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Grover Cleveland against the Special Interests

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Grover Cleveland against the Special Interests

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STEFANIE HAEFFELE-BALCH AND
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When Grover Cleveland, a lawyer turned politician, became president of the United States in 1885, he had established a reputation for being honest, exposing corruption, and advocating government reform. Whereas Republicans of the era tended to support protectionist policies and subsidies (particularly for railroads) and perpetuated the practice of the “spoils system” for political appointees, Cleveland and other Democrats, such as the reform-minded Bourbon Democrats, stood for a limited government and opposed granting privileges to special-interest groups.

As Henry Graff describes, before being nominated as the Democratic candidate for president, “Cleveland’s reputation for integrity was spreading from one end of the land to the other. His partisans later would say that he was the candidate of the people before he became the candidate of his party” (2002, 46). Alyn Brodsky similarly notes that Cleveland was the right man to challenge the Republicans because “he was free from the taint of fractional quarrels, he had no ties to any machine, and he had a proven reputation for honesty and incorruptibility” (2000, 70–71). Likewise, John Pafford describes Cleveland as “a strong-willed man who did not flinch at challenges to his principles and policies” and who “mastered his office with single-minded determination, dedication to duty, and absolute integrity” (2013, 161).

During his first term as president, Cleveland continued to stand up to special-interest groups, despite pressure from Congress and the opposition party, by vetoing

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hundreds of bills that aimed to increase the scope of government.¹ For example, he vetoed more than two hundred private-pension bills, which attempted to grant pensions legislatively to veterans whose claims had been denied by the Pensions Bureau. Cleveland also stopped federal disaster aid from going to farmers in Texas, who lost crops due to drought, based on the notion that propping up a small group of citizens at the expense of the American public was outside of the scope of the federal government. Cleveland's first term is, for the most part, an example of supporting limited government and opposing favors to special-interest groups over the greater public. Arguably, Cleveland chose to uphold classical-liberal principles and therefore to forgo the certainty and power that comes with catering to special interests that engage in rent seeking. As such, Cleveland is something of a political anomaly.

Public choice theory views public officials as pursuing not only the public interest, but also and often primarily their own interests. Based on this theory, then, we would expect politicians to seek to maximize their potential to secure winning coalitions in future elections by pursuing policies that concentrate benefits in the hands of a select few and disperse costs across the broader electorate. Rather than resisting efforts by special interests to secure benefits, politicians often welcome them. Rather than opposing protectionism, politicians often champion it because the benefits of free trade tend to be dispersed, whereas protectionism can benefit particular firms or employees within their constituency (see, for instance, Frey 1984).

Cleveland, however, opposed a number of the policies that (based on public-choice theory) we would have expected him to support. His approach also stood in contrast to the political norms of his era. As Brodsky highlights, post-Civil War politics involved many activities that Cleveland strongly opposed, including "governmental corruption, bimetallism, protectionism, a ghastly Indian policy, what is referred to euphemistically as 'the taming of the West' but was in truth its spoliation, and above all, the ideology of Manifest Destiny" (2000, 3). While politicians and special interests benefitted from these practices, citizens began to demand reform, and Cleveland fit the necessary role. As Graff notes, "[E]ven ordinary citizens were now sensitized to the shenanigans of so many of their politicians, and there was a widespread feeling that corruption was undermining the republic itself, and that it was time to clean out the stables" (2002, 22). What is interesting is that Cleveland not only promised reform during the campaign but continued to hold a strong position against special interests once he was in office. Pafford posits, perhaps too strongly, that "[o]nce [Cleveland] identified the right direction, he would not be shaken, no matter the cost" (2013, 32).

Public choice theory also explains that politicians, once elected, will frequently support policies that deviate from those that would please the median voter even if in an effort to secure electoral success they had campaigned for policies that the median voter supported (Holcombe 1989). Through this view, Cleveland's

1. This essay focuses on Cleveland's first term as president, although his resistance to special interests was equally adamant during his second term.

campaign platform of reform and lower tariffs reflected the changing views of the public in the late 1800s. By campaigning on positions that the voters cared about, Cleveland was able to win the election of 1884 and secure the administration for the Democratic Party for the first time since before the Civil War. Thus, although it is not surprising that his policy positions matched those of the median voter, it is indeed surprising that Cleveland took a persistent stance against special interests and rent seeking both during his campaign and once in office.

