## CHAPTER XXII

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# HOW TARIFFS WERE BOUGHT AND SOLD

The hall ouside is packed with witnesses waiting to get their feet into the tariff trough. A steady stream of them flows into the hearing room. One by one they trail down to the witness well. They inform the committee that an increased tariff is essential. It is essential for fly-paper and for Bibles, for gelatine and for goldfish, for reindeer and for cosmetics, for court-plaster and for Angostura bitters. They pack their allotted ten minutes full of warnings that their industry is bankrupt; that when they smash the entire community will suffer, that society owes them a livelihood. The story seldom varies.[1]

In these words Drew Pearson correctly pictured what has taken place whenever there is a general revision of the tariff schedules. David L. Cohn adds that the witnesses "come and go before the committees with the swift transitoriness of people rushing in and out of the subway at the rush hour. They supplement their scant oral testimony with written briefs. The data of the briefs go unchecked. They are rarely read. They pile up and become white mountains lost in storage rooms."[2] In short, no more utterly selfish, swinish spectacle has been afforded in our public life. It has been as clear a raid upon the Treasury as if those taking part in it were battering down the doors of the vaults and helping themselves to the specie and bills stored within. The controlling motive is private greed for private profit, without the slightest consideration for the public welfare, or for any other in-

[1]Drew Pearson, "High Tariff Diplomacy," *The Nation*, February 27, 1929.
[2]*Picking America's Pockets* (*op. cit.*), p. 51.

dividuals but themselves. If they get their feet into the trough, then all is well. If they do not, then the tariff is a complete failure and the Administration and the Congress, whether Republican or Democratic, have proved themselves recreant Americans. And the same manufacturers who are the most skillful in bringing home the tariff bacon are the ones who shriek loudest when other groups, like veterans demanding bonuses, or farmers asking subsidies, march upon the Capitol and demand their share of the public funds.[8]

This may seem like extravagant language. It is nothing of the kind. If anything it is an understatement. What makes it the more sordid and shameful is that many of the tariff beneficiaries have deliberately bought their loot by contributions to the party treasuries well before the orgy begins and come to Washington in the spirit of successful bargainers determined to have their pound of flesh. There is no effort to present any scientific basis for the favors demanded—if there is such—or any effort to obtain impartial judgments in the interest of the great body of consumers of goods. If you have put your money on the winner of the last election you demand your *quid pro quo*. You are well organized because you have plenty of money. You feel entirely righteous and justified in your actions because you wrap yourself in the flag of your country and declare that you belong to the great benefactors of the nation in that you employ many people who might otherwise be on relief or starving. As Mr. Pearson

[8]Speaking to the American Free Trade League in Boston on April 29, 1909, Charles Francis Adams said: "I have recently been passing some weeks in Washington [observing the tariff-making] and the exhibition of insatiable greed and utterly unconscionable disregard of public welfare witnessed in and about the Capitol there and the purlieus of the Capitol has, during these weeks, surpassed belief and defies description. It has been not too strongly characterized as a swinish display of unbounded covetousness, on the part of men utterly unconscious of the spectacle they were making of themselves. Apparently they have been educated out of all sense of shame or idea of decency."

put it, you are certain that the country owes you a good living and a high profit because of the goods you turn out and the freight cars you fill, whether your products are necessary or unnecessary, whether you are competent or incompetent. If anyone asks why the government should keep economically unsound institutions afloat, he is denounced as a traitorous American and is at once suspected of being in the pay of some foreign country.

Exaggeration? Well, let us look again at the actions of one Joseph R. Grundy, the president of the Pennsylvania Manufacturers' Association, when the last tariff revision—the Hawley-Smoot monstrosity—took place. It will be recalled that Mr. Grundy's Association paid $700,000 to the Coolidge campaign fund. Two years later it gave $615,000 to the sum needed to put Governor Fisher into the Capitol in Harrisburg. This was followed by the gift of $547,000 to bring about Mr. Hoover's triumph. Thus, these hard-hit manufacturers were able to squeeze $1,862,000 out of their embattled treasury within four years for purely political purposes. Mr. Grundy, who was subsequently himself elected to a term in the United States Senate, opened an office in Washington after Mr. Hoover's election, issued an ultimatum to Mr. Hoover and to Congress that he was there to get a "super-tariff" and no nonsense about it, and that he would accept nothing less than a "blanket embargo" on any import which competed with any Pennsylvania product whatsoever.

