

Economic Aspects
of
Protection and Free-Trade.

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Economic Aspects of Protection and Free Trade.

The voters of this country are steadily becoming better acquainted with economic problems. The study of them is becoming more common in our schools. Their discussion in public is fairer than formerly; and papers and magazines are giving more space to such matters. The study of economics is being pursued from broader stand-points. As time passes new elements become allied with the old and require new solution for the problems confronting society. There has indeed been great development in the general conception of economic problems, but improvement is still possible. There seems to be a general impression among the mass of voters that they should pay little attention to the intricacies of economic questions, and that they should follow leaders whose duty it is to study these things. All would go well if those leaders did conscientiously study the problems of

government, but many of them do not take the time for this from their busy political life. Many too who do study and learn differently are restrained by party affiliations from following the dictations of their own conscience. Then, the writer would like to ask, who has a better opportunity for such study than he who is free from public care and yet is continually called upon to decide the policy of our nation. May, it is the privilege and duty of every voter to inform himself clearly of the fundamental principles regulating society. If the writer can provoke thinking by penning the following, his object will be obtained. Each owes it to his country as a duty that he should study economics; each should decide for himself what course he will pursue.

This essay is not intended to be exhaustive. While the more important points will be considered, some of them must from the necessity be treated briefly and in a more or less interrupted style. The two subjects, protection and free-trade, are treated from the stand-point of a student, and as impartially as possible in the circumstances. Arguments favoring pro-

tection will be given first and afterwards those for free-trade. The arguments presented for protection may be found in the College course of political economy, Thompson's "Protection to Home Industry," or Patton's Philosophy of protection. Those for free trade may largely be found in the course of political economy at the Kansas State Agricultural College, in Taylor's "Is Protection a Benefit," or in the writings of Henry George, Gladstone, or Lieber.

Protection.

Passing the notice of protection in other countries we will review briefly that of our own nation. Our protective history begins with a tariff act passed July 4, 1789, the preamble to which stated as one of its objects, "the encouragement and protection of manufactures." Other tariff legislation has been as follows: 1816, a tariff on woolens and cottons. 1824, a protective tariff passed. 1828, a tariff highly protective. 1832, the tariff lowered. 1833, a compromise tariff provided for its gradual reduction until 1842. 1842, another tariff act passed. 1846, an unprotective tariff passed. 1857, a tariff reduced duties lower than at any time since that of 1816.

1861, the Morrill tariff for the protection of manufactures. 1883, the tariff reduced. 1888, Mills tariff reducing the duty on wool &c. passed. 1892, the McKinley tariff. 1894, the Wilson tariff. Paussig says the Wilson Act, "with the one exception of free wool, brought no incisive changes over the McKinley Act."

The main arguments for protection will now be considered: The prosperity of the country, due to protection; - protective tariff is the cause of it. England had five hundred years of protection previous to her change to free trade in 1846, hence her prosperity. Our own periods of prosperity coincide with the years of protection. The extent of our commerce proves our prosperity.

Commerce: Commerce is of two kinds, domestic and foreign. Thompson maintains that we should build up our home commerce as our prosperity depends mainly upon that; that owing to industries created by our tariff we have a large internal commerce. Patten says "foreign trade is the effect not the cause of national prosperity." As people become prosperous, their wants increase and

foreign countries are looked to for the satisfaction of those wants which cannot be supplied at home. Our shipping should be protected. At present it is nearly all carried on in foreign vessels. "The navigation laws of England were the foundation of her navy and merchant marine."

Manufactures: Protection diversifies industry and develops our resources. Through action of the tariff, keeping out the foreign article, manufactures are started. In time home competition will lower the price and make the article cheaper than it could have been had no duty been levied. Protection will increase the productive power of a country and force new and better articles into use, thus adding to the general prosperity of the world. The production of iron was early protected. Our vast iron resources have been tapped and this article and thousands of others made from it are much cheaper than they otherwise could have been. Our manufactures should be protected so that we may be strong and independent in case of war.

