

Graduation

Thesis

UNITED STATES

TARIFF HISTORY

A. C. Smith

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Brief

Tariff - A means of raising money for government expenses.

Tariff of the states previous to 1789.

Revenue tariff of 1789.

A new factor enters

Home industry problem.

Condition of north and south.

Protection to home industries.

War of 1812 in connection with tariff.

Protective measure of 1816.

Gradual rise in protection.

Protective measures of

1824 - 1828 - 1832.

Serious objections to purely protective measures.

Our comparative free trade.

Protection undergone a fatal blow.

Rise in tariff just before and during the civil war.

Republican party in power

General rise in protection.

Tariffs of 1883, 1890, 1893.

Present special session of Congress.

In all countries it has been found a necessity to raise money for government expenses by means of a tax on imports. It is found that this indirect tax is by far the most practical method. The duties are collected by the revenue officers hired by the government. All countries are chiefly dependent on such a tax for means to run their national affairs.

This tariff question has proved itself as great a problem as ever any able body of men have cared to solve. In our country it has been amply proved so. We employ the best legislators of our country that we can procure and give them all the support we can. These men have studied diligently the needs of the country. Indeed they have been doing this for over a century but there is still this problem unsolved. We have had numerous tariff bills framed but not one which has ever proved itself satisfactory to the people.

for any length of time. The conditions of the country are continually changing but no artificial change in the tariff has ever been devised which would suit our country's changing needs.

Before the adoption of the Constitution the states each separately had their own system of tax. This caused great inconvenience and as it was for a more systematic method of legislation that the states became the United States - united for mutual welfare and protection.

At the first session of Congress (1789) a tax was levied on imports of about 5%o. The intention was merely to assist Congress financially in carrying on the government. This revenue instead of being distributed among the different states, went to the national treasury leaving the states dependent on the unity of all for their protection and welfare. Since then there has been a more or less gradual rise in the tariff due to the greater

needs of the government.

At the time of the adoption of the Constitution there were no industries in existence to speak of, so we were wholly dependent on foreign countries. Soon however a new factor entered into affairs which has by time proven itself a very important one and one which is still a puzzle for our legislators in Congress. It is the development of our home industries and the problem seems to be what aid should be given these industries by government legislation. Manufacturing industries were beginning to come into importance with the opening of the century and it took less than a quarter of a century for them to prove to us that they had come to stay. In addition they gained so much power that even at this early date, could sway the actions of Congress. In 1816 an important tariff law was passed which is the first important one since 1789. It was a decidedly protective move.

While we are leaving this great

industry to grow it will be well to go back a little and see what the general condition of things is at this time. In the north we find the farming class the ruling one but soon to be made secondary to manufacturing. These people in their earlier stage, that of farming, were opposed to any protective policy or increase in tariff because it meant to them a higher price on manufactured goods which they had to buy. The most serious objection was that no raise in tariff would give them better prices on their raw materials as tariff at this time seemed to be favoring greatly the manufactured materials. In the south it was the exact opposite. They favored a higher rate of duties. Their merchants were quite prosperous while farmers and farming was discouraged. With these two conditions acting in the north and the south we see that a conflict would arise as to the interests of these two distinct classes more or less.

Up till this time no real demand had arisen for protection to home or infant industries. There had been almost continual war in Europe and it had a marked effect on commerce. Our raw materials were demanded by them but during the Napoleonic wars all the European ports were closed to neutral vessels. Our country was trying to keep out of war and for this reason remained neutral. Because of this our American ship owners suffered greatly. As a retaliation the embargo act of 1807 was passed followed by the Non-Intercourse laws. This meant that our country must rely wholly on her own resources as no supplies could enter our ports from foreign nations.

In the ordinary use of the word today this was not protective still the effect was to greatly stimulate our manufacturing industries. Another great aid to their advancement was during the war of 1812 when it became necessary to double the tariff for a war revenue. It must be remembered

that as yet there had been no attempt at a protective policy. The only aim during the war was to provide sufficient revenue. But for all this the home industries had been greatly encouraged. In 1816 Congress, urged ^{by} the manufacturers considered a report made by a committee on commerce and manufacturing. In it a protective policy was strongly urged. After the war was over the war tariff still in force provided too much revenue, so a reduction was apparent and even a necessity for the good of the country. Here arose the conflict. The country's need demanded a tariff reduction. The new and infant industries had started up under the high war tariff stimulated by its aid. If the tariff was replaced by a new system similar to that previous to the war it would ruin these young industries. They had grown to depend for their profit on the higher prices they received for their products due to this war tariff.

