

**LECTURES ON THE
HISTORY OF PROTECTION
IN THE UNITED STATES**

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Lectures on the History of Protection in the United States by William G. Sumner

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WILLIAM G. SUMNER

**LECTURES ON THE
HISTORY OF PROTECTION
IN THE UNITED STATES**

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ON THE
HISTORY OF PROTECTION
IN THE UNITED STATES

DELIVERED BEFORE THE INTERNATIONAL FREE-TRADE ALLIANCE

BY

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PREFACE.

The following lectures were delivered by me before the International Free Trade Alliance, in New York, in the spring of 1876. They are here republished exactly as delivered, although there are certain points which I should like to elaborate, if the opportunity were offered. I have endeavored here to combine two things: 1st, the history of our own tariff legislation, showing its weakness, ignorance, confusion, and oscillation; and, 2d, a discussion of the arguments for and against free trade, as they have presented themselves in the industrial and legislative history of the country. I have summed up in the last lecture the convictions to which such a study of the subject must lead. Suffice it here to say, that when one clears one's head of all the sophistries and special pleas by which protection is usually defended, and looks at the matter as a simple matter of common sense, one must be convinced that an industrious people on a fertile soil, so abundant in extent that population is inadequate to the highest organization of labor, must enjoy advancing wealth and prosperity. They will owe this to a diligent use of their natural advantages. They will reach the maximum of production when they produce and exchange most freely. Certainly no application of taxation can possibly increase their production; that is their national wealth. Every tax or other interference with the freedom of production or exchange produces restraint, confusion, delay, change, risk and vexation, and these, as every one knows, cause loss of time, labor, and capital, that is, diminish the product which may be obtained from a given amount of labor. The amount of this loss can never be measured in figures, because we can never get statistics of "what might have been;" but when it is shown here that the legislation of the United States has been constantly vacillating, not only in its policy, but also in the degree to which its policy has been pursued; that it has laid burdens on production and exchange in a clumsy, brutal, and ignorant disregard of possible effects on the delicate network of modern industry; that it has had in view, from point to point, only a single interest, and has had no national stand-point or conception of the public interest (much as it boasts to the contrary); then, I think, any one must see that such legislation has lamed the national productive power, wasted the natural advantages which the nation enjoys, diminished its wealth, and contracted the general status of comfort for the whole people.

Adam Smith laid down four rules by which all taxes ought to be tested. Experience has ratified them so thoroughly that they are no longer questioned by anybody. They ought to be known by everybody.

1. Taxes should be, as far as practicable, equal.
2. They should be definite in amount (not uncertain or variable).
3. They should be collected, so far as possible, at the time most convenient to the payer, so as not to cripple the process of production.
4. They should be so arranged as to give the maximum revenue to the government at the minimum cost to the people, *i. e.*, they should cost as little as possible to collect; and they should keep capital out of the hands of the people as short time as possible.

Protective taxes are hostile to revenue, because the purpose of a protective tax is to prevent importations. The moment, however, that a tax begins to have this effect it prevents revenue. Hence, *where protection begins, there revenue ends.*

There is no conceivable ground of right by which the legislature may decide what things ought to be produced, and in what measure, and then use its taxing power to carry out its notions. Every tax is an evil, and it is on the defensive. Its need must be shown, and *no tax can be defended which is laid for anything but revenue to defray the legitimate and necessary cost of public peace, order, and security.*

For taxes laid to this end, some further rules can now be laid down as established by long experience.

1. No such taxes should be allowed to act protectively to any degree. They should be offset by excise taxes of equivalent amount.
2. They should be laid on as few articles as possible, and in the simplest way possible (to avoid expense in collection).
3. The legislator should try to find the maximum revenue point on each article (*i. e.*, If there were no tax there would be no revenue. If there were a prohibitory tax there would be no revenue. There is a point between, at which the highest revenue can be obtained with the least cost and the least fraud).
4. Raw materials should not be taxed. (It is not easy to define "raw materials," but the rule has value as a practical rule. Taxes on raw materials strangle industry at its birth.)

