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THE ECONOMIC RELATIONS OF THE UNITED STATES WITH ITALY.

BY LUIGI LUZZATTI.

I.

GREAT nations, like great geniuses, although possessing the consciousness of their power, do not entirely comprehend the active influence which they exercise in the world. This is a providential circumstance, since otherwise their arrogance would become overwhelming and their exertions would be attended by less profit to themselves and to humanity at large. The importance attached by Europe to the marvellous economic development of the United States of America exceeds that attributed to it by Americans themselves, as may be seen from the publications, inquiries, enactments, and precautions which it has called forth in the states of Europe, and by the dread of it displayed in International Congresses.*

When, about 1879, regular cargoes of American corn began to be landed in Europe, they produced an absolute agrarian revolution, the effects of which soon became universally apparent; it was as though immense new territories, more fertile and productive, while less heavily burdened, had been added to the lands of ancient Europe, which were already cultivated to the last inch at a very heavy cost. Ricardo's formula of rent was reversed. Bread became cheaper, and the prayer of the Gospel, "Give us our daily bread," flowed more easily from the hearts and lips of the poor; but landowners found their circumstances altered.

* At the last International Congress of Roman Agriculturists in April of the current year, the representatives of the German Agrarians presented themselves with the intention of organizing a League of European States against the competition of the United States. The writer has pleasure in saying that he successfully opposed this project, as will be seen later.

Rents were reduced, and almost everywhere, in order to lessen the reduction, protective tariffs upon grain were imposed or increased,—means of defence which are more obvious, if not more efficacious, than improving the method of cultivation and varying its objects.

This was the greatest economic revolution ever accomplished in the space of a few years; that of the fifteenth and sixteenth centuries, caused by the discovery of precious metals in America, took a longer time to make itself felt.

Now, face to face with the marvellous industrial activity which keeps pace with the agrarian prosperity of America, face to face with the mysterious organization of trusts, powerfully supported by strongly protective tariffs, and with the existence of a war navy and mercantile marine of equal strength, the people of Europe ask themselves anxiously whether they are not upon the eve of a new economic revolution, no less formidable than that produced in 1879 by the export of corn. Governments, economists and producers keep watch and ward as if they were in the presence of some imminent danger, and those who are least judicious or most heavily involved are already raising the cry to mobilize economic Europe against America.

And, indeed, the economic powers of the United States possess something naturally invincible, like the primitive and inexhaustible forces of Nature herself; they are potentially as strong as those of the whole of Europe, nor is the threat of a European league far from becoming a serious one.

The greatest diversity of climate and of productions—of metals from the most precious to the most useful, of gold, of silver, of petroleum, of coal, of iron, of cotton, to the most varied products of the earth and of manufactures, a territory as large as Europe, connected by a greater number of kilometres of railway lines,—it is, in very truth, “the blooming youth of the world and of life,” of which Lucretius spoke: “*Ista florida novitas mundi.*”

The European economists of the classical Manchester school objected to the protective system on the ground that it dulls the intelligence of the producers, and arrests the progress of science in its application to the soil and the factory, and blunts the inventive faculties. But Americans appear destined to disprove the most firmly established economic doctrines with the powerful originality of their operations. They have drawn from the pro-

fective system the assurance necessary to intensify in the most stupendous fashion the application of science to production. The system of protection, instead of checking their inventive imagination, has lent it wings. The American nation makes better use of tools, machinery, physics, and chemistry, to shorten and improve the processes of production, than do England and Germany. This renders possible the steady output of goods in a manner unknown even to England, with the incentive of rewards for the best workers and participation in the profits of the undertakings. Protective tariffs, trusts, technical perfection of production, immense output of goods—these terms, which appeared to be contradictions in Europe, have been reconciled in the United States by means of singular compensations operating spontaneously.

