

# PROTECTION OF PROFITS, THE INIQUITOUS POLICY OF THE REPUBLICANS FOR HALF A CENTURY

The One Question Eternally Present is the Most Effective,  
Most Efficient and the Fairest Way of Equalizing  
the Burdens of Taxation

Mr. Underwood Would Have the Question Solved with the  
Determination to do the Right, Safe and  
Reasonable Thing

Speech Before the New York Southern Society Dec. 16, 1911

The kaleidoscope of political issues must and will continually change with the changing conditions of our Republic, but there is one question that will with us in the beginning and will be in the end, and that is the most effective, efficient and fairest way of equalizing the burdens of taxation that are levied by the National Government. Of all the great powers that were yielded to the Federal Government by the States when they adopted the Constitution of our country, the one indispensable to the administration of public affairs is the right to levy and collect taxes. Without the exercise of that power we could not maintain an army and navy; we could not establish the courts of the land; the government would fail to perform its function if the power to tax were taken away from it. The power to tax carries with it the power to destroy, and it is, therefore, a most dangerous governmental power as well as a most necessary one.

There is a very clear and marked distinction between the position of the two great political parties of America as to how power to tax should be exercised in the levying of revenue at the custom houses.

**Republicans Have Always Stood for Protection.**

The Republican party has maintained the doctrine that taxes should not only be levied for the purpose of revenue, but also for the purpose of protecting the home manufacturer from foreign competition. Of necessity protection from competition carries with it a guarantee of profits. In the last Republican platform this position of the party was distinctly recognized when they declared that they were not only in favor of the protection of the difference in cost at home and abroad but also a reasonable profit to American industries.

**Democratic Party for Tariff for Revenue Only.**

The Democratic party favors the policy of raising its taxes at the custom house by a tariff that is levied for revenue only, which clearly excludes the idea of protecting the manufacturer's profits. In my opinion, the dividing line between the positions of the two great parties on this question is very clear and easily ascertained in theory. Where the tariff rates balance the difference in cost at home and abroad, including an allowance for the difference in freight rates, the tariff must be competitive, and from that point downward to the lowest tariff that can be levied it will continue to be competitive to a greater or less extent. Where competition is not interfered with by levying the tax above the highest competitive point, the profits of the manufacturer are not protected. On the other hand, when the duties levied at the custom house equalizes the difference in cost at home and abroad and in addition thereto they are high enough to allow the American manufacturer to make a profit before his competitor can enter the field, we have invaded the domain of the protection of profits. Some men assert that the protection of reasonable profits to the home manufacturer should be commended instead of being condemned, but in my judgment, the protection of any profit must of necessity have a tendency to destroy competition and create monopoly, whether the profit protected is reasonable or unreasonable.

**Unfairness of Protection.**

You should bear in mind that to establish a business in a foreign country requires a vast outlay both in time and capital. Should the foreign manufacturer attempt to establish himself in this country he must advertise his goods, establish selling agencies and points of distribution before he can successfully conduct his business. After he has done so, if the home producer is protected by a law that not only equals the difference in cost at home and abroad, but also protects a reasonable or unreasonable profit, it is only necessary for him to drop his prices slightly below the point that the law has fixed to protect his profits and his competitor must retire from the country or become a bankrupt because he would then have to sell his goods at a loss and not a profit if he continued to compete. The foreign competitor having retired, the home producer could raise his prices to any level that home competition would allow him and it is not probable that the foreigner who had already been driven out of the country would again return no matter how inviting the field as long as the law remained on the Statute Books that would enable his competitor to again put him out of business.

**Iniquity of the Protection of Profits.**

Thirty or forty years ago when we had numbers of small manufacturers, when there was least competition without an attempt being made to restrict trade and the home market was more than able to consume the production of our mills and factories, the danger and the injury to the consumer of the country was not so great or apparent as it is today when the control of many great industries has been concentrated in the hands of a few men or a few corporations, because domestic competition was prohibited. When we cease to have competition at home and the law prohibits competition from abroad by protecting profits, there is no relief for the consumer except to cry out for government regulation. To my mind, there is no more reason or justice in the government attempting to protect the profits of the manufacturers and producers of this country than there would be to protect the profits of the merchant or the lawyer, the banker or the farmer, or the wages of the laboring man. In almost every line of industry in the United States we have as great natural resources to develop as that of any country in the world. It is admitted by all that our machinery and methods of doing business are in advance of the other nations. By reason of the efficient use of American machinery by American labor, in most of the manufactures of this country, the labor cost per unit of production is no greater here than abroad.

