THE VISIBLE AND THE INVISIBLE IN PROTECTION.

THE burden of a tax is to be gauged by the proportion which it bears to the rate of profit that may be gained from the use of the thing taxed, either in the production of some new form of the thing itself, or in the production of some other article of which the thing taxed is a component part.

The value of the thing taxed and the tax itself may each constitute but a small proportion of the cost of the final product, while yet the proportion which the tax may bear to the profit or income upon the capital used in the process of final manufacture may be such as either to break down and utterly destroy a business established before the imposition of the tax, or else to prevent its establishment in the state or country imposing it.

No domestic product of any importance is possible in a civilized country, except it include as an element of cost, either in itself or in the process of its production, some elements of foreign origin; and the burden of a tax upon the article of foreign origin is in the proportion which it bears to the profit and not to the gross value of the domestic production.

In view of this principle, the proper discrimination to be used in imposing taxes upon commodities is, to sort them into two distinct classes; comprising respectively those articles which are of necessary use in the processes of domestic production, and those which are of voluntary use on the part of the consumer.

In accordance with the rule that it is fit to take, under the necessity of taxation, a small portion of the luxury or even the comforts which men seek as the end of their labor, rather than to impair their means of subsistence, taxes should not be imposed upon articles of the first class, but may be imposed upon those of the second class.

The purpose of this article is to consider the effect of the taxes now imposed upon articles of necessary use of the first class in their relation to profits, and to gauge them in rate, amount, and effect by comparison with an imaginary tax upon an article in universal use on which no tax would be tolerated, if it were proposed.

First, in relation to profits.

In general, it may be said that a prospect or expectation of a profit of ten per cent is sufficient to attract capital and to induce the establishment of any branch of industry not peculiarly hazardous. It may be that this profit can be secured in the manufacture of a product only equal in annual value to the capital invested, in which case the profit on the product must be ten per cent in order to yield that income to capital; or it may be that the annual product is ten times the value of the capital, in which case one per cent profit on the product will yield ten per cent on the capital.

The tendency of all invention and improvement is to reduce the margin of profit on production, while at the same time reducing the amount of capital in proportion to production; hence true progress is perfectly consistent with a larger absolute profit to the capitalist, although he may receive a much smaller relative share of the production in which his capital is employed.

Transportation is but another form of production, different in name, but the same in kind. Let us note some of the changes which have taken place in this matter.

When the Erie Canal was first proposed, it was proved that it would then cost one hundred dollars a ton to transport grain from Buffalo to Albany: hence no movement was possible. Now the grain can be carried by railroad at five dollars a ton, and at that rate yield to some of the owners of the road the largest individual fortunes of the day. The capital invested in old times in baggage-wagons was small, and their owners did not become millionaires, yet it took a very large relative share of the products moved to reimburse the cost even for short distances. Now the capital in railroads is enormous, and a charge of a quarter of a cent a ton per mile by them may decide the question of profit or loss to the farmers and manufacturers who transport their products upon them; while upon their power to exact a quarter of a cent a ton per mile, more or less, may also depend the question of wealth or poverty to those who have invested their capital in them. Friction and cost are synonymous terms, and he who removes friction feeds multitudes. This is the modern miracle.

The capacity of our land is barely conjectured, the application of chemistry to barren soils hardly begun, and Malthus counted without the railroad. Political economy, which treats of these things, is somewhat contemned as relating only to material wants; but the great Teacher fed the multitude when he preached to them, — a lesson which those who pretend to scorn the things of this world might well ponder a little.

Having thus attempted to establish the importance of the little margins upon which prosperity or adversity and the subsistence of multitudes depend, let us proceed to consider the relation of capital to production, and see how prosperity or adversity, both for capitalist and laborer, may depend upon a little margin, often completely absorbed by an unwise tax.

It would be an exceedingly difficult problem to ascertain the exact or even the approximate relation of the capital required in all our mills and shops to the annual value of the products thereof; but it is clear that the works or mills which turn out the largest product in proportion to the capital invested are likely to give employment to the largest proportionate number of artisans, mechanics, or operatives. A very small capital invested in tools for the working of fine steel into finished forms often gives employment to a large number of most skilful artisans, and a very small profit on the finished product yields a large per cent on the capital. Hence, as a tax is a burden in proportion to its relation to profits, it will prove to be the greatest burden where the margin of profit is least; and, by the rule above stated, such a tax becomes an interference most malign with the largest proportionate number of working-people.

For purposes of illustration the rate of freight upon a railroad may be considered in the light of a tax.

Let us suppose two machine-shops established equidistant from the same supply of coal and iron, but supplied by two different railroad lines; the capital invested in each, $ 20,000; the coal and iron demanded by each costing at the mines $ 20,000; the wages paid out by each, $ 40,000.

If the cost of transportation is in each case $ 4,000, then the total cost of the production of either machine-shop will be $64,000, or a little more than three times the capital; and a sale of its product at the net price of $ 66,000 will yield the owner $ 2,000, or ten per cent profit.

