

sity for two Republican parties." The one we have is bad enough. Another could not make it worse and would not make it better. Let us have a Democratic opposition which is less solicitous about winning and more solicitous about being truly democratic.

### FREE TRADE THE ONLY TARIFF ISSUE.

When the tariff question last attracted the attention of the American people, the Democratic party played politics with it.

Though this party then faced toward the free trade policy, it differed in declared principle only a little, and in practical purpose still less, from the Republican party, which boldly advanced the Chinese doctrine of commercial restriction. Both were protection parties, but with a marked tendency on the part of one to become more intensely protection, and a slight tendency on the part of the other to get away from protection. Accordingly, while the Republicans in 1888 and 1892 were demanding extensions of the "American doctrine" of "the home market for the home producer," and denouncing free trade as a device for flooding the country with the "pauper goods" of Europe, the Democrats, clamoring for "tariff reform," were as vigorous in protesting that "tariff reform is not free trade." And when they came into power they proved their fealty to the Republican policy by only slightly cutting down the Republican tariff and protecting special interests about as faithfully as the Republicans had done it.

In consequence of this protection policy, espoused and led by Gorman, coupled with President Cleveland's abandonment of the tariff reform issue, upon which he had been elected, and his precipitation of the money issue, upon which he had not, the tariff question was shelved at the next presidential election and the coinage question took its place. But now that the coinage agitation has subsided, the enormous production of gold having met the economic demands of the silver coinage propagandists, the tariff question is reviving. Even the Republicans are quarreling about it, and Democrats

everywhere are displaying renewed interest in it.

This situation makes it important to warn Democratic leaders who are warming up to the tariff question, that they cannot play politics with it a second time. "Tariff reform" can never be an issue again. The mildest form the tariff question can take in American politics hereafter, is protection versus tariff for revenue only. And tariff for revenue only will be admissible, not as an economic principle, but as an undisguised step in the direction of free trade. The Democratic policy must be unmistakably and unreservedly for the greatest measure of free trade that the revenue clauses of the constitution permit.

How radical a measure of free trade the revenue clauses of the constitution do permit is to some degree an open question. They certainly permit free trade to the extent of tariffs for revenue only. But a tariff for revenue, while vastly better than one for commercial restriction, would be open to all the objections to indirect taxation. It would operate unfairly with reference to individuals and classes; and it would tax the people without their knowing that they were taxed, which would tend to foster corruption in public expenditures. In addition it would offer a constant temptation to special interests corruptly to influence Congress to make the revenue tariffs incidentally protective to them, which sooner or later would be certain to revive protection as the primary purpose of the tariff. A tariff for revenue is the mother of tariffs for protection.

Tariffs for revenue ought, therefore, to be abolished, if the constitution permits. That is to say, if there is any other constitutional method of easily and securely obtaining ample Federal revenues, it ought to be adopted, and the whole unfair, restrictive and corruption-breeding customs tariff be wiped out.

Of the desirability of getting rid of custom houses there can hardly be two opinions. Spoils hunters would, of course, object. So would certain business interests which would be thereby deprived of the indirect subsidies they now enjoy at public expense through protection. But it

would tend to make commercial intercourse as frictionless and profitable between this country and others as it already is between the states of the Union, and that would be universally beneficial. But whether revenue could be raised without custom houses is the real question.

The most direct and fairest source of revenue would be an ad valorem real estate tax exempting improvements. This would fall upon tax payers in proportion to that part of their income which they do not earn, but which is due to the growth and prosperity of the country as a whole; and as the largest unimproved values are in cities and mining regions, and in the franchise values of railroads, the farming and small home-owning classes, whose incomes are almost wholly earned by themselves, would pay but little.

But fiscal experts say that this tax could not be levied fairly for Federal purposes, because it is a direct tax, which must be levied upon the states in proportion, not to their wealth, but to their population. It is doubtful if that objection is sound. The direct tax mentioned in the constitution does not mean direct in the economic sense, but in a legal sense, which is determined by the context and the history of the limitation. This limitation grows out of the slavery question, and the term "direct" is qualified by the term "capitation" in the same clause, thus suggesting that by "direct tax" is meant one that is somewhat of the nature of a poll tax. The Supreme Court has not so decided, and its decisions would not warrant the adoption of the tax above suggested, irrespective of population; but Supreme Court decisions on public questions have always depended and depend now upon the political predilections of the judges. It is no wild prophecy, therefore, to predict that under favorable circumstances an ad valorem real estate tax, with improvements exempt, would be held to be constitutional, though levied without regard to population.

But the Supreme Court has at any rate gone so far as to hold that some taxes which are direct economically, are not direct within the meaning

of the revenue clauses of the constitution; and, as we are advised, one class of taxes which, though economically direct would be regarded as legally indirect, and therefore leviable regardless of population, would be taxes on corporation values.