Cleveland's policies ultimately proved politically disadvantageous. Cleveland lost his reelection bid to Benjamin Harrison in 1888 by losing the electoral vote despite winning the popular vote. The tight race highlights the tension between the views of the median voter and the powerful coalitions (such as the Union veterans, protectionism advocates, and industry and agricultural leaders) of that time period. During his tenure, however, the economy recovered from a recession that lasted from March 1882 to May 1885 (National Bureau of Economic Research 2010). Furthermore, throughout his first term as president, productivity continued to increase consistently as the economic development of the country grew from the advances of the Industrial Revolution (Creamer 1954; Field 2011).²

The rest of this essay uses the lens of public choice economics to examine a sampling of Cleveland's policies during his first term. First, we very briefly review the public choice literature on the economics of politics and the incentives facing politicians. The aim of the section is to describe the lens that we will be using to view Cleveland's position. Then, we focus on a few of Cleveland's actions during his first term that exemplify his deliberate refusal to cater to special interests and to the pressures to expand the scope of government in ways that were inconsistent with the Constitution. We also highlight the economic outcome of these policies.

Public Choice Theory and the Incentives Facing Political Officials

James Buchanan and Gordon Tullock ([1962] 1999) developed a theory of collective choice concerning individual actors and incentives within the structure of democracy. Although human actors make decisions as representatives for the nation, they still face incentives to pursue their own self-interest. Congressmen, in efforts to maintain their office, will pursue legislation that benefits their direct constituents rather than society more generally (i.e., pork-barrel spending) and will make deals to trade votes in order to get their agendas passed (i.e., logrolling). Further, special interests, especially when composed of relatively small and powerful groups, can effectively influence policy by

2. Alexander Field (2011) estimates that total factor productivity growth for this period was 1.23 percent per year for the private domestic economy and 1.95 percent per year for the private nonfarm economy, which are historically strong growth rates (driven by major advances in transportation, communications, and manufacturing).

threatening to withhold votes or campaign resources. In addition, corporations, unions, and other special interests will seek privileges through rent-seeking behavior—such as funding campaigns, giving gifts, and making other wasteful expenditures (Tullock 1967). Such privileges include protectionist trade policies and regulations that burden competitors.

A large body of literature deals with the power and influence of special interests in politics. Special interests gain economic returns by supporting politicians who will pass the legislation those interests favor, and these groups choose the level of support they provide politicians in order to maximize their returns from government-granted privileges (Olson 1971; Brock and Magee 1978). Barry Weingast, Kenneth Shepsle, and Christopher Johnsen (1981), for instance, provide a neoclassical model for understanding why politicians pursue pork-barrel projects that are economically inefficient by focusing on the political costs and benefits associated with favoring special interests. Essentially, the concentrated benefits to constituents can lead to larger political benefits for the elected officials. Similarly, by looking at the distributive aspects of the Confederate Constitution, Randall Holcombe (1992) highlights how legislation often favors special interests over the public's interest.

In the United States prior to the Civil War, many individuals sought political rents from the federal government (Hughes 1977; Holcombe 1992). Yet the first major special-interest organization, for veterans, did not establish its influence until after the Civil War. In the late 1800s, as discussed in more detail later, veterans supported Republican politicians in return for an increase in the scope and size of veterans' pensions. According to Holcombe, "this [exchange] opened the door for others to petition the federal government to protect their economic interest, and the federal government was transformed, in the period from the Civil War to World War I, from a protector of individual freedoms to a promoter of economic interests" (1999, 324).