Producer: "Millions of dollars an invis-

ted in farming, which will be depreciated unless the market be maintained. "Protection diversifies farming and opens up markets for many kinds of products, thus bettering the condition of the farmer. If the tariff were lowered many of those now in the factory would be thrown out of employment and take to farming or gardening of a necessity, thus causing depression among the agricultural class. The tariff should protect the manufacturer that the artisan or consumer, and the producer may be near each other for their mutual benefit. Thompson says that the producer is favored by protection as against the consumer, the class who live to eat; and that society depends upon the producer. Further that the farmers should vote for protection that they may have the artisans they feed near at hand. "Protection persisted in," he says, "will establish factories over the West and make a market for the raw materials raised there." Thompson admits that the farmer would have to pay more for the things he bought, but maintains that he would also get more for what he had

to sell.

Labor: The protection of manufactures gives to the American laborer his high wage. Without protection he would be compelled to compete with foreign labor. If the tariff were lowered foreign goods would come in, prices would be lowered and wages cut or factories which could not compete would be forced to close and throw workmen out of employment. Our higher wages have made our workmen more efficient, given them willing hands, promptness of attention, improved their home life and made them intelligent. Thompson says that by maintaining a high standard for our laborers we aid European workman since capital there will be compelled to treat labor better to keep it from coming to this country.

Consumer: As was shown under manufactures, protection eventually enables us to obtain articles cheaper than without protection. Increase of prices is not permanent. If there were absence of home competition foreign merchants would not be likely to sell so cheaply as they do now.

Necessaries should be protected, that the country may be independent in time of war.

Prices: The increase in price of manufactured articles due to protection is not permanent; efficiency, natural advantages, and home competition will in time lower them. With high prices for manufactured articles goes also high wages and high prices for farm products. Granting that protection results in high prices permanently, it is better for the producer to receive a high price for his product and pay a high price for what he gets than it is to be discouraged with low prices and the cry of hard times. High prices act as a stimulus, encouraging greater production. Business is flush and everything seems prosperous.

Advantages: A few additional points in favor of protection may be added to those already noted. A protective tariff or better a revenue tariff is a means of indirect taxation, which has its advantages and disadvantages. Although not being so economical and equal as direct taxation, it is more easily collected, people paying it in addition to the price of

articles bought without being aware of it.

Protection has been compared to a scaffolding around a huge building which should not be taken away until the building is completed. Our nation should develop itself within itself to its utmost and it will then be able to bring the world up to its standard says Thompson. The more conservative protectionists say that the hindrance of what Burke calls "the tyrannous power of capital," which nations of wealth exert over weaker ones, should be removed by law; and that these laws do not "interfere with the natural course and order of things but are a right and natural resistance to what is wrong and unnatural.

Free Trade.

The arguments for free trade will be taken up in an order similar to those for protection, and followed by a summary or conclusion, - a comment of the writer.

From the free trade point of view our prosperity is due to other causes than protective tariffs. We have prospered under protection, but our prosperity is not due to it. Our natural advantages, new inventions, discoveries, &c. are the

principal factors causing our progress. England has free trade and is prosperous. Germany and Spain have protection, yet how different has been their growth. Evidently we cannot assign prosperity to protection or free trade alone, in any case. Gladstone has said that we are prosperous in spite of protection.

Commerce: "Protection prevents exports by restricting imports, by raising prices and increasing the cost of production." Our commerce would be greater had there never been legislation affecting it. During colonial times our commerce was hampered by English laws; and protectionists boast that New England was turned from commerce to manufacturing through the compulsion of the early tariffs. Was such interference with natural laws for the best? We cannot export unless we import. Reciprocity, free trade in certain articles with certain nations, has been practiced to advantage. Would it not be well to make this reciprocity universal?

