CHAPTER XI

THE STRUGGLE OVER THE TARIFF

Although the tariff question was an old one in American history, it entered a new phase in the eighties. The duties prevailing in 1876 were practically the same as those imposed during the Civil War. Regarded originally as emergency war measures, they had remained on the statute book in the years of peace with little change except for occasional increases of particular schedules. ¹ To meet an outcry from the Western agrarians Congress in 1872 had effected a slight general reduction, but a revenue deficit caused by the Panic of 1873 had brought a restoration of the rates in 1875.

In and out of the government a strong effort to put the tariff on a revenue basis had manifested itself. Many of the ablest men of the time took part: Carl Schurz; "Sunset" (S.S.) Cox of Ohio, whose nickname came from his proposal to Congress to tax sunshine since it competed with the coal producers of Pennsylvania; Joseph S. Moore of New York, known from his journalistic pseudonym as the "Parsee Merchant"; and Professor William G. Sumner of Yale, David A. Wells and Horace White, the economists. Their efforts had done something to prevent Congress

from plunging into more extreme measures of protection. Presently they were to gain a stalwart ally in Grover Cleveland.

Four groups of industrialists led in the campaign for a higher tariff: the wool growers, sponsored by a trio of Ohioans known in Congress as the "wool trinity"; the wool manufacturers who operated through the National Association of Wool Manufacturers, headed by John L. Hayes; the sugar growers and refiners; and, most important of all, the American Iron and Steel Association. This last body exerted its influence chiefly through the Industrial League, founded in 1867 to represent all protected industries. Powerful in the League from its beginning was a Pennsylvania ironmaster, Joseph Wharton, head of the nickel trust. In a speech at Pittsburgh in 1880 Wharton bluntly served notice on the major parties. "It is meet that we should declare to the country," he said,

that we will support no party and no candidate who cannot be depended upon . . . to protect and defend home labor. It is fitting for us to call "hands off" to those who are itching to tear our tariff laws to shreds; . . . to call upon the representatives of all other American industries to stand by us as we will stand by them in resisting all changes in the tariff laws and all tariff-making by treaty until these laws can be carefully and prudently revis ed by a Congress or a commission known to be devoted to the interests of the nation.

Sentiment for tariff reduction gained fresh impetus from the accumulation of a large revenue surplus. This balance of government

receipts over expenditures meant that the people were paying needless taxes and also that money desirable for business development was being kept out of circulation. The root of the difficulty lay in the tariff. President Arthur took notice of the situation in his message of December 6, 1881, declaring that "the people may justly demand some relief from their present onerous burden."\(^1\) Though stressing the desirability of diminishing internal taxes, he also proposed the appointment of a commission which should recommend a revision of the tariff.

In May, 1882, Congress acted on Arthur's suggestion, authorizing a commission of "experts" who should submit to Congress proposals "upon a scale of justice to all interests."\(^2\) All nine appointed were protectionists by conviction, and four of them were connected with the great protected industries: iron and steel, sugar, wool growing and wool manufacturing. John L. Hayes, secretary of the National Association of Wool Manufacturers, served as chairman. The commission spent the summer and fall taking testimony. The hearings began in July at Long Branch, New Jersey, an easy and comfortable place of access for the business men of New York, Philadelphia and other Eastern centers. After a month the commission moved on to

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\(^1\) J. D. Richardson, comp., *A Compilation of the Messages and Papers of the Presidents* (Wash., 1896-1899), VIII, 48-49.

Boston where the New England industrialists were interviewed. It next proceeded westward as far as Des Moines, southward to St. Louis, and then eastward to Atlanta and Savannah. Some six hundred witnesses were heard in all. Among the different industries presenting reasons for protection were makers of neckwear, quinine, bicycles, oil cloth, chemicals, crockery, glass, lumber, salt, as well as all conceivable products from iron and copper, oils, wool and cotton. Thus the hearings defined both the geographical spread and the nature of American industry.

No better method for gauging the industrial mentality of the period could have been devised. As a rule, the witnesses were so absorbed in the protection of their own business that they failed or refused to consider consumer and related interests. Joseph Wharton, for example, was apparently convinced that the high profits of his nickel monopoly could not be hampering to anybody else, nor did he believe that they might in the long run weaken his own market. When American makers of German silver asserted that the high price Wharton could and did charge for nickel was making it impossible for them to compete with foreign manufacturers, and when they pointed out that already the Meriden

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1 It had planned to go to the Pacific Coast but decided that there was not enough time. It gave up the Gulf states because of a "dangerous epidemic." U. S. Tariff Commission, Report (Wash., 1882), I, 2-3.
Britannia Company had established a factory in Canada in order to hold the foreign markets it had developed, Wharton's answer was, "There is no country in the world that is comparable to this country as a market for manufactured goods."\(^1\)