Now, if one of the railroads is managed in accordance with the recommendations of the Railroad Commissioners of Massachusetts, with broad and wise foresight, it will carry the coal and iron to one of these machine-shops at the lowest possible rate, which we will suppose to be $ 4.000. This railroad will rely for its profit upon the outward movement of the finished products of the shop, of the people employed therein, and of the great variety of small supplies used by them. This shop will thrive; the place in which it is located will thrive; and the railroad will thrive; in fact, capitalist, artisan, shopkeeper, and railroad stockholder, all co-operating under that law of enlightened self-interest, which is the great and beneficent motive-power of society and of civilization, will prosper together.

But we will suppose that the other

railroad is managed on narrow and unwise principles, or that the State which granted its charter has threatened it with confiscation if it dares to make over ten per cent per annum. Not being controlled by the broad principles of enlightened self-interest, it charges $6,000 a year for the freight of coal and iron. Then the profit of ten per cent upon the machine-shop is all absorbed, the business ceases or drags, the machinists are discharged, and, though the railroad may thrive on its other absolutely necessary uses, it will have failed to confer all the benefit which it might have conferred, with greater profit to its stockholders.

The excess in the charge for transportation is but $2,000, or three and one third per cent on the estimated product of the shop, but it is ten per cent on the investment, and of necessity that capital seeks employment in a State guided by wiser lawmakers and more astute railway-managers.

The import of foreign articles now bears about the relation or proportion to domestic production and consumption of $4,000 to $60,000, or four to sixty in each year. These foreign articles enter, to as great an extent as the cost of railroad transportation, into the cost of all domestic production. These foreign articles are taxed forty per cent, and this tax is increased to fifty per cent by the extra interest and other charges which are involved in its imposition. This tax bears the same relation to the rate of profit on production and on capital that the enhanced cost of railway transportation imposed under our second example would bear, and this tax has the same result upon the employment of capital and of labor. It destroys profit, reduces wages, prevents diversity of employment, hinders home industry, and exposes even the home market to the only foreign competition that can possibly be injurious, — that of foreign works like the woollen-mills of Canada, which our laws have protected into existence, precisely as the unwise railway-management in our assumed case would drive capital into and build up mills and works in other States.

It may be that this assumed case of railway management comes within the category of what the people of Massachusetts have seen, and not within the category of what they have not seen.

Let us, therefore, proceed to draw inductions from the seen to the unseen, and to consider the tax which is imposed upon the people of the United States under the name of a "tariff of duties upon foreign imports."

The annual import and consumption of foreign products in the United States now ranges from $450,000,000 to $550,000,000 in value, upon which import a tax is imposed yielding over $200,000,000 of customs revenue to the government. This import is large in the aggregate, and gives rise to much loose talk about a flood of foreign luxuries, etc. Yet the consumption of articles of foreign origin estimated at cost, free from the tariff tax, is only six or seven per cent of the whole consumption of the people of the United States.

The question is therefore often asked, why duties upon imports are the cause of so much controversy, and why interference, under the name of protection, with so small a part of our whole commerce, should be the cause of so much bitter discussion.

If the consumption of articles of domestic production exceeds that of articles of foreign production in the ratio of fifteen to one, the same relation holds good in the case of domestic exchange, which also constitutes commerce; and it might seem that there ought to be little cause for dispute about so small a matter as the foreign portion of the whole. But in order that the comparative insignificance of foreign commerce may be fully appreciated, let us compare our use of foreign goods with the use of some very common and necessary domestic article.

Let us, however, first consider the assortment of foreign goods, and see of what our flood of luxuries consists. We will name them somewhat in the order of their necessity.

Imports in fiscal Year ending June 30, 1871.

Articles free of duty, consisting of dye-stuffs, guano, rags, raw silk, gums, and other articles of prime necessity in the useful arts	$36,587,737
Animals, grain, fish, vegetables, and other provisions	19,553,726
Coal	1,132,775
Salt	1,254,001
Wood and lumber	9,279,942
Iron and steel, and manufactures of same	43,625,975
Tin, and manufactures of same	12,757,215
Lead, and manufactures of same	3,725,546
Zinc, and manufactures of same	849,441
Brass and copper	880,846
Hides and skins	14,892,987
Wool	9,780,443
India-rubber and gutta-percha	3,004,617
Leather, and manufactures of	10,400,034
Paper and books	1,911,685
Sugar and molasses	74,826,848
Tea	17,254,617
Coffee and cocoa	31,381,388
Manufactures of wool	43,839,839
Manufactures of cotton	29,876,640
Manufactures of flax	18,745,928
Hemp and jute, and manufactures of	9,704,536
Earthen, stone, and china ware	4,681,376
Glass and glassware	4,269,620
Drugs, chemicals, oils, and paints	19,076,316
Clothing and the like	4,824,559
Furs	2,188,825
Fruit and nuts	9,602,630
Spices	2,165,557
Manufactures of silk	32,341,001
Wines and spirits	8,438,507
Watches, jewelry, fancy goods, and other articles of luxury	13,229,829
Tobacco and cigars	6,047,285
Sundries unenumerated	18,091,479
	$520,223,750

It would be difficult to find in this list articles amounting to one hundred million dollars in value, or one fifth of the whole amount, which could, under any pretence, be called "foreign luxuries"; and though this may seem a large sum, it falls into utter insignificance when the fact is stated that this whole flood of luxuries, comforts, and necessities imported from abroad in a single year, and mainly consumed in that year, amounting to over five hundred million dollars in value, does not exceed the value of the milk, butter, and cheese consumed in the same year by the people of the United States. This allegation is based upon the following statements received in answer to an inquiry propounded by the writer to the best authorities in the country.

