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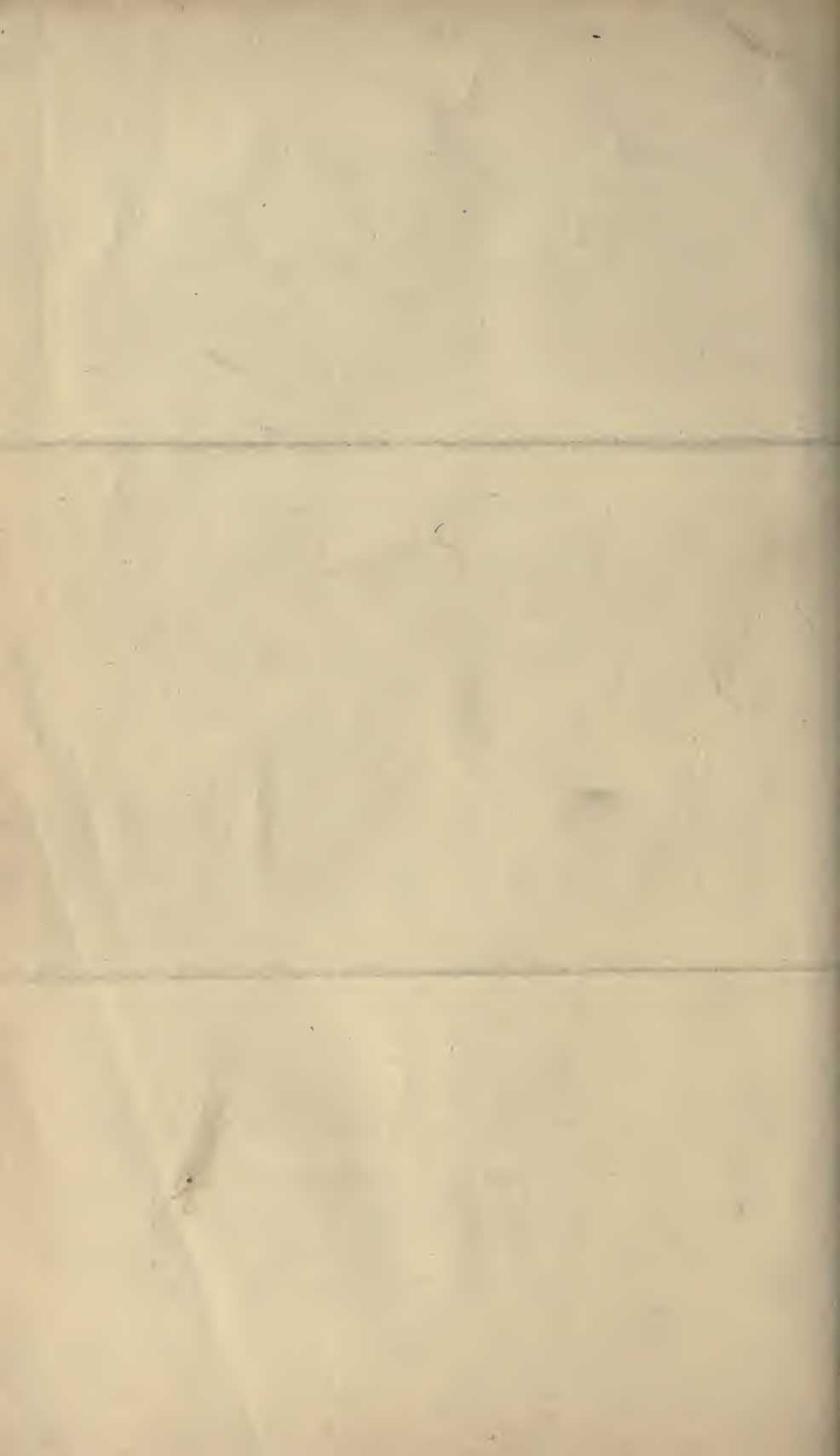
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HOW
CONGRESS AND THE PUBLIC
DEAL WITH A GREAT
REVENUE AND INDUSTRIAL PROBLEM.

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HOW CONGRESS AND THE PUBLIC DEAL WITH A GREAT REVENUE AND INDUSTRIAL PROBLEM.

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That is entirely practicable, through wise, economic legislation, *i. e.*, in respect to taxation, banking, currency, the relations of capital to labor, inter-state and foreign commerce and the like—to healthfully, largely and speedily promote our national development, increase the opportunities for profitable labor, and so the consequent comfort and abundance of the masses, is a proposition about which there is a very general concurrence of public sentiment. Judging, however, from recent experience—the only criterion for safe judgment—any expectation of the speedy attainment of any such result is not likely to be realized. And in evidence of such most unsatisfactory conclusion, and with a faint hope that its presentation may in some degree prove remedial, it is proposed to here tell the story of what has happened in a recent case, pre-eminently demanding wise legislation in the interest of all our people as consumers; of the laborer seeking employment; of the national revenue; of the prosperity of our seaboard cities, and of our foreign commerce and carrying trade. The material for this presentation is to be found in the case of the single article of sugar in its relations to consumption, foreign commerce, domestic industry and national revenue.

Few, other than those who have made the subject a specialty of study, realize the extent to which sugar has become a factor in the great aggregate of the world's business and a necessity in the world's consumption; and to all the statement of numerical results can convey little except

the indefinite general idea of *bigness*. Nevertheless, it is necessary to make certain statistical statements as a starting point in the proposed discussion, and here they are.

For the whole world, the present annual production of sugar of all kinds is probably about 5,500,000 tons, or in round numbers *twelve thousand millions of pounds* (see how it looks in figures: 12,000,000,000 lbs.!!!), of which quantity about three fourths is the product of the cane and one fourth the product of the sugar-beet. The quantity of sugar derived from other sources is comparatively insignificant.

