

CHAPTER XVIII.

EFFECTS OF PROTECTION ON AMERICAN INDUSTRY.

If there is one country in the world where the assumption that protection is necessary to the development of manufactures and the "diversification of industry" is conclusively disproved by the most obvious facts, that country is the United States. The first settlers in America devoted themselves to trade with the Indians and to those extractive industries which a sparse population always finds most profitable, the produce of the forest, of the soil, and of the fisheries, constituting their staples, while even bricks and tiles were at first imported from the mother country. But without any protection and in spite of British regulations intended to prevent the growth of manufactures in the colonies, one industry after another took root, as population increased, until at the time of the first Tariff Act, in 1789, all the more important manufactures, including those of iron and textiles, had become firmly established. As up to this time they had grown without any tariff, so must they have continued to grow with the increase of population, even if we had never had a tariff.

But the American who contends that protection is necessary to the diversification of industry must not merely ignore the history of his country during that long period before the first tariff of any kind was instituted, but he must ignore what has been going on ever since, and is still going on under his eyes.

We need look no further back than the formation of the Union to see that if it were true that manufacturing could not grow up in new countries without the protection of tariffs the manufacturing industries of the United States would to-day be confined to a narrow belt along the Atlantic seaboard.

Philadelphia, New York and Boston were considerable cities, and manufactures had taken a firm root along the Atlantic, when Western New York and Western Pennsylvania were covered with forests, when Indiana and Illinois were buffalo-ranges, when Detroit and St. Louis were trading-posts, Chicago undreamed of, and the continent beyond the Mississippi as little known as the interior of Africa is now. In the United States, the East has had over the West all the advantages which protectionists say make it impossible for a new country to build up its manufacturing industries against the competition of an older country—larger capital, longer experience, and cheaper labor. Yet without any protective tariff between the West and the East, manufacturing has steadily moved westward with the movement of population, and is moving westward still. This is a fact that of itself conclusively disproves the protective theory.

The protectionist assumption that manufactures have increased in the United States *because* of protective tariffs is even more unfounded than the assumption that the growth of New York after the building of each new theater was because of the building of the theater. It is as if one should tow a bucket behind a boat and insist that it helped the boat along because she still moved forward. Manufacturing has increased in the United States because of the growth of population and the development of the country; not because of tariffs, but in spite of them.

That protective tariffs have injured instead of helped American manufactures is shown by the fact that our manufactures are much less than they ought to be, considering our population and development—much less relatively than they were in the beginning of the century. Had we continued the policy of free trade our manufactures would have grown up in natural hardihood and vigor, and we should now not only be exporting manufactured goods to Mexico and the West Indies, South America and Australia, as Ohio is exporting manufactured goods to Kansas, Nebraska, Colorado and

Dakota, but we should be exporting manufactured goods to Great Britain, just as Ohio is to-day exporting manufactured goods to Pennsylvania and New York, where manufactures began before Ohio was settled. But so heavily are our manufactures weighted by a tariff which increases the cost of all their materials and appliances, that, in spite of our natural advantages and the inventiveness of our people, our sales are confined to our protected market, and we can nowhere compete with the manufactures of other countries. In spite of the increase of duties with which we have attempted to keep out foreign importations and build up our own manufacturing industries, the great bulk of our importations to-day are of manufactured goods, while all but a trivial percentage of our exports consist of raw materials. Even where we import largely from such countries as Brazil, which have almost no manufactures of their own, we cannot send them in return the manufactured goods they want, but to pay for what we buy of them must send our raw materials to Europe.

This is not a natural condition of trade. The United States have long passed the stage of growth in which raw materials constitute the only natural exports. We have now a population of nearly sixty millions, and consume more manufactured goods than any other nation. We possess unrivaled advantages for manufacturing. In extent and accessibility our coal deposits far surpass those of any other civilized country, while we have reservoirs of natural gas that supply fuel almost without labor. Moreover, we are the first of civilized nations in the invention and use of machinery, and in the economy of material and labor. But all these advantages are neutralized by the wall of protection we have built along our coasts.

For as long as I can remember, the protectionist press has been from time to time chronicling the fact that considerable orders for this, that or the other American manufacture had been received from abroad, as proving that protection was at last beginning to bring about the results promised for it, and

that American manufacturing industry, so safely guarded during its infancy by a protective tariff, was now about to enter the markets of the world. The statements that have been made the basis of these congratulations have generally been true, but the predictions founded upon them have never been verified, and, while our population has doubled, our exports of manufactured articles have relatively declined. The explanation is this: The higher rates of wages that have prevailed in the United States, and the consequent higher standard of general intelligence, have stimulated American invention, and we are constantly making improvements upon the tools, methods and patterns elsewhere in use. These improvements are constantly starting a foreign demand for American manufactures which seems to promise large increase. But before this increase takes place the improvements are adopted in countries where manufacturing is not so heavily burdened by taxes on material, and what should have been peculiarly an American manufacture is transferred to a foreign country.