When a New York *World* reporter warned him—it proved to be a true forecast—that if Congress and the President yielded to him and Mr. Grundy got what he wanted, that might defeat the Republicans in the next election, he replied cynically that he was there to obtain the tariff he wanted and that it was up to the party leaders to win the next election. He and his associates were not in business for their health and proposed to have the tariff they had purchased made so high as not only to shut out all competing foreign goods but to render it unnecessary for the Association to go to Washington every four or five years to make Congress do its duty. When Mr. Hoover prior to his inauguration appeared reluctant to accept this plan, Mr. Grundy went right on smiling cheerfully, even when the President-elect declared that the coming tariff revision would be restricted to those things essential to the process of taking the farmers into the protection circle.

Mr. Grundy had his way and not Mr. Hoover. The new and higher tariff rates were not limited to those articles in which the farmer was interested; there was a general revision. The woolgrowers, who in 1910 had received black eyes because President Taft declared that their demand for a rate of thirty-three cents a pound was "prohibitive," a "temptation to monopoly and to conspiracies to control domestic prices," turned up in 1930 with a demand of thirty-six to forty cents a pound. Only the Carded Woolen Manufacturers' Association ratted, failed to support Mr. Grundy, and, turning State's evidence, declared that some carefully concealed woolen rates had actually risen by 1929 to 387 per cent; because of the complexity of the schedules the public and the press had never suspected this. So unblushing was this revelation of the graft behind the tariff making and of the selfishness behind the protectionist policies, that President Roosevelt and Secretary Hull were warranted by it alone in seeking tariff reductions through the reciprocal trade arrangements rather than by asking for a general tariff revision—Mr. Roosevelt doubtless remembered the unhappy experiences of the two previous Democratic Presidents in seeking complete tariff reductions.

When the Hawley-Smoot tariff was being formulated, Senator Thomas J. Walsh of Montana, one of the greatest cross-examiners in the history of Congress, brought out that the tariff was raising the duties affecting Connecticut's industries on an average of 27.7 per cent to 31.6 per cent, and said that: "On that basis the people of the United States would contribute, by the tariff, to the prosperity of Connecticut industry from $556,000,000 under the present law to $632,000,000 under the Senate bill . . . . . These raises of 4 per cent mean an additional cost to the people of the United States of $76,000,000." Senator Bingham, whose unprincipled action in obtaining the appointment of an employee of the Connecticut Manufacturers' Association as one of his clerks and thus getting him into the secret meetings of the Senate Finance Committee of which Mr. Bingham was a member, informed the Lobby Committee which inquired into his actions that certain parts of the metal industry in Connecticut were very much depressed. He admitted that some other parts were very prosperous. But as a matter of fact, those depressed Connecticut corporations about whom Senator Bingham was so concerned had a net income in 1929 of $200,000,000 and paid Federal income taxes of nearly $21,000,000—rather prosperous beggars. As Mr. Cohn pointed out, Senator Bingham illustrated "the predatory protectionist mind at its wolfish worst. Nowhere does he appear to have the slightest shred of intuition, if not of knowledge, that he is a Senator of the United States as well as a Senator from Connecticut. Nowhere does he mention or seem to be concerned with protecting the broad public interest. Nowhere does he attempt to justify the raising of tariff rates upon demonstrable economic grounds. Nowhere does he seem to regard the tariff as other than a vested right accruing to the manufacturers of his State."

