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THESIS.

A COMPROMISE VIEW OF THE TARIFF.

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Outline.

A Compromise View of the Tariff.

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Before treating this subject it is desirable to set forth clearly the distinction between tariff, protection, and free trade.

Tariff is a schedule of duties or imposts levied on goods as they pass from one state to another. A tariff may be levied upon foreign goods simply for enlarging the revenues of a government, in which case it may be termed taxation; as a means of retaliating upon foreign governments for similar restrictions imposed by them, it becomes an instrument of war fare, designed to secure commercial reciprocity.

A protective tariff is a means of fostering particular industries by protecting them wholly or in part against foreign competition encouraging and developing home industries by means of either bounties paid to home producers or of duties imposed upon goods imported from abroad.

Free Trade at present is designated as either entirely unrestricted or restricted only in ways that afford no protection to home industries. Free Trade as first designated by the English was trade open to all merchants, as distinguished from that which was monopolized by chartered trading companies.

Unrestricted free trade exists only in the imagination of economists: as no government has tempted to put it into practice.

Restricted free trade is actually realized in the policy of the United Kingdom.

The security of liberty, happiness, and prosperity is the right of every American citizen, and the security of this liberty happiness and prosperity depends greatly on the manner in which our laws governing trade are adjusted. At the present time our

Country is in a favorable condition but there is no reason why the well fare of the people should not be enhanced.

The question of a tariff in this country has been a lively one every since the foundation of the Republic, and is likely to remain an issue with us for years.

In the time of our countrie's infancy a high protective tariff was a great encouragement to home manufacturing industries. It would be hard for us to form an opinion as to how and to what extent manufacturing industries in our country would have developed had it not been for the protection against wealthier countries and well equiped manufactures. All American people should be heartily in favor of that protection, which is a blessing to the pu-blic. Every qualified voter should have an intelligent opinion of this most important question, and not vote as induced by men of political ambition. Not more than one tenth of the qualified voters are informed adequately of the workings of the tariff system in any form. Every American citizen should be awake to the welfare of his country and think and know for himself.

In this country where opportunity for acquiring knowledge is quite common every young man should, by the time he is of age, know enough to cast his balot intelligently and independently. We should place the public weal above party zeal. The welfare of our country depends not so much upon party organization and political creeds as upon the intelligence of the masses in matters of enonomic policy and administration.

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The earliest tariff in the history of the United States was introduced in the House of Representatives in 1789, by James Madison. This resolution led to the first debate upon protection and ultimately to the formation of the first tariff.

The object of this act was for the protection of home manufactures, but the rates levied in that act were too low to give effective stimulus to young industries. At that time the country was not prepared for manufacturing enterprises on a large scale. All manufactured goods that could be imported were not made at home but obtained in exchange for agricultural exports.

Acts following this had increased the rates of taxation on imports, giving added protection. This is true of the law passed in 1812, for it doubled all the duties.

The growth of textile industries began to grow in 1800 and made rapid progress considering the resources of the country. The Embargo act of 1807 had a great deal to do with the development of manufacturing industries. When the ship owners could no longer evade the law they turned their attention to manufacture. In 1803 there were but four cotton factories in the country; five years later there were fifteen mills, with eight thousand spindles. By 1811 the number of spindles increased to eighty thousand and in 1815 there were five hundred thousand spindles in operation. The home consumption of cotton tells of rapid growth. In 1800 American Manufactures used five hundred bales, in 1815 they consumed ninety thousand bales. Then in 1816 the question arose as to whether the rapidly growing industry should be crushed by foreign competition or should be permitted to live. To protect our home industry

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necessitated a heavy duty on imported cotton goods, heavy enough that its importation would be made profitable. The case with wool and iron industry was some what similar to that of cotton, though the progress in these industries were not so great as that in cotton. While the tariff act of 1816 was beneficial to the manufacturers of the North and Agriculturalists of the west, it was of no benefit to the Southern people, in fact it was a small burden on the slave holder, for he clothed his slaves with cotton fabrics. The control of congress at that time was in the hands of young men of the rising generation and there was strong feeling among them that the manufacturing enterprises which had grown up during the war of 1812 should be assisted, but there was little feeling in favor of a strong protective policy. High duties were placed on those goods in whose production most interest was felt; woolen fabrics, but for a limited period only. In 1828 the protective movement reached its highest point.

