

TWO CENTURIES OF TARIFFS

The Background and Emergence of the United States International Trade Commission



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*The Background and Emergence of the
U.S. International Trade Commission*

*by
John M. Dobson*

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Foreword

It is most fitting that, at the time of our Nation's bicentennial, a chronicle of the U.S. International Trade Commission should be published. This agency, created as the U.S. Tariff Commission in 1916, like our Nation, has a rich heritage, and there are parallels in our respective histories. From a somewhat tentative start, the Commission, like the country, has seen a growth in stature and expansion in activities. We each have withstood forces that attempted to push us in one direction or another, and we have managed to maintain our balance while shouldering increased responsibilities. And together we look to the future, toward an even greater contribution and record of achievement.

The U.S. International Trade Commission, as an agency, is proud of the accomplishments which are set forth herein, and, as Chairman, I am proud of the people, past and present, who are responsible for those accomplishments. It is hoped that this history contributes to an understanding of Commission achievements and gives witness to those responsible for them.

Will E. Leonard
Chairman

Introduction

Since the founding of the United States, foreign trade has been a vital factor in the Nation's welfare, and never more than now, as international interdependence encourages international trade on a far vaster and more complex scale. As the scope and complexity of U.S. economic relations have expanded over the years, so has the need for specialized and technical information and analysis that can inform those who make U.S. foreign economic policy in the executive and legislative branches of Government. For over 60 years, the United States Tariff Commission (the United States International Trade Commission since 1975) has helped to fill this need as an independent agency dedicated to the conduct of factual and objective economic research in the areas of international trade and economics. This history of U.S. tariff policies and the U.S. Tariff Commission is the history of the growth of the United States from a small trading country to a world economic power, an appropriate commemoration of our bicentennial.

For many years the primary function of the U.S. tariff system was to provide the Federal Government with a regular income adequate to finance its operations. Tariffs or customs duties are fundamentally nothing more than taxes levied on imported goods. The duties, collected at customs houses, are turned over to the U.S. Treasury. The importance of the revenue-raising aspect of tariffs has declined markedly in the period since 1913. Until that time customs duties had accounted for between 50 and 90 percent of the total Federal income. The ratification of the 16th amendment to the Constitution in that year permitted the imposition of direct income taxes, a development that greatly expanded the Government's revenue-collection capabilities. As a consequence, tariffs have declined in importance as revenue measures; in recent years customs duties have accounted for only 1 or 2 percent of the Federal Government's total income.

From the very beginning, the revenue aspect of the tariffs has been

accompanied by a second major function: that of attempting to prevent or restrict the importation of certain goods from abroad. To accomplish this, customs duties had to be set at such a level that the price of imported items (their basic cost after transport plus the import tax) would be higher than the price of similar but domestically produced items. High tariffs were designed to "protect" U.S. industries and producers from foreign competition and to preserve domestic employment levels.

The passage and maintenance of protective tariff rates grew in conjunction with the Nation's industrial revolution. A protectionist tariff philosophy prevailed in the post-Civil War period and on through the first third of the 20th century. It was in this period that interest grew in a nonpartisan, independent Government agency to advise the Congress and the President on tariff and trade matters. The creation of the U.S. Tariff Commission in 1916 was the result.

The institution of a reciprocal trade agreements program in 1934 enabled the Federal Government to modify the protectionist aspects and virtually sacrifice the revenue functions of tariffs in pursuit of increased international trade. Many businessmen, politicians, and diplomats had argued for years that the Nation's mature industrial economy required increased exports in order to maintain its economic health. One very effective way to encourage other nations to purchase U.S.-produced goods was to offer to buy more of their products, and the reduction of tariff barriers on both sides might bring about this mutually beneficial result. The loosening of Government-imposed artificial restraints on international trade, symbolized and encouraged by the creation of the General Agreement on Tariffs and Trade in 1947, has had a generally salutary effect upon U.S. relationships with other nations.

It would be reckless to assume, however, that the United States or other countries have determined for all time the course their tariff and international trade policies will follow. The motivations of influential groups and industrial sectors within any country and the intricate structure of the world economy are constantly changing. The commitment of nations to freer trade in their economic policies is undergoing continuous revision and reassessment. Restrictive provisions have continued to appear in recent U.S. trade acts as they have overseas, retarding progress toward the free-trade ideal of a total elimination of all artificial trade barriers. Perhaps the safest conclusion one can draw from a study of tariffs in general, and the history of the U.S. tariff in particular, is that change and controversy are ever present and perhaps inevitable.

The present study examines the history of U.S. tariff and international trade policies from three perspectives. Part I presents a brief review of the major events in the development of the U.S. tariff system from Revolutionary times to the present. Part II takes a more detailed look at several of the major historical tariff issues and the controversies these issues engendered. Finally, Part III describes the development and operations of the U.S. Tariff Commission as a participant in the definition and administration of tariff and trade policy since 1916.



Part I.

A History of U.S. Tariffs

For a good many years the early settlers in British North America had little say in their government's economic and trade policies. While this did not particularly disturb many colonial citizens, a number of individuals became increasingly restive after 1763, at the end of the Seven Years War. They began openly objecting to many acts of Parliament that they felt unduly restricted or interfered with their trade, including those acts involving the imposition of taxes. Because these protests took British imperial officials by surprise, they responded somewhat erratically. For example, they hastily withdrew the Stamp Act of 1765, having concluded that direct taxation of the colonists was not feasible. Desperately in need of revenue to pay for the war and to protect their possessions in North America, they decided to resort to what they hoped would be a less controversial levy: an indirect tax in the form of tariffs on specified imports. The Townshend Acts of 1767 placed customs duties upon goods—paper, glass, tea, paint, lead pigments—that the colonists were incapable of producing themselves in large quantities. The imperial policymakers had mistaken the cause of the colonial agitation, as the violent reaction to the Townshend Acts showed. The resentment lay not in the format of the tax laws but in the lack of colonial representation in the body that drew them up. Many colonists avoided paying these indirect taxes by simply doing without the taxed items. Other, more radical, colonists went further, staging public protests and fomenting the Boston Massacre of 1770. Three years later many of the same Boston radicals pitched East India Company tea chests off British ships into Boston Harbor to prevent any colonist from paying the import duty on tea.

This pre-Revolutionary experience with taxation without representation, even when that taxation came disguised in the form of tariffs, meant that Americans would be very suspicious of all taxation schemes once they had declared their independence in 1776. Conse-

quently, throughout the Revolutionary War, the Continental Congress was denied the power to levy taxes of any sort and forced to depend instead upon voluntary contributions from the States. This unsatisfactory situation persisted in the postwar Confederation Period as well. First Rhode Island and later New York vetoed proposals to grant the central Government authority to collect taxes. Meanwhile, the individual States practiced a sort of tariff anarchy, imposing discriminatory and arbitrary duties upon the products of one another and presenting foreign traders with a bewildering array of tariff rates. This unstructured system was understandably unsettling, and it stimulated interstate rivalries, hostility, and disunity. Nationalists like Alexander Hamilton and James Madison hoped that the creation of a “more perfect union” would, among other benefits, end this interstate bickering over trade and provide a sound financial basis for the central Government.

A gathering of like-minded individuals in Philadelphia in the summer of 1787 drew up a constitution incorporating nationalistic concepts. The very first function listed in the document was a clause granting the House of Representatives in Congress the “Power to lay and collect Taxes, Duties, Imposts and Excises, to pay the Debts and provide for the common Defence and general Welfare of the United States.” Having explicitly assigned to the Federal Government authority to regulate interstate commerce as well, the Constitution then prohibited any of the individual States from taxing imports or exports. The central Government assumed all responsibility for setting tariff rates and for presenting a common economic policy to the outside world.

The Tariff Act of July 4, 1789: The First National Tariff Act

The need for revenue was crucial. James Madison was selected as the Nation’s first Speaker of the House, the people’s representative body specifically delegated to originate all revenue bills. He immediately introduced a revenue tariff measure designed to raise money to pay Government wages and obligations and to fund the national debt. This initial tariff bill became law on July 4, 1789, and it contained many of the characteristics found in later tariff acts. Most imported goods were subject to a 5-percent-ad-valorem duty, which meant simply that they were taxed at 5 percent of their value. The act also listed a number of specific duties on particular items, regardless of their value. For example, wines carried a specific tax of 10 cents a gallon;



JAMES MADISON, PRESIDENT OF THE UNITED STATES OF AMERICA

As Speaker of the House of Representatives, he introduced the first U.S. tariff act to Congress, July 4, 1789.

Source: National Portrait Gallery, Smithsonian Institution, Washington, D.C.

boots, 50 cents a pair. The mixing of ad valorem and specific duties on tariff bills would become the standard practice in U.S. trade acts. The overall level of the taxes was quite moderate by any standard, however, averaging about $8\frac{1}{2}$ percent if all the duties had been computed on an ad valorem basis. During the next quarter of a century this initial tariff structure underwent a number of adjustments, but almost without exception these adjustments were made to balance the Gov-

ernment's revenue with its quite moderate expenditures. The annual Federal income from all sources did not reach \$10 million until 1800, and it did not exceed \$20 million until 1816. Thus, during the first years of the Nation's independent existence, its operating expenses remained quite low. Consequently, its tax and tariff collections also remained quite modest, amounting to only a dollar or two for every man, woman, and child in the country.

The 1789 tariff was not strictly a revenue act. Its first section declared that it was "necessary for the support of government, for the discharge of the debts of the United States, and the encouragement and protection of manufactures" Many of the commodities assigned specific rates had been selected because they were produced within the United States. The specific rates were set somewhat higher than the standard 5 percent ad valorem in order to encourage the people of the United States to buy from domestic producers. As protective measures, these early tariffs proved too low to be effective. Despite Secretary of the Treasury Alexander Hamilton's enthusiastic advocacy of protective tariffs, the Nation as a whole exhibited little interest in using high tariffs to stimulate manufacturing at home. The eloquent arguments Hamilton marshaled were generally neglected during his lifetime, but they would be revived and used effectively by later advocates of tariff protection.

Probably very little in the direction of tariff alteration would have occurred in the early years, had not a series of European wars disrupted U.S. export and freight trade. During the late 1790's, France appeared the worst offender, attempting to disrupt U.S.-British trade. In the next decade, however, Great Britain's policies restricting U.S. trade with Europe seemed intolerable. Responding to real and imagined maritime insults and injuries, President Thomas Jefferson promulgated in 1807, and later President James Madison continued, first an embargo and then a stringent no-trade policy against Great Britain that culminated in a full-fledged war against that country in 1812. To encourage self-sufficiency in the United States and to raise much-needed revenue for the war effort, Congress doubled the relatively low existing tariff rates during the conflict (see figure 1, page 9).

After the conclusion of this indecisive war, President Madison faced two serious economic problems: high Federal debts and a fear that renewed importation of British-manufactured goods would kill off the struggling, war-nurtured domestic industries in the Northeast. The President called for a tariff structure that would simultaneously ease the Treasury deficit and afford protection to infant industries in the United States. The Tariff Act of 1816 canceled the doubled emer-

agency rates and rewrote the whole tariff schedule with levies an average of 42 percent higher than they had been immediately before the war (see figure 1). The newly established cotton textile industry in New England received a high degree of protection; more expensive imported cotton goods bore a 25-percent-ad-valorem duty, and a minimum valuation provision was applied to the cheaper grades. This latter provision of the act stated that all goods costing less than 25 cents per yard were to be assessed a minimum duty of 6¼ cents, as though they in fact had a valuation of 25 cents.

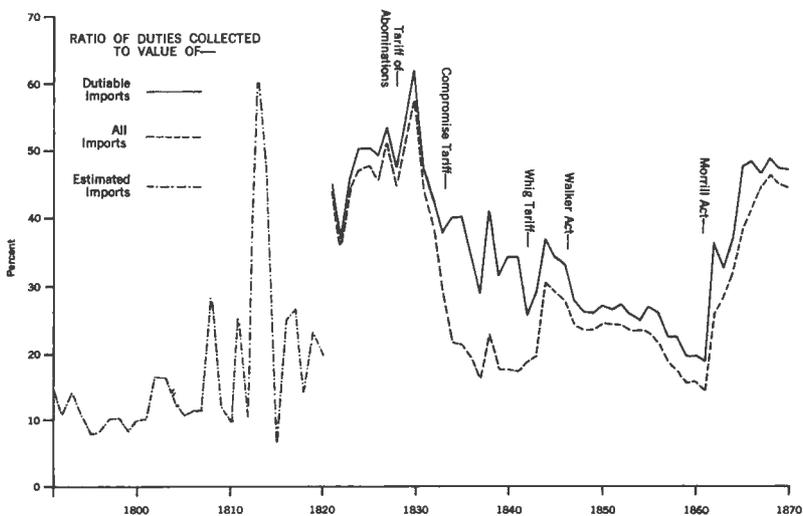


FIGURE 1.—Ratio of duties collected to the value of U.S. imports, 1790-1870.

Minimum valuation provisos would become a major element in later acts, providing an effective protective barrier against inexpensively produced foreign goods. The 1816 minimum valuation provision on cotton worked as anticipated, keeping out the coarse cotton textiles that the infant U.S. milling industry was then capable of producing.

However, the act as a whole was much less effective. Cut off from their normal U.S. markets, British factories had produced an enormous surplus of goods during the War of 1812. After the war much of this surplus was dumped on the U.S. market at prices far below original cost. The influx of these extraordinarily cheap goods ruined several domestic manufacturers and drove price levels down on all

products. The effect of British dumping, combined with rampant currency and land speculation, was to plunge the Nation into a serious financial and economic crisis. The Panic of 1819 and the subsequent depression stimulated widespread criticism of the economic forces and Government policies that many considered responsible for the hard times in the early 1820's. This criticism, in turn, triggered a reconsideration and reevaluation of the Nation's tariff policies.

The great tariff controversy of the late 1820's revolved as much around constitutional and sectional questions as it did strictly economic considerations.¹ It was during this period, however, that many Americans first became convinced that the Nation's economic health depended, to a large degree, on the level of the tariffs. Through the next century and beyond, an incessant, unresolved debate raged over whether high rates or low would most effectively pull the Nation out of an economic decline. Both strategies were tried several times, yet depressions and recessions continued to occur. In retrospect, it seems that the specific level of the tariff rates actually had a relatively minor influence on the well-being of so complex and differentiated an economic entity as the United States in that period. Nevertheless, the debate continues even today.

In the 1820's the manufacturers and producers who suffered competition from imports first suggested that higher, protective tariff rates might bring about overall economic recovery. This helped them to justify their calls for protection of their particular branch of industry. As one critic lamented, "The history of the American tariffs records the triumph of special interests over the general welfare."² Special-interest groups very quickly learned how to exploit the cumbersome process of tariffmaking.

Because the Constitution assigns the House of Representatives responsibility for initiating all money bills, the development of a general tariff measure usually began in the House Committee on Ways and Means. While under consideration within the committee, a tariff proposal became the subject of considerable logrolling and compromise among the committee members. As the committee's proposal made its glacial progress toward approval by the full House, the Representatives had ample opportunity to mold and amend the bill. The completed House measure then went to the Senate Committee on Finance, which could add a number of amendments for consideration on the Senate floor. Few Senators missed taking an opportunity to

¹ A full discussion of the nontariff aspects of that controversy appears in Part II.

² Henry J. Tasca, *The Reciprocal Trade Policy of the United States*, Philadelphia: University of Pennsylvania Press, 1938, p. 1.

comment on a tariff bill before voting on it. Because the Senate and House versions usually differed quite substantially, a conference committee had to iron out the differences. At each of these stages, lobbyists for particular industries, producers, or sections of the country could bring pressures to bear in order to influence the outcome. The tariff bills that finally reached the President's desk for signature seldom reflected any rational scheme or program. As one political scientist who had studied the process concluded, "In tariff making, perhaps more than in any other kind of legislation, Congress writes bills which no one intended."³

Partly because of this factor, tariff revisions were quite common in the past, with new ones emanating from Capitol Hill about every 5 or 6 years. For example, four major tariff acts won approval between 1824 and 1833. Because the U.S. Treasury was amply supplied with funds at the beginning of this period, the 1824 Tariff Act can be considered the first clearly protectionist tariff legislation in U.S. history. The only justification advanced for the raising of duties on a number of items was that it would insulate U.S. manufacturers, farmers, and workers from foreign competition. Among the most controversial aspects of the act were great increases in duties on raw wool and finished woolen goods. Despite the protection thus granted, spokesmen for the woolens industry remained dissatisfied. Three years later they were back in Washington, promoting a woolens bill to raise the protective walls still higher. Though it failed, this particular bill came so close to winning approval that it set off a flurry of negotiation and debate in the following year which culminated in the so-called Tariff of Abominations of 1828.

Opponents of a protectionist tariff policy had originally planned for the 1828 bill to be so extreme as to discredit the whole protectionist philosophy. Their strategy called for the raising of tariff barriers on almost every conceivable article of domestic manufacture, and Congressmen willingly joined in, making increasingly ridiculous upward revisions. The strategy backfired, however, when the advocates of protective rates proved capable of accepting almost anything as long as it promised high duties on the commodities they particularly favored. To the horror of some of its original sponsors, the grotesque bill worked its way through both Houses of Congress and won Presidential approval. Overnight, the Tariff of Abominations became the leading campaign issue in the Presidential election of 1828, which elevated Andrew Jackson to the White House.

³ E. E. Schattschneider, *Politics, Pressures and the Tariff*, New York: Prentice-Hall, 1935, p. 13.

Although the tariff was the subject of widespread dissatisfaction, political considerations prevented any alteration of its rates until 1832. The protectionists and their opponents squared off once again, and, in a manner quite reminiscent of the sparring in 1828, produced a bill for President Jackson's signature that closely resembled the one it was supposed to replace. Only the woolens industry was adversely affected by the new schedules. Predictably, such a narrow concession hardly made the act acceptable in the South, the seat of the most vociferous opposition to high rates. Though he personally favored protectionism, Henry Clay, of Kentucky, was too much a statesman and a nationalist to ignore the dangerous situation. In an effort to avert a major sectional crisis, he proposed a compromise which became law early in 1833.

The compromise tariff of 1833 set in motion a gradual reduction of the protectionist rates over a 10-year period, and it contained a pledge that at the end of that period the tariff would revert almost exclusively to a revenue measure. Protectionist rates were defined as any levies in excess of 20 percent ad valorem in the 1832 bill. All such rates would decrease 10 percent every other year until 1841, at which point they would drop by half. In 1842 even these residual protectionist features would lapse. The standard rate for most imports would be 20 percent ad valorem, and a number of goods would be added to the free list of items, on which no duties whatsoever were levied. As a legislative compromise, Clay's proposals worked very well: tariffs dropped out of the political picture for the next decade. Protected industries had several years to grow and to prepare for the major rate reductions, and the opponents of high tariffs were assured that protectionism was on the road to extinction. As a practical method for collecting customs duties, however, the 1833 compromise proved extremely awkward, with the existing complexity of its rate structure compounded by the periodic reductions.

The supposedly permanent low rates reached in 1842 (see figure 1, page 9) actually remained in force only a few months. A combination of economic and political factors helped revive somewhat higher rates. The Treasury in 1842 was suffering an extreme shortage of funds owing to overly optimistic expenditure programs and a depression which had begun in 1837. The depression had also helped the Whig Party win the 1840 elections. The Whigs followed the philosophical tenets of Henry Clay, who favored a degree of protection as a means of encouraging industrial development in the United States. When President John Tyler called for action on the Treasury shortage, the Whigs in Congress were more than happy to draw up higher rate

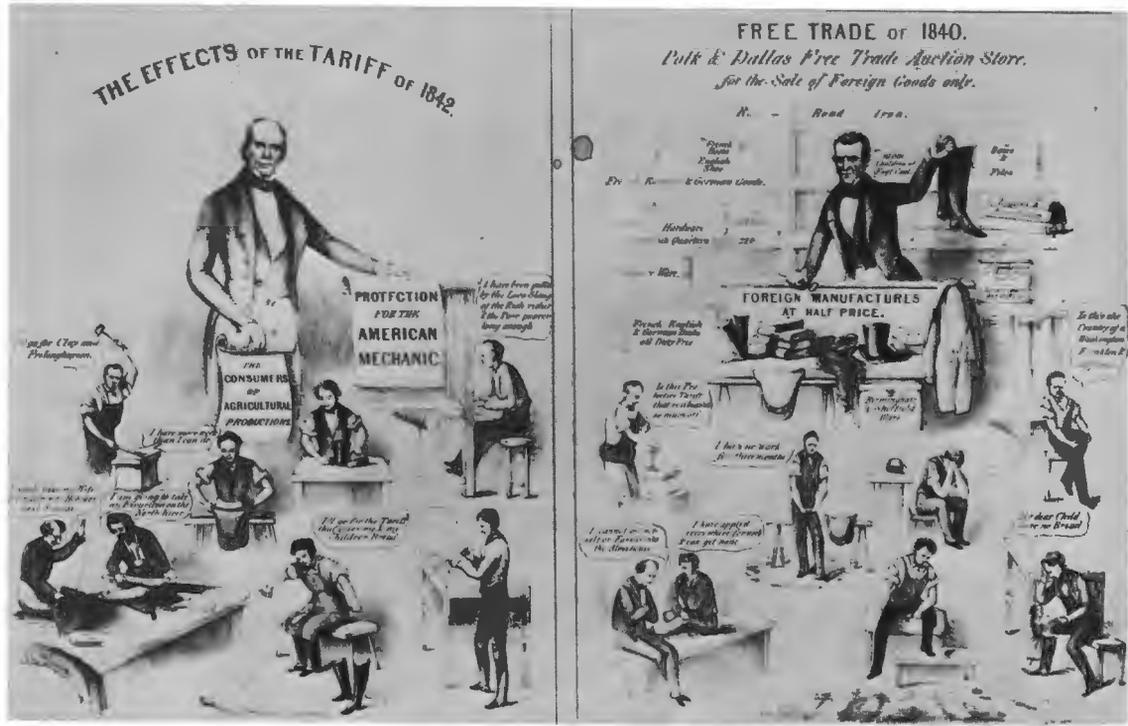
schedules. The Tariff Act of 1842 restored the generally protective aspects of the 1832 act. Fortunately the frenzied sectional antagonisms that the earlier measure had generated did not recur in 1842.

When the Democrats regained control of the Government in 1844 they immediately set about reducing the Whigs' higher tariffs. President James K. Polk chose as his Secretary of the Treasury Robert J. Walker, a man who enjoyed a reputation as one of the most articulate and intelligent U.S. spokesmen for the free-trade philosophy. In a special message to Congress late in 1845, Walker outlined his proposals in as forceful and convincing a manner as his predecessor Alexander Hamilton had done in the early 1790's. The thrust of his remarks, of course, was quite different. Although Walker did not oppose all protection, he wished to set tariff rates at levels that would maximize their revenue-producing capabilities. This policy would rule out prohibitively high, strictly protectionist rates that discouraged imports and therefore generated less customs revenue.

Walker's low-tariff predilections corresponded with British thinking at that time. The long struggle that Richard Cobden and John Bright had carried on to place the British Empire on a free-trade course was finally succeeding. The dam of British protectionism broke in the summer of 1846, when Parliament repealed the notorious "Corn Laws," which had overtaxed imports of grain and thereby increased the cost of food in England. The Corn Laws had originally served as a protectionist measure for the land-owning aristocracy. After 1846, low tariffs and an extensive free list characterized British trade policy. Many Americans, including Walker, favored a similar policy for the United States.

Because they controlled both the legislative and executive branches of the Federal Government, the Democrats were able to write the Treasury Secretary's concepts into law. The Walker Tariff of 1846 abandoned all specific rates and relied exclusively upon ad valorem duties. Commodities were sorted into an alphabetic series of schedules, with schedule A having the highest duty at 100 percent ad valorem, schedule B at 40 percent, schedule C at 30 percent, and so on down to a free list. Schedule C contained most of the items that had formerly benefited from protectionist specific rates, such as cotton, woolens, and iron. At 30 percent, the duty was still mildly protective, but the average rate of all duties was considerably lower than that in either the 1842 act or any of its predecessors. Indeed, the 1846 act, on average, provided lower rates than any law the United States had passed since 1816 (see figure 1, page 9).

Designed primarily as a revenue measure, the act proved very suc-



TARIFF vs. ANTI-TARIFF

This political cartoon, published in 1844, illustrates the protectionist position in the pre-Civil War tariff controversy. The Whig-sponsored Tariff Act of 1842 is shown encouraging jobs and higher pay for U.S. workers. The lower tariff rates in effect 2 years earlier are shown filling store shelves with foreign-made goods and discouraging U.S. employment.

Courtesy of The New York Historical Society, New York City

cessful. The Government found itself adequately supplied with funds, although during the Mexican War (1846 to 1848) the Treasury suffered a heavy drain. The war debts quickly disappeared afterward, and the Nation enjoyed widespread prosperity. The progress of the industrial revolution continued, although perhaps not as rapidly as it might have with heavier import restrictions. The tariff essentially ceased being an issue for 11 years. It reappeared only when the Treasury surplus had grown uncomfortably large. The Democrats' response to this problem was the Tariff Act of 1857, which cut schedule C, for example, from 30 percent to 24 percent and made similar downward adjustments on the other schedules.

The sharp financial panic that swept the North in 1857 signaled the beginning of a fundamental political and economic change in the United States. Frustrated protectionists claimed that the panic had resulted from the baleful influence of the recent tariff revision. As the newly created Republican Party began to reach out toward the Presidency in 1860, it capitalized upon the economic discontent of midwestern farmers and eastern workers. Republican doctrine taught that higher tariff rates would insure prosperity and full employment. Although their attempt to change the laws in 1859 and 1860 failed, the Republicans decided to emphasize protective tariffs in their 1860 platform.

When Republican Abraham Lincoln won the Presidency, several southern States seceded from the Union, and their low-tariff Democratic Congressmen therefore withdrew from Washington. This withdrawal shifted the congressional balance in favor of the industrial North and the Republicans, and it enabled them to put through their tariff program. Vermont Representative Justin S. Morrill superintended the passage of a bill which was, in fact, only somewhat protectionist. Although Morrill claimed that he was simply restoring the level of protection that the Walker tariff had afforded by replacing ad valorem rates with specific duties, the process had the effect of assisting particular industries, notably iron and wool. Nevertheless, the Morrill Tariff Act of 1861 represented only a modest reversal of the lower tariff policy that had characterized the years since 1832.

The Confederate batteries that opened fire on Fort Sumter a few weeks later also destroyed any chance of a thoughtful assessment of the impact of the new tariff schedules. The Nation plunged into its most engrossing conflict, a war whose enormous requirements for revenue overwhelmed all consideration of the finer points of tariff ideology. In its special session in the summer of 1861, Congress approved general increases in the tariffs. From then on, a torrent of

large and small taxation bills and proposals gushed forth, none of them intended to do anything but raise the existing rate structure. One of the most important congressional decisions with regard to tariff revenue involved the imposition of high duties on coffee, sugar, and tea, all commodities the United States could not produce domestically. Americans would continue to import these items in large quantities regardless of the level of taxes imposed on them.

The most comprehensive package of revenue bills included what was to become the Tariff Act of 1862. In addition to tariffs, the package included measures to authorize the issuance of greenbacks and bonds, to impose heavy excise taxes on domestic commodities, and to establish an income tax. The tariff bill dramatically raised the rates the Morrill Act had established. Congress was obviously tapping every conceivable resource for additional funds. A prime reason for increasing some of the tariff rates was that domestic industries needed additional protection to compensate them for the excise and income taxes they now had to pay. Because the leading advocates of these measures were also dedicated protectionists, however, they felt little compunction at all about raising the tariff rates.

Another round of tax-raising legislation passed in the spring of 1864. Commissioner of the Revenue David A. Wells calculated that at that point the internal revenue system taxed virtually everything in the Nation at a rate between 8 and 15 percent. The import taxes had to be raised a corresponding amount just to maintain the relative competitive positions of domestic and foreign producers. But these justifiable adjustments only established the base level. Northern Representatives and Senators favoring protection and now enjoying complete control in a Congress lacking any representation from the predominantly low-tariff South pushed the war tariffs to extremely high levels.

The war taxation program involving import, income, and excise taxes created an enormous volume of revenue. As the war drew to a close, this revenue enabled the Government to complete payments on contracts and to establish funding arrangements for the bewildering array of bonds issued during the emergency. Very quickly, Congress had to respond to the chorus of complaints about high taxes. In almost every instance, however, it reduced or eliminated the internal taxes, leaving the import levies in force. The longer the wartime tariff levels persisted, the more difficult it seemed to reduce them. The historically high tariff rates, imposed in the midst of the Nation's most dire emergency, gradually came to be considered normal (see figure 1, page 9).

Several factors contributed to the persistence of these elevated tariff

rates. The protectionist Radical majority of the Republican Party continued to dominate U.S. politics well into the 1870's. Furthermore, tariff rates seemed of relatively minor importance when compared with the wealth of complex political, social, and economic issues that characterized the Reconstruction era. As long as the economy prospered—and the economy in the North certainly was booming—congressional representatives of Northern interests had no intention of tinkering with the protective tariffs. Republican majorities in Congress did strip away some of the wartime tariffs, but primarily those strictly for revenue. Thus, in 1870, the duties dropped on tea, coffee, wines, sugar, and molasses. The simultaneous retention of very high duties on items produced at home proved beyond any doubt that the Republican Party intended the tariffs to serve a primarily protectionist function.

The Republicans' protectionist attitudes at this time corresponded to similar policies overseas, although they were based on somewhat different premises. A new age of colonialism had dawned. France, England, Germany, and other nations entered a race to create ever-larger colonial empires. France and Germany adopted the neomercantilist policy of raising tariff barriers to protect their own internal producers and to discourage others from attempting to engross the trade of their colonies. Although the British still fervently advocated free trade, they, too, provided special preferences in the import and export trade of the colonies and dominions under their control. Not surprisingly, the United States encountered exclusions of its exports as a result of these foreign restrictive trade measures. This treatment only stimulated calls for still higher trade barriers in the United States, and U.S. protectionists could point to European examples as a justification for their own positions.

One real embarrassment the high rates caused, particularly during prosperous times such as the years immediately following the Civil War, was that the United States imported so many goods, despite the high duties, that its customs receipts were larger than necessary for the operation of the Federal Government. As surplus revenues poured into the Treasury in the early 1870's, agitation for some sort of reduction grew more insistent. A splinter party of the Grand Old Party, Liberal Republicans found ample reason to criticize President Ulysses Grant's administration: its scandals, its incompetence, and, of course, its protectionist tariff attitudes. The protectionist, regular Republicans decided to try to deflect this last criticism by reducing the rates along lines they considered most acceptable. After a great deal of consideration and debate, they rallied behind a Senate proposal to reduce

all rates by a flat 10 percent. This sort of horizontal reduction would not destroy the complex protectionist edifice, but it might reduce the surplus revenue sufficiently to cancel the tariff as a political liability. Congress approved the 10-percent reduction in its Tariff Act of 1872 and pricked the major source of resentment. Furthermore, when a major depression hit, beginning in 1873, Federal revenues dropped so much that Congress in 1875 put through a bill canceling the 10-percent reduction of the 1872 act and restoring the wartime rates (see figure 2).

The Tariff Act of 1883: The Mongrel Tariff

When the economy righted itself in the early 1880's, the surplus revenue problem naturally reappeared. Once again, calls for tariff reform arose. In 1883 the Republican Congress created a board of experts, a tariff commission, to investigate the whole import revenue system and to make well-reasoned recommendations. Despite his declared intention to lower the tariff, Republican President Chester A. Arthur appointed to this commission men who were well-known protectionists. Its chairman was John L. Hayes, a lobbyist for the woolens industry. Nevertheless, the existing rate structure was so indefensible that the commissioners eventually called for average

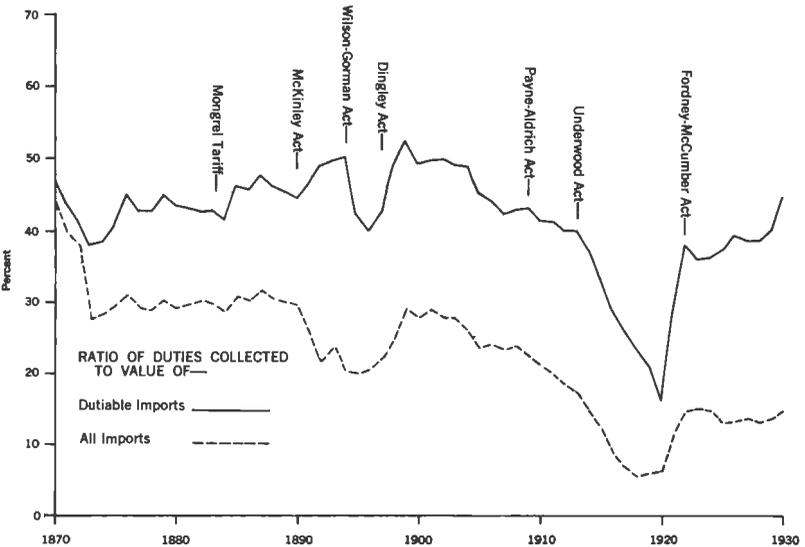


FIGURE 2.—Ratio of duties collected to value of U.S. imports, 1870-1930.

reductions of approximately 25 percent. Congress had the final word, however, and submitted the whole question of tariff revision to a carefully selected House-Senate conference committee. This committee ignored the tariff commission's suggestions, and in some cases it also disregarded the proposals included in the Senate and House bills over which it was supposedly conferring. On a number of commodities, in fact, the conference committee actually settled upon tariff rates *higher* than those approved in either House. The expiring lameduck Congress nevertheless certified the results of this incredible process in March 1883, and its enemies promptly dubbed the act the Mongrel Tariff. This tariff law's rates remained almost unchanged for the next 7 years while the partisans of protection battled free traders in a series of inconclusive skirmishes over how the tariff should be altered.

