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REDUCTION OF TAX ON TOBACCO.

SPEECH

OF

HON. FRANK HEREFORD,

OF WEST VIRGINIA,

DELIVERED IN THE

SENATE OF THE UNITED STATES,

FEBRUARY 17, 1879.

WASHINGTON.

1879.

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The Senate having under consideration the bill (H. R. No. 4414) to amend the laws relating to internal revenue—

Mr. HEREFORD said :

Mr. PRESIDENT: I shall not be unwise enough at this late hour of the night to detain the Senate a very long time, but inasmuch as my constituents are deeply interested in the subject which is now before this body I do not think I would be doing justice to them if I should not raise my voice in behalf of the proposed reduction of the tax upon tobacco. During the eight years that I have been in either one or the other branch of the legislative councils of this nation I have been often struck with the unjust and unfair legislation of this country in favor of one portion of it against the other. As long as we have this unfair legislation, this discrimination in favor of one portion of our country against the other, there must be unrest, there must be agitation, and there ought to be agitation.

What do we find to be the condition of affairs as the result of the present laws upon our statute-books? I think, I believe the people think, that all property should bear its equal burdens of taxation. That is not the result of the present legislation. How does the matter stand? Without running over the whole ground, I will take time only to go over a small part of it. According to the last census the value of all the property in the State of Vermont was \$235,349,553, her population 330,551, only paying an internal revenue to this Government of \$44,339.49. The State of Maine, with property valued at \$348,155,671, and with a population of 626,915, only pays in the way of internal-revenue tax \$70,695.78. The great State of Massachusetts, with property valued at \$2,132,148,741, and with a population of 1,457,361, pays an internal-revenue tax of \$2,419,915.48. The State of New Hampshire, with property valued at \$252,624,112, with a population of 318,300, pays into the Treasury for internal revenue \$228,188.11. The State of Connecticut, with property valued at \$774,631,524, and a population of 537,454, pays an internal-revenue tax of \$580,291.79. The State of Rhode Island, with her property valued at \$296,965,646, with a population of 217,353, pays into the General Government \$246,759.65. So that all the New England States, with property of an aggregate value of \$4,039,875,247, pays an internal-revenue tax of \$3,590,167. While, on the other hand, the State of Virginia, with a property valued at \$409,588,133, only one tenth part of the six New England States, and with a population of 1,225,163, pays into the National Treasury in one year \$6,501,476.89, nearly twice as much as all the New England States, although their property is valued at ten

times the amount of the property value of the State of Virginia. I ask, Mr. President, if that is fair legislation? There is the value of property; there is the amount of taxes paid.

Mr. MORRILL. Will the Senator yield for a single question?

Mr. HEREFORD. Certainly.

Mr. MORRILL. I merely desire to ask the Senator if he supposes that in West Virginia, where they produce a very large quantity of kerosene oil, it is all consumed in West Virginia?

Mr. HEREFORD. No, sir.

Mr. MORRILL. Or does the Senator suppose that the city of New York, where are collected two-thirds of all our revenues under the tariff, contributes that amount to the revenues of the country? Is it not supposed that the people of the various States contribute in proportion to whatever they consume?

Mr. DAWES. The Senator from West Virginia does not mean to say that Kentucky consumes all the whisky she produces.

Mr. HEREFORD. I did not know that we are taxed upon what we consume. This is the first time that I have ever heard a statesman rise in his place, or the first time I ever heard it asserted, that it was found in any of the books that we pay taxes upon what we consume.

Mr. MORRILL. Of course we do upon whatever is taxed.

Mr. HEREFORD. That is no answer to this fact.

Mr. DAWES. Let me ask my friend a question?

Mr. HEREFORD. Certainly.

Mr. DAWES. I do not suppose the Senator ever drank a gallon of whisky; but if the Senator ever saw a man who drank a gallon of whisky and paid a dollar for it, seventy cents of which was the tax, did he not pay seventy cents tax upon what was consumed?

Mr. HEREFORD. That is no answer to the question. I know the gentleman thought it was. That is the very reason they do not want this tax removed, because if the tax is taken entirely off of tobacco it has to be placed on something that Massachusetts has and that Vermont has. There is no evading the proposition that taxation should be in accordance with the ability to pay, in accordance with the value of the property of the individual, the counties, or the communities, or the States.

