



OUR TARIFF HISTORY

OUR tariff history begins the day after the first Congress of the nation was organized. A bill was brought in by James Madison of Virginia, the leading member of the House of Representatives, imposing duties averaging about 8 per cent on sugar, molasses, tea, salt, glass and other imports. Madison urged it as a means of securing revenue to meet the country's financial obligations, and its protection features were not stressed though its preamble described the bill as "an act for the encouragement and protection of manufacturers." It is interesting to note that this bill, like many others in our subsequent tariff history, brought its own type of corruption with it. Importers who had large quantities of goods en route from Europe managed to secure a postponement of the day when the act was to go into effect until after their cargoes were landed, meanwhile putting up the prices of their goods to the new tariff level.

Alexander Hamilton, the spiritual father of the American tariffs, always looked upon them as merely temporary measures. Said he in 1791: "The continuance of bounties in manufactures long established must always be a questionable policy; because a presumption would arise in every such case that there were natural and inherent impediments to success." The original idea was that protection should be granted only to newly established industries, whose development, or whose security, was threatened by artificial or accidental causes. John Stuart Mill, long one of the patron saints of American tariff reformers, approved of this policy in principle.

So the infant industries of the thirteen struggling, just united American colonies were to be aided by the government in meeting European competition only until they could stand on their own feet. Actually, however, when these infants had grown nearly to their present gigantic proportions, some of them being the largest and richest on earth, they demanded and received higher protection than ever before. Hence, instead of being a minor fiscal problem, the tariffs became for generations a dominating force in American political life and, as already stated, some national elections were purchased by slush funds raised by tariff beneficiaries. Presidents have actually been elected or defeated as they favored or opposed high tariffs, notably President Cleveland when he sought re-election in 1888. The original excuse for their establishment having disappeared, other arguments were brought forward, such as the assertion that prosperity depends upon selling all you can to foreigners and buying just as little as possible from them in order to keep your money at home. Then the alleged danger from European "pauper labor" began to appear, and with it the pretense that our standard of living depended upon the exclusion of foreign goods and not upon the diligence, intelligence, natural skill, freedom of movement, and adaptability of American workers in a country of unlimited opportunity and almost unlimited riches.

The tariff of 1816 served a genuine purpose in protecting our infant industry from the dumping of British goods. As well as covering iron, glass, leather and woolens, the bill provided protection for the then most advanced American industry, cotton, which was in fact its greatest beneficiary, for no imported cotton could be rated under twenty-five cents a yard according to the tariff schedule. Even this bill proved inequitable and favored certain segments of the population disproportionately. As McDuffie of South Carolina pointed

out, the tariff on cotton favored the manufacturer at the expense of the farmer, to which John C. Calhoun replied that the protective tariffs were not intended to benefit the manufacturers, but "to bind the different sections of our country together in a mutual dependence which would be the surest guaranty against disunion." Thus the growing nationalism in the country tended to make the country plan for economic self-sufficiency rather than aim at favoring new industries. As industrialization called for more and more imports of materials from abroad—it was achieved in the first instance by machines and technical skill imported from Europe—and as technological progress made evident the essential interdependence of the many different areas of the world, the original tariff ideas proved difficult to maintain in the face of the demands of the specially privileged.

In 1824 and 1828 tariffs were voted containing numerous increases in rates. In 1830, however, the duties on molasses, tea, coffee and cocoa were lowered in order, extraordinary as it now seems, to reduce the federal revenue.³ There were also tariff bills enacted in 1832 and 1833; by July 1842 a general level of 20 per cent was reached. In September of that year the duties went up again, not because of a public demand, but because the politicians sought an issue. The act of 1846 is often described as a free trade measure and it continued until 1857 when a still further lowering of duties was made, this being the period of our greatest success with our shipping. Nonetheless, the protectionists alleged not only that the lowered tariffs had induced the crises of 1837 and 1839, but that the 1857 tariff reduction had brought on the terrible depression of that year. Actually, the crises of 1837 and 1839 were due to different causes—bank troubles, the in-

³Prior to 1861 customs duties furnished 90 per cent of the government's total income; in 1912 the percentage was 45, from 1921 to 1930, 13 per cent, and in 1932, 15 per cent.

flation of the currency, Jackson's financial blunders, and general conditions of speculation and of too expanded credit.

