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The Payne-Aldrich Tariff

Edna Mary Griffin

Loyola University Chicago

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THE PAYNE-ALDRICH TARIFF

by

Edna Mary Griffin

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VITA

Edna Mary Griffin was born in Chicago, Illinois, September 5, 1921.

She was graduated from St. Xavier Academy, Chicago, Illinois, June, 1939. She received a Bachelor of Education degree with a major in History, and a teacher's certificate from Chicago Teachers College, Chicago, Illinois, June, 1943.

From 1943 to 1946 the writer has been engaged in teaching for the Board of Education, Chicago, Illinois. During these years, she has devoted her time to graduate study in the field of History.
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CHAPTER I
INTRODUCTION

It is practically an axiom now that when the United States entered upon nationhood unity was far from complete. The bond holding the states together was the Constitution. But some interpreted this strictly, maintaining the doctrines of states' rights even to the extent of nullification of federal laws and even to the right to secede from the union. Others favored a liberal interpretation as to the federal powers granted by the constitution. The question of the interpretation of the constitution and definition of the rights of States was constantly debated and many bitter debates were ultimately settled by compromise.

The mere introduction of any bill into the halls of Congress until 1860 called for a debate upon its constitutionality, and thereupon brought forth speeches for the federal authority and against it. The extension of slavery is a well known source of debate. So too was the question of the tariff, revenues, and taxation. The slavery and tariff issues indicated the great division of the states into North and South. In the matter of tariff the South, being chiefly agricultural, generally opposed protective measures and fought high tariffs,
while the North, having a variety of manufacturing and industrial pursuits, wished American industry protected against the products of cheap foreign labor. The Civil War settled the questions of slavery and secession. It settled also the question of the right of the federal government to establish tariffs. Nevertheless, until 1868, the tariff question has played an important part in the national political scene.

The Republicans, in the campaign of 1868, committed themselves to the reduction of taxation, a policy which was already under way. Just before the end of the Civil War, a special commission had been authorized by Congress to study how new revenue might be obtained, but the war was over by the time the appointments were made. The commission, therefore, turned its attention to the problem of how the tax burden might be reduced, and so impressed the Secretary of the Treasury with its diligence, that when the commission's term had expired, he kept on its able chief, David A. Wells, as "special commissioner of the revenue."¹ Both the commission and the special commissioner advised the gradual reduction of tariffs and excises, and on the subject of excises, Congress responded readily. Many of the war taxes were still in force when Ulysses S. Grant became President. In July, 1870, an act was passed which eliminated

¹John D. Hicks, The American Nation, Houghton-Mifflin, New York, 1941, 46. Hereafter this work will be cited as Hicks, American Nation.
most of the nuisance taxes, restricted the internal revenues to a small number of articles such as liquor and tobacco. It also reduced the income tax, which two years later, was abolished.

For a long time efforts to lower the tariff met with successful opposition from those who profited from the high rates, and during Johnson's term Congress was actually persuaded to raise the duties on raw wool, woolen goods, copper, and copper ore. Not until 1872 were the first real reductions made. At that time many non-protective duties, such as those on tea, coffee, spices, and various raw materials, were lowered or abolished, and a 10% cut was reluctantly conceded for a few carefully chosen duties on manufactured articles.

Many changes were made in the tariff laws from 1875 to 1880. On February 8, 1875 the rates on some duties increased, and others were reduced. On March 3, 1875, the rates on sugar were increased, the 10% reduction of the Act of 1872 was repealed, and the internal revenue taxes on tobacco and liquor were repealed. Another attempt on the part of the Democratic

2Ibid.

3George B. Curtiss, The Industrial Development of Nations, Volume III, Curtiss, Binghamton, New York, 1912, 31. Hereafter this work will be cited as Curtiss, Industrial Development.

4Ibid. Also David S. Muzzey, The American Adventure, Volume II, Harpers, New York, 1927, 71. Hereafter this work will be cited as Muzzey, American Adventure.
party to overthrow the policy of protection came in 1876. This was a resolution introduced by William Morrison of Illinois, Chairman of the Democratic Ways and Means Committee, which provided for a horizontal reduction in duties. The attack on our industries was renewed in the session of 1878, by a bill introduced by Fernando Woods of New York City, who especially represented the importing interests. The bill was an entering wedge for the complete overthrow of protection then contemplated by the Democratic party. On December 1, 1877, Roger Q. Mills of Texas offered a resolution "to so revise the tariff as to make it purely and solely a tariff for revenue," and not for protection.

The above facts are adverse to the statement made by John Bassett who said: "There was no disposition to meddle with the tariff during the four lean years that followed 1875." Despite

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6 Curtiss, Industrial Development, 35. Also Stanwood, American Tariff Controversies, 197.

7 Curtiss, Industrial Development, 35. Also Stanwood, American Tariff Controversies, 197.

8 United States 1492-1920, 714.
what he said, it was said by Chester Wright that: "From 1875 on, no change of importance was made." 9 These statements are partially true but it still remained that there were attempts to change the tariff despite the depression of the seventies. 10 These resolutions did not pass.

The Democratic platform in 1880, written by Colonel Henry Watterson, called for a "tariff for revenue only." 11 Mr. Garfield defended the policy of protection in numerous speeches, as did Mr. Blaine who was equally active in its defense. At no time since the Civil War has the Republican press of the country exerted a more potent influence in awakening and molding public sentiment than it did in the campaign of 1880. 12 In every city and in nearly every village throughout the northern states there had been established, since the organization of the Republican party in 1856, newspapers owned and edited by able, learned, and patriotic men, who on every occasion when the vital interests of the nation were assailed, in their daily and weekly editorials, supported and defended the great principles of the Republican party; exposed the errors and vicious

10 Curtiss, Industrial Development, 35.
11 Ibid., Loc. cit. Also Hicks, American Nation, 163.
12 Curtiss, Industrial Development, 42.
purposes of its adversaries, and preserved among the people an enlightened public sentiment and a clear conception of political principle and issues. In those days the people voted for principles rather than men. The triumph of the Republican party at this time had so strengthened the sentiment of the public in favor of the protection policy that during the succeeding twelve years, capitalists with renewed vigor and confidence went about the work of developing and extending the business and industrial enterprises of the country.

The chief arguments against the protective policy at this time were: 1) That under the existing tariff laws a large surplus drawn from the people was being accumulated in the treasury, which, by a reduction of duties, would be released and employed in the promotion of business enterprises. 2) That the country was suffering from the overproductive capacity of the American people which was so largely in excess of national powers of consumption that a foreign market or outlet was necessary in order that labor might be more fully employed and that the industrial development of the United States could best be promoted by an exchange of our domestic productions for the manufactures of foreign countries. Mr. Curtiss felt that "the evils of a large surplus and the benefits to be derived from an

13 Ibid., loc. cit.
14 Ibid., 43.
extensive foreign trade were made conspicuous topics in the
discussion of the tariff question by the free traders, when in
fact their real purpose was not so much to secure an increase
of the exports of the United States as to increase the importa-
tion of foreign-made articles.¹⁵ That there was room for a
revision of the tariff at this time on sound protection lines
for the purpose of reducing revenues, correcting inequalities,
and perfecting some of the protectionist features of the exist-
ing laws was recognized by the Republican party.

John Kasson of Iowa on January 9, 1882, introduced a bill
to appoint a commission to investigate the tariff and internal
revenue. After being referred to the Committee on Ways and
Means, it did not come up for discussion until March. On
April 6, William McKinley of Ohio spoke in favor of the com-
mission, declaring it to be sound and good, but advised against
any general revision of the tariff. A revision was therefore
undertaken but it was not to be accomplished until the most
thorough investigation of existing conditions could be had. On
May 15, 1882, Congress passed an act directing President Arthur
to appoint nine commissioners from civil life to

... take into consideration and to thoroughly
investigate the various questions relating to
the agricultural, commercial, mercantile, manu-
facturing, mining, and industrial interests of
the United States, so far as the same may be

¹⁵Ibid.
necessary to the establishment of a judicious tariff, or a revision of the existing tariff, upon a scale of justice to all interests, and for the purpose of fully explaining the matters which may come before it. Said commission, in the prosecution of its inquiries, is empowered to visit such different portions and sections of the country as it may deem advisable.16

The commission spent the summer traveling through the country and taking testimony from over 600 witnesses, chiefly advocates of the protective system.17 In spite of the fact that its chairman, John L. Hayes of Massachusetts, was the secretary of the National Association of Wool Manufacturers, and that the three other members (George Oliver of Pennsylvania, Garland of Illinois, and Kenner of Louisiana) were the avowed representatives of the protected industries of iron, wool, and sugar, their report was submitted to Congress in December, 1882. It justified the assertion of the commission that it had divested itself of "political bias, sectional prejudice, or considerations of personal interest."18 They surprised Congress and the public by recommending a "substantial reduction of the tariff duties ... demanded not by the best conservative opinion of

16 Ibid., 49. Also Bassett, United States 1492-1920, 715.
17 Muzzey, American Adventure, 158. Also Curtiss, Industrial Development, 49.
18 Muzzey, American Adventure, 153-159.
the country." The report suggested a bill lowering the tariff by at least 20%; and President Arthur, who urged an enlargement of the free list and reductions and simplifications in the duties on iron, steel, cotton, wool, sugar, molasses, and silk, would have gladly approved such a bill as the commission proposed. Bills carrying duties higher than those which the commission proposed were prepared in both Houses; and when neither House would accept the other's bill, a conference committee reported a compromise bill which revealed clearly enough that neither party in Congress believed in tariff reform.

Thomas B. Reed craftily manipulated the conference committee so that it contained a majority of protectionists. The bill they presented was still higher than the others. Senators Nelson Aldrich and William McKinley were also prominent in connection with this bill. Senator McKinley refused to vote for it because the rates were too low. Senator Aldrich, a staunch protectionist, took side with the able defenders of the doctrine in the discussion of this tariff. He was an active member of the conference committee. Senator Aldrich defended

19 Ibid., 159.
20 Ibid.
21 Bassett, United States 1492-1920, 715.
the committee's report on the ground "that the resulting bill at least did not make any real increase in the tariff and that such changes as were accepted were due to convincing representations made to the conference by interested industries."23 The compromise bill just squeezed through the Senate by a vote of 42 to 31, with the help of the protectionist Democrat Senator McPherson of New Jersey, and the votes of 16 Eastern Democrats in the House.24 To the Democratic party, the tariff bill was unsatisfactory, as it accomplished nothing for which the free traders were contending. The operation of the measure during the seven years which followed demonstrated that many duties had been reduced below the protective point.25 The mistakes made by the Congress in framing the act of March 3, 1883, were to be remedied by the enactment of the McKinley bill of 1890.

The revenue act of 1883 left the tariff almost the same, although it reduced the surplus by removing a number of the internal revenue taxes; namely, the taxes on bank deposits and capital, and the stamp duties on bank checks, perfumery, cosmetics, patent medicines, playing cards, and matches.

24 Muzzey, American Adventure, 159.
25 Curtiss, Industrial Development, 52.
The Democratic House which assembled in December, 1883, with the largest majority for ten years, made two futile attempts to revise the tariff. William R. Morrison of Illinois, Democratic Chairman of the Ways and Means Committee, reported a bill on March 11, 1884, which provided for a horizontal reduction of 20% on all existing duties.\(^{26}\) It further provided that no duty should fall below the rate provided by the Morrill Act of 1861. It placed salt, lumber, and coal on the free list, and reduced other articles twenty percent.\(^{27}\) This would have lowered the surplus about thirty million dollars. In spite of the Democratic majority in the House, the Morrison bill was rejected on May 6, 1885, by a vote of 155 to 159; the Democrat Samuel J. Randall leading the attack against it.\(^{28}\) Mr. McKinley attacked the bill for the lack of care and skill in its preparation. Senator Nelson Aldrich was a prominent man in the tariff debates that took place for he was a staunch protectionist and high tariff man. Six days later Abram S. Hewitt of New York proposed a somewhat more moderate bill with reductions, but it was also rejected even before coming to a vote on it.\(^{29}\)

\(^{26}\) Ibid., 53. Also Muzzey, American Adventure, 159; Bassett, United States 1492-1920, 715.

