

Chapter 3

The Creation of the U.S. Tariff Commission

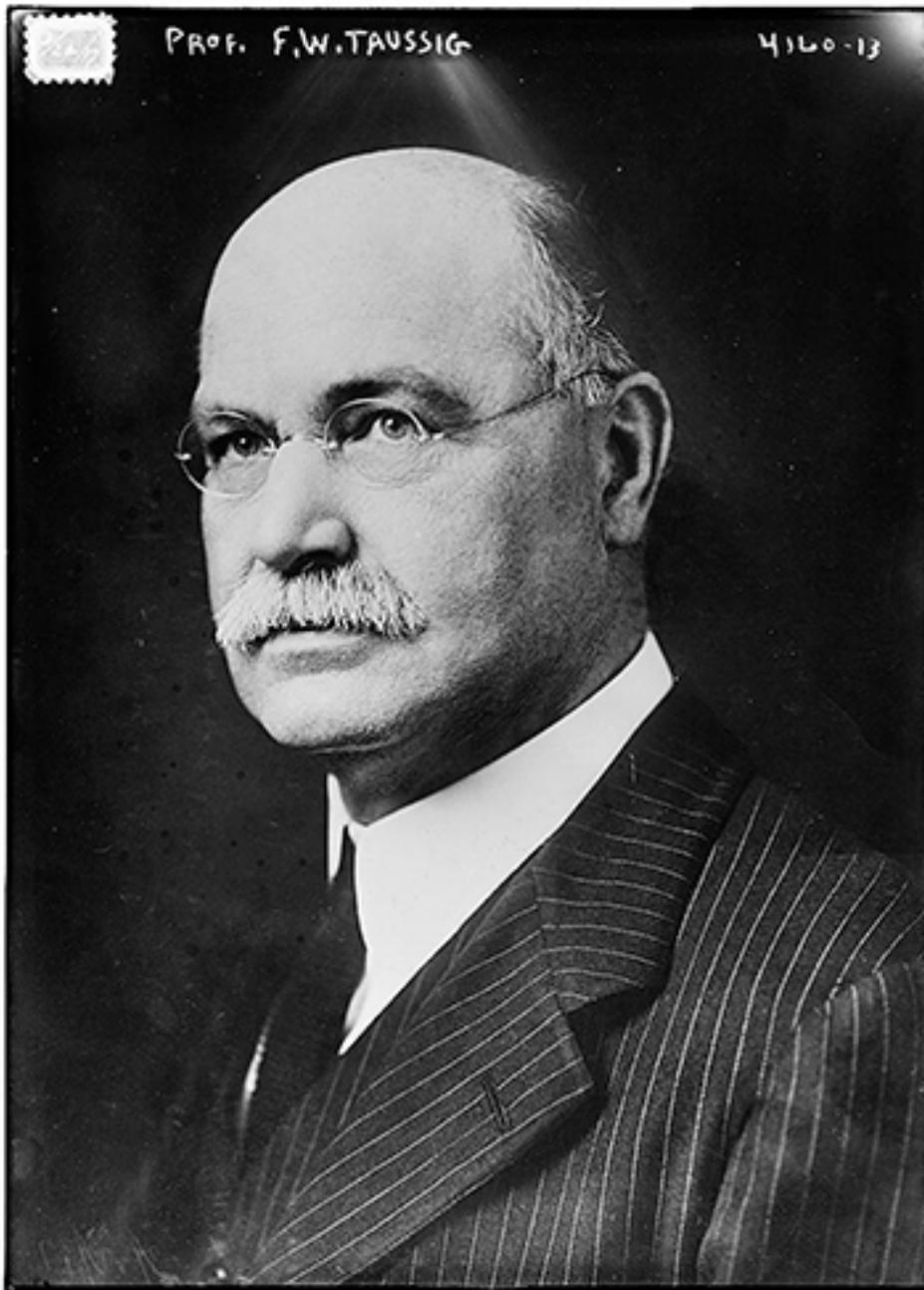


Photo: Frank Taussig, the first Commission Chairman.

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Introduction

The great movement for economic and political reform that swept the nation in the early 20th century—the movement that historians commonly refer to as “progressivism”—provided the impetus for the creation of the U.S. Tariff Commission. At the national level, the progressive movement had as one of its major targets the tariff system that had emerged from the American Civil War. The high-water mark of progressive reform of tariffs was the enactment in 1913 of the Underwood-Simmons Tariff Act as a central expression of the “New Freedom” agenda that President Woodrow Wilson had championed in his successful bid for the presidency in 1912. (The sponsors of the act were Oscar W. Underwood, a Democratic Representative from Alabama, and Furnifold M. Simmons, a Democratic Senator from North Carolina.) In framing this agenda Wilson called for sweeping reforms that would constrain corporate power and expand economic opportunities for middle-class Americans. The result was an unprecedented burst of federal legislation. It began with the Underwood-Simmons Tariff (referred to below as the Underwood Tariff) and was followed in short order by the Federal Reserve Act (1913), the Federal Trade Commission Act (1914), and the Clayton Antitrust Act (1914). In the process of enacting these measures Wilson displayed more effective executive leadership than had any another President since Abraham Lincoln. And, the measures themselves permanently expanded the role of the federal government in the economy and, at the same time, enhanced the power of the executive branch.