Protectionist policy is a specific example of policies driven by special interests. Specifically, industries that can benefit from constrained competition from imports will engage in rent seeking for tariffs. Whereas these industries gain (concentrated benefits), the public ends up paying higher prices from the domestic industries or through the tariffs associated with imports (dispersed costs). For instance, in the late 1800s high tariffs benefited industries that sought protection against foreign imports and in so doing disadvantaged both exporting producers through implicit export taxes and consumers through higher prices. Douglas Irwin (2007) estimates that during that period tariffs resulted in an implicit subsidy (of 17 percent) to import-competing industries, an implicit export tax (of 10 percent) on exporting industries (primarily agricultural goods produced in the Midwest and the South), and a redistribution of income (roughly 8 percent of gross domestic product) through federal programs. Consumers were negatively affected, but only slightly because they faced higher prices in imports and protected goods but lower prices in goods that were also exported.

Reaping the gains from protectionist policies can then be seen as the reward for successful lobbying, which reinforces the tendency for industry to petition government (Feenstra and Bhagwati 1982; Hillman 1988). In explaining why some industries lobby for protectionist policy, but others do not, Richard Damania, Per Fredriksson, and Thomas Osang (2004) show that industries that have the ability to collude on their own do not engage in as much rent seeking as industries that cannot form collusions without the help of government sanctions.

When analyzing the public's view of policies, public choice theory has traditionally utilized the median-voter theorem to explain how politicians will frame their positions (Holcombe 1989). The median voter drives election results, and so politicians, in order to win elections, will frame their policy positions to cater to the median voter (Black 1948; Downs 1957; Congleton 2004; Holcombe 2006). Holcombe (1980) tested the median-voter theorem with regard to educational expenditures in Michigan school districts and found that the theorem holds. Nevertheless, because of the logic described earlier (i.e., the potential to concentrate the benefits and disperse the costs of policies favored by the median voter), it is reasonable to expect that politicians, once elected, will frequently support policies that deviate from those that the median voter would support.

Analyzing government through the lens of public choice theory highlights that although politicians will tend to promote policies that align with the views of the median voter during their campaigns, once they are in office, they make protectionist policies, pork-barrel spending, logrolling, and ever-increasing government programs the norm. Yet there are historical examples of politicians and civil servants who defied these incentives in order to stand up for the principles of classical liberalism during their tenure in public service. However, public choice theory also highlights that these principled government actors will face strong opposition from other politicians and powerful special interests. From this view, we next review Cleveland's principled stance for limited government.

Cleveland against the Special Interests

During his first presidential term (1885–89), Cleveland opposed (a) the “spoils system” and rent seeking for deciding on civil-service appointments, (b) private bills aimed at allocating government benefits to particular constituents, (c) federal disaster relief, and (d) protectionism. These positions in favor of limited government proved to be consistent with the productivity and economic growth enjoyed during this time period.

Against Spoils

When Cleveland took office in 1885, there was a long tradition of appointing friends and supporters to political office, known as the “spoils system.” As Brodsky explains,

VOLUME 18, NUMBER 4, SPRING 2014

“[T]he spoils system, whereby the lion’s share of federal jobs went to the winning party, was begun forty years into our nation’s history when Andrew Jackson established a precedent of sharing the fruits of victory with his fellow Democrats” (2000, 120). Through the lens of public choice theory, we would expect that even if Cleveland supported reform during his campaign, once elected he would follow this tradition in order to cater to political allies, supporters, and other rent seekers by providing them jobs in the federal government in return for continued support.

Cleveland disagreed with the practice and campaigned on a promise of establishing a practice of hiring based on merit. As a result, he was backed by politicians from both parties who favored reform as well as by the National Civil Service Reform League. At his inauguration, for instance, Cleveland pledged to uphold the Constitution and restated the role of government and civil servants:

The people demand reform in the administration of the Government and the application of business principles to public affairs. As a means to this end, civil-service reform should be in good faith enforced. Our citizens have the right to protection from the incompetency of public employees who hold their places solely as the reward of partisan service, and from the corrupting influence of those who promise and the vicious methods of those who expect such rewards; and those who worthily seek public employment have the right to insist that merit and competency shall be recognized instead of party subserviency or the surrender of honest political belief. (Cleveland 1885)