The report of the Commission, however, attested that it did have a fairly clear idea of such effects and relations. It argued that the existing high tariff not only hurt consumers but, by encouraging "rash and unskilled speculation" and destroying "the sense of stability required for extended undertakings," frequently undermined the very interests which it was supposed to benefit. The Commission held that the extraordinary improvement in machinery and processes during the preceding twenty years should enable manufacturers to compete with foreign rivals under a "substantial reduction in duties." It recommended an average cut of from twenty to twenty-five per cent, and announced its conviction that "No rates of defensive duties, except for the establishment of new industries, which more than equalize the conditions of labor and capital with those of foreign competitors can be justified."\(^2\)

In his message to Congress of December 4, 1882, Arthur gave his support to the Commission's findings. "The present tariff

\(^1\) U. S. Tariff Commission, Report, I, 204.

system is in many respects unjust," he declared.

... I recommend an enlargement of the free list ... a simplification of the complex and inconsistent schedule of duties upon certain manufactures, particularly those of cotton, iron and steel, and a substantial reduction of the duties upon those articles and upon sugar, molasses, silk, wool, and woolen goods. 1

But when Congress set about to make a bill which would accord with the recommendations of the President and of the Commission, the combined industries began an assault on the proposed reductions unlike anything Washington had ever known. For example, John L. Hayes, chairman of the Tariff Commission, now laid aside his function and, as agent of the woolen manufacturers, undertook a campaign to get higher rates for them than he as commissioner had consented to. 2 The outcome was an almost complete rout of the attempt to scale down duties. Not only did the act finally adopted fall far short of the cuts recommended, but the reductions lacked either consistency or harmony. 3 They represented what each industry could secure by threats of political revenge. The measure was generally recognized as a victory for the organized business interests. The successful operations of the "third house" of Congress, moreover, had the

1 Richardson, comp., Messages and Papers, VIII, 135-136.

2 Tarbell, Tariff in Our Times, 113.

effect of saddling industrial lobbies on the national legislature whenever in the future it might take up the matter of tariff changes. For this and other reasons Senator John Sherman of Ohio, himself a protectionist, declared in his Recollections that the "tariff act of 1883 laid the foundation of all the tariff complications since that time." 1

The most powerful of the four big intrenched industries was iron and steel. Instead of the twenty-per-cent average reduction which the Tariff Commission had recommended, it came out with 4.54 per cent -- a demonstration that its political power was in keeping with its industrial importance. The relation of the tariff on iron and steel to such a combination as Carnegie had created by 1890 is clear. It had prevented that foreign competition, with the consequent lower prices to the consumer, which duties computed strictly on the basis of costs of production in a well-managed modern mill would have allowed. The tariff, in other words, was a big factor in Andrew Carnegie's forty-per-cent dividends. At the same time it had enabled him to undersell his rivals steadily while making his forty per cent. Yet there can be no doubt that, given a reasonable tariff or no tariff at all, a man of his ability, energy and resourcefulness would have quickly risen to the top in the industry.

1 John Sherman, Recollections of Forty Years in the House, Senate and Cabinet (Chicago, 1895), II, 855.
While the tariff helped to make Carnegie one of the biggest money-makers in the industry, it did not give him a monopoly, nor at this time was an iron and steel monopoly in sight. The part the tariff was playing was to push certain other large industries along the road to monopoly, that disturbed the public. President Cleveland, entering office on March 4, 1885, gave thought to the same matter. He was also deeply concerned by the continued piling up of a huge surplus in the treasury. His own party was divided in its views, however. Indeed, Samuel J. Randall of Pennsylvania, an influential Democrat in the House, had supported the tariff of 1883. A year later a Democratic House measure, proposing a twenty-per-cent horizontal cut of most duties, had failed of passage because of a coalition of forty-one Randall Democrats with the Republican minority. 1 In the first two years of Cleveland's term Randall's followers continued to obstruct action by the Democratic House.

To emphasize the need and the reasons for lower duties President Cleveland finally did an unprecedented thing: he devoted his message to Congress on December 6, 1887, entirely to the tariff question. 2 Pointing to the great surplus annually accumulating in the treasury, he called it "indefensible extortion," a device for "preventing investment in productive

1 Taussig, Tariff History, 251-253.

2 Richardson, comp., Messages and Papers, VIII, 580-591.
enterprise, threatening financial disturbance, and inviting schemes of public plunder." The remedy lay in reducing the tariff. To the argument that high protection insured high wages, he replied that, even if it were just to tax fifty million people in order that the 2,623,089 in protected industries might receive better pay, it was deceiving those so favored since each must pay "a very large increase in the price of nearly all sorts of manufactures, which, in almost countless forms, he needs for the use of himself and his family." The tariff, he said, put money into one pocket of the workman and took it out of the other. As for the farmer it took money out of his pocket and put little or none back in.