Manufactures: Free trade will permit capital to flow into those channels in which it will be most stable and eventually the most valuable. An article which needs continual protection

should not be manufactured here. It is a loss to the nation as a whole. Suppose the silk industry was protected in southern Kansas. Under the conditions, productive labor would be wasted. The nation would be stronger if corn were raised instead and part of this product traded for the same amount of silk raised elsewhere more cheaply. Perhaps you say we are not foolish enough to raise silk-worms in southern Kansas. Possibly not but our tariff system maintains industries unprofitable to the nation as a unit. For instance our government invites the capitalist, home or foreign, to engage in cloth manufacture and insures him a safe investment by a protective tariff. The price on this product to the consumer is then raised, for it is the consumer and not the manufacturer or importer who eventually pays the tariff. But the protectionist says the price will be cheaper in time. Certainly it will be, but how much cheaper and in how long a time? There is no need of abnormally developed manufactures, and dear production. Capital should enter the field in which it would naturally be the most profitable. Demand and natural advantages will create an industry

in due time; as the iron industry would have been and even was before the United States was a nation. Improved methods in manufacture, and not protection have made iron cheap. Again there are existing protective tariffs which aid monopoly. Machinery is an example. Agricultural implements especially especially, compete in the world's markets and yet are protected in our own. Under a protective tariff combines are formed by manufactures, which maintain prices at will. Under free trade this would be prevented. The manufacturer and not the consumer receives the benefit of protection. Taylor (?) says there is no longer any need of protecting American industries. For the few manufactures that may possibly still need fostering, the bounty system is a more economical form of protection. The following illustration will explain. Suppose 100 units of a certain foreign article can be manufactured abroad and sold here for \$1.00 each, and the same article can be manufactured here and sold for \$1.25. By the tariff system a duty of 25% is levied on the foreign article, making the articles cost \$1.25 in each case. Suppose two profits of 10%

each are made in handling before the consumer is reached; then under the tariff, 100 of these articles will cost \$157.25, the 200 costing \$302.50.

Under the bounty system, 25% would be paid to the home manufacturer for his product and the articles, both foreign and domestic would sell for \$1.00 at first hands. Two profits of 10% would cause the 200 articles to sell for a total of \$260.00, making a saving to the country at large of \$35.50. As the industry developed the bounty could be lowered until the manufacturer could compete with the foreign producer without protection. Such a system would overcome many of the evils now existing, if adopted.

Producer: Under free trade the staples in agricultural products could be raised for exportation, while other things could be produced for home consumption as well as under protection. The farmer has to sell his surplus of wheat corn and etc., in foreign markets as it is. The price obtained for this surplus determines the price here, and surplus there must be, for we cannot possibly consume all that is produced here. The great Mississippi Valley will never be filled with factories, the conditions are against the supposition. There

are few manufacturing but that have enough agricultural land to supply their needs. With the introduction of more improved methods in agriculture more will be produced than has been heretofore and the surplus must compete in the English market which rules the world. The farmer is compelled to sell in a free-trade market and buy in a protected one. The farmer cannot be protected by duties laid on agricultural products; a duty of 15¢ a bushel on potatoes does not make them sell for more. In 1860 under a revenue tariff the agricultural exports were \$295,000,000, or seventy-nine per cent of the entire exports. In 1880, after twenty years of protection, the same exports were \$686,000,000, or eighty-three per cent of the entire exports. Forty per cent of the people are interested in agriculture. As to factory laborers entering farming in case a free trade policy were adopted, several things, according to Taylor, would tend to keep them from it; our factories would not be closed; if they were "the operatives would not engage in farming, since they never have done so, and never can"; "if they should they could not sensibly affect the price of farm products," as "the world is the market."