The Tariff Act of 1890: The McKinley Tariff

The Republicans successfully sponsored a new tariff act in 1890, fulfilling the campaign promises of their successful candidate for the Presidency in 1888, Benjamin Harrison. Ohio Representative William McKinley wrote the most comprehensive statement of protectionist principles yet drafted, raising the rates on a number of items, but also restructuring the system on a more rational basis and eliminating some of the imperfections that the earlier, haphazard system had produced. The average ad valorem equivalent of the rates of the McKinley Act was a high 49 percent.

At the urgings of Secretary of State James G. Blaine, past Republican Presidential candidate, the McKinley Tariff also contained a limited reciprocity clause. Under this provision bilateral reciprocity agreements were negotiated with a number of Latin American governments, laying the foundation for a mutual reduction of tariffs. This experiment with reciprocity was short-lived, however, because the Democrats refused to extend it when they altered the entire tariff structure a few years later.

The Tariff Act of 1894: The Wilson-Gorman Tariff

Popular resentment against the McKinley Tariff Act, the Sherman Silver Purchase Act, and a huge appropriations package damaged Republican Party hopes in the 1890 off-year elections. Two years later the Democrats controlled both Houses of Congress, as well as the Presidency. They immediately proposed a tariff reform measure, but the protectionist forces proved resilient even in the Democratic Party.

Northern Democratic Senators joined with their high-tariff Republican colleagues to amend upward the rates on a number of items. Democratic President Grover Cleveland, who had staked his political reputation on a low-tariff position, was sincerely disappointed in the resulting measure, and the Wilson-Gorman Act had to become law in 1894 without his signature. Despite Cleveland's dismay, the act did reduce the average ad valorem tariff rate to approximately 40 percent, effecting the first major reduction since immediately after the Civil War (see figure 2, page 18). It also established a modest direct income tax, which the Supreme Court declared unconstitutional.



**WILLIAM MCKINLEY, PRESIDENT OF THE UNITED STATES
OF AMERICA**

As a Congressman from Ohio, Representative McKinley compiled "the most comprehensive statement of protectionist principles yet drafted," the Tariff Act of 1890, also called the McKinley Tariff.

Source: National Portrait Gallery, Smithsonian Institution, Washington, D.C.



CLEVELAND WINS!

This political cartoon, published in 1892, shows a content Democratic tiger and the victorious Presidential candidate Grover Cleveland finding the lucky coin of "Tariff Reform," while the defeated Republican elephant retreats.

Courtesy of The New York Historical Society, New York City

The Tariff Act of 1897: The Dingley Act

The most frightening economic depression the American people had yet experienced gripped the country in 1894, and many people blamed the Wilson-Gorman Act for their suffering. The Republican Party returned to power with majorities in both Houses of Congress in the election of 1896. Under the leadership of newly elected President Wil-

liam McKinley, the author of the 1890 act, the protectionist tariff structure was restored in full in the Dingley Act of 1897, which had the distinction of imposing the highest average rate of customs duties overall written into any U.S. tariff law up to that time. The Republicans were to remain in power for the next decade and a half, and no significant tariff reduction would take place under their stewardship. Moreover, there seemed to be no reason for reform, since the Dingley Act's high rates apparently did not greatly harm the Nation, which enjoyed a long, virtually unbroken period of prosperity while it was in force.

Tariff Effects on Wool, Iron and Steel, and Sugar

Because the Dingley Act ended one cycle of protective tariff legislation, it seems appropriate at this point to examine some specific commodities such as wool, iron and steel, and sugar to see how the various tariff measures affected them. Numerous legislative actions since the 1820's had been designed to protect the woolens industry. Mill owners who produced woolen textiles had continually sought ever-higher protective rates, while sheep-raising farmers in the Middle and Far West also demanded protection against the importation of raw wool. The vast array of grades of wool and types of woolen goods required a bewildering variety of tariff schedules, a combination of minimum valuation requirements, specific rates, and ad valorem duties. The rates on wool and woolen products went down only once after 1860: the 1894 Wilson-Gorman Act placed raw wool on the free list and established a straight ad valorem duty on all woolen goods. The Dingley Act of 1897 rebuilt the protective walls, however, and both wool producers and manufacturers continued to enjoy protective tariff rates well into the 20th century.

Iron and steel tariff rates frequently moved in tandem as well. Representatives from the ore-producing regions favored and usually obtained elevated tariffs on imported pig iron. As the 19th century drew to a close, however, the United States became one of the most efficient iron-producing nations in the world, and those who used iron in the interior regions of the country had little interest in and less need for any imported iron. The iron tariff issue eventually became moot.

The Nation's steel industry went through a similar metamorphosis. A great store of natural resources and a willingness to take advantage of technological advances permitted U.S. steel producers in time to catch up with and in many cases to surpass their European competition. The declining tariff on steel rails in an era of escalating tariffs on

other products reflected this development. The import duty on steel rails dropped from \$28 per ton in the 1870 act to \$17 per ton in 1883. Each succeeding act dropped it considerably: to \$13.44 in 1890, to \$7.84 in 1894, and to \$3.92 in 1909. Rails were finally added to the free list in 1913.

Although a consistent decline in rates might seem to indicate a weakening of protectionism over time, at each point the rates could be maintained at a sufficient height to discourage the importation of competing goods in any quantity. Thus, tariffs could be protective even after dramatic rate reductions, providing the remaining rates were kept high enough to discourage importation.

The impact that the U.S. tariff structure had on the people of other countries was generally overlooked in all the agonized political debates over tariff rates in the late 19th century. Yet fluctuations in the U.S. tariff on sugar had remarkable if unexpected consequences for U.S. foreign policy. Louisiana cane fields and the slowly developing western sugar beet farms ordinarily produced only enough to fill about one-tenth of the U.S. demand for sugar after the Civil War. Consequently, the United States had to import large quantities of sugar, and the duty on it accounted for a substantial portion of all the revenue from tariffs. Until 1890, this duty averaged approximately 2 cents per pound.

When William McKinley was drafting his sweepingly protective revision of the tariff schedules in 1890, he realized that some sources of the surplus revenue would have to be eliminated in order to justify raising other rates. For this and other reasons, sugar ended up on the free list, effectively reducing the income from customs duties by approximately \$50 million to \$60 million a year. In order not to leave U.S. producers without a competitive advantage, the act authorized the Government to pay them a 2-cent-per-pound bounty on their production. When the Democrats revised the tariff 4 years later, they restored a portion of the old duty on sugar and dropped the bounty. Then in 1897, the Republicans restored the bounty, but did not eliminate the duty. Each of these moves was explained and justified as necessary for domestic political reasons or to stimulate the growth of the domestic sugar supply.

These changing sugar duties had pronounced consequences in the sugar-exporting countries that supplied the U.S. market. Because planters in the Kingdom of Hawaii could not profitably export sugar to the U.S. market over post-Civil War tariff rates, the Royal Government finally succeeded in negotiating a reciprocal trade agreement in 1875 that allowed Hawaiian sugar to enter the United States without

being taxed. In return, Hawaii reduced or eliminated taxes on certain U.S. goods it purchased. The U.S.-Hawaiian reciprocal trade agreement made sugar growing tremendously profitable in the islands, and U.S. planters or planters of U.S. descent settled in the islands and cultivated huge tracts of land, importing thousands of Japanese and Chinese laborers to work their fields. Between 1875 and 1890, U.S. consumption of Hawaiian sugar increased over 1,400 percent. Thus the reciprocity treaty confirmed Hawaiian economic dependence on the United States. When the 1890 McKinley Act eliminated the tariff on sugar, it effectively destroyed the reciprocity advantage Hawaii had over other tropical regions, and the islands' economy collapsed. In the ensuing economic crisis, the American planters on the islands overthrew the Hawaiian monarchy, set up a Hawaiian Republic, and sought annexation by the United States.

While the cancellation of the U.S. sugar tariff had drastically damaged Hawaii's economy, it had benefited the Spanish colony of Cuba enormously. The Cuban economy boomed dramatically, since Cuban sugar could now be shipped tax-free into U.S. markets. The restoration of the duty in 1894, coming on the heels of the worldwide depression of 1893, seriously damaged Cuba's prosperity. In a few months, Cuban revolutionaries had capitalized on the discontent of the impoverished Cuban peasants and had renewed a bloody fight for independence begun 25 years before. This conflict ultimately drew the United States into a war with Spain in 1898. The war, in turn, led the United States to establish possession of several islands in the Caribbean and the Pacific as well as triggering the annexation of Hawaii. Thus, the seemingly innocent juggling of the sugar duty had important consequences for the United States and for the world. As the United States assumed the leading position in the world's economic structure after the First World War, the character of its tariff structure would continue to have global implications.

The Tariff Act of 1909: The Payne-Aldrich Act

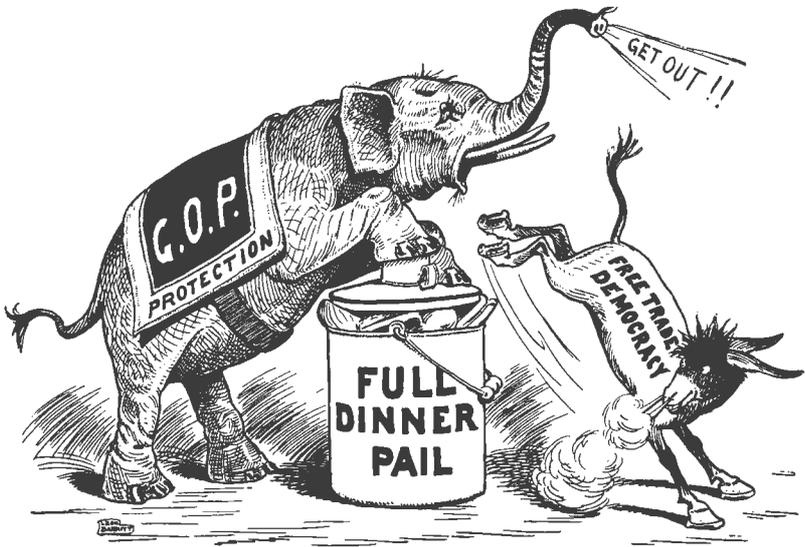
The 1897 Dingley Tariff Act remained in force, basically unchanged, longer than any previous tariff act; its only near rival for that honor was the Walker Act of 1846. A number of factors contributed to its longevity. From 1897 through 1910, the Grand Old Party was continuously in control of both Houses of Congress and the Presidency while the Democrats searched for a compelling issue and a national constituency. The country's unchallenged Republican leadership did not alter its protectionist philosophy. During those years

prosperity touched all sectors of the economy and blessed all regions of the country. The Republicans had no reason to doubt that their high tariffs had contributed to bringing about those good times.

A continuous rise in prices accompanied this prosperity, however, a rise that undermined gains in real income for workers and farmers. Even if high tariffs guaranteed high wages, as the protectionists insisted, it would not matter if, in the long run, prices increased more quickly than wages did. The Panic of 1904 jarred the people's complacency. When an even more frenzied panic hit in 1907, protests arose from all quarters, along with calls for revision of the Federal Government's most conspicuous economic tool, its high tariff schedules. Action became inevitable when the Progressive Republicans, a faction of the Republican Party, joined the Democrats in protesting the continuation of a tariff system that seemed to be contributing to higher prices while favoring the fortunes of a small number of producers.

During the Presidential campaign of 1908, both major parties pledged to push through a thorough revision of the tariff, and the electorate assumed that revision in this instance would mean a reduction, not an increase, in the rates. When Republican William Howard Taft moved into the White House, he immediately redeemed his campaign promise by calling Congress into special session to carry out a complete restructuring of the tariff. Those hoping for substantial reductions encountered their first setback when the Progressive Republicans in the House failed to unseat Joe Cannon, of Illinois, from the speakership. A dedicated protectionist, Cannon did not let the reform impulse get out of hand, and he used all of his powers as Speaker of the House of Representatives to neutralize its effects. For example, he appointed a protectionist, Sereno Payne, of New York, to the chairmanship of the Ways and Means Committee, the committee where any tariff revision would begin. To his credit, Payne held hearings to gather information upon which to make rational decisions on the tariff. His committee then drew up a reasonable compromise measure whose basic feature was a trade-off involving the lowering of rates on raw materials and the raising of rates on certain finished goods.

The Senate, however, mangled the Payne bill. In the upper House, Banking and Finance Committee Chairman Nelson W. Aldrich stoutly manned the defenses of the protectionist fortress. A Rhode Islander, Aldrich served as a stalwart defender of high rates. His committee managed to append some 847 amendments, almost every one of which would raise the levels written into the Payne bill, and the full Senate approved virtually every amendment the committee had



TRYING TO KICK IT OVER

The Republican Party was the champion of tariff protection when this cartoon was published in 1904. It shows the GOP elephant, labeled "protection," preventing the "free trade" donkey from upsetting turn-of-the-century U.S. prosperity symbolized by the "full dinner pail." It was widely believed that protective tariffs had contributed to this prosperity.

Source: Library of Congress, Washington, D.C.

proposed. President Taft later entered the fray and attempted to exert a moderating influence, but the chief result of this Presidential interference was a cancellation of customs duties on hides and gloves, and the insertion of a provision for free trade with the Philippines. When the Payne-Aldrich bill emerged from the House-Senate conference committee, Taft duly signed it.

Although its overall average rates hardly differed from those of its predecessor, it was a slight downward revision of the tariff. The Payne-Aldrich Act contained one other important feature. The United States had only recently begun to realize that other nations used tariffs for diplomatic ends and, in some cases, had responded to the high rates of the United States with special, often discriminatory duties on U.S. exports. Congress decided to arm the administration with a counterweapon in the form of a variable tariff. If President Taft determined that another nation was levying discriminatory duties on U.S. exports, he was authorized to add an additional 25 percent on top of the standard U.S. duties for all goods imported from that nation. Referred to as the maximum-and-minimum clause, this provi-

sion of the act gave the President a certain degree of latitude in dealing with international trade—albeit only in the direction of more restrictiveness. Taft declined to impose the maximum duties on the imports from any country until he had received the recommendations of a special advisory panel that he had appointed. This panel, the Tariff Board, set about investigating what impact the tariff rates of both the United States and foreign nations had on international trade. Its findings were not widely accepted since it was viewed as a strictly partisan agency. Even when Taft bowed to criticism and appointed a couple of Democrats to the previously all-Republican board, a hostile Democratic Congress canceled all of its appropriations in 1912, ending the first major attempt to put tariff policy on a “scientific” basis.

The electorate exercised an equally definitive display of disapproval by expelling a number of Republicans from Congress in the elections of 1910 and replacing them with Democrats and Progressive Republicans. In these off-year elections, the Democrats had concentrated their criticism on the recently passed tariff act, blaming it for a number of economic problems, many of which had developed prior to the recent tariff revision. Because of the longer terms in the upper House, it usually took more time to change the composition of the Senate, but that, too, was accomplished in conjunction with the elevation of progressive Democrat Woodrow Wilson to the Presidency in 1912. The Democratic Party was now in a position to recast and reframe the Nation’s tariff system along the lines advocated by progressives of both parties.

The Tariff Act of 1913: The Underwood Tariff Act

Representative Oscar Underwood, of Alabama, presented a bill to the House that proposed substantial reductions throughout the schedules. It also removed the maximum-and-minimum principle and therefore eliminated the need for reviving the Tariff Board. The Democratic Representatives sent the bill along to the Senate without any significant changes. Despite the Democratic majority in the upper House, however, the Underwood measure encountered serious obstruction from conservative Senators of both parties. Progressive Republicans openly attacked their conservative colleagues, and President Wilson declared that a swarm of lobbyists was attempting to sway votes in the Senate. The electorate took up the challenge, bombarding the Senators with letters and telegrams critical of their hesitancy to approve the bill. The conservative opposition crumbled under this onslaught, and the Underwood bill reached the President’s desk with its freer trade reputation unsullied.



OSCAR UNDERWOOD, CONGRESSMAN FROM ALABAMA

Representative Underwood sponsored the Tariff Act of 1913, also called the Underwood Act, which reduced U.S. tariff levels at that time to their lowest point since the Civil War. The act also imposed the first U.S. income taxes.

Source: National Portrait Gallery, Smithsonian Institution, Washington, D.C.

The Underwood Act of 1913 was a general reduction of U.S. tariff rates and was the lowest tariff since the Civil War (see figures 1 and 2, pages 9 and 18). By no means a free-trade measure, it reduced most of the more extreme rates. To many people's surprise, however, the sometimes dramatic reductions did not have as large an effect on trade



A NEAR FUTURIST PAINTING

In this cartoon, published in the *Chicago Tribune* in 1913, President Woodrow Wilson and Representative Oscar Underwood are portrayed as artists, creating the painting "Tariff Descending Downward." This refers to the Underwood tariff that substantially reduced U.S. tariff levels and is a parody of a popular cubist painting of the period.

Source: Library of Congress, Washington, D.C.

as they had expected, since many of the rates in previous tariff acts had been higher than was necessary to discourage imports of certain commodities. Even cutting such rates in half had not substantially changed the import situation. The new schedules did prove to be something of a stimulant to trade for the items successfully imported over the tariff barrier before the reduction, yet overall they brought in less customs revenue than had the rates in the previous act.

To replace this lost revenue, the Underwood Act imposed a modest income tax. This feature of the new tariff legislation had the most profound influence on the future use of tariffs for revenue purposes. Ever since the Supreme Court had ruled the income tax provision of the Wilson-Gorman Act unconstitutional in the 1890's, efforts had been made to get a constitutional amendment approved that would nullify the Court's objections. The amending process officially began as an offshoot of the 1909 Payne-Aldrich Act, but ratification was delayed until February 1913. The rates of the first income tax that the Underwood Act promulgated were quite low by current standards; the highest tax bracket was set at 7 percent.

How well the Underwood Act and its concomitant income tax would have worked under normal conditions will never be known. Just a year after it went into force, war broke out in Europe, shattering all national economic planning and disrupting the flow of international trade. A British blockade sealed off Germany and Austria, and England and France purchased enormous quantities of goods from the United States. These unusual circumstances made accurate assessment of the impact of the 1913 Tariff Act impossible. They also adversely affected the functioning of the United States Tariff Commission, created in 1916.⁴ The disturbing effects the war had upon the Nation's internal and external economic activities increased tremendously when the United States officially declared its intention to enter the conflict on April 2, 1917.

During the First World War, the United States grew in international power and influence. It also spent a great deal of money. Expenditures of more than \$30 billion stemmed either directly or indirectly from the war and war-related activities. Instead of frantically raising its tariffs as it had had to do during the Civil War, the Federal Government was able to leave the Underwood Act in force with very few changes because tariffs had already ceased being the Nation's major revenue-generating device (see figure 3). The income tax rates shot upward, and by the close of the war the top bracket reached 63 percent. Meanwhile, agencies like the War Industries Board and the Food Administration handled what regulation of international trade seemed advisable. Direct Government intervention in this manner was less cumbersome and appeared to work better than tariff manipulation.

⁴ A description of the precedents for and early operations of the Commission appears in Part III.

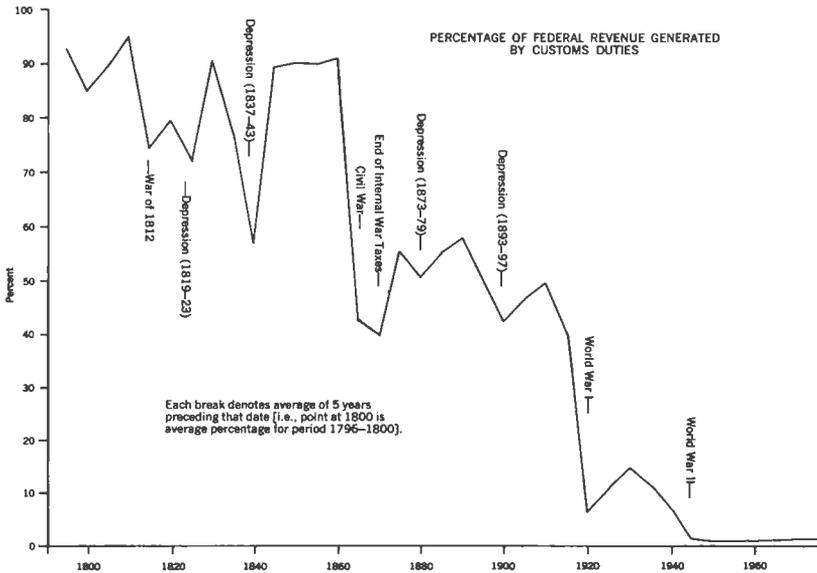


FIGURE 3.—Percentage of Federal revenue generated by customs duties, 1791-95 to 1971-75.

The Tariff Act of 1922: The Fordney-McCumber Tariff

The third of President Wilson's Fourteen Points, his program for the postwar world, called for "The removal, so far as possible, of all economic barriers and the establishment of an equality of trade conditions among all nations consenting to the peace . . ." A somewhat more ambiguously stated version of this principle was incorporated in the treaty that emerged from the Versailles Peace Conference. When the U.S. Senate failed to approve the Versailles Treaty, it was also symbolically rejecting the whole Wilsonian conception of an internationalist foreign policy, including a freer trade philosophy. The American people seemed to ratify the Senate's rejection when they awarded an impressive mandate in 1920 to Republican Warren G. Harding and his promise to lead the Nation back to "normalcy."

Harding's political appeal appeared to hinge on a consuming nostalgia for a return to the "good old days" before the war, before progressivism and international entanglements. This nostalgia revived popular faith in high, protective tariffs, and Harding's landslide victory was expected to trigger an upward revision of tariff rates. An unexpected economic crisis urged the Republicans forward. After a heady but short-lived postwar boom, the U.S. economy fell into a

recession that sharply cut the prices of agricultural commodities. Distressed farmers turned to the Federal Government for relief.

The Republicans responded with the standard remedy for falling domestic prices. On an emergency basis, they raised the tariff rates on many farm products in 1921 and set the congressional machinery in motion for a general revision of the tariff schedules in the following year. Permanently elevated customs duties on agricultural products were incorporated into the Fordney-McCumber Act of 1922, but the increases actually did little to alleviate the farmers' distress. Raising import duties on goods the United States habitually produced in surplus and exported in large quantities could not be expected to have much effect on prices at home. Yet the high-tariffs-equals-high-prices formula had become a popular article of faith, so the farmers were not the only ones who received a strong dose of protectionist medicine. The rates on most commodities were restored to the levels of the Payne-Aldrich Tariff (see figures 2 and 4, pages 18 and 34). The 1922 Fordney-McCumber Act thus represented a renewed pledge of faith in the traditional protectionist philosophy.

One new industrial sector had emerged as a result of the war itself. Prior to 1914, the German chemical industry had been the most advanced in the world, and it held patents on a number of fundamental synthesizing processes. The war cut the United States off from German chemical supplies and freed the new owners of confiscated German subsidiaries in the United States of any concern over the patents. The U.S. war effort required enormous supplies of chemicals, so an enlarged synthetic chemical industry developed almost overnight. At the war's end, this infant industry sought protection. The Democratic Wilson administration responded with temporary import controls and other restrictions. The subsequent Fordney-McCumber Act constructed prohibitively high tariff barriers around the domestic chemical industry, particularly coal-tar products. This act provided that the ad valorem duty on most coal-tar products would be based on the American selling price of similar competitive articles manufactured or produced in the United States, or if no similar or competitive articles were manufactured or produced in the United States, then the ad valorem rate would be based on the U.S. value of the imported article.

The 1922 act included some important new features. Improving on the maximum-and-minimum clause of the Payne-Aldrich Act, Congress recognized that international trade conditions might change sufficiently to make its static tariff schedules obsolete. Rather than wait for the cumbersome process of a full legislative review to take place,

Congress delegated authority to make adjustments in the rates to the executive branch. This so-called flexible tariff provision authorized the President, upon the recommendation of the Tariff Commission, to adjust rates on particular commodities either up or down as much as 50 percent, in order to equalize the costs of production in the United States and in the principal competing countries. Although in practice this provision did not lead to any substantial changes in the tariff's overall impact, it further helped to break down resistance to the concept of executive responsibility for tariff revision and established an important precedent for the trade-agreement approach in the next decade. The Commission was also ordered to investigate and to recommend remedies to the President for any unfair practices in U.S. import trade or for foreign discrimination directed against U.S. exporters.

The Tariff Act of 1930: The Smoot-Hawley Tariff

The years immediately following the passage of the Fordney-McCumber Act of 1922 resembled the era of prosperity around the turn of the century, although early warning signals of the impending economic catastrophe of the 1930's were evident. The most persistent area of concern was the continuing depressed condition of U.S. agriculture. Twice President Calvin Coolidge exercised his veto power, staving off measures that favored farm interests through what amounted to Federal price supports. By the late twenties, the farm problem was seriously disturbing the Republican leadership. When Herbert Hoover succeeded Coolidge in the White House, he realized that he had to deal with the growing agrarian anxiety. After shepherding the Agricultural Marketing Act through Congress in 1929, he proposed raising tariffs on agricultural imports even further, although the extremely high rates of the 1922 act had failed to stimulate higher prices in the agricultural sector.

One could not open the door to upward revision of agricultural tariffs, however, without admitting an army of lobbyists for other sectors of the economy. Once he realized that he had set in motion a general revision of the tariff, President Hoover urged the House and Senate to exercise restraint. Willis C. Hawley, of Oregon, introduced a bill in the House that ignored the limitations Hoover had suggested. In the upper House, Senator Reed Smoot, of Utah, traded support of higher tariffs on imported industrial goods for increases in agricultural duties. Hoover was none too pleased with the monster this process had created, but, over the strenuous objections of a number of

individuals, including a group of 1,028 economists, the President signed the Smoot-Hawley bill into law. He attempted to mollify his critics both at home and abroad by declaring that the act's revitalized flexible tariff provision would resolve all of the objections to its higher rates by instituting a process for their systematic reduction.

However, the cumbersome and time-consuming process of investigation, review, and recommendation of individual rates decreed that the bulk of the act's duty provisions would remain unchanged by this process. The Smoot-Hawley Act also had reorganized the Tariff Commission and had outlined more specific powers and detailed procedures for its advisory functions in conducting flexible-tariff, unfair trade practices, and foreign discrimination investigations, as well as in carrying out studies and preparing reports on all aspects of the international trade system. However, as in 1917, world economic conditions changed so rapidly after 1930 that the Commission had little opportunity to accustom itself to its new responsibilities.

The Smoot-Hawley Act itself had helped to alter these conditions substantially. Having set up the highest general tariff rate structure that the United States had ever experienced (see figures 1 and 2 on pages 9 and 18 and figure 4), it triggered an angry reaction overseas. One nation after another retaliated by raising its own trade barriers

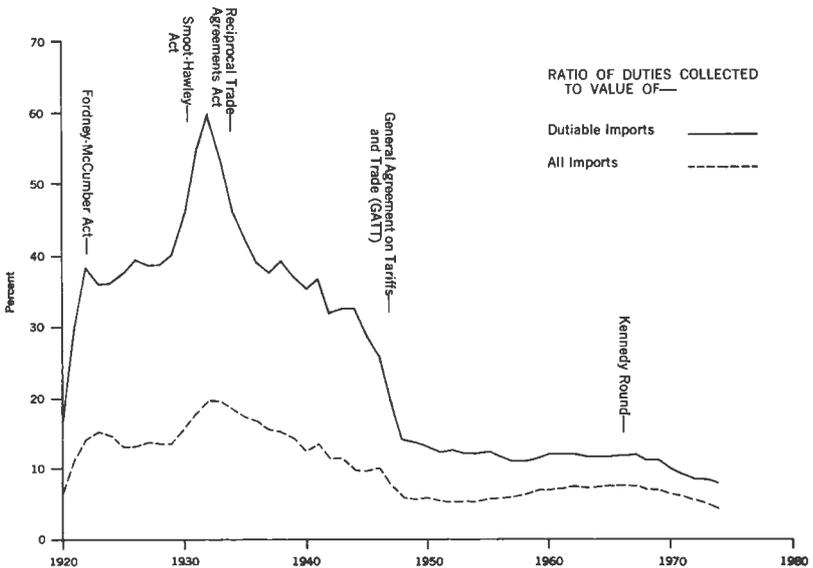


FIGURE 4.—Ratio of duties collected to value of U.S. imports, 1930-74.

against U.S. exports. In addition, a monumental international depression had begun, which was destroying the whole fabric of world trade, even while Congress was putting the finishing touches on the Smoot-Hawley Act. Under the impact of higher tariffs, competitive devaluations, and heavy-handed financial controls throughout the world, the flow of international trade shrank drastically in 1931 and 1932, and the U.S. economy staggered toward total paralysis. The protectionist tariff philosophy embodied in the Smoot-Hawley Tariff did nothing to halt the precipitous decline of domestic prices and production.

The Trade Agreements Act of 1934

A long tradition of support for freer trade had inoculated most Democrats against the high-tariff virus. From the beginning of the campaign that would make him President, Franklin Delano Roosevelt made clear his opposition to the kind of trade barriers the Republicans had erected in the Smoot-Hawley Act. The Democratic platform in 1932 called for a "competitive tariff for revenue with a fact-finding commission free from executive interference, reciprocal tariff agreements with other nations, and an international conference designed to restore international trade and facilitate exchange." Of these proposals, by far the most important was the call for reciprocal trade agreements. Although no one would have guessed it in 1932, such agreements would drastically change the method for establishing future tariff levels; the Smoot-Hawley Act was to be the last general congressional revision of the tariff. The national banking crisis and the preparation and passage of the recovery and relief programs of the first 100 days of Roosevelt's administration prevented any immediate action on the tariff front. During this delay, however, the reciprocity concept grew in popularity.

The Reciprocal Trade Agreements Act of 1934 was framed as an amendment to the Smoot-Hawley Act, which preceded it. The basic approach involved promising to lower U.S. trade barriers in return for similar concessions from other countries. Like the flexible tariff provisions of previous tariff acts, the new statute prohibited any concessions that would reduce U.S. tariffs by more than 50 percent. The new legislation did, however, totally alter the process of changing domestic tariffs because it authorized the President to negotiate reciprocal trade agreements with other countries for an initial 3-year period. It thus turned over to the executive branch the power to reduce rates, within the limits defined by the act, and reduced the need for wholesale rewriting of the U.S. tariff law and rates by the Congress. Protec-

tionists and Republicans in Congress staged a noisy last-ditch stand against the bill, but unified Democratic congressional majorities piloted it to approval.

The United States immediately opened negotiations with several countries. Within 2 years of the act's passage, bilateral reciprocal agreements had been completed with Cuba, Belgium, Haiti, Sweden, Brazil, Canada, and the Netherlands—and these were only the first of many. By the middle of the Second World War, a total of 30 bilateral trade agreements with some 25 countries were in operation. The new agreements led to the reduction of many tariff rate levels (see figure 4, page 34), but because they simultaneously stimulated increased trade, the total amount of the duties collected under the reciprocity agreement's tariff concessions was actually higher than it had been under the original Smoot-Hawley rates of duty. Unfortunately, the total volume of U.S. international trade was not fated to return to its pre-depression levels for some time.

By almost any measure, the most important of the early reciprocal trade agreements was the one between the United Kingdom and the United States, signed on November 17, 1938. Along with the many other nations that the depression had engulfed in the early 1930's, the United Kingdom had abandoned its traditional free-trade approach and had hastily erected tariff and other types of trade barriers. The 1938 Anglo-American agreement somewhat reversed this British retreat toward economic nationalism, and it helped restore more habitual trade patterns. Historically, Great Britain had almost always been the United States' most important trading partner, and the agreement facilitated U.S. trade not only with the home islands but also with the extensive British colonial empire.

The reciprocity policy paid dividends in the Western Hemisphere as well. A series of U.S. foreign policy initiatives around the turn of the century had intensified Latin American hostility toward the United States. The Hoover and Roosevelt administrations' Good Neighbor Policies dealt with these factors, withdrawing U.S. military units and exhibiting a much more forthcoming attitude with regard to trade and financial disputes. The tariff concessions that the United States made or continued on coffee, sugar, and other products under the Trade Agreements Act of 1934 increased hemispheric trade. At the same time, counterconcessions from the Latin American nations enabled the United States to develop better markets among its neighbors. These increased economic contacts helped build hemispheric friendship as the rest of the world once again stumbled toward war.

The first great war of the 20th century had taken many people by

surprise, but all had ample warning of the second. The Manchurian Crisis, Italy's conquest of Ethiopia, and the Spanish Civil War all provided grim forebodings of what was to come. As Japan began its attempted conquest of China, and Germany reached out to absorb first Austria and then Czechoslovakia, the European nations began war preparations in earnest. International trade relationships became extraordinarily complex. Partly because of U.S. willingness to make reciprocal concessions in the late 1930's, world trade barriers had declined after having risen in response to the depression earlier in the decade. Once the threat of war appeared on the horizon, however, new trade walls among all nations arose, this time of a different sort. In the early 1930's, high tariff and nontariff barriers had been designed in each country to discourage imports while hoping to leave overseas export markets basically undisturbed. Now the opposite policy prevailed; stiff restrictions were placed on the export of any war-related materials, and a desperate search by many nations to find overseas supplies of armaments and strategic materials developed.

