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ADVANCE SHEETS.

THE FRUITS OF AMERICAN PROTECTION

The Effects of the Dingley Tariff upon the Industries of the Country, and especially upon the well being of the People,

BY

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With an Introduction by

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THE FUTURE OF
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The Effects of
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INTRODUCTION.

The favorite argument of those who oppose any reduction in the present tariff of this country is that the country is prosperous, and that this prosperity is due to the tariff. This belief is a superstition with many. There are fetish worshippers in New York and Philadelphia as well as in Dahomey.

This argument is really an insult to the American people. It ignores entirely the essential elements of American energy, enterprise, and inventive skill. The opportunities afforded by our free institutions have stimulated every man's activity and ability to the utmost. Moreover the argument overlooks entirely the unequalled natural advantages of this country, its vast forests, its fertile prairies, its mines of coal, iron, copper, gold, and silver. All these gifts of God are entirely ignored by the "standpatters" as it has become the custom to call our American fetish worshippers.

The fact is really this: A high protective tariff is a bonus to the capitalist. It has enormously increased the profits of the owners of mines and forests, and of the manufacturers of iron, steel, copper and clothing. By this bonus it has aided to build up the great fortunes which are far more numerous and far larger in this country than in any other in the world. The pretense originally was that it was necessary to have a protective tariff in order to encourage infant industries. The original tariffs that were adopted with this end in view, and in support of which the great name of Henry Clay is often invoked, were moderate in comparison with the present Dingley tariff. And now that these industries have ceased to be infants and become the greatest in the world, this argument has lost any force that it might once have had.

The next pretense was that a high protective tariff was necessary to increase the wages of the workingman, and to maintain what is called the American standard of living. But there are two well recognized facts that entirely contradict this argument. One is that the protected industries have become so powerful that they export great quantities of manufactured goods to foreign countries, and sell them there in the open market at a profit, in competition with the goods manufactured in those countries. If they can do this and maintain the wages of their workingmen as they do, they certainly could do it in this country without any tariff at all, for in this foreign competition they get no benefit from the American tariff. It is indeed an injury in some respects, because it does undoubtedly raise the cost of the raw material employed in the American manufactures. The other fact which equally demonstrates the unsoundness of this "American standard of living" argument is that the cost of living, and particularly the cost of rent have increased in greater ratio than wages.

Nothing remains then but the assertion of the proposition that because we are prosperous we ought not to reform the tariff. The

absurdity of this is manifest. Its only recorded parallel is in the Arkansas farmer. A traveler seeking refuge from a storm in the farmer's cabin, found it leaking badly. He asked, "Why do you not mend your roof?" The answer was "How can I; it is raining." "But why do you not mend it when it doesn't rain?" The answer was "Because it doesn't leak then." There is no time for reforming an unjust and unequal tariff like a day of prosperity. For example, if the duty on every article in the iron and steel schedule had been reduced to 25% five years ago, the demand for iron and steel would have remained the same. The wages of the workmen employed would have been the same. Indeed such a reduction in price as this would have effected, would have increased the demand for the various products of the factories, forges, and mills of the great Steel corporation. If there had been a change it would have been in the direction of larger production, greater demand for labor, and consequently increased wages. The tariff laws make no provision for a division of the profits of the business between the manufacturer and the workmen. The only way therefore to ensure a reasonable price is to throw open the market to competition. That is the life of trade. Mr. Root's noble and generous statements in his recent addresses in South America in favor of trade between nations, express the true American policy. Our present tariff was designed to hinder such trade as far as possible, and to give to the American manufacturer a monopoly of the American market. In one breath in the Sherman Act, Congress prohibited a monopoly of foreign trade, and in the other passed a bill the object of which is to hamper and prevent if possible commerce between the United States and other countries.

The facts and figures which support these propositions are very clearly stated in the following pamphlet. Our sister country, the United Kingdom of Great Britain and Ireland, has just been engaged in a contest between those who desired to change the long established British policy, and those who adhered to it. During this controversy the example of this country was appealed to by both sides. Our present high protective tariff is the overgrown offspring of the tariff system which prevailed in Great Britain during the century prior to 1845. Its injustice as applied to the colonies was one great cause of the American Revolution. That injustice continued to oppress the people of Great Britain and Ireland. Under the leadership of Sir Robert Peel and Mr. Gladstone, a gradual reduction and simplification of this tariff was effected until now England has become a free trade country. In spite of the hostile tariffs of the United States, of France, of Germany, and of Russia, its prosperity has gone on steadily increasing, its working people are paid better wages than those in like employments on the continent. They live better and enjoy more of the comforts of life. So well satisfied are they with the system that at the last election by an overwhelming majority they voted against any change in it. The time cannot be far distant when

the American people will find leaders as public spirited and as far-seeing as Peel and Gladstone, and will effect the same change in our own fiscal policy with as beneficial results to the great body of the American people.

I cannot conclude this introduction better than by an extract from an article by E. L. Godkin, published in the *New Princeton Review* in March, 1887. His insight into the causes which have led to such social unrest and discontent and his consequent foresight of their consequences are remarkable.

“The truth is, that the first field offered for seeing what the freedom of the individual could accomplish, in the art of growing rich and diversifying industry, was offered on this continent. It was blessed with the greatest variety of soil and climate, with the finest ports and harbors, with the greatest extent of inland navigation, with the richest supply of minerals, of any country in the world. The population was singularly daring, hardy, ingenious, and self-reliant, and untrammelled by feudal tradition. That opportunity has, under the protective system, been temporarily allowed to slip away. The old European path has been entered on, under the influence of the old European motives; the belief that gold is the only wealth; that, in trading with a foreigner, unless you sell him more in specie value than he sells you, you lose by the transaction; that diversity of industry being necessary to sound progress, diversity of individual tastes, bent, and capacity cannot be depended on to produce it; that manufactures being necessary to make the nation independent of foreigners in time of war, individual energy and sagacity cannot be trusted to create them.

“The result is that we have, during the last quarter of a century, deliberately resorted to the policy of forcing capital into channels into which it did not naturally flow. We thus have supplied ourselves with manufactures on a large scale, but in doing so we have brought society in most of the large towns, in the East, at least, back to the old European model, divided largely into two classes, the one great capitalists, the other day laborers, living from hand to mouth, and dependent for their bread and butter on the constant maintenance by the Government of artificial means of support. Agriculture has in this way been destroyed in some of the Eastern States, and, what is worse, so has commerce.

“The present state of things is one which no thinking man can contemplate without concern. If the protectionist policy is persisted in, the process of assimilating American society to that of Europe must go on. The accumulation of capital in the hands of comparatively few individuals and corporations must continue and increase. Larger and larger masses of the population must every day be reduced to the condition of day laborers, living from hand to mouth on fixed wages, contracting more and more the habit of looking on their vote simply as a mode of raising or lowering their wages, and, what is worse than all, learning to consider themselves a class apart, with rights and interests opposed to, or different from, those of the rest of the community.

“What, then, is to be done by way of remedy? Nothing can be done suddenly; much can be done slowly. We must retrace our steps by degrees, by taking the duties off raw materials, so as to enable those manufactures which are nearly able to go alone, to get out of the habit of dependence on legislation, and to go forth into all the markets of the world without fear and with a manly heart. We must deprive those manufactures which are able to go alone already of the protection which they now receive, as the reward of log-rolling in Congress, in aid of those still weaker than themselves. And we must finally, if it be possible, by a persistent progress in the direction of a truly natural state of things, prepare both laborers and employers for that real independence of foreigners, which is the result, simply and solely, of native superiority, either in energy or industry or inventiveness or in natural advantages.”

EVERETT P. WHEELER.

October 1, 1906.

THE FRUITS OF AMERICAN PROTECTION.

The present Dingley Tariff of 1897 is the ripest fruit of seeds sown in the Civil War. Though various experiments in protection were tried during the first six decades of the Nineteenth Century, the later tendency was towards Free Trade. "There is no doubt," writes the most authoritative exponent of tariff history, himself a protectionist, (*) "that when the treaty of 1854 was accepted, Protectionism in the United States was almost extinct, as a political force, and there was a well-nigh universal expectation that the arrangement for reciprocal trade with Canada was to be the first step towards Free Trade—that the tariff barrier along the Northern line of the country was to be broken down."

The financial condition brought about by the Civil War changed all this, and gave the protectionist interests in the United States the opportunity they required for compassing their private ends.

Under the screen of high public expenditure, rendered necessary by the war, the iron and woolen manufacturers forced up the duties on competing imports, and as the demands of the war grew so did the general tariff. After the war was over, the necessity of meeting the interest upon war debts, and of reducing the capital of those debts, led to the maintenance of the war-tariff. What reduction of taxation was possible took shape in relief of internal taxes. The long maintenance of the high war-tariff thus secured naturally fostered the rise of a number of new industries, which it was argued would collapse if protection were withdrawn. Still more valuable support to the protective policy was afforded by the argument drawn from national prosperity. The general adoption of improved methods of manufacture, the rapid development of railroads; the great growth of natural wealth due to the application of the new mechanical methods to manufacture and transport, were naturally claimed by the Republicans as the fruit of Protection, and indisputably helped to maintain and further that policy.

1. REVENUE DUTIES DISPLACED BY PROTECTIVE DUTIES.

The early tariff schedules based on war needs were not only high but indiscriminating, taxing non-competing as well as competing goods. From 1861 to 1872 only about 12% of the value of imports came in free of duty. When relief was obtained from the financial strain of the war, and revenues became redundant, approaches began to be made towards a more "scientific" tariff, letting in larger and larger numbers of non-competing articles, and in general lowering duties upon raw materials of manufacture. After 1872 about 25% of imports were duty free, and this percentage after the revision of 1875 rose to 33%. At the same time the revenue basis of import duties began to be consciously displaced by the protective basis. This transition is most

*Am. Tariff Controversies in the Nineteenth Century by E. Stanwood, Vol. II, page 136.

clearly marked in the Tariff Act of 1870, when a duty of 45% or approximately \$25 a ton was placed on imported steel rails, for the avowed object of developing a home industry.

