Chapter 2
Before the U.S. Tariff Commission: Congressional Efforts to Obtain Statistics and Analysis for Tariff-setting, 1789–1916

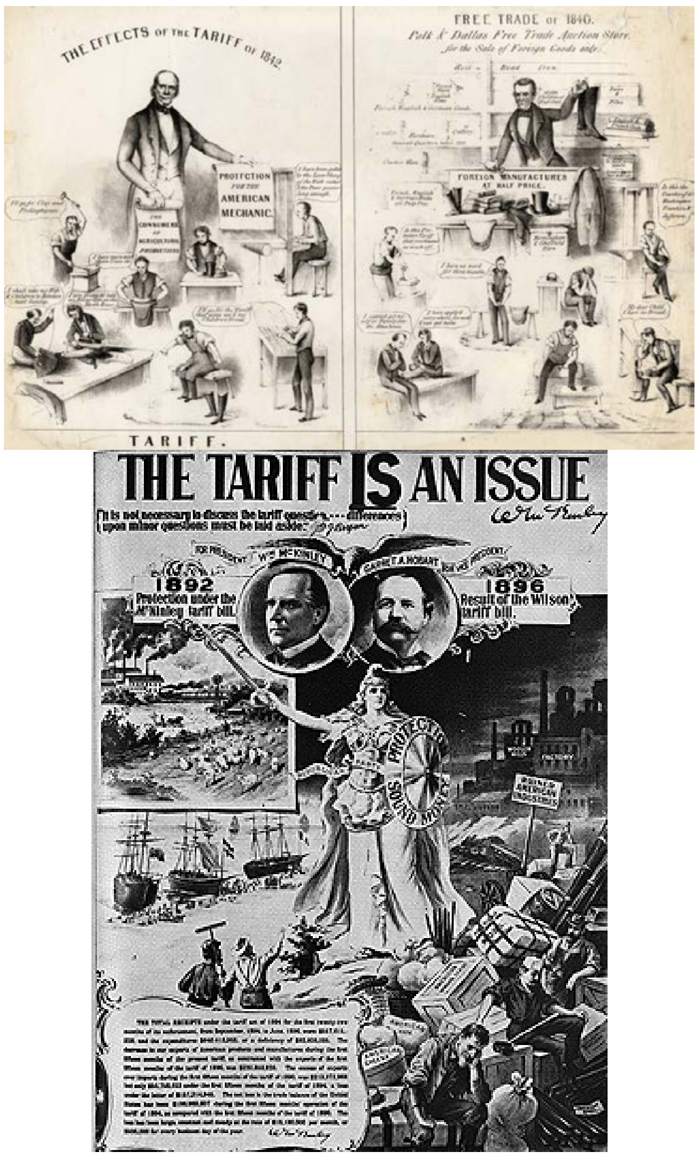

Photo: Political cartoons circa 1844 concerning tariffs; political poster for William McKinley asserting that "The Tariff Is an Issue."

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Introduction

The U.S. Tariff Commission's establishment in 1916 was the culmination of a long series of efforts—beginning at the nation's founding—to give Congress the data and analyses it needed to knowledgeably set tariffs.[70]

Congress enacted 42 tariff laws between 1789 and 1916.[71] Debates over these bills reflected profound differences in perspectives about the economic interests of various constituents. Members invoked combinations of values—regarding the rights and needs of states, businesses, workers, and consumers—and assertions—such as a proposed tariff's expected impacts on those various constituents. Key tensions—between protectionism and free trade, between producers and consumers, between employers and workers—were present decade after decade. Deliberations were complex, passionate, divisive, and lengthy.

While aspects of arguments over tariffs remained constant, the complexity of Congress's tariff-setting task grew dramatically with economic and technological development—as evidenced by the increasing length of the tariff acts. The Tariff Act of 1789 was three pages long. The Smoot-Hawley Act of 1930 (the last enacted tariff before Congress delegated tariff-setting authority to the President) required nearly 200 pages to set tariff levels for nearly 3,300 items.[72]

Whatever their perspective, members of Congress sought tariff-related data and analysis to inform their views and bolster their arguments. From the 1790s forward, Congress periodically passed legislation directing the executive branch to provide reports so that Congress could intelligently set a tariff rate for each commodity. The progression of legislative efforts was born of frustration. Congress would try one approach, find that insufficient, try another, find that

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[70] Congress's tariff-setting authority is provided by Article 1, Section 8 of the U.S. Constitution.
[71] As the nation developed, and as the government's revenue sources diversified, the frequency of these bills fell dramatically. Thirty-nine bills were passed between 1789 and 1875 (about one every 2.2 years) and six between 1876 and 1913 (one every 6.2 years). For laws from 1789 through 1875: Bureau of Statistics, *Special Report on Customs-Tariff Legislation of the United States,* third ed. (Washington, DC: Government Printing Office, 1877).
[72] To produce that document, the Senate Finance Committee "heard from 1,004 witnesses in testimony that ran 8,618 pages in eighteen volumes" and the House Ways and Means Committee "heard statements from 1,100 individuals in what came to 10,684 pages of testimony published in eighteen volumes." The Senate floor debate covered 2,638 pages of the *Congressional Record*. Douglas A. Irwin, *Peddling Protectionism: Smoot-Hawley and the Great Depression,* Princeton, NJ: Princeton University Press, 2011, 36, 47, and 67.

somewhat better but still not satisfactory, and so on in a multi-decade trajectory of trial and error that led, ultimately, to the creation of the Tariff Commission.

This chapter provides an overview of these pre-Tariff Commission efforts. It also shows that, as a byproduct, these efforts created the first incarnations of today's three primary federal economic statistical agencies—the U.S. Census Bureau's Economic Directorate, the U.S. Bureau of Economic Analysis, and the U.S. Bureau of Labor Statistics. The details of the Tariff Commission's founding are the focus of chapter 3.

This chapter begins with a brief discussion of the relative importance of tariffs as a source of federal revenue over time; identifies the breadth and nature of the various interests and concerns of members of Congress as they set tariffs; and then chronologically reviews the approaches Congress took to generate data and reports useful for tariff-setting.

Tariffs as a Source of Federal Revenue

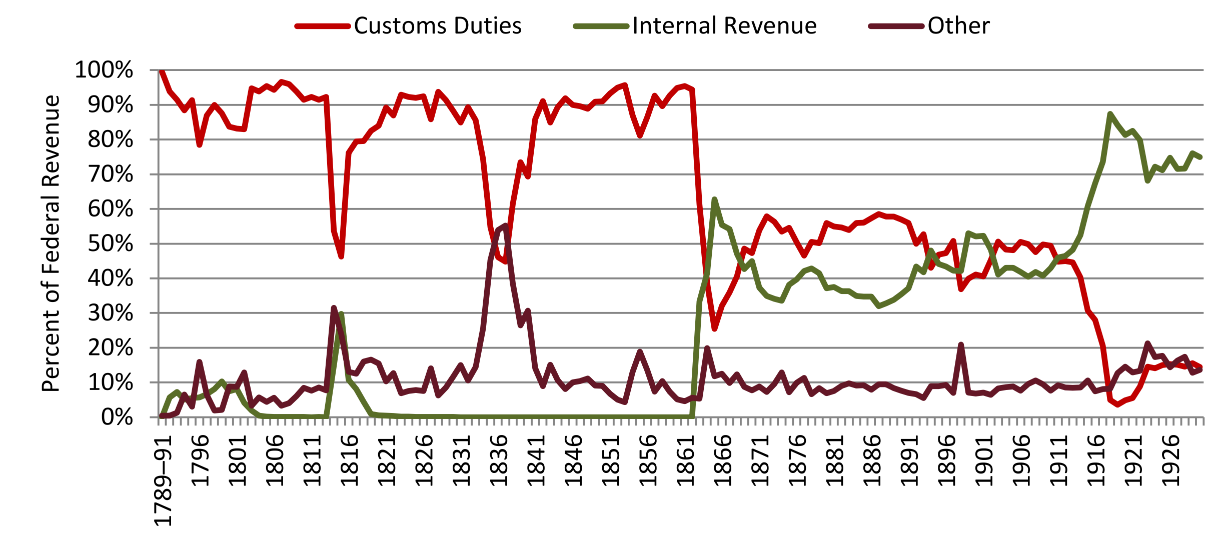
As Figure 2.1 illustrates, the history of the distribution of federal revenue by source can be divided into three phases.

- **1789 to 1862:** Nearly all of federal revenue was derived from customs duties.
- **1863 to 1914:** Approximately half of federal revenue came from customs duties and half from internal revenue sources (such as excise taxes).
- **1915 forward:** As the result of the 16th Amendment making the income tax constitutional, the large majority of federal receipts came from internal revenue. For the first time, customs duties were a relatively minor contributor.

Figure 2.2 places the streams of federal revenue in the context of the size of the economy. Generally speaking, federal revenue as a percent of gross domestic product (GDP) grew substantially in times of war (War of 1812, Civil War, World War I) and then declined until the next war. A relatively smaller upsurge took place in 1930, at the start of the Great Depression, due to a 12 percent increase in revenue and a 12 percent decline in GDP.

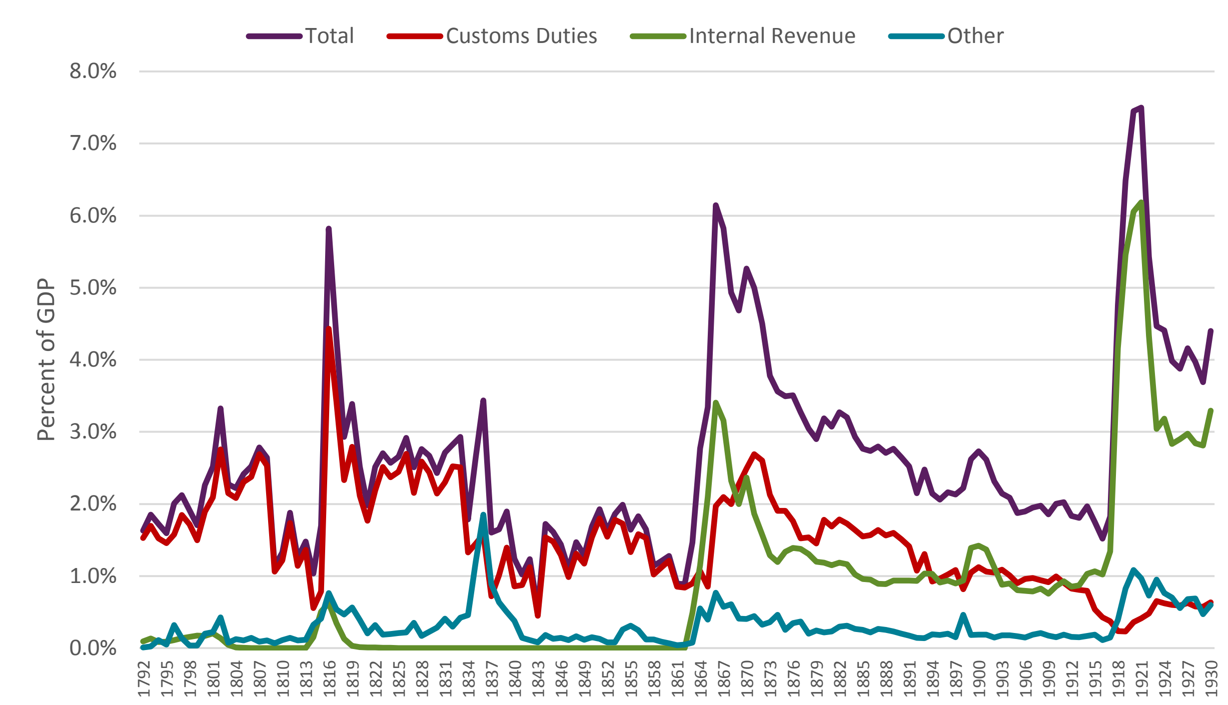
Tariff revenue as a percentage of GDP was largest between 1816 and 1833, peaking at 4.4 percent in 1816. This high level came about in response to a combination of the War of 1812 and trade wars with Britain. It then served as a key aspect of the Whig Party's four-part program for national economic development: high tariffs, federal land sales, a national bank to stabilize financial markets, and internal transportation improvements financed by tariffs and land sales.

