

TARIFF LETTERS TO FARMER BROWN.  
NO. 4.

Where the Tariff Is a Tax to the Hill. Dear Farmer Brown:

In my last letter I stopped abruptly with the mere mention of the third class of commodities, which are either not made here at all or are made in quantities not sufficient for the home demand.

On this class the tariff is a tax to the full amount of the duty on both the imported and the domestic article. I am happy in having Major McKinley and his committee in agreement with me on this point. He says in the report on the tariff bill, in speaking of the duty on sugar, that "it is a tax which is added to the price not only of the imported but of the domestic product." He shows that the duties collected on sugar were \$55,975,610; and then he makes the following remarkable statement—remarkable for him: "Add to this the price of domestic sugar arising from the duty, and it is clear that the duty on sugar and molasses made the cost of the sugar and molasses consumed by the people of this country at least \$64,000,000, or about \$1 for each man, woman and child in the United States more than it would have been if no such duties had been levied and the domestic product had remained the same."

In making this statement Maj. McKinley is entirely in the right. The sugar duty, which he has just removed, was \$2.22 per hundred pounds on raw sugar. But 12.5 pounds of raw sugar is necessary to make 100 pounds of refined; the duty therefore, entering into 100 pounds of refined sugar was \$2.50.

Now, I have before me a table of the prices of the best granulated sugar in New York and in London during the first nine months of last year; and the figures show that this sugar ranged from \$2.50 to \$3.57 per hundred cheaper in London than in New York. The price ten days ago was \$3.80 per hundred in London for granulated sugar, and \$6.625 in New York, or a difference of \$2.825 per hundred, or actually more than the duty. Maj. McKinley did not state the case any too strongly.

Maj. McKinley, however, is careful to point out the fact that we produce only one-eighth of our sugar, and this is claimed by him as the explanation of the fact that the entire duty is added to both our native sugar and the imported article. He takes the trouble to tell us that this "is not true" of duties imposed on articles produced or made here substantially to the extent of our wants."

Let us see how this works with lead. Our production last year, as stated before the McKinley committee, was 190,000 tons, while our imports were stated to be only 1,172 tons. The home market is secured to domestic producers by a duty of 2 cents per pound. And now for the prices:

The latest reports give the New York price at 5.30 cents a pound; and the price from London on the same day give the price there at 3.08 cents. The difference of 2.22 cents being more than the duty. In view of the higher price here growing out of recent tariff legislation, the importing point has been reached, and accordingly the New York Commercial Bulletin states, in the same report from which I have quoted the above prices, that 1,500 tons have recently been imported. This means that the entire duty is added to the domestic lead, and then the foreign articles can begin to come into competition. This case shows conclusively the error of Maj. McKinley in the assertion "is quoted from him."

Another case showing that the entire duty, and even more, may be added to the domestic article is that of linseed oil. The duty on it was 25 cents a gallon under the old tariff that has just passed out of date. The New York price of McKinley's committee was 69 cents a gallon, and the London price was only 32 cents, five cents more than the duty being added by our linseed oil trust, which controls nearly the entire manufacture in this country.

Notwithstanding the arbitrary manipulation of prices by the trust, Major McKinley actually raises the duty to 32 cents a gallon. Heretofore the trust was not able to put up the price of oil above 63 or 64 cents a gallon, for then imports would set in; but now that McKinley has given seven cents additional protection, we may expect to see the price go higher.

Besides these cases hundreds of others might be mentioned where the whole duty is added; but in many kinds of commodities a fair comparison is extremely difficult, owing to the fact that we cannot know whether we are comparing precisely the same article or quality. This is particularly the case with all kinds of dry goods, and in nearly all articles of complicated manufacture.

A vast number of industries went before McKinley to plead for higher duties, showing how they would be injured, or even ruined, if higher protection were not given. It was pointed out by them that foreign competition was interfering seriously with their home market.

It is clear that all such industries sell at prices equal to that of the foreign article, with the duty added. How could there be competition otherwise? For example, our window-glass manufacturers, who have just formed their trust, pleaded with Maj. McKinley that foreign competition was increasing, and that therefore they needed higher protective duties—which were given to them. Now the average duty paid on foreign glass last year was 105 per cent; in other words, on every dollar's worth of glass there was a duty of \$1.05, the dollar's worth costing thus \$2.05, not including commissions to the importers and other expenses. Now the question is, How could that foreign glass compete with American glass unless the American manufacturers should try to sell a dollar's worth at \$2.05? The fact is, they wanted to sell the dollar's worth at more than \$2.05, and that is why they raised their false cry of distress for higher duties; and that is why they formed their trust. They wanted to bag the game that McKinley had started for them.

