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The Protective System.

SPEECH OF

JOHN C. CALHOUN,

On a passage of the Tariff Bill—delivered in the Senate of the United States, August 5, 1842.

MR. PRESIDENT: The tariff bill of 1823 has, by common consent, been called the bill of abolition; but as bad as that was, this—all things considered—is worse. It is, in the first place, worse because it is more onerous; not that the duties are on an average higher—for they are probably less, by about 40 per cent. ad valorem on the aggregate value of the imports; but that averaged according to the best estimate that I have been able to make about 45. But this difference is more than made up by other considerations; and, among them, that allowed long credit for the payment of the duties, requires them to be paid in cash, which will add to their burden not less than 4 or 5 per cent.—Again: there has been a great falling off in prices on almost all articles; which increases, in the same proportion, the rate per cent. on the cost of all specific duties—probably not much less than 50 per cent.—which, considering the number and the importance of the articles on which they are laid in this bill, will much more than make up the difference. To these may be added its arbitrary and oppressive provisions for valuing goods, and collecting duties, with the fact that it goes into operation, without notice immediately on its passage, which would fall heavily on the commercial interest; and the undue weight it would impose on the less wealthy portions of the community, in consequence of the high duties it lays on coarse articles of general consumption.

It is, in the next place, worse, because, if it should become a law, it would become so under circumstances still more objectionable than did the tariff of 1823. I shall not dwell on the fact that, if it should, it would entirely supersede the compromise act, and would pledge openly given here in this chamber, by its distinguished author, and the present Governor of Massachusetts, then a member of this body—that, if we of the South would adhere to the compromise while it was operating favorably to the manufacturing interest, they would stand by it when it came to operate unfavorably to us. I pass, also, without dwelling on the fact that it proposes to repeal the provision in the act of distribution, which provides that the act should cease to operate if the duties should be raised above 20 per cent.—a provision, without which neither that nor the bankrupt bill could have become a law, and which was inserted under circumstances that pledged the faith of the majority to abide by it. I dwell not on these double breaches of pledged faith, should this bill become a law—not because I regard them as slight objections; on the contrary, they are of a serious character, and likely to exercise a very pernicious influence over our future legislation, by preventing amicable adjustments of questions that may hereafter threaten the peace of the country; but because I have, on a former occasion, expressed my views fully in relation to them. I pass on to the objection that, if this bill should pass, it would against the best light of experience. When that of 1823 passed, we had but little experience as to the effects of the protective policy. It is true that the act of 1824 had been in operation a few years which may be regarded the first which avowed the policy that ever passed; but it had been in operation too short a time to shed much light on the subject. Since then, our experience has been greatly enlarged. We have had periods of considerable duration both of increase and reduction of duties and their effects respectively on the industry and prosperity of the country, which enables us to compare, from authentic public documents, the result. It is most triumphantly in favor of reduction, though made under circumstances most adverse to it, and most favorable to increase. I have, on another occasion during this session, shown, from the commercial tables and other authentic sources, that during the eight years of high duties, the increase of our foreign commerce, and our tonnage, both coastwise and foreign, was almost entirely arrested; and that the exports of domestic manufactures actually fell off, although it was a period exempt from any general convulsion in trade or derangement of the currency. On the same occasion, I also showed that the eight years of reduction of duties, which followed were marked by an extraordinary impulse given to every branch of industry—agricultural, commercial, and manufacturing. Our exports of domestic productions, and our tonnage, increased fully a third, and our manufactures still more; and this, too, under the adverse circumstances of an inflated, unsteady currency, and the whole machinery of commerce deranged and broken. And yet, with this flood of light from authentic documents before us, what are we about to do? To pass this bill, and to restore the old, and, as was hoped, exploded system of restric-

tions and prohibitions, under the false guise of a revenue bill, as I shall next proceed to show.