Figure 2.1: Distribution of federal revenue by major source, 1789–1930



Source: U.S. Bureau of the Census, *Historical Statistics of the United States: Colonial Times to 1970*, Washington, DC: GPO, 1975, 1106.

Figure 2.2: Federal revenue as percent of GDP, by source, 1792–1930

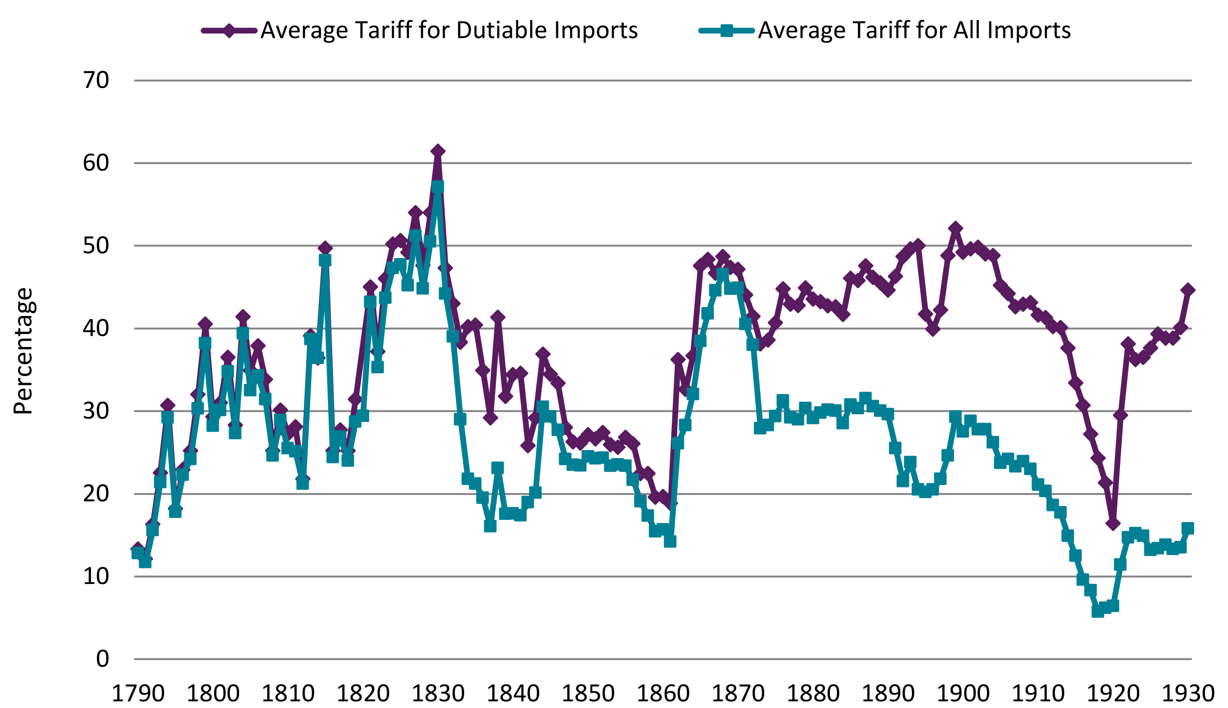


Source of GDP data: Samuel H. Williamson, "What Was the U.S. GDP Then?" MeasuringWorth, 2016, https://www.measuringworth.com/usgdp/.

Between 1818 and 1833, tariff revenue as a percent of GDP was consistently over two percent (excepting one year). With the Compromise Tariff of 1833 and following tariff laws, that figure fell to below one percent by 1840. From 1842 to 1860, it moved up into the range of 1.0-to-1.8 percent. Then for most of the Civil War, the figure dropped to slightly below one percent.. Under the postwar Republicans, the figure rose again, attaining 2.7 percent by 1871. That number, however, declined over the next half-century as the economy grew. It bottomed at 0.2 percent in 1918–19, following Democratic assumption of control over government and the ratification of the 16th amendment, both in 1913.

Figure 2.3 shows the ratio of duties collected to the value of U.S. imports from 1790 to 1930. Two observations of note: First, the trend in duties collected as a percent of all imports is consistent with the trend line for tariffs as a percentage of GDP in figure 2.2.

Figure 2.3: Ratio of duties collected to value of imports, 1790–1930



Sources: For 1790-1836, Douglas A. Irwin, "New Estimates of the Average Tariff of the United States, 1790-1820," Journal of Economic History 63 (June 2003): 506-513; for 1837-1890, Census Bureau, Historical Statistics of the United States: Colonial Times to 1970, GPO, 1975, Series U 207-212 table; for 1891-1930, tables available from Interactive Tariff and Trade Dataweb, U.S. International Trade Commission, 2017.

Second, for much of U.S. history, tariff revenue was a substantial percentage of the total value of imports. The number hit 48 percent in 1815; climbed to over 50 percent in the 1827-1830 period; was in the 20–30 percent range between the mid-1830s and the Civil War; came close to 50 percent in the late 1860s; and moved back to the 20–30 percent range from the mid-1870s to the start of the Wilson administration.

The Politics of Tariff-setting: Conflicting Values, Interests, and Perspectives

Congressional deliberations over tariffs sought to resolve several broad, conflicting sets of values, interests, and perspectives. These included:

- The appropriate economic, legislative, and constitutional role of the federal government vis-à-vis the states, particularly with regard to economic development, monetary policy, and slavery.
- The federal government's need for revenue with which to operate and pay its debts, and the place of tariffs in the array of revenue options.
- Military self-sufficiency—the capacity of U.S. industry to meet War Department requirements for matériel.
- The desires of producing industries (business owners and their workers) for tariff protection, particularly so they could increase their share of domestic markets.[73]
- The desires of consumers and consuming industries (particularly agriculture) for low or no tariffs on certain commodities, to reduce the cost of living and doing business and to increase exports.

To a large extent, a Congressional member's geographic base determined his priorities, proposals, and concerns about tariffs. Conflict was endemic to tariff-setting, not only because each member represented a unique mix of producing and consuming industries, but also because individual members with similar interests and values tended to coalesce into antagonistic coalitions of North and South. Traditionally, the North and the Whig and Republican parties were protectionist, while the South and the Democratic Party sought free trade and low tariffs. Beginning with the Nullification Crisis of 1832, South-North tensions over tariff levels substantially increased the likelihood of a civil war.[74]

Moreover, as each member had multiple values, priorities, and constituencies, it was difficult for him to figure out a set of tariff proposals that appeared to fully satisfy them all. To use a modern term, every member struggled with optimization.

In 1872, the U.S. Treasury Department's Bureau of Statistics published a detailed history of tariff legislation. The report notes the constancy of both the centrality of tariffs in national

[73] Historical review suggests that producing industries were less interested in tariff policy that promoted exports. G. G. Huebner, "Tariff Provisions for Promotion of Foreign Trade of the United States," *Annals of the American Academy of Political and Social Science* 29 (May 1907), 58–74.

[74] William W. Freehling, *Prelude to Civil War: The Nullification Controversy in South Carolina, 1816–1836*, New York: Oxford University Press, 1965.

policy and the nature of the arguments for and against tariffs. After quoting at length the House floor discussion on the Tariff Act of 1789, the report says:

> [T]he foregoing speeches . . . were, in fact, the initial arguments in a discussion which, with occasional intermission, has been prominently before the public for eighty-two years. Touching, as it does, the practical pecuniary interests of large classes of our people, and more or less directly those of the entire country, the subject has received a degree of attention in Congress and by the nation at large which no other public question, save one [slavery], has elicited. The same, or substantially the same, arguments which were urged pro and con by the advocates of the great rival policies at the very threshold of our national career, may still be heard upon the floors of the respective houses of Congress whenever any revision of the tariff duties is under consideration.[75]

Compounding the conflicts among values and perspectives was the absence of good information. Members very much wanted data and analysis that would give them confidence in making "if-then" statements, such as "If Congress places a 20 percent tariff on molasses imports, then its impact on jobs, wages, profits, material, costs, and competitiveness by industry and region is expected to be as follows: . . ." Of particular importance—again, using a modern term—members wanted to understand the elasticity of demand for goods produced by constituents' businesses in response to shifts in the tariffs on those goods and their inputs.

But members did not have adequate "if-then" information. So they made politically appropriate assertions on the basis of what little information they did have. And every decade or two, a few members proposed a new scheme for getting Congress the information it needed to make reliable "if-then" determinations and set tariffs at levels that best satisfied multiple, often conflicting, needs.

The next section briefly chronicles the various approaches that Congress attempted between the 1790s and the creation of the Tariff Commission.

[75] Bureau of Statistics, *Special Report on Customs-Tariff Legislation of the United States,* first ed., Washington, DC: Government Printing Office, 1872, VIII. A more recent review of tariff policy controversies over the years is Alfred E. Eckes, Jr., *Opening America's Market: U.S. Foreign Trade Policy Since 1776*, Chapel Hill: University of North Carolina Press, 1995.

Congressional Efforts to Obtain Statistics and Analysis for Tariff-setting: 1789–1916

Overview

Before creating the Tariff Commission, Congress sought information to guide tariff-setting by mandating four types of executive branch efforts: manufacturing plans, statistical reports on trade and manufacturing, statistical bureaus, and expert panels and offices (box 2.1). Generally speaking, Congress emphasized the first two types before the Civil War and the second two afterwards.

Box 2.1: Congressional efforts to create statistics and analysis to guide tariff-setting, 1789–1916

Manufacturing Plans

- Treasury Department (1790, 1809, 1815, 1832)

Statistical Reports

- Series of annual reports on imports, exports, and navigation, Treasury Department (1796–98)
- Decennial census of manufactures, Treasury Department (1810)
- Comprehensive annual report on trade, Treasury Department (1820)
- Report on commercial relations, State Department (1842)
- Annual economic report, Treasury Department (1844)

Statistical Bureaus

- Superintendent of Statistics, State Department (1856)
- Bureau of Statistics, Treasury Department (1866)
- Bureau of Statistics, State Department (1874)
- Department of Labor (now Bureau of Labor Statistics) (1888)
- Census Office (now Census Bureau), Interior Department (1902)
- Bureau of Statistics, Commerce and Labor Department (1903)
- Bureau of Foreign and Domestic Commerce, Commerce and Labor Department (1912)

Experts

- U.S. Revenue Commission, Treasury Department (1865)
- Office of the Special Commissioner of the Revenue, Treasury Department (1866)
- Tariff Commission (1882)
- Industrial Commission (1898)
- Tariff Board (1909)
- U.S. Tariff Commission (1916)

The list reflects the progression of Congressional learning in the context of substantial economic growth, radical technological developments, major civil strife, and remarkable advancements in social science methods. In essence, to create the U.S. Tariff Commission in 1916, Congress went through a long process of developing understanding in four realms:

- Statistics: The types of data useful for tariff-setting, methods for transforming administrative records into reliable statistics, and methods for collecting reliable survey data.
- Analysis: The expertise needed to examine descriptive statistics to produce guidance for tariff-setting.
- Administration: The incentives and resources needed by the executive branch to comply with Congressional mandates to produce statistics and analysis; and the proper role of Congress in overseeing statistical efforts.
- Nonpartisanship: The value of analysis aimed at serving public, not private, interests.