2. PROTECTIONISTS TAKE ADVANTAGE OF FINANCIAL STRESS.

A reduction in raw materials and an enlarged free list of non-competing articles, chiefly food stuffs, was the distinctive feature of the revision of 1870.

The struggle between financial and commercial combinations, the former leaning towards tariff reduction, when the Treasury surplus became large, the latter seeking re-adjustment without net abatement, took this turn in 1875. Hard times had been accompanied by a financial scare, and the Republicans became solicitous for the preservation of the sinking fund and the diminution of the public debt. Under this temporary renewal of financial embarrassment, the protectionist interests succeeded in getting back certain concessions they had been forced to make in 1870, by means of "an Act to further protect the sinking fund, and to provide for the exigencies of Government." In this Act the position of the sugar interest was finally entrenched by an increase of 25%, and the 10% reduction on manufactured goods given in 1872 was withdrawn.

The Tariff of 1883 effected no radical change, though it somewhat increased the relative strength of the final manufacturers at the expense of the agriculturists and the earlier processes of manufacture, by means of some further reductions on raw materials and semi-manufactured goods.

The next few years were filled with tariff controversy and the return of the Democrats to power in 1885 by the election in 1884 of Mr. Cleveland to the Presidency, gave hopes to 'Free-Traders.' But Mr. Cleveland could not carry his low-tariff bill through Congress and in 1889 Mr. Harrison became President, though with a small popular majority against him. The McKinley Act followed. It contained three new and distinctive features which enabled it to figure, in the language of its admirers, as "the most thoroughly scientific measure of Protection ever passed up to that time." It was the first act containing a complete schedule of duties upon agricultural products, which it was argued meant protection for the American farmer.

Secondly, in placing raw sugar on the free list it introduced a system of bounties for home producers of sugar, a novel expedient of doubtful constitutionality.

Thirdly, it introduced a provision for reciprocity treaties with foreign nations for the purpose of securing an enlarged foreign market for American produce.

3. DECREASED REVENUE UNDER MCKINLEY TARIFF.

While the McKinley Act added certain articles, notably raw sugar, to the free list, it kept the average *ad valorem* rates as high as

ever, despite the fact that the manufacturers of America, especially in the iron, steel and machinery trades, were far better equipped for equal competition with European makers than had been the case when the system of high duties was introduced. Besides maintaining high protection for developed industries, a further policy of developing new industries was added, the most notable beneficiary being the new tinplate manufacture.

The McKinley Act, entitled "An Act to reduce the revenue, to equalize duties on imports and for other purposes," fulfilled the first intention more fully than was desired, as is indicated by the following statement of net receipts, expenditure, and surplus or deficit. From 1886 to 1890 each year showed a surplus of over \$100,000,000, 1889-90 the last ante-McKinley year, producing \$105,344,496 as surplus. The five years in which the McKinley Tariff was operative converted this large surplus into a large and growing deficit.

<i>Year.</i>	<i>Net Receipt.</i>	<i>Ordinary Expenditure.</i>	<i>Surplus or Deficit.</i>
1890-91.....	\$392,612,447	\$355,372,685	\$37,239,762
1891-92.....	354,937,784	345,023,331	9,914,453
1892-93.....	385,819,629	383,477,056	2,541,573
1893-94.....	297,722,019	367,525,280 (deficit)	69,803,261

While the value of imports increased steadily up to 1893, the customs' receipts showed a slight fall, chiefly owing to the abandonment of the sugar duty. The larger decline in 1893-4 was doubtless due in part to the expectation of new Democratic legislation in the shape of lower duties.

But the failure of the McKinley Tariff to maintain an adequate revenue during the latter part of its operation, must also be imputed to the grave general disturbance of industrial conditions generated by apprehensions of a revolution in the currency.

4. THE WILSON BILL.

The Wilson Bill, introduced in order at once to restore a sufficiency of revenue, and to realize the Democratic policy of freer trade, embodied as its main ideas "free raw materials" and a large reduction of duties on manufactured goods. Hides and raw sugar, already on the free list, were retained, and to them were added wool, coal, iron ore, lumber, cotton-ties, binding-twine, and fresh fish. But when the measure emerged from the struggle in the Senate and the pressure of certain special trade interests in the House, it was shorn of much of its "Free trade," and was allowed to pass into law with sugar, coal, iron ore and barbed wire, not to name less important materials, still subject to import duties.

The disappointment of the Tariff-reformers is best expressed in the attitude of President Cleveland, who, refusing his official approval of the Bill, allowed it to pass into law by ordinary process of lapse of time. Though this failure (for such it must be deemed) at effective "tariff reform," was chiefly attributable to the able

organization and harassing tactics of the Republican vested interests, this party opposition could not have been so successful had it not been for the open or secret assistance of business-politicians in the Democratic party, bent upon special reservations in tariff-reform, adapted to maintain the privileges possessed by themselves and their friends.

At the same time the reforms effected by the Wilson Bill were of great value to the country, and would in all probability have become its permanent policy, as did the reductions effected by the tariff of 1846, had it not been for two causes:

1. The financial panic of 1893, which brought about a general depression in the business of the country; and

2. The decision of the Supreme Court that the Income Tax embodied in the Wilson Bill was unconstitutional. This decision deprived the country of revenue which was essential and which the framers of the bill had calculated upon. The decision could not reasonably have been expected. It was a reversal of the decision of the Court that the Civil War Income Tax was constitutional. The Republican majority in the House of Representatives, when this decision was announced, refused to make any provision to meet the deficit thus occasioned. The result was a deficiency in the revenue which is often attributed to the Wilson Bill, but which really, had a very different cause.*

5. THE DINGLEY TARIFF.

The return of the Republicans to power in 1896 was followed by a renewal of protectionist pressure, and the Dingley Tariff Act of 1897 is the high-water mark of tariff achievement. It emerged a far stronger measure of protection than its original draft indicated.

Mr. Dingley, in summarizing the provisions of the bill he introduced, estimated that in general the duties it imposed, though higher than those of the Wilson Act, were lower than those of the McKinley Act.

During the consideration of the bill no opportunity for general criticism was afforded, the time allotted for amendment was consumed in discussion of the first schedule, and the Democrats were disabled from moving the reduction or removal of the tariffs on wool, sugar and other debated articles. The original form of the bill restored wool, lumber, and most other important free raw materials, with the exception of hides, to the dutiable lists, increased the duties on luxuries, like liquors, tobacco, silk and laces, raised the duties on flax and linen beyond the 1890 rate, restored the schedules on earthenware, glass and agriculture to about the 1890 rates, leaving iron, tin, cotton and many other duties somewhat lower than the McKinley rate. When the bill emerged in its final shape, hides were restored to the dutiable list, and a general lift was given to the rates, especially on manufactured goods. These amendments, made mostly in progress through the Senate,

*These paragraphs are inserted by the Editor.

where the organized manufacturing interests have their stronghold, were generally accepted by the House, and the bill, as it was actually passed, represented a higher scale of protection than either of the original bills in the House or the Senate.

Protectionists justly contend that the high tariff of 1897 has not ruined the foreign trade of the United States, which, both on its import and its export side, has exhibited a great advance. But when they go further and insist that the general effect of the Dingley Act is to increase and to diffuse wealth and thus to create conditions which lead to larger importations, they ignore not only the necessary operations of economic laws, but certain important facts relating to the diffusion of wealth. It is obvious that there are many other important factors determining the creation of wealth and the expansion of foreign trade besides tariff policy; in particular the development of large new areas of rich natural resources in the West and South, the application of improved machinery and new sorts of power to great backward industries, the rapid advance of railroads and other modes of transport over the country, the great accessions of industrial population, especially in the Middle-West, the strain imposed upon all industrial factors by the reconstruction of great cities on a basis of steel and electrical apparatus—Such are a few of the most evident sources of the great productivity of recent years, a productivity which, tariff or no tariff, would exercise a strong impulsion towards increase of foreign trade. Free Traders, or low-tariff men, contend that, under a tariff for revenue policy, both the increase of natural productivity and of foreign commerce would have been greater than they have been. It is as impossible to gainsay this contention as it is to prove the opposite by a mere appeal to facts.

6. STATISTICS AS A COURT OF APPEAL.

But whilst statistical evidence of volume and value of foreign trade is, under such circumstances, incompetent to prove the industrial or commercial advantages of high tariff, statistics are not useless as a Court of Appeal in the cause of Free Trade against protection, as bearing upon the diffusion of wealth in a country.

Free Traders contend that in theory a Protective Tariff tends to injure the economic conditions of the industrial population of a protected country; that in particular it reduces the proportion of the national product passing to labor and wages, and that it enables a small number of controllers of protective industries to raise prices as so to tax other industries, and the entire body of the consuming public, in order to maintain high profits in their business. This theory they hold to be endorsed by practice as attested by a great and growing consensus of statistical and other facts.

7. EFFECTS OF HIGH TARIFFS ON WORKING CLASSES.

The wealth of the United States has been advancing with great rapidity during recent years. Protectionists allege that high tariffs have assisted this advance, and that the working classes have received their full share of this tariff-bred prosperity in enhanced wages.

What are the facts? Though nothing approaching a valid statistical measurement of the increase of wealth for the Nation as a whole and of the aggregate earnings of the workers is attainable, the Abstract of the 1900 Census presents a table (Table 156) relating to fifteen groups of industries, which, though not pretending to great exactitude, may be regarded as the best evidence upon the production and distribution of wealth in the great manufacturing industries, chiefly affected by protection, and employing five million and a quarter wage earners.