The Tariff of 1832 was intended to pacify the discontent of the South especially in South Carolina. This act reduced the duties of 1828, but still recognized the principle of Protection, and did not accomplish that for which it was passed, and in 1833 Clay's Compromise Tariff was passed which provided for the gradual reduction of the tariff until 1842, after which duties on all goods were to be twenty per cent. In 1842 the duties had gone so low on account of the compromise tariff of 1833 that the Government revenues were less than expenses. This necessitated a new tariff, which was passed in 1842. In 1846 a tariff for revenue only was passed without regard to protection. The Tariff of 1857 reduced duties

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duties on imports to a rate lower than those of any tariff since that of 1816. The Morrill Tariff of 1861 was passed for the purpose of protecting home manufactures, revenue being a secondary consideration. The Tariff act of August 5th 1861, again increased the duties on imports, this act was to obtain money to put down the rebellion. The duties on imports were again increased in December of the same year. In 1872 the internal revenues come to an end and Congress passed an act making a general ten per cent reduction on import duties, on several commodities the duties were greatly lowered, for instance, that on salt was reduced one half and the duty on coal was lowered from one hundred twenty five per cent to seventy five per cent; other commodities as hides, paper stock and a few other raw materials for manufacturers use were placed on the free list as were also tea and coffee. Two years later came the financial panic, the revenue fell off and Congress restored the ten per cent, and left the other reductions as they were. In 1883 the tariff on wool was reduced and in 1887 the Mills Bill removed the duty on it and other raw materials, and the tariff laws then existing were declared "vicious, inequitable and illogical". The McKinley Tariff of 1890 raised the rates on protected articles, and added others to the list, the offer of reciprocity to those countries which would favor American manufactures was an important feature of this bill. In 1893 an effort toward tariff reform was undertaken. The Wilson bill passed in 1894 made considerable reduction in many duties, admitted wool free, and provided for an income tax. Then in 1897 the Dingley Tariff bill was passed. This bill placed protective duties on wool, woolen goods, cuttlery, pottery

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and a few other articles were made higher than they had been in the McKinley bill of 1890. Lumber was restored to the dutiable list, hides also. On June 13th 1898 the so called War Revenue Law was passed to supply the revenue required in consequence of the war with Spain. This law relied upon the increased internal revenue duties and a purely revenue duty of ten cents per pound on imported tea rather than on charges in the general tariff to secure the additional revenue required. The war taxes were repealed by the acts of March second 1901, and April twelfth 1902.

#### Industrial.

Trade has been the Key to progress, without it civilization never could have reached its present stage of development. Take for instance the Orient, namely Jappan, compare her advancement now with the time when her ports were closed to the civilized world. Can we deny that trade was the building of this country which but a few years ago was almost an obscure nation, slumbering in ignorance and superstition, but now recognized as a progressive world power? If nations keep up <sup>to</sup> the world's progress they must throw open their ports to the worlds variety of trade and industries and to the moral influences of the leading nations.

Every nation can gain in some way, good from other nations. None of them are perfect in all varieties of industry, and through trade each power is stimulated.

Suppose every nation should close her ports to foreign trade, exclude all relations and communications for a period of one hundred years. Can we realize what the result would be, and would not this be protection in the broadest sense.



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and would we have market for the fruits of our labor?

Experience has taught us that manufactures were necessary to our independence and to our comforts.

Legislation must of necessity foster or retard trade. It must promote industry and bring it to greater rewards or enslave and depress it. If we lay a tax on articles which we can produce at home it stimulates the manufacture of the protected article to such a degree that owing to the force of competition and invention, in time the home product undersells the imported article.

If our country had adopted the unrestricted Free-Trade system the industries of our country would likely have developed one sidedly; that is, Agricultural and stock raising lines, and even these industries would have been seriously hampered by our enforced dependence upon other countries for farm implements. The building up of the manufacturing industries in America no doubt developed inventors among us who could see the great need of such machinery as would help the farmer in growing and harvesting his products, and aid the mechanic in his trade.

The existance of a protective Tariff has been a safe guard to building up manufactures of untold numbers until we are now the greatest manufacturing nation in the world. The American manufactured article is unsurpassed and world-wide in use.

Under a high Protective Tariff it is claimed that we have higher wages, and it is generally infered that a high protective tariff is a measure by which the laborer is enabled to obtain higher wages. The protectionist further claims that through protection large enterprises are increased and enabled to grow and that by this growth the greater is the

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demand for laborers, and that the greater the demand for labor, the better the price of labor, and that workmen become more skilled. This we may grant is true, but there is another side to this question; wealthy and powerful governments crush weaker ones. This may also be said of industries. Capital and skill are weapons of industrial warfare to crush weaker and less established capitalists, forcing them out of business, many times causing bankruptcy. Can we realize what results would follow if smaller enterprises were not forced to the wall by stronger, shutting laborers out of employment?

While protection has been a help to the building up of home industry, it has made great and wealthy establishments, the result of which we may notice has been instrumental in the formation of trusts and combines and has forced some enterprises to the wall, by protecting the strong until they have become enormously wealthy. By their wealth they are in a condition to undersell their weaker competitors, force them to sell to the stronger and then when this is done the prices are run up.

