

WATTERSON ON TARIFF.

He Shows that High Protection Reduces the Rewards of Labor.

Taxing One Man to Enrich Another—How the Farmers Are Robbed.

Cheapening of Goods Due Wholly to the Labor-Saving Inventions.

Our High Tariff Protects England Against American Competition in Foreign Markets.

[Henry Watterson, in Harper's Magazine.]

To the average understanding of this generation of Americans no word connected with the operations of government presents, in proportion to its significance, so slight a meaning as the little word "Tariff." Although the discussion of the "tariff" has occupied a share of public attention during our time equal to, if not greater than that given any one of the questions which have aroused the universal and excited feeling of the people and arrayed sections and parties in angry controversy, the subject has failed to take hold of the popular imagination in a degree approaching its actual relation to the business and bosoms of men. The Georgian who for the sake of hospitality submitted to every manner of indignity from his guests, until, having reduced the company to two, the offender began "deliberately to talk about the tariff"—when he was promptly ejected—affords a humorous and not an entirely exaggerated illustration of the aversion with which a large class of citizens turn away from what it regards as beyond ordinary comprehension.

Yet no single function of government renders so directly and so sensibly to the personal affairs of men, women and children as the power to tax applied to the taxation of foreign commodities, and as it shall be the purpose of this paper to show, no question is simpler of elucidation when stripped of the sophisms that invest it and reduced to the dimensions of a business transaction between the Government and its citizens, which as a matter of fact it is, no more and no less.

The natural right of man to dispose of his handicraft as he pleases, subject alone to the public necessity, is unquestioned. In ancient times no limitations were set upon this individual freedom of trade. The theory of restriction, as it is known to the European world and advocated in the United States, is of comparatively modern growth, having its origin in the need of money to maintain the increasing cost of monarchy and a mistaken belief on the part of the mercantilism which succeeded the feudalism of the middle ages that artificial restraints set upon commerce somehow affected the currency, and would keep money at home. The war of the American revolution was the direct consequence of the policy of restriction established by Great Britain over her colonies, and so fixed was the adherence to that policy, with its prescriptive rights and preferred classes, its taxation of the many for the benefit of the few, that after the establishment of the Government of the United States, England declined our proposal to institute free trade between the two countries. In those days it was not pretended that restriction protected the work-people. It was an exclusive prerogative of the aristocracy, who had no motive to conceal its actual operation and effect in securing to them the full advantage of the monopolies they enjoy by reason of royal favor, in which the mass of mankind had no part nor lot.

The exposure and overthrow of the monetary error, which misled the merchants, did not destroy the dogma of restriction (protection) it had brought into being. Founded in the selfishness and avarice of man, that dogma has sought successive points of refuge and defense, as experience has demonstrated its fallacies and compelled it to retreat from untenable positions. In America we are chiefly concerned with the inconsistencies it has disclosed to us during nearly a century of spasmodic pleading.

It secured its admission to our national policy in the dual character of a patriot aiming to make us self-sustaining in time of war and an economist bent only upon the development of our infant industries. Before it could attain recognition and access, however, it had to ignore that clause in our Declaration of Independence, born of resistance to oppressive taxation, which denounces King George the Third "for cutting off our trade with all parts of the world." To hold its own it has had to violate the spirit and letter of the Federal Constitution, which limits the power "to lay and collect taxes, duties, imports and excises" exclusively to public purposes, defined "to pay the debts and provide for the common defense and general welfare of the United States." Driven from the absurdity of nourishing "infants" older than the Republic itself, and unable longer to dispute a construction of the organic law of the land from our highest judicial tribunal, which declares that "to lay with one hand the power of the Government on the property of the citizen and with the other bestow it upon favored individuals to aid private enterprises and build up private fortunes, is none the less robbery because it is done under the forms of law and is called taxation," this dogma of restriction, which from its inception has never been anything other than an instrument of the capitalist and an axiom in the gospel of Mammon, now turns to the work-people, hitherto so unconsidered, and, masquerading as a philanthropist, proclaims its mission to be the "protection of American industry from the pauper labor of Europe."

Thus brought to a final issue, the dogma of restriction, or "protection," as it prefers to call itself, is reduced to two false claims—the first, that it is necessary to enable our domestic manufacturers to compete with their foreign rivals; and the second, that it guarantees to those engaged in manufactures certain and high wages, securing to the country, meanwhile, diversified industries and a home market.