The following comparative figures show (Fig. 1) the increase in capital value; (2) the increase in value of products; (3) the increase in the number of wage earners, and (4) the increase of total wages in 1890 and 1900 respectively:

	<i>Capital Value.</i>	<i>Value of Products.</i>	<i>Cost of Materials.</i>	<i>No. of Wage Earners.</i>	<i>Total Wages.</i>
1900...	\$9,813,834,390	\$13,000,149,159	\$7,343,627,875	5,306,143	\$2,320,938,168
1890...	6,525,050,759	9,372,378,843	5,162,013,878	4,251,535	1,891,953,795
Increase	3,288,783,631	3,627,770,316	2,181,613,997	1,054,608	428,984,373

This table supports two propositions:

1. The proportion of the annual product paid to the wage-earners as a body is smaller in 1900 than in 1890. The growth of capital value, closely correspondent with that of value of products, is also considerably greater than the growth of total wages.

2. The average wage for all classes of wage earners is slightly less in 1900 than in 1890. For whereas the increase of wage-earners is 25%, that of wages is only a little over 22%. Examination of the growth of values in the several groups shows that only in one case, that of textiles, does total wages show a greater increase than the value of the product, while the increase in number of employees shows a less increase. In the textile trades alone is there a *prima facie* case in favor of the wage-earners having taken an increased proportion of the value of the product in wages.

The following is the table for 1900 and 1890:

Group number	INDUSTRY GROUP.	Year	Number of establishments.	Capital.	WAGE-EARNERS.		Cost of materials used.	Value of products, including custom work and repairing.
					Average Number.	Total wages		
	Total	1900 1890	512,191 355,405	\$9,813,834,390 6,325,050,759	5,306,143 4,251,535	\$2,320,938,168 1,891,209,696	\$7,343,627,875 5,162,013,878	\$13,000,149,159 9,372,378,843
1	Food and kindred products.	1900 1890	61,302 41,296	937,686,610 507,678,328	311,717 249,321	128,667,428 90,373,450	1,839,256,143 1,318,963,830	2,273,880,874 1,636,197,191
2	Textiles	1900 1890	30,048 16,847	1,366,674,058 1,008,050,668	1,020,910 824,138	341,734,399 278,167,769	895,984,796 705,004,909	1,637,484,484 1,261,672,504
3	Iron and steel and their products.	1900 1890	13,896 11,169	1,528,979,076 997,872,438	733,968 531,823	381,875,499 285,351,714	987,198,370 617,554,226	1,793,490,908 1,144,056,537
4	Lumber and its manufactures.	1900 1890	47,079 5,576	945,934,565 844,312,745	546,872 547,698	212,124,780 201,540,081	561,501,392 462,658,350	1,030,665,350 877,896,480
5	Leather and its finished products.	1900 1890	16,989 12,918	343,600,513 246,795,713	238,202 212,727	99,759,885 98,432,598	395,551,232 294,446,011	583,781,046 487,556,030
6	Paper and Printing	1900 1890	26,747 20,160	557,610,887 344,003,723	297,551 225,645	140,092,453 117,611,864	214,158,423 149,597,579	606,317,768 445,587,430
7	Liquors and beverages.	1900 1890	7,861 4,219	534,101,049 310,002,635	63,072 48,358	36,946,557 29,140,906	122,218,073 109,880,410	425,504,167 361,155,361
8	Chemicals and allied product.	1900 1890	5,444 5,642	498,282,219 322,543,674	101,489 76,535	43,850,282 33,872,540	356,192,394 239,915,794	552,797,877 380,056,497
9	Clay, glass and stone products.	1900 1890	14,809 11,711	350,902,367 217,386,297	244,987 221,367	109,022,582 90,541,771	94,615,281 68,990,146	293,564,235 229,806,003
10	Metals and metal products, other than iron & steel	1900 1890	16,305 10,019	410,646,057 204,285,820	190,757 123,239	96,749,051 64,055,644	496,979,368 179,169,940	748,785,464 316,908,150
11	Tobacco	1900 1890	15,252 11,643	124,089,871 96,094,753	142,277 122,775	49,852,484 44,550,735	107,182,656 92,304,317	283,076,546 211,746,623
12	Vehicles for land transportation.	1900 1890	10,113 10,175	396,671,441 248,224,770	316,157 221,125	164,559,022 118,212,379	268,278,205 174,624,639	508,524,510 344,476,243
13	Shipbuilding.	1900 1890	1,116 1,010	77,962,701 53,393,074	46,781 24,811	24,839,163 14,833,977	33,486,772 16,925,109	74,578,158 40,342,115
14	Miscellaneous industries.	1900 1890	29,479 19,301	1,348,920,721 768,870,920	483,273 302,649	202,746,162 136,643,444	490,073,705 300,231,851	1,004,092,294 645,574,453
15	Hand trades ...	1900 1890	215,814 143,716	392,442,255 355,585,601	559,130 519,324	288,118,421 287,880,819	482,736,991 431,826,965	1,183,615,478 1,002,347,226

Another table in the Census Abstract presents the statistics of these industries according to the division of the country in which they are located. Extracting the North Atlantic division, which contains the largest proportion of the developed and highly-protected manufactures, we find the same general effect even more strongly marked.

	<i>Capital Value.</i>	<i>Value of Product.</i>	<i>No. of Wage Earners</i>	<i>Total Wages.</i>
1900.....	\$5,299,725,075	\$6,448,058,774	2,772,117	\$1,271,524,958
1890.....	3,548,288,553	4,896,743,650	2,317,736	1,075,566,284

Here total wages present an insignificant increase compared with the rise in the value of the product, and when the number of employees is taken into account, a considerable fall in wages per head is indicated.

So far then, this general statistical index of the share of the workers in the growing wealth of the United States, does not support the view that the McKinley Act of 1890 and the Dingley Act of 1897 have favored the advancement of the interests of the wage-earners who form the bulk of the population.

But, further, in order to know whether these high tariffs have improved or damaged the economic standard of the workers, we must consider changes of money wages in relation to changes of price in the commodities in which they are expended.

8. WAGES AND PRICES.

It is not true that the American workers are advancing in their wages *pari passu* with the increase of national wealth. Nor is it true that this high tariff is assisting them to maintain high wages and full regular employment. The most reliable official evidence of wages, prices, and employment tends to prove that the earnings of the workers are a diminishing share of the aggregate income of the nation, and that the Dingley tariff has served to reduce real wages for the great majority of the wage-earning classes.

The Washington Bureau of Labor presented in its Bulletin for July, 1905, a comparative table of earnings and retail prices during the period 1890-1905, which affords striking proof of the effect of the Dingley Tariff of 1896. The method upon which this table is constructed is the following: Actual wages and actual prices are found for each of the years from 1890 to 1899, and the average of wages and prices for these ten years is then put down as 100. The yearly figures given in the table represent variations from this average, the first column stating weekly earnings per employee, the second retail prices, in which all ordinary articles of food are taken into account in proportion as they figure in actual working-class consumption. The third column, which takes into account both money, wages, and prices, furnishes, of course, the true criterion, for it expresses the actual purchasing power of a week's wages at the different periods.

	<i>Weekly Earnings per Employees.</i>	<i>Retail Prices.</i>	<i>Weekly Earnings as measured by Retail Prices.</i>
1890.....	101.0	102.4	98.6
1891.....	100.8	103.8	97.1
1892.....	101.3	101.9	99.4
1893.....	101.2	104.4	96.9
1894.....	97.7	99.7	98.0
1895.....	98.4	97.8	100.6
1896.....	99.5	95.5	104.2
1897.....	99.2	96.3	103.0
1898.....	99.9	98.7	101.2
1899.....	101.2	99.5	101.7
1900.....	104.1	101.1	103.0
1901.....	105.9	105.2	100.7
1902.....	109.2	110.9	98.5
1903.....	112.3	110.3	101.8
1904.....	112.2	111.7	100.4

This table furnishes striking testimony against the claim of the Protectionist that a high tariff befriends the workers. For here we have three periods illustrated, two of Republican high tariff, one of a relatively low Democratic tariff. Taking the first test of real wages as represented in weekly earnings measured in terms of retail price, we see that a slight fall took place during the operation of the McKinley Act 1891-4, but a distinct recovery ensued under the Wilson Act 1895-7, and that the Dingley Act has been followed by a considerable fall in the real value of the wages of the working classes, the rise of money wages being so far outstripped by the rise of retail prices that the workers have been subjected to a serious loss.

The coincidence of these changes in wages and prices before and after the critical year 1897, when the high tariff began to operate, is so striking that we cannot fail to conclude that this tariff was the chief cause of the actual changes which took place. Thus the Dingley tariff, so far from improving the conditions of the workers, as claimed, has resulted in a lowering of real wages for labor, so that the working classes are taking a much smaller share of the national wealth of the United States than they were in 1896. But these general figures by no means afford a full measure of the damage done by the high tariff to the standard of living of the workers in the States where tariff influences on wages and prices operate most effectively. The modern American tariff is created by and for the great manufacturing interests; by endowing them with an absolute monopoly of the home market it has enabled them to form powerful trusts and combinations which, on the one hand, control prices, on the other, control wages. It might at first sight be presumed, and is commonly alleged by American protectionists, that the employees in those great manufactures which have secured high protection take their share of the gains in higher wages. Now the census bulletins on manufactures covering thirty-three States utterly dispel this notion, showing as they do that, whereas in 1890 the manufacturing wage-earners in these States received an average wage of \$418.48 per year, or \$1.39 per day, that wage in 1900 had fallen to \$397.53 per year, or \$1.29 per day.

9. ILLICIT GAINS.

Here, then, is a decline in actual money wage amounting to 7 per cent. For every dollar the 1890 wage-earner got, the 1900 wage-earner got only 92.4 cents. The comparison of 1890 and 1900 is not unfair, since both were considered years of prosperity.