The fact is that to-day Europe is awaiting the invasion of manufactures, as formerly she underwent the agrarian invasion and made terms with it; and the protective tariffs, together with trusts and other combinations, which permit of sale at a higher price in the immense internal market of the United States, are being transformed in their turn into export duties. And in Europe many inquiries are being made for means of defence proportionate to this danger, not only by the German Agrarians at the Congress of Rome, but by many influential statesmen.

A point which is not easy of comprehension is, how, with such a prodigious increase of economic powers, the United States show so much hesitation in competing with the European market, and in opening at least a small loophole of free competition by moderating in some degree the semi-prohibitive system.

The late President McKinley, who was certainly not an advocate of free trade, and regarded the subject of tariffs with great reserve, concluded commercial treaties, based upon the fourth section of the Dingley tariff, with France, the Argentine Republic, Jamaica (by arrangement with England), etc., etc. In spite of the signature of McKinley, which should be now more than ever sacred, these treaties have been mouldering for four years in the archives of the Committees of the Senate. These conventions are anything but the expression of Free Trade, since by the tariff law of 1897, as is well known, the high duties of the Dingley tariff cannot be diminished by more than twenty per cent. This hesitation it is impossible to explain; it is not to be believed that such a powerful nation would shrink from such a slight diminution

of duties, which could certainly not give free play to European competition. And, in fact, at the recent Congress of Rome, Méline, in his own name and that of his friends, gave utterance to scruples as to the acceptance of the convention on the part of the French Parliament, thus expressing the well-known timidity of the Colbertian French spirit in matters of tariff. I venture to explain this attitude of mind of the United States towards tariffs in the following manner.

On the one hand, there is the knowledge that the exports of the United States to all countries of the world have something inevitable and irresistible in their nature; that they will continually increase, and cannot be impeded by foreign tariffs any more than rivers in flood can be controlled by insignificant dams. How can bread, petroleum, etc., be declined by states which require these articles? How is it possible to reject agricultural machines of the greatest ingenuity and utility, which lessen the cost of production? On the other hand, the reduction of duties might perhaps have, or at least so it is feared, the first effect of cutting down wages, and that is undesirable; upon this point there is a sort of "holy alliance," as in the English colonies, between capital and labor, agriculture and industry, in the protective American system. The writer is not judging these conditions, but merely seeking to explain them, as he believes, correctly. He is speaking as a European and an Italian; if he were an American he would feel less hesitation in speaking plainly.

It may be added that, in the United States of America, the consciousness of international obligations is less keen and delicate than in the methodical and more ritually disposed Governments of Europe. With us, when a government contracts a commercial treaty, it is impossible for Parliament to refuse to examine it, and rarely is such a treaty rejected. Only four times since 1878 has a commercial treaty been rejected by the French Chamber of Deputies. On the contrary, in the United States there is a wall of division between the President of the Republic and Congress; every one follows his own sweet will, and the refusal to discuss treaties, which in Europe would have produced crises of government or dissolutions of the Chambers, appears the most natural thing in the world in the United States, where the Constitution excludes Cabinet crises and dissolutions of parliament. Americans are inviolable, unassailable, as much by reason of their

natural strength as by their innate indifference to diplomatic forms. And this peculiarity, which would be regarded as an infirmity in a European state, in them assumes the appearance of superiority. To a young nation which has no history but what it has made for itself, and which is separated from the jealousies and *etiquette* of Europe, much may be pardonable; and if some European Government resents it, the United States pronounce their own absolution. But if the menaces of the German Agrarians are not sufficient to alarm the United States, the latter should yet seriously think of examining their fiscal conscience, in order to avoid irritating reprisals and unpleasant discussions at their expense.

II.

