selling for 101, thus giving 1% extra profit to English exporters; for precisely the same reasons that they are so selling, New York bills on London are selling in New York for 99, thus subtracting 1% from what would otherwise be the gains of the New York exporters to England under the common principles of Foreign Trade. It is evident, therefore, that the causes of the course of the international Par of Exchange are an essential part of the principles of foreign Commerce; and whatever tends to derange or upset the natural course of the Par, as a constant or constantly recurring cause, must receive careful attention in a book like the present. We have begun at the very beginning of this matter, and we are now going to follow it up to the very end.

The Diversity of relative advantage in the Production of the two commodities exchanged, is the first and chief ground of mutual Profit in foreign trade; the varying Intensity of relative Desire on the part of each exchanger for the product of the other, is the second and secondary ground on which foreign trade must go on; and the third and final difference as between the two parties, which goes to make or mar the profit of each of them in the trade, is the current Price of the Bill of Exchange drawn by each creditor on his debtor abroad. It is plain that these three things must always be taken into account simultaneously by prudent exporters and importers, in order to estimate the prospect of a profitable trade then and there; and it is plain also, that one or even two of these three differences of relative advantage might fade out for a time, and a profitable trade still proceed, provided the other two or one of these differences were sufficiently pronounced. For example, to take an extreme case, silks from France might still go to England for cottons to the advantage of both countries for a time, though "exchange" were exactly at "par" between them and the "demand" for silks were precisely met by the "demand" for cottons, on the strength of a marked and persistent diversity in relative cost of production of the two textiles.

Here is another of the trinities of Political Economy. Here is complication indeed, but a complication regulated and beautified by inflexible laws of Nature and the scarcely less inflexible laws of human Motives.

So far the argument has proceeded on the supposition of a common standard of Value, say gold, between England and France, London and New York, and by implication all other commercial countries. Commerce rejoices in, and progresses by, a common measure of Values. By an experience of 2000 years the world has proven gold to be the best international Measure. From a simple comparison of the weights of pure metal in the standard coins of the nations is established a fixed monetary "par" as between them. Thus the dollar of the United States contains 23.22 grains of pure gold, and the English pound sterling contains 113.001 grains of the same; consequently, there are $4.8665 to the £ sterling, and this is and has been since 1834 the monetary "par" between the United States and Great Britain. Similarly, the par between France and the United States is $1 to 5 fr. 18 centimes, since the franc is 19.29 cents gold for gold. The monetary par, accordingly, as between any two nations using the gold standard, is a matter easily ascertained and kept in mind; while the constantly variable prices current of Bills of Exchange are reckoned in and from this monetary par. Thus, if a commercial bill drawn in New York on London sells for $4.8665 *minus* current interest for the time it has to run, English "exchange" with us is said to be at "par"; if it sell for more than that, exchange is technically said to be "*against*" us, although the excess in price is just so much additional profit to the American exporter; and if it sell for less than that, exchange is said to be in our "*favor*," although the difference is just so much subtracted from the gains of the American exporter.

The close of the second week in July, 1890, found in New York "Sterling exchange dull but firm, with actual business at \$4.84¾ for 60-day bills and \$4.89 for demand bills: the posted rates were \$4.85½ and \$4.89½ respectively." Exchange, accordingly, had turned "against" the United States, that is to say, American exporters could get a little more for their bills on London than the monetary par. Under such circumstances it may be cheaper to send the gold to liquidate a British debt than to buy bills and send *them*. Just this happened last week: \$2,000,000 in gold went (mainly under this impulse) from New York to London. There is a limit, therefore, to any further rise in the price of "exchange," when it reaches in an upward direction the then present cost of sending gold to foreign creditors. The limit in the downward direction to the price of exchange is the last margin of profit to the exporter as such. Thus, when the New York exporter can only get, say, \$4.83 for his sight bill of exchange on London, his loss in the trade so far forth is 1%; and it may be doubtful, whether his possible gains at the other two points, namely, relative cost of production and relative intensity of demand, will overbalance this certain loss and leave a sufficient margin of profit.