But, as we have already seen, prices have risen, while wages have fallen from 1890 to 1900 for these employees. Between those two dates the cost of living had increased 6 per cent., the workers in the protected industries having to face higher prices with a lower money wage.

In order to understand where the illicit gains of Protection really go, we can extract from these same official sources one more relevant piece of information. The census statistics of manufactures show that the average value of a wage-earner's product in the thirty-three reporting States increased from \$1,938 in 1890 to \$2,148 in 1900.

We are thus enabled to conclude that in these tariff-favored industries, while the value of an average wage-earner's product had increased 10 per cent. his money wage had fallen 7 per cent., and his cost of living, as presented in prices of necessaries, had risen 6 per cent. And this as the result only of the opening years of high tariff. For the general figures we have quoted show that if the comparison could be carried five years later the damage to the workers would be even heavier.

10. THE BURDEN ON THE WORKINGMAN.

Statistics given by the Washington Bureau of Labor indicate that since the introduction of the Dingley Tariff, prices have risen more than wages, and so the workers are worse off than before. But the official figures of prices fail to represent the full measure of this damage, chiefly because they are confined to food which, though an important factor covers less than half of the working class expenditure.

Protection, as we have seen, is, in the main, a bonus to manufacturers and not to farmers, and the influence of high tariff is naturally less operative upon food prices than upon the prices of manufactured articles. Though the rise in food prices has been considerable, that of manufactures has been greater, and that of rent (which combines extravagant ground values with the increased cost of the manufactured elements in housing) greatest of all.

Here the best official evidence comes from the Labor Bureau of Massachusetts, in a table dealing with the four chief constituents of working class:

Consumption.	Percentage of Increase in price in 1902, as compared with 1897.
Food	11.16
Dry Goods and Boots	16.07
Rent	52.43
Fuel	9.78

The statistics of retail price changes, which we have quoted from official sources, are sometimes called in question; local and temporal variations of retail sales are so large and capricious, it is said, that it is unsafe to base any close reasoning on them.

We will therefore justify our argument by further reference to the best accepted statistical authority upon wholesale prices as related to actual expenditure in the United States, viz.: Dun's Index Numbers. Dun takes the wholesale prices of breadstuffs, meats, dairy and garden produce, other foods, clothing, metals and miscellaneous manufactures, assigns each group its due proportionate importance as indicated by *per capita* consumption, and expresses the general result in the *per capita* cost of the 350 articles quoted.

The following are the Index Numbers on January 1 of each year during the period 1890-1905:

1870	\$165.473	1890	\$90.191	McKinley
1875	137.578			Tariff Act
1880	122.679	1891	98.247	
1885	96.465	1892	89.822	
		1893	94.155	
		1894	86.022	Wilson Tariff Act
		1895	80.992	
		1896	77.780	
		1897	75.502	Dingley Tariff Act.
		1898	79.940	
		1899	80.423	
		1900	95.295	
		1901	95.668	
		1902	101.587	
		1903	100.356	
		1904	100.142	
		1905	100.318	

Here the same phenomena of change are brought out as in the former statistics of food prices, but still more strikingly. The figures at quinquennial periods from 1870, serve to show how persistent was the tendency to lower prices, from 1870 to 1897. This tendency was sharply and strongly reversed at the time of the imposition of the Dingley Tariff period. The increase of cost of living indicated here amounts to a much higher figure than that adopted by the Bureau of Labor, showing a rise of prices in the necessaries of life, amounting to nearly 35% between 1897 and 1905. If these more reliable and more scientific were substituted for the more questionable figures in the official table, a still greater decline on the real wages, or spending power, of the American worker would be seen to have occurred during the last eight years of high protection. Even Dun's figures fail, however, to take account of rent, the rise of which is larger than of prices.

Further analysis of the retail prices of specific articles, as set forth in the Bureau of Labor Bulletins, shows that the greatest rises of food prices since 1896 have been mostly in articles of prime

necessity, which form a relatively larger extent for the poorer grade of workers.

Per cent. of increase of prices in 1904 as compared with 1895:

Beef, fresh roasts and stews	13.8
" " Steaks	14.0
Butter	17.0
Corn Meal	27.9
Eggs	41.1
Wheat, flour	29.3
Mutton	15.6
Pork, fresh	27.3
" Salt, Bacon	42.6
" " Dry or Pickled	31.7
" " Ham	21.3
Potatoes	57.5

The full significance of the high and rising cost of food, clothing and other necessities of life, is brought home by a closer study of the distribution of wages among the various classes of workers. Protectionists always illustrate the benefits of Protection to workers, by drawing their instances from a small number of the most skilled and efficient workers in the highly developed mechanical industries.

The iron and steel are the favored industries; in these is found a minute percentage of rollers earning \$65 per week, puddlers earning \$47, machinists \$29, while a larger number of engineers make \$25. It may, perhaps be reasonably held that these men are gainers from the Tariff, representing as they do the picked aristocracy of labor in the industry which enjoys the greatest "pull" in tariff construction. But even their wages, though very high have not risen in the decade, 1890-1900, as much as the prices they pay for what they buy. Other high-wage groups, such as boiler-makers, and carpenters in the shipping trade, and compositors, show lower wages in 1900 than in 1890.

If we take the full list of representative manufacturers' analyses by Professor Dewey for his wages report in the 1900 Census, we find that the general average of wages exhibits no considerable rise. His investigation covers the male and female employees in the following industries: Cotton, Woolen, Carpet Mills, Dyeing and Finishing Textiles, Knitting Mills, Agricultural Implements, Lumber and Planing Mills, Car and Railroad Shops, Pianos, Wagons and Carriages, Foundries and Metal Working, Iron and Steel Mills, Ship Yards, Bakeries, Breweries, Candy, Chemicals, Cigars, Distillers, Clothing, Collars and Cuffs, Flour, Glass, Paper, Potatoes, Rubber, Printing, Shoes, Slaughtering, Tanneries, Tobacco. In 29 of these men are employed; in 17 women also.

Thus it seems evident that, taking general wages in the protected manufactures of America, the Tariff has not served to raise even the money wages, much less the real wages.

Another general test of labor's share in the enhanced product of American industry, is afforded by a comparison between Increase of the number of wage earners and the Increase of total wages paid, as set forth in the Census. I give the figures for the entire country, and also for the principal manufacturing States:

	Percentage of Increase in Number of wage earners 1890-1900	Percentage of Increase of wages paid.
U. S. A.	25.2	23.2
Illinois	41.	34.
Massachusetts	11.2	10.9
New Jersey	39.	32.7
New York	12.9	10.4
Pennsylvania	28.7	26.1

i. e., a net decrease of 2% in wages *per capita* for the whole country is indicated.

11. PLIGHT OF THE LABORER.

A very close scientific analysis of unskilled wages in a recent issue of the "American Journal of Political Economy" (June, 1905, p. 359) shows that "the wages of common laborers remain practically unchanged from 1890 to 1900," the higher price of food, rent, etc., having to be defrayed out of this stationary wage.

The significance of this is enhanced by the fact that the modern tendency of American industrial development is to a sharp division between a small quantity of highly skilled and highly remunerated labor on the one hand, and a large and growing quantity of low-skilled and low-paid labor on the other. The proportion of common labor, fed by immigration, is constantly growing. So that even if skilled labor held its own under protection,—a proposition opposed as we have seen to statistical evidence,—there can be no question but that the nine years of high tariff, through which America has passed, have been attended by considerable loss of real wages and a lowering of standard of life among a great and a growing number of workers.

The late Edward Atkinson, in his evidence before the American Industrial Commission, showed that the industries, to which protection against foreign competition was afforded by the Tariff, employed not more than 1,000,000 out of 26,000,000 of the American population engaged in gainful occupations. Even in the case of this million, those employed in certain metal, textile and other manufacturing industries, we have seen that any high money wages which the Tariff may have assisted them to gain were more than offset by the rise of prices, while the rest of the 26,000,000 have simply been taxed for the benefit of the favored 1,000,000, or more correctly of the favored masters of this million.

12. STANDARD OF LIVING IMPAIRED BY DINGLEY TARIFF.

So far from raising the wages and standard of life of the workers, the Dingley Tariff has reduced the wages and impaired the standard. By facilitating the creation of trusts, monopolies and other combines, it has weakened the bargaining power of organized labor, reduced the demand for skilled, as compared with unskilled, closed down large numbers of mills and workshops: by resisting competition and securing to the trusts a full control over the Amer-

ican consumer it has enabled corporations to raise prices, and most of all in the necessaries of life which constitute the bulk of the expenditure of the working classes.

13. UNEMPLOYMENT.

Protectionists claim that a tariff can secure full and continuous employment for labor. But such evidence as is available shows that the fluctuation of employment and the actual waste of labor power are quite as great in the United States as in Great Britain. No federal collection of the figures based upon Trade Union returns exists, so that a direct comparison in the two countries is impossible, but the Trade Union returns for New York State show a far larger amount of irregularity and loss of time than would be found in any industrial area of corresponding size in Great Britain.

The following Table gives the mean percentages of idle members of Trade Unions in New York State during certain recent years in the principal departments of industry:

	1897	1898	1899	1900	1901	1902
Building, etc.	27.6	28.4	19.5	26.0	18.6	17.1
Clothing and Textile	24.4	35.7	15.1	33.2	20.9	24.7
Metals, Machinery	21.	7.5	5.7	8.8	8.2	5.2
Transportation .....	.....	.....	8.1	16.3	13.1	16.3
Printing, etc.	15.9	11.3	8.0	8.8	8.3	13.1
Woodworking and furnishing	26.3	16.8	12.8	12.7	12.5	15.7

It is right to explain that these figures include persons unable to work owing to strikes, lockouts, sickness or superannuation, as well as those unemployed through lack of work. But the factors of sickness and superannuation may be regarded as constant, and in most of these groups strikes and lockouts large enough to swell the percentage appreciably have not occurred. Thus it appears that the greater part of the difference between the 5.7 per cent of unemployed labor in the metal trades of 1899 and the 21.0 in 1897, or between the 8.1 per cent. of unemployed labor in Transportation in 1899 and the 16.3 in 1903 must reasonably be imputed to trade fluctuation and must be taken as *prima facie* evidence of a great excess of supplied labor over the demand in the years of high percentages.