He further pointed to a definite relation of protection to the combinations "frequently called trusts." "The necessity of combination to maintain the price of any commodity to the tariff point," he asserted, "furnishes proof that someone is willing to accept lower prices for such commodity and that such prices are remunerative . . . ." As we have seen, however, the determining factor in the Standard Oil Company, up to that time the most effective monopolistic combination, was a control of transportation through rebates and drawbacks; the tariff was not an element in its success. On the other hand, the protective system had much to do with the making of the sugar trust, the American Cotton Oil Company, the American Pipe Manufacturing Company, the whisky trust and the Pittsburgh Plate Glass Company.
No message of a President of the United States since the Emancipation Proclamation had awakened an enthusiasm so general as this appeal of President Cleveland to Congress to consider the tariff "in a spirit higher than partisanship." Its chief effect, however, as events were to show, was to solidify the high protectionists' interests as they never had been before. The bill which the House ways-and-means committee now framed produced one of the ablest, as well as longest, discussions of the tariff ever heard in Congress.\(^1\) To the protectionist argument that the tariff benefited labor, Democratic spokesmen replied with figures, provided by statistical experts, that ninety-four percent of the wages of the community were not affected by tariff and that the earners of these wages were paying higher prices for many of the necessities of life because of the tariff.

The Mills bill, as the first response to Cleveland's famous message was called, passed the Democratic House in July, 1888, and went to the Republican Senate where William B. Allison of Iowa took charge of it, aided by the senator from Rhode Island, Nelson W. Aldrich. The Mills bill smelled too strongly of "free trade" to suit them and therefore they set about making an entirely new bill, taking article after article off the free list where the House had placed them, hoisting rates that had

\(^1\) Tarbell, *Tariff in Our Times*, 159-164.
been lowered, doing their utmost, in short, to give to the organized manufacturers the protection they demanded.\(^1\)

Before the Allison bill came to a vote the presidential campaign of 1888 took place. The protectionists were victorious, electing Benjamin Harrison of Indiana. In his first message the new President recommended a revision of the tariff which would not "impair the just and reasonable protection of our home industries."\(^2\) Probably no one in American political history ever had so complete and untarnished a faith in the doctrine of high protection as William McKinley of Ohio, the new chairman of the House ways-and-means committee. He had been in Congress almost continuously since 1876 and his chief interest had always been the tariff. He esteemed it as the true secret of American wealth and progress, never doubted that it alone gave high wages, nor allowed himself to consider that these wages went to only a comparatively small group of workingmen. There was something devout, as well as childlike, in McKinley's devotion to the dogma.

The Allison bill of the Senate was taken by McKinley as the basis of the new legislation. The tariff act of 1890, popularly called the McKinley bill, was pushed through after long and


\(^2\) Richardson, comp., Messages and Papers, IX, 39.
wearsome debates and received the President's signature in October. It was a signal triumph for the protectionists, registering the highest scale of duties yet enacted, some of them practically prohibitive.¹ Among other things it arranged to give to a feeble industry, tin plate, a chance to prove it could establish itself if the people paid sufficiently high for the experiment. In addition, the act embodied two new principles in tariff legislation.

The first was the provision for paying a bounty to the producers of domestic sugar. Four conflicting points of view had long been active as regards the sugar schedule.² Advocates of a tariff for revenue only wished to fix the duties according to the needs of the treasury, shifting them up and down as the government required more or less money. Those seeking protection for domestic beet and cane sugar contended for a steady high duty which would foster their infant. Though sugar growers had been protected for many years, they produced only about an eighth of the amount consumed. A third group considered those who saw that an increasing foreign market was essential to take care of the surplus products of the farmers and of certain manufacturers, wanted to take advantage of the trading value in the sugar duties to secure favorable openings for American exports. The leader of this group among the

¹ Taussig, Tariff History, chap. v.

² Tarbell, Tariff in Our Times, 195-199, 201-203.
high protectionists was James G. Blaine, Harrison's secretary of state, who argued that the duties on raw sugar could be used in barter with Cuba and other sugar-producing countries for the benefit of the American farmers who, he saw clearly, were more and more oppressed by the high duties on manufactured articles essential to their existence.