This chance of profit or loss from casual turns in the commercial "exchanges" is a very small matter in foreign trade in comparison with the other two grounds of possible profit or loss. The main thing for every commercial nation to see to is, that it have at least a few (the more the better) commodities in general use throughout the world, *in the cost of the production of which it has a relative advantage over all competitors, and the demand for which by foreigners is relatively intense and constant.* And it will never come amiss for any nation with these two crucial advantages to keep a sharp watch over a class of its own citizens, lest they, shrewdly and greedily, for special reasons of their own, get laws passed the result of which can only be *to increase the costs of production of these few exportables, and at the same time lessen the foreign demand for them.* ETERNAL VIGILANCE IS THE PRICE OF LIBERTY OF COMMERCE.

As a general rule for the last half century commercial "exchanges" have been "against" Great Britain, that is, her exporters have been able to get more than "par" for goods sent abroad in the price of the bills drawn on them, and her commerce has been *profitable* to her so far as this cause is concerned; which during the same interval of time the "exchanges" have been "in favor" of the United States, that is, her exporters have been obliged to sell their bills drawn for less than "par," and her commerce so far forth has been *unprofitable* to her. We may only briefly indicate here the causes of this state of things.

(a) Great Britain has been during this period a vast loaner of Capital to other countries, and particularly to the United States; while the United States has been a vast borrower of Capital, particularly from Great Britain. The interest on these loans from Britain, and the principal also so far as it has been repaid, has been constantly remitted thither in goods for the most part, and bills of exchange drawn on these goods have been sold at all ports, and particularly at New York; the abundance of these bills has tended of course to lower their price at the place of sale, and so far forth to heighten in effect the relatively less abundant British bills drawn on exports thence; and the *creditor* country for this reason is apt to sell its bills above "par," and the *debtor* country its bills below par. It makes no difference at this point how the borrowed funds have been invested by the borrowing country, since the interest and the principal must be repaid at some time chiefly in the manner just indicated.

(b) With the exception of a dozen or two articles customs-taxed for simple revenue, Great Britain in this period has kept her ports absolutely open to imports from all the world, and of course to all imports from the United States, which has tended to swell the volume of imports into that country, and the volume of foreign bills drawn on them, particularly of United States bills; while the United States during the same time has excluded imports by customs-taxes designed for that very purpose, to the number of over 4000, and in many cases to a height of tax involving prohibition of import. The Constitution of the United States expressly forbids customs-taxes upon exports, so that goods may indeed go out freely, so far as tariff-barriers are concerned; but as the only impulse that ever carries goods *out* is to get *back* more desirable goods in pay, and as these return-goods are greatly restricted or virtually prohibited by the United States, the Constitutionally-free exports are not large enough to help much in keeping down below "par" the price of bills of exchange drawn here. It should also be said that Great Britain is restrained in her exports to the United States by the latter's legal unwillingness to receive them, which tends of course to keep the price of bills drawn on the exports she can and does send still more above "par."

(c) The enormous customs-taxes in the United States on ship-building materials and on almost everything else have practically destroyed the ocean merchant-marine of the country. The bulk of the Freights, therefore, on what foreign commerce there is left to us under the Chinese-wall policy of our Government, — the bulk of the freights both

ways, — has to be paid to foreigners, mostly to the British, and these payments too are made in exportable goods, which wretched fact (looked at in its causes) increases exports hence relatively to imports hither, and of course diminishes *pro tanto* the current price of mercantile bills drawn here. So far as these *extra* exports to meet freight charges are carried to England, they tend to lift there in the usual way the price of bills drawn on British exports. It is a million pities, no matter from what point of view one looks at it, that the present governing classes of this country totally misapprehend the Nature of foreign trade, and by short-sighted legislation minimize its Benefits to the people.

