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have been on their feet as one man in opposition if they had known that such a plank was in the proposed platform; yet there was no opposition. It was not known to any of the delegation that such plank was in the platform. Also delegates from Lake, Cook, Itaska, Aitkin, Mille Lac, Crow Wing, Beltrami, Becker and other counties would certainly have objected. Very secretly, indeed, must this plank have been adopted. Personally I had been so strenuously engaged in an endeavor to secure an instructed delegation to Denver for you that I was persona non grata to the other element and was not in the convention at all. But I know that the delegates who were there from St. Louis county would have raised the roof before they would have, knowingly, allowed such a plank to have been adopted. A plank so adopted is binding on no one unless on the one who secretly put it in. Certainly, if I were in office as a democrat in Minnesota I would not consider myself bound by it.

As to the veto. Governor Johnson is entitled to all praise for his veto of this bill embodying this vicious and unjust method of taxation. On the ground of its discrimination between the sections of the state the governor was justified in vetoing it. It would have proved to be a veritable apple of sectional discord and ill feeling. I look upon the act of the governor in vetoing this bill as patriotic, clear-headed, courageous and statesmanlike. You know how many of us here are your friends. You know how loyal your Duluth friends have always been. All of those friends of yours here stand as one man back of the governor's veto and in opposition to this tonnage tax bill. In response to your invitation, I have said what I think of the tonnage tax bill and its veto.

ALFRED JAQUES.

HERE IS THE RECORD

Democratic Platform—We favor an income tax as part of our revenue system, and we urge the submission of a constitutional amendment specifically authorizing congress to levy and collect tax upon individual and corporate incomes, to the end that wealth may bear its proportionate share of the burdens of the federal government.

Republican Platform—Silent.

Mr. Taft—Criticised democratic plank and said: "In my judgment an amendment to the constitution for an income tax is not necessary."

Mr. Bryan—Fought for it since he has been in public life.

In 1909 the United States senate adopts income tax amendment by unanimous vote. The house adopted by 317 yeas to 14 nays.

EDUCATIONAL SERIES

PROTECTION'S FAVORS TO FOREIGNERS

BY JAMES G. PARSONS

Beginning of the Practice of Selling Cheaper Abroad

It has been very well known for a number of years that the "protected" American manufacturers have been selling their products at much lower prices to foreigners than to their fellow-citizens. Just when this practice began it is not easy to say. Instances of it began to appear in the eighties. Since 1890 it has grown with the growth of our export trade in manufactured products. It has increased in extent and degree with the increase in tariff rates, and under the McKinley and Dingley tariffs it has come to be the recognized practice of American manufacturers to sell for export at one set of prices necessarily low enough to get the trade in foreign markets, and in the home market at another set of prices, kept as high as the tariff, with the combinations and agreements fostered by it, will permit or the traffic will bear.

First Knowledge of Lower Export Prices

The knowledge of this discrimination in favor of the foreign consumers was long a commonplace among manufacturers and business men before it became known among the general public. The first knowledge of it came to the public with the shock of a rude surprise. The system of "protection" had been widely and loudly defended by the claim that it really would, ultimately, benefit the consumer by fostering industries which, when firmly established, would be able to and would make the prices of their products as low as the foreign prices and even lower. For the sake of this great consummation the tariff was to be maintained at a good high rate, and the millions of American consumers were to be patient in continuing to pay very high prices for their materials of life and labor. For the promised consummation the people have been waiting long and anxiously. It has been maddening to them to see the tariff-favored industries becoming steadily ever greater and more dominant, and then—not reduced prices for the American people, who have paid untold millions to make extravagant profits for the favored ones, but reduced prices for the foreigners, who have been supposed to be our dreaded industrial rivals, and the same and still higher monopoly prices for the good and kind home folks who have borne the cost of the scheme.

The Tariff Reform Committee's Pamphlet of 1890

Probably the first comprehensive demonstration of the systematic price discriminations by American manufacturers to the advantage of foreign buyers, was made by the tariff reform committee in 1890 by the publication of an illustrated pamphlet entitled "Protection's Home Market," which contained a great many facts as to the exact differences between export and domestic prices of manufactured goods, obtained from manufacturers and export agencies and publications. It also quoted statements about the extent of the practice from such authoritative trade journals as The American Machinist, and the Engineering and Mining Journal. This pamphlet was widely circulated and proved very effective in enlightening the public as to what was going on. It was met by a general denial from the leading republicans that lower prices were made for export in other than rare and exceptional circumstances.

Denial, Then Admission and Warning

This denial by the republicans was kept up until about 1900. At that time trusts were being formed on every hand and domestic prices were rapidly rising, while more and more goods were being sold abroad at lower prices. President McKinley and others of his administration apparently feared an attack by the domestic consumers upon the protective system, arising from these conditions, and in August, 1900, an official report appeared which contained a remarkable admission of the facts and a distinct warning to iron and steel manufacturers. This was the "Report of the Bureau of Statistics on

Commerce and Finance." Among others, it made this plain statement:

"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 consumers 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 arise, 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."

And the same report also said:

"Of the two policies open to iron and steel makers, the far-sighted one of keeping the domestic and foreign markets as near as possible on a par in the price of these materials of manufacture seems by far the wiser one to follow, both in the interest of a steadier course of prices, which means steadier consumption, and on account of the competition of manufacturers of finished goods with foreign manufacturers in the neutral markets of the world. * * *

"The other policy of maintaining prices to manufacturers at the highest level at home leaves little margin for experiment in seeking new markets and restricts the application of iron and steel to additional uses at home. The depressing effects of an agitation for tariff revision to remedy this inequality are sure to cause a far greater business loss, not only to the country as a whole, but to the producers of iron and steel themselves, than is to be gained by selling at low prices abroad, which they can not help, and at high prices at home, which they can help.

"Nor can the home market price be sustained beyond certain limits by export sales. Certain American manufacturers of steel materials tried this policy up to April, 1900. It resulted in a very positive shrinkage in domestic consumption at the then high rates. Farmers had ceased to purchase barbed wire for wire fences. Retail hardware dealers had complained for months of diminished business in nails and wire. Jobbers had gotten in the way of doing a hand-to-mouth business on prices that had advanced from \$1.35 to \$3.20 in the course of a year. Hence the reduction of \$1 in April, 1900, became a necessity in order to keep the mills in operation.

"If steel rails, for example, sell at Pittsburg for \$35 per ton for months in succession for home consumption, while the foreign consumer is purchasing them for \$22 to \$24 per ton, the domestic market is sure to order no more than it is obliged to have for the time being."

Charles M. Schwab's Candid Admission

But these statements had no practical effect upon the iron and steel manufacturers. Forthwith there was organized the greatest of all the trusts, the United States Steel corporation. Its first president, Charles M. Schwab, in testifying before the industrial commission on May 11, 1901, candidly stated that iron and steel products were regularly sold at lower prices for export than for home consumption, and that materials to go into the making of goods for