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## PROTECTION AS A PUBLIC POLICY

COMPARED WITH THE SYSTEM OF FREE-TRADE OR A  
TARIFF FOR REVENUE ONLY.

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[In reply to an article in *New York Times* of October 28, 1889, by Hon. Hugh M'Culloch.]

**A**FTER THE DEATH of Secretary Folger, Mr. M'Culloch accepted the office of Secretary of the Treasury under President Arthur, and in December, 1884, in his annual report to Congress, he avowed himself an advocate of those doctrines of Free-Trade, which were elaborated carefully by President Cleveland in his message of 1887, and which were embodied finally in the Mills Tariff bill of the Fiftieth Congress. It cannot be said of Mr. M'Culloch that he originated the theories of which he has become a devotee and which are set forth at length in a communication over his own signature and printed in the *New York Times* in its issue of October 28, 1889. Nor could it be maintained, successfully, that these theories are in accord with the opinions of the men who were first called to the administration of the Government. On this point nothing can be more conclusive than the declaration made in the oft-quoted statute of July 4, 1789, the second act passed by the Congress of the United States.

The first section opens with these words:

"Whereas, It is necessary for the support of Government, for the discharge of the debts of the United States, and the encouragement and Protection of manufactures, that duties be laid on goods, wares and merchandise imported; be it enacted," &c. Washington was then President, John Adams was Vice-President, Jefferson and Hamilton became members of the Administration in the month of September following, and in the First Congress there were men who had signed the Declaration of Independence, men who had participated in the war of the Revolution, and men who had taken an active part in framing the Constitution of the United States. The House of Representatives elected a Speaker and a clerk the first day of April, 1789, and on the eighth day of the same month, when there was neither President nor Vice-President nor Senate, the House, under the lead of Mr. Madison, entered upon the consideration of the subject of duties on imports, which ended in the bill approved by Washington July 4, of the same year. Upon a division the bill passed the House by a majority of 41 to 8. The reports of the debate lead to the conclusion that there was no difference of opinion as to the wisdom of affording encouragement to domestic manufactures.

Whatever of controversy there was appears to have had its origin in a difference of opinion as to the degree of Protection that should be accorded. It was also understood on all sides that the pending measure was temporary and experimental. Many articles were mentioned as worthy of Protection—as salt, flax, indigo, rum, hemp and nails. Of the Senate's proceedings there is no record beyond this statement under date of June 11: "The question being taken on the bill it was concurred in with sundry amendments." In the debate in the House reference was made repeatedly to the fact that many

of the States, in their individual capacity, had given encouragement to manufactures, and that in some branches a good degree of excellence had been attained. Many of these articles were Protected by the bill. Salt was assessed at the rate of six (6) cents per bushel, or the present rate substantially, which is eight (8) cents for one hundred pounds. Of the four articles on which duties are levied which Mr. M'Culloch thinks are oppressive to such a degree as to demand from him special attention, salt is at the head of the list. The iniquitous nature of the existing duty is that stated by him:

"*Salt*—Is used by every family in the United States, and immense quantities are used in curing meats and fish. It is produced largely in many States, and the production could be increased to an almost unlimited extent. The duty on salt was, and I think still is,  $39\frac{3}{4}$  per cent. when imported in bags and 69 per cent. when imported in bulk. Very little, of course, is imported, and every one in this broad country who uses salt is taxed not for the benefit of the public revenue, but for the enrichment of a few manufacturers or owners of salt mines."

It is to be feared that Mr. M'Culloch has consulted some ancient Free-Trade authority and overlooked entirely the statute of 1883. If a duty of eight cents per hundred pounds on salt in bulk is equal to an ad valorem duty of 69 per cent., then the cost of salt in places of export is reduced to  $11\frac{1}{4}$  cents per hundred, and to  $19\frac{1}{4}$  cents per hundred pounds at ports in the United States, to which should be added the cost of importation.

Again, by the statute of 1883 the curers of fish and the packers of meats are entitled to a drawback or a remission of duty upon all foreign salt used by them. The country ought not to be much disturbed by this lamentation over the enormity of the duty on salt.