Further, once Cleveland was in office, he continued to take a strong stance against spoils. He set about assessing the qualifications and track record of political appointees and replacing those who did not meet his expectations. Cleveland’s aim, according to Brodsky, was “to select appointees from a group of competent persons, by competitive examination” (2000, 116). At the time, the majority of federal officials (110,000 of 126,000) were political appointees to be selected by the president or by someone on his behalf (Brodsky 2000). This daunting task required that Cleveland give firm guidelines to those hiring civil servants on his behalf, which he did by demanding the enforcement of the Pendleton Civil Service Reform Act of 1883, which insisted appointees be selected through a competitive examination process and protected current civil servants from random political assessments and removal. Further, he insisted that holdovers from the previous administration be sorted into two categories, one group of competent and efficient workers who would be kept on staff and another group of incompetent workers who would be replaced with credible Democratic appointees.

For his cabinet members, Cleveland selected officials he trusted and who provided both a geographical balance (not representing just the North and the South, but also the East and the West) and a political balance to issues. According to Pafford,

“The men he selected for his cabinet were respected for their integrity, ability, and professional achievement” (2013, 38). Even though friends and political allies from New York wanted positions, Cleveland refrained from appointing many of them to his administration. Brodsky thus praises Cleveland’s selection of his top officials by saying that “it is testimony to the promise of what Cleveland would bring to the presidency that he managed to staff the upper echelons of his administration with capable men and still please all factions who had supported his candidacy” (2000, 119).

When it came time to fill the thousands of lower-level jobs, Cleveland’s task was more demanding and garnered criticism for not reforming enough. In practice, many of Cleveland’s top officials, who had been delegated the authority to make political appointments, made decisions to hire party allies who were incompetent and corrupt. Nevertheless, Brodsky notes that, “[o]bviously, Democratic candidates were given precedence over Republican holdovers when both were equally qualified, and incompetent holdovers had to make way for competent Democrats. But [Cleveland] adamantly refused to supplant qualified Republicans with Democrats whose talents were limited to demanding the spoils of victory” (2000, 123–24).

As could be expected, many politicians were not supportive of these reforms. In response to Cleveland’s removal of incompetent political appointees from office, members of Congress argued that the Tenure of Office Act of 1867 required congressional consent in order to dismiss officials.³ Cleveland insisted that the role of Congress was to approve appointees, but that it was within the role of the president to remove officials he deemed unworthy. In 1886, the Senate introduced and passed a bill to repeal the Tenure of Office Act. The bill was then passed in the House and signed by Cleveland in 1887 (Brodsky 2000).

Although Cleveland made major headway in promoting a meritocracy in government appointments, he realized the political necessity of rewarding party loyalty and the need to strike a balance of power. Therefore, appointment decisions were often based not on merit alone, but also on the need to balance geographical power and appease his party because it had not had executive control since before the Civil War. For these reasons, many reformers remained disappointed with Cleveland. At times, even members of his own party thought he was concerned with reform at the expense of political pragmatism (Brodsky 2000). For instance, the first assistant postmaster general, Adlai E. Stevenson, complained to the press that “[a]lthough it is daily asserted that hundreds of postmasters are being appointed, yet the six months which have elapsed since Mr. Cleveland’s accession finds only between ten and twelve per cent of the offices occupied by Democrats” (qtd. in Brodsky 2000, 124).

3. During the first ten months of his presidency, Cleveland submitted to Congress the names of at least 643 officials whom he wanted removed and replaced with new appointments. According to Brodsky, “[M]ost [of these officials] were suspended for ‘gross and indecent’ partisan conduct,” and “some of the suspensions were ordered because of official malfeasance” (2000, 134). Also, see Corwin 1927 for a discussion of the Tenure of Office Act of 1867.