Assuming this to be so, an ample Federal revenue ought easily to be collected at the expense of the trusts, and the obstructive and corrupt customs system be wholly abandoned.

The total Federal expenditures for the fiscal year ending June 30, 1901, were \$509,983,310.39. Since then they have averaged \$39,862,499.97 a month, or at the rate of \$478,349,999.64 a year. If we estimate Federal expenditures, then, at \$500,000,000, in round numbers, we shall be making a liberal allowance.

Of that sum the customs tariff yielded for the fiscal year ending June 30, 1901, \$238,786,740.89, and since then a monthly average of \$21,102,957.02, being at the rate of \$253,235,484.24 per year. We may, therefore, regard customs duties as supplying an annual revenue in round numbers of \$250,000,000, or one-half the total expenses of the general government.

Now, that this customs revenue could be abolished and the amount it yields be raised by a simple, economically direct, non-corrupting and easily collected tax upon trusts, appears from an estimate by Prof. Edward W. Bemis, of the market value of the principal monopolies and trusts. Prof. Bemis puts it at over \$19,931,000,000 — in round numbers, not less than \$20,000,000,000. Following are the details—

Private water companies.	\$931,000,000
Street railways .....	2,113,000,000
Gas companies .....	510,000,000
Electric lighting companies .....	500,000,000
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Total city monopolies except telephones ....	\$3,423,000,000
Telegraph and telephone companies .....	600,000,000
Express companies .....	100,000,000
Trusts .....	500,000,000
Railroads .....	10,808,000,000
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Total .....	\$19,931,000,000

It will be observed that all these concerns (except the trusts, so named) are special privilege corporations. That is, they own special priv-

ileges conferred by and belonging of right to the people; such as rights of way for the distribution of water, gas and electric lighting, and for the operation of street cars and railway cars. These privileges are, indeed, by far the most important factors in their value. To realize this, one has but to imagine the destruction of the entire plant of any water company, street car company, railway company or the like. The remaining property, consisting of nothing whatever but some such public privilege as a right of way, a mere legal power to levy toll, will still have great value—in most cases far greater value than the cost of restoring the plant. And as to the trusts, those so named in the foregoing table, if they were particularized it would doubtless be found that they, too, derive most of their value from special privileges of some kind, enjoyed either directly from the public, as in the case of railroads and street railways, or indirectly, as in the case of those express companies which depend for their value mainly upon exclusive railway privileges.

A tax upon corporations of this kind, therefore, would be a tax upon business only in minor degree. It would in the main be a tax upon the value of the special privileges. And  $1\frac{1}{4}$  per cent. upon these trust values, considering only those discovered by Prof. Bemis, whose estimate does not cover the whole field, would raise enough revenue to replace the customs tariff. Less than  $2\frac{1}{2}$  per cent. would supply all the tax revenues required by the Federal government.

We do not suggest this trust tax for immediate action by Congress, nor for immediate adoption by the Democratic party as a proposed substitute for customs revenues in order to secure free trade. It would probably be impossible to induce such action now, and the energy necessary to force it upon a party or upon Congress might secure a better substitute.

But since this method of raising Federal revenues by taxing trusts directly, instead of the people indirectly, by taxing privilege values instead of industry values, is available, let no one venture, hereafter, to oppose the policy of free trade as constitutionally

impracticable. Free trade is practicable, and the privileged classes must be made to understand that it is to be pushed on to complete establishment.

Every Democratic congressional convention this year ought to demand in unmistakable terms "the fullest measure of free trade that the constitution permits." Recognition of that principle secured—and what Democrat dare openly oppose it—and the road to absolutely free trade would be open.

## NEWS

In consequence of the resignation of the Waldeck-Rousseau ministry, and the declination of Henri Brisson to undertake the organization of a new one (p. 140), the president of France has placed that honor and responsibility upon M. Combes, a radical republican senator and former vice president of the senate. M. Combes accepted the appointment on the 5th. His official position in the new cabinet is minister of the interior and of public worship. The other portfolios are distributed as follows:

Justice, Senator Valle, radical republican; foreign affairs, M. Delcasse, republican; war, Gen. Andre; marine, M. Pelletan, socialist; public instruction, Senator Chaumie, republican; public works, M. Maruejous, radical republican; colonies, M. Doumergu, socialist; commerce, M. Trouillet, radical republican; agriculture, M. Mougeot, republican left; finance, M. Rouvier, republican.

The ministers were formally commissioned by the President on the 7th.

Alsace-Lorraine, the territory acquired from France by Germany as a result of the war of 1870, is about to be relieved of the dictatorial government imposed by Germany in order to suppress agitations in favor of restoration to France. Although the German constitution was extended to Alsace-Lorraine on the 1st of June, 1874, the country has been treated as imperial territory and its administration placed under a governor general called the "statthalter." He is in fact a military governor with power to suspend the laws in his own discretion. This condition is about to be modified and the loyalty of the people to Germany recognized