

## REDUCE TAXATION.

Ex-Senator McDonald Discusses Cleveland's Message and Replies to John Sherman.

The Treasury Surplus and How to Reduce It—Fallacies of Protection.

Able Address of Hon. Joseph E. McDonald at the Indiana Democratic Conference.

Gentlemen, this timely meeting of the leading men of the Democratic party of Indiana cannot fail to have an important bearing upon the political contests of the year, and the result of our deliberations is looked for with more than common interest by the people of the whole country. The issues that are to enter into the political canvass of 1888 are already beginning to be clearly defined. The discussion of them in detail would require more time than it would be proper for me to occupy on this occasion. Chief among them is the one the President in his late message has so clearly placed before the Congress of the United States and the people. And it grows out of the fact that there is a large and increasing surplus of money in the treasury of the United States, arising from overtaxation. It is to this condition of our affairs and to the issues growing out of them that I will claim your attention for the brief time I shall address you to-night. The report of the Secretary of the Treasury made to the Congress now in session informed the country that the national revenues for the fiscal year ending June 30, 1887, exceeded any present demand upon the treasury by the sum of \$103,000,000, and after deducting the amount to be placed to the credit of the sinking fund, there still remained the sum of \$56,000,000 of unemployed money; that the receipts for the present fiscal year ending on the 30th day of next June, received and estimated, would probably reach the sum of \$113,000,000; deducting the sinking fund of \$47,000,000 would leave \$66,000,000 of unemployed money to be added to the amount already there of the last year's revenue, making the enormous sum of \$122,000,000 that must lie idle in the Treasury out of circulation, contracting the currency, depleting the arteries of commerce and threatening a financial panic; or be loaned to the banks without interest, or be invested in bonds not now due or payable, at a premium on the bonds almost equal to the amount that would be due of principal and interest when the bonds shall become due. And, furthermore, the revenue laws which had caused these results were still on the statute book in full force, and would there remain, adding daily and hourly to this anomalous, oppressive and threatening condition of our financial affairs until Congress should modify or repeal them.

The determination of the Republican party to maintain the system of high tariffs and excessive taxation which the public necessities during the war period had enabled it to fasten on the country, had, before the present time, given out clear premonitions of the dangers we were approaching, and the President had not failed in his annual messages to call the attention of Congress to the necessity of providing proper relief; but, as the revenue laws remained unchanged, notwithstanding the Executive recommendations, on the assembling of the present Congress, the President in plain and unmistakable terms placed the whole subject before it, and relieved himself and his administration from all responsibility for its continuance by pointing out in the clearest possible manner the wrong of overtaxation, the dangers to which it was leading, and the remedy which, in his judgment, it was the duty of Congress to apply. After stating the condition of the Treasury he turns to the subject of the reduction of the taxes, states briefly the sources from which our national revenues are derived, namely: from custom duties and our internal excise tax on whisky, malt liquors and tobacco, and recommends that the necessary reduction be made on articles of prime necessity, and raw material taxed under the tariff law rather than upon the articles taxed under the internal revenue law, having due regard in the reductions to be made to the interest of American labor.

Let me call your attention now to a few of the questions that arise out of the state of our affairs which the message brings so prominently before the public. Even the most malignant Republican partisan admits that the revenue must be reduced. The report of the Secretary of the Treasury and the facts stated in the President's message disclose that the reduction can safely be made of anywhere from \$75,000,000 to \$100,000,000 annually. The Treasury statistics show that the revenue for the last fiscal year derived from customs duties was, in round numbers, \$218,000,000, and from internal taxes \$114,000,000; that the estimated revenue from customs, for the present fiscal year, will be \$228,000,000, with a corresponding increase from internal taxes. Suppose we say, for safety, that the reduction shall not exceed \$75,000,000; if this should all be taken off of customs duties, it will still leave something over \$150,000,000 to be raised by the tariff tax. The ad valorem rate of last year's collection was something over 47 per cent on dutiable goods—that is, on the \$450,000,000 on dutiable goods imported last year, there was collected in actual taxes \$218,000,000, which, to be exact, is 47.13 per cent. If you collect \$150,000,000 off of the same amount of imports, the percentage will be about 30 ad valorem. Now, if you adjust this duty as the President suggests, so as to do no injury to American labor, it is as much of a burden as the consumers of this country ought to be required to bear, and it would give all the protection that ought to be demanded.

