

lower rates. On the other hand where money is scarce, prices go down, products seek higher markets in other localities and the money is thus brought back; thus the vibration continues from side to side until a practical equilibrium has been established.

This is exactly what has happened in this country. The gold which was carried to foreign countries has been brought back by the reduction of the prices of our commodities to rates so low as to successfully meet competition in all the markets of the world; and the impetus thus obtained has continued until in the year 1900 the excess of exports over imports exceeded the sum of \$500,000,000. In the meantime gold has accumulated in the United States beyond the necessities of business, and has thus greatly tended to advance the price of commodities.

Second: When war was declared with Spain, bonds to the amount of over \$200,000,000 were issued by the government, and purchased as a basis for new bank circulation, so that the National bank note circulation has increased from \$235,000,000 to \$368,000,000.

Third: The currency has been further expanded by the coinage of silver heretofore stored in the treasury, to the amount of over \$100,000,000.

Under these conditions money, when compared with commodities, has become the most plentiful and cheap thing owned by the community, its purchasing power has decreased, and all products have either advanced in price, or have maintained prices higher than warranted by increased production in particular lines of industry. When money is cheap and plenty, commodities always tend toward higher prices; and when prices have advanced to a higher stage than normal rates, other markets are sought, money flows to the cheaper markets, production in the home market decreases and prices fall until they reach the lower stage at which home products can favorably compete in common markets. This is the general law, but as will hereafter be shown, it can, in action, be greatly modified by the regulations and burdens which communities impose upon trade.

4. A few weeks ago the present writer had the pleasure of listening to an address before the American Economic Association in Washington, upon a subject entitled "Some Theoretical Possibilities of a Protective Tariff," in which the speaker tried to prove that under certain conditions a protective tariff might increase both the wages of labor and the profits of capital. Probably few would doubt

the truth of this proposition under exceptional conditions. The progress of mankind has been based upon the ability of the race, not to change natural laws, which are immutable, but to direct and modify their action. Thus in agriculture and horticulture, through the destruction of weeds and noxious plants, the forces of nature are concentrated upon those products which are beneficial to man. Thus dangerous animals are destroyed and useful animals preserved and improved; and thus also the mountain torrent is turned aside to run a mill or irrigate a meadow. The forces remain the same but are subjected to his use.

This principle applies to taxation. Every tax upon commodities has its incident. It either raises the cost of production and increases prices, or, when it falls upon the payor alone, which is seldom, impairs his ability to purchase other commodities. In this way the burden of taxation is finally diffused through the community. It has been well said that the power to tax is the power to destroy, and perhaps no evil has been more injurious than the abuse of the taxing power.

Tariffs for "protection" are based upon this incident of taxation. In this country they take the form of duties upon imports from foreign countries, with the purpose, by adding the tax to the value of the articles imported, and thus enhancing the price to the home consumer, of enabling the home producer of the same class of articles to successfully meet foreign competition. They may be, and usually are placed so high as to shut out foreign competition. In that event home consumers are at the mercy of home producers, and the only protection left to the consumer against inordinate prices is possible competition among home producers. If this competition is so intense and efficient as to reduce the prices of the protected product to a level with that of the foreign product, the tariff is useless both for "protection" and revenue, and can only become effective for "protection" by a combination among producers which shall supersede the laws of supply and demand, and create a monopoly in production. In every case the immediate effect is to raise the price to the consumer; otherwise there would be no "protection."

The great abuse of powers of government, and the far greater efficiency of individual enterprise in controlling and directing the action of the forces of nature, has for many years tended to limit the functions of government to national defense and police regulation, and to the removal of obstacles which indi-

vidual enterprise cannot overcome, such as the improvement of harbors and rivers, the erection of light-houses, education on certain lines, surveys of the ocean; and as the writer believes the construction of a canal to connect the Atlantic and Pacific oceans and thus accommodate the commerce of the people living on different sides of the continent. Even the exercise of such power is liable to, and has been the instrument of flagrant abuse. Social philosophy long ago discarded the idea of parental government; and in this country from its earliest origin, all the governments were consecrated to liberty, dependent on the people and limited in their powers, and this was especially true of the national government. Freedom in all directions was the principle; and no infringement thereof was permitted except so far as was necessary for social safety and individual liberty and happiness. No power was granted to interfere with freedom of trade. A power, however, was granted to levy taxes for revenue, and for revenue only. By construction, step by step, this power has been so extended that revenue has become the incident and "protection" the principle of government. Both in nature and in the spirit and letter of our institutions, freedom is the primary principle, which can only be so far modified as ultimately to preserve freedom.

The Dingley tariff act became a law in 1898. Its purpose was both revenue and protection, but the fundamental idea which permeates every clause of the law was "protection," and the average of duties on imported articles is about fifty per cent of the appraised value. In many cases it is prohibitive. The conditions were peculiarly favorable for its immediate success. The reinstatement of credit, the expansion of currency and the stimulus afforded by the Spanish and South African wars had created an unusual prosperity in the staple industries. Hope and confidence everywhere abounded. The ultimate effects of the protective taxation were not only not appreciated, but their immediate effects were still further stimulative to business. The purpose and effect of this taxation was to raise prices, and the secondary effect was to increase cost in nearly all lines of production. In process of time, the burden of taxes upon commodities is diffused through all branches of industry. There is but one partial exception: where a monopoly is so complete that without limit, the producer can compensate himself for increased cost by an additional price for the article produced.

At first increased cost was not no-