Therefore we see, Mr. President, coming back, that the State of Virginia, which only has one-tenth of the valuable property of the New England States, pays nearly twice the amount of internal-revenue tax into the General Government that the whole of the six New England States, with all their great wealth, pay. Is that fair legislation? Is that fair taxation? No, Mr. President.

Mr. ALLISON. May I ask the Senator a question?

Mr. HEREFORD. Certainly.

Mr. ALLISON. The Senator from West Virginia is making a very strong argument in favor of the reduction of this tax, if his premises are true. Do I understand the Senator from West Virginia to claim that because in the first instance the manufacturer of tobacco in Virginia pays the tax, thereby the tax ultimately comes out of that manufacturer?

Mr. HEREFORD. I will come to that.

Mr. ALLISON. Or is it not the fact that the manufacturer charges over the tax, as well as the cost of the raw material, to the purchaser who in the end is a consumer?

Mr. HEREFORD. That in part is true, and in part it is not true. I will come to that after a while, before I take my seat.

Mr. DAVIS, of West Virginia. Will my colleague allow me one word there? I should like to ask my friend from New England how it is with the manufacturer; when we pass a tariff bill here to protect his manufactures does not the manufacturer get the protection, and do we not have to pay it back in the South, and all over the country?

Mr. ALLISON. I leave some New England gentleman to answer that question.

Mr. DAVIS, of West Virginia. My friend was defending New England.

Mr. HEREFORD. Mr. President, before I take my seat, and I do not intend to occupy the time of the Senate very long, I will come to the very question that my friend the Senator from Iowa has just propounded. Let us go a little further. The State of West Virginia, with her property valued at \$190,651,491 and a population of 442,014, paid last year into the National Treasury by way of internal revenue \$326,471.57, while the State of Vermont, so ably represented by the Senator from Vermont, with property valued at \$235,349,553, only paid of internal-revenue tax \$44,339.49; paying, with a population nearly as large as that paid for the support of the General Government, about one-eighth part of the amount the State of West Virginia has paid into the Treasury.

No wonder, Mr. President, that the Senator from Vermont charges my friend from the State of Virginia that his vote on this question has something to do with his re-election to the Senate. All this tax upon tobacco should be taken off. I am in favor of taking every dollar of the tax off, and not only off the tobacco, but off of all the agricultural products of this country, and then place the tax somewhere else. There are plenty of other sources from which to derive ample revenues for the support of this Government without placing it upon a few States in this country. Again, the State of North Carolina, with property valued at \$260,757,244, and with a population of 1,071,361, paid into the National Treasury \$1,818,358.94. The State of Louisiana, with an assessed property of \$323,125,666, with a population of 726,915, paid an internal-revenue tax of \$850,466.29. The State of Tennessee, with her property valued at \$498,237,724, with a population of 1,258,520, paid an internal-revenue tax of \$844,460.08. The State of Missouri, so ably represented by the gentlemen upon this floor, with a property valued at \$1,284,922,897, with a population of 1,721,295, paid for internal-revenue tax the enormous amount of \$5,069,279.17. The assessed property of the State of Kentucky is \$604,318,552, her population is 1,321,011, and she paid the largest amount of any of the States, the enormous amount of \$6,880,558.31.

So that these seven Southern States paid in the last year into the internal-revenue tax the enormous amount of \$22,286,068, while the six New England States only paid in a little over three millions and a half. Not one-sixth part did they pay of this internal-revenue tax that the seven Southern States paid, although the six New England States have a property aggregating in value \$4,000,000,000, while the property of these seven Southern States only amounts to two billions and a half, and the seven Southern States paid in \$22,000,000, while the former only paid in about three millions and a half.

I ask you, Mr. President, if this is fair legislation? Is it just? Is it equal? No, sir; we are able to pay taxes according to the property that we have, and according to the incomes we may receive. Is this a proper assessment? In my humble judgment it is not. But I am asked the question whether or not the consumer does not pay all this. I do not know any better way that I can answer that than by using

the language of one of Virginia's most gifted sons, R. M. T. Hunter, who once occupied a seat on this floor, on that very subject:

The manufacturer must get what it cost him, or he must abandon the manufacture. The tax he must get back, so of the expense of manufacture; the only thing that can fall is the planter's price. The first time he diminishes, but the year after you see him no more; he cannot afford to make tobacco at such a price.