The United States seemed most concerned with avoiding any involvement whatsoever. Congress passed a series of neutrality acts, hoping thereby to limit the armaments trade and to insulate the United States from any contamination from the war fever. The essence of the neutrality legislation was in prohibitions against selling goods to belligerents on anything other than a strictly cash-and-carry basis. The outbreak of fighting in Europe diminished the neutrality impulse in the United States and opened the door for a substantial alteration of the Nation's trade policies. On the one hand, the Federal Government imposed ever-tighter export restrictions on strategic goods going to Japan. On the other, the United States helped the allied European nations by abandoning the cash-and-carry principle and eventually instituting the lend-lease program.

In August 1941 President Roosevelt and British Prime Minister Winston Churchill met aboard a heavy cruiser off the coast of Newfoundland in order to map out a joint strategy for the future. They drew up the Atlantic Charter, which, like the Fourteen Points in 1918, recognized the importance of international trade in fostering world peace and prosperity. It announced the two leaders' desires "to bring about the fullest collaboration between all nations in the economic field with the object of securing, for all, improved labor standards, economic advancement and social security." Acting upon the principles outlined in the Atlantic Charter, statesmen from the allied nations hammered out the agreements that underlay the creation of the United Nations. The monetary conference at Bretton Woods, the long draft-

ing sessions at Dumbarton Oaks, and the summit conferences at Teheran and Yalta all betokened a firm U.S. commitment to internationalism and to collective arrangements in the future.

The Trade Agreements Extension Act of 1945

Although more pressing wartime demands took precedence over international trade matters, the United States pursued its reciprocal trade negotiations through the conflict. So effectively had the work gone forward, in fact, that by 1945 further substantial reductions had been proclaimed in the rates of duty of many important commodities. The administration wished to continue these profitable negotiations, particularly now that a general restructuring of the world's economic order seemed necessary, so President Truman sought additional bargaining power. Congress responded with an extension of his negotiating authority, allowing him to reduce any tariff rate by 50 percent of the rate existing on January 1, 1945. As the duties on many items had already dropped by half since 1934, this new legislation permitted the setting of some rates at one-fourth of those originally specified in the Smoot-Hawley Act.

The 1945 Trade Agreements Extension Act was passed in anticipation of altered negotiating procedures in the future. The bilateral method of reducing tariffs was now to be replaced with a new approach: a series of multilateral conferences of all nations interested in creating a fully integrated trade structure. The 1945 legislation's 3-year negotiating authorization allowed the United States to send delegates to such conferences empowered to reduce U.S. tariffs substantially; other nations would send representatives with similar mandates. The participants in the first conference were expected to create an International Trade Organization (ITO), similar to the International Monetary Fund, to oversee the operation of the multilateral trade and tariff structure. An ITO charter was duly drafted and plans were set for implementing it, but the U.S. Congress declined to approve such an agency and this was sufficient to block its creation.

Similar negotiations at Geneva in 1947 established a multilateral trade pact. The representatives of 23 nations spent 7 months drawing up the General Agreement on Tariffs and Trade (GATT) designed to replace the array of existing bilateral trade agreements. Although the ITO had been expected to administer the implementation of the GATT, that instrument had to go into operation without the ITO's creation.

In order to win widespread approval of the all-encompassing trade package, the GATT included a number of reservations and restrictions. Among the restrictions were prohibitions against interference with the free exchange of goods by the use of protective internal taxes, import quotas, and other trade barriers. A major reservation appeared in Article XIX, the so-called “escape clause,” that permitted a nation to modify or withdraw particular concessions if it discovered that its domestic producers were being seriously injured as a result of trade agreement concessions. The United States adopted the policy of including similar escape clauses in all of its trade agreements, and the Tariff Commission was given the responsibility for conducting an investigation to determine and to report to the President whether the escape clause criteria had been met.

A good many additional countries have joined the charter members over the years, aligning their fundamental trade policies with those of the GATT. However, the United States withdrew the application of its GATT concessions to imports from certain of the agreement’s original contracting parties—notably Czechoslovakia and Communist China, victims of the cold war. Nevertheless, GATT participants accounted for a substantial majority of total world trade. The original tariff concessions granted by contracting parties to the GATT have undergone considerable modification since 1947. Five full rounds of negotiations occurred between 1947 and 1962, and each had the effect of further reducing tariff barriers to international trade.

The Trade Agreements Extension Act of 1948

By 1948, the extension to the President’s negotiating authority had expired, and another extension act was voted in order to allow the United States to continue to participate in international trade and tariff negotiations. However, a device in the U.S. negotiating authority called a “peril point” complicated the task of our delegates at these subsequent rounds of negotiations. Congress ordered the Tariff Commission to subject all our proposed concessions to a sort of preview, and to determine the point beyond which tariffs could not be reduced on each article without injuring the domestic industry producing it. It would then advise the President not to make concessions beyond the peril point on specific commodities. If concessions on tariff rates were made below this point, the President was required to report to Congress explaining why the reduction had been necessary. In this manner the peril-point advice restricted the executive branch’s freedom to negotiate and was revoked in 1949, only to be revived in 1951. A peril-

point provision was included in each subsequent trade agreements extension act until 1962, when the Tariff Commission was directed to advise the President of the probable economic effect of tariff modifications without reference to a peril point.

The United States hoped its participation in these multilateral conferences would restore international trade to its former levels, but Europe continued to suffer aftershocks from its wartime devastation. By 1947, the Western European countries seemed increasingly vulnerable to a Soviet military threat, so the Truman administration proposed a massive recovery program named after Secretary of State George C. Marshall. A fundamental aspect of the Marshall Plan was its encouragement of cooperative planning among the European nations in order to bring about the most efficient use of the billions of dollars the United States would be pumping into the continent. The U.S. aid program not only helped to rebuild the wartorn European economy, but it also illustrated the effectiveness and wisdom of cooperative economic planning. By 1951, this experience had been put to good use in the creation of the European Coal and Steel Community, involving France, West Germany, Italy, Belgium, the Netherlands, and Luxembourg. The success of the cooperative approach in the coal and steel sectors encouraged a much fuller economic integration. So in 1957 these six nations agreed to form a European Economic Community, popularly known as the Common Market. The example of this organization stimulated a slightly different cooperative arrangement among seven other European nations, which formed the European Free Trade Association in 1960.

The emergence of these powerful economic blocs, as well as the postwar recovery of Japan, denied the United States its former dominance in world economic development. By restricting its agricultural imports, for example, the Common Market could cause serious damage to the U.S. economy. Worse still, the United States began suffering an unfavorable balance of payments as a result of its heavy investments and expenditures overseas and the effects of an overvalued exchange rate for the dollar. Nagging balance-of-payments problems intensified toward the end of the 1960's. In addition, the GATT negotiations that had followed the original Geneva meeting had not proven as beneficial as expected. The so-called Dillon Round at Geneva in 1961 and 1962 had only marginally reduced trade barriers. This disappointing result stemmed in part from the limited negotiating authority of the United States.

The Trade Expansion Act of 1962

A single political party controlled both the legislative and executive branches of the Government in 1962, and this facilitated passage of another trade act. In one of the shortest, least emotional tariff debates it had ever held, Congress extended the President's powers in the tariff realm. The Trade Expansion Act of 1962 modified the pattern its predecessors had established as merely extensions of the 1934 legislation. It authorized the appointment of a Special Representative for Trade Negotiations to superintend U.S. activities at the next round of GATT negotiations. The Special Trade Representative was directed to call upon representatives of industry, agriculture, and labor, and upon a number of executive branch agencies and departments, as well as the Tariff Commission, to help him prepare for the talks. As in previous tariff acts since the 1934 legislation, the President could propose across-the-board reductions in the U.S. tariff schedules, providing that other trading nations would respond with commensurate concessions. The administration hoped to use this mandate, extended for a full 5 years, to cement economic relations between the United States and its non-Communist trading partners.

The 1962 act directed the Tariff Commission to examine all of the President's possible concessions. Under the 1962 rules, however, the Commission's role was less restrictive than it had been earlier. The determination of peril points was not required, and the Commission was ordered to forecast only what the "probable economic effects" of these concessions would be on the domestic market. The law provided for removing the duty on articles for which the July 1, 1962, rate was 5 percent ad valorem or less, and reducing the rates on other articles by 50 percent of the July 1, 1962, rate. The act reserved from negotiations a small number of articles, namely those subject to certain import restrictions and those that might endanger the national security. The resulting talks turned out to be as slow and as acrimonious as they had been under the previous statutes. The emotional pitch at the conference table remained high and less than helpful to the associated effort of strengthening America's non-Communist alliances and economic relationships.

The negotiations finally began in May 1964, and they were referred to as the Kennedy Round for the President who had been instrumental in getting the trade legislation enacted. The talks continued until the very day that the U.S. negotiating authority expired—June 30, 1967. The Kennedy Round was one of the most comprehensive rounds of international trade negotiations ever held. The major trading coun-

tries made across-the-board cuts ranging from 36 to 39 percent of previous tariff rate levels on most products. The 53 participating countries reduced tariffs on about 40 billion dollars' worth of trade. In addition, the negotiators spent considerable time dealing with non-tariff barriers and other complex issues clouding the international trade picture. Perhaps the most signal failure of the negotiations lay in the area of agricultural trade, since Common Market trade barriers against agricultural imports remained intact.

By the time all of the Kennedy Round's staged reductions had gone into force, the world had changed a great deal. In the late 1960's the United States was engaged in an expensive war in Southeast Asia and locked into a number of costly foreign-aid commitments. Moreover, the U.S. dollar was overvalued, compared to the price of other internationally traded currencies. The Bretton Woods international monetary system made devaluation of the dollar difficult, and this price imbalance made the dollar price of U.S. imports artificially attractive. At the same time, the United States continued to be an exporter of private investment capital. Thus it is not surprising that the country had persistent balance-of-payments problems, and increasingly import-sensitive domestic industries.

All of these factors combined to substantially alter domestic opinions on tariff and trade matters. Indeed, even though Congress had approved the 1962 Trade Expansion Act by the largest majorities in the history of the trade agreements program, some doubted that similar legislation would even have won approval in the House during the early years of the Nixon administration.

Traditional protectionist attitudes had waned as U.S. industries expanded overseas and as the Nation became the chief exporter of technological innovations in a rapidly expanding free-world economy. However, as some business and industrial supporters of the Republican Party now favored freer trade, it was left to the Democratic Party to call for restraints in that direction. Organized labor and liberal advocates of employment opportunities among minority groups perceived benefits in tariffs designed to protect U.S. workers from competition from low-paid foreign workers. These Democratic-centered protectionist impulses peaked with the introduction of the Burke-Hartke bill in Congress in 1971, accompanied by a massive citizen-signature campaign. The bill sought to restrict the flow of U.S. investment capital abroad and showed particular hostility to the concept of multinational corporations. It also endorsed quotas as the only method of dealing with the damaging import competition. Although

the bill failed to clear Congress, it illustrated a significant realignment of tariff attitudes and policies in the two major political parties.

The Trade Act of 1974

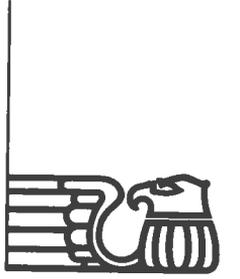
As detente muted the cold war in the early 1970's, the Nixon administration deliberately attempted to reduce the obstacles blocking trade with the Soviet Union and the People's Republic of China. These gestures fit with that Republican administration's general contention that all tariffs should be progressively eliminated over the next 25 years. The United States articulated its position at the GATT ministerial meeting in Tokyo in September 1973, but the President still lacked any negotiating authority to put his policies into practice. Protectionist influences continued to stymie any move in the direction of new tariff reductions. Extensive debate and a number of restrictive amendments added in the Senate deliberations characterized the drafting of the new authorization bill that finally reached President Gerald Ford's desk in the first days of 1975.

The Trade Act of 1974 embodies the U.S. negotiating authority and defines the scope and limitations of U.S. participation at the current session of GATT negotiations. The statute's stated objectives are "to promote the development of an open, nondiscriminatory, and fair world economic system, to stimulate fair and free competition between the United States and foreign nations, to foster the economic growth of, and full employment in, the United States." No single piece of legislation with so broad a purpose could be simple and concise. The chief means provided for accomplishing its trade goals in the authorization of continued reductions or elimination of tariff and nontariff barriers. The act grants the President a 5-year negotiating authority, allowing him to reduce by as much as 60 percent any tariff rate over 5 percent in force on January 1, 1975, and also allows him to remove the duty on any article for which the existing rate is 5 percent or less.

The 1974 statute is, however, the longest and most complex trade act written since 1934, and it contains a number of restrictions and special procedural rules. The escape-clause and unfair-practices provisions have been retained. Because freer trade is not universally acceptable to all politicians, industrial spokesmen, and labor leaders, and because adverse economic effects can result from certain tariff concessions, trade legislation since 1962 has provided for relocation, retraining, conversion, or other adjustment assistance for those adversely

affected by increased competition from imports. The Trade Act of 1974 thus carries forward and expands the trend, begun in the 1962 act, of providing nontariff relief for U.S. industries, firms, and workers that increased imports have injured. The Tariff Commission, renamed the United States International Trade Commission by the Trade Act of 1974, again was required to investigate injury claims and to propose remedies for those claims found to be valid. Apparently tariffs will play a comparatively less important role in the control and shaping of international trade in the future.

This brief review of the history of U.S. tariffs and tariff policy has indicated how the United States has attempted to tailor its trade policies as it passed through various stages of economic and political development since 1776. When the infant nation depended upon imports to provide it with economic diversity, its tariffs remained relatively low. As domestic industries developed increasing economic importance and political influence, the Government switched to higher, protectionist duties. This protectionist policy persisted perhaps longer than was necessary, given the technical skills and industrial sophistication of the United States after 1900. Progress toward freer trade with the rest of the world really began only with the onslaught of the Great Depression in the 1930's. As the United States emerged from its isolationist position in foreign affairs in the 1930's and 1940's, it adopted an increasingly liberal trade policy as well, using tariff concessions and its sizable market and export potential in pursuit of broader foreign-policy ends. Tariff policy has seldom remained static for long, nor has it ever been predictable. Controversies over the proper levels and fundamental purposes of tariffs have raged throughout U.S. history. The following section, which touches upon some of the more prominent of these controversies, also illuminates the major issues underlying tariff policy as well as the politics, philosophies, and emotionalism that have influenced its formulation.



Part II.

Tariff Issues and Controversies

Christian Herter, the United States Special Trade Representative at the Kennedy Round negotiations, once quoted a reporter as saying, "It is almost as dreary to read about tariffs as it is to write about them."¹ Although many may share this attitude, over the years tariff issues have fomented a number of impassioned controversies, some of which have absorbed the attention of the entire Nation. The first substantive bill that the First Congress took up for consideration in 1789 was James Madison's revenue tariff proposal. Ever since, politicians, statesmen, economists, diplomats, businessmen, labor leaders, and the common man have found ample opportunity to disagree over U.S. tariff policy.

Two basic questions lie at the heart of every tariff controversy: who should set the rates and how high should they be? Answering the first question, has, from time to time, involved a dispute between Congress or the President, the South or the North, Republicans or Democrats, protectionists or free traders, and progressives or conservatives. The range of possible answers to the question of how high the rates should be extends all the way from the ideal of unrestricted free trade—essentially the absence of tariffs—to a totally protective system with rates set high enough to cut off all imports of some articles from abroad. Before 1913, the United States generally resolved the dilemma of the appropriate level of rates by seeking a compromise level, lying somewhere between free trade and total protectionism, but a level that also created the necessary amount of revenue. Since the imposition of the income tax, tariffs have served a solely protective function, and have

¹ Repeated in Ernest H. Preeg, *Traders and Diplomats*, Washington: The Brookings Institution, 1970, p. 1.

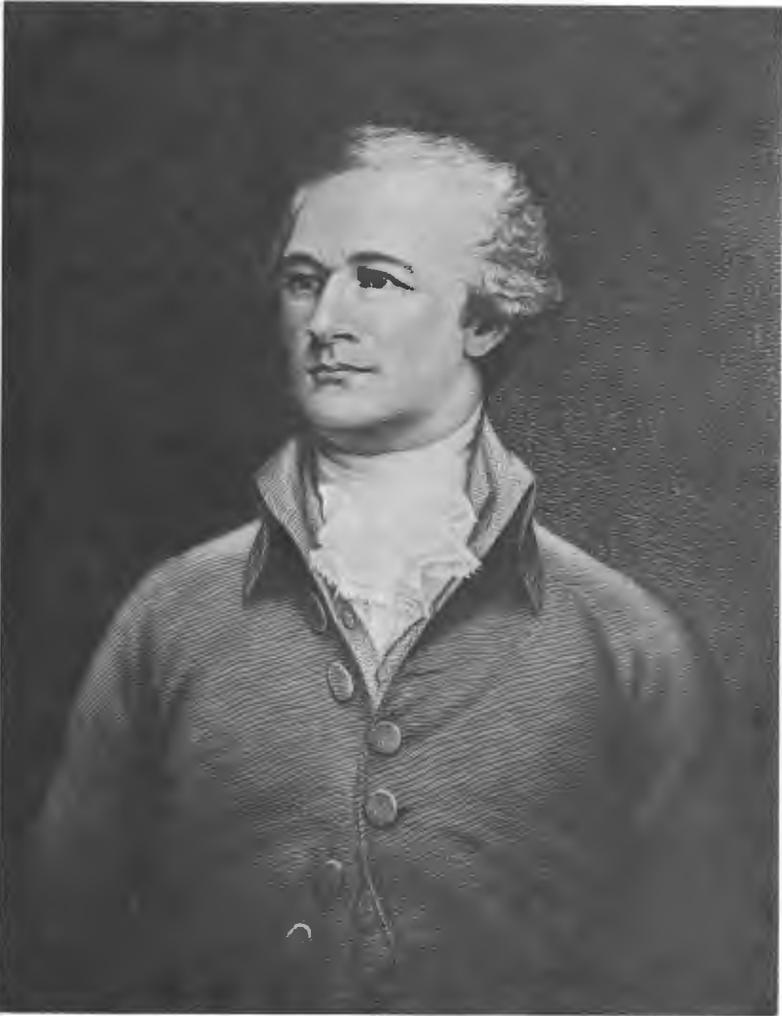
been reduced drastically in the freer trade atmosphere of the post-World War II era.

In addition to the discussion of these two basic questions, tariff debates almost always involved much broader considerations. Sometimes these outside factors have been only very remotely connected with international trade. The major tariff controversies of the past have incorporated such diverse topics as U.S. foreign policy, domestic prosperity and depression, sectional rivalries, political jealousies, and even constitutional interpretations. Because international trade affects so many Americans, tariff controversies have often been associated with the persistent debate over what sort of union and what sort of nation the United States represents. Differences of opinion about these fundamental questions appeared almost at once, and they infused the Nation's earliest tariff controversy with a decidedly ideological tone.

The Ideological Controversy: Hamiltonians Versus Jeffersonians

The individuals who met in a secret convention to draft the Constitution of the United States possessed a great variety of motivations and philosophical beliefs. They found that they could not immediately resolve all of their disagreements, so the Constitution-makers produced a rather general document. Once it had been drafted and made public, three of its leading proponents—Alexander Hamilton, James Madison, and John Jay—wrote a number of newspaper essays describing in greater detail what they expected the Constitution to accomplish and how they hoped it would work. These essays were then collected in a book entitled *The Federalist Papers*, whose purpose was to gather support among the American people for the new governmental structure.

With the Constitution safely ratified and the Government beginning to function in 1789, Hamilton and Madison quickly became estranged. Ideological differences they had downplayed or ignored while jointly agitating for the ratification of the Constitution now drove them into bitter opposition. Tariff considerations lay at the very heart of this ideological dispute. As Speaker of the House of Representatives, Madison superintended the passage of a tariff bill devoted primarily to the raising of revenue. Hoping to limit the power and functions of the central Government to essentials, he presumed that the use of indirect taxes in the form of customs duties would be the least intrusive way of creating an income for the Federal Government.



ALEXANDER HAMILTON, FIRST SECRETARY OF THE TREASURY

He was an early proponent of protective tariffs to encourage the establishment and nourishment of infant U.S. industries.

Source: National Portrait Gallery, Smithsonian Institution, Washington, D.C.

The duties were quite low. The gestures toward protectionism in the 1789 act and its immediate successors were few and had a very limited impact upon either domestic production or international trade.

Secretary of the Treasury Alexander Hamilton derived his tariff attitudes from a different set of premises, favoring as he did a much

more active Federal Government than Madison thought prudent. Hamilton wanted it to shape and stimulate the U.S. economy in a variety of ways. He proposed and, over Madison's strenuous objections, managed to have established a central bank. He also arranged for the Federal Government to assume the Revolutionary War debts of the various States, and he developed an extensive system of internal excise taxes on such commodities as tobacco and liquor.

The final comprehensive statement of Hamilton's economic philosophy appeared in the *Report on Manufactures* that he sent to Congress in December 1791. This document outlined a program of full-scale Federal intervention in and direction of the national economy designed to alter the course of the future development of the United States. Hamilton would have U.S. tariffs raised high enough to discourage importation of many sorts of foreign manufactured goods, a circumstance he believed would stimulate domestic industrial growth and encourage the Nation toward economic self-sufficiency. Thus he would use tariffs as a major tool in completing the process of the Revolution, making the United States economically independent as well as politically distinct from Europe. High tariffs alone would not be enough. The Treasury Secretary also proposed that the Government encourage the growth of specific industries through the mechanism of Federal bounties and the creation and disbursement of investment capital through the central bank. Similar proposals for an active, energetic, future-oriented Federal Government using a powerful central bank and high protective tariffs to stimulate industrial growth would appear again and again in the years to come. Hamiltonian ideas served as the basis of the Republican Party's proindustrial platforms in the last half of the 19th century.

James Madison reacted in a decidedly negative way to the Hamiltonian scheme. With his faith in the greater responsiveness and inherent fairness of the individual State governments, he disliked the Treasury Secretary's plan because of its centralizing tendencies. A successful planter himself and the representative of a relatively prosperous agrarian region, Madison perceived no particular benefits for his section in the ideas of his New York antagonist. In consultation with Thomas Jefferson, a fellow Virginian, Madison developed a countervailing philosophy emphasizing the wisdom of limiting the power, the scope of activities, and the intrusiveness of the Federal Government. Because of Jefferson's greater prominence, these concepts came to be known as the Jeffersonian philosophy. A strict construction of the Constitution and a restrained exercise of Federal power were its leading tenets, leaving the Jeffersonians with little

sympathy for those demanding protective tariffs. Madison skillfully countered Hamilton's political intriguing and maintained a stubborn and effective opposition to protectionism through the 1790's.

Although Hamilton never would have admitted it, his concepts were far too advanced for a nation of farmers. When the Jeffersonian era ushered in the 19th century, Hamilton's ideas retreated from view. For a time, the Nation's infant industries had to struggle along without the protection of high tariffs. Meanwhile, U.S. farmers and planters were increasingly seeking markets in Europe and in the European nations' colonies for their surplus products, and the U.S. Government was opposing all trade barriers. In 1812 President Madison declared war in an effort to eliminate these barriers. Thus, this first tariff controversy was essentially part of a much broader debate over conflicting strategies for the Nation's future economic development. The second major tariff controversy continued this debate, but shifted its focus to the question of which section of the United States would control the national destiny.

The Sectional Controversy: Southerners Versus Northerners

Even without the active Federal encouragement and assistance that Hamilton had proposed, an industrial revolution quickly took hold in the United States. For many years it remained geographically isolated, almost exclusively confined to the more populous regions of New England and the Middle Atlantic States. The factories that sprang up generally imitated English examples, producing cotton and woolen textiles, iron, and certain types of machinery. Because British goods accounted for the bulk of U.S. imports, the Americans who became engaged in manufacturing considered England their leading competitor. They quite naturally developed an interest in raising barriers in the form of tariffs to protect themselves. These barriers were intended to give the infant industries an opportunity to grow in efficiency until they could compete directly with those in the British Isles. But England's industrial revolution advanced well beyond the stage reached at that time in the United States, enabling British manufacturers to diversify their labor force, increase their productivity, and lower their prices. The cost of a yard of coarse cotton cloth fell from about 30 cents in 1815 to less than 10 cents in 1830. Price competition therefore represented a continuing problem for U.S. manufacturers, and their persistent cries for governmental assistance in the form of higher tariff rates began to gain sympathy in Washington.

Southerners and many westerners, on the other hand, remained convinced that an agrarian economy was most desirable. Agricultural production and productivity rose dramatically in the early years of the 19th century, holding out promises of great financial rewards for tillers of the soil. The resulting bounty easily surpassed the Nation's domestic capacity to consume, and southern planters and western commercial farmers realized that ample overseas markets alone could guarantee reasonable agricultural prices. In most years cotton exports produced the highest amount of foreign exchange, and southern plantations thus played an important part in maintaining the Nation's trade balance. Southerners had a major stake in keeping U.S. tariffs low, fearing that foreign nations might retaliate against higher levies by raising their own duties on U.S. cotton. A section of the country dependent for its livelihood upon exports could not ignore the activities of those interested in raising trade barriers in the United States.

As manufacturing representatives increased the pressure on their Congressmen to raise tariff rates, southern opposition became correspondingly stronger. Spokesmen for the antiprotectionist agrarian regions developed a number of rational and irrational arguments to support their position. The most convincing of these had to do with domestic price levels. Raising tariff rates would obviously raise the prices of commodities that the United States bought from abroad. Even if U.S. manufacturers became capable of producing similar goods efficiently, however, they would be unlikely to charge lower prices as long as they were enjoying tariff protection from foreign price competition. Thus, argued the low-tariff men, regardless of whether consumers bought imported or domestically produced goods, they would inevitably have to pay higher prices for any commodities protected by high tariffs. The costs of such indirect taxation would fall most heavily on the southern agrarians, who would pay higher prices but not receive corresponding benefits in the form of higher profits, wages, or market security.

Consideration of tariff rates and pricing policies did not occur in a vacuum. Prospering with their one-crop economy, southerners began seriously questioning the advantages of remaining united with those in the northern States who seemed totally disinterested in southern economic desires. The issue of slavery definitely complicated the picture. Although the connection between slavery and tariffs might seem tenuous or artificial, the slavery issue was fundamental in triggering the great tariff controversy of the late 1820's and early 1830's. The underlying issue was simply whether the northern, free-labor, protectionist

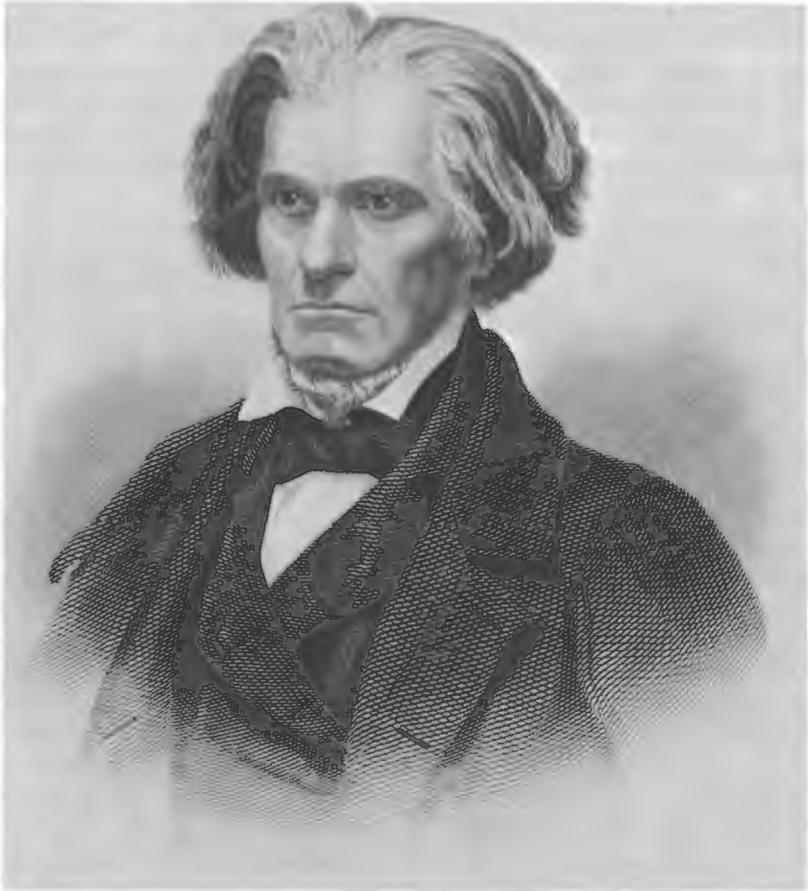
system or the southern, slave-labor, free-trade system would ultimately prevail. Southerners felt that if high protective tariffs could be imposed upon them against their will, in the long run a forced abolition of slavery might occur as well. Tariff rates were partly symbolic for the South: in fighting against protective barriers, the southerners were essentially defending their whole economic and social system from northern attack.

In its defensive struggle, the South first sought political allies and support through compromise. When this political approach appeared to have failed, southern spokesmen retreated to the position that the Constitution prohibited the North from imposing its will on the rest of the Nation. The first stage of the struggle began in the 1820's, when sufficient protectionist strength emerged in Congress to push through a high-tariff program. A combination of eastern industrial and western agrarian Representatives who believed higher tariff rates on their products would raise prices at home sponsored the Tariff Act of 1824. Southerners and, interestingly enough, New Englanders generally opposed the protective rates. Shipowners and merchants still dominated New England politics, and they favored as few barriers to international trade as possible. In the next few years, however, industry would overtake commerce as that section's leading activity.

The tariff issue continued to boil after the passage of the mildly protective 1824 measure. Woolens manufacturers were particularly disgruntled and managed to get a bill raising tariffs on wool imports through the House in 1827. When it received a tie vote in the Senate, the decision fell to Vice President John C. Calhoun. As a nationalistic war hawk from South Carolina during and after the War of 1812, Calhoun had supported the protective aspects of the 1816 tariff act. In the intervening decade, however, Calhoun had gradually lost his national orientation, replacing it with an increasingly sectional fervor. He would not approve the woolens bill or any other measure that would raise tariff rates. His negative vote made his opposition to protective rates known to all.

If John Calhoun had hoped to kill protectionism in 1827, he was to be bitterly disappointed. In the spring of 1828, Congress created its most grotesque bill, which came to be known as the Tariff of Abominations. The basic motivation behind it was political, not sectional or ideological.

Democrat Andrew Jackson needed the support of high-tariff advocates in the Middle Atlantic and Midwestern States to win the Presidential election in 1828. So Jackson's supporters in Congress proposed a bill to raise the tariff levels, deliberately making some of



**JOHN C. CALHOUN, VICE PRESIDENT OF THE UNITED STATES
AND SENATOR FROM SOUTH CAROLINA**

In both the legislative and executive branches of Government, he was the South's strongest spokesman in the pre-Civil War era opposing the institution of protective tariffs.

Source: National Portrait Gallery, Smithsonian Institution, Washington, D.C.

the rates exorbitantly high. Politicians responsive to the special interests of their home districts amended the bill to include equally high rates on other commodities. These amendments abetted the Jacksonians' strategy. The higher the average rate grew and the more obvious the parochial influence of the lobbyists became, the more certain they were that a coalition of strict low-tariff southerners and free-trade New Englanders would vote it down. Then Jacksonians in

New York, Pennsylvania, and further west could blame others for the bill's failure, while leaving Jackson free to exploit his great personal popularity in the South, unencumbered by a high-tariff label.

This devious political strategy misfired when, to everyone's surprise, half of the New Englanders voted for the measure, and it passed. The influence of Daniel Webster, a Senator from Massachusetts, was chiefly responsible for this reversal. Perhaps the most persuasive orator in the Nation's history, Webster frequently altered his position to reflect the wishes of his constituency. Between 1824 and 1828, the balance of power in Massachusetts had finally shifted from the merchants to the manufacturers, and Webster and his New England associates reflected this shift in their now-fervent support of protectionism. President John Quincy Adams duly signed the tariff measure and undeservedly received the blame that should have gone to the Jacksonians. Meanwhile these versatile politicians overcame the collapse of their initial scheme by mounting an exaggerated campaign of protest over what they called Adams' Tariff of Abominations. Their activities helped Jackson soundly defeat the incumbent President in the November election.

That same election extended John Calhoun's term as Vice President, but he could not let the Tariff Act of 1828 continue in force without protest. The very fact of its existence was enough to discourage him about the prospects for attaining his section's goals through the normal political processes. He therefore retreated to a constitutional defense. According to his logic, the Constitution authorized the establishment of tariffs for revenue only. If Congress pursued a protectionist course—setting rates for a purpose other than that of raising revenue—it was performing an unconstitutional act. The wisdom of raising a constitutional objection to protective tariffs at that point seemed rather dubious, since all of the previous tariff acts, including the very first one, had included at least some protective features. Calhoun, of course, was interested in using the tariff issue as a stalking-horse for the much more fundamental question of whether the South, with its peculiar institution of slavery and its corresponding economic and social structure, was safe in the Federal Union.