So far we have been unfolding the causes and courses of foreign exchange on the hypothesis, that both the nations exchanging employ the same standard in measuring Values. While the present paragraphs were in process of composition, the President of the United States signed (July 14, 1890) the so-called "Compromise Silver Bill," which is to go into operation after thirty days, and the effect of which in the judgment of some of the best economists and financiers of the country *may be* to bring down the national measure of Values from the gold dollar to the silver dollar. We are bound at this point, therefore, to explain the action and reaction on the course of the "exchanges," of a monetary standard lower in general value than the standard prevailing in the commercial world. We have all the data needful for clearing up this matter completely, at once in the inflexible laws of Money and in the actual experience of several of the Nations. For example, England has the gold standard, and India the silver standard; there is an immense commerce between the two countries; silver is merchandise and not money in London, and gold is merchandise and not money in India; every cargo, accordingly, to and from either has to have its value "changed" through the price of current bills into the current money of the other country; the price of silver in gold in London (average) between 1852 and 1867 was $61\frac{1}{3}$ pence per ounce; at 60 pence per ounce the ratio of gold to silver is 1:15.716; between 1875 and 1882 silver drooped (with many fluctuations) in the London market, bearing about the average of $52\frac{1}{4}$ pence per ounce, which is a ratio with gold of 1:18; during the first half of 1890 the price of silver in London was as nearly as possible 43 pence per ounce, which is a ratio with gold of 1:21.93; so that, the prices of India bills in London and of London bills in Bombay have yielded up to the careful observer all the secrets of the "exchanges" between high-standard and low-standard countries.

But we have no need to go out of our own country for illustrations of all this. Between May, 1862, and January, 1879, the "Greenback Dollar" was the measure of current Values. It was depreciated every day of that interval as compared with the gold dollar, and it fluctuated in the comparison more or less nearly every business day. The New York importer bought his foreign goods for gold, paid the customs-taxes on them in gold, and then sold them against greenbacks. How much must he charge for his goods in order to make himself whole? The current premium in gold over greenbacks was posted every day, and perhaps every hour, but was that a safe guide to greenback prices for our importer? Wholesales are rarely for immediate realization in money, and even if they were, the money would have to be rechanged into gold in the future for repurchases abroad. In the uncertainty of greenback values, the importer must *insure himself* in his prices to-day against a possible further depreciation next week, or next month. In other words, *he must speculate*

in the prospective gold premium. Suppose his industrial cycle to be one month. If he sell his foreign goods in greenbacks to-day as these stand in comparison with gold, and greenbacks fall still lower before the month is out, he will lose money in those transactions; if greenbacks should rise in the interval, he would gain money, because he could get more gold for them in the next turn. To the credit of human nature be it said, that in 9 cases out of 10 a merchant will raise the present prices of his goods in order to make himself as sure as possible in a case where all is uncertain. There can be no reasonable doubt that in the fifteen years of depreciated greenback units, retail prices to ultimate consumers were lifted 10% above the average reckoning of goods in greenbacks from this cause alone.

In regard to exports at that time the facts and principles are still clearer. These exports were sold in Europe for gold. But the bills of exchange drawn on them were sold in New York for greenbacks. Take wheat, for example, of which there was a large export in all those years. The New York broker or banker in buying these bills was obliged to make the conversion from greenbacks to gold. He had to estimate as well as he could what the value of greenbacks would be when the gold-bill became payable in London. In other words, he had to speculate in greenbacks, because he had to take the risk of their declining or advancing value for an interval of time, say, one month. He would not take this risk without virtually making a charge sufficient in his judgment to cover it, and leave him a good profit in any case. This charge came out of the price of the wheat ultimately paid to the growers thereof. The bill of exchange was sold in New York or Chicago in order to get present pay for the farmers who furnished the wheat, and present profit for the commission-merchants or middlemen. But the bill brought less greenbacks than the quoted premium on gold would warrant for that day, on account of the risk, the uncertainty, the speculation. Therefore, less went to the farmers for their wheat per bushel or centner. *The masses of the people lose the immense losses of that depreciated money.* And during these very years also the Government put customs-taxes to a then unheard-of height on imports from abroad, not primarily for the sake of the revenue to come from the taxes, but chiefly with a view to keep certain foreign goods out of the country altogether, in order that *some* citizens might be able to sell their own product *to the rest* at artificially enhanced prices. Thus the natural market abroad for wheat and pork and petroleum and other provisions was enormously lessened by the prohibition of imports, — a market for products is products in market, — at the same moment when the actual prices for products exported were still further diminished by the action of depreciated money on the par of commercial exchange.