\(^{27}\) Ibid. Also Curtiss, Industrial Development, 53.

\(^{28}\) Muzzey, American Adventure, 159.

\(^{29}\) Ibid., 160.
The net result of all the agitation of traveling commissions and conference committees and heated debates in Congress in President Arthur’s administration was an act reducing the rates about twenty percent.

The Democratic platform of 1884 merely promised tariff revision in the spirit of fairness and without injury to American industry. The tariff issue during the presidential campaign of 1884 was not clearly drawn, for the majority of the Democrats appeared to favor a low tariff while the great majority of the Republicans seemed to prefer a high tariff. Grover Cleveland was not elected as a tariff reformer, and in his annual messages of 1885 and 1886, he had little to say on this question. In December, 1885, he suggested the adoption of a tariff for revenue only, and a bill to that effect was introduced into the Congress but was rejected. In 1886 President Cleveland renewed his arguments for reduction but Congress paid no heed. The country must be appealed to so the President devoted his entire message of 1887 to the tariff question. The Democrats had a majority in the House but there was a Republican majority in the Senate. President Cleveland demanded "a tariff for revenue and pointed out most forcibly the dangers of surplus financing." He disclaimed the advocacy of free trade which his opponents imputed to him, and said, in a phrase

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30 Bassett, United States 1492-1920, 721.
that was often repeated: "It is a condition that confronts us, not a theory." 31

Cleveland knew that he could not force the Republicans to accept a low tariff but he could, he did believe, force the Democrats to favor a reduction in the tariff. Mr. Roger Q. Mills of Texas, as chairman of the House Ways and Means Committee, promptly reported a bill calling for reductions from an average level of about 47% to an average level of about 40%. 32 The bill was presented on April 2, 1888, entirely prepared without hearings and investigation. 33 It transferred nearly all raw materials and many partly manufactured articles to the free list. The general debate continued in the House from April 17 to May 19, and the discussion by paragraph lasted from May 31 to July 19. 34 It was one of the longest and most notable debates on the tariff which had held the attention of Congress since the formation of the government. President Cleveland watched the bill closely as it went through the House by a majority of 15 (162-147). He was believed to have secured its

31 Bassett, United States 1492-1920, 721.
32 Ibid. Also Curtiss, Industrial Development, 66.
33 Muzzey, American Adventure, 180. Also Hicks, American Nation, 209.
34 Curtiss, Industrial Development, 66.
passage by threatening to veto bills for public buildings.\(^\text{35}\) In the Senate it was referred to the Finance Committee where it remained until October 3, when the Committee reported a substitute bill, in harmony with the Republican policy.\(^\text{36}\) It was passed by the Senate on January 22, 1889, by a vote of 32 to 30. As anticipated, the House refused to accept the Senate bill, and the Senate would not accept the Mills Bill. Although the bill did not then become law, the work of the Republican Senators in its preparation was not wasted, for their thorough investigation laid the foundation for perfecting the McKinley bill which was adopted the following year.\(^\text{37}\) The opposition in Congress was due partly to the policies proposed, partly to sectional economic rivalry, partly to inevitable habits of partisanship, but chiefly to the sedulous cultivation by the Republicans of the suspicion that a Democratic administration could not prove equal to the country's needs or worthy of the country's trust.\(^\text{38}\) Such is the story of the frustration of President Cleveland's efforts to revise the tariff.

The Democratic platform of 1888 gave allegiance to the American system of protection and, with a squint at the sur-

\(^{35}\)Muzzey, American Adventure, 180.

\(^{36}\)Ibid., 179. Also Curtiss, Industrial Development, 67.

\(^{37}\)Bassett, United States 1492-1920, 725.

\(^{38}\)Muzzey, American Adventure, 180.
plus, demanded liberal appropriations for the Navy and pensions. They denounced the protective policy as imposing upon the American people a system of unjust taxation and indorsed and recommended the early passage of the Mills Bill. The Republicans unequivocally accepted the issue made by Mr. Cleveland and declared "uncompromisingly in favor of the American system of protection...The protective system must be maintained...We denounce the Mills bill..." The campaign which followed was one of the most notable controversies on the subject of protection versus free trade in the history of the country. The President's message had aroused to action every protectionist, Democrat or Republican. The Republican party was returned to power, with its majority in the Senate increased as also in the House. Benjamin Harrison of Indiana was elected President but the Republicans had never hoped for much from him since they desired legislation, so they put their faith in Congress.

The Republican party, in entering upon the legislation of 1890, was prompted not only by a spirit of patriotism, but controlled by the same statesmanship which had guided the founders of the republic in establishing the American system. The

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39 Curtiss, Industrial Development, 98.
40 Ibid.
41 Hicks, American Nation, 214.
policy for the protection and extension of the industries of the country advocated by the Republican party was embodied in the McKinley Bill. This was a step in advance. In keeping with the will of the people, as expressed by the election of 1888, and in harmony with the principles of the Republican party, the 51st Congress entered upon a revision of the tariff. Mr. McKinley received the Senate's tariff bill of 1889 and revised it.

President Harrison recommended a revision of our tariff both in its administrative features and in the schedules. He recognized that the adjustment of the tariff was a "matter of great delicacy because of its direct effect upon the business of the country," but he believed that any temporary ill effects would be reduced to the minimum by prompt action. The protective principle, he contended, should be maintained and "fairly applied to the products of our farms as well as of our shops." He declared that the effects of the duties were not to be judged by fixing our eye on the public treasury alone. President Harrison believed that "they have a direct relation to home production, to work, to wages, and to the commercial independence of our country; and the wise and patriotic

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43 Ibid.

44 Ibid.
legislator should enlarge the field of his vision to include all of these." 45

In April, 1890, McKinley as chairman of the Ways and Means Committee, introduced a bill increasing the duties of the tariff. It passed the House and finally got through the Senate. The chief features were as follows: 46

1) The duties on agricultural products were slightly raised to please the rural West, but raw sugar was put on the free list and a bounty of two cents a pound for four years was offered to domestic sugar producers. A duty was placed on refined sugar to protect the American refiners.

2) The rates on bulky iron articles were little changed; in some cases they were actually lowered.

3) Less bulky articles, as woolens, cottons, and shoes produced near the coast line were given higher rates.

4) Through James G. Blaine's efforts a system of reciprocity was adopted, intended to secure trade from South American States. Hides, molasses, tea and coffee, as well as sugar, were to be free, but if the president thought a state producing these articles charged unfair duties against us, he might impose duties on them at specified rates.

45 Ibid.

46 Bassett, United States 1492-1920, 725. Also David S. Muzzey, History of the American People, Ginn, New York, 1927, 467. Hereafter this work will be cited as Muzzey, American People.
It was expected that the embarrassing surplus would be reduced some $70 million by the abolition of the duty on imported sugar in the United States. According to Mr. Curtiss, the bill had two objects: 47

1) To reduce revenue, but without destroying any protective features of our tariff system. This was done to the extent of $42 million, and for the first time in the history of the United States, more than half of all our imports in value were admitted free of duty.

2) To develop and increase American industries and give employment to a greater number of American laborers. New industries were established on every hand; other industries were imported from abroad; thousands of establishments were enlarged, all of which gave employment to an increased number of laborers, and in most cases at higher wages.

It contained no concessions or compromises; it took no backward step, for it was the outcome of a realization of the part of the protectionists that the people themselves would have to decide between protection and free trade. 48 The bill passed the House on May 21, 1890, by a vote of 164 (all Republican) to 142 (all Democrat), but in the Senate it met with a

47 Curtiss, Industrial Development, 128-130.
48 Ibid., 245.
delay of nearly four months. The cause of the delay was not any hostility of the Republican majority of the Senate to the principle of protection, or to the terms of the bill itself, but was connected with other legislation. It was September, 1890, before the McKinley Bill was passed by this house, and the 1st of October before it became law. Since John Quincy Adams' days, it was the first high tariff based upon the protective principle solely and not dictated by the needs of the Treasury. It was also the first tariff whose rates came home directly to every family in the country. Only the producers seemed to have been considered; the consumer was ignored.

Mr. Cleveland was reelected in 1892 mainly on the tariff issue, and his concern for tariff reform was even greater in his second administration than in his first. The effect of the McKinley bill was the raising of rates to unprecedented levels. Abroad we were charged with raising a Chinese wall around our trade. Importations decreased, to the great loss of the merchants. President Cleveland proposed a moderate reduction and readjustment to meet the large revenue needs which the permanent expenditures of the Republicans fixed on the government. He had his way in the Democratic House where William L. Wilson of West Virginia was chairman of the Ways and Means Committee.

49 Muzzey, American Adventure, 203.
50 Bassett, United States 1492-1920, 728.
The bill, which he reported on December 2, 1893, was the result of much labor, and its chief features were:

1) Free raw material, as lumber, coal, wool, iron ore, and sugar.

2) It reduced appreciably the duties on most factory-made articles, as silks, woolens, cottons, glass, and crockery.

3) To repair the deficiency in revenues which would thus ensue, it raised the internal tax on liquors and laid a tax of 2% on incomes over $4000.

This last feature was declared unconstitutional by the Supreme Court in 1895 in a five to four decision. The House passed it on a vote of 182 to 106. In the Senate many schedules were raised as they thought the bill inadequate to the needs of the revenue. It made no difference that the Senate was Democratic. The "coal Senators" of West Virginia, the "iron Senators" of Alabama, the "sugar Senators" of Louisiana, and the "lumber Senators" of Montana, fought for the protection of their interests. Under the lead of the Democratic Senator Gorman of Maryland (sugar Senator), the Wilson bill was mutilated beyond recognition by over 600 amendments. Most of the McKinley rates were restored. The opposition here to President

51 Ibid. Also Muzzey, American People, 486. Also Curtiss, Industrial Development, 269.

52 Ibid., 271. Also Hicks, American Nation, 258.
Cleveland had grown into a habit. The House protested in vain against the amendments, and reluctantly accepted it. This bill thoroughly disgusted the President who called it a piece of "party perfidy and dishonor." It became law on August 28, 1890, without his signature, because if he had vetoed the bill, the McKinley Act would remain in operation. The Gorman-Wilson Act, as it is called, was unsatisfactory to the greater majority of the Democratic members of Congress who favored not merely tariff reform but absolute free trade.

The events of 1895 to 1897 are outstanding in American history. By President Cleveland's inaugural address, and by the fact that for the execution of his tariff leveling plan, he had back of him a majority both in the House and in the Senate, wise manufacturers and business men were sufficiently warned of what was coming. Therefore, both wholesale and jobbing merchants immediately ceased buying of American manufacturers and held themselves in readiness to make their purchases from the cargoes of goods made by the poorly paid labor of Europe. Thus said Mr. Curtiss:

... the demand for American made goods fell off; and manufacturers, being unable to sell their products readily, either closed their mills, or ran them only when necessary to fill immediate and pressing orders; for it was

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53 Muzzey, American People, 487.