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The creation of the Tariff Commission in 1916 was not, however, part of Wilson's New Freedom agenda, and he did not propose it until near the end of his first term in office. In fact, the idea of a Tariff Commission represented a departure from the New Freedom program of 1913. To explain how and why the Tariff Commission was a departure, it is necessary to understand the solidification of the tariff system during the Civil War era, the calls to reform that system in the late 19th century, the influence of President Wilson and his "New Freedom," and, finally, the tumultuous economic and political events between 1913 and 1916.¹⁵⁶

¹⁵⁶ Historians who have written broad-scope works on the tariff system, the economic history of the last century, politics and the progressive movement of the early twentieth century, or business-government relations have paid relatively little attention to the founding of the Tariff Commission. Even Frank W. Taussig's *The Tariff History of the United States, the Eighth Revised Edition* (New York: Capricorn Books, 1964), which still reigns as the most important survey of tariff history, devoted only a few pages (481–87) to the Tariff Commission. (The eighth edition first appeared in 1931.) There is relatively little as well on the founding of the Commission in the superb survey of U.S. trade and related industrial policies by Alfred E. Eckes, Jr., *Opening America's Market: U.S. Foreign Trade Policy since 1776* (Chapel Hill: University of North Carolina Press, 1995), 86–88, 261. Also brief is historian John Dobson's narrative of the founding of the Commission in his *Two Centuries of Tariffs: The Background and Emergence of the U.S. International Trade Commission* (Washington, DC: GPO, December 1976), 83–91. Paul Wolman, in his account, provides a trenchant linkage between U.S. tariff policy and expansionist ambitions, but ends his main narrative with only a brief analysis of the Wilson administration's shift of support to the formation of the Tariff Commission. See Wolman, *Most Favored Nation: The Republican Revisionists and U.S. Tariff Policy, 1897–1912* (Chapel Hill: University of North Carolina Press, 1992), 206–8. But a number of specialized works explore the founding of the Commission with insight and depth. The most important is Joseph F. Kenkel's *Progressives and Protection: The Search for a Tariff Policy, 1866–1936* (Lanham, MD: University Press of America, 1983), 37–117. In it, he concluded that the founding of the Commission reflected Wilson's belief that a tariff commission was necessary, in his words, "to prepare for the formulation of commercial policy for the new world"—a world of nationalism, "commercial rivalries and trade wars"—and to "educate the public, businessmen, and politicians, so that they might understand how duties actually affected American commerce and industry" (116–17). Arthur S. Link wrote a short but influential history of the founding. He regarded it as representing an effort by Wilson "to build support for a broad new coalition of Democrats, independents, and former Progressives" and "a movement in Wilson's thought" and "policies toward protectionism in particular circumstances and the idea that tariff policies should be used to encourage national economic development." See Link, *Wilson: Confusions and Crises, 1915–1916* (Princeton: Princeton University Press, 1964), 341–45. Writing in the field of business-government relations, William H. Becker saw the founding as signifying a shift by President Wilson in his attitudes toward protection and an effort on Wilson's part to attract business support. See Becker, *The Dynamics of Business-Government Relations: Industry and Exports, 1893–1921* (Chicago: University of Chicago Press, 1982), 86–89. More recently, an excellent article by business historian Karen E. Schnietz emphasized, as did Link, Wilson's partisan motivations and agreed with Kenkel that Wilson hoped the Commission "would educate the electorate on the consumer welfare costs of tariff protection, thereby undermining electoral support for the Republican party and their protectionist tariff policies." See Schnietz, "Democrats' 1916 Tariff Commission: Responding to Dumping Fears and Illustrating the Consumer Costs of Protectionism," *Business History Review* 72 (Spring 1998), 1–45. Schnietz usefully combed thoroughly the historical literature on progressivism for references to the Tariff Commission (see 2–7). In an earlier, preliminary essay, she examined the educational mission of the Commission. See "The 1916 Tariff Commission: Democrats' Use of Expert Information to Constrain Republican Tariff Protection," *Business and Economic History* 23 (Fall 1994): 176–89.

The Civil War Tariff System

Before the Civil War, the United States government seemed to be headed toward the embrace of free trade. Beginning in 1833, Democratic Presidents and Congresses ended an experiment with tariffs that protected American manufacturers and began reducing those tariffs. In so doing the Democrats followed the actions of the British Liberals, who in the 1820s had begun a gradual shift to a free-trade regime. The repeal of the British Corn Laws in 1846 marked roughly the halfway point in Britain's 19th-century reduction of the average tariff rate. With the enactment of the Walker Tariff in the same year, the United States appeared to be following suit. But during the Civil War the United States adopted a trade policy that was rigorously protectionist, and maintained that policy for over two generations. Congress frequently revised tariff schedules but left intact the basic structure of the tariff system. High tariffs remained until the Underwood Tariff significantly reduced the Civil War rates in 1913. Until then, the ratio between duties and the value of dutiable goods rarely dropped below 40 percent and was frequently close to 50 percent. The highest tariff rates were imposed on manufactured goods – particularly metals and metal products (including iron and steel), cotton textiles, and certain woolen goods. On many manufactured items, the rate of taxation reached 100 percent. By 1872, tariff duties dominated federal tax revenues. They would continue to do so until 1911 except during the Spanish-American War and its immediate aftermath. With only slight exaggeration, economist Peter Lindert has written, “Throughout the long era from 1861 to 1933, the United States competed with Russia as the most protectionist of the major powers.”¹⁵⁷

The structure of the American and international economies and fundamental institutional arrangements had much to do with the ability of protectionism to become established in the United States and to survive well into the 20th century. American manufacturers, who remained relatively small in scale in their operations (and largely unincorporated) until the 1870s and 1880s, worried about competition from British manufacturers, who often seemed to be ahead in the process of industrial revolution. Once the Civil War had removed Southern advocates of free trade or low tariffs from Congress, the way was open for these nervous manufacturers to work through the now-dominant Republican Party to raise tariff barriers.

¹⁵⁷ Peter H. Lindert, “U.S. Trade and Trade Policy in the Twentieth Century,” in Stanley L. Engerman and Robert E. Gallman, *The Cambridge Economic History of the United States: Volume III, The Twentieth Century* (Cambridge: Cambridge University Press, 2000), 454. On the repeal of the Corn Laws as the “mid-point of a long period of decline in the average tariff,” see Martin Daunton, *Trusting Leviathan: The Politics of Taxation in Britain, 1799–1914* (Cambridge: Cambridge University Press, 2001), 169. The Corn Laws, enacted in 1815, had established high tariffs on “corn,” meaning any grain that required grinding. The primary goal was to protect domestic wheat farmers. For a summary of the federal tax and fiscal system from the Civil War down to 1913, see W. Elliot Brownlee, *Federal Taxation in America: A History*, Third Edition (Cambridge: Cambridge University Press, 2016), 69–92.

