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Free Raw Material

On another page will be found a letter written by Senator Bailey, of Texas, to Governor Beckham of Kentucky. Governor Beckham's paper contained a criticism of Senator Bailey's position, and as the senator has taken the trouble to write a somewhat lengthy defense of his position it may fairly be accepted as a basis for discussion. If he had offered it as an individual position it would have had only such weight as one would desire to attach to the senator's individual opinion, but he makes his position a matter of general discussion when he says: "My vote against placing iron ore on the free list was based upon the ancient creed of the democratic party, which requires all manufacturers to pay a duty on their raw material as long as a duty is levied on the finished product."

The senator admits that the doctrine of free raw material was adopted as a part of the democratic policy on the tariff question from 1892 to 1894, but insists that it was a wide departure "from our ancient and well established position." He also understands that some of his votes have been contrary to the specific demands of the last democratic national platform.

The senator contends that he has never uttered a single sentence, or cast a vote, that will warrant anyone in supposing that he has any toleration for the doctrine of protection, and yet in the very letter in which this protestation appears—near the conclusion—he says: "But I shall never agree to discriminate, even within purely revenue duties, against the lumber mill and in favor of the factory." If that sentence means anything, it means that he insists that the lumber mill shall have its share of whatever incidental protection a purely revenue duty may give.

The issue raised by Senator Bailey is an exceedingly important one and the very fact that it is raised by a man of his ability, makes it necessary that those who are opposed to it shall present the arguments on the other side. Senator Bailey would regard it as a political sin to favor a high tariff on an article produced in his own state and a low tariff on an article produced somewhere else but consumed in his state, but it so happens that the policy which he now presents as the "ancient creed" of the party is the only policy which gives "protection" to industries of his state. Eastern Texas has a considerable saw mill industry—and he declares that he is not willing to discriminate against the saw mill in favor of the factory;—in western Texas there are a number of sheep growers who want a tariff on wool and a number of cattle raisers

who want a tariff on hides. Lumber, wool and hides are three of the important raw materials. A tariff on manufactured products can not be said to protect Texas because Texas is not to any great extent a manufacturing state. The position taken by Mr. Bailey enables him to defend a duty on wool, a duty on hides and a duty on lumber as a matter of principle rather than as a matter of favor. In the case of hides and lumber the duties are so low as to be represented as revenue duties, but the tariff on wool is higher.

The main difficulty with Senator Bailey's position is that it rests upon the same fallacy that all other protective arguments do, namely, that it overlooks the fact that the persons who PAY a tariff tax must necessarily largely outnumber those who receive the benefit of it, and it also overlooks the fact that a burden placed upon the manufacturer is always transferred to the consumer through the operations of a compensatory duty.

If Senator Bailey was in a position to frame a tariff law all by himself he would probably put a revenue duty of, say, ten, fifteen, twenty, or twenty-five per cent on hides and leather and then put a similar duty on shoes made from the leather, and he would treat wool and the manufacture of wool, and lumber and the manufacture of lumber in the same way. He would defend it as a revenue duty but it would give incidental protection on hides, wool and lumber.

But Senator Bailey must confer with others in the framing of a tariff bill, and experience has shown that the manufacturers are always able to secure a compensatory duty whenever a duty is imposed upon the raw material used in manufacturing, and it is not likely that this condition can be changed soon. As the tariff on raw material is transferred to the consumer, a vote in favor of a tariff on raw material is, in effect, a vote to increase the tax upon the consumer and, as comparatively few are benefited by the tax on raw material, as compared with the number burdened by the tariff on the manufactured article, a tariff on raw material can not be defended on the ground that it is a benefit to a majority of the people. The only people benefited by a tariff on raw material are the people engaged in the production of the raw material, and the fact that they happen to live in the western states is no justification for the tax, because there is scarcely a western state in which a majority of the people are engaged in the production of any raw material that can be protected by a tariff. If a majority of the American people were in a position to be benefited by a tax on raw material, it might be argued with more justice that a tax on raw material would, to some extent, off-set the tax which they have to pay on account of the tariff on manufactured articles, but as comparatively few produce a raw material, the price of which can be increased by a tariff, the attempt to help them by a tax upon raw material results in increasing their burdens.