The general answer to the question, 'What becomes of all this enormous product of sugar?' is, that it is eaten up almost as fast as it is produced, but that the ratio of consumption differs greatly in different countries. Thus, Great Britain, which produces no sugar, and the United States, which produces little in comparison with the amount it consumes, together absorb in the first instance about one third of the entire annual sugar product of the world. In respect to per capita consumption of sugar, Great Britain, however, leads, and for the year 1877 retained for home consumption, out of the total sugar by her imported, an amount equivalent to 64.9 lbs. for each man, woman, and child of her population; while in the United States the present annual consumption is probably about 38 lbs. per capita. This marked difference in the use of sugar by the people of the two countries is due mainly to the circumstance that sugar is largely used in Great Britain for certain purposes to which it has not yet to any great extent been made applicable in the United States, as for distilling, brewing, and the feeding of cattle; and being in addition about 33 per cent. cheaper in Great Britain (owing to the removal of all tariff restrictions on its importation) than in the United States, the tendency is naturally to a larger consumption by the masses of the people in the former than in the latter country. As respects other countries, Germany consumes about 19 lbs. of sugar annually per capita, or about half the per capita consumption of the United States; while in Russia the annual consumption runs down as low as 7 lbs. per capita.

In answer to the next question which naturally suggests itself, Where does all the sugar come from? it may be said that, commencing with cane sugar, the Spanish West Indian islands—Cuba and Porto Rico—stand first in importance among the sugar producing countries, with an annual product of at least 750,000 tons. The other great sources of sugar, named in the order of their importance, are British India, China, the Islands of the East Indian archipelago, Brazil, the British and French West Indies, the Guianas, the United States (80,000 tons), Peru, Egypt, and Central America; but at the same time there is hardly a tropical region which does not produce sugar, and from which the export of this article does not tend to increase with every increase of its commercial intercourse with the rest of the world.

Passing next to sugar produced from the beet-root, it will be found that although repeated attempts have been made to establish this industry in England and the United States, it is yet mainly restricted to the states of Continental Europe, the centers of production being, first, France; second, Germany; third, Russia; fourth, Belgium; with a notably smaller product in Austria and Holland, and very little in Sweden and Italy.

In addition to all this sweetening, the manufacture from starch of *glucose*, or grape sugar—the sugar of grapes, or ripe fruits, of honey, and of seeds—is annually increasing in the United States, and has already become a large factor in our domestic trade and consumption. At present some ten factories are reported in this country, producing glucose at the rate of several hundred tons per day, and as the business is understood to be extremely profitable, many new factories are projected or in the course of construction. In Europe glucose is made mostly from potatoes, but here it is manufactured almost exclusively from corn; the present daily consumption for such purpose being estimated at about 55,000 bushels.

Glucose is used extensively for the manufacture of confectionery, malt liquors, vinegar, the preservation of fruits, and medicinal preparations, and especially for mixing with cane

sugar syrups in the preparation of the so-called table syrups ; many of which, without the public being aware of the fact, contain from 70 to 80 per cent. of glucose. These mixtures, furthermore, are so palatable and in such demand that it is said to be now not easy to even purchase pure cane sugar syrup at retail. Within a very recent period glucose has also largely come into use for mixing in a finely ground state with refined cane sugars ; but this is probably not done in any degree by the large cane sugar refining establishments, as the sales of this adulterated article seriously interfere with their own products, but by manufacturers of and dealers in glucose, who are in no sense refiners, and also by retailers. The somewhat popular idea that glucose as an article of food is deleterious, or even poisonous, has also absolutely no foundation, as it is substantially the same thing as the little white granules so grateful to children in raisins, figs, and other dried sweet fruits. It contains, however, much less of the saccharine or sweetening principle than cane sugar ; and the fraud on the public in connection with its use consists in its mixture with cane sugar products and subsequent sale at cane sugar prices.

As the culture of the beet and the sorghum in the United States is at present strongly advocated as sources for the future economical production of sugar, it is pertinent to here also call attention to what are believed to be the real facts in the case. That sugar can be produced from the sugar-beet, the sorghum, the stalk of the Indian corn, and from many other plant products, is not to be questioned. But the natural source or supply of sugar, especially for the United States, is the sugar-cane, and whoever undertakes to manufacture sugar from any other source practically invites Nature to be his competitor ; for in the proper localities—*i. e.*, the tropics—the sugar-cane grows spontaneously, and can be made to yield sugar at a cost that under natural conditions will absolutely preclude competition from sugar produced under any other circumstances ; and such localities, if not at present actually embraced within the territory of the United States, have, by the improvements in transportation, been brought closer to the doors of a majority of our con-

sumers than are the wheat-fields of the Northwest. In Europe, in the case of the beet, the natural advantages of the cane are in a degree overcome by a supply of cheap labor—women and children—which does not exist in the United States, and by an extreme economic utilization of all the waste product of its manufacture, which is at present also foreign to the habits of our people; while in the case of the sorghum the saccharine product in the first instance is always of low grade, fluctuating as respects quantity and quality with variations in the seasons, and necessarily requiring, for refinement into a fair marketable article, a degree of skill and expense and a use of machinery which is far beyond the reach of the ordinary agriculturist. Whoever, therefore, recommends the diversion of labor and capital in the United States into the cultivation of the beet-root or the sorghum with a view to the profitable manufacture of sugar therefrom, recommends an investment that is certainly risky and will probably prove disastrous. The simple statement that sugar containing 80 per cent. of pure saccharine matter can be purchased in tropical countries at the present time in any quantity for $2\frac{3}{4}$ and 3 cents per pound, would also seem of itself to constitute a demonstration of the correctness of the above conclusions.