Yes, Senators, we are told by the chairman of the Finance Committee, and others who advocate it, that this bill is intended for revenue, and that of 1828 was for protection; and it is on that assumption they attempt to discriminate between the two, and hoped to reconcile the people to this measure. It is, indeed, true that the bill of 1828 was for protection. The treasury was then well replenished, and not an additional dollar was needed to meet the demands of the Government; and what made it worse, the public debt was then reduced to a small amount; and what remained was in a regular and rapid course of reduction, which, in a few years, entirely extinguish the whole, when more than half of the revenue would have become surplus. It was under these circumstances that the bill of 1828, which so greatly increased the duties, was introduced, and became a law—an act of legislative folly and wickedness almost without example.—Well has the community paid the penalty. Yes, much which it now suffers, and has suffered, and must suffer, are but its bitter fruits. It was that which so erroneously increased the surplus revenue after the extinguishment of the debt of 1832; and it was that surplus which mainly led to the vast expansion of the currency that followed, and from which have succeeded so many disasters. It was that which wrecked the currency, overthrew the almost entire machinery of commerce, precipitated hundreds of thousands from affluence to want, and which has done so much to stain private and public morals.

But is this a revenue bill? We have, indeed, the word of the chairman for it. He tells us it is necessary to meet the expenditures of the Government; of which, however, he gave us but little proof, except his word. But I must inform him that he must go a step further before he can satisfy me.—He must not only show that it is necessary to meet the expenditures of the Government, but also, that those expenditures themselves are necessary. He must show that retrenchment and economy have done their full work; that all useless expenditures have been lopped off; that exact economy has been enforced in every branch, both in the collection and disbursement of the revenue; and above all that none of the resources of the Government have been thrown away or surrendered. Has he done all that? Or has he showed that it has been attempted?—that either he or his party have made any systematic or serious efforts to redeem the pledge, so often and solemnly given before the election, that the expenditures should be greatly reduced below what they then were, and be brought down to seventeen, sixteen, and even as low as thirteen millions of dollars annually? Has not their course been directly the reverse, since they came into power?—Have they not surrendered one of the great sources of revenue—the public lands; raised the expenditures from twenty-one or two millions, to twenty-seven annually; and increased the public debt from five and a half to more than twenty millions? And has not all this been done under circumstances well calculated to excite suspicion that the real design was to create a necessity for duties, with the express view of affording protection to manufactures?—Have they not, indeed, told us, again and again, through their great head and organ, that the two great indispensable measures to relieve the country from existing embarrassments were a protective tariff, and a national bank? and is it, then, uncharitable to assert that the expenditures, so far from being necessary to the just and economical wants of the Government, have been raised to what they are, with the design of passing this bill in the only way it could be passed—under the guise of revenue?

But, if it were admitted that the amount it proposes to raise is necessary to meet the expenditures of the Government, and that the expenditures themselves were necessary,—the chairman must still go one step further, to make good his assertion that this is a bill for revenue, and not for protection. He must show that the duties it proposes are laid on revenue, and not on protective principles.

No two things, Senators, are more different than duties for revenue and protection. They are as opposite as light and darkness. The one is friendly, and the other hostile to the importation of the article on which they may be imposed. Revenue seeks not to exclude or diminish the amount imported; on the contrary, if that should be the result, it neither designed nor desired it. While it takes, it patronizes; that it may take more. It is the reverse, in every respect, with protection. It seeks, directly, exclusion or diminution. It is the desired result; and, if it fails in that, it fails in its object. But, although so hostile in character, they are intimately blended in practice. Every duty imposed on an article manufactured in the country, if it be not the point of prohibition, will give some revenue; and every one laid for revenue, be it ever so low, must afford some protection, as it is called. But, notwithstanding they are so blended in practice, plain and intelligible rules may be laid down, by which the one may be so distinguished from the other, as never to be confounded. To make a duty a revenue, and not a protective duty, it is indispensable in the first place, that it should be necessary to meet the expenditures of the Government; and, in the next, that the expenditures themselves should be necessary for the support of the Government, without the deficit being caused intentionally, to raise the duty, either by a surrender of other sources of revenue, or by neglect or waste. In neither case, as has been stated, would the duty be for revenue. It must, in addition, never be so high as to prohibit the importation of the article: that would be utterly incompatible with the object of revenue. But there are other less obvious, though not less important rules, by which they may be discriminated with equal certainty.