It is admitted, of course, that the actual wage of the American laborer is in excess of European countries, but as to most articles we manufacture the labor cost in this country is not more than double the labor cost abroad. When we consider that the average ad valorem rate of duty levied at the custom house on manufactures of cotton goods is 53% of the value of the article imported and the total labor cost of the production of cotton goods in this country is only 21% of the factory value of the product, that the difference in labor cost at home and abroad is only about as one is to two and that ten or eleven per cent of the value of the product levied at the custom house would equal the difference in the labor wage, it is apparent that our present tariff laws exceed the point where they equalize the difference in cost at home and abroad, and we realize how far they have entered into the domain of protecting profits for the home manufacturer. This is not only true of the manufacture of cotton goods, but of almost every schedule in the tariff bill.

To protect profits of necessity means to protect inefficiency. It does not stimulate industry because a manufacturer standing behind a tariff wall that is protecting his profits is not driven to develop his business along the lines of greatest efficiency and greatest economy.

**Wool, Iron and Steel Industries.**

This is clearly illustrated in a comparison of the wool and the iron and steel industries. Wool has had a specific duty that when worked out to an ad valorem basis amounts to a tax of about 90% of the average value of all woolen goods imported into the United States, and the duties imposed have remained practically unchanged for forty years. During that time the wool industry has made comparatively little progress in cheapening the cost of its product and improving its business methods. On the other hand, in the iron and steel industry the tariff rate has been cut every time a tariff bill has been written. Forty years ago the tax on steel rails amounted to \$17.50 a ton, today it amounts to \$3.92. Forty years ago the tax on pig iron was \$13.60 a ton, today it is \$2.50. The same is true of most of the other articles in the iron and steel schedule, and yet the iron and steel industry has not languished; it has not been destroyed and it has not gone to the wall. It is the most compact, virile, fighting force of all the industries of America today. It has long ago expanded its productive capacity beyond the power of the American people to consume its output and is today facing out towards the markets of the world, battling for a part of the trade of foreign lands where it must meet free competition or as is often the case, pay adverse tariff rates to enter the industrial fields of its competitor.

**Duty of Our Government—Genuine Tariff Reduction to a Revenue Producing Basis Only.**

Which course is the wiser for our government to take? The one that demands the protection of profits, the continued policy of hot-house growth for our industries? The stagnation of development that follows where competition ceases, or on the other hand, the gradual and insistent reduction of our tariff laws to a basis where the American manufacturer must meet honest competition, where he must develop his business along the best and most economic lines, where when he fights at home to control his market he is forging the way in the economic development of his business to extend his trade in the markets of the world. In my judgment, the future growth of our great industries lies beyond the seas. A just equalization of the burdens of taxation and honest competition, in my judgment, are economic truths; they are not permitted today by the laws of our country, we must face toward them and not away from them.

What I have said does not mean that I am in favor of going to free trade conditions or of being so radical in our legislation as to injure legitimate business, but I do mean that the period of exclusion has passed and the era of honest competition is here.

Let us approach the solution of the problem involved with the determination to do what is right, what is safe and what is reasonable.

## Birmingham News Supports Underwood

In many quarters there has arisen a demand that Oscar W. Underwood be named the standard bearer of the Democratic party in the campaign that will be waged for the presidency in 1912. It is the earnest hope of *The Birmingham News* that this may come about. Should the banner be entrusted to the keeping of Oscar W. Underwood, *The Birmingham News* thoroughly believes that by him it will be carried to glorious victory, and that it will never be stained by compromise with wrong or sullied by collusion with privilege.—*The Birmingham News*, Thursday, November 23, 1911.

## A NATIONAL REPUTATION WITHOUT SEEKING IT

Underwood is probably the greatest authority on the tariff in the House of Representatives, or, for that matter, in Congress.