Calhoun developed his constitutional strategy in private and had it published anonymously, as he intended to give President Jackson, a southerner from Tennessee, an opportunity to bring about appropriate alterations of the tariff on his own. Calhoun waited in vain. For 3 years the President evaded the tariff issue at every turn. President Jackson intended to seek reelection in 1832, and he well knew that the tariff had become one of the most divisive political issues facing the

Nation. A Treasury surplus in 1832 finally forced him to act. Because the high levels of customs duties were creating the excess revenue, he called upon Congress to revise the rates downward. After the usual exhausting, exasperating process, Congress produced an act that differed in detail but not overall impact from the unpopular tariff of 1828. Nevertheless, in July 1832, Jackson signed the measure, which was not slated to go into effect until the following February.

Calhoun took decisive action, hoping to bring about some change in the situation before the new rates were imposed. He dramatically resigned from the Vice Presidency and returned to South Carolina in order to superintend the calling of a State convention. The convention declared the Tariff Act of 1832 unconstitutional and further pronounced it null and void in the State of South Carolina. State officers would be ordered to restrain Federal customs agents from collecting these unconstitutional duties in the port of Charleston when the new rates did go into force. Two purposes underlay the nullification pronouncements. The southerners heartily disliked high tariffs, so they had ample reason to protest the 1832 act. In addition, South Carolina was making clear its intention to retain for itself the right to decide whether the Federal Government had overstepped its constitutional bounds. When and if Congress decided to abolish slavery, a precedent would thus have been established for opposing federally ordered emancipation.

President Andrew Jackson would not allow this precedent of State supremacy to be established. He issued a Nullification Proclamation rejecting the constitutional argument and he obtained from Congress the authorization to use force to insure the collection of customs. While Jackson prepared to go to war if necessary, Kentucky Senator Henry Clay took a more statesmanlike approach to the problem. When Calhoun returned to Washington as a newly appointed United States Senator, he joined Clay in steering a compromise measure through Congress. Clay's goal was to generate wide support for his proposal. Instead of calling for an immediate dismemberment of the protective structure, he suggested a gradual program of revision. His 1833 compromise bill providing for staged reductions over a 10-year period was hastened into law before the rates of the 1832 act officially went into effect. This prevented a possible bloody confrontation between the South Carolina nullifiers and Federal customs collectors backed by Jackson's military forces.

The Compromise Tariff proved acceptable to almost everyone. The U.S. economy prospered for the next 4 years. The panic in 1837 and the subsequent depression stemmed more from Jackson's destruction



OLD HARRY SENIOR AND OLD HARRY JUNIOR

This anonymous political cartoon of 1843 portrays "The Devil in Full Dress" (Old Harry Senior) passing "Tariff Protection" to Representative Henry Clay of Kentucky, an early protectionist and Whig Presidential candidate of 1844 (Old Harry Junior). "These instruments," the devil says, "will serve my cause." Whig Vice Presidential candidate Frelinghuysen, also a protectionist, is shown blessing them both.

Source: New York Public Library, New York, N.Y.

of the central bank and his ill-considered monetary policies than from the tariffs. Clay won plaudits as a compromiser and as a great nationalistic statesman. Calhoun meanwhile concluded that he had shown protectionism to be unacceptable in the United States and that the individual States had an inalienable right to nullify Federal laws. Neither of these conclusions stood the test of time. In 1842 protective rates were again imposed, and in 1861 the North went to war rather than admit that the States were superior to the Federal Government. However, the 1833 compromise did lay the great sectional tariff controversy to rest.

The Political Controversy: Republicans Versus Democrats

For the next several decades the Nation devoted its attention to expansion, industrial development, and increasingly violent disagreements over slavery and sectionalism. The tariff lost the prominence it had won as the symbol of the great sectional rift in the early 1830's. It was debated and altered from time to time, but not until the 1870's and 1880's did it emerge once again as a prime political issue. The revival of the tariff controversy stemmed as much from existing political conditions as economic or ideological considerations.

From the 1830's into the late 1850's the Democratic coalition that Jackson had welded together remained the Nation's leading national party, while the disconsolate and generally disorganized Whigs pulled off occasional successes. Then the Republican Party arose and assumed a dominance that the Civil War only served to reinforce. The Republicans overplayed their hand after the war, however, and with the revival of a solidly Democratic South in 1877 and powerful urban machines in the North, the two major parties fell into an almost perfect equipoise. As Democratic and Republican leaders worked to slide the balance in their favor, they developed opposing stands on the issues, sometimes for no other reason than to create an appeal among the voters.

During the late 19th century, the most conspicuous problem facing the American people and consequently affecting the fortunes of the political parties was uncertainty in the economic realm. When the Panic of 1873 deflated the post-Civil War boom, the Democratic Party benefited from the popular discontent and won a majority in the House of Representatives for the first time since the 1850's. Ten years would elapse before the Democrats could capture the White House as well. In its struggle for power, the party had difficulty identifying an appropriate and popular palliative for the unsettled economic condi-

tions. The grinding depression of the late 1870's gave way to a soft recovery in the 1880's; this tenuous prosperity collapsed in a sharp drop in the mid-1890's. Democratic strategists proposed a number of solutions to the persistent economic problems, including the issuance of more greenbacks, the free and unlimited coinage of silver, and, not incidentally, downward revisions of the tariff.

The free-trade concepts that had generally characterized pre-Civil War Democratic Party tariff policy did not immediately resurface. As long as Reconstruction and the depression prevented the return of what might be considered normal conditions, no consensus on trade matters developed. David A. Wells must be credited with popularizing free-trade ideology in the late 19th century. President Lincoln had originally appointed Wells, an outspoken protectionist, to the post of Commissioner of Revenue, but by 1870 he had completely abandoned his high-tariff principles. He became nationally recognized as a most persuasive and intelligent advocate of lower duties. He provided intellectual guidance and encouragement to a growing band of free-trade Democrats, such as William L. Wilson, Roger Q. Mills, and William R. Morrison, as well as their chief spokesman, President Grover Cleveland.

The so-called free-trade philosophy expounded by Wells and his colleagues never envisioned a total cancellation of tariffs. The revenue function of the tariffs remained essential, for although the Democrats added an income tax provision to their 1894 tariff, it was declared unconstitutional. Realizing that tariffs would persist, the Democrats did not want them to favor or protect the industrialists who provided the financial backing for the Republican Party. An ideal late-19th-century Democratic free-trade tariff would consist of a reasonably low general rate for revenue purposes that might provide a mild form of protection incidental to its primary income-producing function. This sort of proposal thus differed little from the earlier suggestions of men like Calhoun, Jefferson, Madison, and Walker.

The freetraders perceived a number of advantages in such a tariff. The most obvious was their expectation that the general price level for the goods the customs system currently protected or taxed highly would drop, enabling the common man to purchase more of them. Simultaneously, a reduction in U.S. tariff rates might well encourage other countries to do the same with their rates, allowing Americans to sell their surplus agricultural produce and, for that matter, manufactured goods abroad more easily. These possible benefits appealed to the southern farmers and urban residents who made up the backbone of the Democratic Party. A group of wealthy individuals generally



**DAVID A. WELLS, COMMISSIONER OF REVENUE
UNDER PRESIDENT ABRAHAM LINCOLN**

He popularized freer trade in the early post-Civil War period, advocating tariff levels that would maximize the flow of revenue to the Government and provide only a mild form of protection for U.S. industries.

Source: National Portrait Gallery, Smithsonian Institution, Washington, D.C.

referred to as Bourbons both in the South and in the North also enthusiastically aided the party's free-trade drive. Many of these Bourbon Democrats were railroad men or bankers who expected their enterprises to benefit from increased trade both at home and abroad. They responded favorably to those who argued that tariff levels had a direct connection with the prosperity of U.S. exporters.

At the same time, the Democrats harbored a group of steadfast opponents of lower tariffs. The most famous of these were Representative Samuel J. Randall, of Pennsylvania, and, later, Senator Arthur Pue Gorman, of Maryland. Randall ran a well-oiled, disciplined political machine in Philadelphia, where both manufacturers and workers felt they owed their prosperity to the continued maintenance of high customs duties. The existence of determined high-tariff men in the Democratic fold proved to be both a strength and a weakness for the party. They attracted to its support some of those who favored the protective philosophy, but this disrupted the party's efforts to alter the tariff structure on those rare occasions when the Democrats had solid majorities in both Houses of Congress.

Few Republicans deviated from the high-tariff line. The party's protectionist principles had been instrumental in nailing down its support in the North prior to the Civil War, and the emotionalism that that great conflict had generated tended to consecrate and legitimize any policies the Grand Old Party had originally pursued. High tariffs had become an accepted part of the governmental apparatus, and a Republican risked instant ostracism if he was so bold as to criticize the protectionist doctrine. The party altered its specific methods of protectionism over the years, and it now and then shifted rates on particular items either up or down while never abandoning the basic structure.

At that time, the core of the Republican Party's great strength lay in the industrial East and the agrarian Midwest. Protectionism had a direct, obvious appeal for the manufacturers who financed the party in the industrial centers of the country and for their workers. Republican campaigners successfully voiced the sentiments and desires of the working classes in these districts. A significant portion of the labor force felt that U.S. wages remained relatively higher than those in Europe primarily because U.S. industry was protected by high tariffs. A belief that high tariffs guarantee higher wages has persisted in many quarters up to the present time. The farmers, whom the high import duties would seem to have hurt most because of their tendency to raise consumer prices, were also convinced by the protectionist arguments of the Republican Party in that period. The high tariffs protected the



FREE TRADE AND PROTECTION

This 1888 Currier and Ives cartoon illustrates the position of advocates of high protective tariffs that freer trade would cause unemployment and that tariff protection fostered jobs and higher pay for U.S. workers.

Source: Library of Congress, Washington, D.C.

“home market,” the farmers were assured, and because of the higher wages they enjoyed, U.S. workers could pay higher prices for the food and other products the farms produced. Many farmers later became dubious about that claim, particularly when agricultural prices declined throughout the 1880’s. The Populists capitalized on the resulting agrarian discontent in the early 1890’s, wooing disgruntled farmers away from both parties until prosperity returned late in the decade. Protectionism was a popular philosophy with much of the electorate, however, in the years following the Civil War, and the Republican Party generally benefited from its strong association with that issue.

The Republicans developed a comprehensive set of arguments to attract public support for their protectionist programs. Benefiting from the fact that high rates had become the norm, they warned that lower tariffs would reduce the people’s standard of living and threaten their very livelihoods. This contention was their strongest weapon, since it proved difficult to counter. People are generally reluctant to launch bold experiments and much more likely to favor the status quo. This human factor enabled the protectionists time after time to stave off low-tariff attacks.

The tactics of the Republican Party were consistent. They refused to consider making any reductions whatsoever until they felt that their free-trade opponents were on the verge of taking power. The only general revisions of U.S. tariff rates between 1865 and 1890 came in 1872 and 1883. On both occasions Republican-dominated Congresses acted only to relieve popular pressure for reductions, and in both cases it worked. The 1872 Liberal Republican rebellion fell flat, and the hastily drawn Mongrel Tariff of 1883 blunted the Democratic drive to change the rates in the following year.

Persistent internal bickering and disorganization in the low-tariff camp proved as effective as any Republican stratagem in defeating Democratic drives for tariff revision. The 1884 fiasco is representative. Realizing how difficult the pushing of a totally revised tariff through the Republican-controlled Senate would be, the Democratic majority in the House adopted the approach that had worked in 1872 and proposed an across-the-board reduction of 20 percent on all rates. William R. Morrison, of Illinois, earned the nickname "Horizontal Bill" after he introduced a measure calling for a horizontal reduction of rates in the 1884 session. The bill failed ignominiously, however, when Representative Samuel J. Randall and his fellow Democratic protectionists voted with the Republican minority to strike out the bill's enacting clause. The freetraders took heart when, later in the year, Democratic candidate Grover Cleveland won the Presidency. To their great disappointment, Cleveland refused to commit himself on the tariff issue until he had studied the matter thoroughly. "Horizontal Bill" Morrison sponsored another unsuccessful horizontal reduction of the tariff in 1886, before Cleveland was ready to announce the results of his scholarly inquiry.

The announcement took a dramatic form when the President devoted his entire state of the Union message in December 1887 to the tariff. Not surprisingly, his conclusions accorded with those of the "free-trade" majority in his party: "Our present tariff laws, the vicious, inequitable, and illogical source of unnecessary taxation, ought to be at once revised and amended." Cleveland justified his position by claiming that the high tariffs raised prices on goods for all consumers, created surpluses at the Treasury (reaching at that time more than \$100 million a year), and caused suffering for farmers and factory workers alike. Despite the President's forceful and unequivocal support, Congress once again failed to reduce the tariffs. Texas Representative Roger Q. Mills drew up a far more rational revision of the tariff than anything Morrison had proposed, but a Republican majority in the Senate effortlessly shot it down.



The Presidential campaign of 1888 was seen as a “great national referendum on the tariff issue.” The successful Republican candidate, Benjamin Harrison, campaigned on “Protection for Our Home Industries and Farming Interests,” as shown in this campaign flyer.

Source: Library of Congress, Washington, D.C.

Cleveland’s 1887 message and the publicity the Mills bill engendered set the stage for what was widely advertised as a great national referendum on the tariff issue—the Presidential election of 1888. Cleveland stood solidly on a Democratic platform pledged to the reduction of tariff rates, while Republican candidate Benjamin Harrison’s sup-

porters resurrected and publicized every conceivable protectionist argument. The great tariff debate absorbed the Nation's attention, but its results were not definitive. Cleveland ran up a plurality of 100,000 popular votes, but Harrison received an electoral college majority. He was further blessed with Republican control in both Houses of Congress, and the Republicans fulfilled their campaign pledges by producing the protectionist McKinley Act of 1890.

The Republicans scarcely had time to cheer this vindication of their principles before they suffered a shocking setback. Devastating losses in the congressional elections of 1890, an upsurge of Populism in the Midwest and South, and increasing confidence among the low-tariff Democrats all meant bad times ahead for the Grand Old Party. The 1892 Presidential race was a virtual replay of the 1888 contest, except that the Populists ran off with a few electoral votes. For the third time Cleveland won a popular-vote plurality, and, partly because of Republican farmer defections to the Populist Party, the Democratic candidate won a resounding victory in the electoral college as well. More useful still, Cleveland's party had won commanding majorities in both Houses of Congress. The Democrats finally appeared to be capable of lowering the tariffs and putting the free-trade doctrine into practice. An abrupt return of economic depression in 1893 only encouraged them to press ahead.

The bill that William L. Wilson, of West Virginia, drew up in the House retained a good many protective features, but it would have substantially reduced the extremely high duties of the McKinley Act. Although the Wilson bill emerged basically unscathed from the House, it suffered crippling injury in the Senate. The hostile and unified Republican minority found effective allies on the other side of the aisle in Democratic Senator Arthur Pue Gorman and his protectionist colleagues, and together they tacked on so many amendments that the bill had to be renamed. Cleveland was appalled at the resulting Wilson-Gorman bill, and, because he felt that it deviated too much from the low-tariff ideal, he refused to grace it with his signature. The measure that went into force without Presidential approval was only a mild revision, albeit in the right direction as far as the freetraders were concerned, retaining a substantial number of the injustices Cleveland had repeatedly assailed.

It died a quick death as the depression and Cleveland's stubborn attachment to the gold standard created a vast schism within his party. The Republicans exploited this fortuitous Democratic weakness, nominating and handily electing William McKinley President in 1896. McKinley's name and his reputation had been associated with the 1890



President Grover Cleveland, defeated for reelection by Harrison in 1888, ran again in 1892. His campaign material stressed his commitment to tariff reform, quoting his 1887 state of the Union message in favor of lower tariff rates.

Source: Library of Congress, Washington, D.C.

tariff, and he immediately called a special session of Congress to revive it. Enthusiastic Republican Senators and Representatives went further than they had at the beginning of the decade, promulgating the 1897 Dingley Act, which had the highest overall rates of any U.S. tariff yet approved.

The 1897 measure represented the final shot in the great political battle over tariffs in the late 19th century. This controversy resolved nothing, and the issues it dealt with are still debated and disputed whenever tariff policy is discussed. Nor was this earlier controversy a model of deliberative discourse. Faith, passion, party loyalty, and political legerdemain all figured prominently in it. The free-trade approach never got a reasonable trial, in part because the low-tariff proponents seemed incapable of agreeing among themselves on exactly how to put free-trade principles into effect. In the end, of course, this indecision probably mattered little, because the Republican Party with its commitment to protectionism would doubtless have swept away anything the free-trade Democrats had managed to create.

Throughout this long, bitter tariff controversy, the condition of the Nation's economy remained unstable or depressed. The Republicans stubbornly insisted that their brand of protectionism was the only guarantee of economic stability, even though their tariff policy prevailed during all of this period except the 3 years of the Wilson-Gorman Act. They claimed that, if elected in 1896, they would use high tariffs to restore prosperity and took credit for the prosperous times that followed that election. Given the circumstances, however, one could make a case for drawing exactly the opposite conclusion. The economy had plummeted into the deepest phase of its chronic instability in 1893 only after the highly protectionist McKinley Act had begun to exert its full impact. Furthermore, it could be said that the economy was already well on the road toward recovery in 1897, before the high rates were restored in the Dingley Act. Could it be, then, that the restoration of prosperity actually resulted from the beneficial effects of the relatively lower rates outlined in the Wilson-Gorman Act? The Republican response to this question was that the McKinley Act certainly did not cause the depression in 1893; instead, it had stemmed from fear of the low tariff the Democratic Party had pledged to introduce. Similarly, prosperity returned in 1897 when the economy rallied in anticipation of the restoration of the high rates the Republicans had promised.

Thus one can see that the politicians could and did find reasons for anything they wished to believe regarding the tariffs and their effects on economic conditions in the late 19th century. No conclusive evi-

dence exists that either high or low tariff rates greatly affected economic conditions in that period. The whole controversy was frequently more an exercise in political rhetoric and partisan faith than a well-considered, profound discussion of conflicting economic and trade strategies.

The Progressive Controversy: Reformers Versus Conservatives

Most participants in the great political controversy over tariffs firmly believed in the efficacy of their proposals. Republicans and protectionist Democrats were convinced that high rates would benefit the United States, and free-trade Democrats were equally certain that all tariff barriers should be reduced. While similar convictions underlay the next major tariff controversy, the emphasis shifted away from arguments over which tariff policy would insure prosperity or cause depression. Americans from almost every social and economic level seemed to be prospering in the first decade of the 20th century. The new criticism relating to the tariff structure focused on the question of exactly whom it profited most. For decades the protectionists had been claiming that workers and farmers shared the benefits that manufacturers derived from a high-tariff system. The higher the tariffs, they contended, the higher the wages for workers and the higher the prices for farm goods. That might well be true, the critics responded, but what did the tariffs do for manufacturers and financiers?

This question represented only one of a number of inquiries around the turn of the century into the causes and effects of the consolidation of wealth in the United States. A wave of indignation, protest, and, eventually, political action arose over the issue of the trust, a corporate structure which John D. Rockefeller's legal advisers had devised for the Standard Oil properties in the 1880's, and which other industrialists had adapted to their own operations. Eventually "trust" became a catchword for any large business combine, whether it actually involved a board of trustees or simply took the form of a holding company or other corporate structure. Where the trusts got their power and who controlled that power were matters of great concern in the early 1900's. In 1912 Congress created the Pujo Committee and charged it with the responsibility of finding out. A raft of muck-raking articles and speeches claimed that the rich and the super-rich were capable of manipulating business, finance, and Government for their own purposes. A group of self-styled progressive members of both major political parties, and several smaller ones, began exploit-



AND HE ASKS FOR MORE!

This scathing political cartoon, published in *Puck* in 1890, illustrates the connection that progressive reformers saw between monopoly profits and high protective tariffs. “King Monopoly,” holding the “scepter” of the still-high, protective “War Tariff,” demands tribute from U.S. workers and farmers, while crushing “American Industry” beneath him. His cape is a patchwork of the many and high taxes on imported goods that protect monopoly profits.

Courtesy of The New York Historical Society, New York City

ing the trust issue as a symbol for their broad-gauged political and economic reform program.

These reformers hoped to discover what factors in the U.S. economic system had permitted or encouraged the development of massive fortunes and seemingly omnipotent business combinations. Primarily middle-class reformers thriving in the midst of plenty, the progressives were not overly concerned with insuring that working-class families obtained the daily necessities. But they did object strenuously to the very inequitable distribution of wealth in the United States. The rich were getting richer at a faster rate than the poor were getting less poor, a phenomenon progressives, who favored social equality, found very disturbing.

The progressives did more than simply rail away at what they perceived as a great social injustice. They adopted as a strategy of reform the use of the Federal Government for regulation and redistribution. The first progressive successes came in the crusade for effective railroad regulation. They revived and strengthened the Interstate Commerce Commission, granting it virtually dictatorial authority over railway operations. The progressives also attacked the so-called Money Trust, eventually helping to create the Federal Reserve System to monitor and, in theory at least, to control the flow of credit and currency throughout the Nation. In both instances, the progressives relied upon a disinterested regulatory agency consisting of nonpartisan experts, paid by the Federal Government but presumably owing their first allegiance to the common man.

In their investigation of corporate wealth, the progressives discovered that the existing protective tariffs seemed to benefit some individuals more than they did others. To them the stockholders and executives of those industries that high tariff rates favored appeared to be reaping sizable dividends and profits. When the rates on some commodities were high enough to discourage all importation, the prices of corresponding U.S.-made goods were also high, a factor that would contribute to a high level of net profit. On the other hand, in sectors where substantial importation of foreign commodities occurred, it seemed to the progressive reformers that few domestic manufacturers were on the verge of bankruptcy. Progressives generally objected to any policy that tended to increase inequity in the distribution of wealth; if high tariffs stimulated unduly large profits for domestic manufacturers, they should be moderated.

The unequal impact on individuals of the tariff as a revenue-raising mechanism also struck the progressives, who were concerned over the distribution of wealth. The commodities that produced the most reve-

nue for the Government were those imported goods that the great mass of consumers purchased. Necessities accounted for a much larger percentage of expenditures out of income for a poor person than for a wealthier individual, however small that purchase was in absolute terms. Consequently, customs duties on these items represented a regressive tax—one that took proportionately more from those least able to pay. The reformers favored changing the revenue system into one based upon progressive taxation, i.e., the taxing of the wealthy more heavily than the poor. Because a revenue tariff system could never operate in a completely progressive manner, the reformers called for a direct tax on income. Income taxes would theoretically insure a more equitable tax burden for all.

No one seriously proposed totally canceling all tariffs. Progressives and some conservatives within the Republican Party began talking about devising a method of setting tariff rates so as to take into consideration the actual differences in costs of production at home and abroad. To be scrupulously fair to all concerned, they felt customs duties should exactly equalize these differences. It was widely believed even then that U.S. labor costs were generally higher than labor costs in other countries and some tariff protection was essential to enable U.S. producers to continue paying the higher wages and yet stay in business. The Democrats criticized the Republican plan for equalizing the costs of production and announced their intention of creating what they called “competitive” tariffs. If fully implemented, however, both proposals would have led to virtually identical tariff systems, each supposedly encouraging competition between U.S. and foreign producers with neither side enjoying advantages in production costs. However, the equalization of production costs through the tariff system would have completely negated the economic justification for international trade.

Partisan rhetoric obscured the fact that both Democrats and Republicans were essentially pledged to the same ultimate goal, but that only the processes the parties pursued for attaining it differed fundamentally. Virtually every public figure in the country had spoken in favor of some sort of modification of the tariff schedules by 1908, and the candidates and platforms of both major parties in that year promised to carry out substantial revisions if given the opportunity to do so. When Republican William Howard Taft, a progressive, won the Presidential election and called a special tariff session of Congress, most Americans expected the rates to drop significantly. By employing parliamentary maneuvers, the regular, more conservative Republican congressional leadership managed to prevent the expected

result. Aware of the growing desire for equalizing production costs, it chose a particularly protectionist way of trying to achieve equalization. If high production costs would prevent a certain commodity from being manufactured under normal conditions in the United States, the conservatives appeared willing to raise the tariff rates as high as necessary in order to compensate for lower foreign production costs. Although it was a logically correct way of interpreting Republican campaign pledges, this process resulted in a number of rather startling increases in some schedules of the Payne-Aldrich Act. Progressives in both parties vehemently repudiated the act and raised a new, more strident call for reform.

Despite its general unacceptability to the reformers, the Payne-Aldrich Act did contain one very important progressive feature: a call for a constitutional amendment to legalize direct income taxes. The income tax amendment met little opposition, and President Taft was able to proclaim it early in 1913. Until the 16th amendment assured the Federal Government unquestioned authority to offset declining tariff revenue with income taxes, a broad-scale alteration of the tariff structure was unlikely.

Agitation for a downward revision of the tariffs peaked in the Presidential election of 1912. Both the progressive Republicans, under Theodore Roosevelt, and the Democrats promised to recast the entire tariff structure. Although the Democrats' platform pledge of a competitive tariff may not have accounted for Woodrow Wilson's electoral victory, it did represent an unequivocal commitment to end the excesses of the old protective rate structure. The Democrats felt confident that their traditional free-trade approach would abolish a regressive taxation system that led to increased prices and reduced standards of living for the majority of Americans.

In drafting and publicizing the Underwood Act of 1913, the Democrats made good use of the income tax amendment. The creation of an alternative internal revenue system justified their lowering the customs duties on a number of standard revenue imports. Despite traditionalists' dire predictions of economic catastrophe if the Underwood bill should become law, the United States maintained a reasonable level of economic growth under it. The outbreak of the First World War, however, prevented any long-term analysis of its effectiveness at lowering consumer prices or bringing about a redistribution of wealth.

A few months before the United States declared its intention to enter the war, Congress created a new, progressive-style board of experts to investigate the impact of U.S. tariff policy on U.S. trade with the rest of the world. These experts formed an independent

agency called the United States Tariff Commission, which represents the progressive legacy to the Nation in the realm of tariff policy. As several outspoken progressive Senators had predicted as they refused to approve U.S. participation in the war, the war and Woodrow Wilson's abortive crusade for a democratic and peaceful world crushed the domestic reform impulse. The Tariff Commission had to struggle for survival in the 1920's when a distinctly protectionist Republican Party controlled the Federal Government. The concepts and the strategies that progressive-style reformers had outlined in their tariff controversy would experience a revival only when the Nation began to descend into serious economic crisis in 1929.

The Reciprocity Controversy: Isolationists Versus Internationalists

Parochial introspectiveness had characterized all U.S. tariff controversies prior to 1934. The American people and their representatives devoted extraordinary efforts to discussion and prediction of how their contradictory tariff proposals would affect the domestic economy, but very few showed much concern over or even awareness of the external, international consequences of these same proposals. Sugar duties went up or down in response to domestic pressures and opinions, with little thought given to the traumatic effects these alterations might have on Hawaii, Cuba, and other sugar-producing areas. The global nature of the depression of the early 1930's finally forced U.S. statesmen and politicians to consider fully that what they did for internal reasons and personal motivations could profoundly affect the whole world. The rather precipitous adoption of a reciprocal-trade-agreements approach in 1934 occurred because of a recognition that domestic recovery hinged to a large degree upon a restoration of economic well-being abroad. The United States stood to gain as much as other countries from reciprocity; indeed, the very use of the term indicated that the policy would involve as much taking as giving.

Reciprocity was not a novel concept in the 1930's. Many Americans had favored such an approach for decades, and the United States had, from time to time, worked out carefully limited reciprocal trade agreements with a few other countries. Talks leading to the first successful agreement began with Great Britain in connection with its Canadian possessions in 1846, but 8 years elapsed before all of the differences had been worked out. The resulting reciprocal trade agreement benefited both Canada and the United States, canceling or reducing tariffs

on a number of items as well as including guarantees on related trade matters, such as river and lake access and North Atlantic fishing. For a number of reasons, both sides became disenchanted with the treaty in 1866, and it lapsed.

Hawaii signed its reciprocal trade agreement with the United States in the mid-1870's and, in the next decade, Secretary of State James G. Blaine and later Secretary of State Frederick T. Frelinghuysen negotiated a number of other, similar treaties. Only the Hawaiian agreement won Senate approval. When Blaine returned to head the State Department in 1889, he insisted that his Republican colleagues include permission in the next general tariff act for the executive branch to negotiate executive agreements of a reciprocal nature. The McKinley Act included the requested provision, and Blaine hammered out a number of such agreements, but the Democrats canceled the reciprocity provision when they passed the Wilson-Gorman Act in 1894. The Dingley Act revived the concept 3 years later, however, allowing the State Department to negotiate with several European nations agreements which came to be known as the Argol Agreements because of the importance of a particular chemical commodity involved. The Senate stubbornly refused to approve any of them, and the Argol Agreements never went into operation. Meanwhile, the United States had assumed what amounted to a protectorate over Cuba as a result of the Spanish-American War. When the Americans granted Cuba political independence in 1902, they encouraged the new Government to work out a reciprocity arrangement with the United States that would preserve their tariff preferences. An agreement granting favorable customs treatment to Cuban sugar imports went into force in 1903. President Taft sponsored the only other serious effort in that direction in 1911. After the Payne-Aldrich debacle, he devoted considerable energy to negotiating a treaty that would lower trade barriers between Canada and the United States. His attempt suffered a fatal setback when the Canadian Parliament found fault with the proposals.

Thus the concept of reducing U.S. tariffs on specified goods in return for corresponding reductions in duties levied against U.S. exports had been the subject of considerable attention in the past. The most obvious cause for the failure of these early attempts to change tariff rates was the difficulty of getting Senate approval for them. A full-fledged reciprocity treaty required approval of two-thirds of the Senators, and, as the record of general tariff legislation has shown, the Senate was generally more inclined toward restrictive tariff policies than the lower House. As long as Congress insisted upon retaining

its tight hold over trade policy, a reciprocity approach to tariff setting seemed highly unlikely. As a representative body, Congress is usually closely attuned to the wishes of its constituents, and, for better or worse, the American people tend to be a fairly insular group as a whole. On the other hand, the Constitution specifically named the President as the Nation's chief spokesman in foreign affairs, and he and his advisers were more likely than Congressmen to consider the overall international ramifications of U.S. trade policies.

Although the decade of the 1920's appears to have been the nadir of internationalism in U.S. foreign policy, the executive branch did make one very significant change in U.S. trade policy—a change that opened the way for the subsequent reciprocity policy. In 1923 Secretary of State Charles Evans Hughes proclaimed that it was the intention of the United States to demand unconditional most-favored-nation treatment in all future trade negotiations. This principle guaranteed that the United States would receive the same benefits its treaty partner extended to any other countries. For example, the United States might insist that Canada include a most-favored-nation clause in their bilateral general trade agreement. If Canada then reduced its customs duties on steel imported from Great Britain, the United States would automatically enjoy the benefits of a similar tariff reduction on the steel it shipped to Canada. In this event Canada would have favored Great Britain most in its tariff policy, and the U.S. agreement with Canada guaranteed that Canada would also treat the United States as a most-favored nation. An interlocking set of bilateral unconditional most-favored-nation trade agreements among a number of countries could have a domino effect leading to general reductions for all whenever tariffs between any two trading partners were lowered.

Owing to the adoption of the unconditional most-favored-nation principle, U.S. tariff policy in the late 1920's did not favor any foreign nation significantly. However, domestically oriented U.S. policy-makers showed little concern over the effects U.S. tariff policy had on the international trade picture. When the stock market crashed late in 1929 and general economic conditions deteriorated inside the United States, the Republicans redoubled their efforts to complete work on the Smoot-Hawley Act, believing higher tariffs would encourage U.S. consumers to buy domestically produced goods rather than imports. In retaliation against the United States and in response to equally selfish interests within their own borders, a number of other nations pursued similar restrictive trade policies. Not only were tariffs raised,

but all sorts of nontariff barriers were created as well. Exchange controls, quotas, and other restrictions all had devastating effects upon world trade.

At this point the United States, along with the majority of other nations, found itself succumbing to economic nationalism or autarchy. Its major objective at this time was national self-sufficiency, with as little dependence as possible on imports. The U.S. brand of economic nationalism in the early 1930's corresponded with the desire for disengagement from world affairs and even outright isolationism that had developed in the United States since its rejection of the Versailles Treaty in 1919. The Smoot-Hawley Tariff merely carried this attitude one step further. U.S. participation in world affairs in the early part of the 20th century had led to war, death, and exorbitant Government debts; insulation from these grim consequences seemed advisable in the 1920's. Certainly it was popular. If all nations had actually managed to achieve economic self-sufficiency, however, international trade would have stopped completely. The drive toward autarchy in the 1920's was greatly accelerated by the Great Depression of the 1930's: the value of world trade in 1933 amounted to just one-third of what it had been in 1929.

But eventually the desperate need of all nations for export markets forced renewed interest in the restoration and increase in the level of world trade. Not a shortage of goods, but a shortage of consumers characterized the Great Depression in the 1930's. As warehouses overflowed and factories closed down, cries for greater Government efforts to create foreign markets arose from many U.S. manufacturing districts that had previously favored protectionism. The reduction of inventories through exports would enable industrialists to start up their factories, hire unemployed workers, and get the whole domestic economy moving again. Reciprocity could presumably open up new market areas for U.S. goods by reducing foreign trade barriers.