Congressionally-mandated Statistics and Analysis for Tariff-setting: A History

From the nation’s beginning, tariffs were seen as an essential mechanism for raising federal funds and promoting manufacturing. However, the first tariff proposals and policies had to be put forward in the absence of trustworthy economic information, as little existed.

When the First Congress convened in April 1789, it needed to immediately find a way to raise revenues so the new government could operate and pay off its large debts. Representative James Madison introduced the Tariff Act of 1789 to meet these ends. He sought an approach that met four criteria:

- raised sufficient revenues,
- promoted free trade to the extent possible,
- was not "oppressive to our constituents," and
- did not depend on detailed economic information, as little existed.[76]

The core of Madison's proposal was a five percent tariff on select items. He did not seek to use the tariff to promote and protect certain industries. Multiple members of Congress, however, wanted to craft tariffs that fit the interests of their respective business constituencies.[77] Consequently, the final bill, passed three months later, was quite different from what Madison proposed. In the process, Congress had articulated the essential elements of a debate over tariffs that persisted into the 1930s.

Tariffs were deemed of such importance that the bill was completed two months before Congress created the Department of Treasury on September 2, 1789. Alexander Hamilton was sworn in as Secretary a week later. On September 21, the House ordered Hamilton to prepare a plan for the support of the public credit, which it deemed "a matter of high importance to the national honor and prosperity."[78]

Hamilton was a strong proponent of fiscal soundness and industrial development and the use of tariffs to support both. He convinced President George Washington to support his views.[79] In Washington's first annual address to Congress on January 8, 1790, he proposed that Congress encourage a strong industrial base as part of the national defense:

> A free people ought not only to be armed, but disciplined; to which end, a uniform and well digested plan is requisite; and their safety and interest require that they should promote such manufactories, as tend to render them independent on others for essential, particularly for military supplies.[80]

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[76] Bureau of Statistics, *Special Report on Customs-Tariff Legislation of the United States*, first ed., Washington, DC: Government Printing Office, 1872, V.

[77] "The same arguments were offered over and over again, and the result was always the same. Each member asked for and secured protection on the articles produced in his state, and each member opposed taxes which he thought were likely to prove burdensome to his constituents. . . . Naturally, the states which were more densely populated, and had already made some progress in manufactures, asked for the greatest amount of protection. Equally natural was it that South Carolina and other thinly settled states, whose products found a ready market in foreign countries, and whose wants were supplied almost entirely by imports, should object to taxes on imports which they did not produce at all." William Hill, "Protective Purpose of the Tariff Act of 1789," *Journal of Political Economy*, v.2, n.1 (December 1893), 54–76. (Quote on 68–69).

[78] *Gales & Seaton's History of Debates in Congress*, 939 (September 21, 1789).

[79] Hill, *op. cit*., 72.

[80] George Washington, "First Annual Address to Congress," January 8, 1790.

On January 15, on the basis of Washington's recommendation, the House of Representatives directed the Treasury Secretary to prepare "a proper plan or plans" to encourage and promote manufacturing.[81]

The same week, Hamilton sent the "First Report on the Public Credit" to the House. To ensure sufficient federal revenues, Hamilton recommended a series of tariff increases, largely on goods he deemed luxuries, including wines, spirits, teas, and coffee. Similar to Madison, he noted the proposal had to take into account "a considerable degree of uncertainty in the data."[82]

In March 1790, the House told Hamilton to insert an additional factor in his calculations: "ascertain the resources that may be applied to the payment of the State debts, provided they should be assumed by the United States." In reply, Hamilton suggested that the federal government could assume State debts in large part by revising and expanding the proposed tariffs he had proposed in January to include additional commodities and goods.[83] Again, his analysis was not based on data. The Tariff of 1790 became law in September.[84]

In December 1791, Secretary Hamilton published his famous Report on the Subject of Manufactures, fulfilling the House resolution of January 1790. The report provided strategies, including the judicious and targeted use of tariffs, to promote the manufacture of 16 distinct classes of goods. As before, Hamilton's strategies were largely based on assertions and observations.

While the nation's difficult fiscal circumstances forced the federal government to quickly make tariff policy with little information, as the new government found its footing Congress began to create processes and capabilities for developing data to guide tariff-setting.

Between 1792 and 1798, each house of Congress used resolutions to incrementally develop a process by which Treasury provided annual reports on trade and duties based on customs and shipping records. Initially, Hamilton had sent each house a short fiscal report summarizing the amount of duties raised on imports and tonnage. In April 1792, the House of Representatives directed Hamilton to provide data on exports by state. In February 1793, he sent each house a

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[81] *Journal of the House of Representatives*, January 15, 1790, 141–42.
[82] Alexander Hamilton, *First Report on the Public Credit*, January 14, 1790.
[83] Alexander Hamilton, "State Debts," communicated to the House of Representatives, March 4, 1790.
[84] Mary Stockwell, "Tariff of 1790," in *Encyclopedia of Tariffs and Trade in U.S. History*, edited by Cynthia Northrup and Elaine C. P. Turney (Westport: Greenwood Press, 2003), vol. 1, 357. Congress agreed to substantially increase tariffs, but amended Hamilton's proposals in multiple ways, including adding protection for certain industries, such as steel and rope.

detailed accounting of imports, tonnage, and exports, with data by commodity and state. These two reports differed in format, time period, and statistical detail.[85]

Realizing that these sporadic reports were inadequate, each house independently directed the Treasury Department to regularize and expand its trade reports. In January 1796, the House requested annual data from 1789 through 1795 on imports, distinguishing between those brought in on U.S. ships and on those of other nations. The next month, the Senate told the Treasury Secretary to give it an annual report that included statements on tonnage, exports, and imports, with breakouts by nation and commodity. In March 1797 and May 1798, the House ordered the Treasury Secretary to provide an annual report on imports for the previous year.[86] This system of regular, but separate and distinct, reports to the House and Senate remained in place until 1820.

In the meantime, the nation, its economy, and its well-being were growing by leaps and bounds.[87] In the context of remarkable growth, Congress revisited the idea of creating information-based industrial and tariff policies. In June 1809, it told Treasury Secretary Albert Gallatin to prepare "a plan . . . for the purpose of protecting and fostering the manufactures of the United States," together with a description of the state of the nation's manufacturing industries.[88]

Secretary Gallatin provided his report in April 1810.[89] It categorized manufacturing industries into those that can meet domestic demand, those that can meet "a considerable part" of domestic demand, and those for which progress has been made. It then assessed the condition and competitiveness of 19 industries. After a declaration of the importance of manufacturing growth to the nation, a general analysis of its competitive position, and the weakness of the argument that the government should not interfere in the workings of the market, the report recommended implementation of policies targeted to particular industries—bounties, moderate tariffs, and federal loans, as "want of capital is the principal obstacle to the introduction and advancement of manufactures in America . . . ."

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[85] *See* the report provided to the House on February 27, 1793, and the one given the Senate on February 28, 1793.
[86] For context, Congress passed tariff acts in 1789, 1790, 1791, 1792, 1794, 1795, 1797, 1800, and 1804.
[87] Between 1790 and 1810, population rose 84 percent (from 3.9 million to 7.2 million); real annual gross domestic product was up 164 percent; real GDP per capita climbed 44 percent; industrial production increased by 139 percent; and the real value of exports was 136 percent greater, and that for imports, 161 percent. Data sources include Census Bureau, *Historical Statistics of the United States: Colonial Times to 1970*, Government Printing Office, 1975, Series A 7 and U 190 and 193; Samuel H. Williamson, 'What Was the U.S. GDP Then?' MeasuringWorth, 2016; and Joseph H. Davis, "An Annual Index of U.S. Industrial Production, 1790-1915," *The Quarterly Journal of Economics*, vol. 119, no. 4 (November 2004), 1177–1215.
[88] *History of Congress*, May 31, 1809, 162.
[89] Albert Gallatin, "Manufactures," communication to the House of Representatives, April 19, 1810, in *Proceedings of the 11th* Congress, 425.

Gallatin's report found that the quality of information available for the manufacturing plan was "partial and defective." "To obtain detailed and correct information," it recommended that Congress revise the just-passed Census Act of 1810 to add a census of manufactures. Congress agreed, amending the Census Act of 1810 to direct census officials to carry out "an account of the several manufacturing establishments and manufactures within their several districts, territories and divisions" under the direction of the Secretary of the Treasury. In this way, Congress created a second information-gathering effort to complement Treasury's annual trade reports.[90]

In March 1812, the House of Representatives authorized Secretary Gallatin to hire a person to analyze the results of the 1810 census of manufactures. Gallatin retained Tench Coxe, a political economist and former Treasury official who had written the first draft of Alexander Hamilton's 1791 report on manufactures. Coxe's report said that while the census had some useful information, it was "unavoidably imperfect." More specifically, "several of the states in the north and in the south" provided returns that were "manifestly and greatly defective."[91] So, unfortunately, the first census of manufactures was not particularly useful for public policy purposes.

In February 1815, the House directed Treasury Secretary Alexander Dallas to "report to Congress . . . a general tariff of duties proper to be imposed upon imported goods, wares, and merchandise . . . ." A year later, Secretary Dallas forwarded a comprehensive, detailed proposal, "Tariff of Duties on Imports." The report declared that "the establishment of domestic manufactures" is "a chief object of public policy" and said the Embargo Act of 1807 and the War of 1812 made clear the inadequacies of U.S. manufacturers to provide weapons, ammunition, clothing, and "the comforts of living." Recognizing the lack of "detailed and accurate information" available from the 1810 Census, the report divided manufactured products into three categories: those that can meet domestic demand, those that have the potential to meet domestic demand, and those for which the nation is dependent on foreign suppliers. It proposed prohibitions or very high tariffs on the first class, milder tariffs on the second class (determined on a case-by-case basis), and no tariffs on the third class.[92] Congress approved a version of the Dallas proposal in April 1816. The Tariff of 1816 was the first one with the primary, rather than secondary, aim of promoting U.S. manufacturing.

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[90] The 1810 census of manufactures was the first in the series of decennial and quinquennial business censuses that continues to the present day.

[91] Tench Coxe, *A Statement of the Arts and Manufactures of the United States of America, for the Year 1810,* Philadelphia: A. Cornman, June 1814, liii. For context, Congress revised tariffs in 1807, 1808, 1812, 1813, 1815, and 1816.

[92] Alexander James Dallas, "Tariffs of Duties on Imports," communicated to the House of Representatives, February 13, 1816.