"What do you think of Underwood?" I asked Senator Bailey.

"Underwood," said Bailey, "is the only man in either house of Congress who could be locked in a hermetically sealed room for a week and emerge from it with a perfectly good tariff bill."

Underwood is the strongest example in modern times of a thoroughly modest man getting a reputation without going after it. Politics is a noisy game; you have to have a trumpet and a bugle in order to make anybody hear your name. It is a rule to which there is no exception that I know of except Underwood. He sat back there quietly in Congress for sixteen years doing splendid work and never getting his name into the papers. Finally, the crash came, the Democrats carried the House, and from sheer merit and nothing else the quiet man from Alabama was made floor leader and put in charge of the party's tariff bill. And he so acquitted himself that within a month he became a national figure, and now he is quite likely to be nominated for President.—Charles Willis Thompson, in *The Sunday Herald*, Boston, October 22, 1911.

## WHY I AM FOR OSCAR UNDERWOOD

- (1) Because he is the strongest all-round man in the field;
- (2) Because he is old enough to have learned a great deal, and young enough to learn more;
- (3) Because he is a constructive, practical statesman;
- (4) Because he fathered the Farmers' Free List Bill, which was an immense stride toward free trade, and a measure that would have been magically beneficial to our over-taxed people;
- (5) Because he proposed and put through Congress a drastic reform of the infamous woolen tariff; and also a sweeping reduction in the cotton goods schedule;
- (6) Because he had the manhood to defy the Birmingham Board of Trade, when it tried to intimidate him as to tariff reduction;
- (7) Because he has introduced a bill to cut the steel and iron schedule from 30 to 50 per cent;
- (8) Because he had the courage to oppose the Sherman pension grab, which the shirkers and skulkers, and deserters, and bounty-jumpers demand. Champ Clark voted for the grab; Bryan has not had the pluck to say a word against it, nor has Woodrow Wilson.
- (9) Because he has the sanity and the pluck to tell the people that all this talk about the initiative, referendum and recall, in national politics, is tommy-rot. Everybody should know that the Constitution of the United States would have to be radically

## The South and the Presidency

This constant reference to an alleged "dead line" when it comes to the selection of a candidate for the presidency is out of place. It is a peculiar fact that we hear more of it right here in the South than anywhere else in the country. We are getting to be painfully self-conscious about this supposed political bar sinister. Not only that, but we act on the assumption that it would be politically inexpedient for us to support any man who is Southern born and bred. It is folly of the worst kind and only serves to keep alive the dying embers of sectionalism.—*Shreveport Times*, December, 1911.

# UNDERWOOD SOUND ON ALL PUBLIC QUESTIONS VIEWS ON RECIPROcity, ANTI-TRUST LEGISLATION MERCHANT MARINE, PUBLIC SERVICE, THE TARIFF

## RECIPROcity

(In the U. S. House of Representatives, April 21, 1911.)

Our agricultural implements supply the farmers' wants beyond the seas. Our boots and shoes are worn by people who speak many foreign languages and who tread the highways of the Occident and the Orient. The looms of our factories clothe the people of distant lands. The freight of our foreign trade is carried to market on American rails, drawn by American engines, across chasms spanned by American-built bridges. [Applause.] The harvests of our farmers feed the teeming masses of Europe. We would be the unrivaled masters of production and industry in every land where free competition can be obtained if we would but strike off the shackles that bind us to the dead and unnecessary economic system maintained by the Republican Party, that creates false standards and wasteful conditions at home. [Applause on the Democratic side.]

## ANTI-TRUST LEGISLATION

(In Speech Before Pennsylvania Society of New York, Dec. 9, 1911.)

"Is it not proper for all of us, irrespective of party, to insist that the time has come for us to join together in putting an end to this profitless agitation and proposals for tinkering with the (Sherman) law? As the necessity arises, we can from time to time enforce the act, without fear or favor, but without any disposition to get political capital out of what we may be called upon to do. Let our pilot be experience and accurate knowledge and high resolve, and not party expediency or misdirected energy, whether proceeding from good or bad motives, and above all this let us not proceed upon a crude guess."