Our neighboring Republic of Mexico has had for a long time the so-called bi-metallic standard of Money, the same as the United States have had.[1] When the great fall of silver in gold took place in the London market as indicated above, gold was rapidly exported from Mexico, and soon disappeared from circulation, in accordance with Gresham's Law. For many years now the simple silver standard has prevailed in Mexico. Its entire working in foreign trade through the "exchanges" has been sufficiently demonstrated; and as there is more than a possibility, more even than a bare probability, that the United States under the law of 1890, and other and earlier extremely complicated laws of Money, may drop from bi-metallism to silver monometallism in the near future, in the way of premonition

[1] See an excellent Essay on Mexican Finance by M. L. Scudder, Jr.

and warning to our own people we may fitly close our discussion of foreign "Exchanges" by briefly stating what of hazard and disaster under the silver standard is now going forward among our neighbors to the southward.

The effect of estimating Mexican transactions in silver money, while all the nations with which they trade estimate theirs in gold, is seen in an artificial enhancement of prices to the Mexicans on all their imports, and an artificial depression of prices to them on their exports. Look first at imports. There is of course a current discount on Mexican silver as compared with the gold in which the imported goods are bought. This discount is now over 20% throughout the commercial world, the London price of silver in gold giving the key to that song. But this is not all by any means; the discount is variable from day to day and from month to month; in changing his gold prices present into silver prices future, the Mexican importers must insure themselves. This necessitates a speculation in the future of silver. What the risk may be will depend somewhat on the activity of the silver market: if silver be rapidly fluctuating in price, the importer will add more to his silver prices additional to the current premium on gold, than if silver be comparatively stable; but in all cases he will add enough to cover all prospective risks. It is quite likely that five *per centum* is added on the average to wholesale prices by Mexican importers on this ground alone, which addition with all the usual increments must be borne by retail and ultimate prices.

Now look at Mexican exports. The larger part in value of these exports is silver in some form, mostly in the form of silver dollars. But these silver dollars are merchandise in London, and quite variable in price there, as has already been shown; and bills of exchange drawn on this silver in any form, and sold in Mexico to parties remitting gold values to London, are subject to constant depression on account of the uncertainty as to the value of silver in gold when the bills reach London. It follows from this, that the use of the silver standard in Mexico actually depresses the value of silver there. By means of the "exchanges" both ways, silver tends to be still further depreciated in comparison with gold, retail prices of all importables enhanced in silver, and the chief exportable (silver) depressed in value all the while! Truly, the Mexicans are between the upper and nether millstones. Poor Money never pays.

In confirmation of this fact that Mexico has not lifted the relative value of silver by making it the sole Measure of Value, we have the corresponding fact that the herculean efforts of the United States since 1878 to advance the value of silver to a parity with that of gold in the legal ratio of 1:15.98, have issued in the constant relative decline of silver here; and, what is more surprising, in an almost constant increase of the yearly production of silver here. The following table tells the whole instructive story: the figures are official: commercial "fine ounces" are .915 of technically "fine" silver.

Year.	Production (fine ounces).	Average Price.	Year.	Production (fine ounces).	Average Price.
1878	34,960,000	$1.15	1884	37,800,000	$1.11
1879	31,550,000	1.12	1885	39,910,000	1.06
1880	30,320,000	1.14	1886	39,440,000	.99
1881	33,260,000	1.13	1887	41,260,000	.97
1882	36,200,000	1.13	1888	45,780,000	.93
1883	35,730,000	1.11			

These Seven, then, are the essential Principles of Foreign Trade, brought out, it is hoped, as clearly and consecutively as the relative and complicated nature of the

transactions will allow; in the light of these Principles it is very clear, that Foreign Trade is just as legitimate as, and may be more profitable than, Domestic Trade; that it rests on the same ultimate and unchangeable grounds in the constitution of Man, and in the Providential arrangements of Nature; that the Profit of it is mutual to both parties, or it would never come into being, or, coming into being, would cease of itself; that to prohibit it, or restrict it, otherwise than in the interest of Morals, Health, or Revenue, must find its justification, if any at all, wholly outside the pale of Political Economy; and that for any Government to say to its citizens (of whom Government itself is only a Committee), who may wish to render commercial services to foreigners in order to receive back similar services in return, that such services shall neither be rendered nor received, is not only to destroy a Gain to both parties, but also to interfere losingly with a natural and inalienable Right belonging to both.