In round numbers, the people of the United States at present consume annually about a billion nine hundred million (1,900,000,000) pounds of sugar derived from the cane and the beet (the latter, however, in very small proportion); and of this quantity more than 90 per cent. during the year 1879 was the product of foreign countries. The business of transporting sugar—including under this term molasses and all syrups—constitutes, therefore, a great item in the foreign commerce of the United States. In point of fact, it constitutes the largest item in the list of the commodities we import in respect to both value and quantity: in value representing about *one seventh* of the aggregate of all our imports; while of the quantity involved some idea may be formed from the statement that if the vessels employed in the sugar trade have each an average capacity of 500 tons (of 2,000 lbs.), the importation of sugar must furnish a present annual business to

the shipping interest to the extent of some *seventeen hundred cargoes*.

Raw sugars derived from the beet or the cane are wholly unfit to enter into consumption as articles of food until they have first been submitted to some process of refining or purification. Raw beet sugars are so impregnated with alkaline salts as to be unpalatable. Raw cane sugars, in addition to containing vegetable spores of fungi, and other forms of organic filth, abound with a disgusting little insect—the "*Acarus sacchari*"—which is closely allied to insects which occasion the disease known as the "itch;" so much so, that persons engaged in handling such sugars are liable to a pustulous eruption on their hands, which is known as the "*Grocer's itch*." In an article in the *Popular Science Review* for February, 1879, Mr. E. R. Leland states, that as many as 500 of these insects have been found in as small a quantity of sugar as ten grains, which is at the rate of 350,000 to the pound; while the remark of a large dealer in raw sugars in New York, when questioned as to this matter, was to the effect that at certain times the entire mass of such sugars would almost seem to be alive. All these impurities are, however, entirely removed by the processes of refining; and consequently, as these facts have become known and their sanitary importance recognized, the public more and more refuse to use any but refined sugars, and the business of refining in all civilized countries has become one of the first importance. In the United States, measured by the value of its products, it ranks *ninth* among the so-called manufacturing industries of the country; giving employment directly and indirectly to some 20,000 laborers; and disbursing annually, in great part for wages, a present annual aggregate of at least sixteen millions of dollars.

Sugar, as an article of very large and constant consumption, has also in modern times been regarded by most governments as an especially suitable and convenient source for obtaining revenue by taxation; and in the United States, from the formation of the government, the receipts from the duties on imported sugars have always constituted a large proportion of the national revenues. The average tariff on all

imported sugars is at present about 60 per cent ; and for the year 1879, out of a total customs revenue of \$133,159,025, \$38,065,803, or 28.58 per cent., was received from sugar, or 30.24 per cent. if the imports of molasses be included. As our present average tariff is about 42 per cent. on all dutiable imports, it will be seen that the existing customs rates on sugars—amounting specifically to at least three cents per pound, or six dollars per barrel of two hundred pounds, on the lowest grades of sugar really fit for consumption—are exceptionally high. The result is that this essential article of food to the people is higher in price in the United States than in most countries. Whether a reduction of the duty would, however, result in a larger domestic consumption is an open question, as our people, in respect to what they regard as the necessaries of life are not accustomed to calculate and live as closely as the people of Europe ; but it is to be noted that in Great Britain, when by the repeal in 1874 of all duties on the import of sugar the price was considerably reduced, so as to make it about one third cheaper than in the United States, the importations the next succeeding year increased more than a million hundredweight, while the increase in the importation of molasses for the same time exceeded 100 per cent.

To this sketch of the relations of sugar to the foreign commerce and carrying trade of the country, to its agriculture, to its manufacturing industry, and its national revenues, it remains to be added that at present no branch of domestic industry in all of these several relations is in a more unsatisfactory and troubled condition ; and the problem of how to settle this difficulty is second to none in economic importance—currency excepted—that can at present claim the attention of our people.

The source of the trouble is to be found primarily in the methods adopted by the government—*wholly irrespective of any question of free trade or protection*—for the collection of duties on the importations of sugar, and which, although when first established were substantially correct, both in theory and practice, have very curiously and recently been in a great measure rendered worthless by the improvements

in industrial processes. To understand how this has come about it is necessary to premise that the sugars of commerce differ widely as respects purity, and, therefore, as respects value. The lowest grades of sugars are almost black from the presence of impurities, and by the ordinary observer would hardly be recognized as sugar; the highest are almost chemically pure, translucent, or brilliant in their whiteness; and between these two extremes there is every intermediate grade of color, purity and price. The problem of how to readily determine the commercial value of different sugars is obviously, therefore, a most important one. The Dutch, as owners and venders of the large sugar product of the island of Java, undertook many years ago to solve it by founding a standard, on the assumption that color in sugars is the certain indication of their purity or value, and practically carrying it out by assigning to the lowest grade of sugars found in commerce a given number as a unit of color—as, for example, the number 4—and making every additional higher number represent a progressive gain in color, and if in color, then inferentially also a corresponding gain in saccharine strength or commercial value. The standards as thus arranged by the Dutch gradually came into extensive use throughout the world for the classification of the sugars of commerce, and as the basis for the assessment of customs; specified samples of sugar, corresponding to the different numbers, and hermetically sealed in glass bottles, being annually distributed by the Dutch authorities. All sugars, according to the Dutch standard, which grade below No. 7 in color, are the typically crude sugars, simply purged from molasses, and really constitute the raw material for every further process of manufacture. And every grade of sugar above No. 7 may be regarded as an advanced manufacture, every step forward in which reduces (brightens) the color and increases the cost, through the added expense of labor and capital.

The number 13 on the Dutch scale is generally accepted as indicating the line between sugars which are the result of the original process of manufacture and sugars which have been refined or subjected to a further and independent pro-

cess of purification. Sugars designated as No. 20 or upwards are destitute of color, or white, and are of the highest degrees of purity.