One more instance of revolting selfishness must be recorded. Although Senator Elihu Root of New York proved that California lemons could be laid down in New York cheaper than could imports brought over from Europe or anywhere else, the Aldrich bill increased the duties on lemons by no less than 50 per cent. Mr. Root was himself a staunch Republican defender of the protection system, but this was too much for him to stomach. Yet Congress voted it, undoubtedly because Senator Aldrich had partly bought the votes of the California Senators for his new cotton, wool, steel and iron duties by this great increase in the tariff on California lemons. Unfortunately for their producers, the minute the railways discovered what had happened they jumped in and raised the transcontinental rates on lemons just enough to equal the profit from the new tariff! Needless to say, the producers failed to see anything humorous or moral in this action of the railways in robbing them of the benefits of the raid they had made upon the Treasury with the aid of Congress. A parallel case was that of a Senator from the State of Washington who steadfastly opposed subsidies for ships until the ocean lines crossing the Pacific were included in the subsidy. Then his opposition melted and the subsidy became, in his eyes, a very patriotic move which it was his duty to uphold. Even so fine and high-minded a Senator as the late George W. Norris voted for a sugar bounty for the Nebraska beet sugar growers—in other words he was ready to impose the burdens of the sugar tariff upon every American family so that the unnecessary beet sugar industry in his State might live. And Senator Copeland voted to raise the aluminum tariff to benefit the Mellon trust because, he said, someone had told him that some workers in aluminum factories in New York would lose their jobs if Congress did not help Andrew Mellon out.

Let us look at some of the beggars who came to Washington at the time of the Hawley-Smoot hearings to plead their pitiful cases, just as their fathers and grandfathers, if they were manufacturers, had done before them. One of them was a client of Senator Bingham who in the six years prior to his appearance in Washington, from 1922 to 1928, had increased his profit from $150,000 a year to more than $1,000,000. Then there was a nationally known manufacturer whose profit in 1922 was $12,000,000, and in 1928 more than $63,000,000. Yet he, too, insisted that he could not go on if the government did not help him to earn still larger profits. A business which had lost money in 1922, but had made a profit of more than $3,500,000 in 1928, was one of the suppliants, and so was a concern which reported a net loss of $100,000 in 1922, and confessed to a net profit of nearly $20,000,000 in 1928. The Otis Steel Company begged for help, although its profits had risen in this same period from $492,207 to $3,476,811, and the starving Bethlehem Steel Company showed that it had only increased its beggarly profits from $4,607,254 to $15,908,830 in the same years. As for the poor, struggling United States Steel Corporation, it showed that its profits came only to a paltry $642,875,105. Naturally, it went down on its knees before the Ways and Means Committee, asking for more aid to keep it alive and save it from succumbing to ruthless foreign competition.

In 1928 a Treasury report declared that our chemical industry had become "the most prosperous of all the large American businesses." Yet, on account of its infancy and parlous condition, it secured in the new tariff bill as it came from the House *more than ninety increases* in the duties affecting it, some as high as 700 per cent, while only fifty decreases in the tariffs were made, all of them, it is needless to say, of no special importance. The elder Senator La Follette showed that the du Pont Powder Company was interested in fourteen paragraphs in that bill by which increases were granted, while the Allied Chemical Company and the Union Carbide Company each profited in five paragraphs. Yet the du Pont net profits had risen from $12,920,458 in 1922 to $66,653,039 in 1928, during which time their surplus, in-vested in stocks, bonds and real estate, rose from $234,000,000 to $397,000,000. They demanded more aid because the competition of cheap foreign labor only allowed them to increase their profits fivefold in five years! Their rivals, the Allied Chemical and Union Carbide, had built up their net profits in those years to $12,000,000 and $22,000,000 respectively.

As for the cotton tariff placed in the Hawley-Smoot law, one of the greatest experts in the business declared that "its cost to the public is not less than $800,000,000 a year in the higher retail prices which the American public must pay over the price paid by the people of other countries of comparable standing. The schedule is fraught with camouflage and tricks. It provides for more than two hundred specific rates which never were intended to apply to imported cloths, but have the effect of masking the true rate—there are nearly three hundred different rates. Thus the people of America pay one-fourth more for their cotton goods than anybody else, yet the average wage paid in the best textile state in the Union is but $15.49 per week." Here we have the perfect demonstration of the way the American public permitted itself to be plundered by manufacturers who boast of our high standard of American living and declare that protection insures the best wages in all the world. This story will be repeated if the Republican protectionists have their way, elect a President, and void the reciprocity tariff law or revert to the old policy of economic isolationism.

In view of the historical evidence, is it wrong to say that the tariff means favoritism, class legislation, special privilege, and the robbery of the American people?