Now as it was to be reduced they appealed to Congress for protection. Here lies the origination of the true protective plea. In this case it seems a just one for it lay in the power of Congress to promote and encourage by protection the development of our industries or impede their progress by contrary legislation. It means the prolonging of the development of our industries when we can encourage them to develop more rapidly by a protective policy. The matter lay clearly in the hands of Congress and they realized that a compromise must be made somewhere between these two seemingly contradictory facts. If the prices were maintained a boom would follow after which would come its consequent a panic. The appeal for protection was in such articles as were manufactured at home. Such articles as were produced abroad needed no protection but could be reduced. If such a policy were enforced though

practically no revenue would be the result. It meant assistance to a few - industries - given by the people as a nation.

It seems strange that the south favored such a policy while the north did not to any extent as the time was yet to come for them to be called a manufacturing country. There were no party lines on the question, neither was it a division of the north and south. It seems that it was a thing independent of politics at this time. In the final vote it was somewhat of a success for the industrial class. As Mr Ford puts it: - "It intended to break the fall of the manufacturers by taking them down stairs instead of throwing them out of the window". This is quite true for if it had not been done, all such as were depending on a tariff to increase their prices would have been ruined and our factories were of far too much importance to be dealt with in this manner - especially as they were young and

helpless and dependent for assistance
 of government aid.

Although the protectionists did
 not get all they desired by this
 measure yet they survived and
 gradually flourished. They were
 gaining in power each day but in
 fact were anticipating to much from it.
 So much capital was invested in home
 industries. New England developed
 so much this way that she went
 decidedly protective in each presi-
 dential election. The investment of
 so much capital culminated in the
 crisis of 1819. The protectionists brought
 this forth as an argument for more
 protection. We are now on a decided
 but gradual and effective raise in
 duties. Organizations were formed
 to further the protective movement.
 During the next ten years all of the
 northern states were decidedly
 protective while the south and
 the west combined against them.
 A demand was now made for
 higher protection on wool in retali-

ation of the higher duties which England had placed on our raw wool as this act was almost excluding the raw wool from their markets. A demand was also placed on cottons.

France was taxing our cottons - the raw material similar to the tax England had placed on raw wool. It was believed desirable because of this to raise the duty on our own manufactured wool and cotton goods and by so doing consume our country's raw materials at home. Several attempts were made to carry this point but Congress failed to raise the duty very rapidly. No raise was again made till in 1824 and this was insufficient to satisfy the needs.

At this time it was beginning to be seriously questioned by those opposed to protection, whether Congress had the power to enforce a measure which was purely protective. The protectionists due to numbers won the point by a small majority. A small increase in the rate of duties was also gained

by them. Still this was not a satisfactory one. The south were growing to oppose in a body the rapidly protective growing states of the north. But for all this the north seems to have a slightly larger majority in the elections and they are still diligently working for higher duties.

We must now notice another factor which entered seriously into matters. While we were steadily on the rise in our protective policy and barring out many imports, England was introducing a system of reciprocity, in which she was throwing open her ports to trade by removing her protective tariff. In our country with the protective policy growing more and more into favor, a rise in duties occurred. The result was we were increasing our duties and lessening our commerce while England was lowering her duties and her commerce was increasing.

After the next election with a strong protective majority another

measure was passed (1828) known as the 'tariff of Abominations'. This was passed over strong opposition by the south. A protective policy meant to them the shutting off of trade with foreign markets and only limit their trade to the home markets. The south believed such legislation unconstitutional. But for all this because the ruling majority still held the power, another increase was made in 1832. Here the raise in duties reached a decided climax from which it was necessary to recede as rapidly as possible. Because of this raise in tariff and the one of 1828 the southern states were unable to bear. South Carolina made a bold stand and declared them null and void. She was unable to maintain this position but was compelled to submit still it had the desired effect. It could be seen that a compromise must be made in order to hold the union together. The protectionists saw that they had to con-

cede a part or loose the whole. This compromise was finally determined upon but because of the necessity of making a compromise of both views it was a more or less patched up bill which had little economic science at its root. A reduction in duties was provided for which took place gradually during the following ten years. Because of a poorly constructed bill and a decreasing amount of imports due to previous high tariffs we have the result of an insufficient revenue collected. This deficit in the treasury combined with high speculation resulted in the panic of 1837. As usual the protectionist claimed this was due to insufficient protection but there was a failure to make any raise.

When in 1842 the compromise had run its course a hard effort was made to raise it but resulted again in a failure. From about 1842 up till 1860 was what we might term our period of comparative Free Trade.

England in 1846 repealed the corn laws and in 1849 her navigation laws, doing away with protection entirely and only levying sufficient revenue duties. Because of this we speak of "Free Trade England" today but she is only in so far as she does not make a practice of protecting her factories by legislation in the form of protection.

The tables seem to be turned against the protectionists everywhere. People began to believe that the factories themselves needed no protection as they thrived sufficiently without it. The protectionist now made a new appeal. It was to protect American labor from the competition of less highly paid foreign labor. This is an argument that had never been emphasized before.