As it debated tariff bills, Congress realized that the resolution-mandated annual trade statistic reports from the Treasury Department were not adequate for its needs. In December 1819, Senator Nathan Sanford of New York offered a report from the Senate Committee of Commerce and Manufactures that described the deficiencies of current commerce and navigation statistics and proposed a more comprehensive and directed approach.

> At present, the duty of preparing and rendering the annual statements of exports and imports depends merely upon the separate resolutions of the Senate and House of Representatives . . . . It is only in those resolutions that any account of the matters required to be stated concerning the exports and imports can be found; and those resolutions are very general and loose in their description of the facts which they require. The subjects which are proper to be stated should be defined by law; and the duty of compiling and rendering the annual statements should be imposed upon proper officers by law. A suitable and permanent system, adequate to the objects proposed, should be established. When this shall be done, a complete report of facts, showing the state of our commerce with every foreign country, and with all the world, in each year, may be annually laid before Congress.[93]

On the basis of Sanford's report, in early 1820 Congress directed the Treasury Secretary to provide an annual report on U.S. exports, imports, and navigation, with detail by article and nation and with consistent approaches to valuation. The report was to include duty-free imports, which had not been reported previously.[94] Immediately afterwards, Congress mandated a second census of manufactures as part of the Census Act of 1820, though this time under the auspices of the Secretary of State.[95]

The implementation of both efforts was problematic. While the Treasury Department created a Division of Commerce and Navigation to carry out Sanford's proposal, the reports suffered from omissions, inconsistent methods, and human error.[96] In addition, the results of 1820 census of

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[93] Senate Committee of Commerce and Manufactures, *Statistical Accounts of Commerce and Navigation*, communicated to the Senate, December 20, 1819.

[94] Sixteenth Congress, sess. I, Ch. XI, "An Act to provide for obtaining accurate statements of foreign commerce of the United States," signed February 10, 1820.

[95] In December 1819, President James Monroe, in his annual address to Congress, had asked for guidance on manufacturing policy.

[96] These difficulties worsened as the amount of trade, and trade records, grew dramatically over time. John Cummings, "Statistical Work of the Federal Government of the United States," *The History of Statistics: Their Development and Progress in Many Countries,* edited by John Koren (Washington, DC: Macmillan Company for the American Statistical Association, 1918), 573–689. The 1821 report was 165 pages long; the 1867 report, 704 pages. The clerical records serving as the basis for the 1867 report came to 10,404 pages. That said, the Census Bureau has been able to construct a consistent data series from 1821 forward (evidenced in *Historical Statistics of the United States: Colonial Times to 1970*, Government Printing Office, 1975, Series U 187–200).

manufactures were not usable for public policy purposes.[97] Disappointed, Congress did not mandate a manufacturing census for 1830.

In January 1832, the House returned once more to a plan to promote U.S. manufacturing.[98] It directed the Treasury Secretary to collect comprehensive information on manufacturing and recommend a tariff bill based on the findings.[99] Secretary Louis McLane provided a report and draft bill in April. In the report's introduction, he noted the problem of incomplete information, which he attributed to poor response rates.[100] While McLane's proposed bill sought to address Southern concerns regarding the Tariff of 1828 ("The Tariff of Abominations"), Congress scaled back his recommendations and in July 1832 passed a tariff bill more attuned to Northern interests. This led the South Carolina legislature to declare the tariff law null and void, bringing about the Nullification Crisis.[101]

In his annual message to Congress in 1838, President Martin Van Buren asked if the decennial census "might not be usefully extended by causing it to embrace authentic statistical returns of the great interests specially entrusted to or necessarily effected by the legislation of Congress."[102] For the 1840 Census, Congress reinstated the manufacturing census and authorized a census of agriculture for the first time. Once more, however, design and implementation problems led to unsatisfactory results.[103]

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[97] "The deficiencies were attributed to insufficient funds to pay the marshals and the fact that many establishments apparently neglected (or refused) to provide the required information." Census Bureau, *History of the 1997 Census*, Washington, DC: Government Printing Office, 2000, B-3.

[98] Since the last time Congress sought a plan, U.S. industrial production had tripled. Davis, *op. cit.*, Table III.

[99] "Resolved, That the Secretary of the Treasury be directed to obtain information as to the quantities and kinds of the several articles manufactured in the United States during the year, particularly those of iron, cotton, wool, hemp, and sugar, and the cost thereof; and also the quantities and cost of similar articles imported from abroad during the same year; and that he lay the same before this House as early as may be practicable during the present session of Congress, together with such information as he may deem material, and such suggestions as he may think useful, with a view to the adjustment of the tariff, after the payment of the public debt." *Register of Debates in Congress*, House of Representatives, January 19, 1832, 1585. Congress had revised tariffs in 1824, 1828, and 1830.

[100] "These returns have but recently begun to come in, and have yet been only partially received; but rather than incur greater delay, at this advanced period of the session or longer disappoint the expectations of the House, the undersigned has now the honor to communicate the returns as far as they have come to hand, and will continue to transmit others as they may be received at the department." *Report of the Secretary of the Treasury, on the Adjustment of the Tariff of Duties on Imports,* April 27, 1832, 1.

[101] Congress sought to allay that crisis by passing the Compromise Tariff of 1833 that revised duties downward.

[102] Martin Van Buren, "Second Annual Message," December 3, 1838.

[103] "The attempts to collect economic data in the censuses of 1810, 1820, and 1840 are considered to be of little value except as indicators of the gross outlines of manufacturing development. The inauspicious beginnings of the economic census were the result of several interrelated factors." These included too few federal marshals, insufficient enumerator training, differing enumerator practices, uncooperative businesses, and inadequate business records. Census Bureau, *History of the 1997 Census*, Washington, DC: Government Printing Office, 2000, B-3–B-4.

More than 50 years after the nation's founding, then, Congress continued to have difficulty getting adequate information for tariff-setting and manufacturing policy-making. In the 1840s, it directed the executive branch to implement two new efforts. Together, these significantly expanded the subjects on which information was collected. One also included the new dimension of economic analysis. Both efforts seemed to begin well, then fell apart.

Congress recognized that effective tariff-setting required it to learn about the tariff laws of other nations. In September 1841 and January 1842, the House directed the Secretary of State to provide "a statement of the privileges and restrictions of commercial intercourse of the United States with all foreign nations" and "a table exhibiting a comparative statement between the tariffs of other nations and that of the United States." Secretary of State Daniel Webster delivered the mandated report in March 1842. Appreciating what it received, Congress passed a law in August 1842 mandating the Secretary of State to prepare an annual statement of all changes and modifications in foreign commercial systems, whether by treaties, duties on imports and exports, or other regulations. However, the State Department did not produce the required annual report after 1844.

In January 1844, Representative Zadock Pratt of New York convinced the House to create a select committee to look into establishing a central statistical bureau in the Treasury Department "whose duty it should be to take charge of the statistics of the country; that is, gather all the information of that character, as connected with the agriculture, commerce, and manufactures of the country, and to reduce the same to convenient tabular form, so systemized and simplified as to make it easy of reference." [104] Pratt observed that "The sessions of Congress are protracted in some measure, in consequence of the delay in procuring information from the departments, upon which to base legislation."[105]

In March 1844, the Pratt committee report laid out the need for and multiple advantages of a new central statistics bureau. It said the proposed bureau, essentially the primary federal statistical agency, would maintain a data and information repository from which it could produce reports "at a moment's notice" on whatever subjects Congress desired, including, and particularly, trade.

> Such a bureau would, in a comparatively short time, furnish correct information respecting the commercial, the financial, the navigating and shipping, the manufacturing, and the agricultural interests of the country; a digested body of facts relative to the revenue, the custom-house, the post-office, the land-office, and the Indian department; correct statements respecting the population, the expenses and

[104] *Congressional Globe*, January 29, 1844, 204.
[105] *Ibid.*

> details of the army and navy, the progress of internal improvements, the state of banks and other institutions, and of monetary affairs and exchanges; and, in short, a regular, connected and methodized arrangement of every subject to which facts and figures bear any relation, and which are in any way connected with the history, the progress and the condition, of the nation at large, and those of the various States and Territories. . . .
>
> The duties of the bureau would extend to the arrangement, condensation, and elucidation, of *the statistics of foreign nations*, and to all the various branches *of international commercial intercourse*.[106] [Emphasis in original.]

While Congress did not to create a new statistics bureau, in June 1844 it authorized the Treasury Secretary to assign existing clerks to new duties of "collecting, arranging and classifying such statistical information as may be procured, showing or tending to show each year the condition of the agriculture, manufactures, domestic trade, currency and banks of the several States and Territories of the United States." Further, Congress told the Treasury Department to provide an annual economic report every January.[107]

In 1845 and 1846, the Treasury Secretary provided Congress with an annual report on "Statistics of the United States." However, as with the State Department's commercial relations report, the Treasury Department did not produce the required update in subsequent years. A later Treasury report noted, "Probably the neglect of Congress to give adequate support to the enterprise, and the diversion of public interest to the war with Mexico, caused the suspension of efforts in this direction."[108]

Building on its experience, Congress made progress on two fronts in the 1850s. The first was in the realm of statistical practice. For the 1850 Census, Congress engaged expert opinion in the rapidly advancing field of statistics and delineated in far greater legislative detail the scope and process of the census, including the creation of a census board. Innovations included firm confidentiality, explanation of the questions, and tabulation process improvements. Finally, the 1850 census of manufactures provided useful, comprehensive, and reliable data. With much

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[106] House of Representatives Select Committee, *Bureau of Statistics and Commerce*, March 8, 1844, 3.
[107] Twenty-Eighth Congress, sess. I, Joint Resolution No. 16, "A Joint Resolution authorizing the transfer of certain clerks in the Treasury Department," June 15, 1844.
[108] U.S. Department of Treasury, *Report on the Bureau of Statistics of the Treasury Department,* 1877, 29. For context, Congress revised tariffs in 1836, 1841, 1842, and 1846 (Walker Act).

greater confidence, the federal government now was able to track the development of the nation's industries at a high level of detail and with a fair amount of accuracy.[109]

Second, realizing it was problematic to mandate reports without providing the capacity to produce them, Congress authorized the creation of a statistics office for the first time. In 1853, the House asked President Franklin Pierce to revive the annual State Department report on commercial relations. Secretary of State William Marcy provided the requested report in 1856. He said the report would have been more accurate and required less time and money to prepare if it could "have been committed to an organized and practised bureau of commercial statistics, promptly supplied by consular agents with all the requisite material from abroad."[110]

Congress agreed and created a new Office of the Superintendent of Statistics in the State Department to annually report to Congress on U.S. commercial relations. From 1857 forward, this office prepared an "Annual Report on the Commercial Relations between the United States and Foreign Nations." However, later evaluators said the annual report usually came out "many months after the subjects of which it treats had ceased to be of real value or particular interest to either the legislator or the commercial public of the country."[111]

In the mid-1860s, Congress significantly expanded the nature and breadth of federal resources devoted to providing information to guide economic policy in general and tariff-setting in particular. First, it created a temporary commission, then an office, to provide expert advice on revenue sources. Second, it established the first central economic statistics bureau.