The most scientific inquiry into employment or loss of working time was made by the Massachusetts Bureau of Labor in 1904. From returns drawn from a great variety of industries, including the building trades, car workers, printers, tailors, woodworkers, etc., it compiled a very instructive table, showing

(1). The average time wasted and lost in the various trades.

(2). The relative importance of personal, climatic and trade causes of loss of work.



The general summary may be quoted here:

	Number of hours	Per- centages	Aver- ages (hour per week)
Total working time	37.765 $\frac{3}{4}$	78.08	38.9
Total time lost	10.601 $\frac{3}{4}$	21.92	10.9
Sickness	1.228 $\frac{1}{2}$	2.54	1.3
Weather	2.491 $\frac{1}{2}$	5.15	2.6
Out of Stock	1.306 $\frac{1}{2}$	2.70	1.3
Out of Work	5.575 $\frac{1}{4}$	11.53	5.7

“The total time worked was 37,765 $\frac{3}{4}$ hours, or 78.08 per cent. of full time. The total time lost was 10,601 $\frac{3}{4}$ hours, or 21.92%. Of this lost time 2.54% was due to sickness, 5.15% to bad weather, 2.70% to the lack of stock, and the 11.53% to lack of work. (Report of the Statistics of Labor—Massachusetts—1904, p. 10.)

This inquiry into the industries of a typical manufacturing State during a period of general prosperity shows an amount of unemployment from trade causes amounting to 11.53% and considerably exceeding the waste due to all other causes.

One more record of fluctuation of employment is furnished by the Labor Bureau Statistics of Pennsylvania, an inquiry into the employment in 350 businesses of various sorts, employing 132,092 work-people during the period 1892-1901, yields results which are expressed in the following table: (The year 1900 is taken as the standard with a measure of 100, and the numbers for the other years mark the variations from this standard).

Year	Index Number
1892	100.05
1893	89.38
1894	79.95
1895	93.09
1896	86.32
1897	88.65
1898	100.86
1899	112.87
1900	100.00
1901	114.33

Here in the chief State of protected industry we find no stability of employment, but a fluctuation larger and more various than in any section of industrial Britain. Turning from sections to the country as a whole we find the 1900 Census registering the fact that no less than 6,468,964, or 22 3-10% of all the workers in the country, were unemployed at some time during the year, and that of the male portion of the unemployed body, 39% or 2,069,546 persons, were out of work during a period of from four to six months. Such statistical evidence, then, as is available does not support the allegation that Protection by securing the home market for American producers makes full and continuous employment for the working-classes.

14. THE EFFECT OF TARIFF UPON PRICES.

Protectionists often maintain that the secure position of the home market afforded by a Tariff enables manufacturers to utilize

all the economies of large-scale production more advantageously than if the home market were liable to invasion by foreign competitors, and that manufactured goods thus produced more cheaply will be sold at lower prices to consumers.

An effective exposure of the falseness of this contention is afforded by recent evidence of the difference between home prices and export prices in the case of the protected manufactures of the United States. Attention was first called to this price-discrimination sixteen years ago in relation to the machine-making industries. A few quotations from trade journals and other authoritative sources illustrate this point.

The "American Machinist," September 26, 1889, said:

"Just why American manufacturers will sell machinery and other goods from 10 to 30 per cent. cheaper in Europe than they will sell them to be used at home is rather puzzling; but any one curious in the matter can easily enough find out that many of them do this. It may be necessary to cut prices in order to secure trade from abroad, but it is likely to strike the American purchaser as being a little rough on him."

The "Engineering and Mining Journal," March 15, 1890, said:

"So soon as an industry has attained the position where it can more than supply our home market and has to send its goods abroad, where they compete with those of foreign manufacturers, it is evident that they are either giving the foreigners the benefit of lower rates than they do our own people, or that they are able to get along at home without any protection from foreign manufactures. It is not fair that our own people should be made to pay more than foreigners for the products of our own land."

The Republican Secretary of Agriculture, Mr. Jeremiah M. Rusk, gave some expert testimony on this subject in 1890. He said:

"I had an opportunity to take some stock in the combination (American Harvester Company), and I know what inducements were offered. An investigation will show that this same combination is now selling or offering to sell machinery in Russia and Australia and other wheat-growing countries at a lower figure than they do in this country. This won't do, and I need not offer any argument to prove the weight or truth of the assertion. The first thing the farmer will do when he is acquainted with the facts will be to make a howl against the trusts and protection that does not protect. Whether justly or no, he will charge it to the Republican party. I am as certain as I can be of anything that this Mower and Reaper Trust will cost the Republican party hundreds of thousands of votes at the next Presidential election unless it takes a firm stand against it and trusts in general."

In 1890 it appears that agricultural implements, machinery and tools were sold for export at prices from 5% to 40% below those charged in the home market. "Barbed wire was then sold for export at \$2 and at home at \$3 per hundred lbs. Wire nails at \$1.35 and \$2.25 respectively. Rivets at \$5.55 and \$10. Type-writers at \$60 and \$100 at home. Sewing machines at \$20.75 and \$27.50 at home."

The effect of this artificial rise of prices in the iron and steel trades upon the "higher" industries where these protected products entered as "materials" was recognized in the damage done shipbuilding. The following quotation is from a special article on iron and steel in the official "Report of the Bureau of Statistics on Commerce and Finance" for August, 1900:

"The progress of work on shipbuilding in the United States has likewise been retarded, because makers of steel materials required a higher price from the American consumers than they did from the foreign consumers for substantially similar products. Of course, American exporters have to get foreign contracts in competition with foreign plate makers, who are excluded from our domestic market. In addition to this, American export plate makers are interested in preventing the establishment of plate manufacturing in their customer nations abroad, and to that end bid low enough to discourage foreign nations from entering the field for producing their own plate at home. The progress of domestic manufactures of iron and steel goods may likewise be handicapped by the sale of iron and steel in their manufactured state at so much lower a price to foreigners than to domestic customers as to keep the American competitor out of foreign markets generally. The natural limit to such a policy of maintaining a higher level of prices for these materials at home than abroad is found in the restriction of domestic consumption and the import duty. If restriction of consumption at home does not operate to prevent the short-sighted policy of discrimination against domestic development of manufacturing industries, *the other contingency is more or less sure to rise, namely, the demand for the reduction of the tariff on unfinished iron and steel, in order to equalize the opportunity of makers of finished products in foreign markets.* To this policy the domestic consumer is usually ready to lend himself, thus making a powerful combination of interests to set limits to the rise of domestic prices on iron and steel materials.

15. PRESIDENT SCHWAB'S CONFESSION.

The best evidence of this policy of price discrimination in the iron and steel trades is contained in the avowal by President Schwab of the United States Steel Corporation before the Industrial Commission in 1901:

"Q. Is it a fact generally true of all exporters in this country that they do sell at lower prices in foreign markets than they do in the home market?

"A. That is true, perfectly true. I just want to interrupt you and say that American steel has been sold in the American market at as low prices in times of extreme depression as it has been in foreign markets, but it has been sold without profit. You know we do run for a space of time at a loss.

"Q. Would you say that when business is in a normal condition the export prices are regularly somewhat lower than home prices?

"A. Oh, yes; always.

"Q. (By Mr. Jenks) I should like to go back a moment to the question of export prices. You said that during last year the export price was considerably lower than the price in the United States. Would you mind giving us definite figures?

"A. I have not them at hand, but it would vary with each article.

"Q. Suppose you take the case of steel rails. Could you give us about the difference between the export and domestic price?

"A. I would have to make a guess; I do not know definitely. The export price was about \$23 a ton.

"Q. And the price here?

"A. Was \$26 and \$28.

"Q. At the same time?

"A. At the same time.

"Q. In making these export prices, are the export prices at all uniform or do they vary?

"A. They vary with the competition we may have."



16. PRICE DISCRIMINATION IN FAVOR OF FOREIGNERS.

Considering that the Industrial Commission was a strongly partizan body appointed by a Protectionist Government, the body of testimony elicited by it upon this important subject is of great significance. It sent schedules of inquiry to 2,000 out of the 600,000 manufacturing establishments in the country. Out of the 2,000 it received 416 replies, 75 of which contained an admission that they were discriminating in favor of foreign consumers. Considering that there was no obligation to reply to the inquiry, and that the great majority of the respondents would, as good protectionists, be indisposed to give a weapon to the enemy, it was remarkable that so many admissions of discriminative prices were obtained. Very few replies were received from the Trusts although they have notoriously been the chief discriminators.

Since the Report of the Industrial Commission has been published, several other official inquiries have been held, in the course of which supplementary evidence upon export prices has been given.

In April, 1902, Mr. John M. Peters testified before the Ways and Means Committee of Congress that lead was exported and sold for a little more than half the home price, while the President of the New England Shoe Association testified that leather was sold for export at 5% to 10% below domestic prices. Before the Congressional Merchant Marine Commission (1904) "Mr. James J. Hill, of the Great Northern Railway, stated that competing roads in Canada were obtaining American rails at \$10 per ton less than he had to pay for them, and, since that testimony was given, the trade papers have reported heavy sales by the United States Steel Corporation to the Canadian Pacific R. R. Co. at \$20 per ton—\$8 lower than the lowest domestic price." (Reform Club Pamphlet, Export Prices, 1904).

