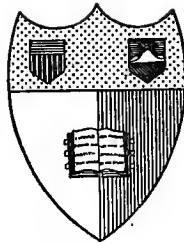


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An object lesson on the tariff; what the



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Object Lesson on the Tariff

*WHAT THE TARIFF TAXES COST A TYPICAL
NEW YORK TOWN.*

JESSE RYDER

SING SING, N. Y.

NEW YORK
THE REFORM CLUB

12 EAST 33D STREET

1888

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AN OBJECT LESSON ON THE TARIFF.

1st.—The Cost of Collection.

Sing Sing is a village on the east bank of the Hudson River, and 3½ miles from the City Hall in the city of New York. The number of inhabitants is estimated at 7000. It is situate in the town of Ossining, in the county of Westchester. The town, including the village, has a population of about 9000, exclusive of the inmates of the State Prison.

There are but few male citizens who are not in active employment as business or working men. The greater part are very economical in their expenditures, apparently more from necessity than choice. A good many are doing business in the city, which requires daily intercourse therewith. The village is, comparatively speaking, a thriving one. There is a full stock of laboring men whose average daily wages, taken by the year, does not exceed one dollar per day. It is generally the case that they do without a great many articles which would add to the comfort and well-being of the household for the want of means to purchase them. For much the greater part of the laboring men it is a dangerous experiment to buy a low-priced lot and put thereon an unpretentious house for a residence. their wages being so much impaired by the tariff system of robbery. It is too often the case that they are obliged to mortgage the premises and

become involved in the payment of interest-money. To succeed requires the utmost frugality and self-denial. The greatest hindrance (which they do not seem to understand), is in the taxes, to them unseen, which involve the employer and employed—the never-ending tariff taxes on the necessaries of life. Many are scantily clad from no fault of their own, and would hail with delight a reduction in the price of woolen goods.

To aid in such reductions I shall endeavor to expose the enormity and the iniquity of the tariff taxes on such goods, which are in good part maintained by the votes of those who are the greatest sufferers, for the want of money to buy them with.

I will bring the matter right home to be looked at as an object-lesson in the light of daily observation. The town of Ossining, with a small district of country adjacent, forms a compact body of land, well calculated for an exhibit of this kind, where the farmers do their marketing, and the inhabitants purchase about nine-tenths of their woolen goods in Sing Sing, and the remaining tenth (a fully proportionate share) in New York City. The outlying district contains about 2500 inhabitants. It will simplify matters to deduct one-tenth from the whole number indicated, and proceed with the remaining nine-tenths, who are supposed to number 10,350—not having been enumerated since 1880. The amount paid at the present period by the retail merchants of Sing Sing for woolen goods is estimated by the leading dealers of the trade to be in excess of \$100,000 a year (to be on the safe side I will take the sum mentioned), of which they reckon fully two-thirds are of American manufacture.

For the purpose of this showing we will say that the imported goods cost the retail merchants \$33,000, and those of home manufacture \$67,000; and that the latter are purchased at 10 per cent. less price than like goods imported.

To find and separate the costs and charges from the original cost of the goods, we will take imported goods to the value abroad, at the place of shipment, of \$1.00

Average rate of duty.....	.67 per ct.
Profit on the duty, say 10 per cent.06 7-10
Cost of importing.....	10 per ct.
Importer's profit	10 per ct.
<hr/>	
The Sing Sing merchants pay.....	\$1.93 7-10
for the foreign article which costs.....	1.00
<hr/>	
For the aggregate first cost of the goods divide.....	\$33,000 00
by \$1.93 7-10 cents and find quotient.....	17,036 65
<hr/>	
Deducted from \$33,000 leaves for duties, costs and charges,	\$15,963 35

This extra cost is made up as follows :