Similarly, the crisis of 1857 was also primarily due to other causes than the tariff, such as speculation, panic, depression and banking errors. Yet it was called by one of the prophets of protection "the terrific free trade crisis of 1857." Despite this, there was little belief that the great foreign trade in which the country was engaged at that time was a detriment to its economic life; during the year ending June 30, 1860, nearly twenty-four thousand vessels left the harbors of the United States, of which almost thirteen thousand were American, bound for more than seventy destinations. No less than four million tons of goods were sent to Canada alone, more than three-quarters on American ships.

It was the coming of the Civil War which gave the protectionists their opportunity and definitely fastened the modern protective system upon the country. The passage of the Morrill Tariff Act of 1861 was primarily due to the desire for increased revenue to meet the expenses of the war, and so were the enactments of the tariffs of 1862 and 1864. When the conflict was over, however, they were to a considerable degree maintained. Thus, the stamp of high tariffs was indelibly put upon our economic policies with vitally important effects upon the remarkable industrial development of the country in the post-Civil War political and economic life, bringing with them numerous evil results.

During the Grant Administrations a "marriage of the tariff and the bloody shirt" (by the latter the severe reconstruction policies toward the South is meant) enabled the industrial areas of the United States to dominate the country. The twenty-five years from Appomattox to the voting of the McKinley tariff act in October 1890 were years of a mad race for wealth and power, the building of huge fortunes

as a result of tariff benefits, the growth of business combinations and trusts, and the complete domination of the Republican Party by the protected manufacturers, whose purchase of votes in Indiana and elsewhere "in blocs of five" was one of the scandals of the Presidential election of 1888. The McKinley tariff raised the wool and woollen schedules and the rate on steel rails; the duty on refined sugar, a domestic monopoly entirely controlled by the Havemeyer interests, was placed at half a cent a pound, though raw sugar was put on the free list.

It must not, however, be thought that these years were without voices raised in protest. In 1882, in the Senate of the United States, James B. Beck of Kentucky spoke of the "enormities of the present high protective system," which Senator Morrill of Pennsylvania and his "co-monopolists" wished to "whitewash."

This Senator also pointed out that then, as in 1876, the farmer who furnished nine-tenths of our American exports and sold them at world prices "cannot buy with the money he gets in the market where he sells the things he must have, without paying 45 per cent at least more than they are worth, or than the man who has them for sale asks for them. I never could see how that protected American labor" He then gave the following admirable definition of what protection is, which ought to be in every American household:

The protection (so-called) is a Congressional license to a few influential corporations or wealthy combinations to extort from the American farmers, laborers, professional men and their families a large percentage of their earnings, not to support the government, but to enrich people who have no right to take anything from them, *and call that protection*. It is the protection the wolf gave the lamb.

When Grover Cleveland entered the White House in 1884 he admitted that he was utterly ignorant of the tariff problem which he had never had to face in his previous career as sheriff, mayor and governor of New York State. He promised, however, to take the matter up thoroughly and when urged to announce his candidacy for a second term declared that he would do so only on a platform which would contain a plank advocating a tariff for revenue only. This he put through in the face of the correct warning of his Cabinet and his party advisors that it would mean his defeat—he preferred defeat to remaining silent on this question. When President Harrison succeeded him, the passage of the McKinley tariff took place with the result that this measure, which its author boasted was “protective in every paragraph and American in every way,” frightened even some of the apostles of protection. Two years later, the then Secretary of State, James G. Blaine, sponsored a number of reciprocity treaties with nine Latin-American republics, the Spanish islands of Cuba and Puerto Rico, the British West Indies and the German and Austro-Hungarian Empires. These laws admitted some products of the countries cited without duty in return for free entrance of some American goods into their markets. Although this policy ran directly contrary to the Republican protectionist theories, Mr. Blaine was able to secure Congressional support for it.