At the time the Dutch standard was instituted, and for many years afterwards, it constituted an approximately accurate method of determining the value of sugars; and for sugars above No. 13 it is still regarded as satisfactory, for the reason that above that number the relation between color and saccharine strength or purity, and therefore value, is unquestionably definite. But below No. 13 no such relation can be positively affirmed to exist in respect to any sample of sugar; for the improvements in the processes for making sugar now at the command of every planter who can afford to pay for the somewhat expensive machinery involved, enable him to turn out sugars of as high degree of saccharine strength as 96° (100 representing purity), with a coloration which in the case of the ordinary or old-process sugars, would, according to the Dutch standard, have represented a sugar of not more than 80° to 86° strength, and from 25 to 40 per cent. lower valuation. And as the provisions of the United States tariff in respect to the importation of sugar (enacted in 1870) prescribe only the use of the Dutch standard for valuation and assessment—the duties rising and falling rapidly as color changes from dark to light and *vice versa*—and as any excess of color in the new-process sugars does not materially impair their value for refining purposes, the opportunity for great gain afforded to the foreign producer, by complying with the letter but evading the spirit of the tariff, is most obvious.

And this opportunity human nature, especially human nature as it exists in the Spanish West India islands and Demerara—the countries where the “new process” has thus far been mainly introduced—has not been slow to embrace. How long sugars continued to be imported under such circumstances without interference on the part of Federal officials, and what profits accrued in consequence to the importers, are not definitely known. It certainly continued several years, and the profits accruing therefrom were estimated some years ago by a Congressional committee to have aggre-

gated as much as five millions of dollars per annum. The evasion in question also injured and even threatened destruction to former great lines of established trade, inasmuch as the low-grade and low-cost sugars—the special products of the East Indies and Brazil—manufactured by the old process, and in which color is a true coefficient of value, were subjected to the same rates of duty as sugars of much higher intrinsic value imported from Cuba; which, amounting to a discrimination of from 20 to 30 per cent. against the former, naturally tended to drive them from our markets and still further diminish the already small business of our decaying American shipping.

No serious attempt was, however, really made by the government to put a stop to this business until 1867, when a cargo of Demerara sugars consigned to one of the leading importers in Baltimore was seized on the charge of being artificially colored with intent to defraud the revenue, and on appeal the case was carried to the United States Court. The trial was long and expensive, and the claims of the government were at every step resisted; but the jury found that the sugar in question, which had been entered as of the lowest grade, was really of high grade and had been artificially colored with intent to evade the payment of the proper duties; the Court at the same time saying to the officials, as the rule for their guidance in determining the value of sugars for assessment: "You must look through the artificial coloring, and the sugar should be classified according to the color which it would bear if it were not artificially colored." The cargo in question was not forfeited, as the jury found that the Baltimore importers were not in any way parties to the fraud; but the Treasury Department immediately issued stringent orders to its officials to advance the duties on all imported sugars artificially colored, to exact fines and forfeitures where fraud could be found, and to adopt other measures than comparison with the Dutch standards to ascertain the true value of sugars; more especially the use of an optical instrument called the polariscope, which merchants generally had before resorted to in order to protect themselves in dealing in sugars, and which when properly used is acknowledged

to show the real saccharine strength of sugar with such un-failing accuracy that no cargo of sugar, in respect to the commercial value of which there is any dispute, is now ever bought or sold anywhere in the world except upon the polariscope determination.

As usual the orders of the Treasury were executed in the most arbitrary manner, and in strict accordance with the time-honored principle that in matters of the revenue the merchants have no rights which the government is bound to respect; as a matter of course, also, complaints on the part of merchants and refiners became general. It was alleged, and probably with truth, that appraisers one day and in one port admitted a cargo of sugars as *not* artificially colored, and on another day and in another port similar cargoes were condemned as artificially colored; and also that through favoritism the importations of certain merchants were habitually undervalued. But what different results could have been expected from men appointed for reasons other than special fitness for their trusts, and when the honest and efficient discharge of duty constituted no certain guarantee of tenure of office? It was also claimed that the coloration of sugars declared fraudulent was not artificial, but the result of purely legitimate and normal practices of manufacture; and that the employment of the polariscope by order of the Secretary of the Treasury to determine the value of sugars, when the law specifically prescribed the use of the Dutch standard, and none other, was an "audacious" and illegal assumption of authority. Very many importers of sugars have accordingly paid their duties during recent years under protest, and a large number of suits against the government for the recovery of excess of duties have also been instituted.

The government, on the other hand, in the spring of 1879 dispatched two of its most experienced revenue agents to Cuba to make investigations on the plantations where great quantities of sugar are manufactured for the American market; and also caused to be made public a communication to the State Department covering the results of a commission created by the Colonial Government of Demerara during the same year for the purpose of investigating the evidence in re-

gard to the coloring of sugars in that colony brought out in the Baltimore case before mentioned. The facts developed by these inquiries are most remarkable, to say the least, and deserve a place for all time on the record of the curiosities of commerce, although they do not appear to have as yet been noticed by the American press, or to have excited the least interest on the part of the general public. In Cuba and Demerara alike there was no pretense of concealment that sugars were intentionally manufactured in such a way that the highest qualities might be imported into the United States on payment of the lowest duties ; and it was also admitted that this was done under the positive instructions of the importers.

Thus for example, M. Madan, manager of the large plantation, "La Rose" frankly acknowledged that his sugars were artificially colored, *"and that he did it because the merchants desired them made so, and that he was paid \$3.50 on each hogshead for doing it."*

M. Jose de la Cour of the plantation "Admiracion," manufacturing 12,000 bags a season, stated that, *"they were paid more for dark sugars than light ones, and that his sugars went mostly to the New York markets."*

The manager of the plantation "San Jose" said *"he was making his sugar as dark as he could make it, as he had to do so on account of the United States duty. The merchants wanted it made so, and he seemed to think it was a matter for regret as the estate had formerly made excellent white sugars."*

M. Cespedes, owner of plantation "Carmen," said "that he had to make his sugars as the merchants ordered, and stated that in January (1879) he received letters telling him to make his as dark as possible. In March he received instructions not to make them so dark." After explaining the method by which his sugar product was artificially degraded in color, M. Cespedes further remarked : *"to tell you the truth, gentlemen, I am ashamed that I am compelled to make such colored sugars."*

It would be interesting to know who among the importers of New York are the consignees or representatives of Messrs.

