

# INDIANA PALLADIUM.

DEVOTED TO NEWS, POLITICS, INDUSTRY, MORALITY, LITERATURE, & AMUSEMENT.

VOL. VIII.]

LAWRENCEBURGH, (IA.) SATURDAY, MARCH 10, 1832.

[NO. 8.

## HOUSE OF REPRESENTATIVES,

Washington, February 8, 1832.

Mr. McDUFFIE, from the Committee of Ways and Means, to which the subject had been referred, made the following report:

The committee of Ways and Means, in obedience to the order of the House, have had under consideration so much of the message of the President of the United States as relates to "relieving the people from the burthen of unnecessary taxation," after the payment of the public debt, and now beg leave to submit the following report:

In discharging the duty thus assigned to them, the committee have deemed it indispensabel to determine the preliminary question—what should be the annual expenditure of the government after the extinguishment of the public debt? During the three last years of Mr. Monroe's administration, the average annual expenditure for all objects, exclusive of the public debt, was less than ten millions of dollars. When it is considered, therefore, that the annual amount of disbursements for revolutionary pensions is now very greatly reduced, and that the expenditure for this object, as well as for erecting fortifications and building ships will be progressively reduced, and must reach a very low point in the course of a few years, the committee are of opinion that eleven millions of dollars will be abundantly sufficient for all the necessary disbursements of the Government, when relieved from the charge of the public debt. In this estimate, they have allowed one million of dollars, & the sums which may be released from existing objects of appropriation, to meet the various demands, of a contingent nature, to which the public Treasury may be liable. The income from the public lands, and the dividends of bank stock, to say nothing of canal stock, cannot be reasonably estimated at a less sum than two millions of dollars. There will, therefore, remain only nine millions to be provided by duties on imports; and the committee have endeavored so to adjust these duties as to produce this sum in a manner most consistent with "equal justice to all our national interests."

The amount of foreign merchandise, imported for consumption during the last year, was nearly eighty millions of dollars. And though this greatly exceeded the importation of any year since 1825, yet, as a material reduction of the duties would certainly augment the quantity of merchandise imported, the committee would deem it not extravagant to assume the operations of the last year as the basis of their calculation for future years. To avoid, however, the hazard of a deficit in the public revenue, they have estimated the annual amount of the imports paying duties at only seventy-two millions of dollars & on this basis have reported a bill imposing a duty of 12 1/2 per cent. ad valorem, upon all foreign merchandise, with the exception of such articles as are now admitted duty free, or at duty of less than 12 1/2 per cent. They have provided, however, for a gradual reduction of the duties on such imports as come in competition with domestic manufactures.

In adopting a general system of ad valorem duties, the committee have been governed principally by two considerations. In the first place, a specific duty is obnoxious to the strong objection that it levies the same tax on articles of inferior quality, consumed by the poorer classes, as it levies on similar articles of the very best quality and highest price, consumed almost exclusively by the more wealthy classes. While the poor man, for example, who consumes low priced French wines, is made to pay 50 or 100 per cent. on their value, the wealthy man pays only 25 or 50 per cent. on the value of the high priced wines, which gratify his taste for luxurious indulgence. The same remark is applicable to tea, coffee, sugar, and indeed to almost every article at present subject to a specific duty. The other ground of preference for ad valorem over specific duties, is the perpetual fluctuation in the price of articles of the same denomination and quality. A fall in the price of an article will increase the rate of taxation, contrary to the intention of the legislature. There is thus a silent legislation in the course of events and the revolutions of trade by which we have seen the enactments of Congress so entirely changed, that a duty has swelled up to one hundred per cent. which was only 25 per cent. when originally imposed.

It remains for the committee to state the reasons which have induced them to provide that the same rate of duty shall be levied on all imported merchandise, with certain specified exceptions,

As equality is universally recognized as the fundamental principle of just taxation, uniformity in the duties imposed is the most obvious rule by which that principle can be preserved from violation. The constitution provides that "all impost and excise duties shall be uniform throughout the United States," for the obvious purpose of preventing unequal taxation. The spirit of this clause would undoubtedly require that the same rate of duty should be laid upon the same description of productions, however made or acquired, provided they be consumed in the United States. If a product of domestic industry, converted into foreign manufacture, is subjected to a certain duty, no good reason can be assigned why a similar domestic manufacture should not be subjected to the same rate of duty. The respective manufactures, though acquired by different processes, are equally the productions of domestic industry; and to impose a tax upon one, because it is obtained by the intervention of a foreign exchange, and exempt the other, because it is manufactured in the United States, is in no respect less unequal and unjust than it would be to levy an excise duty upon a domestic manufacture when made by imported machinery, and exempt the very same sort of manufacture when made by domestic machinery. The difference would be merely formal; and the principle of equality would be as effectually violated, and the rule of uniformity as effectually evaded, in the one case as in the other.