The tax imposed by the statute of 1883 is less

than the tax which was imposed by the statute of 1789, when we consider that the salt used in packing meats and in curing fish is now exempt from duty.

I pass from the discussion of the duty on salt with an observation which is antagonistic to Mr. M'Culloch's article from beginning to end. The question which most concerns the country is not this: Is the duty on salt, or wool, or steel rails, or copper, or blankets, more than it ought to be? but rather this: Is it a wise public policy to encourage and protect American capital and labor engaged in productive industries? If so, then let the friends of that system adjust the duties, not only upon copper, wool, salt, steel rails and blankets, but upon every article of domestic industry, so as to yield the best return in public prosperity—which means a reasonable reward for the use of capital and reasonable wages for the industrial classes. If, on the other hand, the public prosperity can be best promoted by a Tariff for revenue only, then let the country adopt that system. Upon the statement that I have made Mr. M'Culloch must admit that the founders of the Government were not advocates of a Tariff for revenue only.

They needed revenue then much more than we need it now. They came to the administration when there was neither treasure nor Treasury, when there was not a single source of revenue and when the infant republic was under the weight of a self-imposed constitutional obligation to pay the debts created by a war of seven years and by the deficiencies of an unprosperous peace of seven years more. It was not Alexander Hamilton, who only came to the head of the Treasury in the month of September following, but it was the Congress of 1789, under the lead of Washington himself, that touched the dead "corpse of the Public Credit and it sprung upon its feet." If ever there was a time when the country

needed a Tariff for revenue only, or if ever there was a time when a Congress could have been justified in establishing such a Tariff, the first Congress could have been so justified in the year 1789. That that Congress did not even consider the propriety of enacting a Tariff for revenue only is evidence, conclusive evidence, that the Free-Trade dogma of the present day had then no followers among the representative men of the new republic. It may be true, however, that Washington and the statesmen of his generation were in error, but the burden of proof is upon those who deny the wisdom of their policy. Mr. M'Culloch does not venture as far as that. Dealing with the entire century of our national life, he seems anxious to rescue himself and to avoid an irrevocable committal either for or against the protective policy. His reserve ends, however, when he deals with the present and the future. This is his language: "Admitting what I am not disposed to deny, *that protective duties were once needed to induce capitalists to put their money into manufactories, it is very clear to my mind that, as this object has long since been accomplished, the continuance of such duties is not only unjust to the great body of consumers, but prejudicial to the best interests of the country.*" I have italicized a part of this quotation, and with some force of emphasis I say that it would be unjust to attribute to Mr. M'Culloch the opinion and purpose which his language imports. He seems to say, and upon a literal interpretation of his language he does say, that the Government might by a system of Protection induce capitalists to put their money into manufactories, and when that object had been attained—that is, when they had so disposed of their inheritances and gains—the system should be abandoned. This is, in substance, what Mr. M'Culloch says, but I acquit him of the thought and the purpose that are to be deduced naturally from the language that he has used. He meant, probably, to

say only this: There may have been a time when our industries needed encouragement and Protection, but that time has passed. They are now able to take care of themselves. The admission that there was a time when protective duties were needed is an admission fatal to the patriotism or the wisdom of the great party with which Mr. M'Culloch is now identified in his assault upon the protective system. From the middle period of Mr. Calhoun's career and with much wearisomeness of detail, he and his followers used and urged the arguments and assertions on which Mr. M'Culloch now relies.

As from Mr. M'Culloch's admission it appears that Mr. Calhoun and his followers were in error through a period of half a century and more, it is barely possible that the time has not yet arrived when a system which was once wise and just has become pernicious and dangerous.

In any view of the question the admission puts the burden of proof heavily upon the shoulders of the advocates of Free-Trade.