Senator Bacon of Georgia, in a speech before the Senate in April, 1904, produced convincing proof that steel rails were offered to Honduras at \$20 per ton, when the same rails could only be bought for \$29 for American railroads. Here was an excess charge of \$33,000 on 50 miles of railroad. "Because we were Americans interested in the development of a small section of our country, inviting faith and sacrifices, we were compelled to pay out as a bonus an excess of \$600 per mile."

Mr. Chamberlain's Tariff Commission, in its report upon the Iron and Steel Trades (1904), produces evidence from British firms to the same effect.

Firm No. 898.

"Pig iron from the United States is imported into this country below cost price here. Our customers are buying at 5s. per ton less than we can produce at, and the Americans are reported to be selling for export to England at a price equivalent to 8s. per ton lower than the price at which they are supplying their own country."

Firm No. 1147.

"We were informed by an American mattress maker last summer that American wire, which could be bought in Birmingham at £18 per ton, was sold for £21 in the States, and when freight, etc., is taken into consideration, this would be a drop of between 15 per cent. to 20 per cent. Our price in Birmingham is £18 10s., but 90 per cent. of the wire used by mattress makers in Birmingham is American, and doubtless the same condition prevails in other towns."

Witness No. 2 gives the following cases:

Jan., 1904.	U. S. billets delivered works inland	s. d. 81.3	United States price
	Freight	.24.1	
		<hr/>	s.
		57.2	92.
Jan., 1904.	U. S. Sheet Bars delivered port U. K.	78.	
	Freight	16.5	
		<hr/>	s.
		61.7	96.

"The prices given of steel delivered in the United Kingdom are actual contracts; the prices in the United States are taken from the Iron and Coal Trades Review. * * * Similar differences exist in the German and United States prices at home and abroad, of rails, steel, iron, nails, wire rods, etc."*

The difficulty of getting exhaustive evidence upon matters of price discrimination, where there is a premium on secrecy, is obvious. But the Tariff Reform Committee of the Reform Club has made a careful compilation from leading trade journals, supplemented by private inquiries, which contains several hundred instances of goods sold abroad at lower prices. The difference takes two forms: a special or a larger discount is offered in goods for export, or a low list of prices cited. In many cases both discriminations exist.

From two lists we cite a few cases illustrating the magnitude of the differences and the variety of goods which comes under the discrimination.

	Export Price	Home Price	Differences Per Cent.
Axes (Yankee, in handles)	\$6.75	\$7.50	.11
Baking Powder (Horsford, per case) ..	3.66	4.15	.13
Braces, drill	23.09	24.30	.17
Brushes (Painter's A, quality No. 2.0)	3.20	4.00	.25
Canned Peas .....	.85	1.05	.23
Canned, 3-lb Apples, per doz. ....	.80	1.00	.25
Cartridges, U. M. C. Co., Army Use, per M.	7.83	8.70	.11
Chairs, maple, cane seat, No. 2584, per doz.	13.00	17.50	.35

* There is now pending in my office, a suit brought by an American citizen who had bought rails, supposed to be for use in Panama, against an American dealer, who refused to deliver them when he found they were to be used elsewhere.

Clocks (8-day, Akron or Aldrich)	1.50	2.00	.33
Cutlery, table knives and 3 prong forks, No. 632 (per gross, pairs) ..	10.97	12.75	.16
Drills, breach, Nos. 10-11, per doz.	23.40	27.54	.18
Fountain Pens, No. 12, plain	1.47	2.50	.70
Gas Machines, acetylene, 10 lights	28.80	48.00	.66 2-3
Glue, in glass bottles, per doz. ....	.49	.56	.16
Harness, cart or dray, best quality, No. 2085	26.75	35.00	.31
Kerosene Oil in cases.....	.11	.15	.36
Leather Belting, first quality, 6 in., per foot .....	.38	.53	.44
Naphtha, 76°, per gal. ....	.12	.14	.16
Pails, wooden, 2 hoops, oak grained, per doz.	1.35	1.75	.30
Pencils, lead, fine, even, per gross ...	2.25	3.00	.33 1-3
Printing Presses, No. 6	850.00	1,000.00	.18
Plows, 2-horse Eagle, W. & C.	4.15	5.25	.25
Saws, circular, 22 in.	4.62	5.50	.18
Soap, Violet, per gross	32.00	40.80	.25
“ Glycerine	8.34	12.75	.52
Sozodont, large size	54.72	65.40	.25
Stoves, No. 8, square top.....	11.97	16.00	.33
Tobacco (due to int. rev. tax—B. H. Holt) per lb. ....	.15 to .19	.25 to .30	.60
Trucks, railroad	23.10	26.40	.15
Trunks, No. 175, 28-in.	2.50	3.25	.30
Vaseline, blue seal, No. 2 size, per doz..	.58½	.70	.20
Watches, 18 carat gold, No. 2400, 18 size hunting cases	40.00	50.00	.25

The differences of discounts between export and home prices are similar in variety and size, ranging from 5% in paints to 66% in gas machines and 100% or more in shot, playing cards, talking machines, etc. So the foreigner gets all his chairs 35% below the home prices, his cutlery at 16%, his gas engines at 66 2-3%, his harness at 31%, his pencil at 33 1-3%.

The great variety of the trades practicing this discrimination certainly bear out the conclusion of the Tariff Reform Committee, that of the manufactured exports for the year ending June, 1900, valued at \$452,000,000, “the great bulk are sold at prices materially lower than those prevailing in the United States. Those who have been connected with the export trade for many years estimate that 85% or 90% of our exports are sold at an average of about 20% less than they would have brought if sold at home-market prices.”

This “dumping” is not a merely brief and casual expedient, a panic policy in times of over-production, or a temporary dodge to force an entrance into a new foreign market.

We have no reason to doubt the accuracy of Mr. Schwab’s answers to the Industrial Commission, previously noticed.

“Q. Is it a fact generally true of all exporters in this country that they do sell at lower prices in foreign markets than they do in the home market?”

“A. That is true, perfectly true, and you can realize it for yourself. If a man comes here to sell you goods from England, they may be of

the same class and quality, but you would give preference to your home manufacturer. You have to make the product attractive in quality and price to sell it abroad."

Again as to steel prices.

"Q. Would you say that when business is in a normal condition the export prices are regularly somewhat lower than home prices?"

"A. Oh, yes, always."

(Industrial Commission, Vol. XIII, pp. 454-5.)

The reason Mr. Schwab assigns for lowering export prices of course only explains why the foreigner must underbid the prices of the goods produced in foreign countries. He does not explain why the prices of steel rails, which on his own admission could be produced at lower cost in Pittsburg than in England or elsewhere, should be so much higher in America than in the export trade.

The evidence of the "dumping" as a regular trade policy forbids us to entertain the notion that the exported goods are sold at a loss. It is quite evident that the export trade at the lower prices is normally run on a profitable basis. To this truth the Report of Mr. Chamberlain's Tariff Committee attests, "It is in our opinion, impossible to maintain that dumping is merely a temporary expedient, unprofitable to the countries which practice it, and, therefore, certain to be abandoned. In fact, the evidence indicates that dumping is a part of an organized policy."

Conversely, we must suppose that America suffered doubly by the discriminative price; not only had her consumers to pay higher prices for their commodities, but the American industries, into which these goods entered as materials, found their competitors abroad actually subsidized at their own cost, they paying artificially enhanced prices for their pig-iron and their steel bars, in order that the foreign firms with whom they compete for neutral trade might be enabled to produce more cheaply.

17. THE TARIFF INJURES, NOT PROTECTS AMERICAN INDUSTRY.

Nowhere is the logic of the false economy of a tariff more plainly driven home than here. What is the natural policy of American industries which find that their national tariff handicaps them by raising the prices of their raw materials? It is to set up their plant abroad where they can get the advantage of cheap export prices from their own country. This is in fact what American manufacturers of articles into which iron enters as a chief element of cost are constantly doing. The following striking testimony to this tendency of protection to drive capital out of the country is borne by Mr. S. N. D. North, Director of the Census, himself a Republican, writing in an economic journal. (Annals of the American Academy of Political and Social Science, Jan., 1900.)

"It remains the fact that a constantly increasing number of our great manufacturing corporations are constructing vast plants abroad to supply their foreign customers; and, of course, they would not do this unless experience proved there was an advantage in it. I have before me a long

list of these establishments. It indicates that more than \$40,000,000 of American money is now invested in European plants devoted to the manufacture of various American specialties, including all descriptions of electric apparatus, sewing machines, belting radiators, shoe machinery, coal-conveying apparatus, steel chains, machine tools, hoisting machinery, boilers, pumps, blowing engines, mining machinery, printing machinery, elevators, match-making machinery, pneumatic tools and photographic apparatus.

"The Western Electric Company, of Chicago, Ill., is interested in extensive factories in London, Paris, Antwerp and Berlin, not all of them carried under the name of that company, but all of them established and controlled by its capital. The General Electric Company has three or four such establishments, and has recently constructed a huge new factory in Rugby, England. The Westinghouse Company has just finished, at Trafford Park, in England, one of the largest electric factories in Europe, employing two or three thousand men, and it has other factories in Havre, France, and St. Petersburg, Russia. The Singer Sewing Machine Company has three large plants in Europe, under its direct control. The Chicago American Tool Company is building a plant at Frazerburg, near Aberdeen. The Hoe printing presses are made in London, as is also the American linotype machinery. The Draper Company has recently completed its new factory in Lancashire, to supply the greatest cotton manufacturing district in the world with American fast-running Northrup looms. This list might be extended indefinitely, and a fine field for investigation opened for the full measurement of this remarkable transplantation."

Here is a very practical answer to the protectionist contention that a tariff by fostering industry draws capital into the protected area. Even trades which themselves have a high protection on the goods they produce are found transferring that part abroad, because of the injury they sustain by the protection of other trades engaged in producing their raw materials.

