

CHAPTER IV.

PROTECTION AND FREE TRADE.

1. A PROTECTIVE tariff, so called, is a system of duties levied by the government of a country on commodities produced in other countries, to prevent their coming into unequal competition with similar commodities of domestic production in such a way as to cripple or destroy the industry implied in the latter. Thus, suppose that iron may be manufactured in England, and delivered here at twenty dollars a ton; while, at the ordinary rate of profit and wages, iron could not at present be manufactured here for less than twenty-five dollars a ton. A duty of five dollars a ton is levied on the foreign iron. This enables our manufacturers to compete with those of England in our own market. It is claimed that in this way the home industry gets a chance to live, and become developed, and that such a development is an advantage to the country greater than the loss implied in the increase of price. We are not to consider here these duties in the light of a revenue to the government, though this they may be at the same time. But it is the *protective* feature only that we are to discuss; and, for that reason, it is desirable to abstract it from the revenue feature.

Free trade, as a theory, opposes all those duties the design of which is to afford any advantage to domestic industry.

It implies the same freedom of intercourse between producers in different nations as between those in the same community.

2. In an elementary treatise it is proper, that, on controverted questions, there should be a fair statement of the main arguments on both sides; though it is not necessary that the writer should conceal his own convictions.

The following are the principal positive arguments in favor of a restrictive system:—

1. It is said to be *the only sure defence of new and feeble industries against the unequal competition of those long established in other communities*. Freedom of competition is advocated by all parties. But it is denied that this exists in the cases above supposed. A community which has long experience, skilled labor, and accumulated capital, possesses advantages in the contest with a nation which is destitute of them. A restrictive system is the only method by which industries which have been for any reason wanting, especially in a new country, can be built up in competition with those of the same kind long established in another nation. Time, experience, and accumulated capitals give a superiority which must prove fatal to the industries which are wanting in these respects, unless resort be had to artificial measures to equalize the condition. This is admitted by J. S. Mill, the ablest as well as the most candid of recent free-trade writers. He says, "The superiority of one country over another, in a branch of production, often arises only from having begun it sooner. It cannot be expected that individuals should at their own risk, or rather to their certain loss, introduce a new manufacture, or bear the burden of carrying it on, until the producers have been educated up to the level of those with whom the processes have become traditional. A protective duty continued for a reasonable time will sometimes be the

least inconvenient mode in which a country can tax itself for the support of such an experiment."¹

But, besides these natural advantages of an older and more experienced community, there is another of a purely artificial character, which is liable to be taken. Sometimes the manufacturers of one country adopt positive measures to break down the competing industries in feebler communities. To show that this is no chimera, the report of a British parliamentary committee, made about the year 1858, is sometimes cited. "The laboring classes generally, in the manufacturing districts of this country, are very little aware of the extent to which they are often indebted, for their being employed at all, to the immense *losses* which their employers voluntarily incur in bad times in order to destroy foreign competition, and to gain and keep possession of foreign markets. Authentic instances are well known of employers having in such times carried on their works at a loss amounting in the aggregate to three or four hundred thousand pounds in the course of three or four years. If the efforts of those who encourage the combination were to be successful for any length of time, the great accumulations of capital could no longer be made, which enable a few of the most wealthy capitalists to overwhelm all foreign competition in times of great depression, and thus clear the way for the *whole trade* to step in when prices revive, and to carry on a great business before *foreign* capital can again accumulate to such an extent as to be able to establish a competition in prices with any chance of success. The large capitals of this country are the great instruments of warfare (if the expression may be allowed) against the competing capital of foreign countries."

Said Lord Brougham in 1815 in Parliament, "England can afford to incur some loss on the export of English goods,

¹ Principles of Political Economy (American edition). vol. ii. pp. 538, 539.

for the purpose of destroying foreign manufactures in their cradle." Since such purposes are avowed, and since large capitals are used as "instruments of warfare" to break down foreign competing industries, there ought to be some defence against them. Such a defence, it is claimed, is found in a system of restrictive duties.

2. It is urged that *such a system gives a steady and uniform market* at an expense far less than the benefit accruing. Domestic commerce is liable to disturbances and revulsions through the free admission of commodities from the prolific industries of older countries. If the manufacturer be relieved from this unequal competition, he can keep his capital constantly employed, and, by reason of furnishing steady work, can secure better labor at less cost. Otherwise he may be compelled to stop work half of the time, and let his machinery lie idle, dismissing his laborers, to their great loss and distress. This is one reason why, as will hereafter be seen, it is claimed that manufactured products are often sold at lower prices under a protective tariff than when no duty is levied on the imported article. It is thought to be evident from these considerations, that certain desirable industries will spring up at once, and without appreciable extra expense, if they have a *fair chance*, which may nevertheless be prevented by unequal competition. They simply need to be shielded from the malign influence of parties interested to break them down, as well as from that of the natural inequality which exists between an infant industry and one that is fully developed.

