

A PRIMER OF TARIFF REFORM

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A Primer of Tariff Reform by David A. Wells

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DAVID A. WELLS

A PRIMER OF TARIFF REFORM

A PRIMER
OF ²⁴⁵⁻²⁰
TARIFF REFORM.

BY
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DAVID A. WELLS.

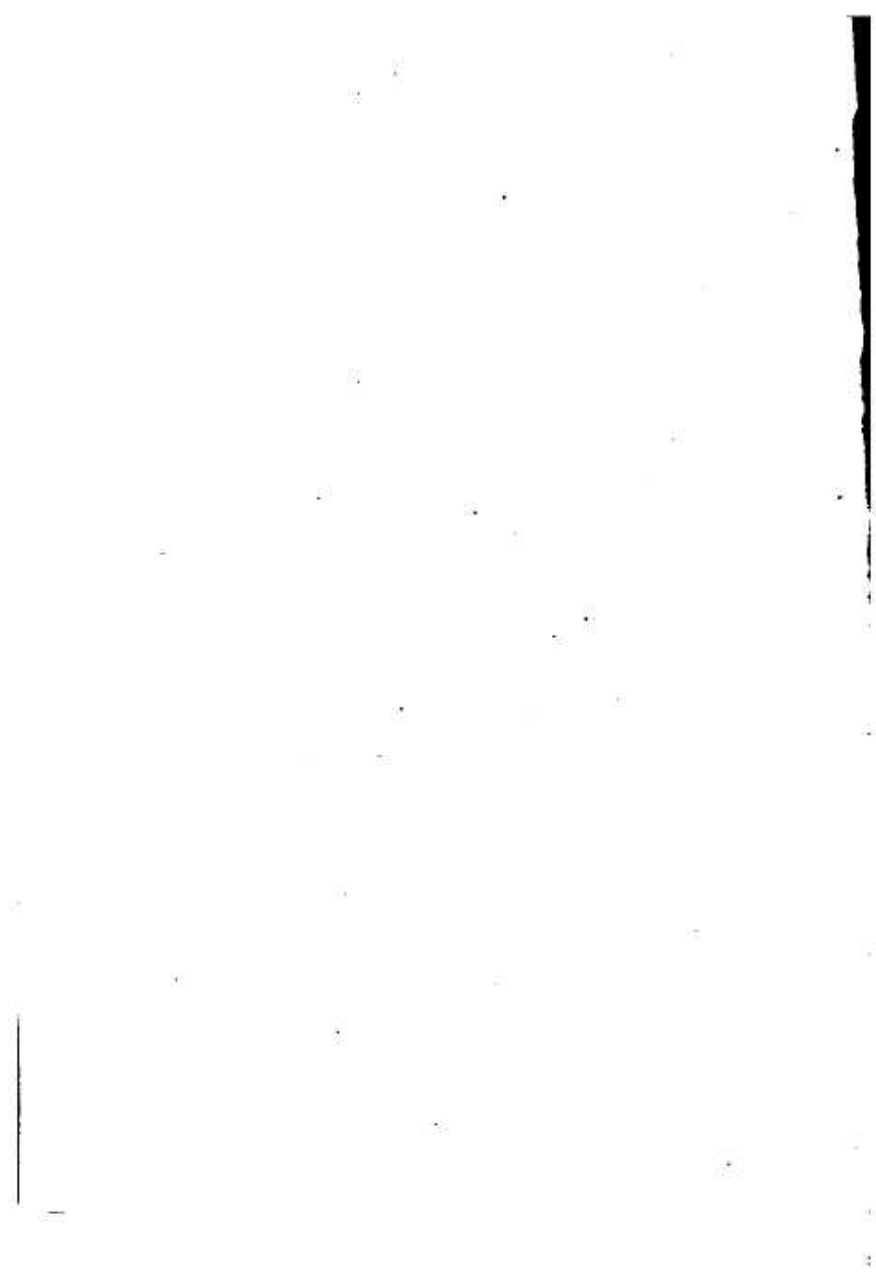
During the fiscal year 1883-4, the United States, by reason of taxation imposed and maintained for purposes of protection, collected from its people \$40,878,725 more than was necessary to defray all its ordinary expenditures, including pensions and interest on the public debt. Had this enormous sum of money been remitted to the people, in place of having been extorted from them, it would have been sufficient to have bought two pairs of boots for every man in the country with an occupation, or two barrels of flour for every family; or it would add a week's wages to the gain of every manual labourer. It would have paid ten per cent. on a thousand million dollars of capital invested in agriculture, manufactures, or mining.



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1885.



PLATFORM OF THE NEW YORK STATE REVENUE
REFORM LEAGUE.

The New York State Revenue Reform League holds :—That the only tax on imports which should ever be tolerated by a free people, is a tariff for revenue only. That the greatest burden now borne by the American people is the unjust and unequal system of taxation called a protective tariff. This tariff, levied upon nearly 4,000 articles, is a masterpiece of injustice, inequality, and false pretence. By seriously injuring many industries, it has reduced the wages of labour, restricted the opportunities for domestic employment, and unnecessarily increased the cost of the necessaries of life. It has almost swept the flag of the American commercial marine from the ocean. It has cut down the sales of American manufactures at home and abroad, and depleted the returns of American agriculture—an industry followed by half our people. It costs the people five times more than it produces to the treasury, obstructs the processes of production, wastes the fruits of labour, promotes fraud, and fosters the growth of monopolies.