Commonwealth of Massachusetts.

STATE BOARD OF AGRICULTURE,
STATE HOUSE, BOSTON, November 2, 1871.

MY DEAR SIR: The following is a near approximation to the dairy product of the United States.

Cheese.

Product of, in the United States, in 1860, 103,548,868 pounds.

Product of, in the United States, in 1869, 240,000,000 pounds.

Value of product in 1869, $38,000,000.

Value per pound in 1869, about 16 cents.

Butter.

Product in 1860, 458,827,799 pounds.

Product in 1869, about 700,000,000 pounds.

Value of product in 1869, about $210,000,000.

Average value per pound, about 30 cents.

Value of milk in 1869 not used in the production of butter and cheese, if estimated at a low value at the point of consumption, about $300,000,000.

Total value of dairy product in 1869, estimated, $548,000,000.

Average value of butter in Boston, 35 cents per pound.

Average price of cheese in Boston, 15 cents per pound.

Average price of milk in Boston, 7 cents per quart.

Very truly, etc.,

CHARLES L. FLINT,
President State Board of Agriculture.

EDWARD ATKINSON, ESQ.

Mr. X. A. Willard, of Little Falls, N. Y., President of the State Dairyman's Association of New York, and Lecturer on Dairy Husbandry at Cornell University, gives me the following estimate, premising that prices are now somewhat less than in 1869.

Milk consumed as food at 3 cents per quart	$275,000,000
Butter	195,000,000
Cheese	28,800,000
Condensed milk	1,000,000
Whey and buttermilk used in production of pork	10,000,000
	$509,800,000

There is probably no one better informed upon this subject than Mr. Willard.

Some idea of the aggregate production of the United States can be formed from these figures. If milk in its several forms constitutes one sixteenth of the total expenditure and accumulation of the people for food, fuel, clothing, and subsistence, and for the construction of dwellings, warehouses, mills, and works of every name; then the value of our annual product would be eight thousand million dollars, or two hundred dollars *per capita*. Our dairy product would in such case constitute six and a quarter per cent of the cost of all domestic production and in like manner our foreign import at cost, free of duty, would constitute the same percentage of domestic production. But the cost of the imports being increased forty per cent by the tariff tax, which tax costs the consumer not less than fifty per cent, the true relation of the cost of foreign articles entering into domestic production is over nine per cent of our gross product.

In the fiscal year of which we have enumerated the imports the government collected a customs revenue of $206,000,000, or at the rate of over forty per cent on all dutiable imports. Every dutiable article imported was therefore increased in cost at an average rate of over forty per cent, and consumers have paid that charge, together with the interest, exchange, profit, and other additional items, which would make the cost of the tariff tax of forty per cent at least fifty per cent to the consumer.

Having thus established the relation of the cost of the foreign imports to the cost of milk in its several forms, we now have a standard by which to gauge the burden of the customs tax. The price of milk in the various cities of the country is now about seven cents per quart; suppose it increased to ten and one half cents by a tax. The price of common butter is twenty-five, and of good butter fifty cents per pound; suppose these prices increased by a tax of fifty per cent to thirty-eight and seventy-five cents respectively. The price of cheese ranges from ten to twenty cents; suppose it fifteen to thirty cents, in consequence of a tax. There would surely be controversy, bitter discussion, and perhaps violent resistance, should such a tax be imposed; and yet the general cost of subsistence would be no more increased, while the power of enlarged production would be far less restricted and hampered, by a tax of fifty per cent upon dairy products, than they are now by the tariff taxes imposed on foreign imports. Nor would the burden be distributed more widely. The use of dairy products is no more universal or necessary than the use of most of the articles of foreign import named in our list; and there is almost as much luxurious consumption of dairy products as there is of foreign imports. It may be asserted, without fear of contradiction, that all these articles imported from other countries are as much the product of American labor as the dairy product, or as if they had been raised upon American soil, by the hands of native-born men and women, since every one of them has been or must be paid for by an exchange of some domestic product for it, whether it be cotton, oil, gold, cheese, or wooden clocks; and the only reason why this exchange is ever made is, that we have too much of the things made upon our own soil, and too little or none at all of those things of foreign origin for which we make the exchange. Production is but a *leading forth;* it is but movement. We move the soil of our Southern clime; we move the cotton-seed to the soil, the cotton to the Northern mill, the cloth to the seaboard; then, by the steamship, we move it to where it is more needed than by ourselves; we move back the tea, and the tea is but the final product of the labor of the freedman, the operative, and the sailor, each of whom is or may be our countryman, and each of whom is counted as a representative of home industry.