As for the fourth group, the sugar refiners, they insisted that all inedible raw sugar should be on the free list. On high-grade raw sugar and on all half-refined sugar that could be eaten -- "poor man's sugars," as they were called -- they favored taxes so heavy that the imported article would be made too dear to eat. In the same spirit they urged prohibitive duties on the refined sugars of other countries. There was a great outcry against granting the sugar trust its demands for free raw sugar and a high duty on the refined product; but, in the end, the McKinley act effected a compromise by putting raw sugar on the free list, providing a bounty for the domestic beet, cane and sorghum raisers and conceding the sugar refiners the continuance of a high rate on refined sugar.

The second fundamental change was the reciprocity provision. It represented an attempt to face the facts, an admission that protection as it was practiced sacrificed the farmer to the manufacturer. While the tariff bill was under consideration,

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1 Edward Stanwood, James Gillespie Blaine (American Statesmen, ser. 2; Boston, 1905), 327-331.
Blaine protested to McKinley against the proposal to remove hides from the free list where they had long been. "It is a slap in the face of the South Americans, with whom we are trying to enlarge our trade," he declared. "It will benefit the farmer by adding five to eight per cent to the price of his children's shoes. It will yield a profit to the butcher only, the last man that needs it... Such movements as this for protection will protect the Republican party only into speedy retirement."¹ The protest proved effective, but Blaine was not yet satisfied. His concern for foreign trade made him hammer at the tariff makers until finally they agreed to a clause which empowered the President to impose certain duties on sugar, molasses, tea, coffee and hides -- all free in the McKinley bill -- whenever the countries exporting them to American shores levied duties that he deemed "unjust or unreasonable" on products of the United States.

The reciprocity clause marked an important innovation in tariff policy. To men like Blaine, concerned with extending the frontiers of trade, it promised a new era in American commercial expansion. The dyed-in-the-wool protectionist, however, felt that the most enlightened feature of the new law was the tin-plate duty. This provision was a victory for McKinley personally. Ten years earlier he had been persuaded by W. C. Cronemeyer, a

¹ Tarbell, Tariff in Our Times, 204.
Pittsburgh steel-plate manufacturer, that the United States could make all the tin plate it needed if the industry were properly protected.\footnote{1} McKinley had never wavered after his conversion, but for many years he was unable to interest Congress in the subject. The importers, a strong group, many of them protectionists, fought the duty as involving destruction of an established business. In framing the new tariff bill, however, McKinley\footnote{2} induced the House to fix a duty of 2.2 cents a pound on tin plate instead of the one cent provided by the act of 1883. But in the Senate, J. C. Spooner of Wisconsin, who called it an extra tax on the farmer, expressed grave doubts as to the possibility of establishing the industry in a reasonable time. At his instigation the Senate added an amendment specifying that after October 1, 1897, all tin plate should be admitted free unless the domestic production for some year before that date should have equaled a third of the importations during any one year in the interval. The sequel showed that McKinley's faith was justified.

One of the chief opponents of the higher duty on tin plate was the Standard Oil Company which used an enormous amount in the cans in which oil was exported. For many years it had secured

\footnote{1} W. C. Cronemeyer, "The Development of the Tin-Plate Industry,"\nWestern Pa. Hist. Mag., XIII, 34-35.

\footnote{2} C. S. Olcott, William McKinley (American Statesmen, ser. 2, VII; (Boston, 1916), I, 170-173.}
a drawback from the government. In other words, when the tin plate it imported had been made into cans and exported, the duty it had paid was returned. Cronemeyer and McKinley thought that the Standard ought to use homemade tin plate and pay the higher price, but the Standard did not agree and managed to secure a retention of the privilege in the bill as adopted.

The McKinley tariff stirred the organized farmers of the South and West to impassioned protest and called forth bitter comments from the independent press. In the words of the Chicago Times,

The trick tariff committee . . . express deep sympathy for the struggling farmer. They tell him that the principal reason why he suffers is because he is subjected to ruinous competition with the pauper tillers of the soil of other lands. . . . But when we come to look at the facts what do we find they have done? . . . The McKinley Committee propose to relieve the farmer by increasing the duties so far that they may partly exclude $45,000,000 worth out of $356,000,000 worth of imported agricultural products, leaving the other $311,000,000 worth to come in and compete on precisely the same terms as at present. And to make up for this lean streak of goodness the Committee propose to add at least $105,000,000 to the burden of taxes on the kinds of articles the farmers have to buy. Oh, how these high tariff economists do love the suffering farmer.  

The new act did not prevent the steady decline in the country's business. Its failure to do this along with the rising prices of certain everyday articles — not only tin plate, but also coal,

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1 Tarbell, Tariff in Our Times, 378–379.