On Mr. Cleveland's re-election in 1892, in part because of popular dissatisfaction with the high protective duties, he insisted that his party should live up to his tariff-for-revenue plank which was repeated in its platform of that year. But when he tried to induce Congress to pass a radical tariff reform measure he made the discovery, as did Woodrow Wilson later, that the old line of cleavage between the political parties, according to which the Republicans were the sole advocates of high protection and the Democrats of low tariffs

and free trade, had begun to change. The South had always been strongly for low tariffs, but when it began to be industrialized its Democratic leaders turned in the other direction. While the House of Representatives responded to Mr. Cleveland's appeal by passing a fair tariff reduction bill, named after Congressman William L. Wilson of West Virginia, the Senate made 334 changes in it and ruined it for Mr. Cleveland and the tariff reformers. The President refused to sign it but allowed it to become a law on August 27, 1894, without his signature. He was betrayed by Democratic Senators headed by Senator Gorman of Maryland. President Wilson experienced a similar betrayal when he endeavored in 1913 to make a revision by passage of the Underwood Tariff Bill.

After Mr. Cleveland's retirement from office and the election of President McKinley, the Republicans, more than ever devoted to the tariff, passed the Dingley Act at a special session of Congress in July, 1897. This law reimposed duties on wool and hides and put higher tariffs on silk, linen, chinaware, metals and sugar. Its effect on the American working man's standard of living appears from the fact that in the first ten years after its enactment the price of raw materials increased 50 per cent, and of manufactured goods 32 per cent, while wages in more than four thousand establishments rose only 19.1 per cent.² During this same period, the profits of the large manufacturers of wool, woolen goods, cotton, shoes, farm machinery and many other commodities rose enormously—thanks to the labor of their working men who had to buy their necessities at the tariff-inflated prices of the market.

Early in his career, Theodore Roosevelt favored the lowering of tariffs, writing in November, 1882, that "though elected as an independent Republican, I hardly know what

²Muzzey and Krout, *American History for Colleges* (New York: Ginn & Co., 1933), p. 185.

to call myself. As regards civil service reform, tariff reform, local self-government, etc., I am quite in sympathy with Democratic principles."³ Two years later he wrote: "As regards the tariff I am, as was my father (a life-long Republican) before me, a bit of a heretic when looked at with Republican eyes." In the same letter he said: "Political economists have pretty generally agreed that protection is vicious in theory and harmful in practice; but if the majority of people in interest wish it and it affects only themselves, there is no earthly reason why they should not be allowed to try the experiment to their heart's content. The trouble is it rarely does affect only themselves." Once he declared that the country would finally go on a free trade basis, stating in 1883 that the time was "surely coming when the protective tariff would be swept away as in a torrent."⁴ As in many other cases, however, political expediency and personal ambition made Theodore Roosevelt change his beliefs or subordinate them to what he readily persuaded himself was the public's weal or the public's desire.⁵ Finally, in 1907 in his Annual Message he declared that the protective duties needed revision and promised in the 1908 Republican platform that this would be done by a special session of Congress.