On all articles on which duties can be imposed, there is a point in the rate of duties which may be called the maximum point of revenue—that is, a point at which the greatest amount of revenue would be raised. If it be elevated above that, the importation of the article would fall off more rapidly than the duty would be raised; and if depressed below it, the reverse effect would follow: that is, the duty would decrease more rapidly than the importation would increase. If the duty be raised above that point, it is manifest that all the intermediate space between the maximum point and that to

which it may be raised, would be purely protective, and not at all for revenue. Another rule remains to be laid down, drawn from the facts just stated, still more important than the preceding, as far as the point under consideration is involved. It results from the facts stated, that any given amount of duty, other than the maximum, may be collected on any article, by two distinct rates of duty—the one above the maximum point, and the other below it. The lower is the revenue rate, and the higher the protective; and all the intermediate is purely protective, whatever it be called, and involves, to that extent, the principle of prohibition, as perfectly as if raised so high as to exclude importation totally. It follows, that all duties not laid strictly for revenue, are purely protective, whether called incidental or not; and hence the distinction taken by the Senator from Arkansas immediately on my left, (Mr. Sevier,) between incidental and accidental protection, is not less true and philosophical than striking. The latter is the only protection compatible with the principles on which duties for revenue are laid.

This bill, regarded as a revenue bill, cannot stand the test of any one of these rules. That it cannot as to the two first, has already been shown. That some of the duties amount to prohibition, has been admitted by the chairman. To those he admits, a long list of others might be added. I have in my drawer an enumeration of many of them, furnished by an intelligent and experienced merchant; but I will not occupy the time of the Senator by reading the catalogue. That a large portion of the duties on the protected articles exceed the maximum point of revenue, will not be denied; and that there are few or none imposed on protected articles, on which an equal revenue might not be raised at a lower rate of duty, will be admitted. As, then, every feature of this bill is stamped with protection, it is as much a bill for protection as that of 1828. Wherein, then, does it differ? In this: that went openly, boldly, and manfully for protection; and this assumes the guise of revenue. That carried the drawn dagger in its hand; and this conceals it in its bosom. That imposed the burden of protection—a burden admitted to be unjust, unequal, and oppressive, but it was the only burden; but this superadds the weight of its false guise—a heavy debt, extravagant expenditures, the loss of public lands, and the prostration of public credit, with the intent of concealing its purpose. And this, too, may be added to the other objections, which makes it worse than its predecessor in abomination.

I am, Senators, now brought to the important question, why should such a bill pass? Who asks for it and on what ground? It comes ostensibly from the manufacturing interest. I say ostensibly; for I shall show, in the sequel, that there are other and more powerful interests among its advocates and supporters. And on what grounds do they ask it? It is on that of protection. Protection against what? Against violence, oppression, or fraud? If so, Government is bound to afford it, if it comes within the sphere of its powers, cost what it may. It is the object for which Government is instituted; and if it fails in that, it fails in the highest point of duty. No; it is against neither violence, oppression, nor fraud. There is no complaint of being disturbed in property or pursuits, or of being defrauded out of the proceeds of industry. Against what, then, is protection asked? It is against low prices. The manufacturers complain that they cannot afford to carry on their pursuits at prices as low as at present; and that, unless they can get higher, they must give up manufacturing. The evil, then, is low prices; and what they ask of Government is to give them higher. But how do they ask it to be done? Do they ask Government to compel those who may want to purchase to give them higher? No; that would be a hard task, and not a little odious; difficult to be defended on the principles of equity, justice, or the Constitution, or to be enforced, if it could be. Do they ask that a tax should be laid on the rest of the community, and the proceeds divided among them, to make up for low prices? Or, in other words, do they ask for a bounty? No; that would be rather too open, oppressive, and indefensible. How, then, do they ask it to be done? By putting down competition, by the imposition of taxes on the products of others, so as to give them the exclusion of the market, or at least a decided advantage over others; and thereby enable them to sell at higher prices. Stripped of all disguise, this is their request; and this they call protection. Protection, indeed! Call it tribute, levy, exaction, monopoly, plunder; or, if these be too harsh, call it charity, assistance, aid—anything rather than protection, with which it has not a feature in common.