The last twenty years have added but little to the arguments of the advocates of Free-Trade; but the period has been fruitful in lessons of experience. The war and the accession of the Republican party to power inaugurated a system of Protection to domestic industry which has remained to this day. Of modifications I do not speak. They have not been in the line of Free-Trade. It has been practicable to diminish the burdens of taxation without any impairment of the system of Protection to domestic industry. It is yet practicable to do something more in the same direction. Beyond question the period of which I speak has been the most prosperous period in the life of the nation. Indeed, it may be claimed with confidence that no year can be named from 1789 to 1861 that can bear a comparison with the least prosperous year since the close of the



war. In 1865 the public debts, including the debts of towns, cities, States and the nation, could not have been much less than four thousand million dollars. A million men were without occupation and the major part of them were without resources. There were two fields of labor before them—agriculture and the manufacturing pursuits. In the four preceding years the latter branch of industry had been so extended that employment was furnished readily for a large part of the men discharged from the army. Otherwise they would have been driven to the land. Again, the extension of our manufacturers has created a home market for the products of agriculture. Thus during the period named have these two great fields of industry been worked each to its own advantage and each to the advantage of the other. Except only the fact that since 1861 we have had a liberal and comprehensive system of Protection, there is no public policy to which the prosperity of the country can be referred and which distinguishes this period from like periods of time previous to 1860.

In any view of the subject, it remains for the enemies of the protective system to deny the fact of general and continuing prosperity, as alleged, or otherwise, admitting the prosperity, to show us the sources from which it has sprung. The evidences of prosperity are these: A very important part of the public debt has been paid, probably not less than one-half. The accumulations of capital since 1865 are in excess of all our acquisitions previous to the year 1860. Notwithstanding the additions to the laboring classes by immigration, there has been constant employment, speaking generally, with adequate returns in wages. If there have been strikes and controversies between workmen and employers, they have been occasional only, and neither in extent nor in results do they impair the truth of the assertion that the laborers of the United States are better paid

and more prosperous than the laboring population of any other country. In Free-Trade England there have been strikes on a larger scale than in America, and it is worthy of note that the labor organizations in Great Britain have never even demanded a rate of wages corresponding to the lowest prices paid in America during these twenty-five years for like kinds of service. Further evidence of the general prosperity of the laboring classes is found in the fact that their investments in homesteads and deposits in savings-banks are yearly and immensely augmented and increased.

There is another period of our history which has in it much of the teaching quality. Upon the passage of the compromise act in 1832 the country entered upon a Free-Trade policy from which there was no considerable departure until 1861. I do not pause now to say more of the origin of that policy than to express the opinion that it was designed to check the development of the North, which it was then seen portended the destruction of slavery. To this unsupported statement concerning the origin of the Free-Trade policy in America I add an unsupported conjecture concerning the future. It is this: The introduction of manufactures in the South will be followed by a change of opinion in favor of Protection; and not many years will pass before its advocates will seek an alliance with the negro populations, who from gratitude, if not from their convictions, will sustain the policy with which the Republican party is identified. Thus it may happen that the extension of our manufacturing industries may work the emancipation of the enfranchised blacks from the domination of the remnant of the slave-holding class.

From 1832 to 1842 the country passed through a period of unexampled depression in all business affairs. The act of July 14, 1832, was supplemented by the act of March 3, 1833, and from that time on-



ward each succeeding year until 1842 was an additional step toward Free-Trade, and each succeeding year plunged the country into deeper and deeper distress. In 1840 multitudes of voters, stung by misfortune or assailed by poverty, abandoned their party relations and transferred the Government to men who, in a party point of view, represented only a minority.

The Tariff act of 1842 gave an impetus to business and it seemed to open to the country an era of prosperity, but its repeal in 1846 put the nation upon a Free-Trade policy which continued until 1861.

Mr. M'Culloch is not so young that he cannot recall with accuracy the condition of New England society—not then inferior to the condition of society in other parts of the country—through that long and dreary period. In those forty years there was an improvement in affairs, but it can bear no comparison with the improvement that has been made in any five years of the last twenty.

In the first ten of those years, when we had Free-Trade according to the claim now made by Tariff reformers, and when, indeed, we were in some good degree the rivals of Great Britain upon the ocean, well-trained mechanics received only a dollar a day; farm-hands worked for \$100 or \$120 a year in addition to board; the daughters of New England farmers served in families for a dollar a week; prints and gingham now retailed for ten or twelve cents per yard were sold for twenty-five; coarse woolen and cotton goods commanded twice the present prices; the mass of laborers seldom saw a magazine or new book; farmers clubbed together to pay for a weekly newspaper at a cost of \$2.50 to \$3 per year; and then it was true that boys and young men and old men even were driven in search of employment to the ocean, to the fore-castle, to the perils of the waters and the temptations of foreign lands.

ter. In one single sentence he demands the abrogation of the protective system. All the demands and movements of the Tariff reformers tend to the same result.