To these ends the vast majority of the people, including all the farmers who are engaged in unprotected employments, are required to pay a bounty averaging nearly *50 per cent.* and the principles of wise and just taxation, which, as the dew of Heaven, should fall on all alike, are, in defiance of the cited opinion of our Supreme Court, made to wait attendant upon the private interests of a favored class. Nay, nor is this the worst of it, for in order that its theory of development may continue to assess the many to enrich a few, to widen the distance between capital and labor, to create deeper and darker contrasts in human conditions—prolonging forever a system of excessive taxation, which was imposed to meet the exigencies of war, and admitted by those who imposed it to be a great popular and patriotic sacrifice—it is argued that we must abate no part of the exactions imposed, under penalty of destroying the business of the country and relegating our work-people to starvation.

If I should be asked to furnish a title-page for the history of a career at once so admirable and so pragmatic, I should imitate the brevity of the current play-bill and call it "Assurance." Certainly that quality has not been wanting to the varying face it has from time to time turned to the public, its latest and present aspect being one of menace. Starting out as a patriot who would levy a small tax for purposes of common safety and defense, then assuming the role of a statesman who would temporarily advance this

tax until our infant industries should gain their stature and stand upon a sure footing, then donning the garments of the humanitarian who lives only to establish and maintain institutions of eleemosynary enterprise, our dogma, high protection, feels itself at last strong enough to threaten us with industrial extinction unless we yield ourselves wholly and permanently and without question to a domination which until lately was not dreamed of by the most sanguine apostles of protection.

Circumstance has certainly favored restrictive theories in the United States. During twenty years they were let in undisputed possession of the minds of the people and the public policy. In spite, however, of the pretensions they now put forward, and the vast accumulations of wealth to the creation of which they lay exclusive claim, the ideal state so confidently predicted for the era of protection was not realized. On the contrary, the inevitable consequences of restriction—beginning with artificial stimulation, high prices, and plenty of work, to end with glutted markets, excessive competition, strikes, lockouts, and the survival of the fittest—called the question once again to the front.

The exactions of the tariff having at last accumulated in the National Treasury a sum that cannot be disregarded, and must be considered—an urgency which brings forward for review the whole question of Federal taxation and revenue—they now insist that the doctrine of protection, pure and simple, is not merely an economic truth to be proclaimed at all hazards, but a fixed national policy which shall not be disturbed.

On the case so made up, party forces are about to be joined; and if some conclusion be not reached in Congress at the coming session, the question will go to the country as the chief issue in the Presidential campaign. The situation is one which revenue reformers have long wished for, and which they hail with satisfaction. They think they see in it the beginning of the end of excessive, and therefore of needless and unjust, taxation.

Protection is advertised to do many other things, such as the building of cities and the opening of mines, unconscious, or refusing to allow, that cities spring from a concentration of population, altogether independent of tariff laws, and that wherever accessible mineral wealth has been discovered in a sufficient abundance to justify its development, capital has never been wanting. But the mainstays of the prevailing protectionist argument are the manufacturer, who thinks he cannot stand without the help of high import duties levied upon the commodities of his foreign rival, and the operative, who is induced to believe that these duties affect his wages, and in some way keep him out of the poorhouse.

The truth is that protection in America, as little as free trade in England, has wrought what was claimed for it and expected of it by its partisans—to wit: the extinction of pauperism. Nor will thoughtful men look to any theory of legislation or plan of government to do that. As long as there are inequalities in human character they will show themselves in human conditions. The frugal man will save whilst the thrifless man wastes his substance, and to the end of time the reward of sobriety and skill will be set against the penalties attached to incapacity and sloth. All that statesmen can do is to consider what is right and what is best, and contrasting opposite policies and systems with assistance of collected information, follow the injunction of Paul, and "hold to that which is good." Government is more or less a compromise, and too much in wisdom may not be required of it. But wise and free men should have a care that its compromises are just to all, and not the artifices of self-interest and class-interest, disguised as philanthropists.