It will be well to note here that this period of low tariff is one of very great and solid prosperity. The manufacturers it is true did not make exorbitant prices yet they gain-

ed slowly and their progress was sure, steady, and effective. It was a period when we had a free competition and under it there was good feeling and a steady instead of a speculative fluctuation in our progress.

Protection at this time seems to have undergone a fatal blow. It is an important thing to notice that in 1856 our revenue was but twenty two millions, due to a lack of foreign trade but soon it grew so rapidly that in 1857 it had increased so rapidly that the duties had to be reduced because of too much money being locked up in the treasury checking the circulating medium. The duties on all raw materials were abolished because of this. This seemed to work the other way to much and there was soon a deficit in the treasury.

Here now was a chance to get to introduce a new tariff bill. In 1860 when Congress met they met with the intention

of passing a new tariff bill. The protectionists had somewhat recovered from their backsliding and when the bill was introduced they had sufficient numbers to make the measure protective. However it remained in force only a few months as the war soon opened and a revenue was required necessary to provide for the war expenses. By this necessity the tariff of our country was changed in the course of only a few months from a low revenue tax to one of extreme protection. Although this was a necessity, still protective duties were unavoidable sure to creep in when such an excess of revenue was demanded. When the war was over instead of reducing the tariff the protective duties were maintained and tariff as in 1828 and 1832 was made secondary to protection. The principle adopted was that where the revenue was too large, the duty should be placed still higher to check that source of revenue and by so doing protect

the home industry instead of leaving the home industries to thrive as best they could by returning to the lower revenue basis.

The same conditions did not prevail as before the war it is true because new manufacturers had sprung up during the war as in 1812, leaving them dependent on Congress for protection or at their mercy.

Under the Republican administration which thrived for about 25 years after the war, the protective policy was freely used to encourage the manufacturing industries of the country. From 1861 to 1873 this party modified the tariff about 14 times. Nearly all of them tended to even make an increase over the preceding one, even an increase over the war tariff. They made though a few reductions but nothing of importance. There had been moreover accessions of tariff in 1872 but with the crisis of 1873 came the plea again for more protection and what little

the protectionists had acceded was regained in 1874. The revenue because of the high protective tariff began to dwindle so a revision was made by which more was collected. This revision then worked the other way. Too much revenue was collected for the needs of the government even though the expenditures of the country were rapidly increasing. Every scheme possible was proposed to use the surplus revenue.

The country were in great need of a tariff bill, at this time, that would give satisfaction. In 1883 Congress passed one but it like all the rest proved itself more or less inefficient. It seems that by this time the Republican party had gained all they asked for or cared to have, but because they had the power and could, they even raised it higher. The evidence of their power seems quite evident in the McKinley tariff of 1890. After the party had gained all they had

asked for in 1883 or even desired, simply because they had the majority and could they made a slight increase. They not only raised the rate of duties almost to exclusive protection on goods similar to home markets but they permitted free sugar which lost to us a great amount of revenue.

Another policy which shows itself quite marked in this law, although it had been used in previous times to some extent, was the placing of a protective duty on articles never manufactured at home. The object being to stimulate those industries at home. Truly it has a tendency that way but if we have no raw materials to work with there is nothing to stimulate. In the case of "McKinley tin," recalled, little was produced at home but for all that a tax of about 75% was placed on it to be taken off in about six years if the industry was not stimulated to a required limit.

It seems that the protectionists had gained all the protection they cared for and that it was only to keep up their name that the change of 1890 was made.

With the cutting off of the large sugar revenue, amounting to from \$5,000,000 to \$60,000,000 annually, and the paying of a bounty to the home refiners our supply in the treasury fell short.

There was much dissatisfaction which resulted in the free trade party in power. The Wilson bill was introduced which tended to reduce duties greatly but placing a tax on sugar.

In this form the bill failed to pass however and by considerable scheming a bill almost opposite of what the free traders wanted was passed. Such a bill as this, being patched up to suit almost everyone would be sure to prove inefficient. At first it was thought it would work well but proved in time a failure. Because of this when the Republican party gained power this year, it was necessary

to call a special session of Congress to provide revenue for the government and to encourage the industries of the United States.

The longer the tariff question is considered it seems that it is growing harder to solve. Less satisfaction can be gained by tariff legislation today than in times gone by.

There is one serious objection to protective legislation which is that only such industries as those that have already gained in power are the ones recognized in Congress while the infant and weaker industries have to suffer for the want of a sufficient voice in Congress. It is to be hoped that if a protective bill is passed at this session of Congress that it will provide ample revenue and also look after the weaker industries as these are the ones and the only ones that need an increase in the protective duties.

Finnis.