

## CHAPTER X.

### THE ENCOURAGEMENT OF INDUSTRY.

Without questioning the end sought by them we have seen that protective tariffs are to be condemned as a means. Let us now consider their end—the encouragement of home industry.

There can be no difference of opinion as to what encouragement means. To encourage an industry in the protective sense is to secure to those carrying it on larger profits than they could of themselves obtain. Only so far and so long as it does this can any protection encourage an industry.

But when we ask what the industries are that protection proposes to encourage we find a wide difference. Those whom American protectionists have regarded as their ablest advocates have asked protection for the encouragement of "infant industries" — describing the protective system as a means for establishing new industries in countries to which they are adapted.<sup>12</sup> They have scouted the idea of attempting to encourage all industry, and declared the encouragement of industries not adapted to a country, or already established, or for a time longer than necessary for their establishment, to be waste and robbery. As it is now popularly advocated and practically applied in the United States the aim of protection, however, is not the encouragement of "infant industries" but the encouragement of "home industry" —that is to say, of all

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<sup>12</sup>Whoever will consult Alexander Hamilton's Report on Manufactures, the writings of Matthew Carey, Hezekiah Niles and their compeers, with the speeches of Henry Clay, Thomas Newton, James Tod, Walter Forward, Rollin C. Mallery, and other forensic champions of protection, with the messages of our earlier Presidents, of Governors Simon Snyder, George Clinton, Daniel D. Tompkins, De Witt Clinton, etc., cannot fail to note that they champion not the maintenance, but the creation of home manufactures."—Horace Greeley, *Political Economy*, p. 34.

home industries. And what has proved true in our case is generally true. Wherever protection is once begun, the imposition of duties never stops until every home industry of any political strength that can be protected by tariff gets some encouragement. It is only in new countries and in the beginnings of the system that the encouragement of infant industries can be presented as the sole end of protection. European protectionists can hardly ask protection, on the ground of their infancy, for industries that have been carried on since the time of the Romans. And in the United States to ask now the encouragement of such giants as our iron, steel and textile industries as a means for their establishment would, after all these years of high tariffs, be manifestly absurd.

We have thus two distinct propositions to examine—the proposition that new and desirable industries should be encouraged, which still figures in the apologetics of protection, and the proposition popularly urged and which our protectionist legislation attempts to carry into effect—that home industry should be encouraged.

As an abstract proposition it is not, I think, to be denied that there may be industries to which temporary encouragement might profitably be extended. Industries capable, in their development, of much public benefit have often to struggle under great disadvantages in their beginnings, and their development might sometimes be beneficially hastened by judicious encouragement. But there are insuperable difficulties in the way of discovering what industries would repay encouragement. There are, doubtless, in every considerable community some men of exceptional powers who, if provided at public expense with an assured living and left free to investigate, to invent or to think, would make to the public most valuable returns. But it is certain that, under any system yet devised, such livings, if instituted, would not be filled by men of this kind; but by the pushing and influential, by flatterers and dependents of those in power or by respectable

nonentities. The very men who would give a good return in such places would, by virtue of their qualities, be the last to get them.

So it is with the encouragement of struggling industries. All experience shows that the policy of encouragement, once begun, leads to a scramble in which it is the strong, not the weak; the unscrupulous, not the deserving, that succeed. What are really infant industries have no more chance in the struggle for governmental encouragement than infant pigs have with full-grown swine about a meal-tub. Not merely is the encouragement likely to go to industries that do not need it, but it is likely to go to industries that can be maintained only in this way, and thus to cause absolute loss to the community by diverting labor and capital from remunerative industries. On the whole, the ability of any industry to establish and sustain itself in a free field is the measure of its public utility, and that "struggle for existence" which drives out unprofitable industries is the best means of determining what industries are needed under existing conditions and what are not. Even promising industries are more apt to be demoralized and stunted than to be aided in healthy growth by encouragement that gives them what they do not earn, just as a young man is more likely to be injured than benefited by being left a fortune. The very difficulties with which new industries must contend not merely serve to determine which are really needed, but also serve to adapt them to surrounding conditions and to develop improvements and inventions that under more prosperous circumstances would never be sought for.

Thus, while it may be abstractly true that there are industries that it would be wise to encourage, the only safe course is to give to all "a fair field and no favor." Where there is a conscious need for the making of some invention or for the establishment of some industry which, though of public utility, would not be commercially profitable, the best way to encourage it is to offer a bounty conditional upon success.

Nothing could better show the futility of attempting to make industries self-supporting by tariff than the confessed inability of the industries that we have so long encouraged to stand alone. In the early days of the American Republic, when the friends of protection were trying to ingraft it upon the Federal revenue system, protection was asked, not for the maintenance of American industry, but for the establishment of "infant industries," which, it was asserted, would, if encouraged for a few years, be able to take care of themselves. The infant boys and girls of that time have grown to maturity, become old men and women, and with rare exceptions have passed away. The nation then fringing the Atlantic seaboard has extended across the continent, and instead of four million now numbers nearly sixty million people. But the "infant industries," for which a little temporary protection was then timidly asked, are still infants in their desire for encouragement. Though they have grown mightily they claim the benefits of the "Baby Act" all the more lustily, declaring that if they cannot have far higher protection than at the beginning they dreamed of asking they must perish outright.

When United States Senator Broderick, shot by Chief-Justice Terry in a duel, died without making a will, a Dublin man wrote to the editor of a San Francisco newspaper claiming to be next of kin. He gave the date of his birth, which showed him forty-seven years of age, and wound up by adjuring the editor to help a poor orphan, who had lost both father and mother. The "infant industry" argument nowadays always reminds me of that orphan.