Those who demand the revision of our war tariff, the reduction of its duties, and the reform of its abuses do not deceive themselves, and have no wish to dupe the people into the notion that the simple righting of a wrong, however great, is going to work a miracle in the state of the country. They dream of no Utopia. They advance no visionary theories. They are at once practical in their aims and conservative in their methods. They point to the excess of revenue wrung from the people as a proof of needless and therefore unjust taxation. They point to duties levied rather upon the necessities of life than on its luxuries, and so fixed as to yield the largest bounty to the manufacturer, the highest cost to the consumer, and the least revenue to the Government, yet notwithstanding, amassing a vast surplus in the Treasury. They deny that such a sacrifice of the taxpayer is either expedient or just, that it represents any right of domestic industry, that it confers any blessing on the domestic workman, and stigmatizing it, as the Supreme Court has stigmatized it, as "robbery under the forms of the law," they propose to substitute in place of the system which exacts it a system less restrictive to commerce and less costly to the great body of the people. But the strength of their case lies in the assumptions of the protectionist theory that the country can be enriched by taxation, and its attendant claim that Congress has the right to levy taxes for any other than for public purposes.

In considering the question here I shall limit myself to the two propositions on which the advocates of protective duties mainly rely—that they cheapen the home market and insure high wages. If the error of these pretensions can be shown the claim of protection upon the community at large and the operative in particular fails to the ground. There is but one way, however, to tell the truth, and that is never complex. No moralist can successfully maintain that in a free Government like ours it is right to tax one man for the benefit of another, and no statistician can demonstrate how prices can be lowered by increasing the cost of production.

The 30,000,000 of American farmers, for instance—say nothing of the millions of Americans engaged in mercantile and professional pursuits, who are the same boat with the farmers—have no protection for their products. They pay relatively as high for the labor they employ as the American manufacturer. Indeed, the difference between the wages he pays his work-people and those paid by his foreign rivals to their work-people is often greater than the difference in wages paid respectively by American and European manufacturers. Yet the American farmer maintains a successful competition with the pauper labor of Europe." Why is this? and is it not an answer to the plea for protection to the manufacturer which is neither given to nor asked by the farmer?

The farmer takes his products abroad and sells them at a profit in the home market of his foreign rival. But he cannot purchase in that market what he wants without paying a bounty in the form of protective duties, collected the moment he touches his native shore, for the benefit of the American manufacturer. In other words, he is compelled by law to pay out of what he gets for his unprotective produce, a tax to enable his fellow-citizen, the protected manufacturer, to make a profit on what he produces. What reimbursement does the farmer get for his forced tribute to the manufacturer?

He gets nothing. He is told that he gets a home market for what he has to sell, and a cheaper market for what he has to buy. If he did, that would end the argument. But he does not, because if he had not exhausted the home market he would have nothing to send abroad to sell, and if the home manufacturer could and did undersell the foreign market, from which the farmer is excluded by protective duties, what need would the home manufacturer have for those duties? They are levied to enable him to make a profit against his foreign rival, and to the extent of his wants the American farmer must pay the difference.

No casuistry, supported by a great array of figures, can alter this fact, which is perfectly understood by the American farmers. That rich mineral deposits invite population and that the development makes wealth no one will deny. The discovery of gold in California is a case in point. As by magic a new world sprang into existence, with every man-

ner of diversified industry. All that the advocates of protection claim for their theory was realized substantially under free trade, and in an incredibly short period of time. Yet the gold-digger neither asked nor obtained protection against "the pauper labor of Europe," and in the subsequent outcry against Chinese cheap labor the protectionist idea, as we are used to hearing it, cut no figure whatever. Diversified industries and high-priced food are the results, not of tariff laws, but of the concentration of masses of people at given points favorable to commerce and manufactures, which spring from the concentration, and not the concentration from them. The protectionists confuse cause and effect. They claim everything for their dogma, and allow nothing to nature.

But let us return to the question of prices and see how the account stands between the manufacturer and the consumer. It is assuredly true that in the last twenty-five years there has been a decline in prices. There have been causes operating universally which have lowered to a remarkable extent the price of most manufactured articles, viz: the labor-saving machines of the busy inventors. In this multiplication of the comforts of life through inventions, America has shared to some extent, but to a much less extent than she would have shared had her productions not been restricted by the "protective system."