Protection in this light seems to be a promotor of trusts, monopolies and combines, endowing them with great power.

When our industries were small and few in numbers our laborers were unskilled, they could not successfully compete with the other laborers of other nations who were wealthy, who had large industries and skilled laborers. Then a high protective tariff was the thing for our country to adopt, for they needed the encouragement and protection from our Government in order that they might grow and become thrifty. The manufactures needed this protection then in order that they might have a

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hold on the home markets without which the channels of trade were in the hands of their foreign rivals.

Many protectionists tell us that a protective tariff selects for duty those articles which come in competition with home made articles, and that they tax these on the principle that their consumption should be discouraged while the home producer is encouraged. While this is true of a protective tariff, can we not go further with our protection? Why do we not protect the consumer on the various articles that we do not produce by taking the tariff off? Coffee and tea may be mentioned here and a large number of other products. The most of our coffee comes from Brazil, in fact nearly all that is consumed in our country comes from there. The ballance of trade between the United States and Brazil is in favor of Brazil, by almost \$700,000<sup>00</sup> yearly. Do we not by putting a tariff on coffee and those articles which we do not produce protect other countries against ourselves? While they pay the duty to our Government we pay it back to them.

The protective tariff was in the time when manufactures were being developed, highly beneficial to the farmer, while the farmer had to pay more for an article made at home he was nevertheless benefited, for when manufactures sprung up a greater division of labor was brought about, mechanics were induced to come to this country and a large number of our citizens quit farm life to take up work in the different trades. This gave the farmer a chance for having the varied industries in his country, provided the opportunity of marketing his produce at home at a far better price, more than balancing the difference

which he had to pay.

Farming when it stands alone in a community is a poor business. The growth of agricultural products does not enable poor people to find employment, for the poor are dependent on the earnings of the rest. Factories in such a community would bring into demand a large amount of human capacity, which was running idle, besides giving to the farmer a local market for varied crops of produce, for which there is no sale in an altogether farming neighborhood. Thus we see that the farmer was more prosperous by living in the same country with the citizen. The existence of manufactures in a country also raises the price of land.

The high protectionist tell us that the compromise tariff of 1833 caused the disastrous crisis of 1837, and that the high tariff of 1842 brought back prosperity. They refer to the acts of 1846 and 56 as precipitating the panic of 1857 because they were low tariffs.

Legislation does not as a rule prevent or overcome panics. The crisis of 1837 was perhaps due to other causes, to bank trouble, to mistakes of Jackson, the inflation of the currency and to those general conditions of speculation and unduly expanded credit which gives rise to crises. The tariff act had nothing to do with these.

The tariff on wool was a good thing for the sheep growers of the west. The reduction of the tariff on wool in 1883 caused many of the sheep growers of the west to suffer, because their profits were greatly reduced and for which the foreign wool growers prospered. Without adequate protection the sheep

growing in this country was not remunerative. In Austrilia, South America and other countries no provision for food and shelter in the winter season is necessary. These countries furnish an almost unlimited supply of grazing lands, without cost, they have immense flocks of sheep, their increase is almost limitless, and they could supply the world with an abundance of any grade of wool . Countries that are thus favored furnished wool at prices so low that they forced the wool growers in the United States to the wall.

But since these foreign countries could produce wool at less than half the price for which we could produce it, was it not better for the country at large to have wool on the free list since it could be purchased so cheaply? With cheaper wool, clothing was made cheaper.

Military Aspect of Protection.

The protective tariff was one of the real causes of the Civil War. The South was altogether an agricultural district and the protective system increased their burdens and added nothing to their needs. The protective tariff has been in many respects a curse to our country. It has caused discontent and bloodshed. The success of the North in the war was due to the fact that protection guards their manufactures, by which they become so strong commercially that they manufactured their own munitions of war. Had they not had this advantage over the South, it would be hard to say which side would have been victorious. Thus we see that through protection the North was strong and well equipped for the struggle.

As England was friendly to the South the government the

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blockaded the Southern ports and the Mississippi keeping the English out, which resulted in shutting the South from any supplies. If the proper kind of compromise could have been reached in the tariff question the war might never have taken place and our country might have been better unified. The good will of the North and South might have been insured and war made unnecessary.

The protective tariff has been helpful to us from a military point of view in as much as it has strengthened the manufacture of steel to such an extent that all of our war vessels and their equipments are produced in this country.

#### Moral Effects of Protection.

Protection has a tendency to induce patriotism. Take for example Greece. Up to the fourth and third centuries B. C. the history of Greece has to do mostly with city life. It was a city state. It made war and peace and held diplomatic relations with its neighbors. Its citizens were aliens in every other city. In most cases these city states consisted of nothing more than a single walled town with a little circumjacent country forming pasture land. Sometimes the citystate embraced a large number of smaller places besides the central town. Thus the city of Athens in historic times included all Attica with its hundred or more villages and settlements, some of which were walled towns.