Nevertheless, Cleveland is generally viewed as taking a strong stance on reform.⁴ As Ari Hoogenboom notes in his review of the effects of the Pendleton Civil Service Reform Act of 1883 and indirect assessment of Cleveland's commitment to reform, "From 1883 to 1900 the civil service was in a state of transition. The power of the Civil Service Commission was growing with the steady increase of classified positions. An unprofessional civil service was becoming more professionalized" (1959, 318).

Against Private-Pension Bills

Public choice theory provides an explanation for why politicians would support bills and outlays that support individual constituents through the notion of concentrated benefits and dispersed costs. For example, by providing a pension to a favored veteran, a congressman can gain the support of the veteran, his family, and others in his community at the expense of taxing the entire public. Contrary to the predictions of public choice theory, however, Cleveland did not follow this model in regard to veterans' pensions.

During his first term as president, Grover Cleveland vetoed 414 bills, more than double the amount of vetoes of all the presidents before him combined (*Presidential Vetoes* 1992). He used his veto power to curb government spending through special petitions to Congress and to stem corruption. In particular, he repeatedly stood up to Congress as it attempted to pass private bills aimed to provide pension money to Union veterans of the Civil War, many of whose claims had been rejected by the Pension Bureau as fraudulent or unnecessary. In fact, at least 347 of Cleveland's 414 vetoes dealt with veterans pensions (*Presidential Vetoes* 1992).⁵

In 1885, when Cleveland first took office, there were 345,125 veterans or family members of deceased veterans receiving pensions in the United States, an expenditure of more than \$65.5 million a year (\$1.6 billion in 2012 dollars), which constituted more than one-quarter of federal government spending (Carter et al. 2006, series Ea585).⁶ Instead of shrinking over the years since the end of the Civil War, the amount of money spent on pensions increased by more than 500 percent over twenty years (Brodsky 2000). The increasing nature of the pension system was due to a few factors, notably the Grand Army of the Republic (GAR, a special-interest organization composed of mostly Republican Union army and navy veterans), inefficiencies in the system that led to the approval of fraudulent claims (the evidence needed to justify a claim included only the testimony of comrades and neighbors and an examination by a local physician, who often wanted to help the veteran or his family), and the

4. Cleveland continued to pursue reform in his second term. For example, his May 6, 1896, Executive Order established further rules for civil service (see Cleveland 1896).

5. Number compiled using the list of vetoes for Cleveland's first term in office. It is unclear why Congress did not bundle the personal bills, thus making them difficult for Cleveland to overturn.

6. Conversion into 2012 dollars was calculated via the conversion calculator given at <http://www.measuringworth.com>.

passage of the Arrears of Pensions Act of 1873 (a bill that allowed veterans to receive retroactive funds for injuries not previously claimed).

Veterans who were denied pensions could petition their local congressman to propose legislation to fund their pension, thus effectively circumventing the Pension Bureau. Congressmen readily complied with the opportunity to please not only their constituents, but also the GAR. As Brodsky notes, “Claims came in quicker than they could be scheduled for debate. . . . Indicative of the flood of . . . bills, Congress set aside Friday evenings exclusively for acting on them. The Senate in a single day passed 400. In one six-month period, 4,127 . . . were introduced in the House, and an even larger number in the Senate. If allotted but ten minutes each for consideration, they would consume four months of Congress’s time” (2000, 183).

Unlike his predecessors and fellow politicians in Congress, Cleveland took the time to review the bills and subsequently vetoed hundreds that appeared fraudulent. Examples include a petition to receive a pension for a son who died while crossing a river in order to desert the army, a veteran who wanted support for a back injury sustained from falling off a horse on his way to enlist, another veteran who sought support for injuries he suffered two decades earlier from an explosion of a Fourth of July cannon, and a widow whose husband died from falling off a ladder at home (Brodsky 2000; Graff 2002).