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A PRIMER OF TARIFF REFORM.

Q. What is a tariff?

A. A tariff is a tax imposed on commodities imported from foreign countries.

Q. What is a tax?

A. A tax is the portion of property or product which the Government takes (by compulsion) from every citizen—not a pauper—for public purposes.

Q. What are public purposes, in the sense of this definition?

A. A definition given by the Supreme Court of the United States in 1874 was as follows: "for the purpose of carrying on the Government in all its machinery and operations."

Q. What is Free Trade?*

A. Free Trade is the right of every man to freely exchange the products of his labour and services in such a way as seems to him most advantageous, subject only to such restrictions as the State may find necessary to make for the purposes of

* The following definitions of free trade and protection appeared in the *Philadelphia American*, of August 7th, 1884, a representative Protectionist paper:

"The term Free Trade, although much discussed, is seldom rightly defined. It does not mean the abolition of custom houses. Nor does it mean the substitution of direct for indirect taxation, as a few American disciples of the school have supposed. It means such an adjustment of taxes on imports as will cause no diversion of capital from any channel into which it would otherwise flow, into any channel opened or favoured by the legislation which enacts the customs. A country may collect its entire revenue by duties on imports, and yet be an entirely Free Trade country, so long as it does not lay those duties in such a way as to lead any one to undertake any employment or make any investment he would avoid in the absence of such duties. Thus the customs duties levied by England—with a very few exceptions—are not inconsistent with

revenue or for sanitary or moral considerations. Conversely, it is the denial of the right of a free government to arbitrarily take from any person any portion of the product of his labour for the benefit of some other man who has not earned or paid for it.

Q. What is Protection?

A. Protection, on the ground of advantages accruing directly or incidentally, advocates and defends the imposition of taxes on imports for other purposes than those of revenue. The protective system is opposed to the revenue system because the Government collects revenue on what comes in, while protection is secured only to the extent to which commodities are kept out.

Q. What is the idea underlying each?

A. Free Trade assumes that a people like those of the United States might be left to themselves to decide what is to their own advantage; Protection assumes that Congress can better decide what business the people shall do than the people themselves.

Q. What is a tariff for revenue only?

A. A "tariff for revenue only" is one so framed that all the taxes which the people pay, the Government shall receive.

Q. What is meant by a tariff for revenue with "incidental protection"?

A. The adjustment of a tariff for revenue in such a way as to afford what is termed "incidental protection" is based on the supposition that by arranging a scale of duties so moderate as only to restrict and not prevent importations, it is possible to secure sufficient revenue for the State, and at the same time stimulate domestic manufactures by increasing the price of competitive foreign products.

her profession of being a country that believes in Free Trade. They either are duties on articles not produced in England, or they are exactly equivalent to the excise duties levied on the same articles if made at home. They do not lead any one to put his money into the home production of an article, because they do not discriminate in favour of the home producer. It is, therefore, no concession to the protective principle when the Democratic platform says that 'since the foundation of the government custom house duties have furnished its main source of revenue,' and that 'this system must continue.'

"A protective duty, on the other hand, has for its object to effect the diversion of a part of the capital and labour of the people out of the channels in which it would run otherwise, into channels favoured or created by law."

Q. Is this double object capable of attainment?

A. Undoubtedly; but it is also one of the most costly of all methods of raising revenue. For while revenue to the State accrues only from the tax levied on what is imported, another tax, arising from an increase of price, is also paid by the nation upon all domestic products that are sold and consumed in competition with the foreign article. A tariff for revenue so adjusted as to afford incidental protection, is therefore a system which requires the consumers, who are the people, to pay much in order that the State may receive little.

A TARIFF FOR REVENUE "ONLY" ALONE CONSTITUTIONAL.

Q. Has the Supreme Court ever passed judgment upon the question whether the Government of the United States has the right to levy taxes for any other than public purposes, as for example, for the protection or promotion of private interests?

A. The city of Topeka, in Kansas, under an act of the Legislature of that State passed in 1872, voted to give, and with consent of a majority of its electors, did give £20,000 to an Iron Bridge Company, on condition that the latter established and operated their shops within the limits of the city. When an attempt was made to meet this expenditure by taxation, the power of this city, as well as of any political organisation in the United States—Municipal, State or Federal—to levy taxes for any such purpose as the encouragement of manufacturing enterprises was denied, and the question thus raised, was finally carried to the U.S. Supreme Court for adjudication. The Court, with but one dissenting opinion, absolutely and unqualifiedly decided the question in the negative, and incorporated in its decision the following statement: "To lay with one hand the power of the government on the property of the citizen, and with the other to bestow it upon favoured individuals to aid private enterprises and build up private fortunes, is none the less a robbery because it is done under the forms of law and is called taxation. This is not legislation, it is a decree under legislative forms. Nor is it taxation. Beyond a cavil, there can be no lawful tax which is not laid for public purposes."

Q. Does this decision deny the right of Congress or of the