Again the same gentleman says:

Undoubtedly the consumer pays the price before he can get the article, and the tax is an element of the price; but that does not absolve the planter from the necessity of reducing the price of his article, so as to help the manufacturer to pay the tax and induce him to undertake the job, so as to enable him to sell a portion of his crop.

The tax cannot fall, the price of manufacturing cannot fall, so that if there be any fall in the price of tobacco it falls upon the producer, and the producer alone. Another reply to the question is that the gentlemen who have these large manufacturing establishments in the manufacture of tobacco have to use an immense amount of money to pay this tax, for instance to pay fifty thousand dollars' worth of tobacco tax with fifty thousand dollars' worth of stamps upon it. If it is ninety days before they get a return for the tobacco they have got the same day to send off \$50,000 to the Treasury at Washington to buy fifty thousand dollars' worth of stamps, so that at the very same time here is \$100,000 that the manufacturer of tobacco has to advance, and he has to borrow that money and he has to pay the interest on it. That is one way that it works so hard upon these people.

But there is another thing right in that connection. I will state another reason why I am in favor of this reduction of this tax. It was said by my friend from Virginia, and we who live in the tobacco-producing States know it, that this enormous tax upon tobacco has built up large monopolies in the East, and all of the small manufacturing establishments in the various counties where tobacco has been raised have been driven out. All these small tobacco establishments have been driven out and are being crushed by this tax; it is only part and parcel of the legislation of the last few years to crush out the smaller and build up monopolies in every department of our Government. In addition to all these enormous taxes upon tobacco in all these Southern States, but a few years ago, in three short years, the enormous amount of \$68,000,000 was drawn out of the cotton States by virtue of the cotton tax.

But, Mr. President, and I am nearly through, the Senator from Vermont has asked the question, Where are you going to get the money to carry on the Government? He says you are going to lessen your taxes and you are going to lessen your revenue. The Secretary of the Treasury has sent us a letter, written on Friday last, in which he says that there will be a deficiency of \$27,000,000; and the Senator asks the question, Where is this money to come from? Well, I will tell you where it is to come from, Mr. President. I will tell you where that money can be very easily gotten. I hold in my hand the last monthly statement made by the Secretary of the Treasury. The Senator says he wants to know where the money is to come from. It can come without taxation. The Secretary of the Treasury shows us in the last monthly statement that he has now on hand cash in the Treasury \$382,450,695.96, and \$142,672,049.94 he says is available. Why keep that \$142,000,000 in the Treasury of the United States when we are paying interest at the rate of 5 per cent.? The interest upon that \$142,000,000 alone is \$7,000,000 a year. Use that money, draw it out

of the Treasury, tax the people less. Why keep \$142,000,000 locked up in the Treasury of the United States. The Secretary of the Treasury in this letter advises us to authorize him to issue 4 per cent. bonds, drawing interest at the rate of 4 per cent., when you have \$142,000,000 in the Treasury which he says are available. There is where the money can come from if there should be any deficiency. Prior to 1860 the amount that was shown then to be in the Treasury, that was kept there as a surplus, was about fifteen or twenty million dollars; but to-day you have \$142,000,000 lying there. Why should it be kept there when we are paying interest at the rate of 5 per cent. and the interest is \$7,000,000 a year upon the very money that is in the Treasury?

I shall not occupy the time of the Senate any longer in giving my reasons for the support of the bill, but I shall conclude by saying that I am in favor of taking the tax off of all the agricultural industries. Take all the tax off tobacco and allow the man that produces to sell his leaf-tobacco the same as he may sell his wheat or his corn. I say it is improper legislation not to allow the agriculturist to sell whatever he may produce without let or hinderance. Some say that tobacco is a luxury and therefore it ought to be taxed. This is not true; it is a tax upon the labor of the country. Go into my State or into Virginia and see the man producing his tobacco, and when he is suckering it ask him if he thinks that is a luxury. He thinks not. I am through, Mr. President.