A number of prominent individuals called for the adoption of a reciprocity approach in U.S. trade policy. Its most influential advocate was Cordell Hull, a Congressman from Tennessee whom Franklin Roosevelt selected in 1933 to head the Department of State. Hull held that office until 1944, completing a longer term than any other Secretary of State in history. Throughout his extensive congressional and diplomatic career, Hull strongly supported an internationalist approach to diplomacy and economic policy. His insistence upon cooperative action in international economic matters had far-reaching consequences.

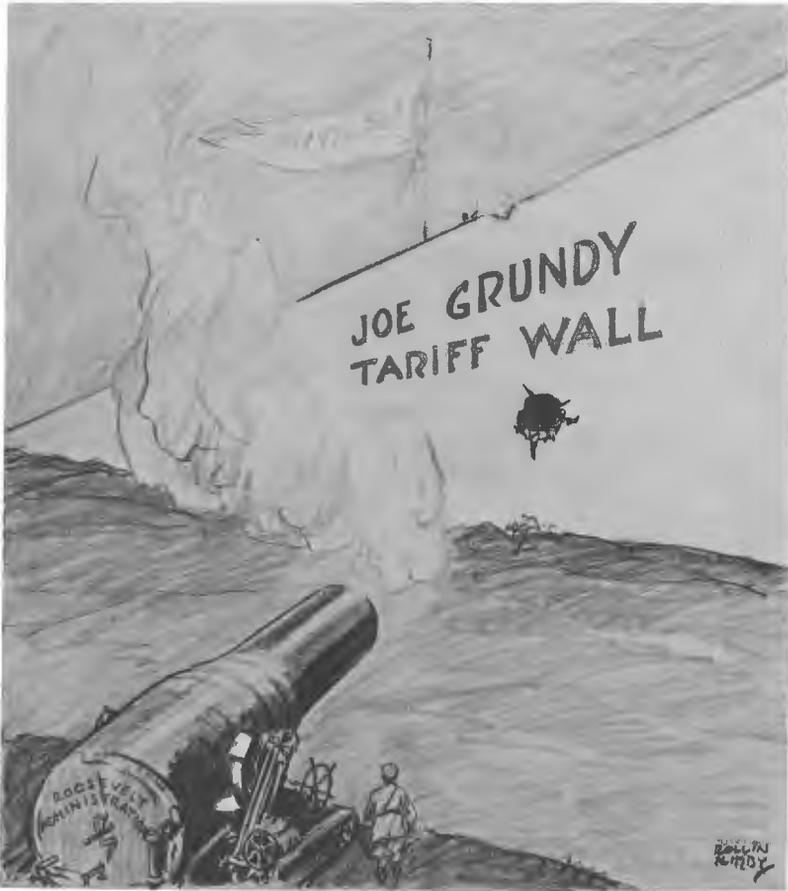
Hull and his fellow advocates of reciprocity recognized that the

worldwide decline in trade stemmed from diplomatic as well as economic causes. The rise of the National Socialist Party under Hitler in Germany proved that economic nationalism could have frightening political consequences. Those who favored reciprocity hoped that the maintenance of close, mutually beneficial trade relations might encourage the exchange of ideas and correspondingly reduce international hostility and suspicion. The whole fabric of international relations, both economic and political, might well be strengthened if the President could bargain with other nations, offering them trade concessions in return for better U.S. access to foreign markets.

Many internationalists feared that as long as the Senate had to approve every agreement, the President's negotiating latitude would be severely limited. Almost all of the earlier reciprocity agreements had died in the Senate, and Presidential advisers had to work out a scheme to avoid this fatal roadblock. Internationalists also wanted Congress to avoid going through the time-consuming process of drafting a whole new general tariff bill which might emerge in as unacceptable a form as previous legislation. So they proposed leaving the Smoot-Hawley Act in force as the starting point for negotiations, but adding an amendment allowing executive branch officials to work out executive agreements on a reciprocal basis.

Congress was heavily Democratic in 1934 and had already exhibited a willingness to endow President Roosevelt with virtually any powers that might enable him to resolve the economic crisis. Unfortunately for Hull, however, his Chief was not so easily convinced of the efficacy of the reciprocal-trade-agreements approach. Like many other Americans, Roosevelt was still only a very reluctant internationalist. He had already demonstrated an inclination toward autarchy when he insisted upon devaluing the dollar and torpedoed the London Economic Conference of 1933, convened specifically to work out a cooperative approach to the severe international depression. One of Roosevelt's most important assets as a leader, however, was his willingness to listen to conflicting advice and to consider virtually any proposal. He had already publicly criticized the Smoot-Hawley Act as inadequate and counterproductive during his campaign appearances. By early 1934, he had become convinced that a full-scale tariff revision would be less effective than the reciprocity policy his Secretary of State advocated.

The reciprocity controversy then migrated from the White House to Capitol Hill. Traditional protectionists were appalled at the concept of reducing any rates during the crisis. Some of those who were less doctrinaire with regard to trade policies nevertheless felt extremely



THE BLASTING BEGINS

This editorial cartoon, published in the *New York World-Telegram* in 1933, illustrates the Roosevelt administration's commitment to a reduction of the protective "Tariff Wall" embodied in the Tariff Act of 1930, or the Smoot-Hawley Tariff.

Source: Library of Congress, Washington, D.C.

reluctant to grant to the executive branch any responsibility for setting tariff rates—a congressional duty the Constitution had sanctioned. The strategy of making the Reciprocal Trade Agreements Act of 1934 an additional section of the Smoot-Hawley Act helped win over those who were loath to abandon the traditional system completely. Even strong advocates of high tariffs agreed that it must be considered an emergency measure, taken primarily because of the severity of the economic crisis facing the country.

Although doubts about the new policy persisted, it functioned quite well. The 1934 act permitted the President to reduce any tariff rate by as much as 50 percent in return for reciprocal concessions from foreign countries. The negotiations followed a bilateral pattern, with the United States conferring separately with a number of countries and working out concessions with each that would be mutually beneficial. Because the most-favored-nation principle was included in the act, the reductions that diplomats agreed to in one trade agreement were automatically extended to all the other countries that possessed standard economic treaties with the United States. In this way, the high rates of the Smoot-Hawley Tariff eventually declined on most items for all major trading partners of the United States. Congress acknowledged the success of the experiment by approving an extension of the negotiating authority once the 1934 act's 3-year term had expired. Further extensions permitted reciprocal trade negotiations to continue through the Second World War.

Through those years of economic hardship and international conflict, the tariff controversy remained muted. Some Congressmen continued to object to the President's exercising powers that the Congress had formerly wielded, and any minor difficulties encountered in the negotiating process could spark an outbreak of criticism. Generally, the new approach was acceptable to most Americans, and international trade made a slow recovery in the 1930's. Meanwhile, international political and economic conditions appeared more harmful to U.S. producers than any of the negotiated external concessions could be. Consequently, the never-ending tariff controversy gradually shifted away from its concern over the proper rate-setting approach. In recent years it has tended to center upon the still unresolved question of who—Congress or the President—should have the dominant role in the conduct of foreign economic policy.

The Current Controversy: Politicians Versus Statesmen

In recent years the cold war, more than any other single factor, has influenced all facets of U.S. foreign policy. That policy now definitely includes international trade aspects as well as the political and military considerations commonly associated with it. Hopes for international peace and stability through the instrumentality of the United Nations and continued cooperation between the United States and the Soviet Union died very quickly after the Second World War. By 1947 the two superpowers had begun erecting protective walls against each other's influence. The Iron Curtain was a two-way barrier, preventing the

exchange of people, ideas, and, of course, commodities. Simultaneously, the United States attempted to make good the Atlantic Charter pledge to reduce all trade barriers if not to eliminate them completely. Once U.S.-Soviet hostility became recognized as a fact of life, the United States pursued its freer trade policies even more energetically in those areas outside Soviet domination. The emergence of Communist China in 1949 further stimulated U.S. efforts to strengthen its economic and political ties with non-Communist nations. The economic policy that the United States developed in the late 1940's evolved as it did because of these broader objectives of isolating the Communist bloc and insulating the rest of the globe from its incursions.

Open, generous, and accommodating trade policies supported U.S. efforts to retain its influence and associations among its friends in the non-Communist world. The General Agreement on Tariffs and Trade was designed to be much more than a straightforward commitment to freer trade; it also represented a clear acknowledgment of the importance of commercial ties as the foundation for political cohesiveness. Truman Doctrine aid to Greece, Turkey, and Iran, the Marshall plan, and the sending of Point Four technical-aid missions to less developed countries were all elements of this overall economic-political strategy. The Soviet Union responded with its own arsenal of economic warfare devices, and the two great powers settled into a long, bitter siege. Although direct hostilities never broke out between the Soviet Union and the United States, conflicts in Korea, the Middle East, and Vietnam punctuated the cold war years.

With international trade policies dependent upon, and to a large degree subordinate to, ideological, political, and strategic considerations, the function of the tariff has undergone continued reevaluation and alteration. The revenue-raising function of tariffs has become negligible. Protection of U.S. industries has assumed less importance in an era characterized by heavily funded foreign aid programs designed specifically to rebuild industries in Europe and to create them from the ground up in less developed regions. These changes have allowed freer reign to the third major traditional function of trade policy: the promotion and maintenance of stability and peace through economic means.

Meanwhile, the United States had to face the problem of a growing imbalance in its international trade. Historically the U.S. credit position has passed through several phases. From the foundation of the British colonies in America until the late 1870's, the American people generally maintained an unfavorable balance of trade, importing more than they exported. The deficit was counterbalanced by Euro-

pean investment in U.S. land, businesses, railroads, and securities. Increasing agricultural and industrial productivity shifted the trade balance in favor of the Americans in the late 19th century. This condition persisted until the Nation seriously taxed its resources after the Second World War. Increased imports, overseas investment, foreign aid, large defense installations abroad, and war expenses heavily strained the national economy, so that the country's international outlays exceeded its income. The oil crisis in the early 1970's merely intensified an already existing problem, although huge exports of grain, energy conservation measures at home, and the devaluation of the U.S. dollar have helped to offset some of this overdraft. The trade imbalance has had unsettling effects on the value of the dollar and has diminished the capability of the Nation to obtain its desired foreign policy objectives.

Balance-of-payments problems, economic recovery in Europe, the emergence of Japan as an economic power, and the continuing cold war have done nothing to lessen jealousy between the legislative and executive branches in matters of trade policy. Fear of the development of exclusive and unsupervised Presidential power has been expressed by both liberal and conservative spokesmen. Congress has, from time to time, attempted to reverse the trend toward the increased power of the Presidency. The power struggle between the legislators and the executive in tariff matters, which was particularly evident in the 1950's and early 1970's, has existed to a greater or lesser degree throughout U.S. history. The fact that, on numerous occasions, one major party has dominated Congress while the President has come from the other has often made the dispute more intense.

Currently, much of the controversy involves the conduct of foreign affairs. Many statesmen and politicians feel that international trade policy is an important aspect of the Nation's foreign policy, and that lower tariff barriers are desirable. No consensus has emerged on this question, nor is one likely to. The time-tested lobbying mechanism that has influenced U.S. trade policy throughout history continues to function. This factor helps to reinforce Congress' inherent wariness of extended Presidential power and has led to the inclusion of restraints like the peril-point provisos in earlier trade statutes. Periodically an apparent economic crisis may weight the equation heavily in favor of increased Presidential powers in foreign economic policy. Obviously such coordination between the executive and the legislative branches in trade policy is made easier if the President and the majorities in both Houses of Congress are members of the same party.

Customs rates have declined throughout the world in the last 30

years, and few would suggest a return to the high rates of duty of the past. But the decline in U.S. tariff rates has stemmed partially from a desire to increase overseas markets for U.S. goods. Protectionism remains a strong undercurrent in political and trade policy considerations, and it has broadened its focus to include several strategies in addition to the creation of protective tariff walls. For example, when substantial imports of Japanese textiles seemed to threaten U.S. manufacturers in the 1950's, the United States negotiated international agreements to restrict their importation. Both the Trade Expansion Act of 1962 and the Trade Act of 1974 gave the President general authority to restrict imports from countries pursuing trade policies detrimental to the United States.

The latest trade acts have included several other alternative methods of assisting the U.S. economy in coping with destructive foreign competition. The President has been granted power under specific conditions to assist industries, firms, or groups of workers in adjusting to adverse effects of foreign imports. The 1962 Trade Expansion Act provided many forms of adjustment assistance to those injured by increased imports due to negotiated tariff reductions, including tax allowances, federally assisted shifts in production, and extra unemployment compensation for those unemployed. The Trade Act of 1974 expanded these provisions by removing the requirement that injury result mainly from trade concessions.

In summary, a refinement in the type of questions asked about the effects of a particular trade policy has characterized the recent tariff controversy as well as a proliferation of possible ways of rectifying adverse consequences. These trends could have very beneficial effects if they result in a finer tuning of the international trade system. Yet it is also arguable that a perfectly balanced and adjusted system might have undesirable consequences. Those who hoped to equalize the costs of production at home and abroad or those who sought to establish competitive tariff systems never carried their philosophical positions to their logical extremes. If the tariff system did succeed in equalizing all costs of production, no international exchange of goods would need to take place at all. Yet foreign trade permits the tapping of the productive capabilities of a great variety of climatic, demographic, and economic circumstances, and it allows for the most efficient use of the world's resources.

The basic goal of the United States and of every other country is to maximize the benefits it derives from trade. For the last two centuries U.S. trade policy has been shaped by a continuing controversy regarding how the maximization of such benefits can be assured. Around the

turn of the century the progressive participants in this controversy called for less emotionalism and more rationality in the development of a trade policy. They favored the concept of a "scientific tariff." The Nation's international trade objectives could better be achieved, they felt, if they could "take the tariff out of politics." Just as they proposed the establishment of independent, nonpartisan agencies in other fields, they also believed in the wisdom of creating a tariff commission. Although the United States Tariff Commission, which was born of this idea, has had little power to develop the ideal of a scientific tariff, it has continued to assist with both Presidential and congressional tariff setting and has administered some provisions of the trade acts. The Tariff Commission has thus become a key element in modern tariff controversy. A Congress distrustful of the President can give more power to the Commission; a President who wishes to avoid congressional criticism can attempt to manipulate policy through the instrumentality of the Commission. Both the executive and the legislative branches can try to exploit the agency's theoretical impartiality in supporting their own views. Instead of taking the tariff out of politics, the result has been to draw the Tariff Commission into politics. The Commission has had the responsibility for determining what industries, workers, and producers are suffering from destructive foreign competition and for proposing appropriate remedies. The delegation of this responsibility to the agency, however, has in no way canceled the interest or emotionalism inherent in the structuring of U.S. trade policy. Two centuries of acrimonious, heartfelt, and partisan controversy over tariffs show that they are still a highly volatile topic. The history of the Tariff Commission reflects that explosiveness, and many of the problems it has encountered in its 60 years of existence are simply reflections of the fundamental and traditional controversy over U.S. tariff policy.



Part III.

The United States Tariff Commission

The Development of the Commission Concept

Proposals for the creation of an objective body to study the impact of tariffs on internal and external trade conditions had begun circulating in the 19th century, and several experiments along this line took place. The first of them appeared toward the close of the Civil War when Congress created a Special Revenue Commission to investigate and recommend changes in the tax and tariff structure. By 1870, Special Revenue Commissioner David A. Wells had begun to outspokenly advocate free trade, and protectionist Congressmen abolished his office. A decade later, surplus revenues had become so troublesome that many Americans called for a downward revision of the tariffs. Hoping to delay such a revision, the Arthur administration created a commission of “experts” on tariff matters in 1882 to determine what changes, if any, would be most appropriate. This commission conducted a wide-ranging investigation before proposing tariff cuts on a number of items. However, the protectionist reputations of the commissioners, along with their clear identification with the Republican Party, detracted a good deal from the commission’s objectivity. Moreover, Congress ignored its findings in drafting the Mongrel Tariff of 1883—a law that left the impact of the tariff structure basically unchanged—and the commission concept fell into such disfavor that it was not revived for more than a quarter of a century.

As long as the dominant Republican Party remained wedded to protectionism, no dramatic reductions were likely to occur in tariff levels. By the early 1900’s, however, many Republicans were also beginning to have second thoughts about high tariffs. Much of the agitation for more reasonable and moderate tariff schedules came from the busi-

ness community. Industrialists interested in exporting more of their output had formed the National Association of Manufacturers (N.A.M.) in the mid-1890's to speak and lobby for them. These export-oriented manufacturers were all too aware that high domestic tariffs hampered their efforts to develop favorable trade relations with other countries. The N.A.M. quickly developed an interest in the creation of a tariff commission whose major function would be to determine the minimum tariff levels required to protect U.S. producers. A poll taken in 1907 showed that 1,221 out of 1,384 members of the association favored the formation of such a commission. Other business and trade representatives favoring lower tariffs joined the campaign, which also attracted support from some who really wanted no changes at all but feared they were inevitable. This latter group hoped that the experts on the proposed commission would insure the creation of an equitable arrangement for all.

A strong tide of political support by progressive Republicans, reformist Democrats, and Populists complemented the business community's advocacy of a tariff commission. The reformers naturally favored any proposal that might lead to the reduction of high customs duties that benefited interests of which they did not approve. Indeed, some of the more radical progressives would willingly have turned over all tariff-setting authority to a nonpartisan board if that would deny such power to their opponents in Congress. Simultaneously, the more conservative politicians began to recognize the usefulness of having a group of experts propose changes. This process might then insulate them from some of the charges of favoritism and insensitivity on the tariff issue.

As the many forces impelling the Government toward the creation of some sort of board of experts on tariff matters grew stronger, Congress took some faltering steps in that direction. In January 1908, progressive Senator Albert J. Beveridge, of Indiana, introduced a bill to create a seven-member commission to investigate various aspects of the U.S. tariff schedules and world trade conditions in general. In February, New York Representative Sereno Payne chaired hearings on the subject of a permanent tariff commission, and progressives of both parties and exporters did their best to popularize the idea. Action on the matter was delayed, however, until the full-dress revision of the tariff began in 1909, a process that eventually resulted in the Payne-Aldrich Act.

A frequently overlooked provision of this act established maximum and minimum schedules. The President could impose rates 25 percent

higher than the standard schedules on any nation that denied fair treatment to U.S. trade. For some time, Americans aware of the complexities of the overall international trade picture had been calling for an abandonment of the rigid, single-schedule tariff. The maximum-and-minimum provision would enable the United States to threaten or actually to levy higher duties on imports from those countries judged to be discriminating against U.S. exports. A great deal of discussion had occurred in both Houses of Congress over the advisability of creating a commission or board to assist the President in determining when to invoke the maximum rates. When nothing was said about it in the final act, President Taft decided on his own to appoint a tariff board and to charge it with the investigation of differences in costs of production at home and abroad as well as other international trade matters. All three gentlemen that Taft appointed to the Tariff Board—Henry C. Emery, Alvin H. Sanders, and James B. Reynolds—were Republicans and protectionists of varying degrees. The Board collected and analyzed all types of trade data that a subsequent Congress found useful in developing the schedules for the 1913 Underwood Act.

The creation of this obviously partisan board did not please those who had envisioned a neutral, independent commission. In the lame-duck session of the Republican-controlled Congress that met after the Grand Old Party's defeats in the 1910 elections, each House passed a bill calling for the creation of a bipartisan tariff commission, but the session ended before the differences in the two bills could be reconciled. Meanwhile, President Taft attempted to salvage his own board by adding two Democratic members—Thomas Walker Page and William Howard. These appointments failed to satisfy the Board's critics, and the Democratic House refused to appropriate funds for its operations after July 1912. Thus, this attempt to establish a commission of experts to investigate tariff policy ended ignobly, and its notoriety actually may have delayed rather than encouraged the creation of a more permanent body. The Democrats left the maximum-and-minimum mechanism out of the Underwood Act, effectively canceling the factor that had justified the appointment of an advisory board on tariffs.

The variegated coalition favoring a nonpartisan tariff commission won new adherents every day. The formation of the Tariff Commission League in Chicago early in 1915 provided the most dramatic evidence of growing support for the commission concept. The league's charter dedicated itself to the goal of creating "a scientific, nonparti-

san tariff commission with a fixed annual appropriation to secure its permanency.” J. J. Hill, a prominent railroad magnate and financier, headed its advisory committee, which also included such intellectuals as Nicholas Murray Butler, President of Columbia University, and David Starr Jordan, President of Stanford University. The league followed the example that other progressive reform organizations had pioneered, sending out speakers and encouraging its members and other interested parties to contact their Congressmen. So many great expectations were expressed for a nonpartisan commission that a good many individuals were bound to be disappointed in the long run. As former Tariff Board member James B. Reynolds noted in 1916, “An unwritten Tariff Commission law fits the approval of everyone desiring such legislation.”¹ Harvard University economist Frank W. Taussig wrote what was probably the most realistic assessment of what a tariff commission could and could not be expected to do. In his opinion, Congress and the voters should decide what tariff policy the United States should pursue. Then the commission should insure that the policy thus determined was dispassionately and accurately put into practice. “Let it be given mainly the duty of assisting Congress in the intelligent elaboration of whatever policy the country has decided to follow,” Taussig suggested.²

Both Taussig and Reynolds warned that giving the commission authority to make specific recommendations would destroy its nonpartisan character. This particular aspect of the Tariff Commission’s operations has been the subject of frequent debate and change over the years. Sometimes the Commission has served solely as an information-gathering agency; at other times it has made recommendations to Congress or the President. As Taussig and Reynolds predicted, whenever the Commission has exercised its power to recommend, it has been subjected to charges of failing to remain nonpartisan. Many of the early advocates of a tariff commission unrealistically hoped that it could insure the creation of a scientific tariff in the future, untainted with partisanship, undue protectionism, or any of the other evils that had plagued tariff policy in the past. These high expectations were bound to be disappointed; the desire to “take the tariff out of politics” was fated to fail. No human agency could avoid the numerous pitfalls awaiting any commission involved with a topic so controversial and emotional as tariffs.

¹ James B. Reynolds, “The Tariff Commission Plan: Its Facts and Fallacies,” *North American Review*, 203 (June 1916), p. 866.

² F. W. Taussig, “The Proposal for a Tariff Commission,” *North American Review*, 203 (February 1916), p. 204.

Creation of the United States Tariff Commission

When Woodrow Wilson began his term as President, he opposed the use of progressive-style independent agencies. He was much more inclined to destroy whatever he perceived to be creating injustice, whether it took the form of trusts, banking combinations, or protective tariffs. His persuasive but unsuccessful Progressive Republican opponent in the 1912 Presidential race, Theodore Roosevelt, had stridently advocated Federal regulation rather than destruction, however, and Wilson gradually swung around to that position as well. By early 1916, he had concluded that a tariff commission was advisable not only on its own merits but also for practical political reasons. As a President who desired reelection, Wilson simply could not ignore the nearly universal call for the creation of a tariff commission. The Tariff Commission League, the United States Chamber of Commerce, and the American Federation of Labor all favored a tariff commission, so it would have been politically foolhardy for the President to fail to take action.

Wilson's request to Congress in February 1916 envisioned a commission "as much as possible free from any strong prepossession in favor of any political policy and capable of looking at the whole economic situation of the country with a dispassionate and disinterested scrutiny." He proposed that the commission investigate the administration and fiscal effects of the customs laws, study the revenue aspects of the tariff structure and the conditions of competition that U.S. industries faced abroad, spot unfair trade practices and dumping, and conduct other, similar investigative functions. The President did not intend for the commission to make tariff policy. Instead, the body was to collect information of all sorts relating to international trade and to present it in a cogent, comprehensive manner to those congressional committees and administrative officials charged with the determination and execution of U.S. trade policy.

Representative Henry T. Rainey, of Illinois, introduced a bill incorporating the President's proposals in the spring of 1916. It finally emerged as title VII of the omnibus "Act to increase the revenue, and for other purposes", on September 8, 1916. Sections 700 to 709 set up, and assigned duties to, the United States Tariff Commission. Its non-partisan nature was supposedly assured by a provision that no more than three of the six Presidentially appointed Commissioners could be members of the same political party. This particular provision has remained unchanged throughout the ensuing 60 years, and it sets the Commission apart from all other independent Federal agencies.

Although it has usually meant that three of the Commissioners have been Democrats and the other three Republicans, the appointments have sometimes deviated from this pattern, one party's contingent being reduced by the appointment of political independents as Commissioners. Although this rule has prevented either major party from dominating the Commission in a strictly partisan sense, it has also failed to guarantee a neutral trade philosophy. As the preceding reviews of tariff history and controversies illustrated, each party has contained both protectionists and low-tariff advocates. Although final approval of appointments to the Commission rests with Congress, a President who wishes to tailor the Commission to reflect his own trade philosophy can attempt to do so without violating the restrictions relating to party membership.

Another provision of the original act, continued in subsequent legislation that was designed to make the Commission truly independent of partisan politics—a chief progressive goal—was the designation of overlapping terms for the Commissioners. This device has failed to work as expected because many Commissioners, for either personal or ideological reasons, have resigned from the Commission before the expiration of their terms. One Commissioner served less than 3 months. Others have enjoyed very long tenures at the Commission since none of the acts relating to tenure until the Trade Act of 1974 contained prohibitions against reappointment. The most notable case of longevity was that of Commissioner Edgar D. Brossard, who retired in 1959 after 34 years of service.

Past laws, including the original act, instructed the President to annually name one of the Commissioners as Chairman of the Commission and another as Vice Chairman. This authorization gave the executive branch some influence over the direction of the Commission, although in most respects throughout its history the Commissioners have operated essentially as a group of equals. The Trade Act of 1974 reinforced this mode of operation and reduced executive branch influence by terminating the President's authority to appoint the Chairman and Vice Chairman.

Representative Rainey's original bill had called for annual salaries for each of the Commissioners of \$12,000, an amount supposedly high enough to enable them to devote their exclusive attention to Commission business and to insulate them from outside financial influences. By the time the salary provisions had worked their way to approval, the rate had been reduced to \$7,500 per year, still quite a respectable figure for the time. The initial act also provided the basis for a staff, transferring to the Commission the civil servants and the

records of the Commerce Department's recently created Cost of Production Division in the Bureau of Foreign and Domestic Commerce. This division had, in turn, inherited all of the materials the earlier Tariff Board had collected, so, to that extent at least, the new Tariff Commission was a direct descendant of the earlier organization.

The 1916 act armed the Commissioners with the powers and responsibilities the Congress considered essential to the Commission's operation. The agency's mission was to investigate the administrative, fiscal, and economic effects of the existing U.S. customs laws, as well as to study tariff relationships between the United States and other countries. The Commission could exercise quasi-legislative powers in order to obtain copies of pertinent records from individuals and corporations and to summon witnesses to the hearings it would hold. The Commissioners were also empowered to sign subpoenas and to obtain aid from the Justice Department and the Federal courts in cases of noncompliance with their requests.

Although it was conceived as an independent Federal agency, the Commission was ordered to cooperate fully with other Federal establishments, such as the Treasury Department, the Commerce Department, and the Federal Trade Commission. The Tariff Commission was jointly responsible to both the executive and legislative branches. It was therefore expected to respond to requests for information from either the President or Congress, and only such requests could initiate a Commission investigation other than those surveys of U.S. and foreign tariff matters the original act had specifically mandated.

As primarily a factfinding agency, the Tariff Commission lacked any direct policymaking powers. Congress and the President could, of course, use Commission reports and publications in determining and executing U.S. international trade policy. As Commissioner Thomas W. Page later noted, "When it created the commission, Congress intended to surrender no jot nor tittle of its own power to fix and to alter duties at its discretion. On the contrary, jealous care was taken both in drafting the act and perfecting it on the floor, to reserve in all aspects the unlimited initiative and control of Congress."³ Most tariff commission advocates in 1916 were quite content with its strictly advisory role, a role that accorded with the suggestions tariff expert Frank W. Taussig had made earlier in the year.

President Wilson's selection of Harvard economics professor Taussig to be the first Chairman of the Commission was universally popular. For the Vice Chairman, Wilson named Daniel Calhoun Roper, a

³ Thomas W. Page, *Making the Tariff in the United States*, New York: McGraw-Hill, 1924, p. 30.



**FRANK W. TAUSSIG, FIRST CHAIRMAN OF THE
U.S. TARIFF COMMISSION**

A Harvard economist and long-time advocate of the creation of a tariff commission, Professor Taussig's selection to the Chairmanship of the new agency was "universally popular."

Source: Harvard University, Cambridge, Mass.

former clerk for the House Committee on Ways and Means. Three other Commissioners were ex-Congressmen with experience and knowledge in the tariff field: Democrat David J. Lewis and Progressives William Kent and Edward P. Costigan. The sixth Commissioner, Republican economist William S. Culbertson, had previously served

on Taft's Tariff Board. President Wilson had been careful in selecting his Commissioners to avoid anyone known to favor protectionism. Commissioner Roper resigned almost immediately in order to become Commissioner of Internal Revenue, so the President appointed another member of the old Tariff Board, University of Virginia economist Thomas Walker Page, a Democrat, in his place as Vice Chairman.

The Commissioners took up their duties on March 26, 1917, in offices located at 1322 New York Avenue NW. Just 1 week later, Congress, responding to President Wilson's request, declared war against Germany. For the next 20 months the war effort assumed primary importance for almost all Federal agencies. The Tariff Commission obviously had no opportunity to feel out its responsibilities and adopt operating procedures under normal conditions. The Commissioners themselves spent a great deal of time serving on or assisting other emergency or war-related agencies, such as the War Industries Board and the Food Administration. In addition to serving in a number of capacities during the war itself, Commission Chairman Taussig accompanied Woodrow Wilson to the Versailles Conference to assist the President during the peace negotiations.

Meanwhile, the Commission's relatively small staff of about 80 people attempted to carry out its legislative mandate to collect and analyze trade data. Blockades and other barriers to trade, as well as unusually heavy foreign purchases of U.S. products, greatly complicated these efforts. The staff began preparing the *Tariff Information Catalog*, but completion of the project was impossible during the war. The Commission also studied the war's impact on domestic industries. A number of items normally imported from Germany were either unobtainable or being produced in hastily constructed or converted U.S. plants. Along this line, in 1917 the Commission began assembling data for what would become an annual "Census of Dyes and Other Synthetic Organic Chemicals." The staff also compiled a digest of all the commercial treaties that had been in force in 1914, but, like the data collected in other areas, much of this information proved hopelessly out of date or irrelevant to conditions existing at the end of the war. After the armistice, the Commission struggled to catch up with research the war had shunted aside. On the basis of its investigations, the Commission suggested changes in several areas. For example, it urged Congress to swing in the direction of reciprocal trade agreements or at least to add "elasticity" to the rate structure to enable the President to retaliate against discriminatory or unfair practices of other countries.

Through 1922 the bulk of the Commission's work lay in the realm of the collection and analysis of data. It quickly adopted an organizational structure similar to the one in the existing tariff statute. The Underwood Act contained an alphabetical set of schedules—A, Chemicals; B, Pottery and Glass; C, Metals; and so on—and the Commission's commodity divisions were similarly organized, along lines that reflected their areas of competence. These divisions published the material they collected in the *Tariff Information Surveys*, a series of compilations on individual commodities or classes of commodities designed to provide Congress with the information it would need to make rational judgments about the impact of existing customs duties and the advisability of revising the schedules. The surveys included information about the geographical distribution, organization, and methods involved in the production of each commodity, as well as data about foreign production, imports, and tariff history relating to it. These *Tariff Information Surveys* and their successors, under various titles, have served as a major means for the publication and distribution of the information the Commission staff has gathered.

In addition to surveying imports, the Commission looked at the overall world trade situation. After the war, for example, it published studies on Great Britain's wool industry and on Japan's industrial development. The Commission also weighed the advisability of Canadian reciprocity, examined the relationship between international trade and unemployment, and assessed the effect of U.S. railroad freight rates on imports. Part of its 1916 mandate called for the Commission to examine the administration of customs laws, and several of its suggestions for revisions of the duty-collecting apparatus eventually became law.

During its early years, the Commission definitely reflected the Democratic and free-trade attitudes of its members. This liberal image evoked resentment and criticism from Capitol Hill. The American people had sent many conservative Congressmen to Washington in 1918, and these legislators tended to disagree with the premises and proposals of the more liberal tariff Commissioners. As a result, the Commission encountered difficulty in obtaining sufficient operating funds. Its annual appropriation had dropped from \$300,000 in 1916 to only \$200,000 during the war. Friends of the Commission had to stage a vigorous floor fight in the Senate in order to restore its barely adequate \$300,000 appropriation in 1919. The lack of funds led to a serious shortage of personnel, and the Commission's staff dropped to only 73 employees in the summer of 1919. Shortly after his return to

the United States from the peace conference in Paris, Chairman Taussig resigned from the Tariff Commission. His resignation was a blow to those reformers who had trusted him to insure the Commission's impartiality and effectiveness. Then Commissioner Kent resigned in 1920, leaving the Commission with two vacancies at the top. Not until after President Warren G. Harding's inauguration in March 1921 were these vacancies dealt with, and then they were dealt with in a manner that effectively destroyed the Commission's liberal reputation for independence and technical competence.

As the Commission's staff struggled to keep up with all of its research work, it also dealt with certain administrative matters. In 1919, the Commission established a library to provide a central reference collection. Some of the material placed in the library had been amassed by the Tariff Board beginning in 1909. On July 1, 1922, the Commission officially moved from its cramped quarters to the third floor of the Old Land Office Building, located at 7th and E Streets NW. The first wing of this building had been constructed during Martin Van Buren's administration in 1839, but the full, block-sized edifice was not completed until 1869. As the Commission expanded in size over the years, it took up more room in the venerable building until it occupied all the building's office space. In 1975, subterranean construction work undermined part of the foundations of the building, forcing a relocation of some offices until reinforcement of the affected areas could be accomplished.