The Civil War had triggered large increases in the federal government's need for revenue and the diversification of revenue sources to include internal revenue on par with tariffs.[112] In March 1865, Congress directed the Treasury Secretary to create a three-person commission to provide advice regarding revenue sources.[113] To chair the commission, Treasury Secretary Hugh

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[109] The index of industrial production (Davis, *op. cit.)* uses the census year 1849/1850 as the index base year (= 100). The Secretary of the Interior was responsible for the census from 1850 to 1900, the Department of Commerce and Labor in 1910, and the Department of Commerce thereafter.
[110] Cummings, *op. cit.*, 628.
[111] U.S. Department of Treasury, *Report on the Bureau of Statistics,* 1877, 23.
[112] The Tariff Act of 1857 had cut duties to their lowest point in some time. At the outset of the Civil War, Congress revised tariffs significantly upwards through the Morrill Tariff, passed in March 1861 after Southerners had resigned from Congress. Congress further revised tariffs in 1862, 1863, 1864, and 1865. The Civil War period also saw the introduction of the first U.S. income taxes, which ended in 1872.
[113] The commission was charged with researching and reporting on "the subject of raising by taxation such revenue as may be necessary in order to supply the wants of the government, having regard to and including the sources from which such revenue should be drawn, and the best and most efficient mode of raising the same, and to report the form of a bill." *Report of the United States Revenue Commission* (New York: D. Appleton & Co., 1866), 3.

McCulloch appointed David Wells, a 36-year-old budding political economist, trained as an engineer.[114] Congress did not prescribe the commissioners' qualifications.

The U.S. Revenue Commission's report, issued January 1866, focused in great detail on appropriate approaches to raising internal revenue. It also asserted that raising tariffs would inhibit national economic development, criticized the ad hoc tariff-making process, and recommended future tariffs be determined by experts employing statistical analysis. It did not provide specific recommendations on tariff levels. The commissioners complained at length about the lack of useful, reliable data:

> One of the greatest difficulties encountered from the outset has been to obtain exact and comprehensive information; and the Commission, as the result of their experience, feel [*sic*] warranted in asserting that no full and reliable statistics concerning any branch of trade or industry in the United States, with possibly a few exceptions, are now or have ever been available.
>
> The census of 1860, only made available for detailed reference some four or five years after its enumeration, had been to the Commission of but little service. . . .
>
> The returns furnished by the Treasury Department do not, in any degree, correspond with those furnished to the Commission by the trade or published in the various commercial circulars; and these latter, furthermore, do not always agree with each other.[115]

Congress found the Revenue Commission's report useful and in July 1866 mandated this form of analysis on an ongoing basis. Specifically, Congress created the Office of the Special Commissioner of the Revenue in the Treasury Department to provide advice to Congress on tax and tariff rates, revenue collection methods, and, more broadly, "such other facts pertaining to the trade, industry, commerce, or taxation of the country . . . conducive to the public interest." David Wells was appointed by Secretary McCulloch to be the Special Commissioner.

In the same month, and 22 years after Representative Pratt's proposal, Congress created a new Bureau of Statistics in the Treasury Department as part of the Tariff Act of 1866. In the debate over the law, Representative James Garfield of Ohio and Representative John Kasson of Iowa expressed strong concerns about the inadequacies of existing statistics for guiding tariff-setting, consistent with the Revenue Commission's observations:

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[114] Wells was brought to President Lincoln's attention in 1864 with a public address on "Our Burden and Our Strength," regarding the nation's abilities to raise revenue and pay debt. Fred Bunyan Joyner, *David Ames Wells: Champion of Free Trade* (Cedar Rapids: The Torch Press, 1939), 29.
[115] "Report of the United States Revenue Commission," 1866, 6 and 76.

Mr. Garfield: The Census Bureau is as valueless for all practical purposes of legislation as any bureau of statistics could well be. We really have no Census Bureau in any efficient or potential sense. We have not yet received the results of what was taken as the census of 1860, and the whole condition of our affairs has so changed since then that the report on the census of 1860 will be almost valueless. But what is more, the Census Bureau never has furnished statistics at all. We do get something from them about manufactures and something on the subject of imports and exports, but we have nothing on earth that is called for in the consideration of propositions of this kind. Let the gentleman look at it for a moment. I hold that the excuse which the Committee of Ways and Means is compelled to make and is entitled to make to the House and the country for not having perfected much earlier in the session a complete tariff bill is because they have had to work in the original quarry and have had nothing furnished to their hands.

The revenue commission . . . did nobly for us in the internal revenue department; but they had not time to go forward and perform the immense work of preparing anything reliable or complete on the subject of imports. . . .

Now when a question comes up here and I am asked to say whether the tariff on a given article shall be ten per cent. or a hundred per cent., I want to know all the circumstances and all the facts about the article; where it is produced, whether we can produce it or not, what price it bears in the market, what capital is invested in producing it, and all the other circumstances connected with it. But now I am compelled to come here with empty hands, and I cannot from all the volumes of our Library find out what I desire to know. . . .

Mr. Kasson: The fact is that the Census Bureau does not now exist. We have made no appropriations for it for two years past, and its duties are now being wound up by the officers and clerks of the General Land Office in the Department of the Interior. And thus it is that the statistical bureau connected with the census, or established for that purpose, has ceased to exist.

And in regard to other officers still existing, charged with the aggregation and presentation of such statistics, I have to say that the statistics for the year 1865, which we ought to have had one year ago, are not even laid before Congress. Our statistics in regard to commerce and navigation are so far behind also as to be nearly useless. . . . Now, sir, no legislation touching the commerce of the country is of any account unless it rests upon statistics of our own production and commerce and the production and commerce of other countries. And those statistics should be recent, as gentlemen

> around me remark, in order that we may keep up in the great commercial race with the other nations of the world."[116]

Congress came to the conclusion that it needed to build new institutional capacity to generate the desired information. The law charged the new Bureau of Statistics with preparing a series of detailed reports, including:

- Monthly reports of U.S. exports and imports.
- Annual statistics on commerce, navigation, exports, and imports.
- An annual statement of vessels registered, enrolled, and licensed under the laws of the United States.
- An annual statement of all merchandise passing in transit through the United States to foreign countries.
- Annual statistics of the manufactures of the United States, their localities, sources of raw material, markets, exchanges with the producing regions of the country.
- transportation of products, wages, and other conditions affecting their prosperity.[117]

To be first director of the Bureau of Statistics, Secretary McCulloch appointed Alexander Del Mar, a 30-year-old civil engineer, financial journalist, and prolific writer on monetary systems. Del Mar started work on September 1866.

Within a few weeks, then, Congress created two offices to inform its economic policy decisions, particularly with regard to tariffs. However, the two offices did not work out as Congress had hoped. The reasons are multiple and reflect aspects of the Congressional learning curve.

One aspect was personal. The two McCulloch appointees—Wells and Del Mar—were quite similar in terms of personal characteristics, approaches to their respective jobs, and their experiences with the reactions of the powers-that-be to their approaches. Each was in his thirties and technically trained; came to economics as a young man; produced publications that caught the attention of those in power; was very smart, ambitious, entrepreneurial, opinionated, and public-spirited; provided cogent, highly detailed analyses; and pulled few punches in doing so, to the point of political insensitivity. Both lost their jobs largely as a result of the last tendency.

Between December 1866 and December 1869, Special Commissioner Wells delivered four annual reports to Congress that were remarkable for their breadth, depth, aspirations, and clarity. They contained a rudimentary combination of data and analysis now seen in present day efforts of the Bureau of Economic Analysis, the Census Bureau, the Council of Economic

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[116] *The Congressional Globe*, July 9, 1866, 3693–94.

[117] Thirty-ninth Congress, sess. I, Ch. 298, "An Act to protect the Revenue, and for other Purposes" (*sic*), Section 13.

Advisers, the Federal Reserve, and the International Trade Commission. At the same time, these reports differ from anything written today in that they offered a regularly updated national economic development plan, with strategies and approaches by industry.

Wells' 1869 report, for example, included estimates of national economic activity (such as gross annual product and present value of real and personal property); data on production by industry; analysis of federal finances; review of population trends, including immigration; overviews of industrial development by region; assessment of the factors supporting and impeding national economic development; a review of the state of agriculture; discussions of trade, natural resource utilization, the distribution of net product of labor and capital, and the elasticity of revenue; the importance of basing a currency on specie (e.g., gold, silver), not fiat (law); and, at length, "remedies" in the realms of currency, taxation, the tariff, and revenue administration. Analyses and recommendations were made regarding tariffs for commodities including copper, leather goods, iron, salt, coal, lumber, wool and woolens, firewood, hemp, glass, paper, chemicals, liquor, hats, and gunny cloth and bags.[118]

To the displeasure of many in Congress, Wells was direct and emphatic regarding the need for U.S. currency to be based on specie and the need to reduce tariffs to promote economic well-being. On the latter subject, Wells forcefully wrote that many tariffs served the parochial interests of industry, not the nation.[119]

Wells' views did not accord with those of the overwhelmingly Republican majorities in Congress. He was pilloried by several members and Congress discontinued his office in 1870.[120] Available records do not make clear why Congress did not ask Treasury Secretary George Boutwell to replace Wells with someone with protectionist views. Perhaps it was concerned

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[118] Office of the Special Commissioner of the Revenue, *Report of the Special Commissioner of the Revenue for 1869*, U.S. Department of the Treasury, December 1869.

[119] For instance: "[I]n carrying out . . . the idea of protection, but one rule for guidance would appear to have been adopted for legislation, viz: the assumption that whatever rate of duty could be shown to be for the advantage of any private interest, the same would prove equally advantageous to the interests of the whole country. The result has been a tariff based upon small issues rather than upon any great national principle; a tariff which is unjust and unequal; which needlessly enhances prices; which takes far more indirectly from the people than is received into the treasury; which renders an exchange of domestic for foreign commodities nearly impossible; which necessitates the continual exportation of obligations of national indebtedness and of the precious metals; and which, while professing to protect American industry, really, in many cases, discriminates against it. But as it is facts not assertions that are wanted, let us examine the existing tariff and see if the facts make good the assertions. One of the first things that an analysis will show is, that every interest that has been strong enough or sufficiently persistent to secure efficient representation at Washington has received a full measure of attention, while every other interest that has not had sufficient strength behind it to prompt to action has been imperfectly treated, or entirely neglected. Thus let any one glance at the great departments of wool and iron, and he will find that the duties on all the leading products have been carefully increased, harmonized, and adjusted, in a great degree, in accordance with the wishes of those interested." Office of the Special Commissioner of the Revenue, *Report of the Special Commissioner of the Revenue for 1868*, U.S. Department of the Treasury, January 1869, 34.

[120] For context, Congress revised tariffs in 1866, 1867, 1869, 1870, 1872, and 1875.

that any advisor able to speak his mind might unexpectedly make trouble by calling into question tariff policies in the economic interests of Republican Party supporters. In any case, Congress decided it no longer wanted a dedicated advisor on the subject of tariffs.

Alexander Del Mar suffered a similar fate, although his office lived on (and ultimately led to today's Bureau of Economic Analysis). In Del Mar's first full annual report, he criticized in detail and at length multiple aspects of the Treasury Department's statistical operations created to fulfill the 1820 and 1844 laws. Noting his findings were consistent with those of the U.S. Revenue Commission, he cited incomplete and inaccurate data, inconsistent and illogical accounting practices, a large backlog of annual statistics to be completed, discrepancies in import and export totals reported by various Treasury offices, lack of legal authority to require businesses to provide information, and inefficient management and distribution of staff resources. He also said that he did not have enough staff to collect the manufacturing statistics required by law.[121] He described the many ways that he reorganized staff and practices to meet Congressional mandates for the trade data.