If the reader pleases, we will turn now, in the second place, to the Methods and Motives in vogue to restrict and prohibit Foreign Trade. The instrument for this purpose is called a *Tariff*. The origin of the word Tariff, its nature and kinds, will throw much light upon what has been a vexed question, but is one easily solvable, and indeed long ago resolved.

1. Origin. — When the Moors from Africa conquered Spain in the year of our Lord 711, they fortified the southernmost point of the peninsula where it juts down into the Straits of Gibraltar, and by means of their castle and town, called in their Barbary language *Tarifa*, compelled all vessels passing through the Straits to stop and to pay to these Moorish lords of the castle a certain part (determined by themselves) of the value of the cargoes. This payment appears to have been blackmail pure and simple; it

was certainly extorted by force; and whether there were any pretence of a return-service in the form of promised exemption from further pillage or not, that made no real difference in the nature of the transaction. Eleven centuries later, the United States demonstrated what they thought about similar extortions on American commerce practised in the same waters by the descendants of these same Moors, by despatching Commodore Decatur with a strong fleet to Algiers and Tunis and Tripoli; to which piratical states they had already paid in twenty-five years two millions of dollars in "tribute" or "presents" for exemptions of their Mediterranean commerce from plunder; who captured the pirate ships and compelled the terrified Dey of Algiers (and the rest) to renounce all claim thereafter to American "tribute" or "presents" of any kind. The word *Tarifa*, accordingly, in English and other modern languages, a word which seems to be very dear to some men's hearts, does not appear to have had a very respectable origin, though that is not sufficient of itself to condemn the thing described by the word. That will depend upon its nature and purposes.

2. Its nature. — There never was one particle of doubt on the part of those compelled to pay the Moorish demands at Tarifa, or on the part of the United States compelled to pay "tribute" to the Algerines for a quarter of a century, about the *nature* of the transaction. The sign at Tarifa was *minus*, and not *plus*. To the credit of those pirates let it be said, that they never pretended to take what they took for the *benefit* of those from whom they took it. They took it for their own benefit. The action was abominable, but it was aboveboard. There was no deceit and no pretence about it. Both parties knew perfectly what was going on. What was delivered was just so much *out* from what would otherwise have been the

gains of the voyage. And the truth is, the thing, tariff, is always true to the origin of the word, tariff, so far as this, that a tariff always *takes*, and never *gives*. The only phrase a tariff speaks, or can speak, is, *Thou shalt pay!* There is lying open on the table of the writer at this moment a stout volume of 417 pages, printed, with nearly as many more interleaved, entitled Tariff Compilation, published by the United States Senate in 1884, containing every item of all the tariffs passed by Congress from 1789 to the present time. One may read this volume from beginning to the end, or he may read it from the end backwards to the beginning, or he may begin in the middle and read both ways, and all he will find between the covers is a series of *Demands* made upon somebody to *pay* something. These demands, of course, are made upon, and realized from, the citizens of the United States, who are the only people under the authority and jurisdiction of the Congress. A tariff, then, may be correctly defined as *a body of takings or taxings levied upon the people of any country by their own government on their exchanges with foreigners.* How anybody can intelligently suppose that a body of *taxes*, which their own countrymen will have *to pay*, can be so cunningly adjusted as to become to them a positively productive agent, a blessing and enrichment to the payers, a spur to the progress of their Society, *they* may be properly called upon to explain who pretend to believe such an absurdity in the nature of things.

3. Its kinds. — There are two kinds of Tariffs under our general definition, very diverse from each other in their respective purposes, principles, incidence, and results.

(1) There is a tariff for Revenue. The sole purpose of a revenue tariff as such is to get money by this mode of indirect taxation out of the pockets of the People for the coffers of the Government, in order to be then expended,

governmentally, for the general benefit of those who have paid the money in for that single end. The underlying thought of this kind of tariff, a tariff for revenue only, is, that the Government itself shall get all the money which the people are obliged to pay under these taxes, except the bare cost of collecting them; that only *such* taxes shall be levied at all as will come bodily and readily into the general Treasury for public uses; and no intelligent and justice-loving people will long tolerate tariff-taxes laid with any other intent than the economical support of their government, or laid in any other way than shall bring into the Treasury all that is taken out of the People. A Revenue Tariff, therefore, may be properly defined as *a schedule of taxes levied on certain imported goods with an eye only to just and general taxation.*