Tariff Commission Operations in the 1920's

The tempo of activity increased at the Tariff Commission in the early 1920's when the Republican-dominated Congress made clear its intention of carrying out a full revision of the Democrats' Underwood Tariff. The Commission sent its *Tariff Information Surveys* and collateral material to the House Ways and Means Committee and the Senate Finance Committee to aid them in framing the bill that would become known as the 1922 Fordney-McCumber Act. As previously noted, this act revived the high protective tariffs characteristic of Republican tariff legislation, but it was not necessarily out of line with contemporary trade policies in other countries. Postwar economic conditions were understandably unsettled, and many governments retreated toward isolationism through the process of raising tariff and nontariff barriers. Furthermore, continuing economic distress stimulated abrupt and unpredictable readjustments in international trade policies.

Uncertainty over other nations' policies as well as the persistence of relatively high trade barriers after the war had much to do with the addition of section 315 to the Fordney-McCumber Act of 1922. Referred to as the "flexible" or "elastic" provision, this section was to fundamentally alter the mission and operations of the Tariff Commission. President Harding had urged its inclusion in the act in his state of the Union message to Congress on December 6, 1921, claiming that "if we succeed in making effective the elastic provisions of the measure, it will make the greatest contribution to tariff-making in the nation's history." While historical judgment of the flexible-tariff provision has been a good deal less enthusiastic than President Harding predicted, the provision certainly has had profound effects on the Tariff Commission, substantially altering its duties and its public image.

The flexible-tariff provision authorized Presidential alteration of any duty on the Fordney-McCumber schedules, but only under certain circumstances. Section 315 of the act was designed to insure that U.S. tariff rates equalized the differences in costs of production in the United States and "the principal competing country." The act designated the Tariff Commission as the investigating body for determining whether any inequalities existed. The Commission was to take into account such factors as differences in wages, costs of materials, wholesale prices, and foreign export bounties in its comparisons of American and foreign production. If, after a thorough investigation, the Commissioners concluded that U.S. tariff rates were either too high or too low to equalize costs of production, they were to recommend appropriate changes in the rates to the President. He could then either raise or lower the duty on a specific commodity by as much as 50 percent of the levy scheduled in the 1922 act. Although the President retained the right to accept or reject its recommendations, section 315 gave the Commission a role in the implementation of trade policy.

The 1922 legislation gave the Commission additional investigative responsibilities. Sections 316 and 317 dealt with two other aspects of trade competition: unfair trade practices by importers and discrimination against U.S. exports by other countries. These sections authorized the President to raise tariff duties in retaliation against discrimination or to exclude imported products entirely if they were being unfairly traded. The act defined as unfair any practice, the effect or tendency of which was to destroy or substantially injure a U.S. industry or to restrain or monopolize trade and commerce in the United States. Discrimination meant the imposition of "unreasonable" charges on U.S. exported goods or limitations not equally enforced

upon the articles of all foreign countries. The Tariff Commission was to conduct a thorough investigation of any allegations of unfair or discriminatory behavior and present a recommendation for Presidential action.

Having thus fundamentally altered the Tariff Commission's mission, Congress included section 318 in the Fordney-McCumber Act to spell out some new procedures and duties as well. This section ordered the Commission to ascertain the costs of production and of conversion to new methods of production throughout the United States and elsewhere in the world. This information would provide a standard for judging whether changes should be made under the flexible provision. The Commission was also to draw up cost lists of representative articles to help it estimate the value of other, similar items. Section 318 further authorized the establishment of a Commission office at the New York customhouse, where the staff could monitor customs collections and gather relevant data to assist it in pursuing its investigative activities. The act also strengthened the Commissioners' powers of subpoena. On October 7, 1922, President Harding issued an Executive order outlining in considerable detail administrative procedures for the conduct of Commission investigations, hearings, and reports.

The Tariff Commission's new procedural rules and expanded functions necessitated a reorganization and the hiring of more personnel. Congress granted the Commission a supplemental appropriation in January 1923 to expedite these processes, and by the following summer the size of the staff had nearly doubled to almost 200 employees. The Commission then divided its administrative duties into four broad areas and assigned them to appropriate offices: the office of the chief economist, the office of the chief investigator, the legal division, and the administrative division. Responsible to both the chief investigator and the chief economist were the eight commodity divisions, each dealing with one of the major sections of the tariff schedules (agriculture, ceramics, chemicals, lumber and paper, metals, sugar, sundries, and textiles) written into the Fordney-McCumber Act. In addition to staffing its New York office, the Commission also established a small office in Brussels, Belgium, to facilitate its overseas data-gathering activities.

Petitions for action under sections 315, 316, and 317 soon began arriving at the Tariff Commission. Any individual could request an investigation provided he could supply the Commission with enough evidence to indicate that one ought to take place. If the Commissioners determined that "good and sufficient reasons" for an inquiry

existed, they would order the chief investigator to have the appropriate commodity division prepare a complete plan for the conduct of the investigation. This plan was then submitted to the Advisory Board for revision and consideration. The Advisory Board included the chief economist, the chief investigator, and the chief of the legal division, as well as the chief of the commodity division concerned in the case and the economist assigned to it. Once the Advisory Board had approved the plan, it was submitted to the Commissioners for action. Technical and accounting experts made up the crew assigned to each investigation, assisted when possible by an economist. The crew assembled cost and other data through fieldwork in the United States and through foreign contacts or the overseas office. The commodity division in cooperation with the assigned economist then prepared a preliminary statement of information as a basis for the public hearing.

The statute required the Commission to give interested parties reasonable notice of its hearings to allow them "to be present, to produce evidence, and to be heard." Normally the hearings took place after the preparation of the staff's preliminary statement, but in a few instances, the Commissioners conducted hearings at the beginning of an investigation to obtain necessary data or to ascertain more accurately the exact scope of the investigation. All testimony at the hearings was taken under oath and certain individuals were required to appear and to produce documents. Witnesses at Tariff Commission hearings were granted witness fees and mileage on the same scale as witnesses summoned to appear in Federal courts. Most testimony involved oral presentation and examination and questioning by the Commissioners. The only major restraint on the Commission's activities had been carried over from section 708 of the 1916 revenue act. This section prohibited the Commission from publicly disclosing the costs of production of any individual producer; any information on production costs collected during the course of an investigation had to be collated with that of other producers before being publicized. The Commission has followed this practice scrupulously up to the present time, keeping confidential all costs and other data individual producers supply.

After the completion of the hearings, the investigating team drew up a final report encompassing all information gathered, and the Commissioners voted on a recommendation. The Commissioners then sent their recommendation along with supporting documents to the President for action. They forwarded a report to the White House even if they had concluded that no change should be made in the tariff structure.

As the foregoing description suggests, the Commission's investigative process was time consuming. The flexible-tariff provision had been added to the 1922 act in part as a response to fear that an unchanging set of schedules would prevent the United States from quickly adjusting its policies to correspond with abrupt changes in world trade and industrial conditions. Many had agreed to support the Fordney-McCumber Act only as an emergency response to the unusual conditions then prevailing. These individuals expected that the flexible-tariff provision would enable the United States to scale down its high tariffs once the international economic situation became more normal. The great length of time that passed between the arrival at the Tariff Commission of an initial request for a change and the final Presidential proclamation profoundly disappointed those who had anticipated quick, responsive action under the flexible provision. Thomas Walker Page, a liberal Commissioner who had resigned in frustration, noted that by 1924, the Commission had completed only 3 of the 37 investigations it had begun. "To regard the present tariff as 'flexible'," he wrote, "one must view it from a geological standpoint."⁴ Later in the decade, low-tariff supporters repeatedly protested the inordinate length of time required for the achievement of a flexible-tariff adjustment, some investigations having taken 5 years or more to complete. A congressional revision of the entire tariff schedules would have taken far less time, they pointed out, so the 1922 act could hardly be considered flexible at all.

An agency dedicated to objectivity and thoroughness would always take a certain amount of time to complete its investigations. Yet even when the staff acted quickly, completing its work in a few months, Presidential delays and bickering among the Commissioners themselves could delay action for years. The crux of the problem lay in the traditional area of disagreement over tariffs, with protectionists and those favoring less restrictive rates carrying their incessant warfare on inside the Tariff Commission. Many Commission advocates had championed it with the slogan that it would "take the tariff out of politics," but the chief result had been to transfer tariff politics from Congress to the Commission. At no other time in the Commission's 60-year history has internal political dissension so limited its effectiveness as in the years immediately following the passage of the 1922 act.

The Commission had originally reflected the progressive attitudes of its sponsors and of President Wilson. When Republican Warren G. Harding assumed the Presidency, the agency's philosophy began to

⁴ Thomas W. Page, *op. cit.*, pp. 57-58.

shift in the direction of traditional protectionism. The process of change began when Harding named Thomas O. Marvin Chairman of the Commission in 1921. In his previous position as secretary of the protectionist Home Market Club of Boston, Marvin had actively lobbied for higher tariff protection for New England products. To fill the second vacancy on the Commission, the President selected William Burgess, a lobbyist for the Nation's pottery industry. When liberal Democrat Thomas W. Page resigned in 1923, his position was assigned to a conservative Louisiana Democrat named Henry G. Glassie. Glassie became the center of the political storm that raged at the Tariff Commission for several years.

As the most important dutiable commodity on the tariff schedules, sugar produced \$127 million in customs receipts in 1923. Under the Fordney-McCumber Act, sugar duties brought in 22 to 32 percent of the total annual customs revenues. The number of producers and variety of sources greatly complicated any attempt to analyze or regulate the sugar industry. Cane growers in Louisiana and Hawaii joined with beet farmers in the West to form a powerful lobby for higher rates against foreign sugar producers. At the same time, the reciprocity agreement reached after the Spanish-American War gave Cuban planters more favorable treatment than that given to growers in other countries, with the result that 95 percent of the sugar imported by the United States in the 1920's came from Cuba. The 1922 tariff act set a duty on Cuban sugar of 1.76 cents per pound. The United States Sugar Association, an organization representing Americans with investments in the Cuban sugar industry, applied to the Tariff Commission on November 16, 1922, for a reduction of this tariff on Cuban imports. The Commissioners voted to begin a section 315 investigation on March 27, 1923, and the staff work and hearings continued for a full 16 months.

Although the bulk of the evidence collected by the Commission's staff weighed in favor of the requested reduction, political maneuvering took precedence over the facts in the case. Although his wife's family grew and processed sugarcane in Louisiana, Commissioner Glassie claimed that he had no personal financial interest in these operations, and he insisted upon sitting in on the investigation. As protectionists Marvin and Burgess would never approve the reduction, the Commissioners were almost bound to split 3 to 3 on the issue and thus fail to recommend the appropriate revision under the flexible-tariff provision. The liberal Commissioners, who felt that they had sound economic reasons for insisting on the reduction, had no intention of giving in without a fight. First they requested President Calvin

Coolidge to order Commissioner Glassie to follow judicial precedents and excuse himself from the investigation.

To their horror, the President not only refused, but stoutly supported Glassie's decision to stay on. The embattled Commissioners then sought congressional assistance. In the spring of 1924, Congress responded by attaching a proviso to the bill appropriating funds for the Tariff Commission, stating that no Commissioner could collect any salary for serving on a section 315, 316, or 317 investigation in which he or his family had special interests. Though framed in general terms, the rule was specifically aimed at preventing Glassie from participating in the sugar recommendation. The Commissioners then voted 3 to 2 in favor of reducing the duty on Cuban sugar from 1.76 to 1.23 cents per pound and sent this recommendation to President Coolidge on July 31, 1924.

Under the rules then existing, which have since been changed, all Commission reports were kept confidential until the President announced his decision. Calvin Coolidge was running for reelection that summer, and he did not want to alienate his supporters from the domestic sugar-producing regions. Consequently, he withheld publication of the Commission's findings for almost a year, and then, on June 15, 1925, he summarily rejected its recommendation. This rejection outraged not only those persons specifically interested in lower sugar duties but all of those who had expected the Tariff Commission to be able to use the flexible-tariff provision energetically to reduce the unduly high rates of the 1922 act.

President Coolidge was also greatly disturbed over the sugar business, and he had already taken steps to prevent such an embarrassment from recurring. While the sugar investigation was still under way, the White House had brought considerable pressure to bear on Commissioner William S. Culbertson, charging that he had been guilty of professional impropriety when he accepted payment for lectures he gave to various outside audiences. That approach failed to shake Culbertson's confidence, so the President sent him to Romania as U.S. minister in the summer of 1925. One liberal was gone. Another Democratic Commissioner, David J. Lewis, came up for reappointment in September 1924. Before Coolidge acted, he requested Lewis to sign an undated resignation letter. When Lewis refused, Coolidge grudgingly went ahead and gave him a recess appointment, but did not reappoint him when his temporary term expired early in 1925. Protectionist William Burgess resigned at about the same time, creating three vacancies on the Commission, all of which Coolidge filled with unswerving advocates of higher rates: Alfred P. Dennis,

A. H. Baldwin, and Edgar Brossard. The lone Progressive holdover, Commissioner Edward P. Costigan, gave up in disgust in March 1928.

As early as 1926 the politicization of the Tariff Commission had become so obvious that the Senate created a special committee to investigate its operations. This committee, which consisted of two regular Republicans, one Progressive Republican, and two Democrats, was called the Robinson Committee after its chairman, Senator Joseph T. Robinson, of Arkansas. Its most outspoken and influential member was Wisconsin Progressive Republican Robert M. La Follette. The Senators found ample evidence of politicization and unusual or suspicious proceedings at the Tariff Commission. Furthermore, they were quite critical of the fact that the flexible-tariff recommendations had so frequently resulted in the raising rather than the lowering of rates. Only 5 of the 37 investigations completed by the summer of 1929 had resulted in reductions, and those 5—on mill feeds, bobwhite quail, paintbrush handles, cresylic acid, and phenol—represented negligible elements in the overall tariff structure. The 32 cases that had boosted rates involved, among others, such major items as wheat, pig iron, plate glass, and dairy products.

In a lengthy, impassioned Senate speech on September 25, 1929, Senator La Follette summarized the committee's 1,400-page collection of documents and transcripts of its hearings. He criticized the Tariff Commission for its sluggish operations, for slighting its important routine data-collection activities in favor of the flexible-tariff investigations, and, of course, for the Commissioners' obvious involvement in partisan politics. La Follette blamed the Coolidge administration for warping the Commission in the direction of its own views. The Senator ridiculed the sort of attitude expressed by Republican Representative William R. Wood 2 years earlier, when he had claimed that, "We ought to have . . . a factfinding commission that is in sympathy with the Administration."⁵ The Commission had disappointed the progressives so completely, in fact, that some of them called for its outright abolition. Others hoped it would reemphasize its data-collection work and terminate the unseemly political activity that had come to characterize it.

Although the Robinson Committee had correctly concluded that the flexible-tariff investigations and internal political bickering had substantially interfered with the Commission's more routine tasks, the Commission did continue to collect and publish a great variety of information. One example was the *Dictionary of Tariff Information*,

⁵ Quoted in "Wanted: A Little Sympathy," *The Nation*, 122 (Mar. 24, 1926), p. 308.

which had finally appeared in 1924. A particular interest of Commissioner David J. Lewis, the dictionary drew together into one reference volume a mass of useful material, including definitions, rates on specific items, historical notes, and discussions of the procedures involved in setting and administering tariffs. Another Commission activity that took place in the mid-1920's was a trip by some of the Commissioners to Europe. They traveled there in order to inform foreign government officials personally of what U.S. trade objectives were, as well as to observe foreign industrial developments.

A major milestone in the Commission's history occurred when the Supreme Court ruled that the Commission's investigative activities were constitutional. A suit had been brought against the Federal Government, contending that section 315's authorization permitting the President to set rates under the flexible-tariff criteria was an unconstitutional delegation of powers rightfully belonging to the legislative branch. On April 9, 1928, the Court rejected the plaintiff's contention. This ruling on section 315 of the 1922 act had the effect of sanctioning the Tariff Commission's investigative functions in connection with the flexible-tariff provisions.

Reorganization of the Tariff Commission in 1930

The culmination of the Senate investigation of the Tariff Commission, increasing pressure from the farm States for alterations in the agricultural tariff rates, and platform pledges in the 1928 Presidential campaign meant that the whole tariff system was slated for an overhaul. Throughout 1928 and 1929, the Commission staff prepared reports and conducted surveys to assist Congress in preparing the legislation that would be passed in 1930 and be known as the Smoot-Hawley Act. As in 1922, a major contribution to this process was the *Summary of Tariff Information*, a successor to the *Tariff Information Surveys*. The Tariff Commission also lent some of its staff members to the House Committee on Ways and Means, where they participated directly in the preparation of materials for the Representatives' consideration. Having been in existence for more than a decade, the Commission was able to provide much more thorough and sophisticated information and assistance than it had previously. To a degree, the Commission's activities at this time represented a fulfillment of its anticipated role in the drafting of a "scientific tariff," which could only be drawn up on the basis of a large body of objective data. How individual Congressmen used and interpreted the Commission's data remained, of course, a function of their personal and political convic-

tions, and many outside observers considered the Smoot-Hawley bill the least scientific tariff program ever devised.

Those who worked on the bill could not ignore the widespread criticism of the Tariff Commission. While a few Congressmen favored doing away with the Commission altogether, most felt it should be saved, but in a somewhat altered form. Representative Hawley's original bill had proposed an increase in the number of Commissioners to seven, with no party restriction attached to their selection. The Senate Finance Committee struck out this proposal and substituted wording almost identical to that in the agency's original charter: six Commissioners with no more than three from any one political party. In the floor debate, opponents of the Commission insisted that this provision would perpetuate its existing weaknesses. Others maintained that the party restrictions offered the best guarantee of an objective approach to tariff questions. Subsequent Congresses have apparently agreed, because the party restriction has continued to this time, despite its inability to insure that the Commission will have a balanced economic philosophy.

The party restriction was one of the few personnel features of the Commission that was left unchanged in the Smoot-Hawley Act. The Commissioners' 12-year terms were reduced to 6 years, although reappointment was still permissible. The most dramatic aspect of the 1930 statute was that it immediately terminated all of the existing Commissioners' terms. Although the President could reappoint some of the sitting Commissioners, he was essentially encouraged to create a whole new Commission—one that would be more acceptable to its many critics.

President Hoover's own public statements had much to do with saving the Commission. In 1930 he found himself in the uncomfortable position of having encouraged Congress to seek cures for the growing world economic crisis, and, to his disappointment, it had adopted an extremely isolationist and protectionist approach. Hoover clearly indicated that he would go along with this approach only if Congress agreed to incorporate in its bill enlarged flexible-tariff provisions that would allow him to adjust rates after the bill had become law. The President also wanted a responsible and energetic Tariff Commission to assist him.

The program that President Hoover helped save from extinction was written in sections 330 through 338 of the Smoot-Hawley Act of 1930. These sections outlined revised duties and a new organizational structure for the Tariff Commission, whose 1931 annual report summarized the duties as follows:

Section 332—General duties: To investigate and report to the President and the Congress concerning the administration and effects of the customs laws, tariff relations, treaties, preferential provisions, economic alliances, relation of imports to domestic production and consumption, competitive conditions, production and conversion costs, prices, and other factors affecting competition. A specific provision for an investigation of crude petroleum was included in this section.

Section 334—Cooperation: To cooperate reciprocally with other Government departments and agencies.

Section 336—Equalization of costs of production: To investigate and report to the President on differences in costs of production of domestic and like or similar foreign articles and to specify the rates necessary to equalize such differences, within prescribed limits.

Section 337—Unfair practices: To investigate and report upon unfair practices in import trade, with recommendations to the President as to exclusion of merchandise from entry.

Section 338—Discriminations against commerce of the United States: To keep informed of discriminations against the commerce of the United States and to report thereon with recommendations to the President.

Despite the renumbering and redesignation of the Commission's duties, its overall charge remained quite similar after 1930 to what it had previously been. Section 336 of the new act restated the same functions section 315 of the 1922 act had authorized, new section 337 (unfair practices) replaced old section 316, and new section 338 (discrimination) replaced old section 317. Sections 330, 331, and 333 of the 1930 act outlined the organization and procedural rules for the Commission. Sections 339, 340, and 341 related to other minor aspects of the agency's operations. The Smoot-Hawley Act turned out to be the last general, full-schedule congressional tariff statute, and the duties outlined in it for the Commission have, to a large degree, remained a continuing part of its workload. For example, the Commission currently cites section 332 of the 1930 act as its legislative authorization for conducting investigations for the use of the President and Congress, and it continues to investigate unfair trade practices under section 337.

Criticism and comment on the 1930 act's high tariff schedules and on the rapidly deteriorating international and domestic economic situation generally overshadowed any specific comments about the Tariff Commission's revised charter. A few liberal periodicals took the time to express their continuing disapproval, as did *The Outlook* when it complained that the Commission still resembled "a woodpecker in the act of demolishing the Great Wall of China."⁶ Most critics of the Commission were pleased, however, when President Hoover announced his choices for the reorganized Commission early in 1931. Only three of the incumbents, Edgar B. Brossard, Alfred P.

⁶ "Flexes Few," *The Outlook*, 157 (Apr. 22, 1931), p. 550.

Dennis, and Lincoln Dixon, were reappointed. In addition, Hoover was able to convince Thomas Walker Page, the liberal Democrat who had served on both the Tariff Board and the Wilsonian Tariff Commission, to give the concept another chance. The President named Henry P. Fletcher, a career diplomat and former Under Secretary of State, as the Commission's new Chairman, and he awarded the final seat on the Commission to John Lee Coulter, a professional economist who had served for some time on the Commission's staff.

To assist the new Commissioners, Congress appropriated funds for substantial increases in the size of the staff, which numbered over 300 in 1931, compared with an average of about 200 through the previous decade. The Commission attempted to streamline its operations by preparing forms for those who desired rate changes under the various sections and by outlining in much greater detail the steps involved in obtaining a Commission ruling. Dr. Coulter reportedly claimed that the revitalized Commission could rule on a complaint after only 1 month. In practice, the Commission refused to sacrifice its reputation for thoroughness, and a somewhat longer period passed between petition and Commission recommendation.

The process was cumbersome and subject to criticism, but it remained the only method through which an aggrieved party could seek relief from the historically high rates incorporated in the 1930 act. Therefore, a great many investigations took place. By the end of fiscal year 1931, the Commission reported that it had completed all section 332 investigations, had ruled on 39 cases under section 336, and had begun work on 27 others. During the following year, the Commission completed the report that Congress had requested in section 340 of the 1930 act, dealing with the conversion of tariff rates on the basis of domestic valuation of imports. The Commission's record of accomplishment during the first couple of years after its reorganization appeared substantially better than it had in the 1920's.

The process of Tariff Commission investigations, hearings, and rulings leading to Presidential proclamations, however, could not be considered an expeditious way of altering individual rates or a rational method for revising the overall tariff schedules. The Commission concentrated its attention upon fulfilling requests that originated from outside its operation; indeed, a great many of the investigations undertaken were direct responses to specific congressional resolutions. These investigations drained Commission resources, and the Commission lacked the manpower to carry on broadranging investigations on its own initiative.

As the Nation and the world descended into the economic abyss of



**HENRY P. FLETCHER, CHAIRMAN OF THE
U.S. TARIFF COMMISSION**

A career diplomat and former Under Secretary of State, Chairman Fletcher was named to head a completely reorganized Tariff Commission in 1931.

Source: National Portrait Gallery, Smithsonian Institution, Washington, D.C.

the early 1930's, the cumbersome Tariff Commission mechanism for altering the tariff levels seemed increasingly inadequate to the task of reviving world trade. The liberal and progressive reformers who had done so much to create the Commission prior to the First World War had even then considered a reciprocal-trade-agreements approach the most potentially effective method for dealing with international trade. The prevailing protectionist mood of the 1920's had muted enthusiasm for this approach, but the onset of the depression infused it with renewed popularity. The Tariff Commission figured prominently in the operation of the U.S. reciprocity policy that replaced the old method of tariff setting in 1934.

The Adoption of Reciprocity

The unusual state of world economic affairs after 1930 inevitably had an impact on the work of the Commission. For example, rapid

and unpredictable fluctuations in prices and production levels made its investigations under section 336 more difficult. Furthermore, many countries responded to the depression not only by raising their tariffs but also by establishing import quotas, exchange controls, and other nontariff barriers. Under sections 337 and 338 of the Smoot-Hawley Act, the Tariff Commission had to decide when such practices were unfair or discriminatory, but, given the disturbed economic conditions, any decisions it made were bound to be somewhat subjective. As other countries experimented with a variety of trade policies, interest arose in the United States for corresponding adjustments in U.S. tariffs. The already unpopular Smoot-Hawley Act seemed increasingly inadequate in these circumstances.

Congressional action appeared to be inevitable. In 1933, the Senate called upon the Tariff Commission to provide information and trade data to assist it in the drafting of a new approach to international trade policy. The Commission responded by producing newly revised versions of its tariff information summaries similar to those prepared prior to the passage of the 1922 and 1930 acts. The Commission also published the *Economic Analysis of Foreign Trade of the United States in Relation to the Tariff*, a report that placed tariff rates and associated trade regulations in a broader perspective. As interest in a bilateral reciprocal-trade-agreements approach grew, the Senate requested the Commission to prepare separate, detailed analyses of U.S. trade with each of 23 foreign countries.

President Franklin D. Roosevelt did not immediately adopt the reciprocity policy Secretary of State Cordell Hull and other Presidential advisers favored. Roosevelt ranked international trade policy well below his concern for programs relating specifically to domestic recovery. He had high hopes for the National Industrial Recovery Act, which his supporters rushed through Congress in the spring of 1933. The act created the National Recovery Administration (NRA), charged with the designing of codes of practice for various industrial sectors. These codes would presumably insure the maintenance of reasonable prices, wages, and profits in U.S. industry. Section 3(e) of the act dealt with industrial imports, and it assigned to the Tariff Commission responsibility for making certain that imported goods would not undermine the effectiveness of the NRA codes. The Commission was to investigate any claimed damage to the code structure and to recommend compensating import fees, quotas, or other restrictions on injurious imports. Shortly after the act was approved, however, the Roosevelt administration substantially reduced the exchange value of the U.S. dollar, and this devaluation offset almost

all beneficial price advantages that foreign manufacturers had previously enjoyed. Consequently, the Commission had little reason to conduct section 3(e) investigations before being relieved of the responsibility entirely when the Supreme Court ruled the National Industrial Recovery Act unconstitutional in 1935.

Not until the fall of 1933 did President Roosevelt focus his attention directly on the international trade crisis. On November 11, he created the Executive Committee on Commercial Policy and charged it with coordinating all international commercial policies of the United States. He assigned to this committee high-ranking members of the Departments of State, Treasury, Commerce, and Agriculture, as well as the Tariff Commission, the NRA, and the Agricultural Adjustment Administration. The high-level coordination of trade policy opened the way for better cooperation among the economists and commodity experts of the various agencies. The Executive Committee was chiefly responsible for setting in motion the implementation of the reciprocity program. The Tariff Commission's reports to Congress on the international and domestic implications of the tariffs and on many other related topics proved very useful in the planning process for the reciprocity policy that Congress officially adopted in 1934.

The Trade Agreements Act of 1934 continued the process of transferring from Congress to the President the power to set specific tariff rates that the flexible-tariff provisions of the 1922 and 1930 acts had begun. The earlier statutes had restricted Presidential authority, since the Tariff Commission had been designated as a go-between, conducting its lengthy investigations and then making its recommendations to the President. One could argue, in fact, that Congress had delegated a limited rate-setting authority to the Commission under the flexible-tariff provisions, although the legal criteria for the equalization of the costs of production and Presidential discretion circumscribed Commission prerogatives. The 1934 act did away with the intervening step of Tariff Commission recommendation. It did require the President to give public notice of his intention to negotiate a trade agreement and to "seek information and advice" from the Tariff Commission and the Departments of State, Agriculture, and Commerce. However, he now could run individual rates up or down by as much as 50 percent without waiting for the lethargic process of petition, investigation, and recommendation to be worked out at the Tariff Commission.

The Executive Committee on Commercial Policy moved quickly to implement the act once it had been approved on June 12, 1934. Just 10 days later it created the Interdepartmental Committee on Trade Agreements, drawing members from the Tariff Commission and the

State, Commerce, Agriculture, and Treasury Departments. The Trade Agreements Committee, in turn, delegated to 28 country subcommittees the responsibility of determining the specific concessions that should be offered and requested in bilateral reciprocal trade negotiations. Each of the country subcommittees drew together the most knowledgeable staff members from the Tariff Commission and the State Department as well as other Federal officers who possessed expertise in the area of import and export conditions prevailing between the United States and a particular foreign country. All subcommittee suggestions and recommendations had to win approval from the Trade Agreements Committee before being forwarded to the Secretary of State and the President.

Congress had included a special provision designed to provide the public with an opportunity to comment upon the operations of the trade agreements program. The President implemented this provision through an Executive order that established the Committee for Reciprocity Information, and he named Tariff Commission Vice Chairman Thomas W. Page as its chairman. The committee conducted hearings, as the Tariff Commission had done under the flexible-tariff provisions of the earlier trade acts, that permitted interested persons to present their views concerning the probable advantage and potential damage that contemplated trade concessions might have.

The decision as to which country should be offered a tariff concession on a particular imported commodity followed the "principal supplier" rule. Tariff Commission staffers and other experts would try to identify those commodities of which the negotiating foreign country was the principal supplier to the U.S. import market. Reductions or revisions in the U.S. duties on the commodity would then be offered to this principal supplier in return for corresponding concessions in its own tariff structure on the U.S. goods it wished to buy. Adherence to the principal-supplier rule would assure the United States of the greatest possible gain from the concession, since only the negotiating country would have to offer a reciprocal concession, and it was expected that it would be willing to make the greatest counterconcessions in return for the reduction on that commodity. Through the operation of the unconditional most-favored-nation principle, the concession would be automatically and freely extended to all other nonnegotiating suppliers. The bilateral negotiations were normally carried out with one of the top three suppliers of any commodity.

Once it had decided which products should be the subject of negotiations, the country subcommittee of the Trade Agreements Commit-

tee had to design an appropriate bargaining strategy. To implement this strategy, a negotiating team, including a commodity expert or economist from the Tariff Commission, carried on discussions with representatives from the other country. From time to time, the country team would retire to assess the various alternatives and to vote on specific proposals. The Tariff Commission member of the team participated fully in the process at this level. The Commission representatives on the higher level interdepartmental committees also voted upon policy matters in conjunction with the representatives from the executive branch agencies. Thus the Commissioners and their staff participated fully in the implementation of the Trade Agreements Act of 1934.

The reciprocal trade negotiations continued right through the Second World War. In 1937, Congress granted the President a 3-year extension of his negotiating authority, and additional extensions in 1940 and 1943 permitted the administration to continue reducing U.S. duties up to the 50-percent maximum that the 1934 act had allowed. As the United States implemented one bilateral agreement after another, the operation of the unconditional most-favored-nation principle generalized these negotiated concessions, causing tariff rates generally to decline. Public interest in the whole question subsided as well.

The Tariff Commission remained extremely busy analyzing the effects of the reciprocal trade program and participating in its various committees and subcommittees. As these functions became more routine and as it shared its investigative and data-gathering responsibilities with the other agencies involved in the trade agreements program, the Commission receded from the limelight. Because the reciprocal trade agreements had a much greater impact on the alteration of tariff rates than did the flexible-tariff provisions, the latter became less important. Moreover, once an article had been subject to a tariff concession under a reciprocal trade agreement, the flexible-tariff provisions became inoperative for that article. Thus, fewer petitions arrived at the Commission than during the 1920's and fewer still triggered full-scale investigations. By 1950, the Tariff Commission had conducted a total of only 112 cost-of-production investigations under section 336 of the 1930 act and section 315 of the 1922 act. The President had proclaimed increases in duties in 44 of these cases, decreases in 20 cases, and both increases and decreases in another 7 cases. The Commission itself had recommended no change in 36 cases, and the President had rejected the Commission's recommendations in the final 5 cases.

The decline in flexible-tariff work freed the Commission to devote its attention to other projects in addition to its direct involvement in the reciprocal trade program. The Commission continually updated its tariff information summaries. In 1936, it began a series of special commodity surveys on 20 major imported commodities; the first to be completed dealt with nitrogen, flat glass, and sodium sulphate. One of the most useful publications that the Commission began issuing at this time was a compilation of changes in rates of duty that had resulted from legislation or from Presidential proclamations under the trade agreements or the flexible-tariff provisions. These import duty compilations required frequent revision to reflect the large number of rate changes that occurred after 1934.

In 1935 an amendment to the Agricultural Adjustment Act outlined responsibilities for the Tariff Commission that it had no occasion to exercise for several years. Section 22 of that act, as amended, empowered the President to impose import fees or quantitative limitations on the importation of any articles he found to be interfering with the Agricultural Adjustment Administration's programs to maintain agricultural prices for U.S. farmers. The President could not act until the Tariff Commission had conducted a full investigation. The first of these took place in 1939, in which the Commission recommended quotas on imports of cotton and cotton waste. President Roosevelt put these quotas into effect by proclamation on September 20, 1939, and other investigations and proclamations have occurred from time to time since then.