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[121] Alexander Del Mar, "First Annual Report of the Director of the Bureau of Statistics," *Report of the Secretary of the Treasury on the State of the Finances for the Year 1867* (Washington, DC: Government Printing Office, 1868), 240–55. Relevant quotes:

- [I]t was painfully evident that, at least so far as regards the commerce and navigation tables, instead of being relied upon as authority in such matters, our official reports, though distributed gratuitously, and in large numbers, were but rarely quoted, except to be confuted by the less pretentious, but obviously more correct, statistics of boards of trade, chambers of commerce, and other local organizations. (241)
- Numerous statistical tables had been called for both by law and regulation. Of these, but few—the import, export, re-export, indirect trade, and shipping tables—were regularly compiled and published; and these few were faulty, though to what extent faulty was not known, even by those who compiled them. A careful scrutiny has resulted in the discovery that in the imports were included . . . a portion of the products of the State of Maine—as though the same had been received from foreign countries . . . . (243)
- [T]he custom-houses were given to the strangest errors—errors, too, for which the commerce and navigation division of the Register's office was in no way responsible. . . . As for attempting to portray the chronic confusion of arrangement and arithmetical inaccuracy that, with little or no exception, distinguished all the returns, it were [*sic*] useless. (244)
- The director would have wished at the outset to take the accounts rendered by the various offices of the government, and "digest and arrange" them for the use of the executive departments, and the houses of' Congress, and also to obtain and publish statistics of manufactures, mines, and the other important industrial interests of our country; but, for some time yet, this will be impracticable. The law provides neither mode nor means for the director to obtain any original statistics, except those of foreign commerce. This as to one point; as to the other: to collate and arrange statistics requires officers and clerks qualified in each special branch of knowledge. Such persons are not easily found; and a single effort convinced me of the hopelessness of creditably accomplishing tasks of this general character without trained aid. The law made the compilation of the statistics of commerce and navigation the especial duty of the director, and this of itself was so heavy a task, that it occupied all the clerical force which the department could well assign for this purpose There were thirty-one male, and fifteen female clerks employed in this bureau on the 30th of September last. To attempt a systematic collation and digest of the publications of the other offices of the government, with so slight a force as this, was out of the question. (245)

While complaining about insufficient resources to fulfill legislated mandates, Del Mar initiated several "out-of-scope" statistical efforts, including annual population estimates by region, "the price of wages in fifty-four different occupations, and in over three thousand localities," and an estimate of the current cotton crop. On the basis of his first year's accomplishments, he suggested that his unit was best suited to conduct the 1870 Census.[122]

In February 1868, a few weeks after Congress received Del Mar's report, a resolution was filed in Congress to eliminate the position of director of the Bureau of Statistics, with management responsibility transferred to a new Deputy Special Commissioner of Revenue reporting to David Wells, who was still in Congress's good graces. The resolution was filed by the Joint Committee on Retrenchment, established in 1866 to recommend ways to reduce federal spending. The proposed action was approved in July 1868 as part of the annual appropriations bill, with the director's position to be terminated as of January 1, 1869.

While Del Mar's job was terminated ostensibly to save money, Congress created the new Deputy Special Commissioner position at the same time, so it seems other reasons were at work. One observer suggests that Del Mar was fired because his open criticism displeased his superiors.[123] Others note that Del Mar's strong pro-fiat currency opinion was at odds with the Wells' equally fervent pro-specie view.[124] One asserts Del Mar was fired because it was thought his cotton crop estimates triggered a speculative bubble.[125] In any case, several members of Congress publicly said Del Mar was not appropriate for the job.[126] Contrary to these negative views, a 20th-century observer thought that Del Mar had instituted a scientific approach that provided the basis for modern statistical agency practice.[127]

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[122] "[I]t appears evident that the next decennial census could be placed in no better hands than those of the Treasury Department. The permanent nature of the internal revenue organization affords time and opportunity for the necessary statistical instruction and discipline to be given and acquired, and would insure greater accuracy in the result, and entail less expense upon the country." *Ibid.*, 249. At that time, the decennial census was the responsibility of the Interior Department.

[123] Cummings, *op. cit*., 586.

[124] Joseph Aschheim and George S. Tavlas, "Academic exclusion: the case of Alexander Del Mar," *European Journal of Political Economy*, vol. 20 (2004), 31–60.

[125] George S. Tavlas, "Retroview: the Money Man," *The American Interest*, vol. 7 no. 2 (October 3, 2011).

[126] Remarks of Senator Charles Sumner of Massachusetts and Senator Roscoe Conkling of New York, *The Congressional Globe*, June 22, 1868, 3355, 3359.

[127] "[T]he fundamental techniques associated with 20th century statistical administration were developed during the quarter century following the civil war. This administration and methodological development was chiefly an outgrowth of the establishment of a statistical bureaucracy directed by professional, though as yet self-trained, statisticians. . . . The formative statistical profession was fortunate in the first choice for a director of the Bureau of Statistics. Alexander Del Mar was intractable, but a lesser man might have set back the bureaucratic development of statistics for years. . . . Del Mar had a dogmatic faith in the statistical or inductive method of arriving at immutable laws of economic behavior.'' Meyer H. Fishbein, "Early business statistical operations of the federal government," National Archives, 1956, 21–23.

In any case, in January 1869 Del Mar was replaced by the new Deputy Special Commissioner of Revenue, 28-year-old Francis Amasa Walker, Civil War veteran, journalist, and future president of the American Statistical Association, the American Economic Association, and the Massachusetts Institute of Technology. Walker was in the job for little more than a year when he was placed in charge of the 1870 Census. Once the Office of the Special Commissioner of the Revenue was eliminated, George Young, a career official with a plodding writing style quite different from that of Del Mar and Walker, became the new chief of the Bureau of Statistics.

At the same time Congress was discussing eliminating Del Mar's position as part of the retrenchment effort, it also considered a proposal to shut the State Department's Office of the Superintendent of Statistics. Some backers of this idea sought to transfer the functions to the Treasury Department's Bureau of Statistics on the grounds that the federal government should have one statistics office. The proposal did not pass and the State Department statistical office remained in place.[128]

A few observations are in order regarding the principal actors in this drama. Quite different from what one expects in the 21st century, Wells and Del Mar appeared free to speak their minds and act without much constraint from the Treasury Secretary or the White House. It may be that the Treasury Secretary thought Congress set up these offices to advise and inform it and he was simply giving them an administrative home. After establishing offices to provide information to guide tariff-setting, Congress seemed to dislike what it had created and legislated the removal of Del Mar, came close to eliminating the State Department Statistics Office, and terminated Wells' unit. Congress, not the Treasury Secretary, handled management oversight. While Congress clearly viewed the problems as specific to two individuals, its remedy was to legislate organizational changes.

In October 1869, Deputy Special Commissioner Walker wrote Congress that he decided to focus the work of the Bureau of Statistics entirely on commerce and navigation accounts and step back from estimates of population, manufacturing, and transportation. Walker said that the bureau's specified duty to collect manufacturing statistics was "permissive rather than mandatory" because data collection was useless in the absence of a law requiring businesses to submit data. A second reason for a moratorium was the forthcoming 1870 census of manufactures, which he thought might be used as the basis for intercensal research. He

[128] *The Congressional Globe*, June 22, 1868, 3355-60, and June 23, 1868, 3389–94.

expressed hope that increased public confidence in federal statistical efforts would allow manufacturing data collection to recommence at a future date.[129]

In June 1877, soon after taking office, Treasury Secretary John Sherman appointed an internal commission of three senior Treasury officials to review the operations of the Bureau of Statistics. While Sherman's letter of appointment did not indicate the nature of his concerns, the commission found a disorderly state of affairs, which it said affected its approach and ability to gather information:

> Your Commission ventured to follow a somewhat unusual course in taking . . . [its] testimony privately, for more than one reason. It will suffice to say that its preliminary and personal investigation at the rooms of the Bureau developed such a state of impending disorganization in the office itself and so many antagonisms in its *personnel*, that the Commission unhesitatingly and unanimously decided that no other way remained by which it could learn the whole truth. . . .
>
> Great difficulty has been experienced by the Commission in ascertaining what action, legislative and otherwise, has been taken by the Government towards obtaining accurate statistical information, owing to the imperfect system of arranging and indexing the documents annually issued under the authority of Congress.[130] [Emphasis in original]

While the commission was pleased with the statistical skills it found at the bureau, it was disturbed by several problems:

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[129] "The act approved July 28, 1866, makes it the duty of the head of the bureau to 'collect, digest, and arrange, for the use of Congress, statistics of the manufactures of the United States, their localities, sources of raw materials, markets, exchanges with the producing regions of the country, transportation of products, wages, and such other conditions as are found to affect their prosperity.' This duty, however, I have judged to be dependent upon circumstances, and the law to be, to a considerable extent, permissive rather than mandatory. I cannot think that it was intended that the director of the bureau . . . should persist in efforts to secure such statistics, after it had been fully proved that the absence of any legal right to exact information and the general temper of the corporations and individuals, who are expected voluntarily to furnish the material of such statistics, render it impossible to secure results worthy of publication. This latter condition I have found so distinctly existing as to justify the temporary cessation of efforts to accomplish the intention of Congress in this respect. So little had the conduct of the bureau commanded the confidence of the business community generally, that not seven per cent. in number, nor probably one per cent., if capital and production were counted, of the manufacturers of the country made any response to the calls for information, by which it was intended to enumerate the industry of the country, in anticipation of the ninth census. Under these circumstances, to persist in the efforts was so manifestly a waste of public money, that no hesitation was felt in discontinuing every enterprise of this nature." Francis A. Walker, "Report of the Deputy Special Commissioner of the Revenue in Charge of the Bureau of Statistics," U.S. Department of Treasury, *Report on the Secretary of the Treasury on the State of Finances for the Year 1869*, Washington, DC: Government Printing Office, 1869, 339–42.

[130] U.S. Department of Treasury, *Report of the Commission on the Bureau of Statistics of the Treasury Department*, Washington, DC: Government Printing Office, 1877, 6.

- Poor data—This situation had several causes, including indifferent customs house personnel, incomplete administrative record systems, and the refusal of manufacturers to return surveys.
- Mismanagement—The director was not overseeing a key division.
- Malfeasance—Senior staff, including the director, were doing private work on public time.
- Duplication of tasks carried out by other federal offices.
- The continued absence of manufacturing data collection.[131]

After the commission made its report, the data agency drama seemed to fade and, very importantly, the federal government's capacity for statistical analysis substantially grew. The 1880s saw the advance of data collection and statistical methods, the professionalization of the federal workforce, the development of workable administrative processes, and better understanding how Congress could facilitate the generation of useful data, analysis, and advice.

