

## CHAPTER VI

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### THE TARIFF

In formulating a program of political action based upon the central idea of the abolition of privilege, it is advisable to declare for the maintenance of the principle of protection for several reasons.

If the abolition of privilege is the paramount object, it is not necessary to include the tariff because it is not strictly speaking a privilege. Its benefits, if any, are open to all competitors.

The idea of protection has been effectively sold to the people by the Republican party, and in recent years the Democratic leaders have expressly or by implication endorsed the principle of protection. If protection is now attacked the forces opposing privilege will be divided. Silence on the subject is not possible because protectionists favoring the abolition of privilege will demand and are entitled to be assured the movement will not be used as a cover for an attack on protection. It is however possible to deal with one of the great evils which attends even an attempt to revise the tariff even by its friends.

#### **Tariff as Economic, Not Political Issue**

At all events the time has arrived in this country to lay down a new policy with reference to the tariff from

either standpoint. The present Democratic administration will be seriously damaged by the probable attempt of the Democratic Congress to revise the Grundy tariff. It will take nearly two years to finish the job. The scientific framing of the intricate tariff schedules involving a large number of articles is utterly beyond the power of any large deliberative body. It results either in the direct corruption of Congressmen, or in compelling the honest minded Congressman, in order to secure a rate deemed by the manufacturers of his Congressional district to be necessary, to consent to rates of manufacturers in other districts of which he does not approve. This process of log rolling and corruption always ends in a hodgepodge, which hurts the party responsible for it. Every general revision of the tariff has adversely affected the fortunes of the party responsible for it.

The most feasible course is to take a position against any general tariff revision by Congress, and to advocate passage by Congress of a law defining the principle upon which tariff schedules shall be framed by the Tariff Commission of experts appointed by the President, such as free trade, a degree of protection necessary to bridge over the difference of the cost of production or the cost of labor, or for revenue only.

It is to the advantage of the country that this new policy should be adopted. In the felicitous language used by President Wilson in approving a suggestion made to him by the writer: "it is the course which policy dictates, and principle does not forbid."

### **Free Trade vs. Protection**

The ultimate object to be kept in mind is free trade or protection. There never was any answer to the free trade position, and the argument for the tariff is fallacious.

Mr. Chamberlain, the English statesman, some twenty years ago, stated the free trade position in a way that has never been answered. He said, in effect, that the English people and English business men had expended hundreds of millions of pounds to foster foreign trade. They had built great piers and other docking facilities in their seaport cities, dredged harbors and rivers at great cost for the accommodation of ships bringing in cargoes of goods from abroad, and established great commercial enterprises based upon the distribution of such goods throughout England.

The nation and the business men had also expended huge sums in establishing representatives of the nation and of commercial firms in the leading cities of the world, whose duty it was to develop foreign trade with those localities, and who had actually developed such trade to enormous proportions, to the great benefit of English business men, and of the nation.

Now all of this expenditure and all of these efforts are being nullified by building a wall around England designed to destroy the very trade which these hundreds of millions of pounds have been spent to develop. The fallacy of protection was never better stated.

### **Living Standard Not the Only Yardstick**

Another fallacy of protection is that a country with

a high standard of living can not compete with a country which has a lower standard of living. This leaves out of account the fact that there are other factors of production, to wit, climate, raw materials, or other natural advantages. Experience shows that cheap labor of itself is rarely, if ever, a determining factor. The large sale of our manufactures produced by our comparatively highly paid labor in foreign countries where similar articles are manufactured with cheap labor, is a complete answer to the protection idea.

This was proved by the experience of the United Shoe Machinery Company, which has a monopoly of certain lines of machines for the manufacture of shoes. These machines are never sold but are leased upon the basis of payments in proportion to the quantity of shoes produced on the machines, which is ascertained by a registering device on each machine. Experience showed that the machines with the highly paid workmen in American factories turned out a much larger product than the English factories with their cheaper labor, and that this increased output more than offset the difference in wages when divided into the units of production.

#### **High Tariffs Do Not Help Labor**

The idea that labor shares in the benefits of the tariff by increased wages is a fallacy. Wages are determined not by the price which the employer gets for his product, but by the law of supply and demand. If there are more men seeking jobs than there are jobs, wages will tend to go down no matter how prosperous the employer may be made by tariff or other forms of subsidy.

The low wage countries all clamor for a tariff against high wage countries on the ground that they cannot compete with the more efficient labor and machinery of high wage countries.

Another argument now being exploited is that the countries maintaining a depreciated currency are thereby enabled to dump their goods on our market at prices lower than the domestic prices, even after paying the present high tariff rates. Nothing in the way of evidence is advanced in support of this theory. All the statistics of international trade show that it is not true in fact, and it is contrary to the reasoning of the free trade idea.

Whatever advantage the tariff once had has now disappeared with England completing the vicious circle of universal tariffs, and it has now become, as Mussolini has pointed out, a mere negation stifling the trade of all the world.

#### **Competitive Tariffs Impossible**

The protectionist idea if sound is fatal to the Democratic criticism of a high tariff. If protection is a sound policy, then no tariff can ever be too high. There is no such thing as a competitive tariff, either in theory or practice, because the only object of protection is to keep out the products of the other countries. A competitive tariff contemplates some imports. If *some* imports are desirable, why are not *more* desirable? If the answer is that some degree of competition is necessary to prevent a monopoly price in the home market, it is in flat contradiction to the fundamental protectionist position that domestic competition between local manufacturers

behind the tariff wall would always insure the lowest possible price consistent with maintaining high wages. It is true however that where domestic production in any trade is controlled by a privilege owning trust, a high tariff enables the trust to maintain a higher price than the trust could exact under a low tariff. A competitive tariff, if theoretically possible, can not be secured by any tariff measure framed by Congress. Such a measure could only be framed by an expert commission.

Now that Great Britain has gone over to the protectionist position, it is the established policy of the world, and the result is such a destruction of international trade that the policy is faced with the pressing necessity of substantial modification. This seems to be admitted by most statesmen.

However, if a real attempt is to be made to abolish privilege, it is advisable to keep the issue between protection and free trade out of the discussion, because the public has been taught to believe in the protective policy, and its discussion now only confuses the issue of privilege.