buys raw products from Portugal and Portugal buys manufactured cloth from England, then the operation of trade between them is such that Portugal stimulates English industry and sets English labour in motion to a far larger extent than English consumption stimulates that of Portugal ; it was believed that this relative stimulus might be detected by examining the balance of trade, and that, if by an ingenious adjustment of duties the balance could be kept in her favour, the trade would be benefiting England more than it stimulated the progress of her possible rivals. In the present day we look at the volume of trade and trust that both are gainers ; in those centuries they looked at the kind of gain that accrued and tried to ensure that England gained more than her possible enemies. Thus it was generally held that by commercial intercourse between England and France the French gained rela­tively more than the English ; to the legislators of the time it seemed desirable to impose such conditions as should alter this state of affairs, or, if no agreement could be come to on the terms of a treaty, the trade should be stopped altogether, lest by continuing to overbalance England in trade the French should be enabled to overbalance her in power. These ideas of commercial policy dominated the whole of British legislation for shipping @@1 from the beginning of the 17th century till after the Napoleonic wars ; the

preference which was given to English ships, English built and English manned, was enforced in a manner that was prejudicial to the development of the colonies by the Navigation Act of 1651, aud was subsequently embodied in the orders in council. But these ideas are expressed most clearly in such discussions as those regarding the Methven treaty with Portugal. Without attempting to advocate a system of which the unwisdom has become patent in our own day, it may yet be worth while to note that it was during this regime that England acquired her position as the great ship­ping nation of the world, and passed the Dutch and French in the struggle for naval supremacy. Napoleon gave unconscious testi­mony to the effectiveness of the commercial policy for building up the strength of the nation when he sought to humble England, not by direct attack, but by destroying the trade and shipping by means of which she had raised herself to power.

This policy of subordinating the interests of shipping as a trade and means by which merchants acquired wealth to the policy and power of the nation as a whole had another side. Revenue for war expenses was furnished almost entirely by the mother country ; neither Ireland nor the colonies contributed at all largely to the burden of maintaining the national struggle with Continental rivals. Hence it was undesirable that these dependencies should develop at the expense of the mother country, as by so doing they would reduce the fund from which parliament drew for the expenses of the realm. Hence, while England was always willing to develop resources or industries—like the linen trade in Ireland —which did not compete with and could not undersell existing English manufactures, her politicians were unwilling to allow her dependencies to become her competitors in trade so long as they did not co-operate in maintaining power. Hence the galling restrictions to which the Irish and the colonists were subjected, both with regard to the development of some of their resources and the carrying on of profitable trade with other colonies or foreign countries. But it must not be forgotten that English merchants suffered in the same sort of way, as changes of political relations at once brought about changes in the conditions of trade, and that in at least one case the interests of enterprising farmers at home were set aside in favour of protecting an established industry in the colonics. The subordination of the craftsman and trader interest to the public policy of the realm brought about a system of galling regulations which pressed hardly on many persons, though they were most obviously baneful to Ireland and the colonists, who had not so much interest in the political objects for which their wealth was sacrificed.

It is unnecessary to attempt to illustrate in detail the applica­tion of these principles ; it only remains to add that, whether in spite of these regulations or because of them, the shipping of England increased vastly during the 18th century. This was partly due to the greater facilities which were granted for procur­ing capital for trading ventures. In mediæval times a merchant could hardly obtain the command of additional capital, unless by means of a temporary partnership, or loans on bottomry ; but the objection to usury was fast giving way, and the public were willing to lend capital and to share in the profits of trading. The practice of trading on borrowed capital, and of obtaining temporary loans from goldsmiths, was common enough all through the 17th century, but the development of the banking system and the new forms of credit which thus became available gave still greater scope to the enterprising shipper. The full fruits of the new power were only shown, however, in the beginning of the 18th century, when the rivalry of the Old and New East India Companies and the story of