We have said that a tax of forty per

cent on milk would at once provoke resistance. Why should it be so? Simply because every man would at once see that his cost of subsistence, and therefore the cost of his production, had been increased in the exact sum of the tax. Suppose him to be a shoemaker; he must at once charge more for his shoes, or go without milk and butter; and if one of his foreign competitors should happen to pay no tax upon milk, he can undersell him. Our shoemakers pay no tax upon milk, but they do pay a tax of twenty-five to sixty per cent on articles entering as directly into the production and cost of shoes, such as coal, potatoes, fish, salt, leather, thread, and the like, and they have lost many of their customers. Shall they not be protected by the repeal of such taxes?

Our machinists pay no tax of forty per cent upon milk, but they do pay an equal tax on iron, steel, copper, lead, and the like, and they, too, have lost their customers.

Our ship-builders pay no tax of forty per cent on milk, but they pay an equal tax on iron, lumber, cordage, food, and fuel, and their trade has been utterly destroyed.

A tax of forty per cent on milk would stop the export of cheese. Our farmers and dairymen have succeeded in establishing the manufacture of cheese in such manner, that, although our wages are a dollar a day where the wages of the English farm-laborers are but little above the pauper standard, yet we last year exported, mostly to England, 63,698,867 pounds of cheese, valued at $ 8,752,990; but if we taxed milk forty per cent, that export would cease.

We once established the manufacture of furniture, so that our mechanics, working at $ 2.50 to $ 3 per day, yet supplied many foreign customers; but we have taxed the wood, the varnish, the oil, the paint, the tools, the food, and the fuel of these men forty per cent on all those portions which are of foreign origin, and thus they have lost their customers. Privation of imports is prohibition of exports. Protection to the mechanic is to be found only in the repeal of bad taxes.

Yet it may be said, it has just been proved that foreign articles constitute only six or seven per cent of our total cost; why is a small increase on their cost so disastrous? The answer can only be found in the relation which this tariff tax bears to the average rate of profit to be obtained in any occupation.

It is safe to say that a shop for the manufacture of furniture for export can be established for $ 20,000, from which an annual product of at least $ 60,000 may be turned out; let us suppose this product to consist of such articles as used to be exported to Canada, the West Indies, South America, and Africa, in return for which we received coal, wool, fish, flour, and other articles of like character. Let us suppose that such a shop would require only $ 5,000 worth of articles of foreign origin, such as steel, varnish, paint, Canada lumber, or fish, salt, coal, and other articles of food which constitute a part of the subsistence and therefore of the product of the workmen. Now, if this portion of the cost be taxed, *as it is*, forty per cent, under the Tariff Act, then its cost is increased $ 2,000. Not much, it may be said, on a gross product of $ 60,000; but what is its relation to the expected profit of ten per cent on the capital of $ 20,000 uninvested? Has not the tariff tax absorbed the whole? and will not the German or the Canadian who have taken up the furniture export when we taxed it almost out of existence, grow rich on an income of ten per cent, or on a margin of only three and one half per cent on the value of the furniture?

Let us take the tax upon tin. It would seem to have little to do with farmers; yet it is one of the most oppressive taxes upon the products of the farm. It is purely a revenue tax, as we produce no tin. It yielded in the fiscal year ending June 30, 1871, $2,850,000 revenue on about $12,800,000 worth of tin imported; all of which revenue went to pay bonds not yet due. How much of this tin tax went into the farmer's pails and pans, or into the cans in which meats, fruits, and milk are preserved, it is impossible to tell; but on canned meats, fruit, and fish the tax on tin must be a tax of far more than ten per cent. $2,850,000 represents a tax of ten per cent on $28,500,000 worth of tinware, canned meats, canned fruit, canned fish, and other articles which we might export in large quantities, were it not for this tax. But we impose it to pay a debt not yet due, and hence we leave England and France to supply the world with canned meats and fruits, while we only put up enough for our own use.

If the revenue duty on tin works privation of pails, pans, and tin cans, why does not the protective duty of seven dollars per ton on Scotch pig-iron work privation of cooking-stoves and hollow-ware? The tariff tax increases the cost of any imported article at the time of the import; this increase of cost of the article of foreign origin increases the cost of the domestic product into which the foreign article enters as a constituent element; and if this increase amounts to only two or three per cent of the value of the finished product, it amounts, as we have proved, to a tax on the income of capital of from two or three up to ten or twenty per cent. Hence, foreign capital takes the business, and home labor ceases to be employed; diversity of employment is prevented; wages are lowered, and the cost of subsistence increased; and all this is done in the name of protection to labor!