In May 1882, Congress again sought expert advice on tariff-setting, creating a temporary nine-member Tariff Commission, appointed by the President, to "investigate all the various questions relating to the agricultural, commercial, mercantile, manufacturing, mining, and industrial interests of the United States, so far as the same may be necessary to the establishment of a judicious tariff, or a revision of the existing tariff, upon a scale of justice to all interests . . . ."[132] The Commission provided Congress with a voluminous report in December 1882, in which it, similar to David Wells, called for a reduction in tariffs:

> Early in its deliberations the Commission became convinced that a substantial reduction of tariff duties is demanded, not by a mere indiscriminate popular clamor, but by the best conservative opinion of the country, including that which has in former times been most strenuous for the preservation of our national industrial defenses. Such a

[131] Regarding the last point: "Although it was not contemplated by General Walker that the suspension of efforts to gather social, industrial, and miscellaneous statistics would be permanent, but only temporary, and that, with better methods and under more favorable conditions, they might be resumed with reasonable prospect of success, and although the present chief of the bureau has, from time to time, in his annual reports expressed interest in the subject, and regretted the absence of legislation which he deemed necessary before full and satisfactory information could be obtained, yet eight years have passed without any attempt having been made to resume those efforts . . . . Nor is it certain that the administration of the bureau during these years has been, in all respects such as to command that degree of public confidence regarded by General Walker as so essential a condition of success in this field of statistical inquiry, or that the "more favorable conditions" which, in 1869, he seemed to think were then in the near future, have been at any time sufficiently realized to justify the renewal of efforts which have remained so long suspended or abandoned. If true, the fact is greatly to be deplored, for the time seems near at hand when questions of an economic character, requiring for their proper consideration accurate statistical information in regard to industry, population, and social condition, will absorb the attention of Congress and the people to a greater extent than ever before, while almost nothing is being done to provide that information." *Ibid.*, 72.

[132] *Report of the Tariff Commission* (Washington, DC: Government Printing Office, vol. 1, 1882), 1.

> reduction of the existing tariff the Commission regards not only as a due recognition of public sentiment and a measure of justice to consumers, but one conducive to the general industrial prosperity, and which, though it may be temporarily inconvenient, will be ultimately beneficial to the special interests affected by such reduction.[133]

The Commission based its recommendations on witness opinion, not statistics, which remained insufficient to the task. In January 1883, the House Ways and Means Committee asked the Treasury Secretary to provide an analysis of the impacts of the Tariff Commission's recommendations. Statistics Bureau Chief Joseph Nimmo responded that the task was impossible because of differing merchandise classifications:

> The report of the Tariff Commission, the debates in Congress, and the testimony of appraisers of customs and of men whose studies and practical experience have afforded them knowledge of the technical and practical questions invoked in the adjustment of the tariff, clearly indicate that it is impossible to prepare a tabular statement showing fully and in detail the comparative results of the present tariff and of the provisions of the bill proposed by the Tariff Commission. . . .
>
> Both the Tariff Commission bill and the Ways and Means Committee bill vary from the present tariff with respect to the classification of merchandise. In regard to many articles, it is utterly impossible to institute any comparison between either of those bills and the present law.[134]

The Tariff Commission report made regular reference to two increasingly popular ideas in economic thinking: that tariffs should be set to equalize foreign and domestic production costs, and that this could be done "scientifically"—that is, on the basis of data, not politics. The Tariff Commission said it did not have the capacity to scientifically analyze tariffs and that, in any case, scientifically set tariffs would be enormously disruptive of markets in the near term.

With the expansion of U.S. industry and the working class in this period, tensions between capital and labor increased. As one response, several states created labor statistics bureaus to gather information to inform public opinion and policy. Congress followed suit in 1884 and set

[133] *Ibid*., 5.
[134] Bureau of Statistics, *Comparative Duties and the Relation of the Treasury Department to Tariff Legislation*, 1883, 4–5. With control of the House set to shift to the Democrats as a result of the 1882 midterm elections, in March 1883 the lame duck Republican Congress passed the "Mongrel Tariff," a mixture of tariff increases and modest reductions.

up a Bureau of Labor in the Department of the Interior. In January 1885, Carroll Wright, head of the Massachusetts labor statistics bureau, became the first U.S. Commissioner of Labor.[135] However, labor interests were unhappy with the narrow scope of the new bureau and sought to have it transformed into an independent Department of Labor. In 1888, Congress created the new department, without Cabinet status, but with Wright still at the helm.[136]

A few years earlier, Wright had presented a paper in which he described the methods by which tariffs could be set scientifically.[137] As Congress was crafting the legislation to establish the Department of Labor, Wright convinced it to include a mandate for the new department to produce data for scientific tariff-setting:

> [T]he Commissioner of Labor . . . is specially charged to ascertain, at as early a date as possible, and whenever industrial changes shall make it essential, the cost of producing articles at the time dutiable in the United States, in leading countries where such articles are produced, by fully specified units of production, and under a classification showing the different elements of cost, or approximate cost, of such articles of production, including the wages paid in such industries per day, week, month, or year, or by the piece; and hours employed per day; and the profits of the manufacturers and producers of such articles; and the comparative cost of living, and the kind of living.[138]

Congress also told the Labor Department to prepare the industrial reports that the Treasury Department was not providing: "[The Commissioner] shall also establish a system of reports by which, at intervals of not less than two years, he can report the general condition, so far as production is concerned, of the leading industries of the country."

To fulfill the charge to provide data for scientific tariffs, Wright published two massive reports—one in 1890 on iron, steel, and coal and one in 1891 on textiles and glass. Each report covered the costs of production, wages, and cost of living. These industries were chosen because they represented a substantial proportion of dutiable imports. However, according to historian Joseph Kenkel, "Wright's reports demonstrated the near futility of any attempt to construct a tariff system that would equalize the difference between domestic and foreign

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[135] In a letter to the Interior Secretary soon after his appointment, Wright "pointed out that the Bureau could not be expected to solve industrial or social problems, but that 'its work must be classed among educational efforts,' and expressed the conviction that, by judicious investigation and fearless publication of results, it 'should enable the people to comprehend more clearly and fully many of the problems which now vex them.'" Cummings, *op. cit.,* 635.
[136] The new department's overall mission was "to acquire and diffuse among the people of the United States useful information on subjects connected with labor."
[137] Carroll D. Wright, "The Scientific Basis of Tariff Legislation," address to the American Social Science Association, September 10, 1884.
[138] Fiftieth Congress, sess. I, Chapter 389, 1888.

costs. He presented a mass of statistics arranged in hundreds of tables but from these one could not compute a precise figure that would represent a manufacturer's advantage."[139]

Regarding the department's charge to provide a biannual overview of U.S. industries, Wright said he was postponing that duty until after the completion of the 1890 Census, emulating Francis Walker's action of 20 years earlier. It does not appear that Wright ever fulfilled this charge.

While Wright's reports demonstrated the great difficulty of scientifically setting tariffs, "they did not discourage belief in the hypothesis" that it was possible to do so.[140] The concept of scientific tariffs, and their attractiveness as a means to bypass politics, remained central in Congressional tariff-setting discussions.

In the meantime, Wright's office pursued an additional line of tariff-related inquiry requested by the Senate Finance Committee, chaired by Nelson Aldrich of Rhode Island. In March 1891, the Senate resolved:

> That the Committee on Finance be . . . authorized and directed . . . to ascertain in every practicable way, and to report from time to time to the Senate, the effect of the tariff laws upon the imports and exports, the growth, development, introduction, and prices of agricultural and manufactured articles, at home and abroad; and upon wages, domestic and foreign.[141]

The committee sought to use statistics to determine the effect of tariffs on consumer welfare. At the request of the Finance Committee, the Department of Labor produced a series of large volumes providing time series on retail prices and wages (1892) and wholesale prices and wages (1893). However, the Senate Finance Committee did not attempt to use these data to carry out its charge. It indicated: "Any attempt to trace the results shown by the report to their original causes would undoubtedly lead to a divergence of opinion among the members of the

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[139] Joseph F. Kenkel, *Progressives and Protection: The Search for a Tariff Policy, 1866–1936* (Lanham: University Press of America, 1983), 28–29. For context, in 1890 Congress passed the McKinley Tariff, which substantially raised tariff levels.
[140] *Ibid*., 31.
[141] Senate Finance Committee, *Wholesale Price, Wages, and Transportation,* Report 1394, Part 1, March 3, 1893, 5.

committee and possibly add nothing to the economic value of the investigation."[142] At the same time, the Labor Department's work reflected substantial advancements in statistical science.[143]

In 1898, in response to concerns about industrial monopolies, railroad pricing, and the impact of immigration on labor markets, Congress created an Industrial Commission with a mix of Congressional and Presidential appointees.[144] The Commission was given a broad mandate "to investigate questions pertaining to immigration, to labor, to agriculture, to manufacturing, and to business, and to report to Congress and to suggest such legislation as it may deem best upon these subjects." The Commission produced 19 large volumes on all these subjects. In its final report, the Commission recommended the creation of:

- a department of commerce and industry with functions that included recommending tariff modifications in light of economic changes, reciprocal opportunities, and "any evils incident to combinations," and
- a commission to examine and report on "what concessions in duties may be made without endangering wages or employment at home" to address "the practice by some exporters of making lower prices abroad than at home . . . ." [145]

In its pursuit of reliable data for tariff-setting, by the early 20th century Congress was able to take advantage of improvements in administrative capacity and practice, accounting and

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[142] *Ibid.,* 5–6. For context, Congress passed the Wilson-Gorman Tariff in 1894 and the Dingley Tariff in 1897. The former, passed by a Democratic Congress, lowered tariffs somewhat, and the latter, passed by a Republican Congress, raised them back.
[143] According to an assessment published in 1918: "These reports, extending back, in the case of wholesale prices and wages, over a period of more than fifty years, presented one of the most detailed compilations of price and wage data which had been undertaken by any government, and provided the raw material upon which exhaustive studies of the course of prices in the United States since the Civil War have been based. The data of the Aldrich reports are still used in determining index figures of price movements in tables extending over this period." Cummings, *op. cit.*, 683.
[144] Eric Arnesen, *Encyclopedia of U.S. Labor and Working-class History, Volume 1*, (New York: Taylor & Francis, 2007), 1451.
[145] *Final Report of the Industrial Commission,* vol. XIX, 1902, 651. The full text of these recommendations:

- [I]f a department of commerce and industry shall be established, one of its functions should be to call attention from time to time to such economic changes in the world's progress as may suggest tariff modifications, and also to such commercial opportunities as may suggest reciprocal legislation or arrangements, and furthermore to any evils incident to combinations which changes in the tariff will correct.
- [I]n view of the extent and perfection of our manufactures, of our growing export trade and the sharp competition it encounters in foreign markets, of the practice by some exporters of making lower prices abroad than at home, and of the desirability of protecting the consumer as well as the producer, without awaiting other legislation, the Congress provide for a commission to investigate and study the subject, and to report as soon as possible what concessions in duties may be made without endangering wages or employment at home, what advantages abroad may be obtained therefor, and also to suggest measures best suited to gain the ends desired.

statistics, education and training, communications technologies, calculating machines, civil service, and understanding of the relative effectiveness of various roles of Congress in governance. In the century's first decade, Congress chartered several new executive branch organizations to facilitate, direct, and organize the collection, analysis, and dissemination of socioeconomic statistics. Compared to the 19th century, Congress was more directive and specific about duties and responsibilities. After many not particularly successful experiments, it had learned much about the extent and nature of the capacity and effort required to generate useful, reliable data and analysis.