54 Industrial Development, 285.
merely business suicide for them to go on pay-
ing American wages and piling up quantities of
goods which, within a few months, they must
sell in competition with similar articles
brought in from abroad.55

According to Mr. Curtiss, the consequence of this slacken-
ing of industry was "that our cities were soon filled with un-
employed labor; the spendable incomes of the people were either
largely diminished or entirely cut off; everybody economized in
food and clothing."56 He wisely writes that in calculating the
results of the Gorman-Wilson Tariff: "We must consider the in-
direct as well as the direct effects; for the anticipation of
the law brought evils that should not be ignored in estimating
the actual effect of the law itself."57 A financial panic and
industrial depression began in 1893. Wage reductions were in-
evitable and lack of employment inflicted hardships on the
people.

The Gorman-Wilson Tariff, although designed as a revenue
measure, had failed to provide the government with the suf-
ficient funds to pay its running expenses. The receipts of the
government had constantly diminished until the deficiency had
reached about $74 billion. The closing of the mills, the en-
forced idleness of labor, and the bankruptcy and ruin of busi-

55Ibid.
56Ibid.
57Ibid., 289-290.
ness men made the loss to the whole country incalculable. In conclusion, it may be said that the hard times which visited our country under this Democratic revision of the tariff resulted from a wage famine.58

The Republican party was called upon by the people to redeem the country from the disasters which an unwise economic policy had forced upon it. Protectionism, discredited in the election of 1892, was approved by the people in 1894 and 1896. Both tariff policies of the opposing political parties had now, for the first time since 1860, been given a trial. The wisdom of the policy of protection had been tested and proved by actual experience. The great protectionists of the country during all the years of the heated controversy from 1867 to 1892 had defended it by the presentation of indisputable facts showing the wonderful progress which the country had made under and by an actual trial of the economic principles for which they contended. The people for the first time since 1860 had now turned the control of all branches of the government over to the Democratic party and had given it full power to destroy the protective policy and establish and put into practice the revenue policy for which it had contended.59 The people now had had the actual experience of witnessing the operation of the

58Ibid., 307.
59Ibid., 322.
two opposing systems in practice.

The people were quick to realize their error. The uprising against the Democratic free trade policy began as soon as Grover Cleveland, on March 4, 1893, made it clear that the purpose of the Democratic party was not a moderate revision of the tariff, but the restoration of free trade and what seemed the destruction of industries. The Republican platforms of 1894 pledged them to the support of the protective policy.

The attempt on the part of the Democratic party to overthrow the protective policy had proved such an utter failure that it dared not at this time make the tariff an issue in the approaching election and attempted to justify the Gorman-Wilson Act. Mr. Cleveland, who had endeavored to make effectual the tariff policy of his party, retired from office utterly repudiated and intensely unpopular with its rank and file.

During the closing months of his administration, the Ways and Means Committee, under the leadership of Mr. Dingley, was preparing the new tariff bill for presentation to the extra session of Congress, which it was known President McKinley would convene soon after his inauguration on March 4, 1897. Between December 28, 1896 and January 11, 1897 the Ways and Means Committee granted hearings to the various interests of the

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60 Ibid., 322-323.
61 Ibid., 231.
country concerning the preparation of the many schedules of the new bill. 62 The work of the preparation of the schedules was begun on January 13. Each schedule was taken up and carefully analyzed, and new rates, so far as it had been demonstrated were necessary to restore the adequate protection to American labor and American manufacturers, were inserted. The bill when completed was substantially a redraft of the McKinley Act, although the rates of duties on certain articles were lower than those contained in the former measure. Mr. Dingley said: "The bill has two purposes, namely, to raise additional revenue, and to encourage the industries of the United States." 63

The bill was presented to the House on March 18 and the discussion began on March 22, 1897. 64 It was reported to the Senate, after passing the House, by Mr. Aldrich of Rhode Island, May 4, and was taken up for consideration May 25. 65 It passed the Senate on July 7, and was reported back to the House with the Senate amendments, July 8. While in the Senate, it met the usual fate of all tariff bills. Before the sheep-raisers and fruit-growers of the West were as well satisfied as the manufacturers of the East and the new industrial leaders of

62 Ibid.
63 Ibid., 332.
64 Ibid., 333.
65 Ibid.
the South, the bill had undergone 872 amendments. The amendments thus were more than those of the Gorman-Wilson Act of 1894. But the Republican House was not seriously opposed to the enhanced schedules as the Democratic House had been three years previously. The amended bill was passed in both houses by votes fairly representative of the Republican majorities (187 to 116, and 40 to 30), and was signed by President McKinley on July 24, 1897.

It imposed duties which in general were not as high as those contained in the McKinley Law, but were the highest rates in our history. It was, in the words of Professor Frank W. Taussig, "the outcome of an aggressive spirit of protection." The duties of the Dingley Act were as follows:

1) On woolens, cottons, silks, linens, glass and crockery the rates varied little from the tariff of 1890, but were higher.

2) On iron and steel products the lower rates of 1894 were retained. Copper was left on the free list as in 1894. The

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66 Muzzey, American Adventure, 334.

67 Ibid. Also Curtiss, Industrial Development, 333.

68 Frank W. Taussig, The Tariff History of the United States, Putnam's, New York, 1931, 358. Hereafter this work will be cited as Taussig, Tariff History of the United States.

69 Curtiss, Industrial Development, 333. Also Bassett, United States 1492-1920, 729-730. Also Stanwood, American Tariff Controversies, 381.
duty on raw sugar was doubled and the differential of protection for the refiner was maintained.

3) The schedules imposing duties on agricultural products, pottery, liquors, and tobacco were higher.

4) The rates on lumber and manufacture of lumber, bags, cotton bagging and cotton ties were restored.

The Dingley Tariff within two years brought ample revenue to the Treasury and raised the nation from the most distressing conditions of unemployment and business depression to a state of full employment of labor and universal business prosperity. It not only redeemed the country from the unwise economic policy adopted by the Democrats, but it consummated the plan of rounding out the industrial policy of the nation for which the Republican party had struggled for more than twenty years.

For twelve years after the passage of the Dingley Tariff, reform was quiescent. According to Mr. Bassett: "The attack on the Cleveland Democracy showed that protection was very strongly fortified in our economic system. Capital and labor both felt themselves interested in perpetuating it." The progress of urban life, so largely dependent on factory and internal commerce, widened the basis of the movement. In the eighties, the tariff reform sentiment of the West centered in the Old Northwest; in the nineties, this region was mostly for

70United States 1492-1920, 730.
The political conditions under which the Act of 1897 was passed, and the commercial and industrial conditions that have prevailed during the years it has been in operation, have been as favorable to its success as those conditions which applied to the two preceding acts (1890 and 1894) were favorable. Meanwhile prosperity had returned to the country. Mr. Stanwood said that "Good crops, an ample market, and high prices rewarded the efforts of the farmers, and enabled them to pay off a vast amount of mortgage indebtedness which they had been tempted to wipe off with a free silver sponge." Every avenue of commerce was crowded, every industry was full of activity, every branch of trade felt the impulse of good times. Such are not the conditions that drive men to seek changes in the tariff laws. Indeed, they lead rather to a disposition to attribute too much importance to the law which seems to them to have produced results so satisfactory. In 1897, the country was ready for a season of great prosperity. The industrial depression as a check to activity was substantially completed. The uncertainty as to the monetary standard was dispelled. In short, all things were made easy for the success of the tariff.

President McKinley had recommended that the tariff be so

71Ibid.
72Stanwood, American Tariff Controversies, 390.
revised as

... to raise revenue ... preserve the home markets to our own producers ... revive and increase manufactures ... relieve and encourage agriculture ... to aid and develop mining ... and to render to labor in every field of useful occupation the liberal wages and adequate rewards to which skill and industry are justly entitled.73

The doctrine professed by the Republican leaders of a generation ago, namely, of a tariff for revenue only, with incidental protection, had already been repudiated in the Republican platform of 1888. It was now definitely abandoned. To be sure, the Dingley Law contained provisions for reciprocity agreements which would reduce the rates by about 25%, and which the Senate refused to ratify. The Dingley Law has the distinction of having remained in force longer than any other tariff act in our history (1897 to 1909). The period was one of almost uninterrupted prosperity.

The tariff plank of the Republican platform of 1904 declared as follows:

... Protection which guards and develops our industries is a cardinal principle of the Republican party. The measure of protection should always at least equal the difference in the cost of production at home and abroad. We insist upon the maintenance of the principle of protection, and therefore, rates of duty should be adjusted only when conditions have so changed that the public interest demands their alteration; but this work cannot

73 Curtiss, Industrial Development, 334.
safely be committed to any other hands than those of the Republican party. . .74

President Theodore Roosevelt had stated:

. . . The general tariff policy to which, without regard to changes in detail, I believe this country is irrevocably committed, is fundamentally based upon ample recognition of the difference between the cost of production—that is, the cost of labor—here and abroad, and of the need to see to it that our laws shall in no event afford advantage in our market to foreign industries over American industries, to foreign capital over American capital, to foreign labor over our own labor. . . . The tariff is essentially a business proposition. We must preserve the policy of protection. . . 75

The protective policy had been sustained in all of its integrity during the three years of Mr. Theodore Roosevelt's occupancy of the Presidential chair. It was during this time that he launched a new policy, that of attacks against the corporations and trusts. There was a widespread conviction in the minds of the American people that the great corporations were in certain of their features and tendencies harmful to the general welfare. They should not be prohibited, according to Mr. Roosevelt, but supervised and within reasonable limits controlled.76 The government, he averred, had the constitutional

74 Ibid., 345.
75 Ibid., 346.
76 Muzzey, American Adventure, 381.
right to regulate interstate commerce. In order that it might do so with wisdom and justice, it was necessary that those corporation engaged in interstate commerce should willingly submit to a full and free investigation. Mr. Muzzey stated that: "President Roosevelt was not opposed to big business as such. He realized that concentration in industry was a natural and inevitable form of development of our great resources." The great corporations, especially those which practically monopolized such necessities of life as coal, oil, beef, and sugar, should be supervised and within reasonable limits controlled. They had received privileges and protection from the government, and they increased in return the obligation to the people of a strictly legal and honest conduct of their business. President Roosevelt believed that they should not be allowed to reap fabulous profits by charging exorbitant prices or by securing illegal privileges from the legislatures. In order that the government might regulate interstate commerce with wisdom and justice, the Interstate Commerce Act should be made more clear and specific, and a new Department of Commerce and Industry should be created to deal with those interests of the government which concerned the corporation, labor

77 Ibid.
78 Muzzey, American People, 533.
79 Ibid.
and the merchant marine.\textsuperscript{80}

It was President Roosevelt's idea that the trust question should be dealt with entirely apart from the tariff question, and that the destruction of industries of the country by the overthrow of the protective policy was not the method to be adopted in dealing with the so-called trusts and monopolies. Tariff revision had certainly never been one of the Roosevelt policies. He always found an excuse to avoid the issue which was fraught with so many political perils. While there was much agitation favoring a revision of the tariff during the latter part of President Roosevelt's first administration, it did not assume formidable proportions, nor was it sufficiently pronounced to occasion any alarm in the minds of the great mass of the people. He resisted all overtures for taking up and re-opening the tariff question during his first administration.

\textsuperscript{80}Ibid.
CHAPTER II
THE NEED FOR A NEW TARIFF

The Dingley Tariff of 1897 was enacted because of a deficit in the operations of the Treasury of the United States, and President McKinley asked the Congress for legislation dealing solely with the import duties and revenue. This tariff was the outcome of an aggressive spirit of protection and it pushed this protection in many directions over our domestic industries. The country felt confident after it was passed by Congress, and began to recover lost ground and to make up the deficits in various products. This also led to the renewal of domestic and foreign trade, and our revenues rapidly increased.

The closing years of the nineteenth century had found new conditions which became of greater consequence for our customs policy. As the United States was a great manufacturing country, we did not depend upon the rest of the world for many ready-made products. But it was thought that the industries were over-protected and the Republicans doubted whether that policy had not been carried too far. The protective system was of less consequence as industry produces more abundantly and cheaply.