Madan, Cespedes, de la Cour & Co., and also what part they take in the applications to Congress for a modification of the existing duties on imported sugars.

Among other points of interest brought out in relation to this matter is the circumstance that the Royal Agricultural Society of Demerara have publicly offered prizes—gold, silver and bronze medals—“*for the best samples of black sugars, manufactured for shipment to America.*”

The government experts found that although in some instances “caramel” (burnt sugar), aniline dyes, iodine and other substances had been used in Cuba and Demerara for degrading the color of sugars without essentially impairing their strength, yet the same end could be more easily attained by merely varying the processes of manufacture, *i. e.*, increasing the amount of lime always added to the fresh juice for purification, and applying a high degree of heat to the vacuum-pan in the last stages of the boiling.

Such, then, is a brief sketch of the circumstances under which the sugar problem, some three years ago, came primarily before Congress as the court of appeal and relief from a condition of affairs which all parties, with one exception, are agreed is most unsatisfactory and detrimental in the highest degree to the business of the country. But all parties are not agreed as to the methods of relief. On the contrary, they are in sharp antagonism. A majority in number of the importers of sugar from Cuba, Porto Rico and Demerara, as well as many refiners, but not representing in either case a majority of the sugar imported and refined, ask that Congress will simplify the tariff by imposing a uniform rate of duty on all sugars below and including No. 13, which is generally accepted as the line dividing sugars which are the result of the original process of manufacture and sugars which have been refined or purified by other and independent processes. The treasury officials have recommended the retention of the present classification and the Dutch standard, supplemented by the use of the polariscope. All the Boston importers at one time agreed to recommend a classification and assessment of duties founded on the use of the polariscope exclusively, and the discarding of all other

methods. The Louisiana sugar producers also take an interest in the matter, but the sphere of their interest appears to be limited to an apprehension lest, as an outcome of the trouble, they may fail to retain a higher tax on sugar than is levied on silks, laces, wines, jewelry, and other articles of pure luxury; while the general public, like the ass bowed down with heavy burdens, is alone complaisant, and seems even to feel a sense of dissatisfaction at being instructed as to the nature and extent of its burdens.

Finally, as the result of several years' discussion and investigation, the opinion is gaining ground that the interest of all concerned would be best promoted by assessing all imported sugars at some uniform rate of duty according to their value; or as it is technically termed, on the *ad valorem* system.

The position of the refining interest of the country in reference to this great industrial, commercial and revenue problem, constitutes one of its most curious and interesting features, and requires to be understood as a condition precedent to the formation of any intelligent opinion on the situation.

Previous to 1860 the refining of sugar in the United States was a business of which the public knew but very little; and in the compendium of the census of that year it was not even enumerated as among the important industries of the country. It was a business in a few hands. As compared with present methods was imperfectly conducted, and as the margin for refining—that is, the difference between the price of the raw sugar and the refined product—was large, all those who understood their business realized great profits. The increased demand occasioned by the war, coupled with a complete absence of all foreign competition by reason of an almost prohibitory tariff and a high premium on gold, still further augmented the profits of the business—for a time undoubtedly to the extent of 2 to 2½ cents per pound—and as a natural consequence many additional persons were induced to engage in it, often without either adequate capital or experience. The further result was that during the decade between 1865 and 1875, the number and capacity of the sugar

refineries of the country increased in a much larger ratio than the contemporaneous increase of population, and when financial revulsion and hard times in 1873-4 enforced economy in living and put an end to the extravagance entailed by the war, reduction in domestic consumption, inability to export, and sharp domestic competition in producing, so rapidly reduced the opportunity for profit, that out of *forty-two* refineries in operation in 1875 in the seaboard cities of the United States, *twenty-one*, or one half of the whole number, were reported during the succeeding three years as having failed or suspended. In place of the 2 to 2½ cents formerly obtained, the profit in refining in late years, has been undoubtedly as low as the *sixteenth of a cent a pound*, and under the changed conditions and improvements in the business will probably never again average much more than *an eighth* under any circumstances; or in other words, from eight to sixteen pounds of raw sugar must now be treated in refining in order to make a cent; from eight hundred to sixteen hundred pounds to make a dollar, from eight thousand to sixteen thousand pounds to make a hundred dollars, and so on. It is obvious, therefore, that under such circumstances, the business of sugar refining, in order to admit of the realization of any profit, must hereafter of necessity be conducted on a large scale; and that the refiner in place of being as formerly a manufacturer exclusively, must now, as a condition of full success, be his own importer, do his own lighterage, own his own wharfs and warehouses, make his own barrels and boxes, prepare his own boneblack, and ever be ready to discard and replace his expensive machinery with every new improvement. But to do all this successfully, requires not only the command of large capital, but of business qualifications of the very highest order; two conditions that but comparatively few can command. That such a change in the methods of prosecuting a large industry involves hardship and losses to not a few, cannot, moreover, be disputed; but the change described, although most noteworthy and illustrative, is not peculiar to the one industry under consideration. On the contrary, the concentration of different processes and meth-

ods to the greatest possible extent under one head or controlling organization, is the characteristic of all recent industrial and commercial progress, and as a factor in producing the recent wide-spread and long continued industrial and commercial depression, has been of no little importance. To attempt furthermore to arrest the continuance of this movement would be as useless as to attempt to arrest the stars in their courses ; and if it could be arrested it is not for the interest of the masses that it should be. For what the masses want is increasing cheapness, or, what is the same thing, abundance of the necessaries and comforts of living ; and cheapness and abundance of these things in turn occasions large consumption and large demand, and through large demand, large opportunities are created for the employment of labor.