Considered in this milder light, where, Senators, will you find the power to give the assistance asked? Or, if that can be found, how can you reconcile it to the principles of justice or equity to grant it? But suppose that to be overcome, I ask, are you prepared to adopt as a principle, that, whenever any branch of industry is suffering from depressed prices, it is your duty to call on all others to assist it? Such is the broad principle that lies at the bottom of what is asked; and what would it be, if carried out, but equalization of income? And what would that differ, in effect, from the agrarianism of property, which you, on the opposite side of the chamber, profess so much to detest? But, if you are not ready to carry out the principle in its full extent, are you prepared to restrict it to a class—the manufacturers? Will you give them the great and exclusive advantage of having the right of demanding assistance from the rest of the community, whenever their profits are depressed below the point of remuneration by vicissitudes to which all others are exposed?

But, suppose all these difficulties surmounted; there is one rule, where assistance is asked, which, on no principle of justice, equity, or reason, can be violated—and that is, to ascertain, from careful and cautious examination, whether, in fact, it be needed by the party asking; and, if it be, whether the one of whom it is asked can afford to give it or not.—Now, I ask whether any such examination has been made? Has the Finance Committee, which reported this bill, or the Committee on Manufactures, to which the numerous petitions have been referred, or any member of the majority who supports the bill, made an impartial or careful examination, in order to ascertain whether they who ask aid can

carry on their manufactures without higher prices? Or, have they given themselves the least trouble to ascertain whether the other portions of the community could afford to give them higher? Will any one pretend that he has? I can say, as to the interest with which I am individually connected, I have heard of no such inquiry; and add further, from my own experience, (and fearlessly appeal to every planter in the chamber to confirm my statement,) that the great cotton-growing interest cannot afford to give higher prices for supplies. As much as the manufacturing interest is embarrassed, it is not more so than the cotton-growing interest; and as moderate as may be the profit of the one, it cannot be more moderate than that of the other. I ask those who represent the other great agricultural staples—I ask the great provision interest of the West, the navigating, the commercial and, finally, the great mechanical and handicraft interest—if they have been asked whether they can afford to give higher prices for their supplies? And, if so, what was their answer?

If, then, no such examination has been made, what has been done? Those who have asked for aid, have been permitted to fix the amount, according to their own cupidity; and this bill has fixed the assessment on the other interests of the community, without consulting them, with all the provisions necessary for extorting the amount in the promptest manner. Government is to descend from its high appointed duty, and become the agent of a portion of the community to extort, under the guise of protection, tribute from the rest of the community; and thus defeat the end of its institution, by perverting powers, intended for the protection of all, into the means of oppressing one portion for the benefit of another.