Every American who has visited London has doubtless noticed, opposite the Parliament House at Westminster, a shop devoted to the sale of "American notions." There are a number of such shops in London, and they are also to be found in every town of any size in the three kingdoms. These shops must sell in the aggregate quite an amount of American tools and contrivances, which in part accounts for the fact that we still export some manufactures. But the American will be deluded who, from the number of these shops and the interest taken by the people who are constantly looking in the windows or examining the goods, imagines that American manufactures are beginning to gain a foothold in the Old World. These shops are in fact curiosity-shops, just as are the Chinese and Japanese shops that we find in the larger American cities, and people go to them to see the ingenious things the Americans are getting up. But no sooner do these shops so far popularize an "American notion" that a considerable demand for it arises,

than some English manufacturer at once begins to make it, or the American inventor, if he holds an English patent, finds more profit in manufacturing it abroad. Not having the discouragements of American protection to contend with, he can make it in Great Britain cheaper than in the United States, and the consequence of the introduction of an American "notion" is that, instead of its importation from America increasing, it comes to an end.

This illustrates the history of American manufactures abroad. One article after another which has been invented or improved in the United States has seemed to get a foothold in foreign markets only to lose it when fairly introduced. We have sent locomotives to Russia, arms to Turkey and Germany, agricultural implements to England, river steamers to China, sewing-machines to all parts of the world, but have never been able to hold the trade our inventiveness should have secured.

But it is on the high seas and in an industry in which we once led the world that the effect of our protective policy can be most clearly seen.

Thirty years ago ship-building had reached such a pitch of excellence in this country that we built not only for ourselves but for other nations. American ships were the fastest sailers, the largest carriers, and everywhere got the quickest despatch and the highest freights. The registered tonnage of the United States almost equaled that of Great Britain, and a few years promised to give us the unquestionable supremacy of the ocean.

The abolition of the more important British protective duties in 1846 was followed in 1854 by the repeal of the Navigation Laws, and from thenceforth not only were British subjects free to buy or build ships wherever they pleased, but the coasting trade of the British Isles was thrown open to foreigners. Dire were the predictions of British protectionists as to the utter ruin that was thus prepared for British commerce. The Yankees were to sweep the ocean, and "half-starved

Swedes and Norwegians" were to drive the "ruddy, beef-eating English tar" from his own seas and channels.

While one great commercial nation thus abandoned protection, the other redoubled it. The breaking out of our civil war was the golden opportunity of protection, and the unselfish ardor of a people ready to make any sacrifice to prevent the dismemberment of their country was taken advantage of to pile protective taxes upon them. The ravages of Confederate cruisers and the consequent high rate of insurance on American ships would under any circumstances have diminished our deep-sea commerce; yet this effect was only temporary, and but for our protective policy we should at the end of the war have quickly resumed our place in the carrying trade of the world and moved forward to the lead with more vigor than ever.

But crushed by a policy which prevents Americans from building, and forbids them to buy ships, our commerce, ever since the war, has steadily shrunk, until American ships, which, when we were a nation of twenty-five millions, plowed every sea of the globe, are now, when we number nearly sixty millions, seldom seen on blue water. In Liverpool docks, where once it seemed as if every other vessel was American, you must search the forests of masts to find one. In San Francisco Bay you may count English ship, and English ship, and English ship, before you come to an American, while five-sixths of the foreign commerce of New York is carried on in foreign bottoms. Once no American dreamed of crossing the Atlantic save on an American ship; to-day no one thinks of taking one. It is the French and the Germans who compete with the British in carrying Americans to Europe and bringing them back. Once our ships were the finest on the ocean. To-day there is not a first-class ocean carrier under the American flag, and but for the fact that foreign vessels are absolutely prohibited from carrying between American ports, ship-building, in which we once led the world, would now be with us a lost art. As it is, we

have utterly lost our place. When I was a boy we confidently believed that American war-ships could outsail, when they could not outfight, anything that floated, and in the event of war with a commercial nation we knew that every sea of the globe would swarm with swift American privateers. To-day, the ships on which we have wasted millions are, for purposes of modern warfare, as antiquated as Roman galleys. Compared with the vessels of other nations they can neither fight nor run; while, as for privateers or chartered vessels, Great Britain could take from those greyhounds of the sea which American travel and trade support, enough fleet ships to snap up any vessel that ventured out of an American port.