President Taft, in accord with this promise, summoned a special session on March 15, 1909. Congress, however, understood revision to mean revision upward in the interest of the privileged tariff beneficiaries. The latter were completely satisfied; they had their own way and the ultimate

³*Ibid.* ⁴*Ibid.*

⁵William Roscoe Thayer, long an intimate personal friend and an admiring biographer of Theodore Roosevelt, wrote that on the tariffs he "was less satisfactory than on any other [subject]." He added: "To those of us who for many years regarded the tariff as a dividing line between the parties, his stand was most disappointing . . . greatly to our chagrin, he did nothing." *Theodore Roosevelt, An Intimate Biography* (Boston: Houghton Mifflin & Co., 1919).

consumer was unheard. The tariff, however, soon became very unpopular with the result that President Taft endeavored to negotiate the 1911 reciprocity treaty with Canada which met with the defeat recorded elsewhere.⁸ There is no doubt that the high duty set by the Payne-Aldrich Act contributed considerably to the defeat of Mr. Taft which was, however, foreordained by the split in the Republican Party headed by Theodore Roosevelt. Despite President Wilson's determined fight for tariff reform, his party steadily weakened in its historic opposition to high duties. Indeed, the platforms on which Alfred E. Smith in 1928 and Franklin D. Roosevelt in 1932 ran for the Presidency really committed the party to a new tariff position.

When the Republicans returned to power after the second Administration of Woodrow Wilson they passed two tariff bills, the Fordney-McCumber Act of 1922, containing the highest duties up to that time coupled with certain prohibitory ones to protect new industries, and the Hawley-Smoot tariff of 1930. The Fordney-McCumber law marked two departures in our protection policies. First, the ad valorem duties were made assessable on the foreign value of the goods or their export value at the port of shipment, whichever happened to be higher. Second, the law laid down the principle that the fundamental aim of American protection was equalization of the cost of production between our products and competitive foreign articles. Thus it was intended that the tariff should be a flexible one regulated by costs of production abroad, and the Tariff Commission was created to ascertain the differences at any time in American and foreign costs, to investigate complaints by foreigners of unfair practices on our part, and to draw up new schedules of rates when it deemed revision necessary. For the first time the President was given the power to proclaim

⁸See Chapter XII, pp. 125-26.

new rates based upon the Commission's information, though that was not binding upon him. Actually, as has been pointed out, for many years the Commission achieved nothing but the raising of a few unimportant rates and it never lowered any of consequence.

When President Hoover signed the Hawley-Smoot tariff, the protective rates were again raised to the highest point in our history, its schedules topping those of the Fordney law as a whole by nearly 7 per cent. This monstrous measure was approved by Mr. Hoover although no less than a thousand trained economists, financiers, editors and public men protested against it and prophesied that it would strike a deadly blow at American prosperity. They especially pointed out that it would inevitably bring about reprisals by foreign nations. They were entirely correct. Even while the bill was in process of being passed twenty-six nations officially protested against some of its schedules and when it became a law no less than fifty nations took official action against this country by reprisals such as embargoes, quotas, special import duties, higher tariffs and other strangling devices intended to exclude or to limit severely the importation of American goods. Mr. Hoover also had before him when he made this fatal decision, the protests of the international conference of the bankers of the world in London against the postwar tariffs everywhere, and especially in Europe. They deplored particularly the erection of tariff barriers by the various new nations created by the Treaty of Versailles and accurately prophesied the coming of the unprecedented international depression of 1929.

Nothing could have been more mistaken than the statement by General Winfield S. Hancock when a candidate for the Presidency on the Democratic ticket in 1880 that the tariff is a purely local issue. Actually, the making of an American tariff has become an act of war against foreign

countries and is so considered. It is bound to have repercussions in every other nation in the world. One direct example of this was reported in 1890 by the American Consul at Chemnitz, Germany, who, speaking in his official capacity, declared that the McKinley tariff had lowered the standard of living throughout Saxony, for the employers there who produced many goods, notably china, for export to the United States, cut wages to reduce costs after the appearance of the McKinley schedules in order to get their goods into the United States. The American protective system more than anything else has been responsible for dividing the whole world into national compartments surrounded by high tariff walls and placing every obstacle in the way of the normal processes of trade. Our present change of front and eager advocacy of lower tariffs everywhere is only a small atonement for the injury we have thus done to the world at large.