Soda-ash, salts of soda, and other alkalies are taxed under the tariff in such manner that their cost in this country is usually twenty-five per cent more than in England; this tax is imposed mainly at the dictation of Pennsylvania, and ostensibly for the protection of possibly two or three hundred workmen employed at the average rate of wages of the State in the alkali-works of Pennsylvania.

The use of alkalies has been said to be coincident with the progress of civilization; they enter into the cost of glass, paper, soap, bleaching, and a great variety of other industries, in all of which a large product is possible upon a small capital invested. In 1870 the government collected a customs revenue on soda and salts of soda of $1,700,000; all of which was used to buy bonds not yet due. If the annual product of soap, paper, glass, etc. is only equal to twice the capital invested in works for their production, this tax on alkali, estimated at the rate of five per cent on the product into which the alkali entered as an element of cost, was equal to a tax of five per cent on a product of $34,000,000 in value, and was therefore equal to a tax of ten per cent on $17,000,000 capital; a sum which, except for this tax, might have been saved and invested in these factures for our own increased consumption or for export. How many men would be employed in the use of $17,000,000 capital invested in paper-mills, glass-works, soap-factories, bleacheries, etc., etc.? How many are employed by the Pennsylvania Salt Company, through whose influence this most obnoxious tax has mainly been imposed?

The effect of a tax on milk could be seen by all. The effect of a tax on alkali is not so obvious, but a great deal more injurious.

It may be said that, although heavy duties are now paid upon certain articles of prime necessity, such as iron, steel, wool, coal, soda-ash, and the like, the price of these articles is in some cases less than it was before these duties were imposed; hence it is asserted that the imposition of a tax under the name of a protective duty has actually reduced the price. Nothing could be more absurdly fallacious than this assertion, and nothing could be more apt to mislead and to deceive as to the real and obnoxious effect of a so-called protective duty. It is true, that in some cases prices are lower than they were before the impost, but this is simply evidence that the progress of invention and the improvements in the processes of production and of distribution have reduced cost elsewhere as well as here. So far as the temporary bounty to special interests which results from the imposition of a protective duty is concerned, its effect is and always has been, in this country and in all other countries, to retard improvement in branches of industry already established, and to cause men to depend on the bounty of the government rather than on skill, economy, and complete mastery of their business. And so far as what are called infant manufactures are concerned, there is no case on record where the protected infants have ever grown to adult age, or have ever proposed to give up the government support. On the contrary, those who have been most clamorous in their demand to be established are the most audacious in their demand to be supported and maintained at the public cost.

The case of iron and steel is a crucial one. Two hundred years ago it was an infant manufacture.

In 1652 there were in Massachusetts blast-furnaces and a bloomery, and in 1655 a patent was granted to Joseph Jenks of Massachusetts for an improved steel scythe. Before the Revolution, in Massachusetts and in other Colonies, edge-tools, augers, scythes, and shovels were made better and cheaper than in England; and in 1750 the English ironmasters petitioned Parliament to protect them against American iron, lest they should be ruined.*

Did this infant grow to maturity?

Under the tariff in force in 1859 the average rate of duty upon steel, except on three varieties, was twelve per cent, and on the exceptions it was only fifteen per cent. When the internal taxes were imposed, these rates of duty were raised to an average of about forty per cent; and although the steel-makers are all on record, and have united in a memorial to Congress in which they admit and affirm that in 1859, when the duties were one third what they now are, the manufacture of steel was an assured success, there is no body of men so persistent or so imperative in their demand that the present rate of taxation of forty per cent on foreign steel shall be maintained, although the internal tax has been abated. They claim that, although they have once reached maturity, they have now lost all manly force and self-respect, and must be maintained by a system of outside relief, or else become degraded to the condition of foreign paupers. And yet, all combined, these steel-makers do not employ as many men in making steel in all the United States as are employed in one machine-shop in England, in converting iron and steel into tools and machinery. We have said that the effect of a tax of forty per cent on milk can be seen; the effect of the forty per cent tax on steel is not yet seen, but when it is, the members of the Iron and Steel Association will cease to be supported or maintained at the public expense.

It matters not in this discussion whether steel is higher or lower in price than it was in 1859. It ought to be much lower, inasmuch as greater progress has been made in cheapening the general cost of steel than in almost any other process.

The question of main interest to the mechanics, artisans, machinists, and others who use steel in the United States, — and who outnumber the little force of steel-makers in the proportion of at least a hundred to one, — now is, "What is the cost of the steel we use, or of which our tools are made, as compared to the cost *at this time* of the steel used by our competitors in Europe?" The answer to this question is obvious; the difference is substantially equal to the rate of tax imposed on the foreign import, on all the steel used, whether domestic or foreign, that is, forty per cent. How is this to be proved? Simply by the fact that in the last fiscal year we did import over $ 11,000,000 worth of steel and of steel

* *Vide* "Does Protection Protect?" By W. M. Grosvenor. New York: D. Appleton & Co. 1871.