Incidental protection is a necessary consequence of the form of taxation by custom duties, and more than that, is class legislation in its worst form. The power to tax is one of the necessary powers of any government, but it is not without limit. It can only be rightfully exercised to the extent necessary to meet what are properly governmental expenses. The taxing power is vested in the Congress of the United States by the Federal Constitution, in the following language: "The Congress shall have power to lay and collect taxes, duties, imports, and excises." And the purpose for which this may be done is set forth in the following language: "To pay the pub-

lic debts and to provide for the common defense and general welfare of the United States." This is sometimes called the "general-welfare clause," and under it men have sought for a warrant to do almost anything that a majority in Congress might desire. But no fair-minded man, and certainly no Democrat, can insist that money raised by taxing the whole people can be used for the special benefit of certain classes, or that taxes can be laid under the pretense that it is for "the general welfare of the United States," when the object is not to realize revenue at all, as in the case with all protection tariff.

In recommending a reduction of taxes and suggesting that it should be chiefly made upon customs duties, the President specified some of the articles of prime necessity which he thought might be thereby cheapened to the people and others that, by taking off the governmental burdens, might benefit our manufacturing interests, and for this he has been assailed by the politicians and press of the Republican party with a malignity seldom known in party warfare. The most noted review or attempted review of the President's recommendations from a Republican standpoint that has thus far appeared, is the carefully prepared speech of Senator Sherman, delivered in the Senate last week. Senator Sherman is the undoubted parliamentary leader of the Republican party, and is a man of commanding ability, but he is sometimes a statesman, and more often a politician, and this last effort exhibits him in the latter character. It is singularly unfair and misleading.

But I shall not have time to more than briefly refer to some of its salient points. It starts out by attempting to ridicule the idea that redundant taxation is any special evil, and charges the President with disbelief in the fears he has expressed because he did not call an extra session of Congress, admits finally that the taxes ought to be reduced, and with an air of sincerity expresses his readiness, as a Senator, at any time in the past to have united with the House in correcting the "unjust inequalities of the tariff" if the House had only sent any kind of a revenue bill to the Senate for its action. And yet no man knows better than the distinguished Senator himself that throughout the last Congress a large majority of the Democrats of the House, under the leadership of the Chairman of the Committee on Ways and Means, aided by the Speaker, were unremitting in their efforts to have the question of a reduction of the tariff considered, and that the whole political force of the Republican party in the House, aided by a few Democrats, some of whom voted against consideration in the belief that no favorable action would be taken in the Senate, and some, as representing what they regarded as the sentiment of their districts on the subject of protection, defeated the very action which the Senator now complains was not taken. I think it is fair to assume that if Senator Sherman had expressed to his friends in the House the desire he now manifests he could have had the opportunity at any time during the last Congress to have redeemed the pledge his party had made at Chicago. But it is evident he did not desire it. It is equally evident that he does not now believe there are any such unjust inequalities in the tariff of 1883 as is charged by the Republican platform adopted at Chicago. On the contrary, his speech is a bold defense of the principles and policies imbedded in that tariff. And even in its details he sees nothing to object to; and while he expresses his readiness to unite with the President in increasing the free list, he can think of nothing that ought to be on the free list that is not already there. He is quite willing to reduce any duty that may be found to be too high, but can see no articles that will safely bear a reduction without injury to "domestic industry." I, too, believe in fostering and protecting domestic industry.

But the Senator's methods and mine are very different. He believes in protection, so-called, a system which necessarily limits the growth of our manufacturing interests by confining them to a home market, and by shutting out foreign competition, enabling those who are engaged in any particular branch of business to limit the productions by combinations among themselves and raising the price upon the consumer. The Standard Oil monopoly is a striking illustration of this. Another striking example may be found under which many poor people are now suffering, in a monopoly in coal. We have in the United States three-fourths of all the coal treasures in the world, yet we have a protective tariff against the other four to shut out competition. It might be an interesting, and I know it would be a painful mission, to go through the houses of the poor of Indianapolis, to see how many are shivering with cold because of the high price of fuel caused by the output being limited by the grinding monopolies of this country aided by the so-called protective system. But, notwithstanding the cavalier manner in which Senator Sherman is inclined to treat the President's warning as to the probable result of continued taxation, he finally admits that a reduction of taxes, or rather a reduction of revenue, is necessary, and the manner in which he proposes to accomplish it may be taken as containing the Republican plan as opposed to the President's recommendation. He would strike at the whole system of internal taxes, but especially the tobacco tax. And to do this he invites the aid of the traditional dislike of the people to excise laws, well knowing, with constantly increasing expenditures, that a very high tariff will be necessary if the internal tax laws are repealed. But if the whole law cannot be repealed, and tobacco alone can be set free, he has found one article on the dutiable list of imports upon which he is willing to make a reduction of one-half the present duty, not, however with a view to reduce the burdens of taxation, but to introduce his pet theories of protection in another form—that is, to pay out directly from the Treasury of the United States the amount of the reduction in counties. That I may not be accused of misrepresenting the distinguished Senator, I will quote from his speech as found in the record just what he says on this point. It is as follows: "I believe in protecting all home industries without respect to section, to place, or to manner of production, whether on the farm or in the workshop; but if protection is not the object of the law, and surplus revenue is the great evil to be dealt with, why not give relief to our people by a reduction of the tax on sugar; the effort to produce sugar in this country in quantities at all approaching the demand has failed, though protected by rates among the highest imposed by our tariff laws. Still, in view of the hopeful prospects of producing sugar from beets and sorghum cane, as well as sugar cane, I would not

cripple this industry by reducing protective duties except by giving the producers of domestic sugar a bounty equal to the reduction of duty on the imported article."