Once the barriers were in place, the protected manufacturers were reluctant to risk taking them down.

A provision of the U.S. Constitution lent added force to a protective tariff system. Article I, Section 8 required that direct taxes be allocated to the states according to the distribution of the population. The Constitutional provision effectively ruled out the use by the federal government of property or income taxation except under very unusual circumstances. Until the passage of the 16th amendment in 1913 allowed federal income taxation, the U.S. government had to rely almost entirely on excise taxes and tariffs for its tax revenues. So long as the scope of the federal government was reasonably modest, the level of tariffs was modest as well and involved relatively little protection. But whenever the activities of the federal government expanded significantly, its revenue requirements increased and tariffs rates had to go up.

During the 19th century, the most dramatic increase in the federal government came during and after the Civil War; tariff rates rose partly to finance new programs, such as the Civil War pension system, and partly to pay off the massive war debt. Industries or localities that sought to use tariffs for protection against foreign competition found that they had strong allies among those who reaped benefits from the spending of tariff revenues. Thus, the tariff won broad political support as both a revenue engine and an instrument of nationalistic protection.

Joining the industrialists who helped keep protection in place were workers who attributed their high wages (relative to European wages) not so much to American productivity or labor shortages as to the ability of the tariff to shield them from the competition of cheap foreign labor. Reinforcing this popular attitude was a widespread, nationalistic belief that free trade had historically benefited Great Britain more than its trading partners, including the United States.

The supporters of tariffs also included powerful groups that, under different international circumstances, would have probably sought to reduce tariff restrictions on trade. Investment bankers, for example, valued the way in which protectionism restricted the spending of Americans on imports and thus helped conserve American reserves of foreign exchange like gold and the pound sterling. This policy, in turn, facilitated the servicing of America's foreign debts, the most significant of which were held by British investors.¹⁵⁸ The policy was especially helpful during the economic crises of the 1870s and 1890s, when American reserves of foreign exchange (i.e., gold under the gold standard) became depleted. The American investment bankers also appreciated how tariff barriers encouraged British manufacturers to make direct investments in new plants within the United States and thus slip around the tariffs.

¹⁵⁸ For a superb history of investment from abroad, see Mira Wilkins, *The History of Foreign Investment in the United States to 1914* (Cambridge: Harvard University Press, 1989).

Finally, during the 1880s and 1890s many American exporters recognized that Great Britain remained firmly committed to free trade regardless of what protectionist policies other European nations—especially Germany and the United States—adopted. So long as this remained the case, American exporters to Britain or to British-controlled markets, such as Canada and much of Latin America, could enjoy the benefits of free trade without having to sacrifice domestic protection. In other words, as political scientist David Lake has written, “As an opportunist within a structure of British hegemony, the United States had the ability to free ride.”¹⁵⁹

The exporters who took advantage of the free ride included manufacturers who had relatively little need for protection but saw no reason to take the additional risk of opening the domestic American market to foreign competitors. That market was enormous. By 1900 the American economy had grown to become the world’s largest economy in the world. But, because of the huge domestic market, in the years just before World War I foreign trade constituted only about 11 percent of national product. In contrast, foreign trade accounted for 44 percent of national product in the U.K., 54 percent in France, and 38 percent in Germany.¹⁶⁰

Challenges to Protectionism, 1865–1907

After the Civil War, the Democratic Party attempted to challenge the protectionist system and made an appeal for tariff reductions an important part of their broader critique of the ambitious governmental programs that the Republican Party had established during the Civil War. During the depressions of the 1870s and 1890s, the Democrats had some success in eroding Republican control of the national government, but on the whole, until the 1930s the Republican Party commanded the political loyalty of most Americans. The popularity of the broadly nationalistic agenda of the Republican Party reinforced the sacrosanct position of protectionism. Nonetheless, after the Civil War, the two competing political parties based their economic appeals heavily on sharply conflicting ideological views of the tariff. The conflicting party identities would have a major influence on tariff politics and policy for nearly a century.¹⁶¹

In the late 1890s significant shifts in the structure of the economy set the stage for tariff reform that would challenge Republican protectionist orthodoxy. One shift was in international economic relations, resulting in the end of the free ride that American exporters had enjoyed as

¹⁵⁹ David Lake, *Power, Protection, and Free Trade: International Sources of U.S. Commercial Strategy, 1887–1939* (Ithaca: Cornell University Press, 1988), 92.

¹⁶⁰ W. Elliot Brownlee, *The Dynamics of Ascent: A History of the American Economy*, Second Edition (New York: Alfred A. Knopf, 1979), 354.

¹⁶¹ On the partisan and ideological nature of tariff debates in the late nineteenth century, see Tom E. Terrill, *The Tariff, Politics, and American Foreign Policy, 1874–1901* (Westport: Greenwood Press, 1973), especially 210–17. Also helpful on this issue is Dobson, *Two Centuries of Tariffs* (1976), 5–24, 45–71.

a consequence of British free trade. In the late 1890s, British loyalty to free trade began to wane, to a large extent because of the increasing competitive power of German and American producers. As American exporters took stock of their free rider position in the face of the British shift, many became attracted to what one historian has called tariff “revisionism.”¹⁶²