To begin, in 1902, Congress created a permanent Census Bureau, as part of the Department of the Interior. In 1903, after decades of consideration, Congress established a new Department of Commerce and Labor, with four units focused on statistics:

- The Census Bureau was transferred to the Commerce and Labor Department from the Interior Department.
- The Statistics Bureau in the Treasury Department and the Bureau of Foreign Commerce in the State Department (the renamed unit created in 1856) were combined into one Bureau of Statistics in the Department of Commerce and Labor. The law creating the new Statistics Bureau was eight pages in length. Reflecting prior learning, it included directions to customs collectors regarding accounting procedures.
- The Department of Labor was transferred into Commerce and Labor as the Bureau of Labor. The new bureau retained the authorities and mandates of the former department, including collecting data for scientifically determining tariffs. Carroll Wright continued as Commissioner of Labor.
- A new Bureau of Manufactures was established in the Department of Commerce and Labor "to foster, promote and develop the various manufacturing industries of the United States, and markets for the same at home and abroad, domestic and foreign, by gathering, compiling, publishing, and supplying all available and useful information concerning such industries and such markets, and by such other methods and means as may be prescribed by the Secretary or provided by law."

These four entities had somewhat overlapping responsibilities for generating statistics, which suggests that Congress was not fully rational in its organization of the new department. The Census Bureau was told to conduct the census of manufactures in 1905 and every 10 years thereafter. The Statistics Bureau was given the Treasury Department's 1866 mandate to prepare for Congress's use statistics of manufacturing in the United States. The Bureau of Labor kept its mandates to collect the data needed to scientifically set tariffs on manufactured goods and biennially report on the conditions of individual U.S. industries. And the Bureau of

Manufactures was to prepare “all available information” on manufacturing industries and their markets.

The Bureau of Manufactures soon underwent further development. On becoming operational in 1905, it took over the Statistics Bureau’s duties of preparing the annual commercial relations report and a compendium of foreign tariffs.[146] In 1906, it established an “intelligence office” to identify trade opportunities in foreign markets. So it might have a private sector partner to which to pass the identified opportunities, in 1912 the bureau organized a conference of business associations and chambers that led to the founding of the U.S. Chamber of Commerce.

The century’s second decade saw continued extensive Congressional efforts to generate information to guide tariff-setting. In 1911, Congress funded a new Division of Foreign Tariffs in the Bureau of Manufactures “because of the many measures under consideration in Congress that required, for their careful study, a knowledge of foreign legislation.”[147] Then, in 1912, Congress combined the Bureau of Manufactures and the Bureau of Statistics into the Bureau of Foreign and Domestic Commerce (BFDC) and transferred to the BFDC the Labor Bureau’s duties to collect the data for scientifically setting tariffs. As authorized by Congress, the BFDC set up a Cost of Production Division, which soon initiated investigations of the pottery and clothing industries. In 1913, Congress created a new Department of Labor (Cabinet-level this time), changed the name of the Department of Commerce and Labor to the Department of Commerce, and moved the Bureau of Labor into the new labor department as the Bureau of Labor Statistics (BLS).

This last reorganization has largely held for over 100 years. The organizational locations of BLS and the Census Bureau are the same as in 1913. In the mid-20th century, the BFDC was divided into units that became what now are the International Trade Administration and the Bureau of Economic Analysis, both in the Department of Commerce. In sum, Congressional efforts to develop useful statistics on trade and manufacturing provided the foundation for today’s federal economic statistics agencies.

Congress pursued a second organizational path that led to the creation of the U.S. Tariff Commission in 1916. Tariff-setting remained a major political battleground in the early 20th century.[148] Proposals were regularly put forward to create an independent board to scientifically settle tariff questions on the basis of data analysis. Complicating matters was the

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[146] Cummings, *op. cit*., 627.
[147] Secretary of Commerce and Labor, “Report of the Secretary of Commerce and Labor,” *Reports of the Department of Commerce and Labor: 1912,* 1913, 76.
[148] Congress passed the Payne-Aldrich Act of 1909, which raised tariffs. However, by this time, Republican reformers wanted lower tariffs, so the new law exacerbated a rift in the Republican Party.

growing need for the federal government to create workable mechanisms for constructing reciprocal trade agreements with other nations.

In the Payne-Aldrich Tariff Act of 1909, Congress gave the President some flexibility to adjust tariffs and the authority to hire experts to help him in this process. President William Howard Taft, a proponent of scientific tariff-setting, used this opening to appoint a three-person Tariff Board with three mandates:

- To cooperate with the State Department in administering "the maximum and minimum clause" of the Payne-Aldrich Act,
- "To make a glossary or encyclopedia of the existing tariff" to make it understandable to the ordinary reader, and
- "To investigate industrial conditions and costs of production at home and abroad with a view to determining to what extent existing tariff rates actually exemplify the protective principle, viz., that duties should be made adequate, and only adequate, to equalize the difference in cost of production at home and abroad."[149]

The Tariff Board sent two large reports to Congress—on Schedule K (Wool) in 1911 and Schedule I (Cotton) in 1912. In the letter transmitting the second report, President Taft highlighted the value of the Tariff Board in setting appropriately lower tariffs; noted the difficulty in measuring differences in domestic and foreign costs of production; said he "directed the board to take up the metal schedule, the leather schedule, the chemical schedule, and the sugar schedule"; and hoped that Congress would provide the funds so the Board could continue its important work.[150]

As had been the case previously, many members of Congress did not like the idea of cutting tariffs. For other reasons, tariff reductionists were also unhappy with the Tariff Board reports. So Congress did not provide appropriations in 1912 to continue the Tariff Board.[151] Instead, in

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[149] Tariff Board, Wool and Manufactures of Wool: Report of the Tariff Board on Schedule K of the Tariff Law, 1911, 3.
[150] Tariff Board, *Cotton Manufactures: Report of the Tariff Board on Schedule I of the Tariff Law,* 1912, 5.
[151] William Becker, *The Dynamics of Business-Government Relations: Industry and Exports, 1893–1921* (Chicago: University of Chicago Press, 1981), 86.

establishing the BFDC that year, Congress gave the new agency the responsibility for conducting comparative cost of production studies.[152]

Control of both elected branches of government shifted to the Democrats in 1913. That year, the new Congress assessed income taxes (after the ratification of the 16th Amendment); passed the Underwood-Simmons Tariff Act of 1913, which cut tariffs to their lowest levels since the Civil War; and created the separate Department of Labor.

In 1916, Congress passed the Revenue Act, which raised internal revenue. In light of its relatively positive view of Taft's Tariff Board, the Democratic Congress included a Title VII of the Revenue Act establishing the U.S. Tariff Commission. The law gave the Tariff Commission a mandate to investigate and report on a wide range of topics and reflected Congressional efforts and learning over the previous century and a quarter.[153] That said, the role of this new entity was less focused on the Republican interest—scientific tariff-setting—and more on the Democratic concern—research and education regarding the consumer welfare impacts of tariff legislation.[154] The Tariff Commission's mission was akin to that of the state and federal bureaus of labor created three decades previous, to inform and raise the quality of public discussion. Chapter 3 examines the making of the Tariff Commission in substantial detail.

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[152] The BFDC was given authority to "ascertain, at as early a date as possible, and whenever industrial changes shall make it essential, the cost of producing articles at the time dutiable in the United States, in leading countries where such articles are produced, by fully specified units of production, and under a classification showing the different elements of cost, or approximate cost, of such articles of production, including the wages paid in such industries per day, week, month, or year, or by the piece; and hours employed per day; and the profits of manufacturers and producers of such articles; and the comparative cost of living, and the kind of living; what articles are controlled by trusts or other combinations of capital, business operations, or labor, and what effect said trusts, or other combinations of capital, business operations, or labor have on production and prices." Quotation of legislation from Secretary of Commerce and Labor, "Report of the Secretary of Commerce and Labor," *Reports of the Department of Commerce and Labor: 1912,* 1913, 12. The report goes on to say that "With proper appropriations the Bureau is thus in a position to pursue investigations in relation to tariff and similar questions affecting commerce."

[153] The Tariff Commission had the legal mandate to investigate and report on:

- "The administration and fiscal and industrial effects" of U.S. customs laws, present and future.
- How rates of duty on raw materials related to those finished or partly finished products.
- The effects of *ad valorem* and specific duties, both single and compound.
- "All questions relative to the arrangement of schedules and classification of articles in the several schedules of the customs law."
- The operation of customs laws, including how they affected federal revenues, industry, and labor.
- The tariff relations between the United States and foreign countries, including "the volume of importation compared with domestic production and consumption," commercial treaties, preferential provisions, economic alliances, export bounties, and preferential transportation rates.
- "[C]onditions, causes, and effects relating to competition of foreign industries with those of the United States, including dumping and cost of production."

[154] Karen Schnietz, "Democrats' 1916 Tariff Commission: Responding to Dumping Fears and Illustrating the Consumer Costs of Protectionism," *Business History Review* 72, no. 1 (Spring 1998), 1–45.

Conclusion

This chapter highlights the uneven, sometimes painful, forward progress made by successive Congresses, from the First to the Sixty-Fourth, in creating the federal capacity to produce data and analyses for tariff-setting. The box below lists the milestones in the four realms mentioned earlier—statistics, analysis, administration, and nonpartisanship. The bullets represent a remarkable story of aspiration, effort, failure, and success. Hopefully, they provide useful context for the discussions of the history of the U.S. Tariff Commission and the U.S. International Trade Commission that follow.

Box 2.2: Milestones in the development of statistics and analysis for Congressional tariff-setting

Statistics

- 1792–98 – Mandated trade reports based on administrative records
- 1810 – First attempt at census of manufactures
- 1820 – One regularized set of trade reports
- 1850 – First reliable census of manufactures
- 1867 – Del Mar accounting methods
- 1877 – Evaluation of Bureau of Statistics
- 1884 – Wright's paper on scientific tariff-setting
- 1890–93 – Department of Labor reports on costs of production and prices

Analysis (mandated plans, reports, advice)

Treasury Department

- 1790 – Hamilton's report on the public credit
- 1791 – Hamilton's manufacturing plan
- 1810 – Gallatin's manufacturing plan
- 1815 – Dallas's tariff plan
- 1832 – McLean's manufacturing plan
- 1844 – Annual economic report

State Department

- 1842 – Annual report on commercial relations

Advisory commissions, boards, and offices

- 1865 – U.S. Revenue Commission
- 1866 – Special Commissioner of the Revenue
- 1882 – U.S. Tariff Commission
- 1891 – Senate Finance Committee special study
- 1898 – U.S. Industrial Commission
- 1909 – Tariff Board
- 1912 – Cost of Production Division, Bureau of Foreign and Domestic Commerce
- 1916 – U.S. Tariff Commission

Administration

- 1856 – Office of Superintendent of Statistics, State Department
- 1866 – Bureau of Statistics, Treasury Department
- 1888 – Department of Labor
- 1902 – Census Bureau
- 1903 – Department of Commerce and Labor (Bureau of Statistics, Bureau of Manufactures, Bureau of Labor)
- 1912 – Bureau of Foreign and Domestic Commerce
- 1913 – Bureau of Labor Statistics, Department of Labor

Nonpartisanship

- 1867–69 – Views of David Wells, Special Commissioner of the Revenue
- 1882 – Views of U.S. Tariff Commission
- 1884 – Wright's paper on scientific tariff-setting
- 1909 – Tariff Board
- 1912 – BFDC mandate to study comparative costs of production
- 1916 – U.S. Tariff Commission