It is their *policy* that most concerns the country as distinguished from the effects of a particular measure. Nor is there standing-room for them to claim that they advocate a Tariff for revenue with incidental Protection. They demand the repeal of the duty on wool. That duty answers exactly to the theory of a Tariff for revenue with incidental Protection.

Some wool is imported, some revenue is collected, and incidentally some Protection is given to the wool grower. By the repeal of the duty, as demanded, revenue and Protection disappear together.

An analysis of our system in detail justifies the statement that in the main it is a Tariff for revenue with incidental Protection. An easy and sure test may be applied to every article. It is this: Is the article made in the country and are there importations from other countries?

Upon the concurrence of these two facts it is reasonable to assume that the duty upon that article yields a revenue to the Government and a degree of Protection to the domestic producer.

The language of the statute of 1789 is worthy of further notice in view of the statements made by Mr. M'Culloch in the passage cited. He says: "This object [that is, Protection] has been long since accomplished."

The statute of 1789 among other purposes was formed for "the *encouragement* and *Protection* of manufactures." If we assume, for example, that an industry has been so encouraged by the protective system that the product can be furnished at as small cost in the United States as in any other part of the world, we may well consider whether the duty of the Government toward that industry has come to an end. Upon the information at my command I might

cite the article of printing-cloths as an industry that has been carried to such perfection that the price fixed at Fall River is for the day the basis of the price for the world. If this be so then the rate of duty adds nothing to the price of the cloth.

Why, then, it may be asked, should the duty remain? The answer is on the surface.

The duty is not a burden upon consumers, but its existence is security against the importation of any surplus that may have accumulated in foreign countries during a period of business depression. Such incidents in business are not uncommon, and without the security furnished by a duty an American interest might be prostrated for a time, or even destroyed by a combination of competing producers in other lands. The statute of 1789 looked to Protection as well as encouragement. The spirit of that statute survives in the existing Tariff system.

There are indications in Mr. M'Culloch's article that he accepts the doctrine of incidental Protection, for otherwise there is no ground for the fear that he expresses in this sentence: "There is, I am sure, no risk in predicting that if the present Congress does not revise the Tariff and free it from the features that stand in the way of international trade, the power in the next Congress will be in the hands of those who will push the reform of it to an extreme." If, indeed, it be true that the most important aims of a public policy are the recovery of our ancient standing as a maritime power and the extension of our markets to all parts of the world, and if it be true also that the abolition of the protective system is the only means of attaining those desirable results, ought Mr. M'Culloch and those who agree with him that the object of Protection "has been long since accomplished" to shrink from the application of the remedy? The passage quoted contains a threat and it implies a fear—a fear that the full application of the

doctrines of Free-Trade will produce disastrous results. If Mr. M'Culloch dare not accept the application of his own doctrines in full measure, what assurance can he give the country that the application of his doctrines in a lesser degree may not prove pernicious? If Mr. M'Culloch's demand upon the present Congress is limited to a revision of the Tariff upon the basis of continuing Protection to the great interests of the country, including wool and other articles termed raw materials, then the friends of Protection are with him, and he may dismiss his fears as to what the next Congress may do. If, however, he demands, as I suppose he does demand, the removal of the duty from agricultural products generally, then I see not why in principle he does not go as far as it will be possible for the reformers to go in the Fifty-second Congress. Is there any good reason why a Free-Trade policy should be applied to the products of agriculture and not to the products of the mines and mills as well? If wool is to be free then why not coal and iron? If wool, coal and iron are to be free then why not every product of wool, coal and iron?