A great prejudice against Italy is shown by the manner in which the United States apply the formula of the most-favored-nation treatment to the treaties of commerce which they contract. It is this which differentiates the method of the United States from that of Europe. In Europe, with a few exceptions for the frontier trade, extended sometimes to an extreme degree and with a very wide interpretation between certain States to the exclusion of others, the principle of the most-favored nation has no limitations. A state treats with another only upon a certain number of heads; but it knows that the concessions made in the future to other states upon those heads or upon others will be also extended to itself. This is a species of participation of profits, which absolutely excludes differential tariffs so long as the treaties hold good. In the course of negotiations all this is taken into account, and a reduction of tariffs in return for other concessions is not insisted upon when it is considered probable that it will be obtained by other governments. These operations offer tactical scope for much strategic skill in the field of negotiations. But this method has the inestimable benefit of rendering it possible to treat upon equal terms, and of admitting under similar conditions the competition of all those with whom treaties have been contracted. It confers a species of general uniformity upon genuine competition. The matter is not regarded thus by the United States. They demand that they shall be treated in negotiations with more favor than any of the states of Europe, and push this claim to the farthest possible extreme; hitherto, very great concessions have been made to them, but they do not

consent to reciprocity of terms. They receive in practice, as they are so often accustomed to do, the application of the formula of equal treatment, but they do not apply it to their own case. In the last negotiation concluded with Italy on February 8th, 1900, according to the third section of the Dingley tariff, the United States demanded and obtained from Italy the unlimited "treatment of the most-favored nation," so that they will profit by all tariff reductions which we have made in our former negotiations; but they have not conceded the same to us. The writer is not aware whether they were requested to do so by the Italian negotiator; but if they were, the American negotiator probably replied that the United States are in the habit of demanding certain concessions which they do not grant to others.

The absence of this formula, denied by the United States to Italy, was of great prejudice to the latter country; and it is well to explain the matter in its technical particulars, in order to illustrate the difficulties in which their friends are placed when defending them from certain criticisms which are anything but groundless, and which were felt recently by the writer when replying to the German Agrarians at the International Congress of Agriculturists in Rome.

Leaving other negotiations out of the question, the two agreements concluded by the President of the United States with France and Jamaica possess a very great interest for Italy. France has obtained from five to twenty per cent. reductions of duties upon 135 categories of goods, according to the fourth section of the Dingley tariff; England has obtained for Jamaica a reduction of twenty per cent. upon oranges, lemons, etc. If the Senate ratifies the treaty with France concluded July 24th, 1899, which has since then been waiting for confirmation, the consequences will be serious for Italy. In exchange for the concession of one part of her minimum tariff made to certain American products, France obtained, as stated above, a reduction of duties of between five and twenty per cent. upon 135 categories of French goods. As was shown in my statement to the Italian Chamber of Deputies, France has done a good stroke of business, since, only conceding in exchange a part of her minimum tariff for 25 millions of goods exported from the United States into France (the economy of duties is little more than a million), she obtained for almost 137 millions of French goods sold in the United

States, an economy of duties of 5,219,294 francs. But this is the least point. Since it refers to French products, of classes which other countries (and, among them, Italy) now send to the United States, and since to these countries the formula of the most-favored-nation treatment does not apply, the convention with France would result in differentiated duties to her great advantage and to the great detriment of other countries. Upon running through the reduced duties obtained by France, in the Italian Chamber of Deputies, the writer indicated several articles of Italian production, which, if Italy were unable to obtain a reduction in the duties upon them by the negotiations at present proceeding, would be little by little excluded from the market of the United States by reason of lower duties upon rival products sent from France. In comestibles, for example, France has obtained the following reductions: Ten per cent. upon preserved vegetables, peas, etc., including mushrooms; ten per cent. upon macaroni; twenty per cent. upon nuts; ten per cent. upon prunes; fifteen per cent. upon olive oil; ten per cent. upon liqueurs, etc., etc.

And in regard to French manufactured products which may compete with those of Italy in the market of the United States, we note, among other things, the following reductions of duties obtained by France: Twenty per cent. upon raw feathers; ten per cent. upon felt hats; ten per cent. upon straw plaits and hats; five per cent. upon artificial flowers; ten per cent. upon wooden furniture; ten per cent. upon paper and manufactures of paper; ten per cent. upon cements and paving-stones; ten per cent. upon gloves; five per cent. upon silk goods, etc.