There are three vital principles on which a revenue tariff as such must always be levied. (a) As the sole object is to get money for the national treasury, and as money can only be gotten as the foreign goods taxed are allowed *to come in*, such taxes must be levied at *a low rate* on each article taxed, so as not to interfere essentially with the bringing in of that class of goods with a profit to the importers, and not at all to encourage the smuggling of them in. (b) A varied experience of all the commercial nations has shown, that it is not needful in order to derive a large and growing revenue to lay even low rates on *all* goods imported, but only on certain classes of them, so as to burden at as few points as possible the successful ongoing of international exchanges; since the prosperity ever induced by commercial freedom enables a country to import and to pay for in its own quickened products vast quantities of the articles subjected to the tax, so that large revenues come from low rates levied at few points. Here we lay bare the ground of a great income in the exemption

of the bulk of imports from any tax at all. (c) Custom-taxes should be laid wholly or at least mainly on articles procured from abroad, and not also produced at home; for otherwise the incidence of the tax on the portion imported will necessarily raise the price also of that portion made or grown at home; and thus the people will pay *more* money in consequence of the tax than the Government *gets* from the tax in revenue. Three points, then, in a revenue tariff, namely, *low duties on few articles, and these wholly foreign.*

The best modern example of a purely revenue tariff is that of Great Britain since 1860. All duties are on one or other of the following sixteen items, namely, Beer, Cards, Chiccory, Chocolate, Cocoa, Coffee, Fruit, Malt, Pickles, Plate, Spirits, Spruce, Tea, Tobacco, Vinegar, and Wine. Of these, Spruce yielded no revenue in 1880; Cards, Malt, Pickles, and Vinegar, yielded in the aggregate that year only £1.491; leaving the other eleven items to furnish practically all the customs revenue; but of these Coffee and its three substitutes with Beer and Plate, furnished only £337.258, so that, the remaining five articles yielded £18.915.489, or 98% of the whole income in 1880. In other words, Fruit, Spirits, Tea, Tobacco, and Wine, brought in all but 2% of the customs-taxes of Great Britain in 1880. In 1890, the duties on certain Wines and Spirits having been lifted, there was a large surplus of revenue over the Estimates, which has just been devoted to the enlargement of the Navy. Every other European commercial country had a deficit that year as compared with its Estimates of the year preceding. The figures are not now at hand for an exact statement, but there can be little reasonable doubt that the "Five Articles" rendered at least 98½% of the tariff-taxes of England last year. If there be also some domestic production of any article taxed by the British tariff, a corresponding excise-tax on that part produced at home, which part would otherwise be raised in price by the tariff-tax to no advantage of the Revenue, enables that Government to get easily all that the people are made to pay in consequence of the tariff-tax on the imported part.

(2) There is a tariff under Protectionism so-called. The ruling aim in this second kind of tariff is not at all to obtain income for Government in order to promote the general good, but on the contrary by means of heavy taxes on *foreign* articles to raise the prices of corresponding *domestic* ones for the exclusive benefit of a few producers of these home goods at the expense of all home buyers of them. If these special tariff-taxes be so high and complicated as to keep out altogether the foreign articles, and so the Treasury realize nothing at all from the taxes on them, so much the more "protectionist" do they become, and so much the better pleased are the special domestic producers with the entire monopoly of the home market at their own prices. Such taxes are prohibitory and protectionist at the same time. Prohibition is the perfection of Protectionism. A Protectionist Tariff, accordingly, may be justly defined as *a body of taxes laid on specified imported goods with a single eye to raise thereby the prices of certain home commodities.*

The vital points of a protectionist tariff are also three, but these are the exact opposites and antipodes of the three points of a revenue tariff, so that it is self-contradictory and impossible to combine in one tariff-bill the two sets of contrary elements. A revenue tariff with incidental protectionism is a solecism. (a) If a tariff-rate is to be protectionist in character, that is, competent to raise the price of home products, it must be *high*, so as either to exclude altogether the corresponding foreign products, in

which case there is no revenue at all, or else to make their price by means of the duty added reach the point at which the home producers plan to sell their own, in which case there will be very little revenue. For instance, when the Bessemer steel companies asked in 1870 for two cents a pound tariff-tax on foreign steel rails, they called it in terms in their "confidential" statement to the Ways and Means "*exceptional protection*," and admitted in so many words that they expected to supply the home market entirely, and so the Government would get *nothing* in revenue and the people be compelled to pay $44.80 *extra* for their home steel rails per ton. It is a little bit of comfort to think, that they only obtained $28 per ton, or 1¼ cents per pound, which was not quite prohibitory, so that the Government got a little revenue on steel rails, and the people paid for some years only about *double* for their rails what they were worth in a free market! To reach its end a protectionist tariff-tax must be *high* of necessity.

