money."² If we confine these two estimates to cereals (for this is what Mr. Bowring meant by "corn generally" and Mr. Smith by "grain of all kinds"), Mr. Smith's figure must be halved, Mr. Bowring's remaining at £11 millions and Mr. Smith's becoming £30 millions. But these were estimates for a single year; and the orators of the Anti-Corn Law League, multiplying by 25, so as to cover the whole period between 1815 and 1840, arrived at a total which paralysed the imagination and elicited appropriate rage.

¹ *Commons' Committee on Import Duties*, 1840. Q. 692.

² *Ibid.*, Q. 2153.

If there had been a regular duty on grain, and if all sorts of grain had been at all times largely imported from abroad, this method of calculation would have been on the right lines. But neither of these conditions was fulfilled.

Under the law of 1815 no duty was paid at all, and it is impossible to calculate the indirect effects of a non-existent tax. The calculation was no easier with the sliding scale introduced by the Act of 1828; for most of the corn was held up until the duty was nominal. In 1838, for example, out of 1·7 million quarters of imported wheat, 1·2 were entered at the duty of 1s.¹ It is even possible that the violent fluctuations which these laws occasioned may have caused the total of wheat sold in a particular year to fetch in the aggregate a lower price than it would have fetched had there been no restraints on importation. In this case the loss of value would be an index of the burden on the nation and would be comparable with the kind of loss which might occur if organised speculation in the world's wheat markets was repressed by law. Furthermore, even if we suppose the amount of protection afforded by the Corn Laws fairly translated into a fixed duty of 5s. or 10s. or 15s., it is not allowable to argue that English prices must have been this much higher than they would have been under Free Trade. For in the period between 1815 and 1846 there were years in which, from the abundance of the home harvest, the country practically fed itself at prices which would not have allowed of profitable importations of any magnitude. There were years, too, in which, through the failure of the Continental harvests, there was almost no wheat available for shipment to England, and in which the little that did come in would have commanded the same high price, Free Trade or no Free Trade.

These estimates, however, were a fair party retort. For British growers perpetually assumed that in normal times, if deprived of a protective duty of something like 20s. a quarter, they would be smothered beneath a deluge of foreign wheat. It was, therefore, natural for their opponents to reply: "In normal times, when you have this protection, the price of your wheat is *pro tanto* higher." If the growers protested, "But in point of quantity England nearly feeds itself, not deriving, even in short years, more than one-twelfth of its supply from abroad," the Free Traders could, and did, in their turn retort, "This independence is nevertheless purchased at a price, and unnecessarily purchased, when the bounty of foreign lands might be made to flow to

¹ Cf. Peel's speech, February 9, 1842.

Britain in exchange for British goods. You talk of insurance against famine, but do you realise the vastness of the premium?"

What we really want for an impartial estimate of the influence of the Corn Laws on prices is some notion of the range of foreign resources which England actually commanded, and of the degree in which they were capable of extension had there been no restrictions on trade. To understand the position in 1815, we must go back for a moment to the beginning of the century.

Early in 1800 a corn merchant communicated to Parliament¹ the following information concerning the possibility of foreign supplies from the preceding harvest: "The supply will be moderate; the crops in general abroad have not been very productive; and in some parts, where we usually look for supplies, the exportation has lately been prohibited—I mean the Prussian provinces bordering on the Elbe. Our principal source of supply may be looked for this year from the Baltic, and chiefly from Poland; for the produce of the harvest in the Prussian provinces bordering on the Baltic has been unusually bad, and the quality very light and inferior. A considerable quantity may be looked for from Poland, if there is no obstruction to its passage to the shipping ports. . . . The King of Prussia has already prohibited the export of all other grain but wheat; and it is apprehended that prohibition may be extended to wheat, particularly in the event of a further advance in the prices in Great Britain, which might create an alarm in those countries. Some quantity of wheat may also be expected from Russia. . . . The exportation of corn is strictly prohibited from Holland, Flanders and France. . . . The produce of the crop in America last year exceeds that of any year for the last seven years, but is far short of what has been the produce preceding that period; the reason is the devastation caused by the Hessian fly, which has discouraged the growth of wheat."

