

The Tariff-Free Raw Material

[Speech of Hon. William R. Smith of Texas, in the House of Representatives, Tuesday, December 13, 1910.]

The house being in committee of the whole house on the state of the union for consideration of the bill (H. R. 29157) making appropriations for the payment of invalid and other pensions of the United States for the fiscal year ending June 30, 1912, and for other purposes—Mr. Smith of Texas said:

Mr. Chairman: The republican party met in national convention in June, 1908, and, in obedience to an almost universal demand of the American people, declared "for a revision of the tariff by a special session of congress immediately following the inauguration" of the president then to be elected. During the campaign which ensued the republican leaders, including their nominee for the presidency, asserted over and over again that the revision which their platform declared for meant a revision downward, and that if the republican party was again intrusted with power such revision would be made.

Relying upon these promises the people again placed the republican party in power, giving it the presidency and both houses of congress by unusually large majorities.

Immediately after the new president was inaugurated he called the congress together in special session. But this was as far as the party went in carrying out its promises to the people. Congress revised the tariff, but not in accordance with republican promises. The revision was so slight that experts differ as to whether it was an upward or a downward revision. But whether upward or downward, it was not substantial. All agree it did not fulfill the promises of the party or meet the demands or expectations of the people.

It completely fulfilled the prophecy of the democratic party, announced in its platform, that the people could not safely trust so important a work as a revision of the tariff "to a party which is so deeply obligated to the highly protected interests as is the republican party."

And in consequence, at the election recently held, the people gave expression to their disappointment and displeasure by administering to the republican party such an overwhelming defeat as it has not had for many years.

The revision of the tariff now having been intrusted to a democratic house of representatives, it is not out of place to begin the discussion of some of the more important questions which are sure to arise when that work is taken up in detail. A tariff only for revenue is the time-honored democratic position, and I have the right to assume that when the country commissions a democratic house of representatives to revise the tariff we are expected to reduce it to a revenue basis.

But whether we should make such reduction at once or only gradually, or whether it shall be done by a general revision or by the revision of one schedule at a time it is not my purpose to discuss on this occasion. My remarks now shall be directed especially to the question as to how the duties must be laid under a revenue tariff system, so as not to handicap or injure any of the industries of the country.

I shall undertake to show that this can be done only by placing the raw materials of manufacture on the free list. I shall undertake to show that without the importation of such raw material free of duty a tariff only for revenue as contra-distinguished from a tariff for protection is impossible without disaster to many of our industries, from which it will follow that the free raw material doctrine is the true democratic doctrine.

I shall also undertake to show that the democratic party has never taken a position against this doctrine either before or since the Cleveland era, as has been charged in some quarters, but, on the contrary, that party and its leaders have on many occasions emphatically declared for that doctrine.

First, let us see what is meant by raw material as it is used in the discussion of tariff legislation. David B. Hill defined it to be "a production which is in its lowest and crudest form when it enters into commerce." And as examples he mentions coal, iron ore, and lead ore. Of course we all know that raw material is largely a relative term, for often one man's raw material is another's finished product. But

in tariff discussion raw material is understood to be those great crude materials, such as coal, iron ore, lumber, and so forth, which enter into and are the very bases of manufacture generally.

Mr. Chairman, there is an imperative reason why raw material should be admitted into the country free of duty if only a revenue duty is to be levied upon manufactured products, and that is because practically all other manufacturing countries admit raw material duty free.

If we levy a tariff upon raw material, we would, to the extent of the tariff, increase the cost of the manufacturers' products into which such raw material is made, and we would thereby handicap the home manufacturer in his contest with the foreign manufacturer in foreign markets. Indeed, the tendency and effect of a tax upon raw material would be to greatly impair and in a great measure destroy the export trade of our home manufacturers.

Moreover, it would give the foreign manufacturer an advantage over the home manufacturer in our own home markets unless a compensatory duty should be levied in favor of the home manufacturer, and if such compensatory duty were levied the cost to the consumer would be increased to that extent.

Other very disastrous consequences would follow the curtailment of our export trade. The demand for our raw material would thereby be correspondingly curtailed and the demand for labor greatly diminished. Every duty levied upon the raw material of manufacture operates as so much protection in favor of foreign manufacturers against our manufacturers both at home and abroad.

On the other hand, the advantages to be derived from free raw material are many. If our manufacturers were not burdened by a tax upon their raw material, they would need no protection, and the duty upon their products could be reduced to a revenue basis. They could go into foreign markets and meet the competition of the world. They could expand their export trade and thereby enlarge the demand for raw material at home, thus giving the producer of raw material a steady market for his product.

They would be enabled to sell to the consumers of this country more cheaply, and under the reduced tariff would be compelled to do so.

