Chicago, March 14, 1906.

Dear Mr. Brigham:

Here is something to put in your pipe, on the tobacco graft, the next biggest thing in the tariff to the iron and steel graft, and far smoother. I suppose you will go over this carefully to verify it. You undoubtedly have in your public library the annual volumes of Congress.

From the letter I wrote you last night you will see that Mr. Sanders did not mention the New York matter, which you refer to in your favor of the 10th. I certainly appreciate the kindness of Mr. Foss, and hope things will come out right.

I guess the trouble is our friends are afraid of me. I know too blamed much. It's an awful handicap. I have tried to be very careful with Mr. Sanders, but maybe I got on his nerves innocently, by telling him the Curtis bill is unconstitutional, after they had been pushing it. I did not know what they have been doing, and blurted it out innocently.

A similar thing happened the middle of January. Until that time they supposed they were going to get an agreement by which they would get meat into Germany at the old rates of the German tariff of 1891, while all the rest of the world would pay the new tariff. They seemed incredulous and shocked when I innocently blurted out that this would be impossible, and tried to explain why. It has turned out just as I then explained to them; they get the minimum rates of the new tariff, which are more than twice as high on meat. I got my foot in it last fall, by accidentally stirring up the fact that we were discriminating against Germany. It probably hurt their feeling when Root called them down; but you remember I wrote you how I had given them the proofs, and Root turned around nicely and used it in the settlement with Germany.

This is an old story with me. The only job I have held in any corporation in thirteen years was about a year in McCormicks, up to five years ago. I practically got fired for knowing too much and making myself too useful, and too honest. That would make a funny story, but it might weary you.

I seem unfortunately to be kind of out of joint with the world in this respect. There are too many people who don't want ability or honesty, and they have a horror of anyone who knows too much. If this Manufacturers' Committee matter materializes, I'll try to go slow.

By the way, we have forgotten about the billion dollar gold brick, the beet sugar question. That is a long job. It might take me a month.

Again thanking you for your kindness, which I shall try to return by some good work, if I get the chance, I remain,

Sincerely yours,

(signed) R. L. Ardrey.

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Ardrey

[The name in the margin - R. L. Ardrey - suggests that Ardrey wrote the article.]

---T O B A C C O G R A F T----

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One of the reasons why Wall street is opposed to revision of the tariff is that there are many smooth provisions in present laws, of great value to Wall street interests, which might be found out if the tariff were to receive a general house cleaning. The tobacco trust, for example, is making many millions of dollars a year out of a little "slip of the pen" in the present internal revenue laws; and these laws are in grave danger of revision when there is any general change in the tariff.

Congress fixes the size of the package in which manufactured tobacco shall be sold, and revenue stamps are printed in denominations to conform with each size so fixed by law. In 1898 the taxes on manufactured tobacco were increased, to provide revenue for expenses of the Spanish War, and there was a general reduction in the sizes of packages, to compensate the manufacturer for the increased tax. When the war taxes on tobacco were repealed, Congress failed, by a slip of two or three words, to restore the sizes to the former basis. The tobacco trust did not make any reduction in either wholesale or retail prices, when the war tax was repealed, so that the repeal did not save the people a penny. Congress simply transferred from the treasury of the government to the treasury of the tobacco trust about $25,000,000 a year in revenue; and in addition to this the trust was authorized to sell the war package, containing a less quantity of tobacco, at the prices which have been established by the custom of the tobacco trade.

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Following are a few details in tobacco revenue legislation.

In the laws of 1879, Forty Fifth Congress, Session III, Chapter 125, the sizes of packages were fixed as follows:

All smoking, cut and granulated tobacco, 2, 3, 4, 8 and 16 oz.
Cavendish, plug and twist, boxes not exceeding 200 lbs.
Snuff, 1/2, 2, 3, 4, 6, 8 and 16 oz., or in bladders or jars not exceeding 20 lbs.
Fine cut chewing and other kinds not otherwise provided for, 1, 2, 3, 4, 8 and 16 oz., and in wood 10, 20, 40 and 60 lbs.

In 1890, without any change in the prescribed packages, the taxes on smoking and manufactured tobacco and snuff were reduced to six cents per pound, cigarettes being included in this rate. See Fifty First Congress, Session I, Chapter 1244. This reduction was coincident with the passage of the tariff act of 1890.

In 1898 was passed an act "to provide ways and means to meet war expenses, and for other purposes;" Fifty Fifth Congress, Session II, Chapter 448. Along with various tariff and internal revenue taxes, the taxes on manufactured tobacco were increased to make them as follows:

Manufactured tobacco and snuff,	12 cts per lb.
Cigars and cigarettes, weighing more than three pounds per thousand - - - - -	$3.60 per M.
Cigars, not more than 3 lb. per thousand - -	1.00 per M.
Cigarettes not more than 3 lb. per M - - - -	1.50 per M.