The products of mechanical skill are lower in price in America to-day than prior to 1860; yet this decline can not be traced to local causes, for the decline is general. (Invention accounts for it.) Certainly the United States tariff has not lowered the price of English products. That the American products are not as low as those of England is evident from a comparison of the export trade of England and that of this country. In the metals England exported \$237,500,000 in 1880, against \$14,110,000 of American exports. In textiles England exported in 1880 \$534,500,000 against \$16,216,000 exported by the United States. In 1880 we exported raw cotton to all countries to the value of \$239,000,000; but during the same year Great Britain, besides supplying her own domestic consumption from the raw cotton she bought us, exported manufactured cotton to us for the value of \$375,000,000. England can under-sell us only because the tariff has not reduced the prices in this country to the level of prices in England.

In 1880 our manufacturers sent to Central and South America \$3,899,400 worth of manufactured cotton goods; but the English sent to the same territory—a territory contiguous to us, and under normal conditions exclusively ours—\$51,235,000; or, to state it differently, Great Britain sells thirteen dollars' worth of cotton goods to these American States of us to one dollar's worth sent by our own manufacturers. Manifestly England controls this trade because she furnishes the goods cheaper than does the manufacturer in the United States.

Perhaps the most striking fact of recent industrial history is the improvement in the manufacture of steel rails (by the Bessemer English method), by which the price in England has fallen from \$61.50 in 1868 to \$18 in 1886. In the same time the price in America, which in 1888 was \$158 in depreciated currency, declined to \$26 in 1886, and in the last twelve months has advanced to \$44. It is customary for the protectionist to point to this steel-rail industry as convincing proof of the value of the tariff in decreasing prices, but as the price has fallen in England far below the American level, the cause cannot be local. It must be general; it must be due to an influence that works as effectively elsewhere as here. This influence is the *inventive genius of the age*.

This steel-rail tax is a perpetual burden. The lowest quotation on British rails in 1886 was \$18.15; freight by steamer to New Orleans, \$2.25; dockage, etc., \$1; duty, \$17; total, \$35.40, allowing nothing for commission. When the American price advanced to \$40 importations increased. In the year 1886 the product of the American Steel-Rail Combination was 1,500,000 tons. There are in the United States about 140,000 miles of railroad, and this year the new roads will reach to 10,000 miles, possibly 12,000. One hundred tons of steel rails are required for every mile of road where steel is used. It is safe to say that the steel rails cost the companies \$15 more, year in and year out, because of the tariff, or \$1,500 for every mile of road built. Multiplying thus by 10,000, the number of miles to be built in 1887, for the new roads alone the tax is \$15,000,000.

These rails last only ten years. The entire railroad system of the United States has to be replaced every ten years, or at the rate of present of 14,000 miles a year. The additional cost of this at \$1,50 per mile, or for the 14,000 miles, is \$21,000,000. In other words the tariff will soon impose upon the builders of new roads, and on those who renew the old ones as they wear out, a tax of \$36,000,000 in excess of what the cost would be were the American railroads permitted to purchase rails where they could buy them cheapest. A part of this tax is capitalized, and goes into the cost of the roads; the remainder increases the operating expenses to that extent, and falls chiefly on the farmers.

A more striking example than this of the real character of the high protective system may not be found, and it ought to serve both as a revelation and a warning. All those vast profits, forced by law out of the whole people, have gone into a few hands, and have, in a few years, built up enormous private wealth at the public expense. They were, and they continue to be, an assessment upon every mile of travel made, and every pound of freight carried, for the benefit of a specially favored and a very small class. Yet, though larger in degree, they are not different in kind from countless other impositions of the tariff to which the country is indebted for the startling inequalities of fortune witnessed by the present generation of Americans. The old English statute that, under rigid penalties, required the dead to be buried in woolens, for the purpose of encouraging the manufacture of textile fabrics, was scarcely more grotesque than are some of the jobs which have crept into our tariff, which, if they were not so unjust and audacious, would be laughable.

For example, after the great Chicago fire, when Congress, in an impulse of generosity had remitted from taxation for one year all building material designed for the reconstruction of the stricken city, it was found that an item excluding lumber from the proposed exemption had mysteriously imbedded itself in the act. [A trick of Senator Ferry, of Michigan.] They also show how, as long as such opportunities for private gain exist in our protective system, the public with its general interests, will stand at a great disadvantage against private enterprise, with its incessant and pointed activity ever present at Washington, and ever watchful of the course and tendency of legislation.