But there never yet has been devised a scheme of emptying the pockets of one portion of the community into those of the other, however unjust or oppressive, for which plausible reasons could not be found; and few have been so prolific of such as that under consideration. Among them, one of the most plausible is, that the competition, which is asked to be excluded, is that of foreigners. The competition is represented to be between home and foreign industry; and he who opposes what is asked, is held up as a friend to foreign, and the enemy to home industry, and is regarded as very little short of being a traitor to his country. I take issue on the fact. I deny that there is, or can be, any competition between home and foreign industry, but through the latter; and assert that the real competition, in all cases, is, and must be, between one branch of home industry and another. To make good the position taken, I rely on a simple fact, which none will deny—that imports are received in exchange for exports. From that, it follows, if there be no export trade, there will be no import trade; and that to cut off the exports, is to cut off the imports. It is, then, not the imports, but the exports which are exchanged for them, and without which they would not be introduced at all, that causes, in reality, the competition. It matters not how low wages of other countries may be, and how cheap their productions, if we have no exports, they cannot compete with ours. The real competition, then, is with that industry which produces the articles for export, and which purchases them abroad, and brings back the imported articles, in exchange for them; and the real complaint is, that those so employed can furnish the market cheaper than those who manufacture articles similar with the imported; and what, in truth, is asked, is, that the cheaper process of supplying the market, should be taxed, by imposing high duties on the importation of the articles received in exchange for those exported in order to give the dearer a monopoly, so that it may sell its products for higher prices. It is, in fact, a warfare on the part of the manufacturing industry, and those who are associated with it, against the export industry of the community, and those associated with it. Now, I ask, what is that export industry? What is the amount produced? by whom produced? and the number of persons connected with it, compared with those who ask a monopoly against it?

The annual domestic exports of the country may be put down, even in the present embarrassed condition of the country, at \$110,000,000, valued at our own ports. It is drawn from the forest, the ocean, and the soil, except about ten millions of domestic manufactures, and is the product of that vast mass of industry engaged in the various branches of the lumber business, the fisheries, in raising grain and stock producing the great agricultural staples, rice, cotton, and tobacco; in purchasing and shipping abroad these various products, and exchanging and bringing home, in return, the products of other countries, with all the associated industry necessary to keep this vast machinery in motion—the ship-builder, the sailor, and the hundreds of thousands of mechanics, including manufacturers themselves, and others, who furnish the various necessary supplies for that purpose. It is difficult to estimate with precision the number employed, directly or indirectly, in keeping in motion this vast machinery, of which our great commercial cities, and numerous ships, which whiten the ocean, are but a small part. A careful examination of the returns of the statistics accompanying the census, would afford a probable estimate; and, on the faith of such an examination, made by a friend, I feel myself warranted in saying that it exceeds those employed in manufacturing, with the associated industry necessary to furnish them with supplies, in the proportion at least of ten to one. It is probably much greater.

Such is the export industry of the country; such its amount; such the sources from which it is drawn; such the variety and magnitude of its branches; and such the proportion in numbers which those who are employed in it, directly and indirectly, bears to those who are, in like manner, employed in manufacturing industry. It is this vast and various amount of industry, employed at home, and drawing from the forest, the water, and the soil, as it were, by creation, this immense surplus wealth, to be sent abroad, and exchanged for the productions of the rest of the globe, that is signified as foreign industry! And it is that, Senators, which you are now called on to tax, by imposing the high duties proposed in this bill on the articles imported in exchange, in order to exclude them in whole or part, for the supposed benefit of a very minor interest, which chooses to regard itself exclusively entitled to protection and favor. Are you prepared to respond favorably to the call, by voting for this bill? Waiving the high questions of justice and constitutional power, I propose to examine, in the next place, the mere question of expediency; and, for that purpose, the operation of these high protective duties—tracing, first, their effects on the manufacturing interests intended to be benefited and afterwards on the export interest, against which they are directed.

And here let me say, before I enter on this part of my subject, that I am no enemy to the manufacturing interest. On the contrary, few regard them with greater favor, or place a higher estimate on their importance, than myself. According to my conception, the great advance made in the arts by mechanical and chemical inventions and discoveries, in the last three or four generations, has done more for civilization, and the elevation of the human race, than all other causes combined in the same period. With this impression, I behold with pleasure the progress of the arts in every department, and look to them, mainly, as the great means of bringing about a higher state of civilization, with all the accompanying blessings, physical, political, and moral. It is not to them, nor to the manufacturing interest, I object; but to what I believe to be the unjust, the unconstitutional, the mistaken and pernicious means of bettering their condition, by what is called the protective system.