The duty levied on first cost, at 67 per cent.....	\$11,414 56
Profit on the duty, at 10 per cent.....	1,141 46
Ocean freight, insurance, etc., at 10 per cent.....	1,703 67
Importer's profit on first cost, 10 per cent.....	1,703 66
<hr/>	
Total duties, costs, and charges.....	\$15,963 35
<hr/>	
Without the tariff, the importer is entitled to the first cost of the goods.....	\$17,036 65
To 10 per cent. profit on the goods.....	1,703 66
To the cost of importing, at 10 per cent.....	1,703 67
<hr/>	
Making a total of.....	\$20,443 98
<hr/>	
The Sing Sing merchants paid.....	\$33,000 00
On what would cost without the tariff.....	20,443 98
<hr/>	
Duty and profit on the duty.....	\$12,556 02
The Sing Sing merchants on the duties and profits on the duties charge 20 per cent.....	2,511 20
<hr/>	
Amount of tariff additions.....	\$15,067 22

It is said to cost the Government to collect the duties a little over 3 per cent., which, taken from the \$11,414.56, leaves \$11,072.12. How much does it cost the consumers of the imported goods for collecting the net sum received by the Government of \$11,072.12?

The retail merchants buy the imported goods with the duty and the profit on the duty added to the price, making \$12,556.02, and as we have seen, the retail merchant's profit on the same at 20 per cent. brings up the cost of the tariff to the consumers to \$15,067.22. Take from that the net sum received by the Government of \$11,072.12, and it leaves \$3,995.10, or a little over 36 per cent., as the cost of collection to the consumers; whereas the cost of collecting a direct tax in New York State is but little more than one per cent.

But a far greater evil of the tariff taxes on woolen goods is where the Government gets nothing, and the consumers pay the taxes to the home manufacturers.

2d.—The Home-Market Cost of Protection.

Having shown that the Government method of raising a revenue from customs is very expensive and unbusiness-like, to say nothing of its being very unfair and unjust, it remains to be shown that a far greater evil of the tariff is in cases where the Government gets nothing, and consumers pay the taxes to the home manufacturers.

To find the extra cost to the consumer of woolen goods of American manufacture for which the retail merchants of Sing Sing pay \$67,000, and which are sold to them under cover of the tariff laws, to be rightly understood, requires some preliminary observations.

The price of American woolen goods, when placed upon the market, is an assumed, arbitrary, and composite sum, made up of the cost abroad of the imported goods, with so much of the taxes, costs, and charges added by the importer as will give a ready sale and the control of the home market. All of which additional taxes, costs, and charges,

including the importer's profit on the goods, become tariff protection to the domestic manufacturers.

In the case of imported goods I have shown that if the importer pays for goods at the place of shipment the sum of.....\$1.00

And adds for the cost of importing.....	.10 per ct.
And the Government tariff tax.....	.67 " "
And the profit on the tax at 10 per cent.....	.06 70-100cts
And the importer's profit on first cost.....	.10 per ct.

It brings up the price of the imported article, which cost abroad \$1, to the retail merchants of Sing Sing to.... 1.93 70-100cts

And to the consumers	2.32 44-100cts
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And the first cost abroad of \$67,000 worth of imported goods sold in Sing Sing is found, by dividing that sum by \$1.93 70-100 cents, to be \$34,589.57.

And the tariff additions, costs, and charges on the same are the complement of the aforesaid sum, or \$32,410.43.

The American manufacturer having appropriated but 74 33-100 per cent. of the 93 70-100 per cent. of protection, by reducing the price of his goods to 10 per cent. below the price of imported goods, will get the amount of the tariff additions, costs, and charges which he desires to add to the price of the home-made goods, by dividing \$67,000 by \$1.74 33-100 cents, which gives \$38,432.80.

That sum, taken from \$67,000 for these additions growing out of the tariff tax, gives \$28,567.20. And the consumers have nominally gained the difference between \$32,410.43, and \$28,567.20, which amounts to \$3,843.28, subject, however, to a considerable drawback from the general inferiority of the American to the English goods, growing out of the absurd tariff tax on imported wool, which is needed for an admixture with American wool for many articles.

The Sing Sing merchant's profits of 20 per cent. on the \$28,567 of tariff additions amount to \$5,713.43.