Protectionist writers have not yet given up the "infant industry" plea, for it is the only ground on which with any semblance of reason protection can be asked; but in the face of the facts they have extended the time in which it is averred that protection can establish an infant industry. The American people used to be told that moderate duties for a few years would enable the protected industries to stand alone and defy

foreign competition. But in the latest edition of his "Political Economy" (p. 233), Professor Thompson of the University of Pennsylvania tells us that "it will ordinarily take the lifetime of two generations to acclimatize thoroughly a new manufacture, and to bring the native production up to the native demand."

When we are told that two generations should tax themselves to establish an industry for the third, well may we ask, "What has posterity ever done for us?" Yet even this promise is not borne out by facts. Industries that we have been protecting for more than two generations now need, according to protectionists, more protection than ever.

The popular plea for protection in the United States to-day is not, however, the encouragement of infant industries, but the encouragement of home industry, that is, all home industry.

Now it is manifestly impossible for a protective tariff to encourage all home industry. Duties upon commodities entirely produced at home can, of course, have no effect in encouraging any home industry. It is only when imposed upon commodities partly imported and partly produced at home, or entirely imported, yet capable of being produced at home, that duties can in any way encourage an industry. No tariff which the United States imposed could, for instance, encourage the growth of grain or cotton, the raising of cattle, the production of coal-oil or the mining of gold or silver; for instead of importing these things we not only supply ourselves, but have a surplus which we export. Nor could any import duty encourage any of the many industries which must be carried on where needed, such as building, horseshoeing, the printing of newspapers, and so on. Since these industries that cannot be protected constitute by far the larger part of the industries of every country, the utmost that by a protective tariff can be attempted is the encouragement of only a few of the total industries of a country.

Yet in spite of this obvious fact, protection is never urged for the encouragement of the industries that alone can profit by

a tariff. That would be to admit that to some it gave special advantages over others, and so in the popular pleas that are made for it protection is urged for the encouragement of all industry. If we ask how this can be, we are told that the tariff encourages the protected industries, and then the protected industries encourage the unprotected industries; that protection builds up the factory and iron-furnace, and the factory and iron-furnace create a demand for the farmer's productions.

Imagine a village of say a hundred voters. Imagine two of these villagers to make such a proposition as this: "We are desirous, fellow-citizens, of seeing you more prosperous and to that end propose this plan: Give us the privilege of collecting a tax of five cents a day from every one in the village. No one will feel the tax much, for even to a man with a wife and eight children it will come only to the paltry sum of fifty cents a day. Yet this slight tax will give our village two rich citizens who can afford to spend money. We will at once begin to live in commensurate style. "We will enlarge our houses and improve our grounds, set up carriages, hire servants, give parties and buy much more freely at the stores. This will make trade brisk and cause a greater demand for labor. This, in turn, will create a greater demand for agricultural productions, which will enable the neighboring farmers to make a greater demand for store goods and the labor of mechanics. Thus shall we all become prosperous."

There is in no country under the sun a village in which the people would listen to such a proposition. Yet it is every whit as plausible as the doctrine that encouraging some industries encourages all industries.

The only way in which we could even attempt to encourage all industry would be by the bounty or subsidy system. Were we to substitute bounties for duties as a means of encouraging industry it would not only become possible for us to encourage other industries than those now encouraged by tariff, but we should be forced to do so, for it is not in human nature that the

farmers, the stock-raisers, the builders, the newspaper publishers and so on, would consent to the payment of bounties to other industries without demanding them for their own. Nor could we consistently stop until every species of industry, to that of the boot-black or rag-picker, was subsidized. Yet evidently the result of such encouragement of each would be the discouragement of all. For as there could be distributed only what was raised by taxation, less the cost of collection, no one could get back in subsidies, were there any fairness in their distribution, as much as he would be called upon to pay in taxes.

This practical reduction to absurdity is not possible under the protective system, because only a small part of the industries of a country can thus be "encouraged," while the cost of the encouragement is concealed in prices and is not realized by the masses. The tax-gatherer does not demand from each citizen a contribution to the encouragement of the favored few. He sits down in a custom-house and by taxing imports enables the favored producer to collect "encouragement" from his fellow-citizens in higher prices. Yet it is as true of encouragement by tariff as of encouragement by bounty that the gain to some involves loss to others, and since encouragement by tariff involves far more cost and waste than encouragement by bounty, the proportion which the loss bears to the gain must be greater. However protection may affect special forms of industry it must necessarily diminish the total return to industry—first, by the waste inseparable from encouragement by tariff, and, second, by the loss due to the transfer of capital and labor from occupations which they would choose for themselves to less profitable occupations which they must be bribed to engage in. If we do not see this without reflection, it is because our attention is engaged with but a part of the effects of protection. We see the large smelting-works and the massive mill without realizing that the same taxes which we are told have built them up have made

more costly every nail driven and every needleful of thread used throughout the whole country. Our imaginations are affected as were those of the first Europeans who visited India, and who, impressed by the profusion and magnificence of the Rajahs, but not noticing the abject poverty of the masses, mistook for the richest country in the world what is really the poorest.

But reflection will show that the claim popularly made for protection, that it encourages home industry (i.e., all home industry), can be true only in one sense—the sense in which Pharaoh encouraged Hebrew industry when he compelled the making of bricks without straw. Protective tariffs make more work, in the sense in which the spilling of grease over her kitchen floor makes more work for the housewife, or as a rain that wets his hay makes more work for the farmer.