In case of villages that were not protected by walls their distance from Athens was so short that it was possible for their inhabitants to place themselves within the wall of Athens in two hours time should sudden danger threaten them.

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Such cities held very little intercourse with each other. They were shut up within in themselves and were self-sufficient in all things. In consequence their patriotism was entirely local and so intense that it might better be called bigotry.

In like manner nations which shut themselves in by means of high tariff walls beget a patriotism that borders on narrowness if not political and industrialism fanaticism.

To those who put forth this argument in favor of high tariff, the concession must be made that it is as narrow as the results it leads to. Better far a patriotism that grows out of free commercial relations with nations of the world and which engenders a decent respect for both virtues and rights of others.

Since a protective tariff is and has been helpful in building up home industry, from a financial and industrial point of view it has been of great value to our country; but there are concomitant results of the protective system which are not desirable from any point of view, and these we should consider most.

One result is legislative corruption. The manufactures having, or expecting protection have their agents in Washington always, and these agents are supplied with ample means.

As has already been stated the protective system has helped build up powerful industries. Now since these industries are strong they disobey the Country's laws that gave them the protection they asked for. The agents of these large industries make their arguments in the lobbies of Congress, ~~and~~ saloons and private parlors, and offer bribes. A large number of these enterprises control the votes of their employes through

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a mixture of fraud and intimidation; they buy votes and try to put men at the head of the Government that will (for a small sum of money), give them their support. Thus we see the influence of a high protective tariff is a foundation of corruption. It offers a premium to fraud and places the honest importer at a fatal disadvantage. It causes oppression in as much as it assists the wealthier class, who have interests in the great corporations and combines, to control the price of labor and fix the price of articles unreasonably high. The result of the protected combines is the cause of strikes which many times bring on poverty, misery and crime.

The moral effects of Free Trade would be different, because it would bring every body on more equal footing. It would create a more universal brotherhood and keep safe the peace of mankind.

The customs union in Germany known as the Zollverein may be taken as an illustration. This permitted goods to be sent freely from one German state to another without payment of duties at each boundry line. This economic union of which Prussia was the head, and from which Austria was excluded, prepared the way for the future German empire.

Before this time Germany was divided, consisting of a large number of petty states. War was the chief occupation. Those who carried on commerce were taxed to commercial death. One of the serious disadvantages which the merchants had was the payment of duties which were exacted by the authorities for every dominion passed through. When this iniquitous system of taxation was done away with. Germany developed into one of the



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greatest trading nations of the world, and best of all she enjoyed the blessings of domestic peace.

No better example of the moral and material benefits that attend the unrestricted intercourse between states can be found than exists among the states which constitutes the American common wealth.

The sure principle applied internationally would have similar results.

"The tariff system of a country is but one of many factors entering into its general prosperity. Its influence, good or bad, may be strengthened or may be counteracted by other causes, while it is exceedingly difficult, generally impossible, to trace its separate effect".

There is a desire existing in the minds of the people at the present for a revision in the tariff and it will no doubt come in the near future.

Since the San Francisco earthquake, discussions have arisen, favoring the free admission of material to rebuild that city. It is natural that this country will do all it can in assisting the people of San Francisco in rebuilding their city. Now the suggestion to admit material free in rebuilding their city leads to the argument that if a single city be helped by admitting material for building purposes free, why will it not be beneficial to extend this favor to the whole country?

It is doubtful whether any section of this country would be in favor of a radical reform in the tariff, but it is not at all questionable that a modification in the present system of tariff would be approved by the majority.

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Commercial alcohol has already been put on the free list. This act of the fifty-ninth Congress will perhaps save money for the people. As a fuel and for medicinal purposes it will effectively compete with the Standard Oil Company, for it can be made for a small sum. With improved processes it can be produced from potatoes, sugar cane, etc., for less than ten cents a gallon. Grain Alcohol is better fuel and less offensive than Kerosene or Gasolene, and then its cost of production is less than the market price of gasoline, and it will furnish more power. If our high tax on alcohol has given Germany advantage over us in manufacturing chemicals, is it not just as logical to believe that with the present system of taxation, Nations have advantage over us in other productions? If the removal of the tax on alcohol will put the United States in a position to compete effectively with other nations, why would not a reform in the present system of taxation be an advantage? Protection of home industry is alright but since our industries are well established and able to compete successfully with other world powers, why should the government continue to protect the strong against the weak, (the consumer)? A tax sufficient to protect our laborers from the pauper labor must be granted, but we should not by a high tax assist rich and powerful manufactures in crowding smaller enterprises to the wall. An effective compromise that would reduce the tax on a large number of articles and place those on the free list that do not come in competition with our products would be the proper course to pursue.