Perhaps the most potential reenforcement of the clamor
for the tariff revision came from the Presidential office of Mr. Theodore Roosevelt during his second administration. In 1906 he sent forth the dictum that the tariff should be revised. Thus, nearly two years before the election of 1908, it was ordained that the Republican party should discredit its own tariff legislation, and hold up the hands of its assailants by pledging itself to another revision of the tariff. The Republican Convention of 1908 found itself placed in an embarrassing predicament. To refuse to declare for a tariff revision meant a reflection upon and partial repudiation of a Republican administration. President Roosevelt, during the Republican Convention of 1908, expressed the party's sentiments regarding the dominant issue of tariff legislation. He stated:

... The Republican party declares unequivocally for a revision of the tariff by a special session of Congress immediately following the inauguration of the next President. ...¹

This statement was popularly accepted as a promise to revise the tariff schedules downward, and a large proportion of the voters specifically voted for the Republican candidate with this idea and expectation in mind. Gathering opposition to the high tariff led both the Democratic and Republican parties, in this Presidential campaign to adopt a plank in their political platforms favoring a downward revision. The Republican being

the more definite won the election and trust of the people.

Mr. William Howard Taft, upon accepting the Republican nomination, said that the tariff excesses offered temptations to those who would monopolize the production and sale of such articles in this country to profit by the excessive rate. In the same speech, he stated:

... In 1897, the Dingley Tariff bill was passed, under which we have had, as already said, a period of enormous prosperity. The consequent material development has greatly changed the conditions under which many articles described by the schedule of the tariff are now produced. The Tariff in a number of schedules exceeds the cost of production of such articles abroad and at home, including a reasonable profit to the American producer.

The Tariff Act of 1897 proved to be the longest-lived because the Republican party was in power continuously during the twelve years it was in effect, and naturally changes were less likely. Problems of greater importance pressed for solution, and these concerned questions of industrial combinations. These served to divert attention from the tariff because it was and is a great problem. It was this very subject which in 1909 compelled action on the tariff. The tariff was felt to need overhauling because it was believed to promote industrial com-

2Curtiss, Industrial Development, 365.

3Ibid., 361. Also Hicks, American Nation, 422. Also Davis R. Dewey, Financial History of the United States, 12 Ed., Longmans, Green, N. Y., 1934, 483.
binations. The huge fortunes acquired in some protected indus-
tries (the Carnegie fortune most conspicuously of all) 
brought the feeling against the high duties. The trusts and 
tariff are associated in the public mind, and hostility to the 
combinations had bred hostility to extreme protection. Hence, 
the Republican party in its campaign platform of 1908 gave a 
promise of revising the tariff.

The pressure from public sentiment was most acute from 
1904 to 1906 for the people felt that the tariff rates were too 
high and too favorable to big business. The United States, as 
a whole, prevailed upon the politicians to make a sane adjust-
ment of the schedules to the new industrial condition in the 
country; that of increased production. Many rates in the 
Dingley Act were out of harmony with these existing industrial 
conditions; and the conviction was growing, particularly in 
the Middle West, that the tariff fostered trusts which were 
exercising larger powers in the commercial and financial de-
velopment of the United States.

According to Mr. Muzzey, the bulletins of the Bureau of 
Labor showed that the cost of necessary articles of consumption 
had risen some 40% under its operation, while wages had advanced 
less than 20%. There was a widespread conviction that the ef-
fact of the high tariff was to insure enormous profits for the

4Muzzey, American Adventure, 485.
manufacturer rather than to secure any benefit to the consumer and the laborer. Manufactured goods had increased 32% in price and raw materials 50%, while wages in over 4,000 establishments had risen only 19.1%. At the same time the profits of the great combinations in the manufacture of wool, cotton, thread, shoes, sewing-machines, farm machinery, and scores of other commodities indispensable to the millions of plain working people in the country had grown to enormous proportions.5

Sectional sentiment shows the type of tariff desired by the various portions of our country. The central northwestern states were chiefly devoted to wheat, or corn, and were little interested in manufacturing, and, therefore, developed opposition after 1900 to high duties on manufactured products. The northeast was the great center of manufacturing industries and supported a protection policy, as did those industries in the north central and Atlantic coast areas. They were joined by those in the same section who were interested in the protection of certain raw materials such as lumber, wool, beet sugar, coal, and iron. The Far West were vigorous defenders of protection as they were interested in lumber, certain minerals, cattle, sheep, beet sugar, and fruits. This section was held the strongest political influence in the Senate as their population was sparse, and in alliance with the Northeast, their

5Ibid., 485-486.
influence went far to shape tariff legislation. The South was the chief seat of the opposition to protection, but reconstruction here, after the Civil War, created a group of interests inclined to favor protective duties, especially those interested in the cotton mills, and the iron and steel industry in the South.

There arose, during the years the Dingley Law was in effect, according to Mr. Wright: "Numerous signs of growing discontent with the high level of duties; finally this attained such proportions that even the party of protection admitted a downward revision of duties was at least politically expedient." An understanding of the conditions responsible for this discontent is desirable, not only as a help to explain the immediate reaction but also because some of these conditions still affect the attitude of certain groups toward the policy of protection. At least five different causes can be named that exercise considerable influence in this reaction from 1897 to 1908.

1. We find a growing group of manufacturers who were beginning to feel that the tariff was a handicap. Many manufacturers of the more highly finished products found that the

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7Ibid., 696-697.
increased cost of their raw materials, caused by the Tariff duties, necessitated a higher price for the product and thus limited the market. This was especially felt by those who were exporting manufactured products. These exporters also felt that the high tariff duties of this country led other countries to impose high duties on American products and thus limited their market still further.

2. There was the group of farmers in the Central Northwest, chiefly in the wheat-growing region, as previously mentioned, who felt that they were burdened rather than benefited by the tariff and, while seeking higher duties on their products, they frequently demanded lower duties on manufactured goods, especially on such as the farmers used.

3. The steady rise in the general price level which occurred after 1896 was causing rather general discontent and occasioned widespread complaint about the high cost of living. Though this rise was chiefly due to other causes, it was possible to argue that a reduction of duties would at least tend to lower the cost of many protected products.

4. The rapid spread of the trust movement immediately after 1897 and the belief that the tariff was an important factor in fostering this movement caused restlessness. Here again the influence of the tariff was exaggerated in the popular belief, though not without some foundation in fact; but the cry
that the tariff was the mother of the trusts and so ought to be abolished on trust controlled products met with popular response.

5. The growing sensitiveness on the part of the people to various forms of special privilege, aroused by the outbreak of the "muck-raking" articles that became so numerous in the popular magazines after about 1900, and the growth of large fortunes were other factors. The tariff was attacked, also, as an iniquitous form of such privileges. The country also suddenly woke up to the fact that its natural resources were not unlimited, the movement for conservation appeared, and it was pointed out that by removing duties on various raw materials, and importing them from other countries, we would help to conserve our own supply of natural resources.

Able and experienced businessmen pleaded for tariff stability for in that alone could be found the conditions which make for steady employment, for regularly issued pay envelopes, and for good business. So powerful and so sensible an appeal for security against the ills and evils of tariff agitation and tariff uncertainty, ought to have been effective in turning public opinion back into safe and sane channels, but it was not so. Professional agitators, politicians eager for notoriety, reformers, and theorists all joined in the clamor against the Dingley Act, and demanded wholesale reductions in the rates of
duty after 1907.

The development of the need for a new tariff during 1907 and 1908 was more acute than in the previous years. This decided demand for a revision gave to the tariff question an importance previously denied to it, and had rendered definite action imperative. The business public was the necessary force in the demand for revision, as public opinion throughout the country could do little to secure legislation.8 The business men found themselves hampered in several ways by the terms of the Dingley Tariff. It appeared that our trade with foreign countries had been incapacitated by the indisposition of these countries to grant to us accession to their markets so long as we insisted on excluding them from ours. In addition to feeling the results of our tariff exclusiveness in the hostility of foreign countries, American manufacturers had been obliged to suffer from an increasing money expense in the production of their goods. Thus had come the demand from the business world that our revenue legislation be remodeled in such wise as to allow the business men to resort economically to the best sources of supply available anywhere within competitive reach.

Another source of pressure, that culminated in a recognition for the need of a new tariff, came from the changed tariff

methods of foreign countries, who were unduly discriminating against the United States. Finally, our own officials recognized the confused state of the present practices under the Dingley tariff. When James Sherman was nominated for the Vice-Presidency, he stated:

... The Dingley bill when enacted was well adapted to the then existing conditions. The development of industrial prosperity in a decade, which in volume and degree have surpassed our most rosetate expectations, have so altered conditions that in certain details of schedules they no longer in every particular mete out justice to all. . . 9

The Republican platform carried a new version of the principle of protection. The doctrine was laid down as follows:

... In all protective legislation the true principle of protection is best maintained by the imposition of such duties as will equal the difference between the cost of production at home and abroad, together with a reasonable profit to American industries. . . 10

This was welcomed in many sections as the definite solution of the question. It had an engaging appearance of moderation, yet it leads logically to the most extreme results. Professor Taussig said that it seems to say no favors--nothing but


equalization of conditions. He said that "The true principle means that duties should be high enough to cause anything and everything to be made within the country, and for international trade to cease." But it really is that the more disadvantageous it is for a country to carry on an industry, the more desperate should be the effort to cause the industry to be established. The attention given to this "true principle" was important of some compliance to those who believed that protection had been carried too far. Our duties were believed to have been more than sufficient to equalize trade, and to have brought more than a reasonable profit to American producers. A protective tariff brings necessary revenues to the government and, in addition, scatters its protection to every section of the country and to the people in every occupation and calling.

It is a protection to opportunity. Representative C. Bascom Slemp of Virginia said that the policy of a protective tariff is automatic in its action, uniform and imperative in its application, and impartial in its operation. According

12 Ibid.
13 Ibid.
to Representative George Sturgiss of West Virginia, this policy develops the resources and increases the wealth and prosperity of a nation, making it independent commercially, financially, and politically.\textsuperscript{15} The Republican party held the commission of the people of the United States to revise the tariff upon the lines of "true protection" and upon no other lines, and the Republican party would be recreant to the trust of the American people if they did not follow implicitly those lines.

In Mr. Taft's inaugural address on March 4, 1909, he said that the tariff bill would be introduced at an extra session of Congress on March 15. In this speech he stated:

\begin{quote}
\ldots This should secure an adequate revenue and adjust the duties in such a manner as to afford to labor and to all industries in this country, whether of the farm, mine, or factory, protection by tariff equal to the difference between the cost of production abroad and the cost of production here, and have a provision which shall put into force, upon executive determination of certain facts, a higher or maximum tariff against those countries whose trade requires such discrimination.\textsuperscript{16}
\end{quote}

This may have meant anything or nothing at all, and Taft was forced to declare whether he intended only to revise the

\textsuperscript{15}Congressional Record, April 3, 1909, Volume 44, Part I, 1026. Also 61st Congress, 91.

tariff, or to revise it downward. He pledged his efforts to secure a reduction of the Tariff of 1897. To say is one thing, to act and do is quite another.

The reason why ex-President Roosevelt took no active part in this question at this time was that he sailed to Africa. He wished to give President Taft a free hand and not arouse any ill feeling in his followers.\textsuperscript{17} A slight difference of understanding between Mr. Roosevelt and Mr. Taft caused the two friends to drift apart after the Republican Convention. It was natural that President Taft desired independence in his administration to ascertain his own policies and to choose his own cabinet men. Out of Roosevelt's cabinet, Taft retained only two men, while six were chosen as personal appointees rather than as party leaders, and one for his service in McKinley's and Roosevelt's administrations. The new president was not hostile to reform and approved of the major policies of Theodore Roosevelt. By temperament and training, he was deliberate and cautious; he walked sedately; he was an honest administrator; and was a champion of the protective policy. He is comparable to Mr. Roosevelt who charged ahead with confidence and dash.