These rules are only practical rules, derived from experience. There are no scientific laws of taxation, because there are no natural laws of taxation. Nature has not provided for taxation, as she has for production, exchange, distribution, and consumption. Taxation is part of the co-operation of society for its own defense against the evil and destructive forces within itself. Any state which lays protective taxes misuses the means of defense to increase the evils.

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LECTURE I.

THE NATIONAL IDEA AND THE AMERICAN SYSTEM.

It is a sign of a dogma in dissolution to change its form and to yield points of detail, while striving to guard its vested interests and traditional advantages. Just now the dogma of protection is striving to find standing ground, after a partial retreat, for a new defense, in the doctrine of nationality. We are told that there is only a "national" and not a "political" economy, that there are no universal laws of exchange, consequently no science of political economy; that it is only an art, and has only an empirical foundation, and that it varies with national circumstances to such a degree as to be controlled by nothing higher than traditional policy or dogmatic assumption. Great comfort is found for this position in the assertion that the German economists have discovered or adopted its truth. How utterly unjust and untrue this is as a matter of fact, those who have read the works of the German economists must know. It is untrue, in the first place, that they are unanimously of the school of the *socialistes en chaire*, and, in the second place, it is untrue that the *socialistes en chaire* are clear and unanimous in their position. They occupy every variety of position, from extreme willingness to entrust the state with judgment in the application of economical prescriptions, to the greatest conservatism in that regard. Finally, it is not true that any of them are protectionists.

We do not intend, however, to discuss the opinion or authority of the schools in question. If it should be claimed that the extreme admission made by some of the Germans of this school, that protection may be beneficial to a nation at a certain stage of development, is applicable to the United States to-day, we should desire no better footing for the controversy.

It is more directly interesting, however, to examine the doctrine of nationality on its merits. It will appear upon even a cursory examination of this kind, that existing nations are arbitrary and traditional divisions. There was published in Europe, in 1863, when the Emperor Napoleon was urging on an attempt to secure stable equilibrium in European politics by adjusting political divisions according to race and language divisions, a map of Europe thus rationally constructed. The effort, however, offered the most striking proof of the impossibility of reconstructing, on any such rationalistic or logical basis, political circumstances.

which are the historical outgrowth of political struggles and political accidents. The nations which must be made the subject of discussion are, therefore, such as exist, and of them it is true that their boundaries coincide with no lines of race, language, culture, industry, commerce, or anything else which would give the basis of scientific classification, so that different principles could be consistently applied in each. There was a time, indeed, when the civil subdivisions were small and numerous—when manners, customs, costumes and language varied over every hundred square miles of Europe—but the whole tendency of the great inventions of modern times is to obliterate these boundary lines for purposes of industry and trade.

It is not necessary to go into the history of Europe for proofs and illustrations. The very best are furnished by our own continent and our own nation. The geographical area known to-day as the United States is the result of discovery, conquest and purchase. It would have been impossible a century ago to constitute an empire of such extent, and to govern it according to the requirements of modern life. The improvements in transportation and the transmission of intelligence have made it physically possible, and the combination of local institutions with a centralized organization has made it politically possible.

When we turn to inquire, however, why it has been limited just as it has, why Canada and Mexico are outside, and why Texas, California and Alaska are within, we come at once to the historical antecedents which are partly accidents and partly ancient struggles and hostilities. Canada was never made thoroughly English before the revolutionary war; while it was French it was always hostile to the English colonies. This hostility was traditional, and there was no sympathy with the revolution. New Brunswick and Nova Scotia were largely peopled by the Tory refugees, whom the unwise severity of the Whigs forced to emigrate during and after the war. Texas was won from Mexico in war. California and the other Pacific States were obtained partly by conquest and partly by purchase. A few years ago we discussed a plan for purchasing San Domingo. Out of these historical movements, part of which fell out one way and part the other, the actual geographical limits of the United States result.

Now, according to the Constitution of the United States, no one of these States can make any laws restricting commerce between itself and any of the others. If it be asserted that states which pursue different industries cannot afford to trade freely with one another, here we have them—New York and Pennsylvania, Massachusetts and Minnesota, Maine and Louisiana. If it be asserted that states with like industries cannot afford to trade freely with one another, here we have them—Indiana and Illinois, Iowa and Minnesota, Massachusetts and Rhode Island, Alabama