

PROTECTIONISM AT WORK.

As Described by a Protected Manufacturer Who Is Also a Protectionist Republican.

There is a Republican manufacturer at Racine, Wisconsin, who frankly tells how protection laws are made and somewhat of how they work. He is H. E. Miles, whose standing in business circles is well vouched for. Last year (whether this year or not we are uninformed) he was vice-president and a director of the National Association of Manufacturers. He was also chairman of that association's committee on the tariff. It was in connection with his duties on this committee that Mr. Miles learned the facts which, as "a protectionist, a manufacturer and a Republican," as he describes himself, he disclosed in the September (1908) *Annals of the American Academy of Political and Social Science.* Here are some extracts:

I went with certain data to the man probably most responsible of all for the present tariff situation. Said he, "Do you think we don't know? Take Senator ———, of ———, for instance. He held up the Dingley bill till we gave him and his pals a wholly unwarranted tariff on borax worth to them over \$5,000,000 in money. We had to have his vote!" And so it is that Nevada borax, the most easily mined and the best deposits in the world, is "protected" against inferior foreign deposits, and that the retail price of borax in England is 2½ cents a pound, while in the United States it is 2½ cents plus the 5 cents duty, or 7½ cents. This Senator quickly sold the mines to an English syndicate for \$12,000,000. What he sold was incidentally the mines, and in principal part, the right to tax the American people, by act of Congress, 5 cents per pound, or 200 per cent on its borax over and above a fair price.

This man (the Congressman quoted on borax) knows that when the Dingley bill was passed, the cost of the manufacture of steel rails was \$12 per ton in Pittsburg and \$16 in England; ocean freight was, and is, about \$3.50, making \$19.50 the English cost delivered in New York, or 63 per cent above the Pittsburg cost. . . .

Not long after the passage of this bill steelmakers, guided by Wall street promoters, put about one billion dollars of water into one corporation, and partly, at least, by the powers given to them in that tariff by Congress and the President, they have transfused the wealth of the people into that watered stock, in an amount not less than \$1,000,000 per week, until it has become a most substantial property. . . .

Americans owning factories both in the United States and in Canada are buying Pittsburg steel cheaper for their Canadian factories, and are supplying foreign markets from Canadian factories formerly supplied from the United States. Leading political manipulators, sometimes called statesmen, and even protectionists, knowingly made all this possible in the name of protection to American industries and labor.

Or consider pig iron. The wage cost at the furnace of converting the raw materials there assembled into pig iron is, as stated by Mr. Schwab, 41.1

cents per ton of pig produced. Indeed, Mr. Schwab says that this covers, at the best furnace, also maintenance and overhead expenses. . . .

In utter disregard of the principle of protection, Congress, under the influence of John Dalzell and in the name of the principle thus set at naught, put a duty of \$4.00 per ton on pig iron—a duty about ten times the total wage cost of production at the furnace.

The next greatest industry after iron and steel is textiles, with an output, as I remember, of about \$800,000,000 per annum. The provisions of the textile schedule pass all belief. No industry more clearly deserves and requires protection. No industry has less need of devious and unfair rates and methods. The output of all the woolen mills of Massachusetts by a recent census, is of the yearly value of \$200,000,000. The wages in the mills total \$50,000,000, or 25 per cent of the output. Wages are there 60 per cent higher than in Great Britain, which would make the British rate 16 per cent of the output on the basis of American values. The difference in wage cost is therefore 9 per cent. It would seem that twice this 9 per cent, or 18 per cent, would be moderately protective, and three times, or 27 per cent, almost liberally protective, with some allowance possible, to the wool grower. But the rates run from 75 per cent to 165 per cent. . . .

Reference may also be made with propriety to pressed glass, which is made so cheaply in the United States that it is exported to places of foreign manufacture and there sold at better than American prices. The leaders in that industry were invited by Mr. McKinley to write their own schedules for the McKinley bill, "and to make them fair." This was, and is, quite the common practice. The committee of glass men, thus placed upon honor, put pressed glass on the free list. But it appeared in the law finally at 65 per cent duty. Evidently greedier men secured the change, and with the proof of their unfairness already before Congress. . . .

Congress might almost as well decide that there shall be no competition as to give, as it now does, to shrewd American business men rates that are practically prohibitive of imports upon billions of dollars' worth of the requirements of the people. In my own business, for instance, a protection of 15 per cent to 25 per cent is necessary, but Congress gave us, under an omnibus clause, 45 per cent. In doing this it permitted, if it did not invite us, to consolidate, and to add to our sales prices about 20 per cent and treble our profits, possibly quadruple them. At any rate the strong arm of the government will not permit of foreign competition, and so by our elimination of domestic competition, the people can be put wholly at our mercy to the extent of the excess duty. And this is what has happened with most of the necessaries of life.