The change in packages was prescribed as follows:

"Provided that in lieu of the two, three and four ounce packages of tobacco and snuff not authorized by law, there may be packages thereof containing one and two thirds ounces, two and one half ounces, and three and one third ounces, respectively, and in addition to packages now authorized by law there may be packages containing one ounce of smoking tobacco."

In 1901 Congress made a partial reduction in the taxes on tobacco; Fifty Sixth Congress, Session II, Chapters 805 and 806.

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The tax on cigars was reduced to $3.00 per M, "little cigars" to 18 cents per lb., cigarettes valued at not more than $2.00 per M, 18 cents per lb., and valued at more than $2.00 per M, 36 cts per lb. Cigarettes are to be taxed at the arbitrary weight of three pounds per thousand, so that these revised taxes amount to 54 cents and $1.08 per thousand, respectively. To cover manufactured tobacco, the law made the following reduction:

> That there shall be allowed a discount of twenty per centum on all sales by collectors to manufacturers of tobacco and snuff upon the stamps provided for the payment of internal revenue taxes upon manufactured tobacco and snuff.
>
> Provided, that <u>in addition</u> to the packages of smoking tobacco now authorized by law there shall be packages of two ounces, three ounces and four ounces.

The act of 1898 read "in lieu" of the packages now authorized by law, but this act of 1901 reads "in addition", instead of restoring the sizes.

In 1902, Fifty Seventh Congress, Session I, Chapter 500, approved by President Roosevelt April 12, 1902, Congress reduced the taxes on snuff and chewing and smoking tobacco to six cents per pound, without changing the 1901 rate on cigars and cigarettes. The six cent tax on manufactured tobacco was the rate that prevailed from 1890 to 1898. This act of 1902 made no change in the sizes of packages, up to four ounces, authorizing 1, 1-2/3, 2, 2-1/2, 3, 3-1/3 and 4 oz.

The tobacco trust has practically a monopoly of the trade in smoking and manufactured tobacco and cigarettes. They have a good deal of competition in cigars, but the cigar graft in this manipulation of the taxes did not amount to so much. The "big graft"

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is in the taxes on manufactured and smoking tobacco. The trust did not make any reduction in wholesale prices, and simply pocketed the twenty per cent rebate in 1901 as well as the reduction of one-half, from twelve cents to six cents per pound in 1902. The size of plugs had also been reduced when the war tax was imposed, and the price was not reduced nor the size of plug increased when the tax was cut in two. This fact in reference to plug, which is sold in large boxes at wholesale, does not appear in government records, but is vouched for by dealers. There is a great deal of complaint among those who chew the filthy weed, about the small pieces that they get now at retail for their money.

The favorite size in which the consumer buys smoking tobacco is the ten cent package, which formerly contained two ounces, but now contains only one and two-thirds. Probably the greater part, by far, of the entire output of smoking tobacco is sold in ten cent boxes or packages. The consumer formerly paid at the rate of eighty cents per pound. The change of package in 1898 made the consumer pay ninety six cents per pound, an increase of sixteen cents, to compensate the manufacturer for paying six cents more tax.

While the juggling of the tax rates by Congress only transferred about $25,000,000 a year from the national treasury to the treasury of the tobacco trust, it actually compels the consumer to pay the trust about $50,000,000 more, for manufactured tobacco alone. The present consumption of manufactured tobacco is considerably more than 300,000,000 pounds annually, on which the consumer pays 16 cents per pound more than he would pay if Congress had restored the packages

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to the former size.

The annual report of the Internal Revenue Commissioner for 1904, the first full year after the repeal of the taxes, shows the following amounts paid on tobacco.

Manufactured tobacco - - - - - - -	$19,719,042.61
Snuff - - - - - - - - - - - - - -	1,209,454.80
Cigars, at $3.00 per thousand - -	20,122,415.59
Cigars, small, 54 cts per M - - -	376,296.25
Cigarettes, at $1.08 per M - - - -	2,921,852.50
Cigarettes at 54 cts per M - - - -	281,482.17
Cigarettes at $3.00 per M - - - -	25,264.83
Total collections - - -	$44,655,808.75

Owing to the benevolent intervention of Congress, in helping the trust to fix prices, the consumer is paying for tobacco the same retail prices as he paid while the war taxes were in force. The trust pays the farmer, for ordinary tobacco such as is sold in manufactured form, five to seven cents per pound. The retail dealer pays the trust in the neighborhood of 75 to 80 cents per pound, for smoking, and 40 to 60 for plug. The census reports shows that in 1890 the wages paid by manufacturers of chewing and smoking tobacco amounted to less than seven per cent of the wholesale value of the product. There is no doubt that in proportion to the capital invested the tobacco trust, thanks to the clever aid that it has received from Congress to make its business profitable, is the biggest graft in the United States. The common stock of the American Tobacco Co., which originally represented little or no actual capital, is now quoted on the market at about $500 per share, standing next to the stock of the Standard Oil Co.

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