The decadence of this Italian trade in the United States would inevitably result if the treaty with France were approved, without its benefits being extended to Italy. The same may be said of the orange trade of Jamaica, to which a twenty-per-cent. reduction of duties would be granted to the detriment of the orange trade of Italy!

The United States would be constrained to buy the products indicated above in France and in Jamaica, respectively, on account of the privilege of the lower duty.

In the treaty with France the most-favored-nation clause applies to all further reductions which might be made to other states upon the 135 duties already reduced. And although France has not succeeded in obtaining special reductions upon

her sparkling wines and the products of her wool industry, she would at least have the pledge of the government of the United States that she would participate in the benefits of any reduction of duties made upon those products to other states.

The Italian Government, as soon as it had received notice of the convention between France and the United States (and this took place very late, about a year after its conclusion!) immediately commenced negotiations based upon the fourth section of the Dingley tariff, with the object of obtaining the same concessions made by the United States to France and Jamaica, and of protecting certain of its exports (marble, cheese, almonds, essences, silk goods, etc.), which have a more especial importance for Italy.

We shall say more below of these negotiations, which are still going on, and seem as though they would never be concluded! But, meanwhile, what wonder is it that the interested parties in Italy are agitating to demand from the United States an equality of treatment with France and Jamaica? What wonder if sometimes the wish has arisen that, in the event of Italy's being unable to obtain the treatment accorded to France and Jamaica, those treaties might perish forgotten and dishonored in the Committee of the American Senate? M. Cambon, formerly French Ambassador to Washington, has informed me more than once that he considers the Franco-American treaty as a species of advance-guard; if it were to pass the Senate at Washington, others would pass afterwards. This is a very acute observation, and worthy of an eminent statesman. His own labors have been successful; but he must not be surprised if the Italian point of view is different from his own, and if we fear that, where the advance-guard has difficulty in passing, the rest of international trade may be cut off altogether! In a word, our fear is that if France succeeds in passing her treaty by means of the fascination which she always possesses for the United States, to whose independence she contributed, the same Congress may, by a motion or an enactment, oppose an anticipatory barrier against the conclusion of other treaties based upon the fourth section, alleging that the President is henceforth no longer empowered to conclude new ones. And thus Italy would remain the victim of differentiated duties, cut off from the market of the United States.

For international trade, just and equal tariffs are indispen-

sable; and heavy tariffs are less injurious than differentiated ones. This is easy of comprehension. But what point have the negotiations reached between Italy and the United States? A point which would be the better for a speedy definition, considering the mutual interests at stake.

The special trade between the United States and Italy is displayed in the following table, from which it may be seen that last year (1902) the two sides were more nearly equal, and that the two countries find the same interest in developing their trade:

SPECIAL TRADE BETWEEN THE UNITED STATES AND ITALY.

	Exports from Italy to the United States.			Exports from the United States to Italy.		
	Italian Statistics.		American Statistics.	Italian Statistics.		American Statistics.
	Italian Lire.	Dollars.	Italian Lire.	Italian Lire.	Dollars.	Italian Lire.
1897..	93,045,000	20,165,600	104,000,000	124,886,000	21,336,700	110,000,000
1898..	107,291,000	21,907,100	113,000,000	166,175,000	24,572,100	127,000,000
1899..	118,115,000	26,459,400	137,000,000	168,449,000	25,763,100	133,000,000
1900..	121,411,000	27,051,100	140,000,000	226,316,000	36,731,700	190,000,000
1901..	139,849,000	27,631,200	143,000,000	234,346,000	34,046,200	176,000,000
1902..	Not yet published.	33,612,900	174,000,000	—	33,135,500	172,000,000

There can be no doubt as to the advisability of aiding the development of this trade on both sides, and it is necessary to do this by all possible means. The frontier duties should on that account be diminished.