The first of these bills that Cleveland vetoed, House Bill No. 1471, entitled “An act increasing the pension of Andrew J. Hill,” proposed to double Hill’s current pension despite rejection by the Pension Bureau. In his veto message, Cleveland wrote that “the policy of frequently reversing by special enactment the decisions of the Bureau invested by law with the examination of pension claims, fully equipped for such examination, and which ought not to be suspected of any lack of liberality to our veteran soldiers, is exceedingly questionable.” And, he wrote, “these conditions sometimes justify a resort to special legislation, but I am convinced that the interposition by special enactment in the granting of pensions should be rare and exceptional” (Cleveland 1886). Despite this initial strong stance, numerous other bills based on bogus claims were passed by Congress, only to be vetoed during his presidency.

However, it should be noted that Cleveland actually approved more pension bills than he vetoed. As Brodsky says, “Cleveland saw merit in many of the pension bills; . . . he signed more than twice as many as he vetoed, and far more than any previous President signed” (2000, 188). It was not the act of requesting funding from Congress after being denied a pension that Cleveland opposed, but the fact that Congress seemed to approve every request, even those that were clearly fraudulent. Instead of establishing a strict protocol for reviewing pension bills or for enforcing the Pensions Bureau’s authority as the only means of processing claims, Cleveland reviewed each bill and made decisions on a case-by-case basis.⁷ Yet, Pafford notes,

7. By all accounts, Cleveland did not delegate this daunting task. He was known for working long hours, late into the night (Brodsky 2000; Graff 2002).

this was still a strong position at the time, and Cleveland's "determined opposition to patently false claims aroused the ire of those who thought such demands on the national Treasury should be met without question" (2013, 41).

Furthermore, Cleveland stopped new legislation aimed at increasing the scope of pensions for veterans, known as the Blair Bill of 1887 or the Dependent Pensions Bill. The Blair Bill opened up pension support for any man who had served at least ninety days in any American war. According to Brodsky, Cleveland took the opportunity of his veto message "to lecture Congress—and, by inference the GAR—on how much two decades of this kind of chicanery had cost the nations in dollars and cents urgently needed to finance other, more worthy programs" (2000, 189). As Cleveland wrote, "[T]here can be no doubt that the race after the pensions offered by this bill would not only stimulate weakness and pretended incapacity for labor, but put a further premium on dishonesty and mendacity" (Cleveland 1887b).

Against Federal Disaster Relief

Another example of politicians favoring funding for special interests concerns disaster aid. Providing funding to a community after disaster can gain support from those who received money at the expense of spreading the expenditure across the entire public. Cleveland didn't support this practice either.

One of Cleveland's most famous vetoes was his refusal to approve the Texas Seed Bill of 1887. The bill proposed to send \$10,000 worth of seed to Texas farmers who had suffered a severe drought. Cleveland's veto of this small sum of disaster aid highlights his firm stance on the limited role of government. In the message he sent along with the veto, he held to the conviction that such aid was not a power granted to the federal government under the Constitution, and instead he appealed to individual charity, which had already started flowing to the farmers in need. As Cleveland wrote, "A prevalent tendency to disregard the limited mission of this power and duty should, I think, be steadily resisted, to the end that the lesson should be constantly enforced that, though the people support the Government, the Government should not support the people" (Cleveland 1887c).

Furthermore, Cleveland warned against relying on the federal government for charity, noting that it shifts incentives from individual action to further reliance on the state. In the veto message, he stated that "[f]ederal aid in such cases encourages the expectation of paternal care on the part of the government and weakens the sturdiness of our national character, while it prevents the indulgence among our people of that kindly sentiment and conduct which strengthens the bonds of a common brotherhood" (Cleveland 1887c).

Although there was no formal procedure for obtaining disaster aid during this period, the first piece of legislation that provided financial aid to communities after a disaster was approved in 1803: the Congressional Act of 1803. Cleveland's opposition to aiding specific groups, even during disasters, was unusual for the time.

According to the Federal Emergency Management Agency, “In the century that followed [the 1800s], ad hoc legislation was passed more than 100 times in response to hurricanes, earthquakes, floods and other natural disasters” (2013).