President Taft at once carried out his campaign pledge by calling the 61st Congress in special session to meet on

\textsuperscript{17}Hicks, American Nation, 422.
March 15, 1909. The bill to revise the tariff already had been drawn up by the Committee of Ways and Means in the House of Representatives of which Senero Payne of New York was the chairman. This committee had already held hearings at Washington, that is, of hearing, the representatives of hundreds of interests, protected and unprotected, who pled for the continuance or the grant of the government's favor. The hearings filled nearly 9,000 pages of the committee's report, and few of these pages contained any elucidation of the "true principle of protection" as defined in the platform. They are the one-sided arguments by interested agents, each intent on showing that any reduction in the schedules in which he was interested would mean an assault on the very citadel of American industry and the independence of American labor. The friends of protection were organized and alert. The "steel people," the "lumber people," the "hosiery people" were vocal and even eloquent. The "ultimate consumer" was unheard.

The hearings were held in Washington, D. C., beginning November 10, 1908, and continuing until December 22, 1908. Briefs and statements were submitted until as late as March 9, 1909. All of our manufacturers and industrialists, as well as the agriculturalists and miners were heard. Many men who appeared before the committee were concerned not only with the various schedules but also with the tariff revision, tariff
commission, and tariff legislation. Professor Frank W. Taussig appeared before the committee on December 15, 1908, and stated that:

... in those industries where you have high duties, and an apparent need of high duties in order to maintain protected industries, I should strongly ... feel against any increase of duty, and I think in a great many instances a reduction of the duties could be made without serious disturbances, and with advantages to the consumer.18

On the subject of tariff commissions, Mr. Henry R. Towne of Stanford, Conn., appeared before this committee on November 23, 1908, and declared:

... In the belief that the present tariff is not well adjusted to present conditions, that it embodies many inconsistencies and inequalities, and that its careful and intelligent revision will affect favorably all of our industries, and especially our foreign commerce, we favor the creation of a permanent tariff commission for the purpose of collecting data at home and abroad. ...19

Another representative, Mr. George S. Brown of Birmingham, Alabama, appeared before the committee on December 14, 1908 and stated that he firmly believed:

... that the protective principle, a vicious error, unscientific, ruinous, pronounced so by the educated political economists of all ages ... will again be so demonstrated in this our


19Ibid., 7587.
age by the ignorance and selfishness of law-
makers and manufacturers. ... 20

These are only a few of the great many testimonies given before the Committee on Ways and Means of the House of Repre-
sentatives. They show that many were interested in the re-
vision of the tariff as evidenced by the committee's reports.

20 Ibid., 7567
CHAPTER III
THE PAYNE ALDRICH BILL

Sereno E. Payne was an American lawyer and legislator from Hamilton, New York, who was admitted to the bar in 1886. He became a member of a law firm in Auburn and soon took an interest in Republican politics. He was successively city clerk, supervisor and district attorney of Cayuga County in the 70's and from 1883 to 1914, was a member of Congress, with the exception of the 50th Congress. Mr. Payne was prominent in all tariff legislation during his time in Congress.


The hearings of the House Ways and Means Committee for two years before the tariff bill was introduced, embraced the following points.¹

1. What particular rates of duty were higher than was

¹Curtiss, Industrial Development, 374.
necessary to afford adequate protection, and to ascertain the extent to which they were unnecessary, in order that a reduction might be made?

2. What particular existing duties were below the protective point, and the extent to which they should be increased in order to maintain the proper degree of protection?

An exhaustive investigation was made by this committee, for they examined manufacturers representing all the various branches of industry. The men on the Ways and Means Committee heard evidence, and from these industrial magnates, on the cost of domestic production, the rates of wages, the development and condition of industries, and many other urgent and relevant phases of the subject. An inquiry was also made into the export prices of commodities and rates of wages in foreign countries as compared with the United States' prices. In the history of tariff legislation, no one committee of Congress ever devoted more time and labor to the preparation of a customs act. The investigation was the most accurate, exhaustive, and instructive ever conducted under the direction of Congress.

On March 17, 1909, Sereno E. Payne, chairman of the House Ways and Means Committee, reported the bill to the House of Representatives. He introduced it as a bill to promote revenue, equalize duties, and encourage the industries of the United States. It was intended to lighten the burden so far as
possible of the people of our land. The bill was scrutinized according to the Republican acquiescence of the "true principle" idea. Mr. Payne denounced protective men who tried to revise the tariff rates to meet the difference of cost abroad.

Some gentlemen think in order to be protectionists that after they have found out the difference here and the cost abroad they ought to put on double that difference by way of a tariff rate. . . I believed we should fix these duties as nearly as we can at the difference between the cost here and the cost abroad. . . 2

Mr. Payne debated the bill on that basis as the country was overwhelmingly in favor of a protective tariff because it was an American policy, and it was necessary to have an immediate revision of our revenue laws. The people of the country from 1860 to 1909 had stood only for such duties as would produce needed revenue and would give industries, which were trying to prove their ability to exist in the United States, protection through a limited period.

A minimum and maximum tariff was provided in the House Committee's bill, and was a protective tariff built on the lines of the Republicans' platform. It was designed to protect United States industries in their dealings with foreign countries, and free the businesses from any unfair competition from foreign sources. It provided the minimum tariff for any

2Congressional Record, Sixty-first Congress, Special Session, V. 44, 7.
foreign country which did not discriminate against the United States, but if foreign countries did not give this country an equal chance, they would receive the maximum tariff rates of duty. On March 24th, Representative Champ Clark of Missouri, opposed the bill on the grounds that it raised the Dingley rates.\(^3\) Oscar W. Underwood of Alabama, Morris Sheppard of Texas, Ollie M. James of Kentucky, and William Sulzer of New York, opposed the bill on the grounds that it was injurious to domestic and foreign trade.\(^4\) Those in favor of the Payne bill declared it to be in accordance with the Republican party's pledges and containing an excellent set of tariff schedules which were necessary for revenue and conditions in the United States.

Representative Samuel McCall of Massachusetts supported the bill with this statement:

> Whether you agree or disagree to the particular provisions of the bill, there can be no question in the mind of any man who has made in any detail a study of its provisions that it revises the Tariff downward; that it makes some great and many important reductions from existing duties. \(^5\)

Despite active debate for and against the bill, no great

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\(^3\)Miller, Revenue, 386.

\(^4\)Ibid., 386-9.

\(^5\)Congressional Record, Volume 44, Part I, 759. Also 61st Congress, 75. Also Miller, Revenue, 391.
changes were made in the House bill when it was discussed. This thesis is not intended to go into full detail of the tariff bill itself, and, for that reason, I have eliminated all references to the various rates of duties which were either raised or lowered by the Congress. Suffice it to say that the Payne bill put wood pulp, hides, iron ore, and flax on the free list, reduced the duties on steel and iron, lumber, and various manufactures by some 50%; made lesser cuts on the duties on refined sugar and chemicals; admitted the products of the Philippines free of duty, with limitations on the amount of sugar and tobacco; and laid a progressive tax on inheritances. On the other hand, there were a good many increases purely for the sake of protection, while some articles (tea and cacao, for example) were taken from the free list to swell revenue. In spite of the hot debate regarding these duties, the Payne Bill, which was passed by the House of Representatives, was substantially that which was prepared by the Ways and Means Committee. Various sections of the country tried "log-rolling" in order to obtain their desired rates, and this brought protest from within the Republican party. The bill finally was voted upon in the House, and was passed April 9 by the votes of 215 Republicans and 2 Democrats against 160 Democrats and 1 Repub-

\[\text{6} \]Muzzey, American Adventure, 487.
lican. It was an honest attempt to reduce the Dingley schedules along the lines of the party's understanding if not definite promises. It was sent to the Senate where it was referred to the Committee on Finance.

In the Senate it was a different story, for history had shown that it is the Senate's influence on legislation that has the greater effect and are in favor of higher tariff duties. Because of its small and compact body, no State can be ignored and "log-rolling" was rampant here. In order to give certain States their desired concessions, others must be conciliated. The Senators from the agrarian States of the Middle West stood staunchly for a general reduction in duties of the tariff. The local interests here were made more effective by the expert leadership of Senator Nelson Aldrich, a protectionist, who had the Republicans well organized.

Nelson W. Aldrich was an American politician from Foster, Rhode Island. His first political service was as a member (1869-1875) and president (1871-1872) of the Providence common council. He was a member of the lower house of the Rhode Island legislature in 1875-1876, and speaker in the last named year. By this time he had become very influential in Repub-

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lican state politics, and in 1878 and again in 1880 was elected to Congress. In 1881 he resigned to take a seat in the Senate, where he served continuously for thirty years. He was an able champion of protection and an authority on finance, and his knowledge of these subjects was embodied in various tariff and currency enactments. From 1881 on until he retired thirty years later, he was the master of Rhode Island politics. In the Senate he was promptly recognized as a coming man and soon proved himself to be a brilliant statesman.

In the 1897 and 1909 tariff debates, Senator Aldrich stood not so much for protection in and of itself as for the status quo.

Senator Aldrich kept the bill in the finance committee for forty-eight hours, while the corridors around his committee room were crowded with the representatives of the big protected interests. When the bill emerged, it bore little resemblance to its original form. The Senator's influence accounts for no less than 847 substantially important amendments, whose tendency was upward. Many greatly debated articles in the House were again subjected to a raise. It is certain that the shifting of duties would embody "jokers"—new rates favoring par-

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9 Ibid.
10 Ibid., 154.
ticular industries. As a result the bill was a complicated affair which needed careful study in order to be understood.

Many months of hearings went into the work of the bill. It was reported to the Senate on April 19, 1909, where it was debated at great length. Senator Aldrich led the active debate on the various points in the tariff bill. With the help of the other Senators, he was able to raise the rates; this stimulated the discussion all the more. Senator Aldrich proposed to "railroad" it through the Senate by making it the sole order of business until it was passed. Instead of laying before the members the customary written explanations for the changes in the bill, with recommendations for a reasonable time for discussion, he secured the order that the bill should be taken up immediately, and discussed daily until it was voted upon favorably. The alleged reason for this arbitrary procedure was that the business interests of the country were suffering from uncertainty as to the government's tariff policy. The real reason probably was that the tariff reformers might not have time to make a careful study of the bill.

But the reformers were not daunted, as will be shown later. Heated arguments developed over the Republican party

12 Muzzey, American Adventure, 488.
13 Ibid.
pledges between the various Senators and Mr. Aldrich. Joseph W. Bailey of Texas stated that if the tariff were raised it would not be keeping the promise to the American people to revise the tariff in the interest of the consumer. Aldrich felt bound to revise the tariff from a protective standpoint, and to make the rates equal the difference in the cost of production here and abroad, plus a reasonable profit. The Republican party held the commission of the American public to revise the Dingley Act upon these lines. Mr. Aldrich, on this fact, stated: "I believe that that policy is the only correct policy for the people of the United States to adopt and to maintain." The bill, as a whole, contained large reductions below the existing law and a few increases in present rates, according to Senator Aldrich.

At this point, Insurgent reaction was felt, ably led by Senator La Follette, who interrupted Senator Aldrich's plans by a prolonged debate which revealed to the country exactly what was going on. Well assisted, La Follette studied the bill by night and debated it by day. The Insurgents were, however, unable to prevent its passage despite their active aggression to the measure. They hopelessly fought it every step of the way. They were denounced by the "Old Guard," and there was a great

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14 The 61st Congress, 147.
15 Ibid.
deal of talk about reading them out of the party. This reaction will not be discussed here but in a later chapter.