Italy asks of the United States the favored treatment stipulated in the conventions with France and with England for Jamaica; she asks that, for the products indicated in those conventions, any further reduction of duties upon the American tariff should be also extended to Italy; lastly, she asks for the reduction of twenty per cent., if no more is to be obtained, upon the duties registered in the fourth section of the Dingley tariff, upon marbles, cheeses, and certain others of her special products already mentioned above. Upon the other hand, Italy is disposed to make just concessions in her duties upon bacon, sago, agricultural machinery, and the writer of this article would not hesitate to make it also upon American petroleum, with important reductions upon the Italian duty, which now stands at forty-eight lire the quintal, in proportion to the corresponding compensations which Italian goods would obtain in the American market.

In these well-balanced proposals there would be, indeed, the character of equity, the only possible guide in conventions of a similar nature. Italy cannot comprehend why the economical

Colossus of the United States should hesitate to accept the small amount of goods which she offers; she cannot understand why a nation so powerful should feel the necessity of caution. There is no need for the power to pass from a Republican to a Democratic majority. The Republican party is not obliged to abjure its economic faith, as these matters are settled with an ease which hardly tempers the rigors of the protective system. This was fully comprehended by McKinley of blessed memory. But the United States, by conceding such legitimate satisfaction to the nations of Europe, would not only co-operate with them in a work of civilization, but would do much towards diminishing that feeling of anxiety, of ill-humor and of alarm which they arouse every day more and more by the example of their juvenile strength and exuberance. Why do they not think of the possibility of danger if all the other governments should unite for their common defence against the operation of trusts, by means of export duties, indirectly generated by this harsh protective system? Even the all-powerful should seek to prevent these natural coalitions which interest and desperation suggest to the weaker powers. And when the rule of justice is abandoned in international arrangements, a rule which is attended by mutual advantage, what else remains but resignation or a keen desire to inflict injuries equivalent to or greater than those which have been received?

Now resignation to the expectation that protectionist nations will be eventually converted to Free Trade is a virtue practised as yet only by the English nation, based more upon the intuitive sense of her own advantage than on an abstract regard for the principles of economy. And even in England, as is proved by the threatened policy of reprisals against duties on sugar and the so-called hygienic precautions against the introduction of foreign cattle, they are losing patience. All other nations, with more or less bitterness, do not hesitate to have recourse to economic revenge, to reprisals, to the Babylonian and Biblical law of revenge: "an eye for an eye and a tooth for a tooth." This is the principle acted upon by those states which have made the greatest progress in their boasted civilization!

The errors of the strong absolve or excuse those of the weak, and the economic relations of the nations are changing always for the worse upon the slippery incline of protectionism.

The fact is that the three Americas are all surrounded by fortresses of tariffs, every day becoming more fully armed against the trade of other countries, which would consider it an act of weakness not to follow their example. In fact, in this rage for new tariff duties which has broken out in France, Germany, Switzerland, Austria-Hungary and Russia, the principal pretexts alleged for such harsh measures are summed up in the American danger.

Upon the one hand, the nations are invited to the Universal Expositions of Chicago, Paris, and St. Louis; the representatives of all religions at Chicago repeat together, with thrilling emotion, the same prayer of "Our Father," chosen with common accord from the Gospel of St. Matthew; and by these mystic paths our minds are raised to the sublime unity of universal brotherhood! In such hours of emotional abandonment the heart-beats of union are sincere, the assurances and oaths of mutual collaboration in the work of civilization exchanged by the nations are real. But it is a strange contradiction that none the less evident is the spectacle of national egoisms which are continually growing greater, of victorious Imperialism, and of isolating tariffs.

It seems almost as if the powers of Good and Evil had become reconciled in our consciences, having agreed to divide between them the hours in the lives of the people, who repeat with all the philosophy of the Preacher: "there is a time to love and a time to kill."