The exporters did not embrace free trade; far from it. But they developed a taste for measures that would enhance the power of the American government to bargain with other nations over tariffs and other trade barriers. They became attracted to reciprocal trade agreements, to legislation that would allow the president to set tariff rates within legislated maximum and minimum rates, and to the creation of a quasi-administrative body like a tariff commission that would remove tariff agreements from the exclusive domain of Congressional policy-making. An especially attractive model was found in the work of a German imperial commission that began in the late 1890s. In 1902 the commission brought about a comprehensive revision of the German tariff system. The German government used the new schedules, which included dual maximum and minimum rates, as the basis for what became intense and effective negotiations with Germany’s trading partners.¹⁶³

The leaders in promoting the tariff revisionism that began in the 1890s were relatively small manufacturers, merchants, and shippers organized in groups like the National Association of Manufacturers (NAM), the National Association of Agricultural Implement and Vehicle Manufacturers (NAAIVM), and the Merchants Association of New York (MANY). Herbert E. Miles, a president of the NAAIVM and Chair of the Tariff Committee of the NAM, later dubbed himself the “Father of the Tariff Commission.” Miles was a leading manufacturer of carriages and farm tools in Wisconsin and joined tariff reform because he had become convinced that the political power of large steel corporations had succeeded in establishing a high tariff on imported steel and generating monopoly profits.¹⁶⁴

Not surprisingly, America’s most advanced industrial corporations and investment bankers did not lead this movement for tariff reform, and few participated in it. The reasons for their reluctance varied. Some, to be sure, just as Miles suggested, earned monopoly profits. Others had relatively little interest in reaching beyond the huge domestic market and regarded tariff reform as unnecessary risk taking. Even highly competitive manufacturers like International Harvester, Singer, and Colt, all of which successfully expanded abroad, had little enthusiasm for any form of tariff reduction. They competed successfully with European manufacturers, and

¹⁶² Wolman, *Most Favored Nation* (1992), introduced and defined on xi.

¹⁶³ Kenkel, *Progressives and Protection* (1983), 46; Wolman, *Most Favored Nation* (1992), 56–57; and N. I. Stone, “How the Germans Revised Their Tariff,” *American Review of Reviews*, December (1905): 719–21.

¹⁶⁴ On Herbert E. Miles, see Kenkel, *Progressives and Protection* (1983), 48, 50–51; and N.I. Stone, *One Man’s Crusade for an Honest Tariff* (Appleton: The Lawrence College Press, 1952), 1–67.

when they faced tariff barriers, they had often succeeded in expanding markets by making direct investments, thus bypassing the barriers.

Tariff revisionism, even without the backing of the largest corporations, won considerable support within Republican circles from groups that had very different economic interests. The small manufacturers and merchants supported tariff revisionism, but so did many rent-seeking protectionists who viewed it as a movement they could co-opt and thus blunt. Consequently, Congress and Republican presidents experimented with various reciprocal trade agreements between 1897 and 1909. However, because of the continuing power of protectionists reciprocity accomplished relatively little in the way of tariff reduction.

At the same time that tariff revisionism won support within the business community and the Republican Party, a broadly based movement also grew that called for more drastic reductions of tariffs. In fact, the latter movement became a swelling tide, sweeping up not only Democrats but also many Republicans. Democrats suddenly had potential Republican allies in mounting a more radical challenge to protectionism than the one that tariff revisionism had offered. Two significant economic changes drove this movement: inflation and a wave of corporate mergers. Many workers and urban consumers attributed the significant inflation that had developed in the late 1890s to protective tariffs. In addition, a broad swath of the public, particularly in the Midwest and South, worried that tariffs fostered monopoly by shielding industrial combinations from the discipline of foreign competition.

These concerns attracted widespread support among Democrats and voters who had supported the Populists during the 1890s. But many Midwestern and Western Republicans shared those concerns, and they produced a major rift within the Midwestern Republican Party. These insurgent Republicans generally supported what became known in 1902 as the “Iowa idea” when it was ensconced in the platform of the Iowa Republican Party. The plank denounced the tariff for fostering corporate monopolies and called for “modifications of the tariff schedules” that would be “required to prevent their affording shelter to monopoly.”¹⁶⁵

The Tariff Board, 1907–10

Efforts to heal the breach within the Republican Party over tariff policy intensified after the Panic of 1907 and as a Presidential election neared in 1908. These efforts at compromise sometimes included discussions of the possibility of creating a federal tariff commission. During this period, the public discussion of a tariff commission broadened to include the idea that a commission might do more than promote economic analysis of production and trade during negotiations of reciprocal trade agreements. That is, a commission might also measure the

¹⁶⁵ Quoted by Edmund Morris, *Theodore Rex* (New York: The Modern Library, 2002), 144.

extent to which tariffs reflected or encouraged monopoly pricing. A group of Republican politicians, including Senators Albert J. Beveridge (R-IN) and Robert La Follette (R-WI), and small manufacturers led the way in embracing the creation of a tariff commission as a means of combating monopoly power.

No consensus emerged, however, among either the more moderate revisionists or the antimonopolists, as to how a federal tariff commission should function. Some believed it should be purely or mainly investigatory. Others believed it should just conduct economic analysis without making any recommendations. Still others wanted to give a federal tariff commission the authority to set rates. Among the advocates of a powerful commission, some thought the commission should exercise its authority independently; others in conjunction with Congress or the President.

Such divisions, coupled with the disagreements in objectives among contending Republican groups—protectionists opposed to any tariff commission, tariff revisionists, and anti-monopoly reformers—prevented the Republican Party from endorsing the tariff commission idea in the 1908 Presidential campaign. On more fundamental tariff issues, the fractured Republican Party made only a vague commitment to tariff reform, promising in its platform to adopt rate revisions that would equalize “the difference between the cost of production at home and abroad, together with a reasonable degree of profit to American industries,” and to call immediately a special session of Congress to undertake tariff reform.