2 Chicago Times, April 19, 1890.
lumber and many foods — was adroitly used by the Democrats. With the slogan of tariff reform they secured a majority in the House in the fall of 1890, and in 1892 carried both houses of Congress and the presidency. Their platform, in a plank written by Henry Watterson, editor of the Louisville Courier-Journal, pledged Grover Cleveland and the party to a tariff for revenue only. Cleveland's practical mind told him that a sudden application of such a scheme would create a destructive confusion in industry. In his letter of acceptance he therefore declared, "we wage no exterminating war against any American interests. We believe a readjustment can be accomplished, in accordance with the principles we profess, without disaster or demolition."¹

The bill which the Democrats had ready by the meeting of Congress in December, 1893, had been prepared in advance by the House ways-and-means committee of which James Lyne Wilson of West Virginia was chairman. It placed on the free list such basic raw materials as wool, coal, iron ore, hemp and flax, and certain of the farmers' necessities such as agricultural machinery, salt, binding twine and cotton bagging. It cut, but not drastically, duties on refined sugar and many manufactured articles, including the product of what Wilson called the "bogus industry" of tin plate.² The chief addition the House

¹ Tarbell, Tariff in Our Times, 213-215.
² Tarbell, Tariff in Our Times, 218.
made to the Wilson bill was an income tax as a sop to the Populist members.

The bill passed the lower branch on February 1, 1894, and went to the Senate for consideration. There the Democrats commanded only a narrow working majority and there, too, the industrial interests of the nation had a stronger proportionate representation. Through the all-pervasive influence of Senator A. P. Gorman of Maryland, assisted by Senator C. S. Brice of Ohio, the protectionists proceeded to modify the measure not only as to details but also as to principles.\(^1\)

One of the bitterest assailants of the House bill was H. O. Havemeyer, president of the sugar trust. As a result of the favorable rates on sugar which the McKinley tariff had provided, the profits of his concern in three years had been close to \(\$25,000,000\). "As long as the McKinley Bill is there," declared Havemeyer, "we will exact that profit."\(^2\) Under the operation of the law sugar stocks had advanced eighty-five points. Much was said during and after the session of 1890 of the influences exerted by the sugar trust on certain senators. An investigation brought to light that the trust had made campaign contributions to both political parties in the presidential election of 1892. Havemeyer justified the action.

\(^1\) Taussig, *Tariff History*, 289.

\(^2\) Tarbell, *Tariff in Our Times*, 223.
"The American Sugar Refining Company has no politics of any kind," he told the examiner. "Only the politics of business?" he was asked. "Only the politics of business," he replied.  

Along with scandals over campaign contributions went one as unsavory: the charge that United States senators had been speculating in sugar stocks while that schedule was under consideration. The accusation was investigated and several of the most eminent men of the time, including John Sherman and George F. Hoar, were questioned. Senators T. C. Quay of Pennsylvania and J. R. McPherson of New Jersey frankly admitted that they had done so.  

"I do not feel," asserted the former, "that there is anything in my connection with the Senate to interfere with my buying or selling the stock when I please; and I propose to do so."

Under Gorman's leadership the Senate emasculated the Wilson bill. In all, 634 amendments were made. The most important articles, including sugar, were removed from the free list, refined sugar was given a more favorable rate than under the McKinley tariff, and protective duties were generally advanced. Of the new rate on refined sugar the Nation said:

It would have been quite as ... good policy, to have enacted that the Standard Oil Trust should receive $30,000,000 out of the public

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1 Tarbell, Tariff in Our Times, 226.
2 Tarbell, Tariff in Our Times, 227; Taussig, Tariff History, 314.
treasury during the next six months as a reward of merit, and two and one-eighth cents per gallon for all the oil they might hereafter sell in this country, as to do what is done for the sugar trust.  

The House was indignant but, in the end, had to accept the Senate bill. Cleveland, assailing the Senate's action as "party perfidy and party dishonor," allowed the measure to become a law without his signature on August 27, 1894.  

The Wilson-Gorman act, as it was called, did little or nothing to stabilize business. For different reasons it was challenged by both Democrats and Republicans from the hour it became a law. Presently its provision for an income tax was to be invalidated by the Supreme Court. The tariff was certain to be remade at the first opportunity offered to either party. Yet the passage of the act of 1894 was a symbol the significance of which the historian cannot fail to recognize. The betrayal of the cause of tariff reform in the house of its friends indicated plainly that protectionism represented the dominant conviction of the generation. The consolidation of the nation's internal economic life had bred the doctrine of economic nationalism in the country's international relations.

1 Tarbell, Tariff in Our Times, 235.