I do not complain of the inefficiency of our navy. The maintenance of a navy in time of peace is unworthy of the dignity of the Great Republic and of the place she should aspire to among the nations, and to my mind the hundreds of millions that during the last twenty years we have spent upon our navy would have been as truly wasted had they secured us good ships. But I do complain of the decadence in our ability to build ships. Our misfortune is not that we have no navy, but that we lack the swift merchant fleet, the great foundries and ship-yards, the skilled engineers and seamen and mechanics, in which, and not in navies, true power upon the seas consists. A people in whose veins runs the blood of Vikings have been driven off the ocean by—themselves.

Of course the selfish interests that profit, or imagine they profit, by the policy which has swept the American flag from the ocean as no foreign enemy could have done, ascribe this effect to every cause but the right one. They say, for instance, that we cannot compete with other nations in ocean commerce, because they have an advantage in lower wages and cheaper capital, in wilful (sic) disregard of the fact that when the difference in wages and interest between the two sides of the Atlantic was far greater than now we not only carried for ourselves but for other nations, and were rapidly rising to the

position of the greatest of ocean carriers. The truth is, that if wages are higher with us this is really to our advantage, while not only can capital now be had as cheaply in New York as in London, but American capital is actually being used to run vessels under foreign flags, because of the taxes which make it unprofitable to build or run American vessels.

De Tocqueville, fifty years ago, was struck with the fact that nine-tenths of the commerce between the United States and Europe and three-fourths of the commerce of the New World with Europe was carried in American ships; that these ships filled the docks of Havre and Liverpool, while but few English and French vessels were to be seen at New York. This, he saw, could only be explained by the fact that "vessels of the United States can cross the seas at a cheaper rate than any other vessels in the world." But, he continues:

It is difficult to say for what reason the American can trade at a lower rate than other nations; and one is at first sight led to attribute this circumstance to the physical or natural advantages which are within their reach; but this supposition is erroneous. The American vessels cost almost as much as our own; they are not better built, and they generally last for a shorter time, while the pay of the American sailor is more considerable than the pay on board European ships. I am of opinion that the true cause of their superiority must not be sought for in physical advantages but that it is wholly attributable to their moral and intellectual qualities.

. . . The European sailor navigates with prudence; he only sets sail when the weather is favorable; if an unforeseen accident befalls him, he puts into port; at night he furls a portion of his canvas; and when the whitening billows intimate the vicinity of land, he checks his way and takes an observation of the sea. But the American neglects these precautions, and braves these dangers. He weighs anchor in the midst of tempestuous gales; by night and by day he spreads his sheets to the wind; he repairs as he goes along such damages as his vessel may have sustained from the storm; and when at last he approaches the term of his voyage he darts onward to the shore as if he already descried a port. The Americans are often shipwrecked, but no trader crosses the sea so rapidly, and, as they perform the same distance in a shorter time, they can perform it at a cheaper rate.

I cannot better explain my meaning than by saying that the American affects a sort of heroism in his manner of trading, in which he follows not only a calculation of his gain, but an impulse of his nature.

What the observant Frenchman describes in somewhat extravagant language was a real advantage—an advantage that attached not merely to the sailing of ships, but to their designing, their building, and everything connected with them. And what gave this advantage was not anything in American nature that differed from other human nature, but the fact that higher wages and the resulting higher standard of comfort and better opportunities developed a greater power of adapting means to ends. In short, the secret of our success upon the ocean (as of all our other successes) lay in the very things that according to the exponents of protectionism now shut us out from the ocean.²⁶

²⁶By way of consolation for the manner in which protectionism has driven American ships from the ocean, Professor Thompson ("Political Economy," p. 216) says: "If there were no other reason for the policy that seeks to reduce foreign commerce to a minimum, a sufficient one would be found in its effect upon the human material it employs. Bentham thought the worst possible use that could be made of a man was to hang him; a worse still is to make a common sailor of him. The life and the manly character of the sailor has been so admired in song and prose, and the real excellences of individuals of the profession have been made so prominent, that we forget what the mass of this class of men are, and what representatives of our civilization and Christianity we send out to all lands in the tenants of the fore-castle." There is some truth in this, but what there is is due to protectionism in its broader sense. There is no reason in the nature of his vocation why the sailor should not be as well fed, well paid and well treated, as intelligent and self-respecting, as any mechanic. That he is not is at bottom due to the paternal interference of maritime law with the relations of employer and employed. The law does not specifically enforce contracts for services on shore, and for any breach of contract by an employee the employer has only a civil remedy. He cannot restrain the employed of his liberty, coerce him by violence or duress, or, should he quit work, call on the law to bring him back, and thus the personal relations of employer and employed are left to the free play of mutual interest. For services requiring vigilance and sobriety, and where great loss or danger would result from a sudden refusal to go on with the work, the employer must look to the character of the men he employs, and must so pay and treat them that there will be no danger of their wishing to leave him. But what on shore is thus left to the self-regulative principle of freedom is, as to services