In fact, the most moderate revenue duty imposed upon imported manufactures, while similar articles of domestic manufacture are entirely exempted, is a discriminating tax upon the productions of the exporting States, while the very same productions of the manufacturing States, made by labor of a different kind, pays no tax at all. If these views be not utterly erroneous, a proper regard for the principle of equal taxation would require that imported manufactures, which come in competition with similar domestic manufactures, should be admitted free of duty, or be subject to no higher duty than similar domestic manufactures. Imported manufactures are the productions of southern labor and capital; domestic manufactures are the productions of northern labor and capital; and nothing short of an equal exemption of both from taxation, or the imposition of equal duties upon both can secure to these two great rival branches of domestic industry, a fair and equal competition in the market. The very lowest rate of duty imposed upon one of them, while the other is wholly exempt, is an act of partiality and injustice on the part of the government which destroys the equality of the competition.

Entertaining these opinions, the committee feel that they owe it to the House to explain the reasons which have induced them to lay as high rate of duty on those imports which come in competition with untaxed domestic manufactures, as upon any other description of imports. While the manufacturing interest demands that protecting duties should be imposed three or four times as high as may be necessary for the constitutional purposes of revenue, & when justice obviously demands that no duty at all should be imposed upon one rival interest that is not equally imposed upon the other, the utter impossibility of adjusting a tariff of duties upon principles of strict and equal justice will be at once perceived, when it is considered that a large majority of both Houses of Congress are in favor of that interest which puts forward the most extravagant demands. It is a contest between power on the one side, and right on the other; and although the very extreme demand of the minority is for nothing more than justice, yet it is obvious that no compromise can be made unless the minority will acquiesce in an arrangement which gives the majority more than justice. What the minority concedes, is a portion of its undoubted rights; what the majority concedes, if concession it can be called, is a portion of its unlawful gains.

Though such are the terms upon which the committee have adjusted the duties—terms of the utmost liberality to the protected branches of industry—it is to be apprehended that the manufacturers will be more opposed, than any other class, to the bill reported. That they will have no just ground to complain of it, is most certain. Even under the provisions of this bill, they would be the decided favorites of the

Government, as the committee will proceed to show as briefly as possible. It may be assumed that at least one half of the revenue accruing from imports, will be derived from iron, salt, sugar, spirits, and manufactures of cotton, wool, iron, hemp, and flax, and from other imports which come in competition with domestic productions. As to this half of the federal taxes, nothing is more clear, than that the manufacturing or protected interests bear no portion of the burthen they impose on the community. The duty imposed upon iron, sugar, or cotton manufactures, for example, is no burthen at all, but a bounty, to the manufacturers of these respective articles, while it is an undoubted burthen to the other classes of the community. If this were not so, they would desire a reduction instead of an increase of the duties. But this is not all. Each manufacturer sells more of his own manufactures than he consumes of all other protected articles; perhaps five or ten times the amount. He not only gains, therefore, more than he loses, by the duties imposed upon imported articles similar to his own manufactures, but he gains more than he loses by the whole protecting system considered in the aggregate. This it is which constitutes the indissoluble bond of that great confederacy of interests which has become almost too strong for the Government and the people united. If the manufacturers and the producers of protected articles were all assembled in a common council, and the question were submitted, whether all the protecting duties should be fifty or twelve and a half per cent., it is not to be doubted that the unanimous voice of the assembly would be in favor of the higher rate of duty. This fact conclusively demonstrates that the protected manufacturers, as an entire class, bear no portion of the burthen imposed by the protecting duties, and, consequently, are entirely exempted from all participation in one half of the federal taxes, while it is not pretended that they bear more than their equal proportion of the other half, which is derived from articles not manufactured in the United States. Indeed it would not be extravagant to say that the protecting system affords a bounty to all the protected interests, considered in the aggregate, so large, as to indemnify them, and more than indemnify them, for all the taxes they pay to the Government. If, in the splendid career of modern improvements, political philosophy should make the blessed discovery of an art by which government could be carried on without money, and the system of federal taxation were to cease entirely, can it be doubted, for a moment, that the whole of the protected classes would regard it, in a pecuniary point of view, as the heaviest calamity that could befall them? Would it not spread a much wider scene of desolation over the whole manufacturing region of the Union, than the most gloomy imagination can anticipate from the bill reported by the committee? Yet such is the strange infatuation which prevails on this subject, and such the magic power ascribed to a particular form of taxation, that many who are prompt to discover that one portion of the Union would be greatly injured by the repeal of the taxes, do not perceive that another portion of the Union would, as a necessary consequence, be as greatly benefitted by that repeal. Can there be a more extraordinary instance of the power of self-interest to delude the human understanding & deaden the sense of justice in the human heart, than that which will be doubtless exhibited, of the entire class of manufacturers, clamoring against a system of taxation, not because the taxes are too high, but because they are not high enough! The complaint, upon the very face of it, admits that there is some radical vice in the system of protecting duties. For what right, human or divine, can any class of the community have, to invoke the power of the Government to promote the prosperity of that class, by imposing burthens upon another?