3. It is urged in favor of protection, that it greatly aids the tendency to that *societary completeness* which is the final cause of *association*. The less obstructed the latter is, the more nearly perfect will the former become, and the stronger and more competent will men be. This freedom of asso-

ciation, as we have seen, depends upon the *individual differences* both of character and calling which prevail in a community. A variety of industries would be likely to grow up in any society left free to the development of its own resources. But a new society, whose nascent industries are in competition with those of an older and richer community, is *not* left free to develop its resources: the so-called freedom becomes a positive repression.

4. The restrictive system is regarded as *an advantage to the general interests of the community*, as well as to those particularly protected. If this were not the case, it would be altogether undeserving of support. We may take as a representative of these *agriculture*, since this is the fundamental industry, and, if the statement is true concerning this, it undoubtedly is of all others. In considering the protective system in relation to agriculture, several things are to be taken into account.

(1) First, there is the question of *transportation*. That every reasonable means should be taken to diminish the expense of this, no one doubts. It cannot be effected by doing or continuing to do the least immediately costly thing, but, frequently, only by going to much additional expense. This expense, however, is *once for all*; and so, on the whole, it is less expensive. To build a wagon-road where there was none before, involves an outlay sometimes of hundreds of thousands of dollars. It may add only a small amount the first year to the profit of each producer living near it; but in a brief period thereafter, the advantage will amount to much more than the whole cost of construction. The same principle applies in the building of railways and the making of canals.

If it is good economy to go to great expense to increase the power of association by means of roads and other transit

arrangements, it certainly cannot be poor economy to go to some expense for the purpose, so far as the conditions allow, of doing away with transportation altogether. Restrictive duties, even when the conditions are the least favorable, are often the least expensive method by which the producer and the consumer can be brought into close proximity.

(2) Again, unless manufacturing centres exist in the midst of agricultural areas, products of the soil must be conveyed to a great distance. But *this implies virtually an exportation of the soil*, and this is a diminution of the capital of the farmer. There are many illustrations of this. Fifty years ago Western New York was one of the richest wheat-producing regions in the world: twenty-five years later it had so deteriorated that the crops were scarcely half their former amount. The wheat-fields of Ohio formerly yielded as high as thirty bushels to the acre: they afterwards fell off to fifteen and thirteen. The same process is going on in Illinois, Wisconsin, Iowa, and other purely agricultural regions. The soil is being rapidly exhausted, except where it is kept up by artificial fertilization. It has been said, that this might be done universally as well as in a few cases. But the fact that almost universally it is not done, would seem to indicate some natural reason for the failure.

On the other hand, agricultural estates within moderate distances from manufacturing centres tend to a constant increase of efficiency. "In England, in the days of the Plantagenets, when the population but little exceeded two millions, an acre of land yielded but six bushels of wheat; and, small as were the number to be fed, famines were frequent and severe. To-day we see eighteen millions occupying the same surface, and obtaining greatly increased supplies of very superior food." The yield of wheat now in England is thirty, forty, and even fifty bushels to the acre.

In France the product of grain has nearly doubled within a single century, while the population has increased only about fifty per cent. Here, as also in England, are new varieties of produce, which by themselves are equivalent to two-thirds of all the food formerly produced. There are still more striking illustrations found in Holland and Belgium, and in many other countries there are remarkable instances of a similar kind. This condition of things is possible only with a diversified industry out of which will come populous centres. This, in a new country, is conditioned on considerable expenditure, and such public measures as will prevent destructive foreign competition.

(3) A third advantage to agriculture is alleged to be found in *the utilization of materials which would otherwise be wasted*. In exclusively agricultural sections, an incalculable amount of produce, which might be furnished at scarcely any additional expense, is lost by reason of the difficulty or impossibility of transportation. It is only in the vicinity of manufacturing centres, that certain articles have any value at all. It was said some twenty-five years ago, that the crop of straw in France was utilized to the amount of a hundred and fifty million dollars a year. This is more than the value of our whole cotton-crop at that time, — a crop which employed the principal part of the capital and labor of ten States, and was the largest export by far of all our great staples. Yet, in large agricultural areas of our country, this material is every year burned in the fields where it grows.

5. A fifth argument advanced in favor of protection is, that *it tends to prevent the degradation of labor in the country protected*. It is generally urged, that one chief reason why in our own country manufactures are at a disadvantage in relation to those of European nations, is because the com-

pensation there is smaller than here. Even in England, where it is better than in most parts of the Continent, all the ruder kinds of labor are at a price which affords only such and so much sustenance as will keep the subject in a fair working condition. The great mass of this class is exceedingly poor, there are among them scarcely any savings, there is little inducement to them to endeavor to improve their condition, and there is very little hope to them of amelioration. Now, it is thought to be inevitable, that free reciprocal commerce with a country whose system produces such consequences can but result in reducing our own laboring population to nearly the same level. Two lakes lying near each other, but between which there is a channel of unrestricted communication, will stand at the same level.

*This is
as unfair
as it is
nature.*

*The rate of wages is commensurate
with the cost of living, and
in almost all cases there is a
large surplusage for saving.
The Post Office Savings Bank
& other Mutual Savings Banks
statistics flatly contradict
this sentence. (vide Whittaker's
Almanac) or Hazell's
Encyclopedia)
Socially & educationally the people
are better off than in the U.S.*