Just preceding this sentence quoted he had suggested a reduction of one-half the present duty on sugar, which, according to his tables, would reduce the revenue \$28,250,000. So we have the broad proposition to reduce the revenue \$28,250,000 by taking off one-half the present duty on sugar and then to take an equal amount out of the Treasury to be paid in bounties to "producers of domestic sugar." I do not know that this is much worse than the indirect bounties which a protective system entails on the tax-payer, but I do know, or think I know, that if this suggestion of Senator Sherman's should be adopted, we should enter upon a system of bounties direct, under which the people of the United States will soon be called upon to bear a burden of taxation more intolerable than any known in any civilized portion of the globe.

It is a favorite method of the Republican party in defense of their cherished doctrines of protection to charge any attempt made to reduce the tariff taxes as an attack upon the labor interests of the country and as being hostile to the working classes, when nothing could be more foreign to the truth. The Democratic party has always been the friend of the laboring man. Its motto has ever been "Equal and exact justice to all men; exclusive privilege to none."

And for myself, if I believe that either its principles or its practices were detrimental to the labor interests of the country, I have independence enough to denounce it and leave it; but my judgment tells me the best way to build up and strengthen the industries of the country is to open up and extend the sphere of their operations, and to carry their products into new markets.

And the best guarantee to good wages and steady employment is to increase the demand for labor by giving the products of labor the world for a market. This cannot be done under the so-called protective system. Protected industries are "hot house plants," they have not the roots or branches of a healthy and vigorous growth, and can only flourish in the narrow limits and in the artificial soil in which they have been planted. They do not become hardy by lapse of time, but require the constant and increasing care of their protectors. It will soon be one hundred years since the Government of the United States was formed under the Federal Constitution, and soon after its formation a tariff law was passed, partly for revenue and partly, as was said, to protect our "infant industries." The highest rate of duty in that tariff did not exceed fifteen per cent., and the average duty was only about seven per cent. And now, at the end of a hundred years, these same "infant industries" it is claimed cannot live without the protecting power of the tariff, with an average rate of duty of forty-seven per cent, and running to over one hundred per cent. There must be something radically wrong in such a system. The advancement and wealth of the country is measured not by what it produces and consumes, but the amount and value of its productions which are sent abroad for others to consume. In looking into our reports of domestic merchandise, we find that out of the \$700,000,000 sent abroad last year, less than 19 per cent. of the amount was made up of domestic manufactures, while over 80 per cent. were products of the soil. And of the meager amount of our domestic manufactures which were able to enter a foreign market, much the largest portion was from the shops of our unprotected industries. In view of all these facts, would it not be well to begin in a moderate degree, at least, to adopt a different policy by taking off some of the burdens that add so much to the cost of domestic manufactures in the shape of high tariffs on machinery and implements of trade, upon the raw material used, and upon the clothing which the workmen and their families must wear, and thus increase the purchasing power of the wages received, so that in time, and I believe, in no far distant time, our country may become one of the great workshops of the world, until its products of manufactures sent abroad shall equal, if not surpass, our surplus products of the soil upon which we now almost wholly rely to maintain our foreign commerce?

A few words in regard to the system of internal taxes, and especially to the tax on tobacco. With whatever prejudice we may look upon the system of excise taxes—and I have felt them as much as any one—you may rest assured that the age has gone by when we can alone rely upon the tariff taxes for our national revenues. What it was comparatively easy to do when the amount of governmental expenditures for the whole year, as in 1860, did not exceed \$60,000,000, cannot be done in the year of 1888, when the amount dispensed for pensions alone exceeds \$75,000,000; and therefore, as the system of direct taxes provided in the Constitution is impracticable, the internal excise tax has come to stay, and as we emancipate our "domestic industries" from the hot-house of protection and place them in the open air, where they will have room to grow, our revenues from customs duties will fall off and become less certain, and in the end our national revenues will have to mainly depend on internal taxes. In the meantime, if, when the proper reduction is made in our tariff tax, there is still more revenue likely to be raised than the actual wants of the Government require, I am very willing to see the tax on tobacco reduced or wholly repealed; not that I regard it as entitled to be classed with "tea, coffee and sugar," nor that the Government should do anything to especially encourage its consumption, but because it is one of the products of our soil and enters largely into domestic and foreign trade, and should not bear any unnecessary burdens. I do not believe in taxes, except as a Government necessity, and would gladly abolish all, if the Government had other means of providing for its expenses less onerous to the people.