Some of the advantages of free raw material were well expressed by Senator Richard Coke in a speech in the senate of the United States on April 12, 1888, when he said:

"Give us free, untaxed machinery and free raw material, such as coal, ore, wool, jute, and other textile products, these being the bases of all manufacture, a tariff devoted solely to raising revenue for the support of the government will doubly protect the American workingman's wages and send our cheapened goods without handicap into foreign markets to meet and defy the competition of the world. All the reasons for placing raw materials on the free list apply with twenty-fold power to the machinery which manufactures it.

"Not one pound of machinery engaged in the manufacture of any article on the dutiable list, nor of raw material entering into any such article, should pay a single penny of tariff tax. All incumbrances, every hindrance, every ounce of weight that can be removed from our products, should be taken away and American energy, resources, invention, skill, and genius given a fair opportunity of winning primacy in the commerce of the world. When this grand consummation shall occur, as it must sooner or later, and the sooner the better, the products of the workingman's labor, no longer confined to the home market as now, with its fitful seasons of high demand and glut, nor to the manipulations of 'combines' and trusts, will find steady sale in all the markets of the world and thus will be insured steady employment to the labor which it creates."

But, Mr. Chairman, notwithstanding the evil consequences which, as I have pointed out, would result from a tax upon raw material under a tariff levied solely for revenue, and notwithstanding the great advantages to be derived from placing raw material on the free list, there are to be found a few democrats, some of them prominent, who insist this raw material shall be taxed so long as a duty is levied upon the manufactured article into which it is made.

This tariff dogma is evidently of very recent origin, for we do not find it laid down in any of the tariff literature of the country. And it

seems also to be purely arbitrary as no one has ever been able to give a satisfactory reason for it.

Why should we arbitrarily say we will never agree to take the duty off raw material as long as a duty remains upon the finished product? Take coal, for instance, which is used in almost every manufacture. Could anything be more absurd than to say that as long as any duty remains upon any manufactured article that coal is used in making we will insist on maintaining a duty on coal? The same may be said of iron ore, lumber, and other raw materials, which are used generally in manufactures.

The advocates of this new doctrine might as well tell us they are not in favor of putting these raw materials on the free list under any circumstances whatever, as a repeal of the duty on all the manufactured articles into which they enter would be a repeal of practically our entire system of tariff laws, which is impossible as long as we must raise a large part of our revenues by tariff taxation.

They tell us that putting raw materials on the free list is only one of the methods of affording protection to the manufacturers, and is therefore a republican doctrine. They utterly fail to draw the distinction between an affirmative act on the part of congress to protect a manufacturer from foreign competition, and a refusal by congress to handicap a manufacturer in his efforts to meet foreign competition, which is wholly a different thing. One is to give the home manufacturer an advantage by putting a handicap on the foreign manufacturer; while the other is to handicap neither, but to give them an equal chance. When two men enter a race it is no protection to one of them to refuse to put a burden upon him. It is only a simple act of fairness and justice.

It is true Alexander Hamilton, in his report on manufactures, recommended the exemption of the materials for manufacturers from duty as one of the means of encouraging and building up manufactures in this country, but in doing this he only pointed out the obvious fact that our manufacturers would stand a better show of success against foreign competition if no handicap were placed upon them by legislation which would add to the cost of their raw material and thereby increase the cost of their manufactures. He was not recommending any advantage over the foreign manufacturer in favor of the home manufacturer. His idea was only to secure equal opportunity for the home manufacturer. However, if free raw material could be properly called protection to American manufacturers, such protection would be infinitely better than protection in favor of foreign manufacturers against our own manufacturers as a tariff upon raw material would be.

Another reason they say they are opposed to free raw material is because it gives manufacturers free trade in what they buy while leaving them protection on what they sell.

Certainly they ought not to complain if our manufacturers should have the good fortune to have free trade in what they buy. Their complaint, then, is necessarily against the policy of leaving manufacturers protection on what they sell. If that is what is proposed, their objection would meet my hearty approval. But such is not the case. The democratic proposal is to put raw material on the free list, and at the same time reduce all protective duties to a revenue basis, which means a competitive basis. Then, under such a system, the manufacturer would not only be able to buy in a competitive market, but he would be required to sell in a competitive market. Those who oppose free raw material seem to overlook the great difference between a competitive market and a protected market, and this seems to result in a great deal of confusion in their own minds.

I am not discussing the republican protective tariff system. The main purpose of that system is to shield the industries of this country from competition from abroad. This is effected by imposing duties so high upon imports that the foreigner cannot pay the duty and compete with our industries. This enables those engaged in home industries to advance prices on their products against our own people and thus make their own business more profitable. It is a taxation of the many for the benefit of the few. It is an exercise of the taxing power of the government for the benefit of private enterprise.

Such a system of taxation is called protection, and the democratic party rightly denounces it as robbery. (Applause on the democratic side.)

Viewing protection from a republican standpoint, of course every fair minded man, it seems to me, would insist that if its benefits are to be