Against Protectionism

In the post–Civil War era, there was widespread support for protectionist tariff policies. Many workers favored tariffs for “patriotic reasons” and the notion that protectionism induced higher wages, and many manufacturers and some farmers favored tariffs to stem competition from abroad. Politicians readily implemented tariffs to increase revenue, pay off wartime debts, and gain support from particular industries. This practice of protectionism is another example of utilizing dispersed costs (through taxation on imports, which results in higher prices for consumers) to benefit special interests (in particular American industries).

Cleveland and reform-minded Democrats, however, supported tariff reductions. For instance, Cleveland supported and lobbied for the Morrison Bill of 1886, which would have placed many new items on the duty-free list and reduced tariff rates on many industries, but the bill died in Congress and was never enacted (Brodsky 2000).

Moreover, Cleveland devoted his entire third Annual Message in 1887 to the issue of tariffs and called for major reform. First, he pointed out that revenue through tariffs had not only paid down much of the wartime debt but had also resulted in an unnecessary surplus. Second, he showed that most tariffs were granted to rent-seeking industries instead of to essential industries that faced steep competition from abroad. As he stated, “Our scheme of taxation, by means of which this needless surplus is taken from the people and put into the public Treasury, consists of a tariff or duty levied upon importations from abroad and internal-revenue taxes levied upon the consumption of tobacco and spirituous and malt liquors. It must be conceded that none of the things subjected to internal-revenue taxation are, strictly speaking, necessities” (Cleveland 1887a). And, third, Cleveland made the case for reducing tariffs in order to favor consumer sovereignty over producer privilege: “But our present tariff laws, the vicious, inequitable, and illogical source of unnecessary taxation, ought to be at once revised and amended. These laws, as their primary and plain effect, raise the price to consumers of all articles imported and subject to duty by precisely the sum paid for such duties” (Cleveland 1887a).

In 1888, tariff rates were 46 percent of dutiable imports (Carter et al. 2006, series Ee430). Cleveland’s low tariff platform reflected the view of much of the public, who, according to Graff, “believed that rates were excessively high. They made the argument that the duties enriched manufacturers at the expense of consumers and produced an unnecessary surplus in the federal Treasury besides” (2002, 85). Many leading newspapers also supported Cleveland’s message, including the *Philadelphia Press*, the *Boston Journal*, the *New York Commercial Advertiser*, *The Nation*, the *New York Evening Post*, and the *Commercial Gazette* (Brodsky

2000). Republicans, in contrast, strongly opposed tariff reduction on the insistence that protectionism secured high wages for American industrial workers and promoted new industry development. For instance, according to Graff, “Senator Blaine [Cleveland’s opponent in the 1884 presidential election] assailed the message as a plea for ‘free trade,’ a doctrine that to him sounded wrong because it was also British policy” (2002, 87).

In response to Cleveland’s message, the chairman of the House Ways and Means Committee, Democrat Roger Q. Mills, introduced new tariff legislation that proposed to reduce tariffs by an average of 7 percent (Brodsky 2000). The so-called Mills Bill induced a heated partisan debate in the House on the costs and benefits of continued protectionist policies, especially whether tariff reduction would actually reduce federal revenues. Whereas Democrats believed that tariff reduction would reduce federal revenues and tame the surplus, Republicans thought reduced tariffs would increase revenues due to an increase in import consumption (Irwin 1998).⁸ The Democratic-controlled House narrowly passed the bill, only for it to be quashed by the Republican-controlled Senate. The Senate instead proposed a bill to increase import duties and decrease domestic excise taxes (in particular alcohol taxes). This bill never went up for vote, and Congress adjourned for the election season without easing the tensions regarding tariffs.