The Payne bill did reduce the schedules in a number of instances and was an honest effort to carry out the party's policies, but it was not this way in the Senate. There was a general revision downward but not enough to satisfy President Taft and his desires which were more than the Senate desired. While the bill was being written and rewritten in Congress, the President was carefully observing the maneuvers of the legislators with growing apprehension. Frequently he threatened to veto the bill in order to daunt the reactionaries and obtain one in compliance with the platform. Taft approached the Insurgents because he wanted them to fight for a downward revision of the tariff bill. With the tariff question nearing its final stages, the President's responsibility for its ultimate form grew acute. The whole country looked to him to "exert all his authority and influence, to instigate the Conference Committee of Congress, to acquiesce to a bill which he could honorably sign, and which the people would not regard as a betrayal or a mockery to his promises." 16

The Senate Bill put iron ore and flax back on the tax schedules, duties on steel and iron ore and agricultural prod-

ucts were restored, and the inheritance tax was omitted. The Senate passed the bill, with many amendments made by the Finance Committee, on July 8, 1909, by a vote of 45 to 34. 17 There were a total of more than 600 decreases and 200 increases over the Dingley Tariff. These rates were a compromise between the Dingley figures and the Payne figures. The Conference Committee was appointed, consisting of eight members from each house, 5 Republicans and 3 Democrats. The Administration brought pressure to bear in favor of the House rates after the bill was sent to this committee as these rates were lower than the Senate rates.

The President had refrained from any serious effort to influence the course of the legislation up to this point. The bill that emerged from the Committee of July 30 was a complete betrayal to his campaign promises. It did provide for more decreases than increases in the duties, but the decreases were rarely on items of significance, and far more important duties were left untouched than were changed. Under the new law, the average rates on dutiable goods were 1% higher than under the Tariff of 1897. Of a total of 2,024 items in that law, there were 654 decreases, 220 increases, and 1,115 were left un-

touched. This new law, considered from every point of view, revised the Dingley Law only slightly downward.

President Taft could not influence Senator Aldrich who was a high tariff man. He desired a protective tariff which would equalize conditions of production and distribution between this country and other competing countries. He was the strong political leader of the Republican party in the Senate. Taft and Aldrich held many conferences in private and the contents were not published; therefore, we do not know what was said between the two politicians, but we do know that his efforts were to no avail as the bill as it was passed was an Aldrich victory. President Taft had tried to obtain a better bill by encouraging the Insurgents, but joined the conservative majority when a split was threatened in the party. In order to frighten the high tariff people, he threatened to veto the measure. If he had vetoed the bill, the Republican party would have been split sooner and would have brought dissension and ruin into it. He also would have arrayed the majority of his party against him, and it would not have removed the uncertainty which the business community considered the worst phase of the situation.

As has been shown by the Table, there were 220 instances

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TABLE OF SCHEDULES

<table>
<thead>
<tr>
<th>SCHEDULES</th>
<th>Items in Dingley Law</th>
<th>Changes in Dingley Law by Payne Law</th>
<th>Unchanged Items</th>
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<tbody>
<tr>
<td>A. Chemicals, oils, etc.</td>
<td>232</td>
<td>81</td>
<td>129</td>
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<tr>
<td>B. Earths, earthen and glass ware</td>
<td>170</td>
<td>46</td>
<td>112</td>
</tr>
<tr>
<td>C. Metals, Manufactures of</td>
<td>321</td>
<td>185</td>
<td>106</td>
</tr>
<tr>
<td>D. Wood, Manufactures of</td>
<td>35</td>
<td>18</td>
<td>14</td>
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<tr>
<td>E. Sugar, molasses, and manufact.</td>
<td>38</td>
<td>2</td>
<td>36</td>
</tr>
<tr>
<td>F. Tobacco, and manufact.</td>
<td>8</td>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td>G. Agri. products and provisions</td>
<td>187</td>
<td>14</td>
<td>154</td>
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<tr>
<td>H. Spirits, wines, etc.</td>
<td>33</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>I. Cotton manufact.</td>
<td>261</td>
<td>28</td>
<td>186</td>
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<tr>
<td>J. Flax, hemp, jute, manufact.</td>
<td>254</td>
<td>187</td>
<td>63</td>
</tr>
<tr>
<td>K. Wool, and manufact. of</td>
<td>78</td>
<td>3</td>
<td>75</td>
</tr>
<tr>
<td>L. Silk and silk goods</td>
<td>78</td>
<td>21</td>
<td>26</td>
</tr>
<tr>
<td>M. Pulp, papers, and books</td>
<td>59</td>
<td>11</td>
<td>29</td>
</tr>
<tr>
<td>N. Sundries</td>
<td>270</td>
<td>54</td>
<td>196</td>
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<tr>
<td>TOTAL</td>
<td>2024</td>
<td>654</td>
<td>1150</td>
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To be found in Curtiss, Industrial Development, 377. Also 61st Congress, 8.
in which duties were increased. In very few cases the duties were increased for the purpose of securing protection to our industries, but principally to increase the revenues. The revision of the tariff was entered upon and carried through according to the ideas of the President, although the reductions in duties were not carried to the extent which he desired.

It soon became apparent that the movement in the West in favor of some kind of income taxation had become exceedingly strong. As early as April 15, 1909, Senator Joseph W. Bailey of Texas had moved an amendment for a general income tax, at the rate of 3% of incomes over $5000. Six days later, Senator Albert B. Cummins of Iowa proposed a graduated income tax on all incomes over $5000, the rates ranging from two up to six percent on all incomes over $100,000. These two amendments were later on consolidated, and became known as the Bailey-Cummins amendment. A strong desire arose in the House in April, 1909, to embody in the general tariff bill a resolution concerning an income tax provision that could not be construed by the United States Supreme Court as unconstitutional.

19 Also 61st Congress, 8. Also Curtiss, Industrial Development, 377.
21 Congressional Record, Volume 44, Part 2, 1420. Also Seligman, op. cit., 592.
It was discarded as impractical, as no matter how the tax provision might be formulated, the Supreme Court would declare it unconstitutional. The Senate, however, had discussed it from the standpoint of an amendment which would decide its constitutionality. A general discussion ensued in which the progressives of both parties spoke in favor of an income tax. The strength which the income-tax proposition developed alarmed the Republican leaders considerably.

When the inheritance tax provision was dropped, very largely because of the opposition to the various states, an attempt was made to placate the insurgents by agreeing to enact at once a tax on corporate incomes, and to couple with this the submission of an income-tax amendment to the states. President Taft declared his conversion on June 16, 1909, when he stated:

> Although I have not considered a constitutional amendment as necessary to the exercise of certain phases of this power (to tax incomes), a mature consideration has satisfied me that an amendment is the only proper course for its establishment to its full extent. I therefore recommend that both Houses ... shall propose an amendment to the constitution, conferring the power to levy an income tax upon the national government without an apportionment among the states. ...  

The program was accordingly carried out as the Senate passed a resolution, by a vote of 77 to 0, on July 5.23 The

22Ibid., 593.
23Congressional Record, Volume 44, Part 4, 4121. Also Miller, Revenue, 418.
House referred the resolution to the Committee on Ways and Means, which reported it back on July 12. The bill passed the House on July 12, 1909, by a vote of 318 to 14.24

The Payne-Aldrich Tariff Act authorized an excise tax of one percent on incomes above $5000 of all corporations organized for profit. It was to yield a considerable revenue, but its greatest importance was that it recognized the principle that Congress could tax the great corporations. There was a general desire among the followers of both political parties to add an income tax, if only partial in its application, to the government's revenue resources. The hostility to trusts and large corporations gave this proposal popular support. It was opposed by the House Ways and Means Committee on the grounds that the taxation of corporations belonged primarily to the states; that it discriminated against the corporate form of business in favor of the partnership; that it introduced rigorous examination of corporations' accounts; and that being a direct tax it was unconstitutional.25 The Supreme Court upheld the measure as constitutional. The tax on this opened up a new revenue system. The corporation tax or special

24Congressional Record, Volume 44, Part 4, 4440. Also Miller, Revenue, 427.

excise tax is an income tax, and was the first tax of this type in the United States.

Provisions concerning the maximum and minimum tariff arrangement appeared in the final bill. These were simple. The stated tariff rates were declared to be the minimum tariff of the United States; to these rates 25% was to be added on goods coming from foreign countries which unduly discriminated against the United States. The minimum tariff plus this 25% constituted the maximum tariff. The administration of this system was entirely in the hands of the President for it was he who was to decide who was unduly discriminating against the United States.

The bill was reluctantly passed by the House on July 31 by a vote of 195 to 183 even though Mr. Payne reported it favorably.26 The Senate approved it on August 5 by a vote of 47 to 31.27 It was signed by President Taft on the same day and was effective immediately.

The Payne-Aldrich Law in many respects is very much like the act of 1883, and was prepared and enacted in a state of public opinion very similar to that prevailing when the revision was made after the report of the Tariff Commission of

26 Miller, Revenue, 407. Also Muzzey, American Adventure, 483. Also Muzzey, American People, 573.
27 Ibid. Also Stanwood, op. cit., 219.
1882. While it did not overthrow the substantial principles of the protective policy, it was a yielding to a political influence and to a popular sentiment existing in certain parts of the country which were demanding a downward revision. The measure was enacted in response to a sentiment which discredited the protective system. Such yielding gives encouragement to and incites the activity of the opposition. The law did divide rather than unite the Republican party. Its reductions were very slight and it made a large portion of the people think little could be hoped from the policy of revising the tariff by its friends. In signing the law, President Taft thought he had taken the lesser of the two evils, but he soon found that the Insurgents, as the Western men now began to be called, were capable of severe hostility. They were not numerous, but by combining with the Democrats, they could make much trouble for the Taft administration.
CHAPTER IV
REACTIONS TO THE TARIFF

The Tariff Act of 1909 brought no vital change in the tariff system of our country. It still left an excessively high scheme of rates, and showed an extremely intolerant position on foreign trade. This law introduced into the tariff policy of the United States, for the first time in its history, the system of maximum and minimum rates of duties. As will be shown, it did not go far enough in reducing the tariff to satisfy the Democratic party, the Insurgent Republicans, or those interests which had been endeavoring to secure special favors for themselves. Many farmers, manufacturers, merchants, and free traders joined in a crusade of misrepresentation of the Payne-Aldrich Law and of the protective system.\(^1\) The Democrats developed the slogan that the tariff should be revised to reduce the still high cost of living. Many business men and capitalists were prejudiced against the Republican party by the various new taxes in the new tariff. The revision of the tariff seemed to the corn wheat growers more serviceable to the manufacturers and other urban interests and to the wool growers than to the farmers of the Mid-West. Hot debate broke out as

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\(^1\)Curtiss, *Industrial Development*, 540.
to whether the tariff had been revised upward or downward, and neither wing of the Republican Party was satisfied with the results. The urban interests desired lower rates on food and raw materials while the agrarian interests demanded lower rates on clothing, farm equipment and supplies. The wool growers and cattlemen wanted ample protection for their products. The people of the United States were entirely ignored; but, it was said, they cannot long be ignored, as they will make themselves felt. The reconciliation of these diverse interests was too great a task for the Taft administration.