It is not difficult in practice to find the line between a Tariff for revenue only and a Tariff for revenue with incidental Protection. Assume that an English iron-master can lay down a ton of pig-iron in New York at a cost of fifteen dollars. Assume that it will cost a Pennsylvania iron-master twenty dollars. Upon the basis of a duty of six dollars per ton the Pennsylvanian would have an advantage of one dollar, and importations would not be made until the price advanced to twenty-one dollars or more and the revenues consequently would be only moderate. If, however, the duty should be fixed at four dollars per ton the Pennsylvanian would be driven from the field, the country would be supplied with foreign iron and the gross revenues would be largely in excess of the revenues derived from a duty of six dollars. From

this illustration it follows that a Tariff for revenue only and a Tariff for revenue with incidental Protection are inconsistent policies. It follows, further, that a system of duties must be framed on the line of Free-Trade or on the line of Protection to domestic industry.

A double-headed policy is impossible.

The promise of the markets of the world is but a delusion. If by Free-Trade, the reduction of the wages of labor and the consequent reduction in the cost of manufactures, we should reach a condition of aggressive competition with the industries of other countries, their markets would be closed wholly or partially by the adoption of the policy which we are now invited to abandon. As to our leading agricultural products, cotton, wheat, corn, beef and pork, there are no restrictions upon trade that are due either directly or indirectly to our protective system. If India, Egypt and Russia are competitors in any or all of these departments, and if in the future their competition is likely to be more serious, then with additional reasons we ought to adhere to a policy which encourages and increases the domestic demand. As to textile fabrics and manufactures of metals, we neither have nor can we expect to have a market in any European country. The reformers undervalue our own market and they overvalue what they are pleased to call "the markets of the world." The United States contains about one-twentieth of the population of the globe—an enterprising, prosperous, rich population. Its purchasing and consuming capacity is certainly more than one-tenth—it is probably more than one-eighth—of the purchasing and consuming capacity of all the inhabitants of the globe. The value of our markets may be noticed and even measured by the avidity with which the organs of public opinion in England accepted President Cleveland's message and the Mills bill as evidences that a market was to be opened that

would affect favorably all the industries of the British Isles. We are invited to surrender this market to the free competition of other countries upon the untrustworthy promise that the markets of the world shall be opened to America, but only upon the condition—the necessary condition—that our laboring people will accept the rates of wages paid in other countries.

Without exaggeration it may be claimed that the protective system has stimulated the inventive faculties of our artisans and mechanics. In the last five and twenty years the development of our industries has been such that there has been a ready and remunerative demand for every device which promised to lessen the cost of production. The result is seen in the number of patents issued in the period previous to 1861 as compared with the number issued since that date. The whole number of patents from 1790 to the first day of January, 1861, was 43,266, or an annual average of 609; while from January 1, 1861, to January 1, 1888, the patents issued aggregate 371,130, being an annual average of 13,742. These inventions have been made because the inventors saw before their eyes a promise of reward in their adaptation to mechanical and manufacturing pursuits; and by their adaptation the cost of production has been so diminished that in a small number of articles we may withstand if we cannot defy competition. Mr. M'Culloch says that steel rails can be made as cheaply in the United States as in any other part of the world. If this be so the result is due to the inventive faculty of our people. Again, if this be so, there is no occasion to remove or modify the duty, inasmuch as we may rely with confidence upon domestic competition to reduce the price in the market to the minimum compatible with the cost of labor. Further, if this be so, the time is not distant when we can send steel rails into all the markets of the world in competition with the manufacturers of England and Belgium.



It appears, therefore, upon the allegation—not the admission—of Mr. M'Culloch that in a leading branch of industry we are on an equality with competing nations; and he must admit this achievement has been reached under the protective system and without any impairment of the wages of labor. What Mr. M'Culloch asserts of steel rails may with truth be asserted of some other manufactures, few in number, to be sure, and less important, but the facts justify an important inference: *That under the protective system we may acquire a footing in the markets of the world while we retain a monopoly in the United States.*

In the preparation of this paper it has been my purpose to confine myself to the consideration of the system of Protection as a public policy, and to compare or contrast it with the system of Free-Trade or a Tariff for revenue only.

A system should be judged by its results as affecting the fortunes of all classes.

Has the protective system yielded a return in general prosperity? The answer is in the history of the country for the last seven and twenty years, intensified by a reference to its history from 1832 to 1861.