Labor: Gladstone says we should not have our high wages were it not for our natural advantages. Levasseur gives six different things as affecting wages, (1) productivity of labor, (2) competition in advanced industry, (3) cost of living, (4) rapid circulation of capital, (5) general condition of wealth, (6) total consumption. Some protectionist writers admit that manufacturers do not pay wages in proportion to their profits; hence wages are not always necessarily affected by tariffs. Further wages are distinguished as money and actual. The former is the price in dollars received, the latter consists in the ability of the wage to supply human wants. A high money wage therefore is not always beneficial to the laborer. Again manufacturers claim that American labor should have protection, while they contract for cheap foreign labor. The American laborer competes with foreign labor both abroad and at home. Other legislation than tariff should be enacted for the benefit of the working-man. Under free trade he would have no more competition than at present. Agitation for the protection of labor began in 1848. Free trade would tend to make the division of labor more com-

plete, as it would be necessary in the competition that would follow. From the above it is evident that the tariff is not the only thing affecting the laborer.

Consumer: Much is lost by the country while industries are being started and the price is being lowered, if it ever is, to that of the foreign manufacturer. A rise in the price of an article by foreign merchants could only be temporary.

The home market argument has been touched upon before; but some statistics may aid explanation. In 1860 five per cent of the cereal production was exported. In 1880, after protection, thirty-six per cent was exported. As to the war scare, it is the greatest of follies to be continually preparing for war in these days of arbitration. Why should consumers pay an extra price in the form of a tariff to keep manufactures running at a loss to the country? If free trade be the policy of nations, is war not as dangerous for one as another?

Prices: The prices of many manufactured articles raised by protection and monopolies. The price of agricultural products is determined by their price in foreign, unprotected markets. In the case of imported articles the tariff is part of the price. If capital be retained in, say, the

manufacture of cloth and the price be increased 50%, the manufacturer may employ labor that otherwise would seek different employment, but the thousands of tradesman who handle the cloth, though they need hire no more clerks than if the cloth were 50% cheaper, are compelled to employ twice as much capital in their business. Hence a great waste, in addition to the tax on the consumers.

General high prices are likely to lead to evils. "High prices are precarious in-so-far as they are real and transitory in-so-far as they are fictitious." More cash is needed to carry on business; money is more easily borrowed, and wild schemes entered into to be followed by panic.

Advantages: Protection cannot be equally distributed between classes; and as an indirect tax it is a waste. A direct tax on income, land values, or wealth would be much more fair and economical. Trade should be natural and free. Gladstone says "The argument of the Free-Trader is that the legislator ought never to interfere, or only to interfere so far as imperative fiscal necessity may require it, with this natural law of distribution." The more particular advantages have been mentioned above. We will now pass to a summary or conclusion.

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sion of the writer's own. Parts of the above on either side of the discussion he cannot accept, but gives them as before mentioned, - for thought.

Conclusion: "The protective tariff is not a panacea"; Thompson admits that "it is not a cure-all." As has been said few American industries need protection. Such as are just starting and need a protection should have that protection by the bounty system, but only so long as is required. We may have needed protection at one time but that time is past. It is not necessary that we should still prepare for war. Our prosperity is certainly not due to protection alone. The periodic change of the tariff will cause periodic disturbances and revolutions in industry, which will continue as long as artificial restrictions are placed upon trade. Though all evils are not traceable to protection it has contributed more to the unequal distribution of wealth than any other cause (Lieb says "all other causes combined.") We cannot develop our nation to industrial perfection by itself. Intercourse between nations of the earth cannot be prevented; all must advance together. Progress of the world as a whole will be best attained by a policy of mutual interdependence, international

exchange physical and mental. When our voters are enlightened as they should be, many will exchange their principles for free trade. The adoption of a policy of free trade would probably cause general temporary depression but after industry became again settled, it would be more stable and prosperous than before. Free trade is only a question of time. The trend is gradually toward it. Changes in the tariff are frequently agitated, and the question to decide will at no distant time be "not, whether we are to have more or less protection, but whether we are to have protection or free trade."