(b) No system of protectionist tariff-taxes can be entered upon or continued in any country except by means of many persons who all alike want their special products artificially lifted in price by legislation, and who are obliged *to combine* in order to get and keep what they want, so that protectionist taxes on a few things only were rarely or never found in a tariff; so contrary are such taxes to the common sense and common interests of man, that only strong combinations of many special interests can begin or maintain them, whence there must be *many* taxes if any under this strongly selfish scheme; and by an actual count of them by the writer in 1868 there were found to be 2317 distinct rates of tax assessed on different foreign articles in the Tariff of the United States, which was strikingly in contrast with the Revenue Tariff of Britain in point of the number of things taxed. So needful is log-rolling to the maintenance of protectionism, that the passage of the "knit-goods bill" in the summer of 1882, for example, was contingent on the contemporaneous passage of the famous "River and Harbor bill" of that year.

(c) While Revenue Taxes select by preference things wholly imported, Protectionist Taxes are placed of course on such foreign goods as are also and especially made or grown at home, otherwise their plain and sole purpose would be thwarted, which completes the contrast between the two kinds of tariffs. For illustration, Tea and Coffee are the best things possible to tax in a tariff for revenue, because (1) they are in universal consumption, and (2) they are wholly imported, and taxes upon them do not raise the price of anything else, and so the Government gets all that the people pay under them; for this very reason the taxes upon Tea and Coffee, which had yielded for years some $20,000,000 of revenue yearly, were thrown off in 1872 under protectionist leadership, by the deceptive cry of "*a free breakfast table*," in the subtle interest of commercial bondage; seeking to give the impression on the one hand that everything on the breakfast table was to be free, whereas nothing on it or around was to be free except the two beverages mentioned, and on the other hand that the removal of these two taxes was a great boon to the people, whereas the motive for the removal of these was *to continue* on the people burdens tenfold heavier. Eighteen years have rolled away since then, and Tea and Coffee are still upon the free list; the incompatibility of the two kinds of tariff-taxes is demonstrated in the fact, that there has not been for years a single tax primarily for revenue in the United States tariff,[1] the opposite protectionist idea having logically wrought itself out there; and

[1] Public Statement of Professor Taussig of Harvard College.

the same incompatibility is shown in the British tariff, in which there has been no protectionist tax since 1860. Each aim logically carried out completely excludes the other aim.

The best and worst specimen of a protectionist tariff that the world has ever seen, has been in operation in the United States for thirty years, 1861–1890. Its inner history is not yet fully known by the public, but enough is known to expose the motives and to condemn the action of all those, whether constituents or congressmen, who knowing what they were doing, contributed to build up gradually that mass of incongruities and iniquities, under which the entire agricultural class of the country (nearly one-half of the people) has become impoverished, by much the larger part of the farming lands of the Union covered by heavy mortgages, and the ocean-marine of a naturally nautical people almost totally destroyed. Attempts more or less successful have been made at various times and at different points to conceal from the Public the impulses really behind the provisions of this tariff, and even the amount and the mode of the incidence of its taxes; many of the most protectionist taxes have been complex, combining upon the same article *specific* and *advalorem* rates, as for instance, upon blankets "50 *cents per pound and* 35 *% advalorem*," so that it was difficult or rather impossible for the common reader or buyer to ascertain how much the tariff-tax really was; much of the language of the tariff-bills has been to the last degree involved and uncertain, often leading to perplexing disputes and costly litigations, and sometimes covering up a half-hidden purpose; importers have been bribed, as it were, in cases of doubtful legality, to pay the maximum rates demanded, by the prospect and promise that the extra sums if ultimately found by the courts illegal should be repaid bodily *to them* and