## AMERICAN MERCHANT MARINE

(In the U. S. House of Representatives, Feb. 26, 1910.)

It is clear that there are no treaties that stand in our way to prevent us from enacting a discriminating tariff duty

## UNDERWOOD THE MAN OF THE HOUR

But Mr. Underwood's rise in public favor has not been spectacular. His is not the kind of popularity that will decline. It dawned suddenly but its dawn was rather the awakening of recognition than the discovery of a new star. Mr. Underwood and his ability had been there all the time, but they had not been called into action. Opportunity revealed the man and the leader.

His leadership and his qualities are of the stuff that will last. He may never be President of the United States. He may never be given the nomination by his party, but his usefulness to the party and to the people will not be destroyed. He is hanging no hopes on the reward that may come to him from the party.

Mr. Underwood's public record is unusu- ally brilliant. It stands without a flaw. Critics may search it through and through and Mr. Underwood's smile would never waver. His party record is just as clear. His private life is without a blemish.

He is peculiarly fitted by nature and training for the leadership of men and the administration of executive functions. He comes of good stock, if that means anything in this people's republic. His education was thoroughly rounded. His character well poised. His training has been broad and wise. He is thoroughly practical. His academic education has been broadened by well directed experience and constant application to useful research.—*Walter Harper in the Birmingham Age-Herald*, January 7, 1912.

## UNDERWOOD OVER AGAIN

The rapid rise of Oscar W. Underwood in the discussion of Presidential possibilities is full of significance, and may well cause consternation in the Wilson, Clark and Harmon camps. As a distinctive Southerner, his boom especially is a menace to Wilson, who appeared strongly to the sentiment of that section, in which he was born and spent his early years. In the soundness of his Democracy, the statesmanlike judgment and moderation he displays in dealing with the issues of the hour, Mr. Underwood has no superior among his rivals. He avoids indorsing very questionable issues to which Wilson committed himself somewhat incidentally.—*The Troy Press*, New York, November 28, 1911.

## THE MAN TO WIN

The *Mobile Register* declares that the relief of ninety millions of people from tax extortion is the issue, and the issue is personified in Oscar W. Underwood. What more fitting, therefore, asks this paper, than that the man who is the personification of the issue should stand before the President who vetoed the bills drawn by Mr. Underwood seeking to give relief to the American people? What more fitting that the candidate should be Mr. Underwood, standing for tariff reduction as against Mr. Taft standing in defense of present tariff laws? What more fitting for the Democratic party to nominate a man who can win—for this is the time Democracy can win. Powerful political leaders of thought and those journalistic exponents of Democracy throughout the country should take note of Mr. Underwood. They should investigate; and with party loyalty firm—with sectional prejudice eliminated, learn to know the man and the principles for which he stands. The Southern press, especially, should rally with unhesitating vigor to support and use their influence for the man who has done more than any living Democrat to reunite Democracy, and who can, as a Southern Democrat in the White House, establish forever a reunited country.—*Richmond Journal*, reproduced in the *Advertiser*, Montgomery, Ala., January 20, 1912.

## UNDERWOOD AS A CANDIDATE

In Mr. Underwood's candidacy the South for the first time in 60 years comes forward with a man with a reason—a man with a valid claim on Democracy for signal recognition. If usefulness, devotion, high performance, Nation-wide breadth of view, and rare qualities for leadership entitle a man to sympathy and support in his aspirations, the nomination of Mr. Underwood would be a testimonial logically bestowed.

The Southern Democracy never wants, in or out of Congress, for powerful champions of party politics, men who come in for honorable mention when the Presidential year rolls round, but in Mr. Underwood's case

there is added a genius for organization and command not often observable in party leaders of his section. For candor compels a good word in acknowledgment of what he did in the way of harmonizing and knitting together the warring elements of his party in the House. Not in twenty years has there been in Democratic councils a leader who proved successful in uniting all shades of opinion and presenting a solid front on practically every issue that came to a vote. For that reason, if for no other, Mr. Underwood's availability would seem to merit careful consideration at the hands of the Democratic party.—*Washington Post*, October 3, 1911.