The plank left a “reasonable” profit undefined. In fact, the criterion of equalization in the Republican platform plank could be used to justify setting a tariff on any product produced in America at a level that would prevent its importation.¹⁶⁶ The Republican Presidential candidate, William Howard Taft, declared that the Republican Party “must face tariff revision squarely and unhesitatingly,” but he offered no more clarity on reform principles than did his party’s platform.¹⁶⁷

¹⁶⁶ The free-trade economist, Frank W. Taussig, was perhaps the first to make this point, doing so in the 1910 edition of *The Tariff History of the United States*. See 363–64 of the eighth edition (cited in note 156 above) and the same pages of the fifth edition (New York: G.P. Putnam’s, 1910). By the first decade of the 20th century Taussig had become the most prominent American economist studying tariffs and international trade. He had trained in both the fields of law and political economy, taught economics at Harvard from 1886 until 1935, and published the first edition of his *Tariff History* in 1888. In 1911 his widely-read *Principles of Economics* (New York: Macmillan, 1911) appeared. Joseph Dorfman, a noted historian of economic thought, wrote that Taussig “broadened the subject matter of economics, being largely responsible for developing the study of international trade and related fields in the United States.” For a summary of Taussig’s ideas, see Dorfman, *The Economic Mind in American Civilization*, vol. 3 (New York: The Viking Press, 1949), 264–71 and vol. 4 (1959), 236–47. The quotation is from vol. 3, 270. Regarding Taussig’s influence on the creation of the Tariff Commission, see below, 89, 96, 101–102.

¹⁶⁷ Quoted by Doris Kearns Goodwin, *The Bully Pulpit: Theodore Roosevelt, William Howard Taft, and the Golden Age of Journalism* (New York: Simon & Schuster, 2013), 504.

The Democratic Party was somewhat clearer on the matter of tariff reform in 1908. It pledged to focus tariff reform on reducing monopoly profits, and its platform called for eliminating tariff protection for a corporation's product if the product had more than a 50 percent market share. The platform made no mention of a tariff commission.¹⁶⁸

The Republicans prevailed in the 1908 elections, winning the Presidency for Taft and maintaining control of Congress. Taft followed through on his promise to call a special session of Congress early in 1909, and the Republican leadership had sufficient power to safely ignore the Democrats and their free trade ideas. But the Republican leadership also ignored the insurgents within their own party, even though business support for a tariff commission had grown. A new organization, the National Tariff Commission Association (NTCA), founded by Herbert Miles and others within the NAM, organized a dramatic national convention in Indianapolis in February 1909.¹⁶⁹

But in the special session Republican protectionists dominated the drafting of the legislation and largely ignored the tariff commission idea. The result was the Payne-Aldrich Act, named after staunch protectionists Representative Sereno E. Payne (R-NY) and Senator Nelson W. Aldrich (R-RI), the chairs of the House Ways and Means and the Senate Finance Committees. This legislation contained only minimal rate reductions and a modest reformist element—discretion for the President to lower tariff rates slightly as an inducement for nondiscrimination toward American exports. The leadership rejected proposals by Midwestern Republicans to create a tariff commission, out of reluctance to risk undermining Congressional domination of tariff policy or incurring the hostility of corporations that might have to accept commission investigation of their finances. However, as a sop to the reformists, the final language of the legislation authorized the President “to employ such persons as may be required” to assist in administering the maximum-minimum provisions of the Payne-Aldrich tariff.¹⁷⁰

President Taft decided to administer the law in a way that would establish his position on the tariff as somewhat closer to that of the reformists. Although Congress had not authorized the creation of a tariff commission in a formal sense, Taft proceeded to establish what he called the “Tariff Board” and made Henry C. Emery, a professor of political economy at Yale, its chairman. The other two members of the Board were James B. Reynolds, Assistant Secretary of the Treasury, and Alvin B. Saunders, chair of the American Reciprocal Tariff League. With a small staff, the Board investigated charges of foreign discrimination against American exports, and

¹⁶⁸ Goodwin, *The Bully Pulpit* (2013), 503–504, 583–584; Kenkel, *Progressives and Protection* (1983), 53.

¹⁶⁹ Stone, *One Man's Crusade for an Honest Tariff* (1952), 59–61.

¹⁷⁰ On the minimum-maximum provisions of Payne-Aldrich, see Lake, *Power, Protection, and Free Trade* (1998), 141–47; Paul Wolman, *Most Favored Nation* (1992), 164–76; and Taussig, *The Tariff History of the United States* (1964), 403–7. The best survey of Payne-Aldrich remains Taussig's, *ibid.*, 361–408. The quotation regarding the tariff board is from Becker, *The Dynamics of Business-Government Relations* (1982), 81.

was especially concerned about the failure of Canada, Germany, and France to set minimum rates on U.S. products.

Even so, the board never recommended setting U.S. tariff rates at the penalty level, and Taft never imposed any penalty rates. But the President did support expanding the work of the Board to study the economic effects of the tariff and asked Congress to fund the investigation. Reluctantly, the Republican leadership complied; in studies undertaken in 1910 and 1911 the Board, according to its leading historian, “pioneered the work of industry-wide surveys of comparative production costs.”¹⁷¹ It completed surveys of production costs in three industries (wood-pulp and newsprint paper, wool and woolens, and cotton goods) and published preliminary findings on the chemical, oils, and paint industries.¹⁷²

In conducting the work of the Tariff Board, Emery recognized three basic realities. The first was the great complexity involved in the calculations of comparative production costs. The second was the lack of either a scientific or a political consensus on the principles that should guide the setting of tariff rates. The third was the failure of either Taft or Congress to give the Tariff Board a clear mandate. As a result of the first reality, Emery and his board adopted a distinctly collaborative approach to dealing with manufacturers. As a consequence of the latter two, he remained extremely cautious in his recommendations to Taft and deferential to the political process. His recognition of these realities meant that Emery did not provide Taft with either policy recommendations or evidence that the Tariff Board was producing significant reform of any kind.¹⁷³

While Taft and the Tariff Board dithered, the anti-monopoly message of the Democratic Party gathered greater political force in 1909 and 1910. In the wake of the Payne-Aldrich tariff, the Democratic case that there should be tariffs only to raise revenue became even more compelling. As a consequence, prospects for Democratic victories in the Congressional elections of 1910 rose. Among the Democrats who sought to ride the wave of anti-tariff, anti-monopoly enthusiasm was Woodrow Wilson in his campaign to become governor of New Jersey.