How many kinds of commodities are thus taxed at higher rates in the McKinley bill? Their name is legion, and it is needless to try to name them. Let us hold fast to the rule that industries which ask for higher duties by reason of foreign competition are already charging up to the high-water mark of the protective duty.

Having now shown that the tariff duty, where it is protective, is always a tax, I will examine in my next letter the question who pays the tax, and will deal particularly with the claim that "the foreigner pays the tax." Yours truly,

RICHARD KNOX.

Judge Cooley's Opinion.

Judge Thomas M. Cooley, of Michigan, who is now President of the Interstate

Commerce Commission, and who is one of the foremost constitutional lawyers of the country, has expressed his opinion of protection in the following words:

"Constitutionally, a tax can have no other basis than the raising of revenue for public purposes, and whatever governmental exaction has not this basis is tyrannical and unlawful. A tax on imports, therefore, the purpose of which is not to raise revenue, but to discourage and indirectly prohibit some particular import for the benefit of some home manufacturer, may well be questioned as being merely colorable, and, therefore, not warranted by constitutional principles."

Then what about the McKinley bill, with its fundamental idea of "intentional protection and incidental revenue?"

Protection and Prices.

The following from the *Dry Goods Economist* of Oct. 4 is instructive: "It will be interesting to watch the effect of higher prices upon the popularity of the new tariff which has caused them. We shall soon hear from the consumer, and, in fact, already there are loud murmurs on every side. As a rule, ladies are

proverbially indifferent to politics, but when they find out, as they are now doing, that something has been done by the politicians which results in adding from 20 per cent to 25 per cent to their dressmaker's and millinery bills, we fancy that we shall hear from the disfranchised sex in tones that no judicious man will be likely to ignore."

So it seems from this protectionist paper, which is, however, fair in its spirit and tone, that the tariff does raise prices. The best representatives of the school of protection to which this journal belongs do not deny this. But the politicians, and demagogues, and "fat friars" and boodlers do deny this, and they have insisted upon their peculiar theory so strenuously and for so long a time that many voters who have given this matter little thought will be surprised at the upward movement of prices which has already begun. We read, for instance, in this same number of the *Dry Goods Economist*, of a meeting of the pearl button men "for the purpose of defending the interests of importers and the trade, and to do justice to the present and future condition of the market" in this article, which affects every large and small manufacturer, every woman and child in the United States."

It was decided to increase the price of the stock in hand by 25 per cent. On all future importations 50 per cent is to be added to the price of these goods. The firms represented at this meeting do a business amounting to millions of dollars, and virtually fix the price for pearl buttons all over the country.

The old duty on these buttons was 25 per cent. The new duty is 2½ cents per line, button measure, of one-fourth of an inch per gross, and in addition thereto 25 per cent ad valorem."

And the hypocrites who did this thing give as the reason for their action: "The change from ad valorem to specific rates is intended to be an increase for the protection of the domestic industry against the competition of foreign convict labor."

So, buttons go up—and the consumers suffer.

The same thing is true all along the line. Wanamaker has issued a circular advising his customers to buy now, as he says, the manufacturers have had their way, and prices, especially on hardware and kitchen furnishings, are sure to advance shortly.

On drugs, the increase will be from 10 to 33 per cent, so that a man cannot be puked or purged" without paying smartly for it.

Notwithstanding the harsh English rule in Ireland, the country is growing more prosperous. How does that come about, if "British free trade" is ruining the island? Should not the evil effects of that trade be a constant quantity, and press with greater weight as time advances? That is the doctrine that protectionists preach. Every undeveloped country that trades with a well-established country must grow constantly poorer. That is their doctrine. How is it then that Ireland is growing richer?

A Prayer for Mercy.

Senator John Sherman hopes that the manufacturers who are favored under this new law will not go to forming trusts, or to taking an undue advantage of the great opportunities which he and his friends have given them.

Mr. Sherman should hire himself out as an end man in a minstrel show, or adopt the profession of after-dinner speaking. Hitherto he has not shone as a humorist. He has been a rather serious and sober sort of a statesman. But now, at a single bound, he becomes the foremost wit of the country.