As is very generally the case with the unsuccessful, the unsuccessful sugar refiners have been only too ready to attribute the secret of their ill-success to other than the true causes ; and in rushing to Congress with their discontent, and in demanding a change in the tariff as a remedy, have not hesitated to charge upon their more fortunate business competitors the extensive practice of adulteration of their products, and less openly also, an advantage in importing, through the corrupt and systematic favoritism on the part of custom-house officials. That these charges and intimations have any foundation in truth is, however, a supposition for which there is no sufficient warrant or justification. The business of sugar refining is carried on upon such an enormous scale, that any adulteration sufficient to compensate by its resulting profit for the risk involved, cannot be restricted to the contents of a few boxes or barrels, or any secret manipulation in underground apartments or secluded upper chambers, but must of necessity involve enormous quantities. Thus, for example, some half-dozen establishments in New York city and vicinity refine from seven to eight hundred millions of pounds of raw sugar per annum, and if so small a quantity as *five* per cent. of glucose, the principal adulteration alleged to be used, is added to the product, the amount required would be at the rate of at least thirty-five

millions of pounds per annum, which in turn would require an almost endless procession of carts, cars and lighters, every working day of the year, for delivery. On the other hand if of the other alleged adulterant—muriate of tin—so much as one quarter of one per cent. is used, the amount annually required to be supplied to the refiners would be in excess of one million of pounds. But apart from its use in dyeing, no large quantity of muriate of tin is manufactured, and of that which is, a notable proportion is known to find its way to Louisiana, where it is used for lightening the color and improving the grain of the so-called “yellow” or “grocery” sugars. Furthermore, of all the numerous persons employed in or about these great refining establishments, the first one has not yet come forward to testify to the reality of any of these movements or practices; while the testimony of the large refiners of Boston and other cities, whose interest it always is to see that their New York competitors do not obtain any advantage over them in the open market, is also unanimous to the effect that, although they have repeatedly instituted examinations, they have never been able to find any adulterating substances in the sugars which are claimed to have been adulterated. And as for the other charge, of continued corruption on the part of custom-house officials, with a view of favoring certain special and private interests, its acceptance, especially after attention has been long directed to the subject, involves a belief in the condition of civil service far worse than has ever entered into the conception of the most radical of reformers.

The position of the New York Chamber of Commerce in this controversy is also noteworthy, and has been not a little singular. For two or more years now the charge, that the products of some or all of the great New York sugar refiners were systematically adulterated, and so rendered unwholesome, has been made again and again in the columns of the New York press, and also in hearings that have taken place before the committees of Congress; and—whether true or not—it is obvious that no instrumentality could be more effective for obstructing the existing immense local manu-

facture and distribution of refined sugars, and also of preventing their export to foreign countries. In fact, the newspaper articles in question have been eagerly copied and commented upon by the press of the Dominion of Canada, which country, before the enactment of the recent Canadian tariff could not compete with the United States in the refining of sugar; and could also have been used by other foreign competitors to the detriment of this particular branch of American industry, if opportunity had been afforded them. Under such circumstances what other could have been expected of the N. Y. Chamber of Commerce, an association organized to protect and extend commerce, than that it should say, "we will first and promptly investigate; and if the alleged frauds and adulterations are found to exist, we will expose them, prevent them, and to the extent of our power punish all concerned in their perpetration. But if, on the other hand, investigation shows that the charge of fraud is itself a fraud, then we will not allow the fair fame of any of our enterprising merchants or manufacturers to be smirched, and their business and the business of our city to be needlessly interfered with. But the New York Chamber of Commerce has done nothing, and apparently cares for none of these things.

The conduct of the New York Board of Health in this matter has also been no more creditable. Its president and the members are specially appointed and liberally paid to see to it, that the health of the citizens of New York is exposed to no needless detriment, and that articles of food which have been adulterated and rendered unfit for consumption shall not be manufactured and sold within its jurisdiction. But, though repeatedly called upon, and with every opportunity offered for investigation, the New York Board of Health has thus far taken no action looking to the confirming or refuting of the current charges of the systematic manufacture and sale of adulterated sugars by the great New York refiners.

If God helps those only who help themselves, the help to the industrial and commercial development of New York, and its consequent material prosperity is certainly not likely to be as great as it might be.

Recurring again to the situation in respect to Congress, the proposition most strenuously urged for adoption, is that a single specific rate of duty shall be levied on all raw sugars, or sugars not above No. 13, Dutch Standard, with a view of preventing frauds in importations and simplifying the collection of revenue. As the frauds in question, however, consist in so altering the character of certain sugars, that revenue officers being deceived, shall admit high-grade and high-priced sugars at the same duty as low-grade and low-cost sugars—the intent of the law being that all shall pay in proportion to their value—the proposal that all grades hereafter shall pay but one and the same duty, is equivalent to asking that that which is now illegal and unjust to other associated interests, and which defrauds the treasury, shall hereafter be made legal; and is very much as if an association of professional law-breakers in other respects should say to the law-makers: “We have been very much bothered of late in our specialty, by the interference of the police; make our lives henceforth easy by removing from our acts the ban of illegality.”