manufactures. If steel were like coarse cotton goods, of which none are imported, because we can make them cheaper ourselves, without regard to the tariff, this rule would not hold, the duty in such case being of no effect; but in a case where a large portion of the supply of a given article is actually imported, upon which the duty is paid, it is clear that the cost to the consumer of the whole supply, both foreign and domestic, is increased in a sum equal to the duty. Let it then be asked, Could our skilled mechanics better afford to pay a tax of forty per cent on milk, butter, and cheese, the exact effect of which they could see and measure in the cost of their subsistence; or suffer their export of machinery, which was large and increasing in 1860, to be utterly destroyed, and their home market restricted and exposed to foreign competition because of the increased cost of their product induced by a tax on the steel which forms the raw material of their product or of their tools? The exact effect of such a tax they can neither see nor measure, but they now pay it.*

That such an increase of cost is the result of the present tax on the foreign imports of steel is conclusively proved by the fact that steel rails can be landed in Montreal at $ 60 to $ 65 per ton, which cost in New York, duty paid, over $ 100 per ton.

The use of milk, butter, and cheese is no more essential to prosperity than is the use of steel, and the only difference between the taxes on milk and on steel would be, that milk is used by all alike, and is in some of its uses a luxury; while steel is consumed almost wholly by those whose work is most arduous, and is in every sense a necessity.

It cannot be denied that pig-iron is increased and maintained in price by the imposition of a duty, since we continue to import it, and, in fact, now import a much larger quantity than we did when the duty was far less; and in this case, again, the makers of pig-iron are as only one to a hundred of those who use it. Yet the advocates of protection demand, through the Secretary of the Treasury, that this duty shall be maintained for the specific and avowed purpose of maintaining the price. In a recent speech at Cleveland, the Secretary of the Treasury affirms that if the cost of domestic iron were $ 25 per ton at Cleveland, and the cost of foreign iron only $20 per ton free of duty, he and his associates would impose a duty of over $ 5 per ton; not for revenue, since such a rate would yield not a dollar of revenue, but simply that those men who are engaged in making pig-iron in Ohio might not have their wages reduced or be obliged to seek other employment. This is a vague and glittering general statement, in which the Secretary assumes that it is the function of the government to regulate wages and to provide employment, and also to tax the larger portion of the people for the support of the remainder. Such an argument is tolerably safe to make, and appears to be only the assertion of a paternal control, until it is examined and analyzed, and then its vicious character and tendency are at once seen.

If the Secretary of the Treasury had said to the people of Ohio, "There are among you perhaps one hundred men of capital, who employ forty-five hundred other men in dairy products; we propose to give them a monopoly of the dairy business, and to tax your milk, butter, and cheese forty per cent; not for the benefit of the United States treasury, into which we do not expect to receive one dollar of the tax, but to pay the avails of the tax to the hundred men who own all the cows, in order that their forty-five hundred employees may not have their wages reduced or be obliged to seek other employment," what would be the response? The effect of such a proposal would be seen

* The duty on machinery is less than the duty on the raw material, hence the steel-makers have secured protection to themselves by discriminating against the machinists, who outnumber them as twenty to one. Were it not for the difficulty in packing and moving machinery, many of our machine-shops would be closed.

at once, and the public officer who should make it would be driven from office with jeers. Yet what the people of Ohio do not see is, that the Secretary of the Treasury, on behalf of the advocates of a high tariff, said exactly this, no more and no less, at Cleveland, on the 29th September, 1871, only he substituted a tax on pig-iron for a tax on milk, butter, and cheese. This we propose to prove. He advocated a tax of over $ 5 per ton on pig-iron, in order that none might be imported. There are 2,700,000 people in Ohio; the average consumption of iron in the United States was lately one hundred pounds *per capita;* we will call it one hundred and twenty pounds now; therefore the people of Ohio now use 162,000 tons of iron in a year, which, at the Secretary's assumed price of $ 25 per ton for domestic iron, would cost $ 4,050,000. If this iron be considered all labor, and if no allowance be made for the interest or profits on capital invested in mines and works, this sum would represent the labor of just 4,500 men working three hundred days in a year at $ 3 per day. The exact number of employers is not known to me, but it is not to be assumed that mines and iron-works can average less than forty-five men to each establishment, and therefore there are not over one hundred employers or ironmasters in Ohio. The Secretary therefore says, on behalf of the advocates of protection, that if this 162,000 tons of iron could be had from abroad at $ 20 per ton, or at $ 810,000 less than the cost of domestic iron, he would impose a tax of more than $ 5 per ton, or more than $ 810,000, upon the people of Ohio, and that he would pay this over to the one hundred owners of iron mines and works, in order that the wages of 4,500 men out of 2,700,000 people might be maintained at the average rate of wages prevailing in Ohio. This is, in fact, an admission of the claim made by the promoters of a high tariff, that the owners of the iron-works are infants needing guardianship and requiring to be supported at the public expense, like other incompetent persons. They are more astute than incompetent; their real demand is to be made rich by law at the cost of the poor. In what does this proposition differ from our proposition for a tax on milk? The use of milk is no more universal and not so necessary as that of iron. This tax is demanded under the pretence that it is for the protection of labor and that it all goes into wages. How much do the owners of the iron mines and works of Ohio and Pennsylvania pay their men above the average of wages in other employments which are not protected, but which are equally arduous? Are they so free from self-interest as to pay more than this average?