Summary of the extra cost to the consumers of woollen goods sold by the merchants of Sing Sing, in one year, because of the tariff :

<i>First</i> —The cost to the Government of 3 per cent. for collecting by the Custom-house a tariff tax of \$11,414.56.	\$342 44
<i>Second</i> —For duties and charges growing out of tariff taxes on imported woollen goods.	15,067 22
<i>Third</i> —Home manufacturers' charges under cover of the tariff, which the consumers pay, and no part of which goes to the Government.	28,516 15
<i>Fourth</i> —The usual profit of 20 per cent. to the retail merchants of Sing Sing on the tariff additions, costs, and charges added to the price of the home made-goods.	5,713 43
Making a total of.	<u>\$49,639 24</u>

Thus we see that the Government's protective tariff of 67 per cent. on imported woollen goods becomes 93 70-100 cents, whereof the American manufacturer uses 10 per cent. less than the importer's selling price on 74 33-100 per cent. to secure the market for his goods and has that much advantage over his foreign competitor.

3d.—A Comparison with Other Taxes.

Thus it costs nine-tenths, who number 10,350 inhabitants of Sing Sing and its vicinity, \$49,639 a year, because of the present taxes on woollen goods sold in Sing Sing, to pay the net sum of \$11,072 for the use of the Government, or 450 per cent. on the amount received, being a dead loss of \$38,742 to the consumers. The sum of \$4.50 is paid to get \$1 for the Treasury.

If we include the woollen tax that is paid by the one-tenth of the population who trade in New York City, we must add one-ninth to the \$49,639, equal to \$55,154, all told. Abolish such rate of taxation on the necessaries of life to the extent of the internal revenue tax on tobacco of

\$28,000,000 a year, and it will relieve the taxpayers to the extent of \$126,000,000 a year.

In reducing the present revenue surplus of \$100,000,000 a year to the wants of the Government economically administered, a glorious opportunity is afforded for relieving the toiling millions of at least \$200,000,000 more, which is added to the cost of the home-made goods, on which the taxes should be reduced at the present time, and which is now obtained by a few thousands of individual tax-gatherers from the necessaries of life, by taxing their own goods of like kinds in competition with the Government tax on foreign goods. This would relieve and increase the rewards of American industry to the extent of \$300,000,000 a year. The choice lays with the taxpayers to save the smaller or the larger sum.

I will now institute a comparison of the amount of taxes paid on woolen goods per year in the town of Ossining, a political organization within definite metes and bounds, with the amount of the State, county, and school tax, and the audited town bills for the year 1886 :

The proportion of the woolen tax on the goods sold in Sing Sing for that year would be for the town of Ossining \$43,930.51 out of \$49,639. Fully one-ninth of woolens for the same year are to be added for purchases made by private parties in New York City for their own use, equal to \$4796 of tax, which added to \$43,930.51 makes for the town.....		\$48,811 68
The amount of assessed taxation for purposes indicated was for the State.....		\$8,863 24
For the county.....		15,200 65
For school purposes.....		5,503 23
For audited town bills.....		8,234 45
Total of town taxes.....		37,801 57
Excess of the woolen tax over the assessed taxes of the town.....		\$11,010 11

For the same year the total of tariff additions to the price of woolen goods of American manufacture consumed in Ossining, allowing that one-tenth of the inhabitants who purchase in New York City use a proportionate share, would be..... \$32,541 12

We have already found that the Government derives a net revenue of \$11,072 from the sale of \$100,000 worth of woolen goods purchased for the Sing Sing market in one year at a cost to the consumers of the goods of 450 per cent.

That looks very bad for the consumers, but it is a very good showing for the Government in Sing Sing when compared with the revenue derived from the iron trade.

4th.—The Taxes on Iron and Steel.

On iron and steel the average rate of duty appears to be not less than 45 per cent.