Unjust and unequal in its operation, as a system of protecting duties must be in all countries, and under all governments, it is only in a country of such great extent, and such diversity of conflicting interests as the United States, that it becomes absolutely ruinous to entire communities. All other objections to it dwindle into absolute insignificance, when compared with its operation upon the different clusters of States, comprising the geographical

subdivisions of this Union. In this respect, the subject rises into the most solemn and eventful importance, and gives rise to a range of inquiry, much higher than any investigation of mere abstract questions of political economy. In a country of small extent, and with a homogeneous population—such as England—no commercial restrictions can long produce great inequality or injustice. The people have a certain resource against this sort of oppression, in the facility of abandoning one pursuit and taking up another, when government restrictions render the one less profitable, and the other more so. This easy transfer of capital and industry from one employment to another, soon reduces the profits of the favored pursuit to the common level, and restores the profits of the pursuit which had been injured by the restriction, to a fair average. The whole result of a restrictive system, in such a country, is to diminish the aggregate wealth of the community, by changing the mode of producing certain articles, and increasing the cost of their production. But no class is permanently oppressed by any peculiar burthen, as all have the option of participating in the gains of the favored pursuit. Widely different, however, is the effect of commercial restrictions in such a country as the United States, composed of twenty-four political communities, many of them of larger extent than England, and distinguished by a diversity of soil, climate, production, and pursuit, greater than that which distinguishes England from France. But even in the United States, a commercial restriction which affected the pursuits of a single State only, or which affected the pursuits of all the States alike, however wise it might be, could not long operate unjustly upon any particular branch of industry. Unfortunately, however, the existing restrictions, which are known by the denomination of the protecting system, operate injuriously upon the great and leading pursuits, which employ three-fourths of the capital and labor of a region of country more extensive than any civilized empire in Europe; while, on the other hand, they operate beneficially on the great and leading pursuits of another region, not less extensive. The capital of the southern States, too, is already invested in description of property, which is adapted only to the making of those productions, which it is the tendency and the design of the restrictive system to exclude from their natural market. Even if the planters were willing to abandon their accustomed and hereditary pursuits, and embark in the business of manufacture, their entire capital would be deprived of more than half its value, by the very act of transferring it. When to this we add the consideration, that a long probation of disastrous experiments would be the only means of acquiring any thing like the skill necessary to a successful competition with their northern rivals, the reason will be obvious why the southern States have not evaded, and why they cannot evade, the burthens imposed upon the productions of their industry, by abandoning their present pursuits, and embarking in the favored branches of industry. Nothing can be more extravagant than to suppose that the people of an immense extent of country embracing eight sovereign states, can transfer a thousand millions of capital from agriculture to manufactures, with the same facility that a hatter or a shoemaker can avoid a tax upon hats or shoes, by taking up some other trade.

As the restrictions imposed upon the production of southern industry, are effected by the agency of indirect taxes, the burthens imposed upon the planting States, by the protecting system, are not very inaccurately measured by the amount of the taxes levied upon their productions. And when the inequality of the Government disbursements are added to the inequality of the contributions exacted by import duties, it may be confidently affirmed that the burthens imposed upon the planting States, by the taxation, prohibition and disbursements of the Federal Government, are more than equal to the amount of taxes levied upon these imports, which are obtained in exchange for the three great agricultural staples of cotton, tobacco and rice. That duty upon an import is equivalent to the same amount of duty upon the export which has been charged for it, is but a self-evident proposition, to which no really comprehend its import. The planter is as injuriously affected by the ex-

[Continued on last page]