## A SOUTHERNER ON THE TICKET

Oscar W. Underwood of Alabama is unquestionably of presidential size. His leadership of the Democratic majority on the floor of the House has never been excelled for skill, force and definite direction. It is a respectful hearing from all over the country which Senator Bankhead of the same State will have in naming him for the Democratic nomination.

Has the time come when it is expedient for the Democracy to nominate a Southerner living in the South for the presidency? It has not been thought so since the civil war. It has not even been thought expedient to give the South second place on the ticket. The nearest approach to this was the naming on the

Parker ticket in 1904 of Henry G. Davis of West Virginia. But that is essentially a Northern State. Carlisle of Kentucky had a few votes for President in the conventions of 1884 and 1892; Blackburn of Kentucky and Tillman of South Carolina in 1896; Williams of Mississippi in 1904. But they were merely complimentary.

Yet the war is over. A Southern Democrat and a former Confederate soldier is Chief Justice of the United States Supreme Court by appointment of a Republican President. The day may not be so far off when the last traces of the sectional line will be obliterated in American politics.—*The New York World*, October 24, 1911.

## WIDE APEAL OF UNDERWOOD'S CANDIDACY

That Representative Oscar W. Underwood is rapidly crowding to the wall all other aspirants for the Democratic presidential nomination, is the information that comes from sources close to the Alabama leader to-day. In fact, it is now a subject of open gossip about the House that New York State is veering toward the Alabama member and that Clark, Wilson and Harmon are losing ground in the chief pivotal State of the Union.

A member of the New York delegation in the House, who is not personally an advocate of the candidacy of Mr. Underwood, admitted in confidence to-day that the trend of sentiment in New York city and New York State now favors the Alabama leader. From Representative Henry D. Clayton, of

## O'SHAUNESSY BOOMS UNDERWOOD

Mr. O'Shaunessy's declaration followed the Underwood demonstration in the House. Mr. O'Shaunessy said: "I believe Mr. Underwood is the right man for the presidency. He has wonderful executive ability, as shown by his management of the House at this ses-

sion, and except for his residence so far South, I feel that he is in every way suitable for the place. I believe the Democrats could not nominate a more acceptable candidate."—Representative O'Shaunessy, of Rhode Island, in *The Providence Journal*, August, 1911.

in favor of American ships. It was the policy of the fathers; it built up our merchant marine from a point where it was carrying 17 per cent of our commerce to a point where it was carrying 90 per cent of American commerce in a period of seven years. It does not place additional burdens on the people; it is not a policy of doubtful constitutionality; it is a policy that has been tried and proven effective. It is a policy by which we can restore the American flag to the seas and the American ships to our commercial trade. It is a policy that will enable us to build up the export trade of the American people. It is a policy that will enable us to find foreign markets for our surplus products in agriculture and manufactures. It is a policy that will restore the balance of commerce as well as trade to our Nation. It is a policy that will ultimately overcome the necessity of our paying a foreign balance in gold to European nations and will bring prosperity to all lines of industry.

## CONVICTIONS MORE POWERFUL THAN LOCAL PRESSURE

(In the U. S. House of Representatives, April 21, 1911.)

Two years ago, when the proposition came before the House to cut the tariff on iron and steel products, in many cases about half, I favored the proposition because I thought it was just and fair, but some of the protected interests in my district met and passed resolutions, and resolved that they would rebuke me if I voted to reduce the tax on iron and steel. I voted to make the reduction [applause on the Democratic side], but they did not turn me out of Congress [applause on the Democratic side], and they will not turn you out of Congress if you stand true to the people you represent. [Applause on the Democratic side.] The distinguished gentleman from Illinois [Mr. CANNON], when he addressed the House several days ago, stated that the United States Steel Corporation was in favor of this bill and asked if I did not know it, or if that was not the reason why I favored it. As I then stated to the gentleman from Illinois, I was not informed as to the wishes of the United

States Steel Corporation. As a matter of fact, I am interested in the iron and steel business myself. Everything that steel business does in the iron and steel business except my home, but not with the United States Steel Corporation. My people are independent manufacturers. We meet the United States Steel Corporation every day of our existence in a competitive battle on the industrial fields of America. My people have not asked me to vote for a protective tariff on iron and steel.