A study of tariffs has drawn us into these philosophical divagations, which lead us farther from our subject than is desirable. It is time to return to sincerity once more, and to put our principles into accordance with our actions. Either let us hold Universal Exhibitions celebrating the olympiads of labor in the peaceful emulations of science and commerce, or let us have the arrogances of Imperialism, tariff reprisals and the brutal victories of might over right.* Both one and the other of these methods have the merit of clearness; what ought not to be tolerated is the equivocity of the mingling of barbarism and civilization at which we must blush, and which is no longer compatible with the approval of our conscience.

* Considered from this point of view, the German manufacturers of iron and machinery were right in declining the invitation to take part in the Exposition at St. Louis, as long as the American duties stand at 45 or 50 per cent. of the value of metal manufactures.

If only the United States, as they have the power to do, would summon to the approaching International Exhibition at St. Louis a Great Œcumenical Council of the Nations, with the mission of dictating the new canons of fiscal justice to the world, humanity would make a gigantic stride in the triumphal path of civilization, and from on high would smile the august shades of Christopher Columbus and of George Washington, who bestowed upon the Americas the exalted office of uniting the human races.

And, to return after this flight of fancy to lower levels, the writer addresses himself to the leading powers of the United States that they may consider in what a position they place their friends in Europe.

On April 16th, at the International Congress of Agriculturists at Rome, the writer alone openly opposed the German and Hungarian Agrarians, who demanded a league of European states against the products of the United States, and, if the league of European states were impossible, at least conventions between them as a defence against the United States, in order to impose reciprocity especially in the limits of the treatment of the most-favored nation; he overcame them, since the adjournment of their proposal to the next Congress was a courteous method of burying it. At that time, there passed through his mind the thought of the immense throngs of Italian emigrants, the flower of our Latin blood, to whom the United States offer generous hospitality; and since no American was at the Congress, he ventured to act as the representative of America. It was easy for him to demonstrate the fiscal disagreements of Europe, so embittered by the new tariffs that they offer insuperable difficulties to the conclusion of the treaties of commerce which have now lapsed; he also pointed out the impossibility of nations at variance being in a position to cope with the young giant. And he called upon the objectors to speak of the United States with the admiration inspired by grandeur, with the modesty due to a united and formidable power from the divided peoples of Europe.

He little knew that those who had assumed the greater responsibility in these divisions of the European nations would light-heartedly bring into a peaceful Congress of Agriculturists messages of strife against the greatest nation of the world, which represents the fusion of all other nations, the proof of the moral and material unity of the human race.

But, with the sincerity of the friend who has given recent proofs of his affection, the writer ventures to say to the ruling classes in the United States of America that, if they persist in schemes of fiscal error and caprice, it will no longer be possible to defend them against the excesses of the evil-disposed, and from the confusions which they prepare may issue at length the miracle of the necessity of certain conventions between the States of Europe—conventions neither desired nor desirable, because the United States are none other than an expansion of the nations of Europe, far-off brethren; and in these matters of international commerce we should aspire towards universal unity, not to set the Continent of Europe against that of America.

Certainly, the United States can twist these accusations in their turn, and show, as was done at the Congress of Rome, that trusts and combinations of values are also European evils; such, too, are the export duties which result from these artifices. We have all sinned and are still sinning, and hence an examination of our fiscal consciences, accompanied by a resolution of mutual repentance, should not be difficult to us. It is certain that all signs in Europe, and inevitably also in the United States, show that without the hyperbolical pretence of passing from the most rigid Protectionism to Free Trade, and without renouncing our own economic autonomies, the time is ripe for the revision of treaties of commerce founded upon principles of reciprocity, on safer and better established doctrines for the treatment of the most-favored nation, and on the agreement to prevent, as far as possible, trusts from degenerating into absolute infernal machines for the sudden abasement of some to the advantage of others. The final result of our civilization and of such stupendous and rapid means of communication as we now enjoy, cannot be merely that the strongest states invent snares in their international trade to their mutual injury, and to the detriment of the weakest. It cannot produce evils so unworthy of the high level of science and of morality to which our civilization has now attained.

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