The revision of the tariff was entered upon and carried through in conformity with the ideas of the Republican party, although the reductions in duties were not carried to the extent which President Taft desired. He had interpreted the platform upon which he was elected, as pledging the party to a downward revision. It yielded to a political influence and to a popular sentiment existing in the Middle West which were demanding this. It was a yielding to opposing forces and influences with the hope of preventing further agitation for a reduction of the tariff. In this respect the measure had been disappointing. Instead of peace and contentment, the enemies of American industries were excited to greater activity, and

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the whole question was reopened. The business of the country was seriously affected by this new outburst.

Some disappointments over the tariff's outcome were that the cost of living continued to rise, trusts, and larger corporations appeared to be controlling prices with a firmer grip of monopoly, and the consumer felt that he had been sacrificed to the interest of the producer.³ The West was "outspoken about the shams and cheats that were left in the tariff, and urged a continuance of the fight to have the frauds removed."⁴ The tariff law was denounced as a betrayal of the people and as a breach of the President's pledge, and it was felt that he could not pronounce it satisfactory.

...Its reception by the press is at best a defamation with faint praise. With public opinion so mixed and so heated, a calm and fair review of what has been done, and what was left undone, is more than called for. It is only just to admit that the President's insistence did wring something from the high-tariff extortionists...⁵

Conflicting opinion makes it difficult to draw any conclusions as to the law's effectiveness or inadequateness. There was


marked Republican disapproval over its passage and the Party was doomed if they did not reduce the tariff further. The many duties in the bill had various backers and attackers throughout the country and in Congress.

While the bill was being debated in the House, the people were very much in favor of it. The New York Daily Tribune carried an editorial showing the favorable attitude of the people:

...hopeful foundation for constructive legislation...It should prove of highest advantage to the whole country...It is not a radical measure...It is the result of an honest effort to fulfill the pledges made by the Republican party...6

This paper also stated: "It is an American policy and it seems to be acquiesced in by the greater majority of the American people."7 Naturally there were arguments adverse to the tariff bill which declared it to be too drastic and deceptive. These, too, could be found in the New York Daily Tribune, which stated:

...today scarcely anyone could be met who did not have complaint or some suggestion to make. The Democrats seemed to have spent the night in an attempt to discover 'jokers' in the measure, and although they insist that they have found many iniquitous provisions, they have thus far advanced no criticisms which do not emanate from purely local announcing of

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6 New York Daily Tribune, March 19, 1906, p. 6, editorial. This paper has always been a high tariff paper.

7 Ibid.
their intentions of trying to have the bill changed in numerous ways.

The President signed the bill for the sake of its good features while admitting that it was not in complete compliance with the promises made. Theodore Roosevelt thought that the present tariff was "better than the last; and considerably better than the last; and considerably better than the one before the last; but it has certainly failed to give general satisfaction." In spite of these dissenting opinions, it was a sincere effort on the part of the Republicans to revise the tariff downward, and to comply with the promises of the platform as they had been generally understood.

Taft believed that the people would approve of the tariff if only they could be made to understand it. So he made a tour of the country to rehabilitate himself with his western critics. He traveled 16,000 miles and spoke repeatedly to large, but unenthusiastic, crowds. At Winona, Minnesota, he made a speech defending the tariff and blundered politically by insisting that it was the best tariff bill the Republicans had ever passed. In the Winona speech on September 17, 1909,

President Taft stated:

I am bound to say that I think the Payne Tariff bill is the best tariff bill that the Republican party ever passed; that in it the party has conceded the necessity for following the changed conditions and reducing tariff rates accordingly. This is a substantial achievement in the direction of lower tariffs and downward revision, and it ought to be accepted as such. . . .I believe that the interests of the country, the interests of the party, required me to sacrifice the accomplishments of certain things in the revision of the tariff which I had hoped for, in order to maintain party solidarity, which I believe to be much more important than the reduction of rates in one or two schedules of the tariff. . . .This is the best tariff bill that the Republican party has ever passed, and therefore the best tariff bill that has been passed at all. . . .

The audience was convinced that he had violated their trust in him. Mr. Taft believed that the people would approve if only they could be made to understand, so he gave the following reasons for signing the law:

. . . .where would the country have been had the bill been vetoed, or been lost by a vote? It would have left the question of the revision of the tariff open for further discussion during the next session. It would have suspended the settlement of all our business down to a known basis upon which prosperity could proceed and investments be made, and it would have held up the coming of prosperity to this country, certainly for a year and probably longer. . . .It contained provisions of the utmost importance in dealing with foreign countries and in the supply-

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ing of a deficit which under the Dingley bill seemed inevitable. . .12

Despite President Taft's able support of the new law, the people found errors in his defense of the tariff which prevented them from accepting his conclusions. So it was evident that relatively few people were really contented with it; many, especially in the West, were thoroughly dissatisfied with it. In an article by Harrison Smalley, he stated that many people were "antagonized by what they considered his ungrateful conduct toward the insurgents, without whose devoted courage, not even the President could have prevented the tariff from being higher."13 If Taft had adhered to his principles of a lower tariff, and had directed his influence of the Administration against further amendments, it is doubtful that the Democratic party would have had the courage to renew its assaults on our industries. The country, then, would have accepted the Payne-Aldrich Tariff as a full compliance with even President Taft's interpretation of the Republican platform.

Periodical literature of the day revealed the reactions of the people and editors to the new tariff. No previous Republican tariff ever passed with such marked Republican disapproval

stamped upon it.\textsuperscript{14}

The bill which passed the House on July 31, 1909, even the President's optimism is unequal to pronouncing satisfactory; and the formidable opposition of Republicans in House, despite the strongest party pressure, with the continuing hostility of Western Republican Senators, shows how far the measure is from meeting the demand of the people.\textsuperscript{15}

The \textit{North American Review} carried an article written by Woodrow Wilson who called the tariff make-believe, and stated:

\ldots it is miscellaneously wrong in detail and radically wrong in principle. It disturbs more than it settles, and by its very failure to settle forces the question forward into a new and much more acute stage. \ldots \textsuperscript{16}

Another source of dissenting comment came from another well known periodical which compared the law's passage with the coming Congressional elections, stated:

\ldots the dissatisfactions which have been caused by a readjustment of the tariff schedules and the acrimonious debates which marked the consideration of the measure in the Senate would still be fresh in the public mind this fall. If the country is satisfied and prosperous, the Republicans will have little difficulty in retaining control. At any rate the campaign will be fought upon the issue of


the actual operation of the new law. . . 17

Reactions to the corporation tax were to be divided into two classes: 1) Those which turned upon the objection to any inspection of business, and 2) those which turned upon the objection that the tax would rest upon business inequitably. It was the opponents of the bill that were furnishing the best arguments on its behalf; because it was they who for the first time showed how deep set and significant were the inequalities present in our industrial system. The prime duty of the Republicans in Congress during this special session was to see that the tariff was honestly and materially revised downward. According to an editorial by Lyman Abbott, the advantages of the corporation tax were:

. . . 1) it is direct and straightforward method of raising revenue. Although the tax is not laid upon individuals, it is laid where it will be felt. 2) This tax is just, in that it is imposed on owners of property. 3) This tax is desirable because it affords one means for Federal control of corporations. A Federal excise tax on corporations is thus sound in principle; it can be made practical of application; and it is likely to be effective as one measure of securing a just industrial and political order. 18

Elmer More who was quite dissatisfied with the new tariff

schedules felt equally as adverse to the new excise tax which was included in the bill. He seemed to feel that despite all the care taken in drawing it up, would not "prevent it from provoking a great amount of litigation, to say nothing of trickery and fraud." The corporation tax amendment to the tariff bill was to Mr. More:

...in outward seeming, a mild-mannered affair looks very harmless. But it is evident that the framers of the tax grew a little timid of getting too much revenue, as of too much publicity, and also dreaded annoying and offending too many people. . .

The Dingley bill had a solid Republican vote in the Senate. According to an editorial in the North American Review:

"Nothing so significant and so ominous as the unbending resistance now offered by the Progressive Republican Senators from the MidWest has ever before attended the passage of a high tariff bill." Unless something was done to conciliate the Republicans of the midwest, disaster to the Republican party was sure to follow. The party, it was said, would


20 Ibid.


22 Ibid.

never win the next election if it did not correct this new tariff which was so unsatisfactory to both parties and to the American people. The special session of the 61st Congress would have been a failure if it had not been for the Insurgents. President Taft signed the bill because it was the best he could obtain, and he would not have been just if he had held up the business of the country for months by a veto, on the chance of obtaining a better tariff bill.

The country received the Act with outspoken condemnation. Depressed, cynical, sneering comments were heard on all sides. Miss Ida Tarbell commented:

Congress went home anything but proud of itself. Here was a piece of legislation which had cost the entire time of a large body of legislators for more than a year, to which an extra five months session of Congress had been given, and from it nobody carried away any enthusiasm, pride, a sense of triumph—nothing but a disagreeable, coppery taste of barter and jugglery. . . . The only satisfaction was the negative one that at least it was over.24

Still there were some redeeming features in the bill; those of the corporation tax, and the Customs Court. It consisted of five judges to equalize and expedite the machinery of the assessment and collection of duties by declaring all appeals from the board of appraisers.25 It provided for a tariff board to


25Muzzey, American Adventure, 490.
study the schedules, primarily for the purpose of aiding the President in applying the maximum and minimum rates, and incidentally to furnish material useful in further revisions of the tariff.\textsuperscript{26}

It was a striking illustration of the change in public sentiment in the first decade of the nineteenth century. To this sentiment the national government had been unresponsive. Professor Ogg stated that:

\begin{quote}
\ldots Congress had missed a great opportunity, the President had failed to rise to the level of statesmanship expected from him. \ldots \textsuperscript{27}
\end{quote}

The Payne Aldrich Act was the wooden horse of Troy, dragged joltingly through the gate of the Republican citadel as the talisman of the divinity of high protection.\textsuperscript{28} The significant thing, after all, about the Tariff of 1909, said Mr. Muzzey, was that a bill could be branded as a shameful betrayal of the people, as it certainly was no worse and probably better than the Dingley Law; and that the person who signed such a bill, instead of enjoying an increasing measure of confidence, like Mr. McKinley, could be condemned for having forfeited his claims to leadership.\textsuperscript{29}

\begin{thebibliography}{9}
\bibitem{26} ibid.
\bibitem{27} ibid.
\bibitem{28} ibid.
\bibitem{29} ibid.
\end{thebibliography}
CHAPTER V
INSURGENT OPPOSITION

The promise of a downward revision of the tariff divided the Republican party into two hostile camps. The aim of the Insurgents was to carry out what Theodore Roosevelt had termed as "my policies." The hotbed of Insurgency was in the agrarian states of Kansas, Nebraska, Minnesota, Wisconsin, Iowa, North and South Dakota, Indiana, and some New England and Pacific Coast States.¹ These states protested the high or discriminating features of the tariff and were in decided favor of a much greater reduction of the duties. President Taft encouraged them in the hope that they would obtain a better bill, but gave up the idea rather than cause a party split. The great service rendered by the Progressives was a clean-cut, straightforward fight for a principle in which the insurgents firmly believed, that of a downward revision of the tariff.

Among the insurgents in the House, there was no organized opposition to the Payne bill before it was passed on April 9, 1909. There was, however, individual attacks of particular schedules by various Representatives. They made but a small

¹Kenneth W. Hechler, Insurgency, Personalities, and Politics of the Taft Era, Columbia, New York, 1940, 16. Hereafter this work will be cited as Hechler, Insurgency.
contribution to the wave of resentment that greeted the passage of the bill. Although they looked upon the bill with some small amount of endurance at first, after a prudent study of its provisions they slowly became contrary to its terms. These men included George W. Norris of Nebraska whose entire career had been characterized by independence and was the leader of the House Insurgents. Edmond H. Madison of Kansas fought shoulder to shoulder with the Insurgents. Victor Murdock of Kansas was the most spectacular and dynamic of these men who fought against the bill. John M. Nelson of Wisconsin was an outstanding personality who held the same philosophy as Senator LaFollette. Miles Poindexter of Washington added a great deal of moral strength to the Insurgents with his economic thinking.