Woodrow Wilson as Tariff Reformer

Wilson’s credentials on the tariff issue were impeccable. He drew fluently and naturally on the classical British liberal arguments against protective tariffs. His positions on tariffs had emerged from his extended study of the agenda that Adam Smith, Walter Bagehot, John Bright, Edmund

¹⁷¹ The historian is Joseph F. Kenkel. See *Progressivism and Protection* (1983), 68, and note 156, above.

¹⁷² However pioneering this work may have been, Taussig concluded that it had no serious influence on the subsequent tariff reforms in 1913. Taussig, *The Tariff History of the United States* (1964), 424.

¹⁷³ On the early work of the Tariff Board, see Kenkel, *Progressivism and Protection* (1983), 67–73; Becker, *The Dynamics of Business-Government Relations* (1982), 82–84; and Wolman, *Most Favored Nation* (1992), 177–92.

Burke, Richard Cobden, John Stuart Mill, Robert Peel, and others had championed in the early 19th century.¹⁷⁴ Of all the British Liberals, the one who had the greatest influence on Wilson was William Gladstone, both through Gladstone's model of leadership and through his political program. At age 16 or 17, Wilson hung a picture of Gladstone above his desk, as he did later as a student at Princeton. In the White House he reread John Morley's *Life of Gladstone*.¹⁷⁵ As historian Robert Kelley has written, Wilson was a "disciple" of Gladstone.¹⁷⁶

Based on his reading of Liberal political economy, Wilson became a believer in the benefits of free trade—in the ways it could promote not only economic efficiency, but also a broadening of economic opportunity and social vision.¹⁷⁷ One of his first public political statements, in 1882, was an attack on the protective tariff in which he called for "a tariff for revenue merely."¹⁷⁸ In private, he referred to tariffs as "taxes of the most burdensome sort withal, for their weight falls most directly and most heavily on the poor and is least felt by the rich." Wilson explained how this had happened: tariffs had "Monopoly for father."¹⁷⁹

Subsequently, as a young professor, Wilson enthusiastically championed the tariff reduction goals of the Democratic President Grover Cleveland (terms 1885–89 and 1893–97). In so doing, Wilson lent his voice to the calls that Cleveland and other leading Democrats made for unwinding the protection tariff system that the Republican Party had crafted. In subsequent years, Wilson developed claims that resonated with traditional American hostility to concentrations of power. In 1902, not long before becoming Princeton University's president,

¹⁷⁴ The best discussion of the intellectual influences on Wilson's economic ideas is William Diamond, *The Economic Thought of Woodrow Wilson* (Baltimore: The Johns Hopkins Press, 1943).

¹⁷⁵ John Milton Cooper, Jr., *The Warrior and the Priest: Woodrow Wilson and Theodore Roosevelt* (Cambridge: Harvard University Press, 1983), 22, 397.

¹⁷⁶ Kelley described Gladstone as "the first Anglo-American political leader," and found his influence widespread in the English-speaking world, explaining that H.H. Asquith, Sir Wilfrid Laurier, and Wilson—the leaders of Britain, Canada, and the United States at the outset of World War I—"were all devoted Gladstonians." Robert E. Kelly, *The Transatlantic Persuasion: The Liberal-Democratic Mind in the Age of Gladstone* (New York: Alfred A. Knopf, 1969), 145–46.

¹⁷⁷ A Southern intellectual tradition of esteem for free trade ideas may have reinforced Wilson's attachment to the ideas of the British Liberals. Arthur Link discounted the role of "southern traditions" in shaping Wilson's views on political economy and free trade. But the antebellum Southern political economists, whom Wilson read, advocated vigorously for free trade. One of the most influential of these was George Tucker, whom Wilson recommended to readers of his five-volume textbook on American history. See Woodrow Wilson, "Research Notebook," 1884–85, in Arthur S. Link, ed., *Papers of Woodrow Wilson (PWW)*, vol. 3 (Princeton: Princeton University Press, 1968), 449–50; Wilson, "Section for a 'History of Political Economy in the United States,'" 1885, in Link, *PWW*, vol. 4 (1968), 634; and Wilson, "Suggestions for Readers and Teachers," ca. 1892, in Link, *PWW*, vol. 8 (1970), 151–53. On the commitment of the Southern political economists to the principles of Adam Smith, see Jay Carlander and W. Elliot Brownlee, "Antebellum Southern Political Economists and the Problem of Slavery," *American Nineteenth Century History* 7 (September 2006), 389–416.

¹⁷⁸ Woodrow Wilson, "Testimony before the Tariff Commission, September 22, 1882," in Link, *PWW*, vol. 2 (1967), 140–43.

¹⁷⁹ Woodrow Wilson, "Government by Debate," unpublished essay, ca. December 4, 1882, in Link, *PWW*, vol. 2 (1967), 187, 197.

he wrote that “protective tariffs deliberately extended the favors of the government to particular undertakings; only those who had the capital to take advantage of those favors got rich by them; the rest of the country was obliged to pay the costs in high prices and restricted competition.”¹⁸⁰

In 1910, during Wilson’s campaign to become governor of New Jersey, he shifted his anti-tariff message somewhat. He began to place more emphasis on tariff reform as the means to increased efficiency and increased exports. Protection for industry was now being used, Wilson argued in 1910 before a group of bankers, not to protect against cheap foreign labor but instead against “the greater economy, the greater studiousness, the greater mechanical skill, the greater scientific knowledge of the German manufacturer and miner.” He told the bankers: “We conquered the world once by our visions.” Now, he said, “We shall have to make the conquest of men . . . by a new ideal of endeavor, by new willingness to submit our brains and our ingenuity to the universal pressure of the eager action of a world drawn together by all the instrumentalities of trade.”¹⁸¹ Wilson lamented: “By protecting ourselves from foreign competition—from the skill and energy and resourcefulness of other nations—we have felt ourselves at liberty to be wasteful in our own processes.”¹⁸²