On the other hand, the tax of $ 810,000 thus imposed upon the people of Ohio would purchase 40,500 tons more iron if the supply were permitted to come in at $ 20 per ton, and in the use of this additional supply not only the 4,500 men proposed to be supported in iron-mines and iron-works would find employment at as high wages and far more wholesome work, but many times more than that number would be called for. How many cannot be demonstrated, except by considering the number of machinists, blacksmiths, stove-makers, boiler-makers, and the like, who are now employed in using the limited quantity of pig-iron which the government graciously permits the people of Ohio to have at a cost, not of $ 5, but of $ 7 per ton more than they need to pay for it. It is safe to affirm that the number of machinists, stove-makers, tool-makers, boiler-makers, and the like, who are exclusively employed in using iron in the city of Cincinnati *only*, is double that of the men who are employed in making pig-iron for the whole State of Ohio, either in this country or elsewhere.

Protection to one hundred dairy farmers would work privation of milk or an increase in the cost of all that productive force which is called labor, for which milk may be said to be a part of the fuel.

Protection to one hundred ironmasters in Ohio works privation of iron to the people. The injury of the tax on iron as compared to the tax on milk is in the proportion which iron bears to milk as an agent in all production.

We have thus given several examples, and have gauged them by the standard of the milk tax; let us now leave specific examples and consider our useless taxes as a whole.

The amount of worse than useless taxes collected under the tariff in the last fiscal year, at an average rate of over forty per cent on food, fuel, lumber, leather, iron, steel, hides, chemicals, and other articles, the use of which is universal and which constitute a part of the cost of every domestic product that can be named, was over eighty million dollars. We say worse than useless, because this revenue all went in with other revenue to pay debts not due at the rate of over one hundred million dollars a year, and not one dollar of it was used to aid in the restoration of an honest specie standard of value.

This sum of eighty millions of useless taxes was collected on two hundred million dollars' worth of materials used in all our domestic factures; it therefore represents a tax on our domestic product of boots, shoes, shovels, ploughs, furniture, cars, engines, soap, stoves, woollen and cotton goods, canned meats, canned fruits, and all the other manufactures which we used to export in large and increasing quantities in ships which have now ceased to be built. This useless tax is a tax of ten per cent on eight hundred million dollars' worth of these domestic products. Upon the supposition that one dollar of capital must be invested for every dollar of product turned out, this useless tax of eighty million dollars represents a tax of ten per cent on eight hundred million dollars capital, which but for it might have been or might be saved in a few years, and invested. Can it be a cause of surprise that we now only export our crudest forms of raw materials, and have about ceased to attempt to manufacture them for any use beyond that of our own little fraction of the population of the world.

At whose demand has this privation been inflicted? Only at the demand of the employers of less than one-tenth part of the labor of the country; the operatives in all the protected mills, mines, and works in the United States being barely equal to the number of immigrants who annually land upon our shores.

What one sees is that we prosper in spite of all privations inflicted under due process of law; such are the boundless resources with which the Almighty has endowed this land. What one does not see is the far greater prosperity which we might have, except for the ignorance of those who make these unjust laws, and in the name of protection inflict privation.

What one does not see is the progress in the arts of peace and good-will with all nations which might ensue if we did but realize that "the ships that pass between this land and that are like the shuttle of the loom, weaving the web of concord among the nations," and that commerce is the most potent agent of civilization.

We have said that this useless tax of eighty million dollars now collected upon articles which enter into our domestic product of boots, hats, ploughs, cloth, steamships, locomotives, furniture, and the like, is equal to a tax of ten per cent upon eight hundred million dollars capital, upon the supposition that the annual product of the articles named is only equal to the capital invested in works for their manufacture. The fact is, however, that a capital of four hundred million dollars invested in such works would be ample for an annual product of eight hundred millions in value, and therefore this useless tax of ten per cent on product is equal to a tax of twenty per cent on capital. Hence it follows that nations like England, Belgium, and Germany, which have abated all taxes on such imports, can earn twenty per cent on capital, or beat us ten per cent in the cost of all exports of manufactured commodities, before our machine-shops and other works have received the cost of production; and that where our works make six per cent per annum, our foreign competitors would make twenty-six, supposing each to be equal in other elements of cost.

Hence it is that, instead of buying our sugar in Cuba with engines, sugar-mills, furniture, and other factures, as we used to, we now settle our sugar-bill in London only with cotton, oil, wheat, and gold, or with bonds. Hence it is that, instead of paying for our hides in South America with furniture, cotton cloth, machinery, and the like, as we used to, we pay our bills in London with the crudest raw material or with bonds to be paid hereafter; hence it is that the German and the Canadian now supply the furniture or the engines, and the Englishman the cotton and woollen cloth. It is because our ship-builders must pay a tax of twenty to fifty per cent on all their materials, that ship-building has become one of our lost arts, while at this time there are thousands of tons of iron ships in process of construction upon the Clyde. Hence it is that while ocean steam transportation is now one of the most profitable branches of business in the world, we have no share in it.