During the continuance of the war the restraints on import did not come from the side of England. In the worst years the British Government went out of its way to bring in foreign food. In 1795 all neutral ships bound with corn for France were seized and their cargoes purchased; while Government agents bought corn in the Baltic ports. Between September, 1795, and September, 1796, a bounty, varying from 10s. to 20s. per quarter, was offered on imported foreign wheat. In 1800 the bounty was repeated in a different form. Importers were guaranteed the difference between the average price of English wheat in the second week

¹ To the Commons' Committee on the Assize and Making of Bread, which reported February 10, 1800.

after importation and a price of 90s. (extended in 1801 to 100s.). But inasmuch as the price continuously exceeded 100s. in both of these years, the measures, while lending confidence to importers, cost the Government nothing. Between 1803 and 1813 importers of foreign grain had to furnish themselves with licences which were issued by the Privy Council. These were either general licences, which covered corn as well as other things, or special licences (issued only from 1809 onwards) for corn only. Objection was raised to them by Francis Horner in 1808. Nobody, he complained, knew on what principles they were issued; the fees paid for them amounted to a tax on imports; it was a serious breach of the Constitution that the Executive should thus take upon itself the levying of taxes.¹ But the licences cost very little and were only intended to keep foreign trade under the control of the Admiralty.²

Napoleon, on the other hand, tried to starve England by withholding Continental supplies. When this failed, he reversed his policy and tried to drain England of its bullion by encouraging exports of corn and prohibiting imports of British manufactures. Such exports were also conducted under a licence, which, unlike the English licences, cost a substantial sum, and were reckoned in 1813 to add 10s. to the cost of importing a quarter of wheat.³ By a smuggling trade at high profits, English exporters penetrated the barriers of the Continental system and maintained the balance of trade. In Poland, whence the corn was derived, a great trade in British goods sprang up, warehouses were established and roads were improved. Goods, intended originally for consumption in the southern parts of Europe, were transferred to the Baltic, and the mode of packing was altered to allow of conveyance into the interior in the small carts of the country.⁴ Free Traders in later years recalled these feats of British industry when they wished to show the improbability of a total cessation of imported food, even in the event of war.

Peace came in 1815. But the Continental countries which were the theatre of war took longer to recover from their prostration than the island kingdom which furnished the money for it. France for a time dropped out as an exporter. Between 1815 and 1828 England derived its foreign supplies (which were only a fraction of the total home consumption) either from America, whence it was shipped in the form of flour, or from the Baltic

¹ *Hansard*, 1st Series, X., 183.

² For a list of the licences issued see Appendix to *Report of Commons' Committee on Corn*, 1813.

³ *Lords' Committee on Corn*, 1814, p. 112.

⁴ *Ibid.* Evidence of Mr. Isaac Solly, p. 77.

countries, the latter being the main source and Dantzic the main port of shipment. Both in America and England the conditions of supply were peculiar. "More than half of America [*sc.* the U.S.A.] is cultivated by slaves, that is an expensive mode of cultivation; the other part, which does not yield more corn, if so much as suffices for its own consumption, is cultivated by a free peasantry; they raise other productions, though not corn, cheaper than the slaves; it is a singular circumstance that almost all the corn which comes to this country from America is the produce of countries cultivated by slaves."¹

In the Baltic countries, too, the conditions of production were very different from those prevailing in England. Whereas in Great Britain one-half of the inhabitants were providers of food and brought to market one-half of their produce, in the Baltic countries the cultivators consumed nine-tenths of their produce on the farms and brought only the remaining one-tenth to market for consumption at home or export abroad. Moreover, Napoleon's industrial and military operations had produced an abnormal position. The production in Europe of Colonial wares, such as sugar, indigo and tobacco, of which Napoleon was deprived by England's command of the sea, caused a diversion of good land from ordinary agriculture and a consequent scarcity of agricultural produce, which was met by the ploughing up of very poor lands. Hence when peace came in 1815, there were a large number of petty accumulations in the hands of growers, and the land temporarily diverted to Colonial produce was restored to the production of grain. The position presaged a severe drop in prices. But agriculture being still in the main *Natur-Wirtschaft* (the poorer classes living on potatoes and the more prosperous on rye bread), the declension could not reveal itself in the commoner items of agricultural enterprise. It was therefore concentrated on wheat, which the nobles of Poland and Russia grew as a speculative surplus to be sold for what it would fetch on the best foreign market. This, hitherto, had been England. In 1814, for example, England was computed to consume two-thirds of the total corn exports of Poland and to warehouse for a time a part of the remainder; and in return, as we have seen, English manufacturers had the biggest share in the import trade into Poland.²

The price of wheat in Dantzic was regulated by, and moved in sympathy with, the price on Mark Lane. A rise of price, sufficient to open the English ports, was followed by an immediate

¹ *Commons' Committee on the Distressed State of Agriculture, 1821.* Evidence of Wm. Jacob.