In another publication by this protectionist and Republican known as the "Payne Pamphlet," we find the following appropriate addendum to the last quotation above:

"But," says Mr. Payne, "there are trusts in all countries, especially in Germany and in free trade England." Mr. Payne seems not to know that a trust in England must be as good in fact as Ameri-

can trusts are in their prospectuses. They must make their money by their economies. They must sell at the lowest prices that obtain anywhere in the world. If they get above the lowest international price, foreign competition immediately checks their advance.

In Germany, trusts do as in this country, they add all that they can to the price, and take advantage of protection, as of all other opportunities. The price of steel to the German consumer is about the same as in this country, and for the same reason—a trust. On steel plates used in ship building, however, the price in Germany is as low as anywhere in the world, even in free-trade England, and why? Because these plates are on the free list and the German trust must make the international and lowest price because of the open market. . . .

The moral side of this issue will not down. No one can speak of it without regret and unhappiness. It is a pleasure to use the clear and sober language of that most august of human tribunals, the Supreme Court of the United States: "To lay with one hand the power of the government on the property of the citizen, and with the other to bestow it upon favored individuals to aid private enterprise and build up private fortunes, is none the less robbery because it is done under the forms of law and is called taxation."

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THE WEAKNESS AND STRENGTH OF PROTECTION.

Excerpts on Labor and the Tariff, From Henry George's
"Protection or Free Trade."

I. The Weakness of Protection.

Protectionists claim that it is for the benefit of a community as a whole, of a nation considered as one man, to make it easy to send goods away and difficult to bring them in.

Let us take a community which we must perforce consider as a whole—that country, with a population of one, which the genius of Defoe has made familiar not only to English readers but to the people of all European tongues.

Robinson Crusoe, we will suppose, is still living alone on his island. Let us suppose an American protectionist is the first to break his solitude with the long-yearned-for music of human speech. Crusoe's delight we can well imagine. But now that he has been there so long he does not care to leave, the less since his visitor tells him that the island, having now been discovered, will often be visited by passing ships. Let us suppose that after having heard Crusoe's story, seen his island, enjoyed such hospitality as he could offer, told him in return of the wonderful changes in the great world, and left him books and papers, our protectionist prepares to depart, but before going seeks to offer some kindly warning of the danger Crusoe will be exposed to from the "deluge of cheap goods" that passing ships will seek to exchange for fruit and goats. Imagine him to tell Crusoe just what protectionists tell larger com-

munities, and to warn him that, unless he takes measures to make it difficult to bring these goods ashore, his industry will be entirely ruined. "In fact," we may imagine the protectionist to say, "so cheaply can all the things you require be produced abroad that unless you make it hard to land them I do not see how you will be able to employ your own industry at all."

"Will they give me all these things?" Robinson Crusoe would naturally exclaim. "Do you mean that I shall get all these things for nothing and have no work at all to do? That will suit me completely. I shall rest and read and go fishing for the fun of it. I am not anxious to work if without work I can get the things I want."

"No, I don't quite mean that," the protectionist would be forced to explain. "They will not give you such things for nothing. They will, of course, want something in return. But they will bring you so much and will take away so little that your imports will vastly exceed your exports, and it will soon be difficult for you to find employment for your labor."

"But I don't want to find employment for my labor," Crusoe would naturally reply. "I did not spend months in digging out my canoe and weeks in tanning and sewing these goat-skins because I wanted employment for my labor, but because I wanted the things. If I can get what I want with less labor, so much the better, and the more I get and the less I give in the trade you tell me I am to carry on—or, as you phrase it, the more my imports exceed my exports—the easier I can live and the richer I shall be. I am not afraid of being overwhelmed with goods. The more they bring the better it will suit me."

And so the two might part, for it is certain that no matter how long our protectionist talked the notion that his industry would be ruined by getting things with less labor than before would never frighten Crusoe.

Yet, are these arguments for protection a whit more absurd when addressed to one man living on an island than when addressed to sixty millions living on a continent? What would be true in the case of Robinson Crusoe is true in the case of Brother Jonathan. If foreigners will bring us goods cheaper than we can make them ourselves, we shall be the gainers. The more we get in imports as compared with what we have to give in exports, the better the trade for us. And since foreigners are not liberal enough to give us their productions, but will only let us have them in return for our own productions, how can they ruin our industry? The only way they could ruin our industry would be by bringing us for nothing all we want, so as to save us the necessity for work. If this were possible, ought it seem very dreadful?

II. The Strength of Protection.

The fallacies of protection draw their real