Because the Tariff Commission always seemed to have more work to do than it had time or staff available, it established programs under the Works Progress Administration (WPA) to carry out several long-term analytical projects. For example, WPA workers at the Commission's New York office set about analyzing the tariff's impact on the commodities included in "basket" provisions of the tariff schedules, which provided rates of duty on articles classified under general, all-encompassing descriptions. The effect that these basket tariff rates had on the importation of specific products had never been comprehensively studied to determine whether some of them ought to be dealt with individually or grouped in smaller and more appropriate rate categories. In Washington, D.C., and in Richmond, Va., the WPA projects involved statistical compilations and indexing, classifying, and sorting of Commission materials.

The U.S. Tariff Commission Through the War

Beginning in the Far East in 1937 and in Europe 2 years later, war naturally had profound effects upon the international trade situation. Even before the actual fighting broke out, European and Asian nations had begun altering their trade policies and restructuring their tariff laws. The Tariff Commission's routine analyses of world trade affairs assumed increasing importance as U.S. exports became crucial to the strategic planning of other nations. Countries preparing for or already engaged in conflict established import and export restrictions, exchange controls, quotas, and special licensing regulations in order to monitor and control their own international trade. The Tariff Commission necessarily had to keep abreast of the development and operation of these nontariff barriers as well as the accompanying shifts in tariff policy.

By 1940 some of the Tariff Commission's most vital work was being carried out under the authority of section 334 of the 1930 act, which had ordered the Commission to cooperate with other Federal agencies. For nearly a quarter of a century, the Tariff Commission had been developing a well-trained and highly experienced staff, whose skills proved quite helpful in assisting the Nation to mobilize its resources. As the country initiated a full-scale military-preparedness campaign and as U.S. participation in the war grew ever more likely, various Federal agencies became involved in a variety of cooperative efforts. A representative sample of the agencies that the Tariff Commission shared its time and talent with would include the Departments of War, Labor, State, Interior, Agriculture, and Justice, as well as the Maritime Commission, the Securities and Exchange Commission, and the Federal Trade Commission. In addition, the Tariff Commission reported that approximately one-third of its work in fiscal year 1940 consisted of assistance to the Advisory Commission on National Defense.

By 1941 the Nation was engaged in comprehensive preparations for what appeared to be an inevitable entry into the hostilities. Even before the Pearl Harbor attack, the Tariff Commission had become fully engaged in the economic preparations for war. Since prewar trade patterns had almost completely disintegrated, the Commission attempted to provide current information about sources of supply at home and abroad, potential foreign production, and feasible domestic alternatives to imports. The Commission's earlier investigations had provided it with a wealth of information about domestic as well as foreign industries, their methods, and costs of production. The Office of

Price Administration and the Office of Production Management sought Tariff Commission advice in making their decisions about price controls and production priorities. The Commission itself published reports on strategic products, such as rubber, cork, and copper, describing the normal sources of supply, the extent of existing stock-piles, and potential wartime suppliers both at home and abroad.

This sort of information became even more crucial once the United States took up arms. Although the day-to-day operation of the Commission resembled its earlier function as a fact-gathering agency, it now worked with a much greater sense of urgency. Its major wartime activities took the form either of responses to requests from the agencies directly engaged in military operations, procurement of material, and economic regulation, or of investigations directed toward solving production and trade problems that had developed in the war or were likely to appear afterward. The primary emphasis lay in the first category, with the Commission extending assistance to the War and Navy Departments, the War Production Board, and the Board of Economic Warfare. As it had during the First World War, it lent experts to various emergency committees. For example, it offered advice to and had staff members on 11 different interdepartmental committees dealing with various aspects of the lend-lease program.

The Tariff Commission devoted a portion of its attention to global planning and surveys. It exhibited particular interest in Latin America and the Far East, regions that had always played a smaller role in U.S. trade policies than Europe. As the Nation concentrated its energies on winning the war, the flow of flexible-tariff-adjustment requests dwindled to a trickle. The Tariff Commission handled very few such cases during the war, and the heavy wartime demands on its staff forced the delay or abandonment of a good many other projects as well.

Once the United States and its allies appeared certain of ultimate victory, the orientation of the Commission's work shifted away from current necessities and toward future planning. Congress requested three different kinds of studies: 1) General investigations of the war's alteration of the foreign-trade position of the United States, 2) analyses of the war's impact on specific domestic industries, and 3) studies of the war's effects on other nations. These studies were helpful to those who hoped to engineer a smooth transition for the United States from war to peace. The Tariff Commission's perspicacity along these lines is apparent in its 1944 annual report, which accurately predicted postwar economic developments: "Increased exports would assist in maintaining production and employment at a high level in the

postwar period. However, many countries of the world will find it difficult to obtain funds to buy from the United States even as much as they bought from us before the war. Moreover, during the war new industries have been created which, after the war, may seek to have new restrictions placed on imports.”

Just as the war ended, the 78th Congress placed a heavy burden upon the Tariff Commission. Pursuant to section 332 of the Tariff Act of 1930, Senate Resolution 341 requested a complete summary of the postwar production capabilities, imports, exports, consumption, and employment characteristics of each of the articles that the United States had imported in 1939 with a total value of \$100,000 or more. This monumental task took literally all of the Commission’s time and energy for several months, and it represented only the first in a flood of requests for the Commission reports on a variety of subjects. The focus of interest here lay not only on the existing U.S. trade situation and on international economic conditions, but also on what sort of authority in tariff matters Congress should assign to the executive branch in the future.

The General Agreement on Tariffs and Trade

By the time the President’s authority to negotiate reciprocal trade agreements was to expire in 1945, the executive branch had cut in half—the maximum allowable reduction—the rates for about 40 percent of the dutiable imports. Most Americans at this time favored continued movement in the direction of freer trade. Consequently, rather than reverting to stiff increases in tariff duties as it had after the First World War, the United States took steps that would insure further reductions. Congress not only extended the President’s authority to negotiate trade agreements but also gave him wider latitude. The Trade Agreements Extension Act of 1945 authorized the reduction of any existing rate by half, thus permitting the establishment of certain rates at just one-fourth of what they had been in 1930 for the commodities previously reduced by the maximum allowable under the 1934 trade agreements authority. Simultaneously, the United States exhibited great interest in cooperative arrangements with other countries. Under the auspices of the United Nations Economic and Social Council, the major trading nations of the world generated their plan for multinational agreement on tariffs and trade. Movement in that direction began slowly, but by 1947 it had become a matter of urgency because the Trade Agreements Extension Act of 1945 had granted the Truman administration authorization to negotiate only through 1948. Moreover, the various international trade barriers inherited from the

war and high tariffs were clearly impeding a worldwide economic recovery.

The Tariff Commission continued to play a central role in the implementation of U.S. trade policy after the war. To provide U.S. negotiators with an indication of what the conditions were, the Commission published *United States Import Duties, June 1946*, a new compilation showing the current rates of duty on all U.S. imports, including the changes that had resulted from the President's delegated authority to negotiate reductions. This publication greatly aided the negotiators in their preparation of lists of articles for consideration for further tariff reductions. Tariff Commission representatives participated in the hearings of the Executive Committee on Economic Foreign Policy on the proposal for the creation of the International Trade Organization (ITO), and Commission experts testified at the House and Senate hearings on the ITO as well. New versions of the *Summaries of Tariff Information* appeared, along with revised reports on the effects of the war on U.S. foreign trade and domestic producers. Meanwhile, Congress requested the Commission to prepare studies of 40 essential products as they related to the proposed Marshall plan for the economic reconstruction of Europe.

Although the ITO failed to materialize, the General Agreement on Tariffs and Trade (GATT) accomplished much of what the freer trade advocates had desired. The Tariff Commission prepared digests of information on the 1,300 items on which the United States was preparing to offer concessions, and 5 Commissioners and 22 staff members went to Geneva for the GATT negotiations. Each nation came to the conference armed with two lists: one containing all of the concessions it was prepared to offer and the other enumerating the alterations it wished other nations at the conference to make in their tariff schedules. Although the Geneva talks were ostensibly multilateral, the procedure differed only slightly from the one employed during the bilateral trade negotiations from 1934 through 1945. A team from each country conducted the day-to-day bargaining with representatives of another nation on a bilateral basis. The U.S. negotiators then hammered out agreements with those of the other country in much the same manner as they did during the period of bilateral negotiations before the war. The principal-supplier rule was followed, and the U.S. team members voted on the proposals and counteroffers just as they had between 1934 and 1945. Thus, individual Tariff Commissioners and staff members continued to exercise significant policymaking influence at all levels.

Once the tariff concessions had been negotiated at the bilateral

level, each country consolidated the concessions it had agreed upon into a single schedule of concessions which was then annexed to, and became a part of, the General Agreement on Tariffs and Trade. The negotiators at Geneva worked out approximately 123 bilateral agreements, which were collected into schedules and annexed to the GATT. The negotiation of these concessions required 7 months for completion and dealt with 45,000 individual items in the tariffs of the participating countries. This represented the largest multinational trade negotiation ever held up to that time, and it brought about striking reductions in the overall level of tariff barriers throughout the world.

The application of the escape-clause provision in the GATT soon became one of the Tariff Commission's major functions. Escape clauses had been included in some of the earlier bilateral agreements, and the United States insisted that the GATT incorporate the concept as well. Article XIX of the General Agreement embodied the escape-clause mechanism, and Executive Order No. 9832, issued on February 24, 1947, formally established the manner in which it would be administered by the United States. The order announced that all future trade agreements would include a clause protecting U.S. producers against serious injury resulting from negotiated concessions. The clause stated that if such injury occurred, or threatened to occur, the United States reserved the right to withdraw or modify the concession responsible for such time and to such extent as would be required to remedy the injury. The Tariff Commission was required to investigate any complaints of injury through its now-standard procedure of conducting surveys and holding public hearings. If the Commission found evidence of serious injury or threat of injury, it would recommend appropriate modifications of the trade structure to the President. The Commission established rules for the investigation of escape-clause cases that resembled its procedures under the flexible-tariff provisions. Each succeeding trade act has included, with slight modifications, provisions authorizing escape-clause investigations and recommendations.

Executive Order No. 9832 also required the Tariff Commission to prepare an annual report on the operation of the Trade Agreements Act of 1934, as amended. This report was designed to inform other Government agencies and the general public of changes that had occurred in U.S. trade and trade policy as a result of reciprocity activities. The first report appeared in 1948 and included a general history of the Trade Agreements Act, a summary of the concessions the United States had made under it and its extensions, and an analysis of the foreign concessions the program had brought about. The Commis-

sion has continued to report on the operation of the trade agreements program ever since. The Commission's various reports indicate how effective the reciprocity approach has been in revising the U.S. tariff structure. For example, as of January 1949, rates of duty applicable to 88 percent of dutiable imports into the United States had been reduced from the Smoot-Hawley levels as a result of the trade-agreement concessions negotiated since 1934, and an additional 6 percent were bound against increase. Only the remaining 6 percent had not been subjected to either a reduction in rate or a binding restriction.

The Peril Points and Trade Policy in the 1950's

The nature of the Tariff Commission's role in the trade agreements program changed to a certain extent when Congress passed the Trade Agreements Extension Act of 1948. This act was symptomatic of the disenchantment within the legislative branch over the reciprocal-trade-negotiations process. This attitude became more evident when Congress subsequently refused to approve the International Trade Organization charter. Congress has never formally accepted or rejected GATT; however, it appropriates money for our activities in GATT and instructs the President on U.S. policies to be pursued within its framework.

President Truman's 3-year authorization to negotiate concessions expired in 1948. The 80th Congress displayed its lack of confidence in the administration by granting an extension of that authority for just 1 more year. It intended to subject the whole tariff and trade policy to a substantial review during that year. The act of 1948 also severed the Tariff Commission from the negotiating process. It forbade Commissioners to participate directly in policymaking bodies, and no longer permitted Commission staff members to vote on specific proposals. Implementation of the 1948 act required that the Committee for Reciprocity Information be transferred from the Tariff Commission building to the Department of Commerce, and Tariff Commissioners could no longer serve on the committee. Thus the Commission was completely isolated from the executive branch with respect to policy matters.

Although the Tariff Commission was denied any direct input into the reciprocity negotiations, it continued to exercise its responsibility for protecting U.S. industry from serious injury. An Executive order had already made the Tariff Commission responsible for investigating and ruling upon escape-clause cases, and Congress restated that authorization in the 1948 act, thus separating it from the executive branch. In addition, Congress created the so-called peril-point investi-

gations. The Trade Agreements Extension Act of 1948 ordered the President to submit to the Tariff Commission a list of all articles that he proposed to consider for possible tariff negotiations. The Commission was required to study and analyze each article on the President's list and within 120 days notify the President as to the limit to which the proposed concession could be extended without causing or threatening serious injury to the domestic industry producing a similar article. In other words, it was to designate the point at which further concessions would bring peril to U.S. producers. The peril-point investigations reversed the escape-clause procedure. Formerly, concessions were made and put into force; then escape-clause investigations were carried out to determine whether serious injury had occurred. Under the 1948 act, an investigation specifically addressed to the potential of injury preceded the negotiation of the trade agreement. The agreement would, of course, contain an escape clause in any case to insure that the United States had an opportunity to reassess the effect of any concessions.

Whatever its effect on the level of the tariff rates themselves, the peril-point provision increased the Commission's workload. In the fall of 1948 the Tariff Commission received a list of approximately 400 items in the U.S. tariff schedules that the President proposed to offer at the next round of GATT negotiations. The Commission then conducted surveys and held public hearings on these proposed concessions to assess whether they would injure domestic producers of the affected commodities.

The restrictions of the 1948 act seemed excessive to Congress, which had to consider in 1949 whether to extend once again the President's negotiating powers. The 1949 Trade Agreements Extension Act not only gave the President an additional 2 years of bargaining authority, but it also repealed the peril-point investigations and dropped the limitations on Commission employees' participation in interdepartmental trade committees. The Committee on Reciprocity Information promptly returned to the Tariff Commission building from its temporary exile in the Department of Commerce. For the next 2 years, the Commission devoted the bulk of its investigative energies to injury claims under the GATT escape clause. The Truman administration was able to participate in the third round of GATT negotiations at Torquay, England, without the concern over peril points that had characterized its activities at the previous round of negotiations.

In 1951, Republican majorities distrustful of all facets of the Truman administration's foreign policy had control of Congress. To obtain a further extension of his bargaining power, the President had

to accept several restrictions. The Trade Agreements Extension Act of 1951 restored the Tariff Commission's responsibility to find peril points and required the President to furnish an explanation to Congress if he chose to disregard the Commission's findings. In practice, the peril points had the effect of restricting the flexibility of U.S. negotiators at international trade conferences, as negotiators attempted to avoid making any concessions below the peril points. The Commission was not permitted to weigh the general economic advantages that the reduction of rates on a particular commodity might bring in other sectors; it could consider only how the reduced rates would affect the U.S. industry specifically engaged in producing the commodity concerned.

The 1951 act said nothing about Commission employees' participation in committees and working groups concerned with the trade agreements program. Because the peril-point provision required the Commissioners to make independent assessments of the effects of concessions, however, the Commission found itself in an awkward position with regard to its staff members' participation in decision-making activities in executive branch negotiating teams. To avoid any suggestion of conflict, the Commission staff members who served on negotiating committees refrained from voting upon any policy proposals.

At the fourth round of negotiations at Geneva in the mid-1950's, the U.S. representatives scrupulously avoided making any concessions below the peril points, but for the Dillon Round of negotiations, which took place in 1960-62, President Eisenhower authorized tariff reductions below the peril point on several commodities in order to obtain desirable concessions, particularly from the Common Market. The whole procedure was to be subjected to legislative scrutiny and alteration in 1962.

Peril-point investigations were called for only when further tariff reductions were planned, but escape-clause petitions provided the Tariff Commission with a more constant stream of investigative work. The Trade Agreements Extension Act of 1951 was the first act to outline a statutory procedure for the conduct of these investigations, which had previously been delineated in Executive orders. Section 7 of the 1951 act called for the Tariff Commission's escape-clause investigations to take into consideration all economic factors, including any downward trend in production, employment, prices, profits, sales, or market share of a domestic producer, as well as any increase in imports. If the Commission found that a fall of any of these indicators had resulted from trade agreements concessions, it could recommend

relief to the President. Possible forms that relief might take included withdrawal or modification of the concession, suspension of the concession in whole or in part, or establishment of an import quota. The President had to respond to a Commission recommendation within 60 days, and he had to inform Congress both of the Commission's recommendation and of his action in response to it. The Trade Agreements Extension Act of 1958 reserved to Congress a final review. If the President decided to reject a Commission recommendation, Congress could overrule the President and implement the recommended temporary relief measure. Section 7 of the 1951 act indicated that relief measures should be taken only "for the time necessary to prevent or remedy" injury to the domestic industry. Consequently, the President issued an Executive order calling upon the Tariff Commission to reexamine each escape-clause-relief action after an appropriate period to determine whether the need for such relief had ended. In the 1962 Trade Expansion Act, Congress provided a statutory basis for this review process as well. At certain points during the 1950's, the Commission found itself devoting fully half of its time to escape-clause investigations and reviews of escape-clause-relief measures.

The process of investigation followed under section 7 of the 1951 act resembled the pattern of the Tariff Commission's earlier flexible-tariff work under section 336 of the 1930 act and sections 315, 316, and 317 of the 1922 act. The criteria for obtaining rulings under these various statutes differed, however, as did the forms of remedy available to the domestic industry or complainant, but the Commission's investigative procedures still resembled the previous ones.

The investigative procedures that the Tariff Commission employed were also quite similar to earlier methods in two other areas—support of the program authorized by the Agricultural Adjustment Act and enforcement of the antidumping law. The Trade Agreements Extension Act of 1951 provided for quicker action under section 22 of the Agricultural Adjustment Act with regard to perishable commodities. The new legislation also offered greater opportunities for producers of agricultural commodities to seek relief from import competition. Consequently, after 1951 the Tariff Commission began dealing with a number of petitions requesting import quotas, higher duties, or other forms of relief on specific agricultural products.

The Commissioners had praised the passage of the Antidumping Act in 1921, but enforcement of the law originally fell to the Department of the Treasury. Section 301 of the Customs Simplification Act of 1954 amended the 1921 legislation, leaving the Treasury Department responsible only for initiating an investigation and determining

whether dumping was actually taking place. If the Treasury Department determined that articles were being imported at less than their fair value within the meaning of the Antidumping Act, it was required to refer the matter to the Tariff Commission to determine whether the specified importation was injuring or otherwise interfering with domestic industry. Injury investigations under the antidumping statute resembled the injury investigations that the Tariff Commission was already carrying out under its escape-clause and agricultural-adjustment-program authorizations. The Commission continues to conduct investigations under this statute.

The Tariff Commission devoted the majority of its energies during the 1950's to its peril-point, escape-clause, and other investigative work. Meanwhile, the Commission continued to publish its usual reports on tariff and trade information. In addition to updating its periodic publications, it also responded to a large number of requests from congressional committees, individual Congressmen, Federal agencies, and executive branch officers for reports or surveys on specific commodities or trade matters. Here the Commission was continuing to perform the sort of service it had originally been mandated to carry out in 1916—that is, providing the Federal Government with all sorts of information on foreign economic developments and on international trade and its effects on domestic production.

For a time under the Eisenhower administration, the Commission anticipated that the entire tariff structure and policy mechanism might be fundamentally altered. The Trade Agreements Extension Act of 1953 called for the appointment of the special, bipartisan Randall Commission on Foreign Economic Policy to conduct a thorough study of the entire international trade situation. Although the structure of the Tariff Commission remained unchanged, the Randall Commission did recommend, and the Congress directed, that the Tariff Commission make a comprehensive study of the laws relating to the tariff status of imported articles and to submit to the President and the House Ways and Means and Senate Finance Committees a revision and consolidation of those laws. The Commission assigned this task to its Assistant General Counsel, Russell N. Shewmaker, who with other staff devoted much time and energy to it for the next several years. In May 1962, Congress authorized the President to implement the resulting rate schedules with the passage of the Tariff Classification Act. The Tariff Commission then published in 1963 the *Tariff Schedules of the United States* (TSUS), which by law are the official rate schedules. Since then, the schedules have been amended and modified by legislation and trade agreements negotiations. The Com-

mission publishes the changes periodically in the *Tariff Schedules of the United States Annotated* (TSUSA).

The Kennedy Round and Trade Policy in the 1960's

In the early 1960's Congress modified the legislative format for the delegation of tariff-cutting authority to the President. The series of trade agreements extension acts had carried forward the negotiating authority that the 1934 act had assigned to the executive branch, and the 1934 act, in turn, had been framed as an additional section of the Smoot-Hawley Act of 1930. The Trade Expansion Act of 1962 abandoned these direct linkages, although in most aspects it carried forward the policies that the earlier acts had initiated. The new law authorized the President to enter into negotiations with other countries whenever "existing duties or other import restrictions of any foreign country or the United States are unduly burdening and restricting the foreign trade of the United States." Following passage of the act, a fundamental change was made in the manner in which the delegated tariff-cutting authority would be used. Officials planning the new round of negotiations proposed across-the-board reductions in the tariff schedules, a procedure that recalled the horizontal reduction schemes of the late 19th century. Although it had always been technically possible to conduct the negotiations in this manner under previous trade legislation, this was the first time that it had been seriously considered. The proposal was designed to expedite the negotiations.

So that it could offer an attractive set of concessions in return for advantageous treatment for U.S. exports at the next round of GATT negotiations, the Kennedy administration initiated a review of virtually all existing rates. The recently published TSUS provided a starting point, but before he could act the President was required to seek advice from the Tariff Commission. The peril points had died with the expiration of the previous act, and section 221 of the Trade Expansion Act of 1962 ordered the Tariff Commission to investigate and report only upon the "probable economic effect of modifications of duties." The Commission was still supposed to indicate which of the proposed concessions might injure domestic industries, as it had under the peril-point proviso, and the process the Commission followed in its study of the probable economic effects was almost identical with its peril-point investigations. No specific peril point was indicated, however. When a list of items to be considered for concessions was sent to the Commission, it collected information through its standard re-

search procedures and took testimony before making its assessments of the probable economic effect of the concessions. The Tariff Commission's report was supposed to be completed within 6 months of its receipt of the list of items being considered for concessions. On October 22, 1963, President Kennedy submitted a list that included nearly every one of the articles enumerated in the TSUS. The Tariff Commission had to conduct a full-scale review and make its assessments of the probable economic effect of what amounted to a general rate revision.

In addition to authorizing further revisions of the tariff rates through trade-agreement negotiations, the Trade Expansion Act of 1962 in section 301(b) outlined procedures through which relief from injury under the escape clause could be sought. The Commission had to determine whether serious injury had occurred, or threatened to occur, to a domestic industry as a result in major part of trade-agreement concessions. If the Tariff Commission made an affirmative finding under section 301(b), the President could proclaim an increase in or the imposition of a duty or other import restriction on the commodity causing the injury or threat thereof.

In addition to this escape-clause-relief procedure, the 1962 act introduced a new method of dealing with import injury in the form of adjustment assistance. Sections 301(c)(1) and 301(c)(2)—the so-called firm and worker provisions—provided for assistance to U.S. firms and workers suffering injury from reduced tariffs. Under these clauses individual firms or groups of workers could appeal to the Federal Government for help in dealing with the consequences of increased imports. This assistance was designed to enable the firms or workers to adjust to changes in their industrial sector resulting from tariff concessions. If the Tariff Commission investigated complaints of firms or workers and ruled that trade concessions had injured them, then the President could authorize the Secretary of Commerce or the Secretary of Labor to provide appropriate adjustment assistance to those affected. This might include technical assistance, loans, or special tax advantages for firms attempting to adjust their production in such a way as to offset the destructive effects of competition from foreign imports. Affected workers might receive supplemental unemployment compensation while seeking other jobs, federally funded retraining for an alternate job, or assistance in relocating near better job opportunities. If the President failed to take action within 60 days after an affirmative finding of injury by the Commission, then Congress could, by a majority vote, impose the remedy the Commission proposed.

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The Automotive Products Trade Act of 19 type of investigative duty to the tasks the T already performing. This legislation, which helped to draft and implement, essentially remo riers on Canadian-produced automobiles and equipment, most of which were manufactured of U.S.-owned companies. Section 302 of the dures authorizing adjustment assistance for dor that the agreement was adversely affecting ordered the Tariff Commission to respond to th and the agency handled them in much the same worker complaints under section 301(c)(2) of th of 1962.

Despite the number of avenues for petition forms of adjustment and compensation avail investigative work actually decreased. In 1 reported that during the previous fiscal year it gations on three industry complaints, two firm requests, and a total of eight automotive work it handled only one industry case and four se investigations. At that point, Commission Chair ger, a Democrat, publicly commented upon how other Commissioners had to do. The Commissi very few investigations and correspondingly t more, no major international trade negotia freeing the Commission from the responsibility for them. This hiatus in the Commission's a illusory, however, as the staff continued its use of data collection and commodity surveys; on gative aspects of the work had tapered off.

The pace of investigative work picked up co 1970's. The Tariff Commission had been ruling adjustment assistance in almost every case brov restrictive criteria for determining injury under string of negative judgments had discouraged p ing. As the Commission began recommending number of cases in 1970 and as the United Sta nomic recession in this period, more petitions r ized. In 1971 the Commission reported that it h tigation under section 301 of the 1962 Trade

simultaneously handling 7 unfair practices cases and 13 investigations under the antidumping statute. The number of investigations continued to be substantial in succeeding years as well, so much so that the Commission staff found almost half of its workload consisting of investigations of one sort or another. Consequently, it had comparatively less time to devote to basic research, assistance to the Special Trade Representative, revision of its summaries of tariff information, and other tasks. Fortunately, the Commission had begun using automated data processing in its operation in the late 1960's, which increased its staff's productivity.

The United States International Trade Commission

The Trade Act of 1974, which was not actually signed into law until January 3, 1975, represented the culmination of several years of intense debate and consideration. One result of this process was the renaming of the agency: the United States Tariff Commission became the United States International Trade Commission. Ever since the institution of the trade agreements program in 1934 and certainly since the creation of the General Agreement on Tariffs and Trade in 1947, the trend had been away from a strict reliance upon tariffs to define U.S. international trade policy. Furthermore, the Tariff Commission had never concerned itself exclusively with tariffs. In addition to its import surveys and summaries of trade and tariff information, the Commission had always dealt with U.S. exports and general conditions of world trade. Therefore, its new name better reflected the nature of its mission.

A basic function of the new legislation was to delineate explicitly the division between the Commission's activities and responsibilities and those of the President and his Special Trade Representative. Congress intended the International Trade Commission to be as independent of the executive branch as was feasible. The way in which the renamed Commission now receives its appropriations illustrates this intent. The 1974 act placed the Commission's budget outside the control of the executive branch's Office of Management and Budget. Although the Commission must still submit its financial requests to the President, he must now send them on to Congress unchanged. Congressional committees have thus assumed full responsibility for overseeing the activities of the Commission. To strengthen its own supervisory powers, Congress canceled the Commission's permanent authoriza-

tion, and the Commission now needs an annual authorization bill as well as an annual appropriations bill to continue functioning.

The increased insulation of the Commission from Presidential influence starts at the top—with the Commissioners themselves. The 1974 act retains the tested if not necessarily proved policy of maintaining the bipartisan balance of the Commission: no more than three of the six Commissioners can be from one political party. Congress chose to reduce the President's ability to influence the Commissioners by lengthening their terms, however, and by changing the way in which the Chairman is designated. Under the old system, the President annually designated one Commissioner as Chairman and another as Vice Chairman, and it was presumed that these individuals had the closest links to the White House. Critics of the system felt that this process could have the effect of politicizing the Commission in a way inappropriate for an independent Federal agency. The Trade Act of 1974 included two provisions to neutralize this possibility. First, it extended the length of the terms of the Commissioners from 6 years to 9 years and forbade their reappointment. Second, the act created a rotating chairmanship. As each Commissioner enters his final 18 months of service, he automatically becomes Chairman, and the Commissioner having 3 years or less to serve becomes Vice Chairman.

As the earlier trade acts had done, the 1974 statute defined the investigative responsibilities of the Commission. Section 201 of the 1974 Trade Act—the escape-clause provision—outlined the criteria to be met for petitioners seeking relief from injury resulting from import competition. Any spokesman representing an entire industry, whether it be a trade association, an individual, a firm, a certified or recognized union, or a group of workers, may request import relief under this section. Although the firm and worker adjustment assistance investigations authorized under the 1962 act were transferred to the Departments of Commerce and Labor, respectively, under the new act, the criteria set forth in section 201 for import relief for whole industries have generated a great deal of work for the International Trade Commission. As long as the Commission finds that increased imports have been “a substantial cause of serious injury, or the threat thereof” to a domestic industry, relief may be granted. That injury be due in major part to tariff concessions granted under trade agreements is not required by the 1974 act, making affirmative decisions easier to obtain than under the 1962 legislation. This situation has led some observers to maintain that the Commission has currently become more protectionist. In fact, it is the criteria spelled out under the law that have changed, not the Commission or its staff.

The President is still responsible for deciding the character and extent of any import relief measures to proclaim after having received an escape-clause recommendation and proposed remedy from the Commission. Section 203 of the Trade Act of 1974 provides a list of possible kinds of relief that may be proclaimed. The more usual methods—increased tariffs or import quotas—are included, as well as the imposition of a tariff-rate quota, or any combination of these measures. If the Commissioners determine that the requisite injury has occurred, they must select from among these alternatives an appropriate form of relief to recommend to the President. If for any reason the President declines to proclaim the relief measures that the majority of the Commission has recommended, Congress may, through a concurrent resolution, override the President and force him to impose the recommended remedy measures without his acquiescence.

The choice of appropriate relief measures, as well as the altered definition of exactly what constitutes injury, have generated investigations requiring much greater staff time than the escape-clause and adjustment assistance work that the Tariff Commission did under the 1962 act. When a petition for an investigation is received by the Commission it is reviewed by the General Counsel's Office to determine if it meets the requirements of the Commission's Rules of Practice and Procedure. Before 1977, an investigating team was established by the Office of Investigation. Such a team normally consisted of an industry analyst, a staff economist, and an accountant; frequently a member of the General Counsel's staff was assigned to work with the team. The team was responsible for gathering the data required by the Commissioners to make their decision. Since January 1977, responsibility for this data gathering and compilation has been centered in a reorganized section for investigations in the Office of Operations, and the formal team system has been abandoned. However, data for the investigations are still collected from the Commission's files, by questionnaires, and through interviews with the domestic producers and importers of the subject article. The data are then assembled in a report for the Commissioners' use during a public hearing to allow all interested parties to be heard and to testify. The Commission has recently begun holding some of its hearings at various locations throughout the United States to enable the largest number of people affected to have easy access to the hearings. This practice also gives the Commissioners an opportunity for more direct observation of the situation facing the petitioning industry. After the hearings, a final report is sent to the Commissioners, who then vote on the case. If they

find no injury or threat thereof, they report that finding to the President. If they determine that there is injury or the threat thereof, they must decide what sort of relief should be proclaimed.

The first affirmative finding of injury under section 201 of the Trade Act of 1974 stemmed from a petition for relief from the Tool and Stainless Steel Industry Committee and the United Steel Workers of America, AFL-CIO. The petition asserted that heavy increases in imports of stainless and alloy tool steel were injuring the industry. Four of the five Commissioners participating in this decision agreed that injury was occurring and recommended that imports of those kinds of steel be subjected to quantitative limitations. President Ford chose instead to institute negotiations with the major exporting countries, hoping to work out a marketing agreement with them that would limit their exports to the United States. The President threatened to impose the import quotas that the Commission had recommended if the negotiations failed to produce an acceptable agreement, and he subsequently did so. The Commission's commendation in the specialty steel case generated a great deal of comment in the press, as did its second affirmative ruling under the 1974 act.

In February 1976, after an exhaustive study of the impact of imports of nonrubber footwear on the U.S. shoe industry, the U.S. International Trade Commission unanimously found that imports were injuring domestic producers. The Commissioners failed to agree, however, on what the appropriate remedy should be. Three Commissioners favored higher tariffs, but one of the three felt that they should not be applied to one type of footwear. Two other Commissioners favored a combined tariff-quota restriction on imports, while the sixth Commissioner recommended that the President deal with the problem by offering adjustment assistance to those in the industry suffering most. As no single remedy received the approval of even half of the Commissioners, the Commission thus failed to "recommend" a specific action. Consequently, Congress could not override any decision the President chose to make, as it had no Commission recommendation on which to base its action. The President remained free to take any or no action as he chose without fear of a congressional override. On April 16, 1976, President Ford announced that he would extend adjustment assistance rather than impose higher tariffs or import quotas, the remedy proposed by only one of the six Commissioners. This situation prompted Congress to amend the 1974 act to provide that if a majority of the Commissioners voting in such cases cannot agree on a remedy finding, then the remedy proposed by a plurality of not less than three Commissioners will be considered the official Com-

mission remedy for the purpose of a congressional override.