We have proved that our imports are only about five hundred million dollars in value, and our exports about the same, each barely, if at all, equal to our dairy product; and we have also affirmed that, if useless taxes were removed, we could establish works from which we could export eight hundred million dollars' worth of products per annum, an export which is now prohibited by the duties upon imports. It may be said that we have affirmed and proved too much. Let it be remembered that we cannot buy unless we sell, or sell unless we buy, and that all commerce is but the aggregate of individual transactions, none of which will be repeated, unless in the long run each party gains. It will surely be admitted that what England has done we can do. We control the cotton and oil supply; our coal at the pit's mouth costs far less than English coal, although our wages are double or treble; our iron lies on the surface, while hers is mined at great depths; our food supply is unlimited; our people are tolerably educated, while England has yet no common schools. It is intelligent labor, highly paid, that makes products at low cost; not pauper labor, ill paid, of which we hear so much. Yet Great Britain, with all her disadvantages and one fourth less population than we have, exported and imported in 1861 products of the aggregate value of eighteen hundred and twenty-five million dollars, or eight hundred millions more than we do now. In 1869 the aggregate value of her exports and imports was twenty-five hundred and seventy-seven millions. And if the last three months of this year are in proportion to the first nine, her foreign commerce for 1871 may exceed three thousand million dollars in gold value, or three times as much as our own. If our aggregate export and import were in proportion to that of Great Britain as our population is to hers, it would now be four thousand millions in value, or four times as much as it really is. All this additional product might be made with no greater effort or labor than is now exerted, as it would only represent an increase of little more than ten per cent upon our gross annual product; and it is safe to say that protection to labor increases the quantity of labor expended while diminishing its result at least to that extent. This gain is far from unreasonable to expect, when Congress ceases to interfere in the employment of the people. The return of imports for such increase of exports might give every man, woman, and child in the country twenty dollars a year more on the average in the form of such foreign luxuries as good food, cheap fuel, ample shelter, and abundant clothing.

Therefore it is that we affirm that when we remove these useless taxes on imports of eighty million dollars, and cease to protect the manufacturers of

Great Britain by giving them an advantage over us of twenty per cent per annum on their capital, or ten per cent in cost of production before we can make a single dollar, we may gain eight hundred million dollars a year in exports in ten years from now, and then we shall make no greater gain than Great Britain has made in the last ten years.

And as we are free from the restrictive or protective system in our internal affairs, which is one of the causes of the unequal distribution of wealth in Great Britain, the gain in comfort and luxury from our increased commerce will be justly distributed among all our people.

There remains but one more point to be considered in this article. Our wheat-growers and other producers of farm products are told not to regard the small export of wheat, beef, pork, and other farm products, because the whole foreign demand is so small compared to the whole crop. This small export is, however, as important in its relation to the price of the whole crop as is the useless tax on imports to the profits on manufactures worth ten times its amount. If there be a surplus of any crop of only five per cent, the sale of a whole crop may be delayed and the price reduced in far greater proportion. When we reduce imports we retard or stop exports, thus we compel the farmer to pay more for all that he buys and to take less for all that he sells.

The vast improvements in processes and the unexampled extension of our railroad system have made us prosper in spite of our restrictive statutes; but when our education is in reality wh is claimed to be, we shall cease to mit our representatives to take fro our liberty and to impose useless t upon us under the false pretence protection to home industry.

Edward Atkinso

THE POET AT THE BREAKFAST-TABLE.

II.

I AM going to take it for granted now and henceforth, in my report of what was said and what was to be seen at our table, that I have secured one good, faithful, loving reader, who never finds fault, who never gets sleepy over my pages, whom no critic can bully out of a liking for me, and to whom I am always safe in addressing myself. My one elect may be man or woman, old or young, gentle or simple, living in the next block or on a slope of Nevada, my fellow-countryman or an alien; but one such reader I shall assume to exist and have always in my thought when I am writing.

A writer is so like a lover! And a talk with the right listener is so like an arm-in-arm walk in the moonlight with the soft heartbeat just felt through the folds of muslin and broadcloth! But it takes very little to spoil every for writer, talker, lover. There great many cruel things besides erty that freeze the genial curre the soul, as the poet of the Elegy it. Fire can stand any wind, but is easily blown out, and then smouldering and smoke, and less, slow combustion without cheerful blaze which shed ligh round it. The One Reader's hand shelter the flame; the one bl ministering spirit with the vess oil may keep it bright in spite c stream of cold water on the other doing its best to put it out.

I suppose, if any writer, of an tinguishable individuality, could into the hearts of all his reader might very probably find one in his parish of a thousand or a million who