² *Commons' Committee on Corn, 1814.* Evidence of Isaac Solly, p. 84.

flow from the Baltic ports of wheat which had been waiting patiently for its only good market. Sufficiently prolonged, low prices in England, instead of being met by a disposal of the produce elsewhere, might quite likely force the Polish nobility to revert to the production of staples such as rye and to retire from foreign production. The position for the moment seems to have been that rare one in which a tax imposed by the importing country would have been paid mainly by the foreigner, enriching the British Treasury without burden to British consumers.

But to British growers this was small comfort. The Pole's dependence on England was to them his chief offence. It is possible that a faint recognition of the Continental situation may have induced the legislators of 1815 to be content with nothing less than a prohibition till scarcity was really acute. But prohibition, instead of lessening the evil, heightened its psychological influence. From 1815 right down to 1828 the thought of the Polish corn piled up in bond and ever piling was a nightmare to the British farmer. Forth it would pour, at the first opportunity, heedless of the price it fetched. From the behaviour of the bonded corn under abnormal conditions it was erroneously inferred that there was a limitless supply growing in Poland which would be offered at the same low price were the trade in corn free. As a contemporary writer observed: "It is this accumulation, not the supply which would regularly reach us were no prohibition in existence, that depresses the agricultural interests."¹

It is characteristic of a seasonal commodity like wheat, when it is also a staple of subsistence, that it exhibits in the market a high degree of inelasticity. That is to say, a small excess in the supply of corn, compared with the average rate of consumption, is apt to cause a fall in price very much beyond the ratio of the excess. When the small excess comes from a distance, and when its terrors by unfortunate legislation are bulked, its effect is greater still. There was sufficient truth in the farmer's diagnosis to blind him to his greater errors. Nothing could have alleviated his apprehensions short of a pilgrimage to Poland and a prolonged sojourn when he got there.

William Jacob, Comptroller of Corn Returns, made two such journeys on behalf of the Government, visiting, among others, the celebrated German economist von Thünen at his estate in Mecklenburg. In his second report (1828), from which we have already quoted, he expressed the opinion that the extensibility of the foreign supply either immediately or in the calculable future

¹ William Jacob, *Second Report*, 1828 (see note on p. 24), p. 127.

was very small. "At the present time, had the harvest of 1827 required it, it is doubtful if ten days' consumption of wheat could have been drawn from the whole Continent, even at 100 per cent. advance on the prices of that period."¹ As to the future, he was of opinion that the technique of production, the fertility of the soil and the accumulations of capital in Continental Europe were such that "if a great portion of our necessary supply should be wanted from foreign countries, there is no probability that it could be furnished without such an advance of price as would be enormously heavy."² "Estimates," he went on, "have been presented to the public, founded on the supposition that twenty millions (£) might be saved to the public annually by the importation of ten million quarters of corn at forty shillings a quarter less than our English price, which sum has been represented to be extorted from the pockets of the community to gratify the luxury of the landed proprietors and the greedy selfishness of the farmers; though the authors of such estimates must have known, or must have been woefully ignorant if they did not know, that the demand of one-twentieth part of what they reckon upon could not be extracted from the whole Continent without raising the price there as high as, or even higher than, the average price in England."³

From 1828 to 1846 England continued to depend on the Continent of Europe for the greatest part of its foreign supplies. During the eleven years 1828 to 1838 the total annual importations of wheat and wheat flour were considerably under one million quarters, and of that quantity more than three-fourths was derived from Germany and the north of Europe. During the four years 1839 to 1842 the importations rose to 2·5 million quarters annually, and a considerable part of these imports were, for the first time, obtained from France, Italy, Canada and the United States. During the three years 1843, 1844 and 1845 the imports again fell to little more than one million quarters, and three-fourths of this import were from Germany and Prussia. In 1846 the Corn Laws were repealed. During the nine years 1846 to 1854 the annual imports rose to the very big figure of nearly five million quarters, and a very considerable part of that supply was derived from France, Italy, Turkey, Egypt and Syria, Canada and the United States.

Is it possible to infer from this that, if repeal had come in

¹ *Second Report (1828) presented to the Lords of the Committee of H.M.'s Privy Council for Trade, respecting the Agriculture and the Trade in Corn in some of the Continental States of Northern Europe*, p. 131.