Press comment on the steel and footwear cases has subjected both the 1974 Trade Act and the U.S. International Trade Commission to criticism for their apparent protectionism, reviving once again the traditional dispute over how best to balance the benefits of increased international trade against its possible injury to domestic industry. In fact, the Commission's record under section 201 of the Trade Act of 1974 is mixed. Of the first 14 cases that were considered and sent to the President, there were 6 affirmative and 6 negative decisions. In the other two cases the Commissioners' votes were tied, and it was the President's prerogative to decide affirmatively or negatively. The criteria for the finding of injury in escape-clause investigations were greatly liberalized under the new legislation, and the Commission was required to apply these criteria, notwithstanding personal conviction. Thus, the Commission's "protectionism" under the new act, more apparent than real in any case, is more properly attributed to the statute than to the Commissioners themselves.

The 1974 act did not alter the Commission's responsibility under section 22 of the Agricultural Adjustment Act, but it did extend and amend the Commission's authority in other areas. Section 341 of the 1974 statute amends the old section 337 "unfair trade practices" provision of the 1930 act in several ways. It sets a 1-year or, in complicated cases, an 18-month time limit for the investigative process. In addition, an investigation under section 337 must be completed in conformity with the Administrative Procedure Act, which sharply altered the investigative process in these cases. All evidence pertaining to the case must be formally presented at the hearing. This includes data from the questionnaire and tables and charts constructed from the data, as well as any verbal or written information that the parties to the case and their "expert" witnesses have to offer. Commission staff has become a third party to the proceedings, and must present evidence at the hearings under the same rules as the complainant and the respondent. All evidence is subject to cross-examination at the hearings, and legal counsel for the parties may not testify before the hearing officer, as they often did in the former procedure. Thus the hearings are conducted more as civil court proceedings, in a formal, more judicial, style, than as hearings simply for the gathering of data.

The new act also enlarges the Commission's responsibilities in the area of relief. Under section 337, if the Commission found that unfair trade practices were injuring a domestic industry or restraining trade within the country, it could only recommend the exclusion of the offending articles to the President. The 1974 act amends this section to

empower the Commission to order the exclusion on its own. It is also authorized to issue a cease and desist order rather than an exclusion order if that seems a more suitable remedy. If the cease and desist order is violated, however, an exclusion order will go into effect. The President may overrule these orders only for “overriding policy reasons” and only in the first 60 days after their issuance by the Commission. Finally, the Commission is, for the first time, specifically instructed to take more than the economic health of one industry into consideration when ruling in these cases. In addition to the former criteria pertaining to industry injury, the effect that its rulings will have on the general health and welfare, on competitive conditions in the economy, on the domestic production of like or competitive merchandise, and on consumers must be considered, and may override other considerations.

Section 301 of the 1974 Trade Act adds further to the Commission’s responsibilities in the area of unfair trade practices. In this section, the President is empowered to deal with several other types of discrimination, including subsidies by foreign governments of their exports to the United States, as well as unjustifiable or unreasonable restrictions on imports from or exports to the United States. The President may ask the Commission for its opinion as to the probable impact on the domestic economy of any remedial actions he might order.

Section 321 alters the antidumping statute to permit a preliminary investigation and determination by the Commission of the likelihood of injury due to dumping in cases that are still before the Treasury Department. If the Commission determines that there is no reasonable indication of injury, it may notify the Secretary of the Treasury within 30 days and the investigation will be terminated.

Much of the debate in Congress in 1974 revolved around domestic trade policies with respect to the Soviet Union and other countries with nonmarket economies. Title IV of the Trade Act of 1974 deals with U.S. attempts to expand trade relations with these countries. Under sections 404 and 405 the President was authorized to extend most-favored-nation (MFN) treatment to countries not then receiving it. The only countries not enjoying these low, nondiscriminatory tariff rates were the Communist nations, except Yugoslavia and Poland. The previous act had forbidden any extension of MFN treatment. Romania was the first of these previously excluded countries to receive MFN treatment under the new act, but no others have followed. Section 406 instructs the Commission to conduct investigations to determine whether U.S. imports from Communist countries are disrupting U.S. markets when such investigations are requested or seem

necessary. Section 410 of the 1974 act assigns to the U.S. International Trade Commission the duty of monitoring the flow of imports from and exports to these nonmarket-economy countries. The Commission forwards quarterly reports on developments on East-West trade to the newly created East-West Foreign Trade Board and to the U.S. Congress. These reports and associated studies assess the impact that trade with nonmarket-economy countries has had on U.S. industries and research-related questions.

The U.S. International Trade Commission has a continuing mandate to conduct studies of the probable economic effect of proposed concessions in multilateral trade negotiations. In addition to preparing these studies, it has cooperated in other ways with the Special Trade Representative in the preparation for and conduct of the current round of trade negotiations at Geneva. The 1974 Trade Act gave the President a 5-year authorization to carry on these negotiations, as well as 2 additional years of residual authority after the original authorization has expired. Authority to grant compensation for tariff rates adjusted upward has no time limit.

The U.S. International Trade Commission is now cooperating with the Interagency Advisory Committee on Customs Cooperation Council Matters. The publication of the TSUS in 1963 represents an effort on the part of the United States to straighten out its own tariff schedules. Many other GATT members employ the Brussels Tariff Nomenclature (BTN), developed in the 1950's. In the last few years the Customs Cooperation Council has been attempting to update the BTN, and the Commission has recently worked out a draft conversion of the TSUS into the structure of the BTN. The Commission is also working to create a classification structure that will allow the publication of comparable data on U.S. imports, production, and exports. Currently, data in these three areas are organized in separate and different ways, making comparison difficult. The Commission will doubtlessly be spending more time on these matters in the future.

Meanwhile, the Commission carries on its traditional functions of responding to congressional and Presidential requests for special studies on various topics. It also remains involved in the work of assembling and publishing all sorts of technical information on international trade. The Commission must constantly revise the *TSUSA* and its fundamental reference series, *Summaries of Trade and Tariff Information*. Also the Commission has continued to issue its annual report on synthetic organic chemicals.

The U.S. International Trade Commission today is the culmination of six decades of thought and reconsideration. It continues to perform

what its original advocates felt would be its most substantial function: the collection, analysis, and publication of technical information on tariffs and international trade. Ever since the 1922 tariff act made it responsible for handling flexible-tariff cases, however, the Commission has been increasingly involved in the quasi-judicial, quasi-policymaking business of investigating complaints and recommending changes in the Nation's tariff rates and trade structure. The assumption of these duties by the Commission was severely criticized in the 1920's, not only because it seemed riddled with partisanship but also because many of the progressive tariff commission advocates had explicitly opposed turning the agency into a policymaking body. Throughout the succeeding years, the Commission's investigative activities have been its most controversial function.

Once the Commission came into existence, it became the logical agency to conduct all sorts of information-gathering and investigative activities. From time to time Congress has altered the Commission's charter and shifted its focus from one area to another, but throughout its 60-year history, the Commission has served as the Nation's major source of information about international trade. Although the agency has occasionally been faulted for partisanship or a lack of objectivity in its rulings, it has remained in existence because it fulfills a continuing need in the Federal Government. Whether its reports and advice were used in the revision of general tariff acts or in the negotiation of trade agreements, the Commission's staff and experience have proved useful to the Nation.

At the same time, the Commission failed to take the tariff out of politics, as many of its early advocates had hoped it would. Politics and tariffs have been intimately related throughout U.S. history. International trade policy in the United States has always been a compromise that has never fully satisfied the advocates of either higher or lower rates. As the Commission has exercised its responsibilities in recommending adjustments in this compromise, it has become the target of criticism from both liberal and conservative spokesmen. When the Commission rules in favor of offering relief to domestic producers, the free traders protest; when it dismisses a relief case, the protectionists object. If taking the tariff out of politics is impossible, as it seems to be, then perhaps the U.S. International Trade Commission is a good place to deal with the politics of the tariff because, by its very structure, the Commission attempts to be neutral and bipartisan. Possibly, it provides a sort of safety valve and court of last resort for all who are materially affected by tariff policies.

Chairman Taussig, however, probably best summed up the Commission's role in the development and administration of U.S. trade policy when he said:

“The Tariff Commission is created primarily for investigation, and yet it is permanent. A body of this kind is unique. What can be achieved by it?

“First, let it be pointed out what it can *not* be fairly expected to do. I am sure that I state truthfully the attitude of the Commission, and the attitude of Congress when it established the Commission, when I say our task is not to take tariff questions out of the hands of Congress, or to remove them from the realm of statesmanship. We hope that we can aid in their settlement and can promote the ends of statesmanship. But the determination of public policy in this direction, as in every other, must rest in the first instance with the legislature and ultimately with the people. Nobody, however expert, can settle, still less dictate, the position which the country shall take on controverted political and industrial questions. All that any administrative or investigating body can do is to contribute toward discriminating and intelligent discussion and action.”¹

¹ F. W. Taussig, Chairman of the United States Tariff Commission, in an address before the Home Market Club, Boston, Mass., May 18, 1917.

Appendix A.

Tariff and International Trade Commissioners and Terms of Service

<i>Name</i>	<i>Party</i>	<i>Began service</i>	<i>Ended service</i>	<i>Years (Total)</i>
Frank W. Taussig	Democrat	Mar. 26, 1917	Aug. 1, 1919	2½
Daniel C. Roper	Democrat	Mar. 26, 1917	Sept. 26, 1917	½
David J. Lewis	Democrat	Mar. 26, 1917	Mar. 4, 1925	8
William Kent	Progressive	Mar. 26, 1917	Mar. 1, 1920	3
William S. Culbertson	Progressive	Mar. 26, 1917	May 17, 1925	8
Edward P. Costigan	Progressive	Mar. 26, 1917	Mar. 14, 1928	11
Thomas Walker Page	Democrat	Feb. 21, 1918	Feb. 28, 1923	5
Thomas O. Marvin	Republican	Mar. 11, 1921	Sept. 16, 1930	9½
William Burgess	Republican	July 6, 1921	June 1, 1925	4
Henry H. Glassie	Democrat	Mar. 8, 1923	Mar. 4, 1927	4
Alfred P. Dennis	Democrat	Mar. 16, 1925	Sept. 16, 1930	5½
A. H. Baldwin	Republican	June 22, 1925	July 3, 1926	1
Edgar B. Brossard	Republican	July 22, 1925	Sept. 16, 1930	5¼
Sherman J. Lowell	Republican	July 6, 1926	Sept. 16, 1930	4¼
Lincoln Dixon	Democrat	Mar. 10, 1927	Sept. 16, 1930	3½
Frank Clark	Democrat	Apr. 12, 1928	Sept. 16, 1930	2½
Alfred P. Dennis	Democrat	Sept. 16, 1930	Aug. 29, 1931	1 (6½)
Edgar B. Brossard	Republican	Sept. 16, 1930	Apr. 30, 1959	28½ (33¾)
Henry P. Fletcher	Republican	Sept. 17, 1930	Nov. 30, 1931	1¼
Thomas Walker Page	Democrat	Sept. 17, 1930	Jan. 13, 1937	6¼ (11¼)
John Lee Coulter	Republican	Sept. 17, 1930	June 16, 1934	3¾
Lincoln Dixon	Democrat	Sept. 29, 1930	Sept. 16, 1932	2 (5½)
Robert Lincoln O'Brien	Democrat	Dec. 1, 1931	June 30, 1933	1½
Ira N. Orburn	Democrat	Feb. 9, 1932	June 16, 1933	1¼
Charles R. Crisp	Democrat	Oct. 7, 1932	Dec. 30, 1932	¼
James W. Collier	Democrat	Mar. 27, 1933	Sept. 28, 1933	½
Oscar B. Ryder	Democrat	June 13, 1934	Feb. 28, 1955	20¾
Raymond B. Stevens	Democrat	Aug. 20, 1935	Mar. 31, 1937	1½
E. Dana Durand	Republican	Dec. 8, 1935	June 16, 1952	16½
William J. Sears	Democrat	Apr. 30, 1937	June 16, 1937	¼
Henry F. Grady	Democrat	Apr. 30, 1937	Aug. 7, 1939	2¼
A. Manuel Fox	Republican	July 27, 1937	May 26, 1941	3¾
Raymond B. Stevens	Democrat	July 1, 1937	May 18, 1942	5 (6½)
Fred H. Brown	Democrat	Aug. 1, 1940	June 16, 1941	1
Lynn R. Edminster	Democrat	July 1, 1942	June 16, 1955	13
George McGill	Democrat	Aug. 22, 1944	June 16, 1948	3¾
George Z. Barnes	Republican	Sept. 1, 1944	Aug. 8, 1945	1
John P. Gregg	Republican	May 13, 1946	Oct. 29, 1952	6½
George McGill	Democrat	Feb. 4, 1949	June 16, 1954	5¼ (9)
Joseph E. Talbot	Republican	Apr. 15, 1953	Apr. 30, 1966	13
Walter R. Schreiber	Republican	Aug. 5, 1953	June 16, 1964	11
Glenn W. Sutton	Democrat	Sept. 1, 1954	June 16, 1972	17¾
J. Weldon Jones	Democrat	June 20, 1955	June 16, 1961	6
William E. Dowling	Democrat	Aug. 22, 1955	June 16, 1963	7¾
J. Allen Overton, Jr.	Republican	May 1, 1959	May 31, 1962	3
Ben Dorfman	Democrat	Nov. 2, 1961	July 6, 1965	3¾
James W. Culliton	Independent	Dec. 5, 1962	July 16, 1968	5½

<i>Name</i>	<i>Party</i>	<i>Began service</i>	<i>Ended service</i>	<i>Years (Total)</i>
Dan H. Fenn, Jr.	Democrat	Oct. 18, 1963	June 21, 1967	3¾
Penelope H. Thunberg	Independent	Aug. 3, 1965	June 16, 1970	5
Paul Kaplowitz	Democrat	Jan. 28, 1966	June 16, 1967	1½
Stanley D. Metzger	Democrat	Nov. 9, 1967	July 11, 1969	1¾
Bruce E. Clubb	Republican	July 3, 1967	June 16, 1971	4
Will E. Leonard, Jr.	Democrat	Oct. 29, 1968	**Dec. 16, 1976	
Herschel D. Newsom	Republican	Nov. 21, 1968	July 2, 1970	1¾
George M. Moore	Republican	Aug. 26, 1969	**Dec. 16, 1982	
J. Banks Young	Democrat	Jan. 6, 1971	July 1, 1974	3½
Chester L. Mize	Republican	Jan. 25, 1971	Mar. 17, 1971	¼
Catherine Bedell	Republican	July 12, 1971	**June 18, 1984	
Joseph O. Parker	Republican	Aug. 9, 1971	**Dec. 16, 1979	
Italo H. Ablondi	Democrat	July 25, 1972	**June 16, 1981	
Daniel Minchew	Democrat	Oct. 8, 1974	**June 16, 1978	

**Expiration date of terms of current Commissioners.

Appendix B.

Terms Associated With Tariffs and International Trade

- Ad valorem rate:** a tariff rate set according to the value of the commodity imported. An ad valorem rate is expressed as a percentage of the commodity's value.
- Binding:** a guarantee that no tariff rate higher than the rate specified in a trade agreement will be imposed during the life of a trade agreement.
- Column 1 rates:** tariff rates of the United States of America principally established by successive tariff negotiations under the trade agreements program and applicable to the products of all nations that enjoy most-favored-nation status with this country, in the absence of provisions granting more favorable rate treatment.
- Column 2 rates:** the statutory tariff rates of the United States of America generally established by the Tariff Act of 1930, as amended. These rates are higher than column 1 rates and are currently assessed against imports from countries that do not receive most-favored-nation treatment (i.e., certain Communist and Communist-dominated countries and areas).
- Customs union:** a group of nations that have eliminated trade barriers among themselves and imposed a common tariff on all goods imported from all other countries. The Common Market is a customs union.
- Compound duty:** an import tax consisting of a specific rate plus an ad valorem charge.
- Discrimination:** the imposition of taxes or regulations upon imports from one country which are not placed on similar goods entering from other countries.
- Double-column tariff:** a set of tariff schedules including at least two rates for each commodity. Imports are taxed at a higher or lower rate depending upon the importing nation's trade relationship with the exporting nation. In the past the United Kingdom maintained a double-column tariff in order to provide more favorable tariff treatment to the members of the Commonwealth.
- Dumping:** the sale of goods overseas at prices below the domestic price or below production costs.
- Economic nationalism:** a desire to make a nation completely self-sufficient in terms of trade, so that it requires neither imports nor exports for its economic well-being; also known as autarchy or national self-sufficiency.
- Escape clause:** a provision in a trade agreement allowing a nation to revise or rescind a concession if that concession appears to be seriously damaging the nation's domestic economy. Employed in all U.S. trade agreements since February 24, 1947. Also called a safeguarding clause.
- Free list:** an enumeration of commodities that may be imported without payment of any customs duties.
- Free trade:** the absence of all tariff or other barriers to the international exchange of goods. Free traders favor the reduction or elimination of tariff and nontariff barriers.
- Free-trade area:** a group of nations that have eliminated trade barriers among themselves but, unlike a customs union, retain separate national tariffs on goods imported from countries outside the free-trade area.

Foreign exchange controls: limitations or restrictions on the use of certain types of currency, bank drafts, or other means of payment in order to regulate imports, exports, and the balance of payments.

GATT: the General Agreement on Tariffs and Trade, first signed in 1947. The GATT has become the major framework for international trade among the non-Communist nations.

Horizontal reduction: the cutting of all tariff rates on a schedule by the same percentage. Also called an equal-percentage or linear reduction.

Import quota: the setting of a quantitative limit on importation of a particular commodity. Import quotas do not affect the rate of duty imposed on the commodity and are therefore known as nontariff barriers to international trade.

Minimum valuation: the valuation for tariff purposes of all items below a certain value in an import category as if they were of that higher value.

Most-favored-nation provision: a promise in a trade treaty or agreement to extend to the contracting nation the best trade privileges granted to any other nation. Since 1923 the United States has incorporated an “unconditional” most-favored-nation provision in its trade agreements, meaning that the extension of privileges or the reduction of tariffs with one nation automatically apply to all trading partners unless specifically excluded by law.

Nontariff barriers: import quotas, foreign exchange controls, or other nontariff policies designed to restrict or prevent the international exchange of goods.

Preferences: the granting of more generous tariff treatment to particular trading partners.

Principal supplier: the country that provides the largest percentage of imports by value of a particular commodity.

Protectionism: the setting of customs duties high enough to discourage foreign imports or to raise their prices sufficiently to enable domestic producers to compete successfully with foreigners. These tariffs “protect” domestic producers from lower priced foreign goods.

Reciprocity: the lowering of customs duties on one’s imports in turn for tariff concessions from other countries. Also known as a reciprocal trade policy.

Single-column tariff: a set of tariff schedules listing only one rate for each imported commodity. The United States maintained single-column tariff schedules until 1909.

Specific duty: an import tax set at a standard rate per unit or per unit of measure regardless of the value of the item imported.

Appendix C.

Bibliographic Essay

The history of U.S. tariffs is intimately related to the history of the U.S. economy. If one is interested in learning about economic conditions at a particular time in the past, an excellent series to consult is the multivolume history of the U.S. economy produced in the post-World War II years. Curtis P. Nettels, *The Emergence of a National Economy 1775-1815* (New York: Rinehart, 1962), begins the story with the American Revolution. Various aspects of U.S. economic life in the 19th century are described in George Rogers Taylor's *The Transportation Revolution 1815-1860* (New York: Rinehart, 1951); Fred A. Shannon's *The Farmer's Last Frontier 1860-1897* (New York: Rinehart, 1945); and Edward C. Kirkland's *Industry Comes of Age 1860-1897* (New York: Rinehart, 1961). Twentieth-century developments are covered in Harold U. Faulkner's *The Decline of Laissez Faire 1897-1917* (New York: Rinehart, 1951); George Soule's *Prosperity Decade 1917-1928* (New York: Rinehart, 1947); and Broadus Mitchell's *Depression Decade 1929-1941* (New York: Rinehart, 1947). More recently, writers on U.S. economic history have adopted less descriptive and more analytical approaches to the topic. Robert Wiebe, in *The Search for Order 1877-1920* (New York: Hill & Wang, 1967), offers somewhat of a sociological approach, while a more quantitative analysis is presented by Douglas C. North in two books: *The Economic Growth of the United States 1790-1860* (Englewood Cliffs, N.J.: Prentice-Hall, 1961; newer publication: New York: W. W. Norton, 1966) and *Growth and Welfare in the American Past* (Englewood Cliffs, N.J.: Prentice-Hall, 1966). Jim Polter, in *The American Economy Between the World Wars* (New York: Wiley, 1974), provides a concise and up-to-date survey of this crucial period. Recent economic developments are described in the annual *Economic Report of the President* (Washington: GPO, 1947-). A great deal of historical material is included in the U.S. Tariff Commission's *Dictionary of Tariff Information* (Washington: GPO, 1924).

A number of works have dealt specifically with the subject of tariff history. By far the most respected writer in this area is Frank W. Taussig, first Chairman of the Tariff Commission, whose book *The Tariff History of the United States*, 8th ed. (New York: G. P. Putnam's Sons, 1931), is recognized as a classic study. Among the many other books Taussig published, the most famous are *Some Aspects of the Tariff Question*, 3d ed. (Cambridge: Harvard University Press, 1931), and *Free Trade, the Tariff, and Reciprocity* (New York: The Macmillan Co., 1920). While Taussig tended to criticize protection, Edward Stanwood wrote a lengthy treatise defending high rates: *American Tariff Controversies in the Nineteenth Century*, 2 vols. (Boston: Houghton, Mifflin & Co., 1903). A recent, objective account is Sidney Ratner's *The Tariff in American History* (New York: Van Nostrand, 1972). An interesting comparative study is Percy W. L. Ashley's *Modern Tariff History; Germany—United States—France* (New York: E. P. Dutton & Co., 1926). Other general studies are O. R. Strackbein's *American Enterprise and Foreign Trade* (Washington: Public Affairs Press, 1965) and Edward P. Crapol's *America for Americans: Economic Nationalism and Anglophobia in the late 19th Century* (Westport, Conn.: Greenwood Press, 1973). Other studies of the tariff in

particular periods include Vernon G. Setser's *The Commercial Reciprocity Policy of the United States 1774-1829* (Philadelphia: University of Pennsylvania Press, 1937); Joan Hoff Wilson, *American Business and Foreign Policy 1920-1933* (Lexington, Ky.: University Press of Kentucky, 1971); and Tom E. Terrill, *The Tariff, Politics, and American Foreign Policy, 1874-1901* (Westport, Conn.: Greenwood Press, 1973).

Biographies of individuals who had much to do with tariff policies also offer insights into historical, political, and economic forces at work during their lifetimes. Among the most useful are Fred Bunyan Joyner's *David Ames Wells, Champion of Free Trade* (Cedar Rapids, Iowa: The Torch Press, 1939); N. I. Stone's *One Man's Crusade for an Honest Tariff: The Story of Herbert E. Miles, Father of the Tariff Commission* (Appleton, Wis.: Lawrence College Press, 1952); and Festus P. Summers' *William L. Wilson and Tariff Reform* (Westport, Conn.: Greenwood Press, 1974; New Brunswick, N.J.: Rutgers University Press, 1953). Several researchers have produced works on specific commodities such as Philip G. Wright's *Sugar in Relation to the Tariff* (New York: McGraw-Hill Book Co., Inc., 1924); Abraham Berglund's and Philip G. Wright's *The Tariff on Iron and Steel* (Washington: Brookings Institution, 1929); and Donald Maya Blinken's *Wool Tariffs and American Policy* (Washington: Public Affairs Press, 1948). A similar study was written by a man who later became a Tariff Commissioner, Lynn Ramsay Edminster, who wrote *The Cattle Industry and the Tariff* (New York: The Macmillan Co., 1926).

Over the years, free traders and protectionists have frequently published tracts outlining reasons and justifications for their positions. The most widely read of these was probably the work of Edward Stanwood noted above, but he was only one of an army of writers to put his opinions into print. Representative of those that appeared prior to the Civil War are Willard Phillips' *Propositions Concerning Protection and Free Trade* (Boston: Charles C. Little and James Brown, 1850) and Henry C. Carey's *The Harmony of Interests—Agricultural, Manufacturing, and Commercial* (Philadelphia: J. S. Skinner, 1851). The late 19th century produced Henry George's *Protection or Free Trade* (New York: Henry George Co., 1886); Simon B. Patten's *The Economic Basis of Protectionism* (Philadelphia: Lippincott, 1890); and William McKinley's *The Tariff in the Days of Henry Clay and Since* (New York: Henry Clay Publishing Co., 1896). Included in the literature criticizing protection are the writings of several progressives: Richard T. Ely's *Problems of To-day: A Discussion of Protective Tariffs, Taxation, and Monopolies* (New York: Crowell, 1890); Raymond L. Bridgman's *The Passing of the Tariff* (Boston: Serman, French & Co., 1909); and Ida Tarbell's *The Tariff in Our Times* (New York: Macmillan, 1911). More recent works of the same type include James Gerald Smith, *Economic Planning and the Tariff* (Princeton, N.J.: Princeton University Press, 1934); David L. Cohn, *Picking America's Pockets* (New York: Harper, 1936); Oswald Garrison Villard, *Free Trade—Free World* (New York: Robert Schalkenback Foundation, 1947); Lewis E. Lloyd, *Tariffs: The Case for Protection* (New York: Devin-Adair Co., 1955); and Percy W. Bidwell, *What the Tariff Means to American Industries* (New York: Published by Harper for the Council on Foreign Relations, 1956).

The creation of the Tariff Commission provided another focus for comment as well as a source of information about tariffs. Joshua Bernhardt, *The Tariff Commission: Its History, Activities and Organization* (New York: Appleton & Co., 1922) offers a brief description of the Commission's early operation. The *Summaries of Trade and Tariff Information* and the *Tariff Information Summaries* provide a wealth of data about tariffs through the years. The Commission has also published reports on the results of its numerous investigations, some of them rather brief, but others, like the one for the notorious sugar case in the 1920's, of substantial size. The best method of locating these

and other Tariff Commission publications is through the Tariff Commission's *Annual Reports*, which by law must include descriptive listings of all of its publications. The Commission has also published a number of reports on specific topics, such as *Synthetic Organic Chemicals: United States Production and Sales* (Washington: GPO, 1917-) and the multivolume *Reports on Various Important Industries Affected by the War* (Washington: GPO, 1943-46). An attempt at cataloging all the then-available tariff information was made in *The Tariff: A Bibliography* (Washington: GPO, 1934).

The tariff was a subject of considerable interest in the 1920's. Wallace McClure, *A New American Commercial Policy As Evidenced by Section 317 of the Tariff Act of 1922* (New York: Columbia University Press, 1924) praised the flexible-tariff provision. Between his terms as a member of the Tariff Commission, Thomas Walker Page scrutinized the process of setting tariffs in *Making the Tariff in the United States* (New York: McGraw-Hill Book Co., Inc., 1924). Another critical study of the same subject is E. E. Schattschneider's *Politics, Pressures and the Tariff* (New York: Prentice-Hall, Inc., 1935).

The switch to reciprocity in 1934 encouraged the publication of several works outlining its potential benefits. Former Tariff Commissioner William S. Culbertson wrote with enthusiastic optimism on the new policy in *Reciprocity: a National Policy for Foreign Trade* (New York: McGraw-Hill Book Co., Inc., 1937). Henry J. Tasca, *The Reciprocal Trade Policy of the United States* (Philadelphia: University of Pennsylvania Press, 1938), and Francis Bowes Sayre, *The Way Forward: The American Trade Agreements Program* (New York: The Macmillan Co., 1939), also praise the reciprocity program. Other contemporary works on the early aspects of the program are John Day Corkin, *Trade Agreements: A Study in Democratic Methods* (New York: Columbia University Press, 1940), and Hugh O. Davis, *America's Trade Equality Policy* (Washington: American Council on Public Affairs, 1942). The Tariff Commission's *Operation of the Trade Agreements Program, June 1934 to April 1948* (Washington: GPO, 1949), the first of the annual series, contains a summary of the concessions granted and obtained as well as the overall effects of the reciprocity program. Two historical studies are Richard N. Kottman, *Reciprocity and the North Atlantic Triangle 1932-1938* (Ithaca, N. Y.: Cornell University Press, 1968), and Dick Steward, *Trade and Hemisphere: The Good Neighbor Policy and Reciprocal Trade* (Columbia, Mo.: University of Missouri Press, 1975).

The tariff has continued to be the subject of books in recent years. Howard S. Piquet, *Aid, Trade, and the Tariff* (New York: Thomas Y. Crowell Co., 1953), and Don D. Humphrey, *American Imports* (New York: Twentieth Century Fund, 1955), deal with the effectiveness and failures of the GATT. The Kennedy Round is the subject of intensive scrutiny in Karin Kock's *International Trade Policy and the GATT 1947-1967* (Stockholm: Almqvist & Wiksell, 1969); Ernest H. Preeg's *Traders and Diplomats* (Washington: Brookings Institution, 1970); Thomas B. Curtis' and John Robert Vastine, Jr.'s, *The Kennedy Round and the Future of American Trade* (New York: Praeger, 1971); and John W. Evans' *The Kennedy Round in American Trade Policy* (Cambridge: Harvard University Press, 1971). A brief description of events and issues involved in setting up the current round of negotiations appears in Sidney Golt's *The GATT Negotiations, 1973-75: A Guide to the Issues* (Washington: British-North American Committee, 1974).

Appendix D.

Major Tariff Legislation

Tariff Act of July 4, 1789: first tariff act.

Tariff Act of April 27, 1816: first specifically protective tariff.

Tariff Act of May 22, 1824: first relatively high protective tariff.

Tariff Act of May 19, 1828: "Tariff of Abominations," highest protective tariff prior to the Civil War.

Tariff Act of July 14, 1832: restored protective rates of 1824 act; triggered the nullification controversy.

Tariff Act of March 2, 1833: "Compromise Tariff," gradual step-by-step reduction of all protective rates.

Tariff Act of August 30, 1842: "Black Tariff," restored protective rates of 1832 act.

Tariff Act of July 30, 1846: "Walker Tariff," reduced or canceled most high protective tariffs; established an extensive free list.

Tariff Act of March 3, 1857: further reduced tariffs.

Tariff Act of March 2, 1861: "Morrill Tariff," imposed protective duties on many commodities; set stage for high revenue tariffs during Civil War.

Tariff Act of June 6, 1872: 10-percent reduction of post-Civil War tariffs, repealed in 1875.

Tariff Act of March 3, 1883: "Mongrel Tariff," some reduction in rates but preserved basic protective structure.

Tariff Act of October 1, 1890: "McKinley Tariff," extended and increased scope of protection.

Tariff Act of August 27, 1894: "Wilson-Gorman Tariff," mild downward revision of rates.

Tariff Act of July 24, 1897: "Dingley Tariff," set rates at McKinley Tariff levels or higher on most commodities.

Tariff Act of August 5, 1909: "Payne-Aldrich Tariff," revision of rates, but no basic change in protection; maximum and minimum schedules introduced.

Tariff Act of October 3, 1913: "Underwood Tariff" or "Underwood-Simmons Tariff," first major downward revision of rates since the Civil War.

Act of September 8, 1916: title VII established U.S. Tariff Commission.

Tariff Act of September 21, 1922: "Fordney-McCumber Tariff," restoration of protective rates similar to those of 1897 act; included flexible-tariff provisions (U.S. Tariff Commission assigned duty of investigating flexible-tariff cases, unfair practices, and discrimination).

Tariff Act of June 17, 1930: "Smoot-Hawley Tariff," highest protective rates in U.S. history (reorganized U.S. Tariff Commission, increased scope of flexible-tariff work).

Act To Amend the Tariff Act of 1930, June 12, 1934: "Reciprocal Trade Agreements Act," authorized President to negotiate reciprocal trade agreements and reduce rates of Smoot-Hawley schedules by 50 percent.

Resolution of March 1, 1937: negotiating authority extended for 3 years.

Resolution of April 12, 1940: negotiating authority extended for 3 years.

Resolution of June 7, 1943: negotiating authority extended for 2 years.

Trade Agreements Extension Act of July 5, 1945: negotiating authority extended for 3 years; President could reduce any existing tariff rate by 50 percent.

Trade Agreements Extension Act of June 26, 1948: negotiating authority extended for 1 year (U.S. Tariff Commission to designate peril points).

Trade Agreements Extension Act of September 26, 1949: negotiating authority extended for 2 years (peril-point provision repealed).

Trade Agreements Extension Act of June 16, 1951: negotiating authority extended for 2 years (peril-point provision restored, U.S. Tariff Commission ordered to investigate escape-clause cases).

Trade Agreements Extension Act of August 7, 1953: negotiating authority extended for 1 year.

Trade Agreements Extension Act of July 1, 1954: negotiating authority extended for 1 year.

Trade Agreements Extension Act of June 21, 1955: negotiating authority extended for 3 years.

Trade Agreements Extension Act of August 20, 1958: Negotiating authority extended for 4 years.

Tariff Classification Act of May 24, 1962 (U.S. Tariff Commission ordered to prepare Tariff Schedules of the United States).

Trade Expansion Act of October 11, 1962: negotiating authority extended for 5 years, adjustment-assistance provisions to protect firms and workers from foreign competition (U.S. Tariff Commission to report on probable economic effects of concessions and to handle adjustment-assistance cases).

Trade Act of 1974, approved January 3, 1975: negotiating authority extended for 5 years (U.S. Tariff Commission renamed U.S. International Trade Commission, given greater independence from executive branch, ordered to issue probable economic effects statements and to handle relief cases under expanded mandate).