For every farmer benefited by a tariff on hides or on wool many farmers are burdened because of the tariff on these raw materials, therefore a tariff on these articles can not be said to benefit the farmers.

As has been shown in former editorials, the tariff collected on raw material is but a small part of the increased price collected on domestic raw material by domestic producers through the operations of the tariff. From a purely revenue standpoint, therefore, the argument fails. It betrays a confusion of ideas to defend as a REVENUE tariff a tariff which enables the protected interests to collect MANY dollars for EACH dollar collected by the treasury department.

The steel trust, for instance, will be able to collect from twenty to thirty times as much from the people on domestic iron ore as the government will collect through the tariff on imported iron ore.

But there is another objection to Senator Bailey's position which can not be overlooked

by those who are seeking to relieve the people from the iniquities of a high tariff, namely, that every attempt to extend the benefits of protection—even incidental protection—INCREASES THE NUMBER OF THOSE WHO FEEL A PECUNIARY interest in the protective system. In the Fifty-second congress an attempt was made to put wool upon the free list. The advocates of a high tariff became very much alarmed and warned the manufacturers that if they dared to favor free wool in the hope of getting cheaper raw material they would risk the overthrow of the entire system of protection by alienating the wool growers. The warning was a logical one and it was effective. The beneficiaries of protection must "hang together or they will hang separately." If there were no other reason for putting hides, lumber, wool and other raw material on the free list, a sufficient reason would be found in the fact that it would decrease the number of persons who find a pecuniary interest in supporting the policy of protection. The sooner we can get the wool growers, the producers of hides, the producers of lumber, the producers of iron ore and other producers of raw material out from behind the protection breast-works, the sooner we may hope for effective tariff reform.

Senator Warren, of Wyoming, in discussing the duty on hides said recently that the policy of free raw material would, if adopted, be the death knell of the protective system and Senator Carter on the same day warned the eastern republicans that the farmers would not be willing to buy in a protected market if they had to sell in a free trade market. Surely the democrats ought to be willing to have the "death knell of protection" sounded; surely they ought to be anxious to have the farmers admitted to the ranks of the tariff reformers.

If Senator Bailey, instead of desiring reduction, desired to maintain the high tariff, he could not possibly find a more effective way to strengthen the high tariff system than by increasing the number of those who look to it for benefits, avowed or incidental. According to his estimate the tariff on lumber will yield a revenue of something less than one and three quarter millions a year, and the tariff on iron ore, according to the estimate furnished by others, will yield a revenue of about one quarter of a million—less than two millions would be derived from these two items—and yet the democrats who voted for a tariff on lumber and iron ore have injured the consumers to the extent of many, many millions, for their votes are being used and will be used to offset the criticism of the republican leaders. The democrats who have voted for tariff on lumber, iron ore and other raw materials have paralyzed their usefulness, as tariff reformers. By voting to retain rates which a number of prominent republicans wanted to reduce, they have given the republicans a club which will be used against our party in the coming campaign. It is "sparing at the spigot and wasting at the bung-hole" to haggle over the little revenue derived from the tariff on raw material when the attempt to retain this revenue makes it more difficult, if not impossible, to lessen the tariff burdens that the people are bearing.

Senator Bailey is a great lawyer and one is astonished to find that he attempts to justify the refusal to put lumber on the free list on the ground that lumber constitutes but TWENTY PER CENT of the cost of building a house and that there is a thirty-six per cent duty on other material used in house building. Lumber constitutes a larger proportion of the cost of barns and fences, but it is neither logical or reasonable to say that we will refuse a SMALL reduction on lumber merely because we can not get a reduction on other things. The proposition, as Mr. Bailey states it, is that if we can not MAKE the protectionists reduce the THIRTY-SIX PER CENT tariff on EIGHTY PER CENT of the material entering into home-building, we will not ALLOW them to reduce

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