In tracing what would be the effects of the high protective duties proposed by the bill, I shall suppose all the grounds assumed by its advocates to be true; that the low prices complained of are caused by the imports received in exchange for exports; that the imports have, to a great extent, taken possession of the market; and that the imposition of high duties proposed on the imports would exclude them either wholly, or to a great extent; and that the market, in consequence, would be relieved, and be followed by the rise of price desired. I assume all to be as stated, because it is the supposition most favorable to those who ask for high duties, and the one on which they rely to make out their case. It is my wish to treat the subject with the utmost fairness, having no other object in view but truth.

According, then, to the supposition, the first leading effect of these high protective duties would be to exclude the imported articles, against which they are asked, either entirely, or to a great extent. If they should fail in that, it is obvious that they would fall in the immediate object desired, and that the whole would be an abortion. What, then, I ask, must be the necessary consequence of the exclusion of the articles against which the protective duties are proposed to be laid? The answer is clear. The portion of the exports, which would have been exchanged for them, must then return in the unprotected and free article; and, among the latter, specie, in order to purchase from the manufacturers at home the supplies which, but for the duties, would have been purchased abroad. And what would be the effect of that, but to turn the exchange, artificially, in our favor, as against other countries, and in favor of the manufacturing portion of the country, as against all others? And what would that be, but an artificial concentration of the specie of the country in the manufacturing region, accompanied by a corresponding expansion of the currency from that cause, and still more from the discounts of the banks? I next ask, what must be the effects of such expansion, but that raising prices there? and what of that, but of increasing the expense of manufacturing, and that continuing till the increased expense shall raise the cost of producing so high, as to be equal to that of the imported article, with the addition of the duty, when the importations will again commence, and an additional duty be demanded?

This inevitable result would be accelerated by two causes. The effect of the duty in preventing importation would cause a falling off of the demand abroad, and consequent falling off, temporarily, of price there. The extent would depend on the extent of the falling off compared with the general demand for the article; and, of course, would be greater in some articles, and less in others. All would be more or less affected; but none to an extent so great as was insisted on by the chairman, and other advocates of the system, the other day, in the discussion of the duty on cotton-bagging; but still sufficient, in most cases, to be sensibly felt. I say temporarily; for the great laws which regulate and equalize prices would, in time, cause, in turn, a corresponding falling off in the production of the article, proportional to the falling off of the demand.

But another and more powerful cause would be put in operation at home, which would tend still more to shorten the periods between the demand for protection. The stimulus caused by the expansion of the currency, and increased demand and prices consequent on the exclusion of the article from abroad, would tempt numerous adventurers to rush into the business, often without experience or capital; and the increased production, in consequence, thrown into the market, would greatly accelerate the period of renewed distress and embarrassment, and demand for additional protection.

The history of the system fully illustrates the operation of these causes, and the truth of the conclusion drawn from them. Every protective tariff that Congress has ever had has disappointed the hopes of its advocates; and has been followed, at short intervals, by a demand for higher duties, as I have shown on a former occasion. The cry has been protection; one battle after another, and each succeeding one more cupacious than the preceding. Reputation but increases the demand, till the whole terminates in one universal explosion, such as that from which the country is now struggling to escape.

Such are the effects of the system on the interest in favor of which these high protective duties are laid; and I shall now proceed to trace them on the great export interest, against which they are laid. I start at the same point—the exclusion, in part or whole, of the importation of the articles against which they are laid—their very object, as I have stated; and which, if not effected, the whole must fail. The necessary consequence of the falling off of the imports, must be, ultimately, the falling off of the exports. They are mutually dependent on each other. It is admitted that the amount of the exports limits the imports; and that, taking a

Mr. Calhoun's speech on the assumption of the debts of the States.