It was the fight on the Payne-Aldrich tariff which brought these men together with the Insurgent Senators.

Even before the Finance Committee of the Senate had completed its deliberations on the Payne Bill, Joseph L. Bristow of Kansas decided that he would vote against the bill unless

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3Hechler, Insurgency, 34-35.
4Ibid., 37. Also Adams, op. cit., 356.
5Hechler, Insurgency, 36.
6Ibid., 38.
some items were substantially lowered, and others placed on the free list. He carried the banner of progressivism in his newspapers during the early 1900's. From the moment the bill was reported to the House in March, 1909, little knots of Western Senators began to meet and compare notes on the proposed tariff. Apprehension arose about the effect which the pending provision might have upon the price for the consumer's goods.

Jonathan P. Dolliver of Kansas had no background of insurgency but was a standpat conservative with this reaction in him which sprang into prominence when Insurgency came into its own in the Senate. He was seen spending a great deal of his time in the House listening to the debates on various points in the bill during March and April. Robert LaFollette of Wisconsin was spending his every spare moment in his office, working hard to accumulate statistical ammunition for the forthcoming battle. He was the most outstanding leader of Progressivism in his own state and in the Senate. Albert J. Beveridge of Indiana was one of the best propagandists of the

7Ibid., 88.

8Ibid., 89. Also Adams, op. cit., 356. Also Robert M. LaFollette, LaFollette's Autobiography, LaFollette, Madison, Wis., 1920, 435.


10Ibid.
Insurgent cause. Albert B. Cummins of Iowa was the popularizer of the "Iowa Idea" which called for a regulation of corporations and tariff reductions in rates that afforded a shelter to monopoly. He was one of the most influential men in this insurgency and was a leader of the debates on the Income Tax amendment to the Payne-Aldrich tariff bill. Moses E. Clapp of Minnesota fell in line when the Insurgent battle started in the Senate. He was the least industrious as he took no active part in the debates. These were the men who bore the brunt of the controversy and were the ones who had the temerity to challenge the authority of Senator Aldrich. They fought for a lower tariff at Taft's request, and Beveridge began the fruitless struggle in May. These so-called insurgents formed an able and aggressive body of downward revisionists who favored a much lower reduction of duties than the Payne-Aldrich bill called for, and carried their opposition to an extent which surrounded its passage with great uncertainty.

The insurgents divided the various schedules between them. Mr. Dolliver reviewed the woolen and cotton schedules and de-

11 Hechler, Insurgency, 91.
12 Ibid., 87.
13 Ibid., 85.
14 Bowers, Beveridge, 338.
nounced them as bad advertisements for the Republican party.\(^{15}\) He criticized Senator Aldrich for allowing tariff revision by manufacturers. Mr. Bristow worked on the lead and sugar schedules and debated admirably on them. Mr. Cummins took the metals and glassware schedules and was in the debate daily rendering most excellent public service.\(^{16}\) The indefatigable LaFollette familiarized himself with several of the schedules, so as to have as complete a knowledge as possible. He launched a blasting attack upon the tariff on April 22, 1909.\(^{17}\) Mr. Beveridge confined himself to the general leadership in the parliamentary battles on the floor.\(^{18}\) They prolonged the debate for eleven weeks, hectoring the indignant Aldrich and advertising the injustice of many of the rates; but they could not hinder the Aldrich measure from passing the Senate July 8. Numerically the States from which the Republican defection comes are important, because they comprise sixty-two electoral votes in a Presidential election. But qualitatively they are also important because of their independence of judgment.

Their opposition to a high tariff had been gallantly displayed


\(^{17}\)Hechler, *Insurgency*, 103.

throughout the debates in the Senate. All kinds of pressure was brought to bear on the insurgents to make them yield.

Considerable controversy arose as to whether President Taft directly asked any of the Insurgents to conduct their fight in the Senate for reductions in rates. At the outset, they felt they were doing him a favor by helping him to achieve his campaign pledge. According to LaFollette, the President told him to go ahead and criticize and amend the bill in the interest of reductions. Senator Beveridge related that Mr. Dolliver was called to the White House and was asked to convey the news to the other Insurgents that a fight for a downward revision would be in good order. In view of President Taft's state of mind, it seems plausible that he did make such statements. He was apprehensive lest Senator Aldrich failed to carry out the party's platform, which he knew would happen because of Aldrich's ideas of tariffs.

The history of reform in the United States is one of complete failure for there are too many factors involved in the raising or the lowering of the tariff for Congress to do anything. "It has been too often that of hopes deferred and hearts made sick," said Mr. More. He continued: "In the

19 Hechler, Insurgency, 101. Also Bowers, Beveridge, 337. Also LaFollette, op. cit., 440.
long warfare against this form of unscrupulous greed, many eyes have been opened." President Taft was honest and sincere in working for a tariff revision but how easily he promised what he was not able with arduous labor to perform. He found those in possession of the plunder too mighty for him. He owed it to the country and to those tariff reformers to make it clear that the fight against dishonest tariffs must go on.

Alarmed over the insurgent revolt, Senator Aldrich and his group desired a speedy vote. But the ever persistent Insurgents continually objected and debated the bill at great length. The President began to regret his request to them, for they were a compact fighting body battling for a downward revision. They had more than enthusiasm for the measure than did the rest of Congress. The Insurgents paraded their objections through the hot summer months of May, June, and July, and never once did they cease their relentless and ineffective aggression against the prevailing high tariff provision. Gradually the skirmish neared its end with the Progressives still banded together on the amendments in futile opposition to the smooth functioning Aldrich machine. Time and time again they were whipped, but never once did they give up hope. The Payne-Aldrich Tariff was characterized by one of the Insurgents in

22 Ibid.
the Senate as "the most outrageous assault of private interests on the people recorded in tariff history." Senator Cummins stated that he believed the Republican voters of the United States would not "regard these duties as the fulfillment of the promises." Senator Dolliver could not support the measure because he was "opposed to the methods by which it has been prepared."

The revision of the tariff has always been a thankless task for any party. The failure of the Payne-Aldrich Tariff was significant because it was opposed by such a large number of prominent party members. The tariff question was a factor in the strong insurgency movement in 1909 and 1910 and the remainder of Taft's administration was one of discord and dissatisfaction. Insurgency as a temporary condition had plagued the Republican leaders sorely. There were indications that the minds of the people were turning towards the possibility of permanent cleavage within the Republican ranks. The adoption of the Tariff of 1909 failed to end the agitation for further tariff revision.

The Tariff of 1909 as signed by the Republican President William Taft was passed by the Congress in answer to American

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23LaFollette, op. cit., 104.
2461st Congress, 455.
2561st Congress, 456.
sentiment that it fostered trusts and combinations and that the rates of the present tariff were too high and too favorable to big business. New industrial conditions and increased production in the country could not expand with the present rates of duty. The country, as a whole, favored a great reduction of the tariff rates in order that protection might guard and develop the growing industries. The business men pleaded for a saner adjustment of the rates as they felt hampered by the present terms. Undue discriminations against the United States by foreign countries led the people to recognize the need for a new and lower tariff. The new version to the principle of protection was hailed in many sections of the country as the definite answer to the tariff question. This was the doctrine which stated that the protection principle in all legislation was best maintained by the imposition of duties as would equal the difference between the cost of production at home and abroad, with a reasonable profit to American industries. Protection of the tariff brings revenue to the government and to the country and its people in every occupation and calling. It develops the resources and increases the wealth of the nation, making it independent in every way. Thus the Republican Party in 1909 held the commission of the American public to revise the tariff downward upon the lines of protection.

The Congress of the United States entered upon and carried
out the revision of the tariff as best they could along the lines of the Republican party platform and according to their own ideas. An exhaustive investigation was made, the results of which went into the compilation of the new tariff provision. Sereno E. Payne and Nelson Aldrich of the House and Senate respectively, led the debates and the writing of the tariff according to the demands of the country and the various committees in Congress. The tariff schedules were revised downward and a few upward as were necessary for protection. Included in the new bill were maximum and minimum rates which would increase the tariff on foreign goods from those countries who were unduly discriminating against us. The bill authorized a new tax on corporations of the United States which was to open a new system of revenue for the Treasury. A resolution was passed to submit to the States an amendment authorizing the government to tax the incomes of the individuals.

The Tariff of 1909 was, in fact, a measure of unusual significance. Politically, it illustrated the changed alignment of the parties. Economically, it established conditions which will probably be of binding force for some time to come. Internationally, it changed our commercial dealings with foreign countries. The tariff did not change the existing situation with regard to the duties. It was a backward step in most particulars. It made only slight nominal reductions in the
general level of tariff rates, if it made any; and that even this reduction was not genuine, since it was far more than offset by increases of duty at crucial points where protection had been found to be unsatisfactory, while the reductions introduced were for the most part misleading or fictitious. It has been said that the tariff was deceptive and false in its inception and framing, political and dishonest in its presentation, discussion, and passage, misleading and double-faced in its terms, and clumsy in its application to international conditions.\footnote{H. Parker Willis, "The Tariff of 1909," \textit{Journal of Political Economy}, Volume 18, University of Chicago, Chicago, March, 1910, 195-196.} It has materially lowered no general range of duties but has heightened many. It has redistributed the burden of the tariff taxation so as to make it substantially harder to bear. It has failed to meet an important international situation in any adequate way. From every standpoint the bill has proved unsatisfactory and disappointing. It is a discredit to the party responsible for it and as great a discredit to the party which failed to offer effective opposition to it.

The Payne-Aldrich tariff was a protectionist measure, framed by a protectionist party, in fulfillment of a protectionist platform, and was administered by a protectionist government. Neither the high nor the low tariff advocates were...
pleased with it. It was the sort of compromise; an effort to please both sides and really did not please either. But it was the best and only bill under the circumstances that could be obtained, and it was better than the existing law. The revision of an American tariff is a great international event, watched closely by the Chancellaries of the world and vitally affecting millions of the world's toilers of whose very existence most of us are dimly aware. The way in which the tariff had been dealt with in 1909 strengthened the impression that the interests looked in the direction of the Democrats for support. 27 The Republicans were defeated in the Congressional elections of 1910 under these influences. The split in the party had a great deal to do with this defeat, yet it was questioned that even this defection would cause the Republican downfall. The country was dissatisfied with the party and its leaders and it continued to show this discontent in the years that followed.

CRITICAL NOTES ON AUTHORITIES

1--SOURCE MATERIAL


2--SECONDARY MATERIAL


Also consulted in the compilation of this paper were such good works as: Kenneth W. Hechler, Insurgency, Person-
3--GENERAL HISTORIES

4--ARTICLES AND ESSAYS IN PERIODICALS, ANNUALS, AND PUBLICATIONS OF LEARNED SOCIETIES

In order to show the specific reactions during the tariff debates and to the final passage of the bill, the various opinions of editors, writers, and general historians are of important consequence. Concerning these editorials, articles, and essays, there is little to be said as they are either for a high tariff or a low tariff which is shown by their very words. The New York Daily Tribune contains criticisms and editorials concerning the formation of the tariff.


The thesis submitted by Miss Edna Mary Griffin has been read and approved by three members of the Department of History.

The final copies have been examined by the director of the thesis and the signature which appears below verifies the fact that any necessary changes have been incorporated, and that the thesis is now given final approval with reference to content, form, and mechanical accuracy.

The thesis is therefore accepted in partial fulfillment of the requirements for the Degree of Master of Arts.

May 24, 1946

Signature of Adviser