18. PROTECTION'S ACTUAL BENEFICIARIES.

The only industries which "enjoy" protection in security are those engaged in the primary processes of converting the produce of the earth into material for higher manufactures. All other industries, whether themselves protected or not, pay a heavy toll to the mine-owners, foundry men, lumber men, millers and other makers of raw materials. As for the total bill paid by the American nation in its capacity of consumer, no close computation is possible. But when we take into consideration the great rise of wholesale and retail prices proved to have taken place in recent years, there seems nothing unreasonable in the enormous figure suggested by the Tariff Reform Committee, as the real price of protection:

"The total price of manufactured goods sold to final consumers in this country can hardly be less than \$6,000,000,000 and may be as high as \$8,000,000,000. If, as is reasonable and probable, their goods are worth 20% more in the home market than they would command for export, or more than they would command in our markets, were there no tariff protected trusts and monopolies in control here, then we are paying something more than a billion dollars a year for our tariff whistle. This is the cost at wholesale

prices. At retail prices the cost of 'protection' is probably \$1,500,000,000 or \$1,600,000,000. This is about \$90 per family for our entire population."

"Yes," perhaps our protectionists may say, "but this is only the consumers' standpoint. The family gets back the \$90 through the profitable nature of production. The producer gains all the consumer loses and perhaps more." Does he?

We have already tested the bold surmise as regards the great majority of producers, the working classes, and have seen that their wages have not risen commensurably with the rise of prices in their food, clothes, shelter and other commodities; that they are heavy net losers by a tariff. We have seen that this applies not only to the workers in trades which, not being subjected to foreign competition, are unprotected, but also to the employees in their metal, textile and other high protected manufactures.

The answer is a double one. The greater part of the loss to the nation is not a gain to anyone; it simply represents national waste by a wasteful distribution of economic power in the production of wealth. Protection has diverted American capital and labor from its naturally most productive channels into less productive ones, and for this false economy the consumer has to pay. The rest goes into the pockets of a comparatively small fraction of the community, the financiers, organizers, or employers in those industries which have succeeded in getting so strong a pull on the tariff, that the gains they make on the enhanced prices they can charge, outweigh any losses they sustain by the action of other portions of the tariff upon the price of their materials and any other cost of production.

Protectionism thrives on bluff. The small group of organized interests with political "pull" persuades Government that a high tariff is essential to the "national industry," asserting that the benefit of protection is generally diffused throughout the capital and labor of the country. Actual analysis of industry and of the occupations of the people exposes the falsehood of this pretense.

The late Edward Atkinson, of Boston, presented a close analysis of the 1900 Census, with reference to protection, in which he shows that the population whose employment would be prejudicially affected by the immediate and the complete withdrawal of the tariff, would probably not exceed 600,000, and certainly would not exceed 1,000,000 out of the 29,000,000 persons engaged in gainful occupations in the United States.

The following diagram expresses the proportion of persons engaged in industries benefited by the tariff, to those not so engaged:*

<i>a</i>	1. AGRICULTURE.				
	10,381,765.				
	<table style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 80%;">a. Subject to foreign competition.....</td> <td style="text-align: right;">200,000</td> </tr> <tr> <td>Free from foreign competition.....</td> <td style="text-align: right;">10,181,765</td> </tr> </tbody> </table>	a. Subject to foreign competition.....	200,000	Free from foreign competition.....	10,181,765
a. Subject to foreign competition.....	200,000				
Free from foreign competition.....	10,181,765				

Average proportion of the products of agriculture exported in recent years.					

	2. PROFESSIONAL SERVICE, 1,258,739. Free from foreign competition.				

	3. DOMESTIC AND PERSONAL SERVICE.				
	5,580,657.				
	Free from foreign competition.				

	4. TRADE AND TRANSPORTATION.				
	4,766,964.				
	Free from foreign competition.				

<i>II</i>	5. MANUFACTURES, MECHANIC ARTS, AND MINING.				
	Subject to urgent foreign competition, II..... 400,000				
	Subject in part to urgent foreign competition, III 400,000				
	Free from foreign competition.....6,285,992				
<i>III</i>	Total.....7,085,992				

*The sizes in this diagram are proportional to the amounts of the figures.

Mr. Atkinson's computation of course includes the employees in those industries which would be injured by a removal of the tariff aid which they now enjoy. But though a sudden removal, or even large reduction of the tariff would reduce the employment of those classes of workers, it must not be presumed that a gradual reform would have any such effect. It would simply divert the fresh labor which continually flows in to feed these protected industries into other non-protected channels. For a tariff has no influence in enlarging the aggregate of employment in the country, nor are the real wages of employees in protected industries higher than in non-protected ones.

This being so we cannot rightly regard the workers among the 1,000,000 whom Mr. Atkinson accredits to the protected trades as genuine beneficiaries of the tariff. They make nothing out of protection now and would not suffer by the entire withdrawal of the tariff gradually accomplished. Indeed it is obvious that they would share with the rest of the workers of America in the higher money wages and the lower prices which would naturally flow from the greater productivity imparted to capital and labor by the adoption of Free Trade.

19. THE TARIFF AS A FOSTER-MOTHER OF TRUSTS.

If the whole or the larger part of the enhanced prices paid by the consuming public in consequence of import duties passed into the coffers of the Government, the organized industrial interests of the United States would not spend so much money or trouble in agitating for the maintenance and increase of these duties. In point of fact, the major part of the enhanced prices extorted from the consumer passed not into the public Treasury but into the private purses of the Capitalists of the protected industries.

By causing a restriction of supply a tariff always raises the price for all goods sold in the home market. An elaborate calculation made by the Reform Club showed that in 1903, out of an average family expenditure of \$940, no less than \$111 represented the total tariff tax, and that of this \$111 only \$16.52 was taken by the Government, the other \$94.48 passing to the Capitalists in the protected trades.

Though such nice calculations involve a considerable element of hypothesis, there can be little doubt that the private business takes out of the pockets of the people several times as much as the public treasury, from the increased prices due to import duties.

How much they can take depends, however, very largely on the effect of the Tariff in establishing freedom of competition among home producers. If a sufficient number of independent manufacturing firms exists, enjoying substantially equal access to raw materials, transport facilities, etc., and competing closely among themselves, the enhancement of prices caused by the tariff may not be considerable. It cannot, for instance be contended that the tariff upon leather and shoes raises the American prices for shoes

by the amount of the duty. If hides were on the free list shoes could be produced in America as cheaply as they could be imported free of duty, and the effective competition among New England manufacturers is such as to keep prices close down to cost of production. On the other hand, we have seen that steel rails, though admittedly produced as cheaply in the United States as anywhere in the world, are sold at some \$6 per ton dearer. This could not occur merely as the result of an import duty, unless a combination in restraint of competition enables the steel producers of America to take full advantage of the protection for their private ends.

In order that home prices may rise to the full amount of the import duties, one of two conditions must be present. Either the natural cost of production in the United States must be so much higher than the costs of production in foreign countries, *plus* cost of carriage, that domestic products can only be put upon the market at a price practically equivalent to the imports which are saddled with the tariff; or else a conspiracy of home producers must succeed in restraining free competition, so as to take full advantage of the tariff in raising prices and in securing the profits of a monopoly.

Now one of the most obvious and important results of a tariff is to assist the organization and the maintenance of such combination. In the United States the name Trust is commonly given to all large corporate businesses which are strong enough to exercise an absolute or a partial control of markets. A Trust is apt to arise in any industry where the economy of producing on a large scale is justified by one or more of the following conditions:

- (1) Superior access to raw materials or position.
- (2) Superior control of transport or other means of distribution.
- (3) Patents, trade-marks, secret processes, or other special advantages.
- (4) Public franchises, licenses, or other privileges in restraint of competition.
- (5) Tariff legislation.

Most strong Trusts in America are found to be in possession of these supports. But, so far as manufactured products are concerned, none of the other aids is effective unless supported by a tariff. Strong internal combinations of capital may be founded upon other advantages,—a pool of all the manufacturing businesses in the United States might be formed, or a binding agreement as to prices might be made among independent firms. But such an arrangement could seldom succeed in raising appreciably the price of manufactured articles, provided free access were given to foreign products to enter and compete in American markets.

What the Tariff really does is to enable an industry already far advanced towards combination to complete its pooling process and to maintain the monopoly thus acquired. The existence of a protective tariff or the probability of getting one, is a strong incentive and assistance for a business, or a group of businesses already commanding a strong position in the market, to come to terms with its remaining competitors, so as to form a substantial monopoly.

Upon this point also the Census Bulletins yield sufficient information bearing upon the part played by the Tariff in generating Trusts. Out of a total number of 183 Industrial Combinations registered in the 1900 Census Returns, no fewer than 120 came into being after the introduction of the Dingley Tariff.

This is what happened in the extension of the great Cordage Combine proposed in 1890, in anticipation of the McKinley Act (Von Halle, "Trusts," p. 61). And there can be no reasonable doubt but that the rapid ripening of industrial combination, which began in 1898, was materially assisted by the Dingley Tariff.

Though no more recent official list is available than that given by the Census Report for 1900, the summary of Industrial Combinations given there throws interesting light upon the classes of industry which have advanced the furthest in the processes.

Industry Group.	No. of Com-		Capital.	Wage- earners.
	bina-	No. of		
	tions.	Plants.		
1. Iron, steel, and products	40	447	\$341,779,954	145,609
2. Food and kindred products	22	282	247,944,675	33,165
3. Chemicals and allied products ..	15	250	176,512,835	28,401
4. Metals other than iron and steel	11	89	118,519,401	20,522
5. Liquors	28	219	118,459,158	7,624
6. Vehicles	6	65	85,965,683	34,422
7. Tobacco	4	41	16,191,818	17,661
8. Textiles	8	72	92,468,606	37,723
9. Leather, etc.	5	100	62,737,011	9,898
10. Paper and printing	7	116	59,271,691	16,706
11. Clay, glass, etc.	15	180	46,878,928	20,294
12. Lumber, etc.	8	61	24,470,281	10,778
13. Miscellaneous	16	118	45,408,869	17,243
Total	185	2,040	\$1,436,625,910	400,046

Since the last Census, combination in restraint of competition has gone much farther, especially in the metal trade, by the formation of the gigantic United States Steel Corporation.