Wilson still pounded away at the connections between the tariff and monopoly power in industry, suggesting that tariffs not only resulted from monopoly power but also encouraged its growth. And, he warned in 1909, this power threatened to undermine republican political institutions. Through the process of developing “entrenchments of Special Privilege,” business organizations that were “national in their scope and control . . . have as powerful a machinery ready to their hand as the Government itself.”¹⁸³

In 1910 Taft hoped that his support for a tariff commission might be a way to keep some protectionists, the tariff revisionists, and even anti-monopoly Republicans united in support of Republican candidates for Congress. But his plan would work only so long as he and his party succeeded in papering over the conflicting objectives of those who supported the idea of a tariff commission. Therefore Taft asked Emery and his fellow members of the Board to avoid public pronouncements during the 1910 campaigns. A number of Republican state platforms, particularly in Midwestern and Western states, endorsed proposals for a permanent tariff commission. However, in the elections the Democrats rode the popularity of anti-trust, anti-

¹⁸⁰ Woodrow Wilson, *A History of the American People: Reunion and Nationalization*, vol. 5 (New York: Harper & Brothers, 1902), 189.

¹⁸¹ Woodrow Wilson, “An Address in Atlantic City to the New Jersey Bankers’ Association, May 6, 1910,” in Link, ed., *PWW*, vol. 20 (1976), 420.

¹⁸² Woodrow Wilson, “An After-Dinner Address to the Real Estate Men of Boston, January 27, 1912,” in Link, ed., *PWW*, vol. 24 (1978), 84.

¹⁸³ Woodrow Wilson, “The Tariff Make-Believe,” *The North American Review*, 190 (October 1909), reprinted in Link, ed., *PWW*, vol. 19 (1975), 374.

tariff ideas and took advantage of the divided Republican Party. As a result, they won control of the House in 1910, the first time they had done so since 1892. Meanwhile, Wilson won his race for governor of New Jersey, positioning himself well to attain national office in the 1912 elections.¹⁸⁴

Taft, the Tariff Board, and a Presidential Election, 1910–12

After the elections, Taft understood the need for the Republican Party to distance itself from the Payne-Aldrich tariff by moving toward a position that promised tariff reductions while retaining the support of the powerful protectionists. Creating a permanent tariff commission still seemed to him to offer the most promising route for that transition, although he had very little concept of what substantive tariff reduction policies might emerge outside of reciprocal trade agreements. In December 1910, in a lame-duck session of Congress, Taft tried to persuade protectionists to create a permanent tariff commission before the new Democratic-controlled House took power. Taft enjoyed vigorous support from the NAM, which had 3,000 member firms, and the NTCA, which represented over 100 business organizations. In January 1911, the NTCA organized a convention in Washington that drew 500 delegates from 39 states. Taft addressed the convention, and the delegates lobbied their representatives in Congress. Nonetheless, these efforts and Taft's leadership failed to persuade the protectionists to create a permanent commission. However, Congress did appropriate \$400,000 to fund the Tariff Board through June 30, 1912. In an effort to win bipartisan support for a permanent commission, he added two Democrats, including another economist, Thomas Walker Page of the University of Virginia.¹⁸⁵

In January 1911, Taft signed a reciprocal trade agreement he had negotiated the previous summer with Canada. He had had high hopes that the agreement would demonstrate that he was a “low tariff and downward revision man” while enabling him to hold on to the support of protectionists.¹⁸⁶ The essence of the agreement was free trade in farm goods and lower tariffs in both countries on manufactured goods. Immediately after the lame-duck session had ended, Taft called for a special session of the new Congress (in which the Democrats would control the

¹⁸⁴ For further discussion of Woodrow Wilson's career before 1913, see W. Elliot Brownlee, “Wilson's Reform of Economic Structure: Progressive Liberalism and the Corporation,” in John Milton Cooper Jr., ed., *Reconsidering Woodrow Wilson: Progressivism, Internationalism, War, and Peace* (Washington, DC and Baltimore: Woodrow Wilson Center Press and The Johns Hopkins University Press, 2008), 57–75; and W. Elliot Brownlee, “The New Freedom and Its Evolution,” in Ross A. Kennedy, ed., *A Companion to Woodrow Wilson* (Chichester: Wiley-Blackwell, 2013), 106–21.

¹⁸⁵ Kenkel, *Progressives and Protection* (1983), 73–75; Stone, *One Man's Crusade for an Honest Tariff* (1952), 66–67; Becker, *The Dynamics of Business-Government Relations* (1982), 84–85.

¹⁸⁶ Taft quoted by Goodwin, *The Bully Pulpit* (2013), 658.

House). Taft asked Congress to join the Canadian Parliament in a concurrent resolution approving the agreement. He lobbied vigorously for bipartisan support and lined up ex-President Roosevelt behind the resolution.