² *Ibid.*, p. 98.

³ *Ibid.*, p. 129.

1828 when the Duke of Wellington's sliding scale was adopted, or in 1838 when the agitation of the Anti-Corn Law League began, the big expansion of imports which followed after 1846 would have followed after either of these earlier dates? Once again, the materials for an exact answer are not available. The case for such a view is that the prospects of a steady foreign trade with England would have materially stimulated the recovery of Continental agriculture and materially hastened the expansion of America. But each country, it must be remembered, had its own independent developments, in which the course of its internal affairs played much the most important part.

Thus it is hard to believe that the American policy of land settlement or the financial chaos which frustrated it in the 'thirties would have been altered or alleviated by freedom of trade with England. It was the adoption of a liberal land policy and the return to healthy finance which enabled America in the late 'forties to appear as a serious factor in the international market for wheat. Our final judgment, therefore, is this: Corn Law Repeal in 1828 would have been an act of faith, hazardous in the light of precedent, but justified by events. Almost as much wheat would have been grown from British soils, and prices would have been considerably steadier at a slightly lower level. The repeal of 1846 removed obstructions just when their retention would have caused them for the first time in Corn Law history to raise materially the price of English bread.

The course of prices between 1846 and 1855 forms an interesting comment on this judgment. By repeal the manufacturers got what they wanted, a greater flow of imports and a steadier foreign market for their own goods. But what they held out to the public and what the agriculturists feared was a material reduction in the price of food, and this did not occur. The quinquennial average of wheat prices (per quarter) in England was as follows:—

				£	s.	d.
1841—5	...	...	...	2	14	9
1846—50	...	...	...	2	11	10
1851—55	...	...	...	2	16	0

Whereupon the advocates of Protection declared that the predictions of Cobdenites were falsified and the arguments for repeal were lies. Certainly their predictions were falsified, but none the less their case was good. For prices would have been still higher and still more abrupt in their fluctuations if the Corn Laws had continued in force after 1846. This general proposition can be established in detail. From 1847 to 1852 the home harvests

were very bad, but abroad (including France) they were good. Wheat therefore was imported in large quantities and checked the home rise. Tooke¹ estimates that in September, 1848, when the price advanced to 56s. 10d., it would certainly have reached 73s. under the operations of the old law, and that similar situations would have occurred in subsequent years to the great privation and peril of the country.

The harvests of 1853 and 1855 were bad; that of 1854 was very good. But prices rose the whole time. The reasons why, between 1853 and 1855, prices were higher than in the years immediately preceding were, first, because in 1854 and 1855, unlike 1847 to 1852, the foreign harvest, particularly in France, was bad, so that no cheap foreign wheat was available; and, secondly, because, even when we had a good harvest in 1854, the shortage abroad was so great that British wheat was actually exported to realise the high prices there obtainable. The higher level was maintained and intensified in 1855 by the outbreak of the Crimean War, which obstructed some of the usual sources of supply, especially Russia, and raised freight charges from those sources which remained open.

All that repeal could do, it did. In those years when the home supply was scarce and the foreign supply good, free imports kept down home prices and steadied them by assuring constant access to the widest available market. When both home and foreign supplies were deficient, and when in addition there was war, prices inevitably rose. Free trade in wheat does not create cheap bread; it merely presents an artificial rise in the price of the raw material of bread.

It is one of the ironies of history that during the half-century in which British agriculturists lived in terror of a bogey the bogey did not exist. British farming surmounted the repeal of the Corn Laws on a scale of ascending prices. The more immediate causes of this ascent we have indicated. Remoter influences were the general rise of prices due to the discovery of Californian gold in the 'fifties, and a growing industrial population at home, unaccompanied by any great expansion of population in America, which, in the 'sixties, was prostrated by civil war. Then in the 'seventies the bogey came from a quarter to which men had hardly been trained to look. McCulloch in 1841, with the classical economist's sure instinct for the short run, wrote: "It is needless to take up the reader's time by entering into any lengthened details with respect to the corn trade of the U.S.A. It is abun-

¹ *History of Prices*, V., 57.

dantly certain that we need not look to that quarter for any considerable supplies.”¹ But from that quarter in the 'seventies the bogey descended. Its feet were ships of steel, its arms railroads stretching over the prairies, and in its belly was Chicago wheat.

C. R. FAY

¹ *Statements Illustrative of the Policy and Probable Consequences of the Proposed Repeal of the Corn Laws* (1841), p. 8.