

per yard to manufacture a cloth which can be manufactured abroad for a dollar, he asks it upon the theory that the consumer pays the tariff. If a tariff of fifty per cent is given for his protection, and the foreigner pays the tariff in order to sell in this market, the foreign cloth can be bought in this country for a dollar, plus the carriage, just as before. How could the domestic producer expect to compete with him under such conditions? If, on the contrary, the importer buys the foreign cloth at one dollar and then pays the fifty cents duty, he must sell the foreign article for a dollar and fifty cents, and the domestic producer can then charge a dollar and fifty cents for his product. That the consumer pays the tax ought to be accepted as an axiom, and it is assumed to be true by protectionists themselves whenever they defend rebates or attempt to prove that the tariff is a benefit to the farmer.

Leslie M. Shaw, late secretary of the treasury, in a recent speech, used an illustration in which he admitted that the burden of the tariff falls upon the consumer. He was endeavoring to explain why our manufacturers sometimes sell abroad cheaper than at home, and, in the course of his argument said:

"Perhaps I can make this drawback principle clearer by means of an illustration. The American producer of steel billets has a protection of six dollars and seventy-two cents per ton. The producer of spikes and bolts has a protection of thirteen dollars and forty-four cents and thirty-three dollars and sixty cents, respectively. The American Iron and Steel Manufacturing company of Lebanon, Pennsylvania, was paid last year, in round numbers, ten thousand dollars drawback on the exportation of seventy-five thousand dollars' worth of railway spikes and bolts produced from imported steel billets. \* \* \* This drawback enabled this concern to sell seventy-five thousand dollars' worth of spikes and bolts abroad for sixty-five thousand dollars and make the same profit as if it sold at home for seventy-five thousand dollars. It being impossible to protect the American producer of spikes and bolts in the foreign market the law authorizes this refund to him on proof of exportation, with manifest intent that he shall sell his product abroad that much below the American market price."

Here Mr. Shaw assumes that the duty on raw material was paid by the Lebanon corporation, for on no other theory would it be entitled to the drawback. Not only in this case, but in the case of all raw material does the champion of protection regard a tariff duty as a tax upon the American consumer, for those who draw a law for the benefit of the manufacturer always take it for granted that he must pay the tariff on imported raw material, and they, therefore, give him a compensatory duty on the manufactured article. Why this difference between raw material and the finished product? Why do protectionists confess that a tariff on raw material is a burden to the manufacturer, and then, in the same breath, contend that a tariff upon the manufactured product is not a burden?

There is but one answer to these questions, viz.: that the protectionist looks at the question from the standpoint of the manufacturer and is trying to placate the consumer. This one-sided view of the subject leads the protectionist into many amusing contradictions. Almost every defense of a high tariff presented to a farmer audience contains two propositions, namely, that a tariff on farm products increases the selling price of those products, and that a tariff on manufactured products decreases the selling price of those products. These opposing statements are not usually found side by side, but they are an indispensable part of every exposition of the advantages of protection intended for the agricultural districts. I have heard eminent men assert that the wool-grower received for his wool the foreign price of wool plus the tariff on wool, and have heard them contend in the same speech that the system which compelled the manufacturer of woolen goods to pay more for his raw material resulted in a reduction of the price of the finished product. Of course, this would look good to the farmer, for he would first secure a higher price for what he raised, and then his income would go farther when he came to buy; but what of the poor manufacturer? According to that reasoning he would be compelled to pay more for his wool and then suffer an additional loss in the sale of his goods, and yet—strange unselfishness—

the manufacturer contributes liberally to the campaign fund to force this double disadvantage upon himself, while the farmer has to be entreated each campaign to accept the two-fold blessing!

When the protectionist appeals to the farmer he assumes, as a matter of course, that the consumer of the farmer's product not only pays the tariff upon the imported article which enters into competition with that product, but that when he buys the farmer's product he pays the foreign price plus the tariff. This is consistent as a theory, and if it were true in fact the farmer might feel that his pecuniary interest would be advanced by the tariff, but as a matter of fact this argument is deceptive when applied to the farmer. The staple products of agriculture are exported, and the price of the part sold in this country is fixed by the price at which the surplus is sold abroad. There may be exceptional cases in which a tariff on farm products may for a short time help the people in a limited district, but, generally speaking, the farmers of the United States are not in a position to take advantage of the tariff. If they could combine and raise the price of the home product to a point equal to the foreign price, plus the tariff, they might share in the benefits of the present protective system, but, as they are too numerous to combine, the tariff on farm products is a mockery. If it could be shown that in some cases an import duty on farm products gives a little aid to a few farmers, the total benefit received by them would be insignificant compared with the enormous tax all farmers must bear because of the tax placed upon the manufactured products which they buy.

The manufacturers, on the other hand, are able to add the tariff to the price of their goods, and they can not make an argument in favor of a tariff without admitting that they do so and that they thus compel the consumer to pay the tax, whether he buys at home or abroad. If he insists that he can not manufacture as cheaply as the foreigner, and asks for a tariff just equal to the difference in the cost of production here and abroad, how can he produce, under the tariff, any better than he could without the tariff, unless he adds the tariff to the price of his goods?