But if we consider the last census with reference to import trade, we shall perceive that industries which here exhibit the concentrative tendency are those which are most exposed to foreign competition, and which have exerted the strongest influence, in the formation of the protective tariff.

The duties on Iron and Steel, on those chemicals which are manufactured in the United States, on china and earthenware, on tobacco, on wool and woolens, on cotton and silk goods, and on sugar, are in all cases more than the entire American wage-cost,

are in many cases more than one hundred per cent., and therefore practically prohibitory. Their true character is concealed by the device of compound duties. A specific tax of so much per pound is added to an *ad valorem* rate. This is especially true of the duties on the cheaper grades of cotton and woolen goods.

It thus becomes evident that the great Industrial Combinations most exposed to foreign competition have most adequately protected themselves by rates of import duties.

The tariff thus helps the formation and the maintenance of Trusts with their artificially enhanced prices, their restraint of competition, control of labor and corruption of legislation and administration.

It is however sometimes argued that the removal of the tariff would not restore effective competition, and that an international combination would be formed. This is pure assumption. The formation and maintenance of an international trust on a great scale, really effective in its working, is impossible. A few instances of international trusts, of working agreements partially successful in the restriction of competition and the maintenance of prices, have existed in a few minor trades, the most conspicuous instance being the Coates-Clark Cotton Thread Trust. Even in so strongly organized an industry as that of oil no firm abiding compact has been feasible between the few companies controlling the chief sources of the world's supply of crude oil; nor is it easy to believe that such an arrangement as that recently essayed between the great Iron and Steel Corporations in Europe and America for the apportionment of output and the relation of prices in the several countries, can be maintained against the pressure of outside capital seeking to share the surplus-profits which would proceed from such a monopolistic contrivance.

An attempt, years ago, to form an international copper trust broke down of its own weight. A recent attempt to form an international shipping trust also failed. The Cunard Steamship Company, the Hamburg Line, the North German Lloyd and the French Line refused to join in it, and still maintain the freedom of the sea. In truth the world is too great for even our Alexanders to divide.*

The stout and expensive opposition maintained by the industrial trusts against the reduction of import duties, is, of course, a plain confession that the free admission of foreign supplies would reduce prices in the American markets, and that the substitution of an international or a national trust, so as to prevent this reduction of prices, is not in their opinion the "simple" step which it seems to some protectionists.

If not the true mother, a Tariff is the foster-mother of Trusts, and the chief source of the power exercised by these gigantic com-

*This paragraph is inserted by the Editor.

pacts to stifle competition, raise prices, restrict output and corrupt Governments.

In point of fact, by letting down the Tariff barrier, the consumers would secure generally competitive prices, by making the Trusts compete with large well-equipped foreign producers, instead of with the small inferior firms inside America, which are permitted to survive because their influence as competitors is negligible.

By an accumulation of statistical and other evidence drawn from various sources, we have shown that the high protective tariff of the United States is injurious to the material and moral welfare of the population of that country, that the wage earners in particular have been hurt by it, in respect to wages, prices, and regularity and security of employment; that the public revenue has shared to a comparatively small extent in the enhancement of prices occasioned by protection, and that the chief beneficiaries are a small number of capitalists in those industries which, being most strongly organized for purposes of political "pull," have succeeded in obtaining from the federal legislature the power to tax the general consumer for their private profit.

In the face of testimony so overwhelming, how do the protected interests succeed in maintaining that privilege? In answer to this question, it must suffice to explain briefly the inertia in American Democracy which has enabled the protected interests to resist recent attempts to lighten the burden of tariff taxation.

We may set aside as a negligible factor the pretense occasionally put forward by protectionist politicians, that the present, or indeed any past American tariff is a "scientific" tariff adjusted to a disinterested consideration of national economy by the fostering of infant industries in proportion to present workers and future work, and by the protection of older but still struggling industries against the "unfair" competition of foreign businesses based on sweated labor or public subsidies. The ideal of the United States as a virtually self-sufficing economic system with all essential industries developed in due proportion, independent as far as possible of foreign markets, either for buying or for selling, and thus secure from political entanglements which attend the large world commerce, an ideal never consciously held by any considerable number of Americans, must be considered to be definitely and finally abandoned, in view of the growing international position which the Government and people of the United States are taking both in politics and industry.

Even in earlier times it was not seriously contended that the formation of a tariff was really demanded either by the needs of the general exchequer or by the public advantage which might accrue from various measures of protection accorded to the different domestic industries. Knowledge of the actual pressure which moulded the Tariffs in passing through the Committees at Washington, suffices to dispel any such illusion. A Tariff never was based on a "scientific" interpretation of "national economy."

Still less is such a notion tenable to-day, for the great recent development of an export trade, not only in raw materials but in manufactures has removed the foundation of a "national economy," such as Carey contemplated. The great protected industries are themselves chiefly responsible for the recent rapid extension of the export trade, involving, if not immediately, at any rate in the long run, a corresponding extension of imports and a consequent dependence of the United States upon other countries for some considerable number of commodities.

20. PRESENT STATE OF PUBLIC OPINION.

This new trend of events has helped to open the eyes of the American people. The old widespread belief that a protective system was a right financial counterpart of the political system, which aimed at minimizing international relations, has disappeared. Few thoughtful men, even among the habitual adherents of the Republican Party believe in the honesty or impartiality of the Dingley Tariff Act. The ordinary attitude of business men throughout the country is one of cynical disbelief in the possibility of a "scientific" or even a "fair" tariff. Working men everywhere are aware that it is a form of capitalist plunder.

Although it would be incorrect to affirm that any definite apprehension of the Free Trade theory was widely accepted in any quarter, there has been for some years past a growing disgust with the inequalities of the tariff and a desire for a large measure of tariff reform. But the fierce and growing animosity against Trusts has helped to retard the efficacy of the movement, for Trusts have other supports and other modes of extortion more galling to the mass of American citizens even than the tariff. The direct control exercised over oil, coal, meat, wheat and other necessities, by conspiracy with the railroads, has served to direct public feeling into another channel than tariff reform. The fierce prolonged attack upon illicit practices of railroads, into which President Roosevelt and some other reforming Republicans have thrown their energies, has procured a respite for Protection.

Then again even the keenest enemies of the Tariff hesitate to press their attack at a time of great and general prosperity among the business classes of the country. For though, as we have seen, the great mass of the workers are not better off, there has been a great growth of wealth in the country, shared in different degrees by those engaged in the organization and control of industry, transport and distribution, by the professions, the growing number of public employees, and, in general, by most of the influential and vocal classes of the community. Although their prosperity is not due to the Tariff, it appears to be consistent with its maintenance, and the prospering American business man or professional man will not strike such a blow at the Tariff as would cause even a temporary disturbance of business at such a time.

But it is right to recognize that the real strength of American protection lies in a certain equilibrium of business interests repre-

sented by the Dingley Tariff Act. This indeed is the nearest approach to "Science" that American Protection can claim, the attainment of an adjustment of interest among the industries which count politically, strong enough to resent the attacks of specialist reformers. Regarded thus as a work of political art the Dingley Tariff is worthy of admiration. Its prophets and high priests, such as Senators Aldrich and Lodge, have succeeded in persuading the several sections of Republicans, who at sundry times and places have favored the free admission of competitive raw materials, reciprocity in non-competitive goods, and general treaties of reciprocity with particular countries, that such disturbances of the scientific equipoise of interest at any point would bring down the whole protective tariff with a crash. Farming interests are set off against manufacturing, East against West, crude manufacture against finished commodity, so as to maintain a plausible appearance of a justly and a delicately contrived adjustment.

While no one acquainted with the political process of making a tariff supposes that this balance of interests is just, while every competent observer knows that the real adjustment was one of political influences measured by "pull"; not of economic needs or advantages, the false pretense of scientific harmony has been so successfully maintained on the stage of politics as to crush revolts within Republican ranks.

In fact, Protection has hardened itself since the passing of the Dingley Act. There is good reason to know that neither President McKinley nor the bulk of the Protectionist leaders in 1897 really intended that the fiscal system of the United States should be operated on this high tariff without flexibility or discrimination. Not merely was President McKinley personally a strong advocate of reciprocity, but he believed that he had provided in the Dingley Act the machinery for operating a series of reciprocal arrangements which would have the effect of leaving the Dingley rates applicable only to exceptional countries which refused to treat with the United States on liberal terms.

"Reciprocity is the natural outgrowth of our wonderful industrial development under the domestic policy now firmly established. * * * Reciprocity treaties are in harmony with the spirit of the times; measures of retaliation are not. If, perchance, some of the tariffs are no longer needed for revenue or to encourage and protect our industries at home, why should they not be employed to extend and promote our market abroad?"

Indeed, attempts were made on President McKinley's initiative to arrange reciprocity treaties with a number of foreign countries in accordance with the fourth Section of the Dingley Act, which permitted this reduction of duties by as much as 20% in return for reciprocal concessions. Mr. Kasson, on behalf of the Government, completed such arrangements with France, Barbadoes, British Guiana, Turks Island, Jamaica, the Bermudas and Argentina. The Foreign Relations Committee of the Senate reported favorably in each case (except Argentina), but a rally of special interests in the Senate made it impossible to secure the necessary vote of two-thirds for ratification, so that the treaties were with-

drawn. Thus it came to pass that for the last nine years the United States has been fettered by a more rigorous protective tariff than was intended by the makers of the Dingley Act, and special interests favored beyond their needs have thriven under it and, entrenching themselves in the high places of politics, offer uncompromising opposition to all reform.

The first duty of the American people is to break these fetters.