Thus, by focusing on tariff reform, Cleveland set the tone for the election of 1888. In response, the Republican platform included the continuation of high tariffs in order to protect American industries from foreign competition. Benjamin Harrison, the Republican candidate, naturally favored the tariffs, and, according to Brodsky, “he foresaw no problem with the party platform, in particular the plank which pledged the Republicans to ‘favor the entire repeal of internal taxes, rather than the surrender of any part of our protective system’” (2000, 221). The Republican Party, backed by the GAR (which was decidedly anti-Cleveland for his consistent vetoes on pensions) and the Protective Tariff League (comprising pro-protectionist industry and the “One Thousand Defenders of American Industry”), “inundated the landscape with a flood of circulars and speeches intended to panic the voter into fearing the horrors of mass unemployment, economic depression, and death by starvation” (Brodsky 2000, 225–26). As Joanne Reitano states, “There is no question that the tariff was the central issue of the election of 1888. If local or cultural concerns were important, it was still the tariff that determined the nominations and dominated the campaign” (1994, 108).

The result of the election was tight, with Cleveland winning the popular election by only a few thousand votes, but Harrison winning the electoral vote. The tight race highlights the political reality at the time as well as the strong influence of industry, veterans, and other special interests.

8. Irwin (1998) looks at the revenue effects of both viewpoints by analyzing tariff height and the price elasticity of import demand and concludes that tariff reduction would have reduced customs revenue in 1888.

Conclusion

It should be noted that Cleveland was in no way the pure embodiment of classical liberalism. Although the previous section shows the many ways in which he strived for a limited and accountable government, he also supported policies that encouraged the power and growth of government. For example, although Cleveland pushed for the rights of Native Americans, he also viewed them as uncivilized people who should assimilate into proper Americans. He rescinded an executive order by Chester A. Arthur that opened up “Winnebago and Crow Creek lands for white settlement” because, as Brodsky states, “[he] was appalled to learn that the white man’s cupidity, in tandem with the red man’s ignorance, was gulling the nation’s ‘wards’ out of all the equitable and lawful rights granted them by the federal government” (2000, 142). Essentially, Cleveland called for Native Americans to be “taught the English language, educated in American ways, and protected by the federal government” (Brodsky 2000, 139).

Further, Cleveland advocated for regulation and intervention in many areas of the market, including in the labor market in hopes of dealing with growing income inequality and the concentrated wealth and power of big business. For example, he pushed for the creation of a permanent arbitration board within the Bureau of Labor Statistics to investigate and mediate in labor disputes (Brodsky 2000; Pafford 2013). Pafford concludes that “he became convinced of the need for the federal government’s intervention in economic matters in order to preserve the freedom of the market” (2013, 69). For instance, Cleveland signed into law the Interstate Commerce Act of 1887, which established the first federal regulatory agency that focused on the railroads, and he also approved the Hatch Act of 1887, which provided subsidies to agricultural research (Brodsky 2000).

Yet in general Cleveland stood up to special interests and against the expansion of government spending for individual benefit, and his actions in the White House earned him the moniker “guardian president.” During his first term as president, Cleveland was steadfast in his position of reform and limited government, despite facing incentives to garner support from rent-seeking companies and coalitions.

Through the lens of public choice theory, Cleveland’s presidency may seem surprising. Currently, it is difficult to imagine a politician following through on his campaign promises of limited government once he is elected into office. As Robert Higgs (1987) posits, Cleveland’s ideology and the popularity of constitutionally restrained government differ from politics as we know it today. In Cleveland’s famous words, “What is the use of being elected or re-elected unless you stand for something?” (White House n.d.).

However, public choice theory also highlights the difficulty of sustaining power without the support of interest groups. Ultimately, Cleveland’s opposition to the favoring of powerful coalitions—such as the GAR and the Protective Tariff League, which supported his opponent, Benjamin Harrison—jeopardized his reelection in 1888. Although many factors contributed to Cleveland’s losing the 1888 election

(including a weak campaign strategy by Cleveland, a well-organized campaign by Harrison, and the swinging of the important states Indiana and New York to Harrison), the emphasis on tariffs led to solid differentiation among the candidates and highlighted the political tensions of the time (Brodsky 2000).

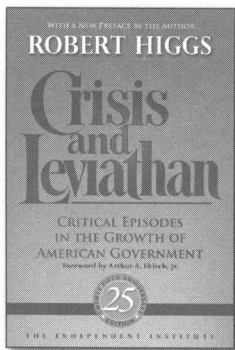
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