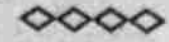
As we import manufactured goods, the manufacturer occupies a position just the reverse of that occupied by the farmer. The farmer finds his competitor in a foreign market; the manufacturer finds his competitor in the home market. As the importer must pay the duty on the foreign article, his interest leads him to buy the home article if it is offered him at a price no greater than the foreign price with the tariff added.

If the home product is equal in amount to the imported product, and the domestic manufacturer collects all that the tariff enables him to collect, then the American consumer pays on account of the tariff twice as much as the government collects. If it is a new industry, and we import ten times as much as we produce at home, then nine-tenths of the tax goes into the treasury under such circumstances; if we produce at home ten times as much as we import, and the tariff is added to the price of the domestic article, then the people pay ten times as much as the treasury receipts from that article show.

The friends of the protective system contend that competition at home will reduce prices to a point where the manufacturer will appropriate only so much of the tariff as is necessary to support his industry, and that the competition created by the new industries will lead to improvements in method which will reduce the cost of production, and thus compensate those who have temporarily borne the burden of protection. This was the argument of Henry Clay. In his speech of 1832 he speaks of the decline in the price of various articles under a protective tariff, and concludes: "Such is the wonderful effects of protection, competition and improvement in skill combined." After quoting other instances of reduction he says: "This brings me to consider what I apprehend to have been the most efficient of all the causes in the reduction of the prices of manufactured articles, and that is competition."

At present, competition is to a considerable extent stifled by the trusts, and yet, even with this regulator—competition—disabled, there is no disposition among the "friends of the tariff" to inaugurate or consent to a reduction. In

many instances the manufacturers sell abroad at a low price in competition with the world, and sell at home at a high price because the tariff wall enables them to do so.



#### "DOORS" THAT OPEN

The Sioux City (Ia.) Journal was visited recently by a disastrous fire. Other newspaper publishers rushed to the aid of their distressed neighbor and their plants were offered in order that the Journal might appear regularly. Everywhere the keenest sympathy was shown and everybody—friend and foe—tried to lend a hand.

That is an American characteristic—and thank God for it—in time of trouble.

In concluding an editorial relating to the fire Mr. Perkins, the veteran editor of the Journal says: "If the editor of the Journal may be excused he will indulge in a more personal word. He is now in the thirty-ninth year of his Sioux City life and work. All these years have been passed in the company of the Journal. The retrospect is filled with the faces of friends—many present and many gone. He has many times had occasion to acknowledge his debt to these friends, and he gladly renews acknowledgment now. The fire dipped into things material and it lit up things which are as the stars in heaven. If the time shall come when a neighbor is in like stress he knows he would throw open his doors as the doors of these neighbors have been opened to him. With this assurance he thanks them each and all—those who have buildings and plants, and those who have only the doors of their hearts. There is nothing so bad as it might be, and it is wondrous good that compensation comes quickly to the place of trouble. It is a delight to affirm this in the midst of water-soaked stuff and a roofless home."

That is a large contribution to the music of the world. To be in duty bound to say it, and to be able to say it, and to feel it—and for the world to hear it and appreciate it—is worth, almost, several fires.

Energy and enterprise "in the midst of water-soaked stuff and a roofless home" is an American characteristic and to this fact is due, in part, the great progress our country has made. But the ready opening of doors by "those who have buildings and plants and those who have only the doors of their hearts" that—in the hour of a neighbor's tribulation—is also an American characteristic.

"Faith, hope and love!" And the last—that mighty power that throws open the doors of men's hearts—the last is by no means the least.



#### STOP THE GAMBLING

There seems to be no doubt that Wall Street speculation is the cause of the present financial panic, and this speculation is made possible by the fact that a large amount of fictitious and watered stock is issued. The small bankers throughout the country claim that their institutions are perfectly solvent, that their assets are good and that their only embarrassment is that they can not collect the money which they have deposited in eastern banks in the reserve cities. In suspending payments the bankers have done what they think is necessary for the protection of themselves and their depositors, and it is not fair to criticize them unless one has a better knowledge of the situation than they have; but somebody is to blame, and from the evidence at hand it would seem that the blame rests, first—with the speculators of New York who, in their desire to make money rapidly, have disregarded the interests of the rest of the country; second—with the New York banks and trust companies which have loaned money for speculation; and third, with the republican party whose leaders have linked our whole financial system to Wall Street so that the people throughout the country are forced to suffer for the sins of the masters of high finance. It requires an object lesson to make people consider remedial legislation; abuses are never remedied until there is suffering, and the present panic ought to result in legislation which will give to the public a needed protection. Gambling is one of the curses of the present day—not merely the small gambling which is carried on in back alleys and obscure places, but the gambling which goes on in the chambers of commerce, the boards of trade and the stock exchanges. Purchases and sales of commodities and stocks when the sellers have nothing to sell and the purchasers have no intention of receiving