## PROTECTION'S INIQUITIES

(In the U. S. House of Representatives, April 21, 1911.)

The protected interests of this country know well that this bill will make a break in the dike; that whenever the protective tariff is removed and the Northern farmer stands out alone with out pretense of protection to his products that he can no longer be counted on to stand in the ranks of the monopolistic interests of this country. That is why they are afraid of it. It is not so much what is in the bill, but they know that the death knell of the protection system will have sounded—that protection that means the protection of enormous profits and the creation of monopolies in this country—when the farmer understands and abandons the Republican Party to those alone who have fattened upon his hard-earned dollars. They are using my friends, every effort in the districts on that side of the House and in your district, my fellow-Democrat and in my district to break the column. I have protected interests in my district, but I do not represent them. I represent the great mass of my constituency who want honest treatment and fair play.

## OSCAR UNDERWOOD

The appearance of Oscar Underwood here last night, in advocacy of the Democratic principles he has done so much to advance, was an event not only highly gratifying to his party associates in Louisville, but of exceptional interest to the community in general.

It is not often that a man returns to the scenes of his youth to speak with such authority, from so commanding a position, won on his own merit. It has not been so long as the years ago—he is not yet 50—since Oscar Underwood was a schoolboy here; he comes back now the recognized and applauded leader of his party on the floor of the National House of Representatives, the head of the great committee which shapes the fiscal legislation of the country; a new chief of Democracy who has arisen at a crisis when the old party seemed all but leaderless.

Bravo, Oscar Underwood! It is a bright day for Democrats when they are fortunate to find and quick to acclaim such a leader.—*Louisville Courier-Journal*, reprinted in *Age-Herald*, Birmingham, Ala., October 15, 1911.

## SOMETHING OF ALABAMA'S CANDIDATE FOR THE PRESIDENCY

Whoever was floor leader of the Democracy was good enough for Mr. Underwood during all the long years that party was in the minority, and day after day, whether that leader was Joseph W. Bailey, of Texas, John Sharp Williams, of Mississippi, or Champ Clark, of Missouri, the gentleman from Alabama was always at his leader's elbow, ready and eager to do anything he could to help the great cause, to block the party leader's eye, but Mr. Underwood was never known to extend anything but the helping hand.—*George E. Miller*, Staff Correspondent, in the *Detroit News*, October 24, 1911.

## WHOM SHALL THE DEMOCRATS NOMINATE

Congressman Underwood, as house leader of the Democracy and chairman of the Ways and Means Committee, has measured up to the standard of true statesmanship. He has rendered incalculable service to the cause of honest tariff revision, the one great issue in the pending campaign, and by his splendid poise and mastery of affairs he has exalted his party's name in the minds of thinking Americans.—*Atlanta Journal*, January 7, 1912.

## UNDERWOOD AS A CANDIDATE

If Oscar Underwood, when he was made Chairman of the Ways and Means Committee, had been as well known throughout the country as Champ Clark or Judson Harmon or Woodrow Wilson, he would have gone into the Democratic convention far in the lead. He was at that time, however, little known and this fact may give to the Speaker a part of the prestige that Mr. Underwood otherwise would have had.

Mr. Underwood is well known now, however, and will be better known before the convention meets or the State elect delegates. Taking it for granted that he will conduct the tariff fight as well during the regular session as during the extra session, Mr. Underwood will be much stronger at the end of the regular session than he is now. If we judge by results we must conclude that no Democratic leader has ever had his forces so well in hand as Mr. Underwood had during the last session.—*The Florida Times-Union*, Jacksonville, Fla., October 24, 1911.

## AN EMINENT MAN

"The destiny of the American nation, which I think is the most wonderful in the whole history of the world, is perfectly safe in the hands of such men as your Underwood. It is a pity that we cannot have more of his kind in Washington. He is one of the most eminent men that the South has produced, and I look with vast satisfaction upon the plans of his Alabama friends to give him their unanimous endorsement for that high office.—*Prof. Willis Moore*, Chief of U. S. Weather Bureau, in the *Birmingham Age-Herald*, October 15, 1911.