"Be careful," he says to the manufacturers, "go slow. You have got a good thing, but please don't get rich too fast. We have given you a protective duty of 100 per cent or so. You can use it all, but please don't; you can easily form a trust and force prices up out of sight, but we hope you will not do so. Such action would hurt us, and really you ought to be considerate of our feelings."

After Mr. Sherman has voted to give the gentlemen everything they want, his threat to move for the repeal of the McKinley law or any portion of it, if the manufacturers "abuse" it, is not likely, to have much weight. And why shouldn't men take advantage of their opportunities? If the Binding Twine Trust wants to "skin" the farmers and if Congress, at its dictation, fixes things so that it can do it, what right have we to think that it will be very careful of the epidemics of the agriculturist?

The truth, of course, is that the Ohio Senator was playing the demagogue. He helped to create the conditions under which robbery is easy of accomplishment, and then he begs the strikers to stay their hand. The ordinary, straightforward man will want to know why people cannot be allowed to keep their own property in the first instance, instead of being compelled to be satisfied with what the thieves are good enough of them all."

That is how protection works. It puts up a wall around the country in order that our manufacturers may be exempted from competition from abroad, and then these manufacturers turn around and charge more in this protected home market than they charge to foreigners.

"This," as the *American Machinist* says, "is likely to strike the American purchaser as being a little rough on him." Is it not more than "a little rough?" Is it not a downright injustice to those who bear the burden of protection in behalf of these manufacturers? As the *Engineering and Mining Journal* says, "It is not fair that our own people should be made to pay more than foreigners for the products of our own land."

Manufacturers who make these reductions to foreigners need no protection

whatever. It is absurd to claim that they do. Yet Maj. McKinley does not take this reasonable view; he continues to the sewing machine manufacturers their 45 per cent protection.

The precise effect of this duty is that the purchaser of a \$20 machine must pay \$9 extra, or \$29 in all. This extra \$9 goes into the pockets of the domestic manufacturer, as the high duty shuts out practically all foreign machines. It will not do to say, as the protectionists always do, that the full duty is not added; for here is one manufacturer who sells a machine for \$5 in South America and for \$20 in the United States.

It is as Uncle Remus says about witches: "Dey comes dif'nt."

Duties for Rich and Poor.

Maj. McKinley, in submitting his famous, or infamous, tariff bill to Congress last spring, said: "The committee, responding as it believes to the sentiment of the country and the recommendations of the President, submit what they consider to be a just and equitable revision of the tariff."

"A just and equitable revision of the tariff."

Let us see.

The fine cassimeres, worn by the rich, are advanced in duty 25 per cent, while woollens, worn by the poor, are advanced 40 per cent.

Broadcloth is advanced 20 per cent; cotton corduroy 114 per cent.

Selskyn sacques are reduced 33 per cent; imitation selskyn sacques are advanced 120 per cent.

Silk velvets are not advanced at all; cotton velvets are advanced 100 per cent.

Silk linings are taxed at the same rate as under the old tariff; cotton linings are advanced 285 per cent.

Silk lace is advanced 20 per cent; cotton laces 50 per cent.

On black silk there is no advance; on black alpaca there is an advance of 60 per cent.

Silk handkerchiefs are advanced 20 per cent; cotton handkerchiefs 50 per cent.

Silk stockings are advanced 10 per cent; cotton stockings are advanced 15 to 25 per cent.

On the finer grades of linens, worn by the rich, the McKinley duty is 25 per cent; on the coarser grades, worn by the poorer classes, the new duty is 50 per cent.

Yet these are duties imposed in a bill to reduce the revenue and equalize duties on imports," and are what McKinley calls "a just and equitable revision of the tariff."

Ireland Not Yet Ruined.

A correspondent of the New York Tribune writes a letter to that hide-protective organ on "Ireland's Prosperity," which ought once for all to explode the campaign story about how "British free trade has ruined Ireland."

"Irish prosperity in Ireland itself," says the writer, "is an established and joyful fact;" and he adds: "Ireland is today more prosperous than she has been for many a year."

He shows that crops are generally good, manufactures increasing, and that there is a healthy increase all along the line."

In 1873 the deposits in postal savings banks were only 80 cents per capita; in 1877 they were \$1.21; in 1887 they were \$2.83; and in 1890 they were \$5.25 or more.

Joint-stock banks do the returns for the year ending with June 30, 1890, show deposits and cash balances of \$165,305,000, "which is the largest sum ever recorded in Ireland."

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