Viewed also from the standpoint of equity and expediency, the proposition to assess all the varieties of imported raw sugars at one and the same rate of duty is something extraordinary. The United States, for the attainment of its fullest material development as a nation, must have foreign commerce. It desires to attract all nations to its markets; and, except when it is itself made the subject of discrimination, it must, for the attainment of this end, admit to equal privileges the people of all nations desiring commercial intercourse. Were the proposition soberly made to discriminate specially and by name, in our commercial laws, against any one, two or more unoffending nations, the proponent would be speedily hooted into silence. But the proposition to assess raw sugars at one rate embodies this very thing. Thus, to illustrate, the sugars produced in countries of low civilization like Brazil, Central America, the East Indies, and the like, constituting the bulk of the sugar product of the world, are low in grade and price, and necessarily so because these countries lack intel-

ligence and capital. Let any one take his stand at one of the wharves of New York or other ports, and he will sometimes see sugar unloading, almost black in color and inclosed in palm-leaf bags, of a weight and form suitable to carry on men's backs. Such sugars are evidently the product of countries wanting in roads and beasts of burden, and in facilities for even making lime for use in purification. Such sugars are, however, capable of purification without difficulty, and afford the largest basis in so doing for the profitable employment of domestic labor and capital. The producers, furthermore, must sell them in our markets if they in return are to buy any of the products of our skill and machinery, for they have little or nothing else to buy with. The average cost of such sugars is from two and a half to three cents per pound, on which a proposed uniform rate of duty of two and a half cents would be from 80 to 100 per cent. *ad valorem*. But the same rate of duty on sugars from Cuba and Demerara, which are further advanced in manufacture and worth, on an average, five cents per pound, would be but 50 per cent. *ad valorem*. It needs no argument to prove that so long as Cuba and Demerara were able to supply sugar under such a tariff—and with such a bounty in their favor production would certainly be pushed to the utmost—there would be no trade for sugar with Brazil, the East Indies and Central America; no market in these and like countries for our produce and manufactures, and no employment in this sphere for our shipping; for ships, to be profitably employed, must have *return* as well as *outward* freights.

Again, it is an axiom of the present (protective) fiscal policy of this country, with a view of encouraging the growth of American manufactures, to admit their raw materials—the produce of foreign countries, especially such as do not compete with our domestic products—as ivory, gums, dye-stuffs, fibers, etc., either free or at low duties. But the proposal to assess all grades of raw sugar at one specific rate is a clear reversal of this policy, inasmuch as it discriminates or prevents the importation of a truly crude material which a great branch of domestic industry—the refining—demands,

and at the same time and in the same degree offers a bounty for the development of a rival branch of the same industry in a foreign country. If, however, it is said in reply, as it is said, that the government cannot prevent frauds and effectually collect the revenue on the imports of sugar by any other system of duties than a one uniform rate imposed on all grades of raw sugar, irrespective of their wide divergence in value, then the question at once suggests itself, Does industry in this great republic exist for the government, or the government for the industry; and with a present annual surplus revenue of near one hundred millions, is it necessary to cripple any branch of domestic industry in order to collect revenue? But the assertion is not true. The Treasury is satisfied, and its Secretary has informed Congress that, under the present system, with the authorized use of the polariscope, as an adjunct to detect the artificial degradation of color, it can, and at present does, approximately collect the duties on imports of sugar; and with the conservatism of officials, the Treasury proposes nothing further.

But there is something further in this business, of the utmost importance to the country, which ought to have earnest consideration, but which, unfortunately, thus far has not received it. The business of refining sugars in the United States (as before stated), measured by the value of its products, ranks as the ninth industry in the country. Great as is its present magnitude, it is capable, through wise legislation, of being greatly extended and of so adding largely to the opportunities for labor, for the employment of American shipping, and to the value of real estate in our seaboard cities. For such has been the skill which Americans have brought to this business, and such their invention and use of machinery, that sugar can unquestionably be now refined in the United States cheaper than in Europe—to the extent, it is claimed, of a quarter of a cent a pound—with a payment at the same time of comparatively high wages to labor. And in 1879, when the regulations of the Treasury for a drawback of duties paid on the import of sugars which were subsequently refined and exported, were favorable, the quantity of refined sugars exported—in great part to England—amounted

to upwards of 72,000,000 of pounds. If, therefore, the importations of raw sugars into this country were free—as Great Britain has recently made them—the export of refined sugars to foreign countries would speedily attain to great magnitude, and take rank with the exports of cotton, the cereals, provisions, and petroleum. As, however, no such event is likely, the next best thing to do is to arrange a sugar tariff, such as, after providing for Congressional requirements in respect to revenue and protection, shall aid in the development of the refining industry to the extent, at least, of not needlessly restricting. For this end the existing tariff is as ill-arranged as possible; and the idea that protection could be given in this, as well as other specialties of domestic industry, by a skilful adjustment of duties, full as well, if not better, than by a lumping increase of taxes, seems rarely to find a place in the minds of our law-makers.

Thus, for example, the present tariff on sugars commences its classification with No. 7 Dutch Standard, and levies a uniform duty on all sugars below that number. But a not inconsiderable proportion of the sugar product of the world—of the East Indies, Central America, Mexico and Brazil especially—is so much below No. 7 as respect quality and value that it cannot afford to pay the above duty, and consequently the importation of such sugars into the United States, no matter how profitable might be their transport and working, is practically impossible. Such sugars, however, will continue to be largely made; because their makers can produce nothing better; and being made will be sold (exchanged) for the products of higher civilization—tools, cloth, guns, ammunition, spirits, ornaments, etc., etc. The only market now open to them for such exchange is the English, and the English take them, as it were, at their own price; and thus obtaining at the outset an advantage in the supply of their raw material, are better able to compete with the Americans in the export of refined sugars to other countries. Such sugars, to the amount of near five hundred millions of pounds, now annually find their way—to the great benefit of British trade and commerce—into England, and are eagerly sought for in the market by British refiners. Furthermore, so

long as color *alone* was relied on for the determination of duties, the discrimination in favor of the "low color" but "high strength" sugar of Cuba and Demarara was so great that the import of even No. 7 sugars—the product of China, East Indies and Brazils—rapidly diminished; but as soon as the Treasury brought the polariscope into use as an adjunct to color, and so made the duties proportioned to actual value, and consequently equitable, the importation of such sugars into the United States has greatly increased. Again, during late years, the French, Belgium and Austrian governments, in order to promote the development of the beet-sugar industry have offered a bounty for the exportation of beet sugars. The consequence has been that such sugars of late in the markets of the world have been exceptionally cheap. But the refiners and consumers of sugar in the United States have not been able to take advantage of this cheapness, because in raw beet sugars, which have not been artificially colored, the color is lighter than prevails in cane sugars of equivalent saccharine strength or value; and as the existing sugar tariff assesses its duties exclusively according to color, and as the federal officers, when the advantage is likely to accrue to the government, always abide by the letter and ignore the spirit of the law, a beet sugar of No. 13 in value is liable on importation to be assessed as No. 16, or possibly higher, and such assessments amount to prohibition. A uniform rate of duty would therefore cut both ways, and deprive the American refiner of "raw beet," as well as "raw cane" sugars.