The strength of the ultra-protectionist's hold upon the American workman, which is admitted, springs from the workman's dread of want, and the danger of this want is the direct result of conditions brought about by the ultra-protectionist and his theory of high protection.

Cobden said, forcibly and truly, that "when two employers run after one workman wages rise, and when two workmen run after one employer wages fall."

In the United States the restriction of manufacturers to the home market, with no real restriction to immigration, coupled with the increase of the use of labor-saving machinery, has wrought this result, making work a boon, so that, in spite of the escapes and reliefs afforded our work-people by cheap lands, discontent among them is universal.

It must be a bad system which in such a country produces such an outcry. In the face of it where is the ultra-protectionist's argument that the American operative is the most prosperous and happy in the world? That he is more of what is called liberty is true. That his opportunities for improving his fortune are greater in a free, fresh, young country, not yet half occupied, than they are, or can be, in the crowded countries of Europe, with the ancient aristocratic fences and con-

ventions still upon them, goes without saying. These benevolent and exceptional features of the New World over the cramped conditions of the Old World are no more referable to the tariff, however, than they are referable to the simple rule of three. Yet in spite of them the American workman is less satisfied and makes louder complaint than the English or the French workman. If protection gave him such constant work and sufficient wages, as is claimed, why the clamor, why the strike, and why the lockouts? Certain it is that no such things came to pass among us until the theory and practice of protection had reached their fullest recognition and development.

At all argument to sustain the plea that the tariff increases wages we are told that wages are higher than they were prior to 1860. That wages are higher generally is a statement not open to dispute. During these twenty-five years the *inventor has revolutionized all mechanical industries*; in other words, the manufacturer has employed machines to such an extent that the amount of manual labor engaged in the industry in proportion to product to product has been greatly decreased. It is roughly estimated that in the last 100 years, or since the application of steam to machinery, considering only the various processes of cotton cultivation and manufacture, machinery has so improved that one man does the work it then required twenty-five to do. Hence we find that there has been a steady increase in the value (purchasing power) of labor and a depression in the value of money.

The sixteenth annual report of the Massachusetts Bureau of Statistics deals at length with the advance in wages from 1830 to 1880. It shows there has been an advance, with only slight fluctuations, from the earliest time until now. Even the commercial revulsions of 1837 and 1837 served only as a check, and had no positive effect in the opposite direction. Still further, these tables show that the revenue tariff established in 1840, and being greatly reduced by the Republicans in 1857, and continuing till 1861, did not interfere with this movement toward increased wages. During all that period, according to these tables, the upward movement continued without interruption, if not with accelerated force.

Turning to the fifteenth annual report of the same bureau for information concerning the course of wages, we find (page 424) noticed a continual advance from 1860 until 1872; then a steady decline until 1880; then a rally and a continued improvement until 1883. In the United States, from 1863 to 1883, the advance was 28.36 per cent.

These facts make it clear that the advance in wages is independent of the tariff. Wages advanced in America from 1830 to 1860 steadily through all tariff changes, and during a period of fourteen years when we had a tariff for revenue only. From 1860 to 1883, during a period of war and financial demoralization and political excitement, the advance continued, but with periods of fluctuation more plainly marked, registering, in the twenty-three years an increase of 28.36 per cent.

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In Great Britain wages advanced from 1872 to 1877, fell off between 1877 and 1880, and advanced again between 1880 and 1883. From 1872 to 1883 the advance in Great Britain was 9.74 per cent. In Massachusetts wages in 1883 were 5.41 per cent lower than in 1882, notwithstanding the rally in 1883. In this same report Col. Wright submits some figures as to the course of wage in Great Britain for a few of the most important industries, prepared by George L. Lord, President of the Manchester Board of Trade, showing an average increase in wages from 1850 to 1883 of 33.18 per cent.

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In Great Britain, under a near approach to free trade, we find in the principal mechanical industries an advance from 1850 to 1883 of 33.18 per cent, and—what was not the case to anything like the same extent in America—accompanied by a marvelous expansion of export of manufactured goods.

Except for our vast area of cheap, fertile and uncultivated lands we should have had far greater wealth among our work-people than they have ever yet known, and when there are