To find and separate the costs and charges from the original cost of the goods we will take of imported iron and steel that costs abroad at the place of shipment.....	\$1.00
The rate of duty.....	.45 “
The profit on the duty.....	.04½
The cost of importing.....	.10 per ct.
And the profit on first cost.....	.10 per ct.
And the Sing Sing merchants pay.....	\$1.69½
And the consumers pay 20 per cent. more.....	2.03½
For the imported article which cost.....	1.00
The amount paid per year by the Sing Sing merchants is rated at present at.....	\$37,500 00
Not more than five per cent. is imported.....	1,875 00
For average cost of the imported goods divide \$1875 by \$1.69 50-100, and find quotient.....	1,106 19
Deducted from \$1,875, leaves for costs and charges...	\$768 81

Made up of duties levied on first cost.....	\$497 79
Profit on the duty at 10 per cent.....	49 78
Cost of importing, 10 per cent.....	110 62
Importer's profits on first cost.....	110 62
Totals.....	<u>\$768 81</u>
Without a tariff the importer is entitled to first cost of the goods.....	\$1,106 19
To the cost of importing say 10 per cent.....	110 62
And 10 per cent. profit on first cost.....	110 62
Making a total of.....	<u>\$1,327 43</u>
The cost with the tariff is.....	\$1,875 00
Deduct the cost without the tariff.....	<u>1,327 43</u>
Shows the duty and profit on the duty.....	\$547 57
The Sing Sing merchants' charge on the duties and profit on the duties, 20 per cent.....	<u>109 51</u>
Amount of tariff additions to price paid by importers	<u>\$657 08</u>
It costs the Government 3 per cent. to collect the duties, which reduces the amount received, of.....	\$497 79
By.....	<u>14 93</u>
Leaving a net sum of.....	\$482 86

How much does it cost the consumers of the imported goods for collecting the net sum received by the Government of \$482.86?

The retail merchants buy the imported goods with the duty and the profit on the duty added to the price, which makes \$547.57. And, as we have seen, the retail merchants' profits on the same bring up the cost of the tariff to the consumers of imported goods to \$657.08. Take from that the net sum received by the Government of \$482.86, and it leaves \$174.22, or 36 per cent., as the cost of collection to the consumers.

The hardware merchants of Sing Sing purchase of imported iron and steel products but 5 per cent. of \$37,500 worth purchased in all, which gives for imported iron \$1875; and for American product \$35,625 worth per year.

To find the extra cost to the consumers of iron and steel of American manufacture, for which the retail merchants of Sing Sing pay \$35,625, which is sold to them under cover of the tariff laws, to be rightly understood, requires the same preliminary observations accorded to woolen goods.

The price of the American product of iron and steel, when placed upon the market, is an assumed, arbitrary, and composite sum, made up of the cost abroad of the imported goods, with the tariff taxes, costs, and charges added by the importer, excepting so much reduction therefrom as will give a ready sale, and the control of the home market, such reduction being rated herein at 5 per cent. of the importer's selling price, which is but a small part of the duties, costs, and charges which inhere in the imported goods, all of which, including the importer's profit, becomes tariff protection to the home manufacturers. I deem that the American manufacturers of iron and steel sold in Sing Sing feel so well assured of the market that they do not need to undersell the importers for that purpose, and have not allowed an average reduction of more than 5 per cent., and they still have the advantage of the importers in 61 per cent. of protection out of 69 50-100 per cent., which I have shown to be the amount reached by the tariff additions, costs, and charges.

In the case of imported goods I have shown that if the importer pays for goods at the place of shipment.....	\$1 00
And adds for cost of importing.....	.10 per ct.
And the tariff tax of.....	45 per ct.
And 10 per cent. profit on the tax.....	.04½
And the profit on first cost.....	.10 per ct.
<hr/>	
It brings up the price of the article which cost \$1.00 to.	\$1 69½
To the retail merchants of Sing Sing, and to the consumers with 20 per cent. added to.....	\$2 03¾

And the first cost abroad of \$35,625 worth of iron and steel is found by dividing that sum by \$1.69 50-100 cents,

to be \$21,017.70. And the tariff additions, costs, and charges on the same are the complement of the aforesaid sum, or \$14,637.30.

The American manufacturer, having appropriated but 61 per cent. of the 69 50-100 per cent. of protection, by reducing the price of his goods 5 per cent. below the price of imported goods, will get the amount of the tariff additions, costs, and charges, which he desires to add to the price of the home-made goods, by dividing \$35,625 by \$1.61 cents, which gives \$22,137.33. And the tariff additions, costs, and charges are the complement of the aforesaid sum, or, \$13,497.67. And the consumers have gained the difference between \$14,607.30 and \$13,497.67, which amounts to \$1109.63.