Again, it is said that it is the substitution of steam for canvas and iron for wood that has led to the decay of American shipping. This is no more a reason for the decay of American shipping than is the substitution of the double topsail-yard for the single topsail-yard. River steamers were first developed here; it was an American steamship that first crossed from New York to Liverpool, and thirty years ago American steamers were making the "crack" passages. The same skill, the same energy, the same facility of adapting means to ends which enabled our mechanics to build wooden ships would have enabled them to continue to build ships no matter what the change in material. With free trade we should not merely have kept abreast of the change from wood to iron, we should have

to be performed on shipboard, attempted to be regulated on the paternal principle of protectionism. Here the law steps in to compel the specific performance of contracts, and not only gives the employer or his representative the right to restrain the employed of his personal liberty, and by violence or duress to compel his performance of services he has contracted for, but if the employed leave the ship the law may be invoked to arrest, imprison, and force him back. The result has been on the one hand largely to destroy the incentive to proper treatment of their crews on the part of owners and masters of ships, and on the other to degrade the character of seamen. Crews have been largely obtained by a system of virtual impressment or kidnapping called in longshore vernacular "shanghaiing," by which men are put on board ship when drunk or even by force, for the sake of their advance wages or a bonus called "blood-money," which the power of keeping the men on board and compelling them to work enables the ship-owners safely to pay. The power that must be intrusted (sic) to the master of a ship, on whose skill and judgment depends the safety of all on board, is necessarily despotic, but while the abuse of this power has, under a system which enables a brutal captain to get crews with as much or almost as much facility as a humane one, been little checked by motives of self-interest, it has been stimulated by the degradation which such a system inevitably produces in the character of the crews. Various attempts have been made to remedy this state of things; but nothing can avail much that does not go to the root of the difficulty and lead the sailor, no matter what contract he may have signed or what advances have been paid to or for him, as free to quit a vessel as any mechanic on shore is free to quit his employment. Theoretically the law may guard the rights of one party to a contract as well as those of the other; but practically the poor and uninfluential are always at a disadvantage in appealing to the law. This is a vice which inheres in all forms of protectionism, from that of absolute monarchy to that of protective duties.

led it. This we should have done even though not a pound of iron could have been produced on the whole continent. In the glorious days of American ship-building Donald McKay of Boston and William H. Webb of New York drew the materials for their white-winged racers from forests that were practically almost as far from those cities as they were from the Clyde, the Humber, or the Thames. Had our ship-builders been as free as their English rivals to get their materials wherever they could buy them best and cheapest, they could as easily have built ships with iron brought from England as they did build them with knees from Florida, and planks from Maine and North Carolina, and spars from Oregon. Ireland produces neither iron nor coal, but Belfast has become noted for iron ship-building, and iron can be carried across the Atlantic almost as cheaply as across the Irish Sea.

But so far from its being necessary to bring iron from Great Britain, our deposits of iron and coal are larger, better, and more easily worked than those of Great Britain, and before the Revolution we were actually exporting iron to that country. Had we never embraced the policy of protection we should today have been the first of iron producers. The advantage that Great Britain has over us is simply that she has abandoned the repressive system of protection, while we have increased it. This difference in policy, while it has enabled the British producer to avail himself of the advantages of all the world, has handicapped the American producer and restricted him to the market of his own country. The ores of Spain and Africa which, for some purposes, it is necessary to mix with our own ores, have been burdened with a heavy duty; a heavy duty has enabled a great steel combination to keep steel at a monopoly price; a heavy duty on copper has enabled another combination to get a high price for American copper at home, while exporting it to Great Britain for a low price; and to encourage a single bunting factory the very ensign, of an American ship has been subjected to a duty of 150 per cent. From keelson to truck,

from the wire in her stays to the brass in her taffrail log, everything that goes to the building, the fitting or the storing of a ship is burdened with heavy taxes. Even should she be repaired abroad she must pay taxes for it on her return home. Thus has protection strangled an industry in which with free trade we might still have led the world. And the injury we have done ourselves has been, in some degree at least, an injury to mankind. Who can doubt that ocean steamers would to-day have been swifter and better had American builders been free to compete with English builders?

Though our Navigation Laws, which forbid the carrying of a pound of freight or a single passenger from American port to American port on any other than an American-built vessel, obscure the effects of protection in our coasting trade, they are just as truly felt as in our ocean trade. The increased cost of building and running vessels has, especially as to steamers, operated to stunt the growth of our coasting trade, and to check by higher freights the development of other industries. And how restriction strengthens monopoly is seen in the manner in which the effect of protection upon our coastwise trade has been to make easier the extortions of railway syndicates. For instance, the Pacific Railway pool has for years paid the Pacific Mail Steamship Company \$85,000 a month to keep up its rates of fare and freight between New York and San Francisco. It would have been impossible for the railway ring thus to prevent competition had the trade between the Atlantic and Pacific been open to foreign vessels.