Now how to modify the sugar duties so as to meet, first, the demands of the government for revenue; second, the demands of the Louisiana interest for protection; and lastly, give our commerce and refining industry a chance to expand, is the problem under consideration, and in respect to which there is little agreement. But in view of all the facts, the best, the simplest, and the most equitable course would seem to be to adopt the exclusively *ad valorem* system in the assessment of duties on imported sugars; that is, fix on the rate of duty it is desirable to impose—40, 50, 60, or, if need be, 100 per cent.—and then apply it impartially to the value

of all sugars, from whatever countries imported; the Secretary of the Treasury being at the same time empowered to determine values by the use of all such agencies as he may deem expedient. This was the system which was adopted by Congress in 1846, after careful investigation and recommendation by Hon. Robert J. Walker, then Secretary of the Treasury, and which continued in force, giving general satisfaction, for a period of fifteen years, or from 1846 to 1861, when the war necessities of the government compelled a reconstruction of the tariff, with a view of obtaining a greater revenue. The only objection that can be made to the re-adoption of this system and policy is embodied in the assertion that the government cannot accurately determine the value of sugars. But a sufficient answer to this would seem to be found in the following statement of facts. The sugar business is an enormous and close business, and thousands and millions of pounds constantly change hands at so small a margin of profit that for buyers or sellers to make a mistake in valuation to the extent of an eighth or even a sixteenth of a cent per pound would often be destructive of all profit. But such mistakes are not made, and the system of valuation of sugars, as between merchants, runs with the evenness of clockwork. To assert now that the government cannot successfully adopt the every-day practice of the merchants, many of whom can make no claim to the possession of more than ordinary ability, is simply to assert that honesty and ability in the public service of the United States are unattainable.

To such or any other tariff there should also be added, for the sake of encouragement of exports, suitable provisions for manufacturing in bond, or the payment of drawbacks corresponding to the duties collected on the raw materials entering into such exports.

There is an interesting episode in this sugar problem which is well worthy the attention of those who indulge in the hope that the day is not far distant when the idea of the universal brotherhood of man is to receive some practical acknowledgment in international codes, and the regulation of relations between nations. The difficulties experienced in the United

States in the valuation and assessment of sugars are not new or peculiar to this country. In France, where no small part of the national revenue is derived from taxes (internal revenue) on the domestic production of beet sugar—which taxes were formerly levied according to color—the artificial coloring of sugars, with a view of defrauding the revenues, became so notorious and successful, that the government, in 1873, issued the most stringent orders against the continuation of the practice; and since then have adopted what is termed “*saccharimetry*” in the assessment of sugars, or the determination of their saccharine strength or value by means of the polariscope or chemical analysis. But after all this was done, the government, at the request of the French sugar manufacturers, permitted the coloring of sugars for export; with the sole object of helping the French exporters to realize large profits, by introducing such sugars at an undervaluation into the ports of those countries, more especially Holland, which maintained the old principle of assessing duties by color test exclusively.

Finally, the sugar problem, apart from its features of special interest, has a general claim upon public attention, as strikingly illustrating how great economic questions are dealt with in the United States. Had a matter of like character, affecting the public revenues, foreign commerce, great domestic industries, and the food supplies of the people, come up in Europe, the national government would have at once instituted a thorough investigation; on the Continent, through experts not necessarily connected with the government, and in Great Britain through a carefully selected and *special* Parliamentary committee; and as the out-come of this a plan would speedily have been devised, accepted without material amendment, and perhaps without discussion, by government or Parliament, enacted into law, and then carefully watched with a view of amendment as future experience might dictate. A ministry or Parliament, moreover, that did not keep a sharp look-out for—much more, that treated with indifference—any opportunity to increase trade, extend commerce, and cheapen any great article of production, would soon cease to

retain office. In the United States, on the other hand, such matters, if not controlled by private selfish interests, usually drift. In the case in question, the only interest evinced by the executive department of our government has been in respect to revenue: how to collect the largest amount in taxes; the President apparently knowing nothing about the matter; the members of the cabinet, with the exception of the Secretary of the Treasury, caring nothing for it, and the Secretary of the Treasury committing all details and plans in regard to it to his subordinates. In Congress, where the subject has been for several years before one branch, much testimony has been taken by one committee which is always overburdened with other work. Several utterly diverse bills have been reported, always too late in the session to be carefully or at all considered, with a final result of nothing accomplished and a very dubious outlook for the future. To the ordinary Congressman the subject is wearisome, and if he takes any interest in it whatever it is mainly because of the importunity of some few constituents whom he generally obliges by voting, without investigation, in accordance with their individual interests. Nobody looks out for the interest of the public as a whole, and the public is too indifferent to hold anybody to account for neglect. There is, however, this consolation to fall back upon, and that is, that in the long-run such questions as the one under consideration always get settled in this country somehow, and generally in such a manner as to recall the proverb that "there is a special providence for infants, drunken men, and the United States."

DAVID A. WELLS.

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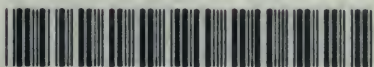
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