Summary of the extra cost to the consumers of iron and steel sold in Sing Sing in one year by the retail merchants, because of the tariff:

<i>First</i> —The cost to the Government of 3 per cent. for collecting by the custom-house a tariff tax of \$482.86.....	\$14 93
<i>Second</i> —For duties and charges growing out of the tariff taxes on imported iron and steel.....	657 08
<i>Third</i> —Home manufacturers charges under cover of the tariff, which the consumers pay and no part of which goes to the Government.....	13,497 68
<i>Fourth</i> —20 per cent. profit to the retail merchants of Sing Sing on the tariff additions, costs, and charges added to the price of home-made goods.....	2,699 53
Taxes collected by the Sing Sing merchants.....	\$16,869 22

5th.—Concluding Remarks.

I have before estimated that the number of inhabitants whose natural trading and market place is Sing Sing is 11,500. And that in the case of woolen goods one-tenth part are purchased by the consumers in New York City.

But in respect to iron and steel we may say that the trade is confined to Sing Sing.

We have seen that the hardware merchants of Sing Sing collect tariff taxes and costs and charges growing out of the tariff taxes on iron and steel to the amount of \$16,669.22, of which the Government gets for import duties but \$482.86, at a cost to the consumers of 3452 per cent. And that the portion paid by the town of Ossining, with 9000 inhabitants, and including the village of Sing Sing, is \$377.89.

And that the town pays of the \$16,669.22 \$13,198.08. And it pays of the woolen tax collected of the consumers by the Sing Sing merchants, as previously shown, \$43,930.51. Add the one-ninth as much for trading done by consumers in New York City, \$4896, and it makes \$48,811.68 that the Government may obtain \$9821 at the custom-house from the town.

To summarize :

The consumers in the town of Ossining pay a tax of.....	\$62,024 69
That the Government may get.....	10,198 89
<hr/>	
Total taxes paid by the town because of the duties on woolens, iron, and steel.....	\$72,223 58
<hr/>	
Total amount paid which the people lose and the Govern- ment does not get.....	\$51,825 80
at a cost to the taxpayers of 608 per cent., and the people in want of clothes.	

The taxes paid by the 9000 inhabitants of the town of Ossining, which the Government does not get, as herein set forth, are in excess of the taxes paid by the town in 1886, for State, county, and school purposes, and audited town bills, by the sum of \$24,212. The assessed taxes of the town being, as I have already stated, \$37,801, which are principally collected at the legal charge of 1 per cent.

This is a lesson for protectionists to study, who imagine

they can get rich by paying taxes. We will now do a sum by the rule of three, to extend their gratification.

If it costs the people of the town of Ossining to pay \$10,198 for the use of the Government the sum of \$62,014, what would it cost at the same ratio to collect the town tax of Ossining of \$37,801? I make the answer to be \$229,904, equal to 608 per cent., instead of \$378, or, one per cent., as provided for by State enactment. As an economic proposition, the latter is just as sensible as the former.

A protective tariff may be defined, "robbery made legal."

The Government holds the victim, while the protected go through his pockets.

I think that fully 15 per cent. of the wages received by laboring men is taken from them by the enhanced price of store goods, which in Sing Sing is equivalent to forty-five days' wages per year, and all under the pretence of protecting American industry. The laborers lose still more by the inability of the agriculturists of the country, who make the price for common labor to pay more than three-fourths the amount for wages which free trade would enable them to pay.

Probably more than \$75 per year is cut off from the receipts of the laboring man that he does not get at all. Add that to the enhanced price of store goods, and we find that the protective tariff tax injures the common laborer to the extent of \$120 per year.

The difference is that between living in a hired shanty or having a house and garden of his own and money enough to pay for the necessaries of life.

This concludes my object lesson for protectionists to study, and to point out any errors in my calculations as deducible from the data furnished by the merchants of Sing Sing. The enormity and the iniquity of the present system of taxation almost defies comprehension.

Makers
Syracuse, N. Y.
PAT. JAN. 21, 1908