As to the campaign of 1888, it is morally certain that the National Democratic Convention will nominate Grover Cleveland without opposition and by acclamation, and I believe he will be re-elected by a triumphant majority. His first nomination was an experiment; his second nomination will be on full information and approval. And on the record of his administration and the platform contained in his late message, no Democrat can doubt of success. And with success the future of the Democratic party is assured, for the Republican party will never be able to make another stand in a national contest.

A CANAL fifteen miles long, affording communication between the Caspian and Baltic seas, has just been opened in Russia, still, in view of the hopeful prospects of producing sugar from beets and sorghum cane, as well as sugar cane, I would not

## TARIFF TRUTHS.

A Brilliant Speech by Emery A. Storrs, Delivered Eighteen Years Ago.

The High Tariff a War Measure That Ought to Be Dispensed With.

If Farmers Need Protection Against Anything, It Is Against Protection.

[From the Chicago Herald.]

In 1870 Emery A. Storrs addressed a large meeting of farmers at Springfield, Ill. An "enormous surplus" of \$125,000,000 lay in the Treasury, and there was of necessity a feeling that the heaviest burdens of the war should be laid down. Some extracts from the speech then made cannot fail to have weight when it is considered that nearly two decades have passed, the tariff has been reduced less than five per cent, the expenses of Government increased \$75,000,000, and the "surplus" has swelled from \$125,000,000 to \$231,000,000. And it should not be forgotten that this surplus is left after counting many liabilities that are purely conjectural. A strain on the Treasury, such as war, would undoubtedly reveal at least \$300,000,000 that could be spent without putting the nation in debt. Mr. Storrs said:

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On the shores of the Mediterranean, the Almighty has seen fit to confer upon us sand and more genial heats than shine upon the salt marshes of Syracuse or Saginaw. Congress has sought to correct this order of Providence, and to protect the Onondaga and the Saginaw salt, manufactured by mechanical heats and appliances, against that perfected by the cheaper agencies of solar heat. We bring in our vessels no more salt from the shores and the islands of the Mediterranean. We get poor salt, and at a higher price than formerly; but we are serious in its character as that made by the tariff; and if the farmers need protection against anything, it is against protection. There are thousands of printers in the country; who attack or propose to attack them? No one, except it be the tariff, which enhances the cost of the material with which their industry is carried on, of the clothes which they wear, of the coal which they burn, of the lumber with which their homes are built, of the salt which they use, and of the books which they read. There are thousands of ship-builders in the country, who attack them and their interests, and from what enemy do they need to be protected? The deserted ship yards of the East answer this question—they need to be protected against protection, and that is all the protection they need. The thousands and hundreds of thousands of carpenters and joiners, boat and ship makers, blacksmiths, and the daily toilers with their hands, upon the land or upon the sea, are threatened with no attack against which, for their own protection, the intervention of the Government is necessary.

I apprehend that should the Government levy a direct tax upon all the property of the country, to be paid over directly to the iron manufacturers, so that they might be enabled to hold their own against the competition of the foreign manufacturers, but few would be found who would justify such an exercise of the power of taxation. When reduced to its exact practical operations, the protection of American industry, so-called, is simply the forcible taking from the consumer of a portion of his earnings and handing it over to the manufacturer. His proposal is this: We the Government will take from you 10 or 15 or 20 per cent. of your earnings and give it to the manufacturer, and he will spend it so much more judiciously than you would, that ultimately and in the process of time it will, in some curious and circuitous manner, which we haven't the time to explain now, redound more greatly to your advantage than it would have spent it yourself and for yourself. We are all now in favor of free speech, free thought, free soil, free labor; what is there about trade that it should not be free?

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A gentleman of the name of Spaulding pre-

pared glue and soles for goodyear, under the name of "Spaulding's Prepared Glue." His is an American industry, and hence is protected. Last year the Government received by way of revenue from the tariff on glue the magnificent sum of \$17. Our hens are protected; and in 1863 the Government received \$6.90 from duties on ostrich eggs; and yet I believe that, even thus protected, the native hen will never succeed—so far at least as the size of the egg is concerned—in competition with the ostrich. Sauer kraut is protected, and the protection of this is necessary. We are also protected against Spanish flies and Brazilian bugs. Our native flies and bugs are in their infancy, and must be protected.

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