tariff is just high enough to cause the establishment of an industry on a small scale, but not high enough to encourage manufacturing on a large scale, the greater part of the duty is commonly added to the price; but when the tariff is high enough to ensure manufacture on a large scale within the country, home competition will sooner or later make the price as low or nearly as low as it would be if there were no duty at all. Then if the foreign manufacturer wishes to do business in the country he must lower his price to meet the price of the home manufacturer, and so he practically pays the duty instead of the consumer. Sometimes the price is even lower on account of home competition, induced by a high tariff, than it would be if there were no duty at all and no home manufacturers. So protectionists believe that when the tariff is high enough to afford adequate protection it is the least oppressive of all methods of taxation.

But if the tariff is too low to afford adequate protection to home industries, there is not sufficient home production to bring down the price, and then the whole duty must be paid by the consumer. So prices are often higher under a low customs tariff than under a high tariff. With low protection the competition comes from