the Darien expedition and the South Sea Bubble show how willing the British public were to pour their capital into trading under­takings. Among the companies which were started about this period there were two which have exercised a most salutary influence on British shipping. The Royal Exchange Assurance (6 Geo. I. c. 18) and the London Assurance revolutionized the whole system of marine assurance, and did so much to relieve skippers from the losses they suffered through the risks of commerce as to give considerable encouragement to the business. The plantations were developing into important settlements ; the British merchant had outdone his Dutch rivals ; and the East India Company was pursuing its course of progress in the East. There can be no wonder that, with so many opportunities for trading, and such new facilities for obtaining capital and assuring against risk, the shipping of the country developed during the 18th century. It is unnecessary to dwell on the shocks it received at the time when the American colonies asserted their independence (27 and 28 Geo. III.) or in the life and death struggle of the Napoleonic wars. The difficulty of recasting the restrictive system under which English merchants plied their trade was very great, and when it broke down in regard to America and Ireland (20 Geo. III. cc. 6, 10) it was becoming apparent that its days were numbered. The doctrines preached by Adam Smith soon began to bear fruit ; the practical difficulty of regulating commerce rendered politicians more willing to let it regulate itself ; and the controversy between the exclusive companies aud the interlopers or independent mer­chants once more came to the front. It was during the reign of George IV. that the old system was practically abandoned and that the greater part of the old companies were dissolved, and trade to all parts of Africa, to the Levant, and to China became open to all British subjects. The East India Company maintained its posi­tion in part despite its many critics for another half century, and tho peculiar conditions of the trade of the Hudson’s Bay Company have made it desirable to maintain that privileged cor­poration till the present time.

It became still more obvious that the old policy of regulating the commerce of the country in the supposed interests of its power was being abandoned when Huskisson reformed the tariff in 1825. The measure he succeeded in carrying was not so thoroughgoing as the one he proposed, but its principle was that tho customs duties should bo levied for revenue objects only, and not with the view of maintaining British merchants in one parti­cular employment of their capital. Later the repeal of the corn laws (1846) and navigation laws (1849) removed the last vestiges of the old commercial policy which had ruled over the development of British shipping almost from the earliest times, but which had been steadily and systematically pursued for three hundred years.

It was thus that Adam Smith’s criticisms worked so effectively as to realize his dreams at no great interval of time. His deeper reasons for objecting to the commercial system of the 18th century lay in the fact that the colonial trade and shipping altogether seemed to him to have received an unhealthy stimulus, and that the country would be in a sounder economic position if capital were employed at home in developing native resources, and foreign trade built upon a foundation of highly developed native industry. But the removal of the stimulus did not have the effect he antici­pated, or restore the “balance” between industry and shipping. England is far more dependent than ever before on her relations with foreign countries, and therefore on her shipping, for the materials of her manufacture and her food, as well as for markets for her products. She is further removed than ever from that condition of “opulence” which has, according to Adam Smith, the greatest promise of stability and progress.

This has undoubtedly been due to the immense developments in manufacturing in which England, with her wealth of coal and iron, led the way. This reacted on shipping in many ways. England came to be the workshop of the world, and her shipping was freighted with soft goods from Lancashire and Yorkshire, and with hardware and machinery, to be conveyed to the most distant parts of the globe. But not only were the opportunities for trading immensely increased ; the application of the steam engine to transit by water has accelerated communication, and rendered it so regular and certain as to give an extraordinary stimulus to foreign trade. The first steamboat that was more than a mere toy made its trial in 1807, and since that time steam shipping has been more and more substituted for the old sailing vessels. Still more recently there has been a considerable change in the construction of ships, from the success which has attended iron shipbuilding. The first experiment, which was generally deemed exceedingly rash, was made in 1851.

It is impossible to get satisfactory data for a comparison of the relative importance of English and foreign shipping for a long period ; but it may be assumed that the shipping of the Italian republics and of the Hanse League excelled that of England during the Middle Ages, that in the 16th century Spain was far ahead of her when she could send such fleets to the West and fit out a Spanish Armada, and that in the 17th and 18th centuries respect­

@@@1 It was pursued, but less systematically, all through the Tudor reigns or even earlier. Compare 1 H. VII. c. 8, 32 H. VIII. c. 14, 1 El. c. 13, also the Assize of Arms in 1181.