But many Republican insurgents, who often represented Midwestern and Western wheat growers, fishermen, loggers, and other producers who feared Canadian competition, opposed free trading in primary products and criticized the agreement for not further lowering the tariffs on manufactured goods. However, in April the House Democrats provided enough support to pass the legislation. They did so in part to embarrass Taft with both Republican insurgents and the protectionists. It was a victory for reciprocity, but it was one that further alienated the Republican insurgents from Taft, and it turned out to be hollow. In September Canadian voters rejected the agreement in a referendum called by their prime minister, Wilfred Laurier, a Liberal free trader aligned intellectually with Woodrow Wilson, after Laurier dissolved a Parliament that seemed certain to reject his recommendation for approval.¹⁸⁷

The debate over the Canadian agreement continued through 1911, from the remainder of the special session into the new session that convened in December 1911. The contending sides in Congress turned the tariff commission issue into a political football. In the process, Taft aroused doubt about his commitment to the tariff commission idea and, at the same time, undermined the reputation of his Tariff Board. The negotiations over the Canadian trade agreement had discussed more than 300 duties, but the sole cost-investigation that the Board had undertaken studied just one industry, the production of paper and pulp. Critics of the Canadian agreement, who were usually supporters of a permanent tariff commission, declared that Taft should table his proposed agreement until the Tariff Board could demonstrate that the agreement would not endanger American producers. The Board failed to produce its one and only report in a timely fashion, and the results of its study of average production costs pointed to higher costs in the United States. This led some Republicans to conclude that the Board had demonstrated the risks of the Canadian agreement and therefore the need for protection.

Taft nonetheless won approval of the Canadian agreement in the special session—but only with the votes of Democrats. In addition, the Democrats were able to pass, with the support of some insurgent Republicans, three bills designed to reduce the Payne-Aldrich rates and, at the same time, to smoke out and further embarrass the President regarding his commitment to tariff reform. The bills lowered tariffs on wool and woolens, the manufacture of cotton, and various manufactured goods. In the session that convened in December 1911, Congress re-examined the woolen rates after the Tariff Board had submitted its report on that industry. Once again, bipartisan support produced another bill lowering rates. In debating these bills, the contending groups in Congress favorably cited the reports of the Tariff Board when it suited them, and

¹⁸⁷ On Wilson and Laurier as disciples of Gladstone, see note 176 above.

when it did not, chastised the Board for sloppy analysis or for relying uncritically on business data. Ultimately Taft vetoed all of the bills, citing procedural reasons in his veto messages. A central reason he mentioned in all but the second woolen veto was that the Tariff Board had not sufficiently investigated the relevant production costs. Yet Taft had just led the fight for Canadian reciprocity even though the Board had not delivered a report on it. And, there were even more inconsistencies. The result was a widespread consensus that Taft had used the Tariff Board's work only when it was politically convenient.

As historian William H. Becker has written, by the end of the sessions the Board had "become a hated symbol to both protectionists and reductionists." Protectionists believed the Board was a Trojan horse for free trade. Both tariff revisionists (those who wished to foster reciprocal trade agreements) and free trade Democrats regarded the Tariff Board either as a shield for protection of the Payne-Aldrich tariffs or as inherently ineffective. In early 1912, while framing appropriation legislation for the next fiscal year, Congress ended funding for the Tariff Board, giving it a quiet burial. However, the Democratic leadership of the House agreed to the possibility of continuing some of the work of the Board. The appropriation act established the Bureau of Foreign and Domestic Commerce (BFDC) within the Department of Commerce and authorized it to conduct studies of the comparative production costs of dutiable goods.¹⁸⁸

By then, the dramatic Presidential election of 1912 was gathering momentum. Despite the bipartisan embarrassment the Tariff Board had suffered in 1911, the idea of creating a permanent tariff commission turned out to be still alive. The burial of the Tariff Board had been premature. What revived the idea was a stunning turn of events—the schism in the Republican Party. The inability of the Taft administration and Republican leaders in Congress to heal the breach over tariff policy set the stage for a third-party campaign for the Presidency by Theodore Roosevelt.

In his effort to demonstrate that he was the most popular politician in America, Roosevelt associated himself with the tariff-reforming wing of the Republican Party and adopted their proposal for the tariff commission. It became a staple of what he called the "New Nationalism," the program that formed the platform of his Progressive Party challenge to the Republican and Democratic establishments. The Republican Party, which nominated Taft for reelection, also

¹⁸⁸ Goodwin, *The Bully Pulpit* (2013), 658–60; Kenkel, *Progressives and Protection* (1983), 75–90 and 98; and Becker, *The Dynamics of Business-Government Relations* (1982), 84–85. The quotation from Becker is on 85. In August 1912, the appropriations legislation created the Bureau of Foreign and Domestic Commerce by consolidating the Bureau of Statistics and the Bureau of Manufactures already in the Department of Commerce and Labor. Its ability to study domestic conditions was limited. The legislation appropriated no money for the Bureau of Trade Relations in the State Department, thus discontinuing it de facto. And the legislation made no appropriation for compiling statistics on domestic commerce. Laurence F. Schmeckebier and Gustavus A. Weber, *The Bureau of Foreign and Domestic Commerce: Its History, Activities, and Organization* (Baltimore: The Johns Hopkins Press, 1924), 28–30 and 138–139.

endorsed the idea of a permanent tariff commission. But the Republicans were vague on what the role of the commission would be and the extent to which they were willing to revise the Payne-Aldrich tariff. Roosevelt's Progressives were less vague, calling for large cuts in rates and talking about using a permanent tariff commission to reduce the partisanship in tariff debates and to increase the role of economic knowledge in rate-making.¹⁸⁹

As part of the New Nationalism, Roosevelt touted a permanent tariff commission as a nonpartisan body with plenary power over information gathering and with the responsibility for making recommendations for a "scientific" tariff. The Republican Party's platform had a plank that its architect later described as calling for "a competitive tariff," a "presumption in favor of the consumer," and "a real tariff commission."¹⁹⁰ Roosevelt's call gained credibility as leaders of the commission movement, such as Herbert Miles, and prominent Midwestern progressives like Albert Beveridge with anti-protectionist credentials, enthusiastically supported Roosevelt in his presidential campaign.

With the Republicans severely divided between the depleted Republican Party and the new Progressive Party, and the Congressional leaders of the Democratic Party skeptical at best of a tariff commission, the Democratic candidate, Woodrow Wilson, had no need to take account of the poorly defined tariff commission idea. He opted for a clear and extreme point of view as he placed tariff reform at the very top of his policy agenda. In 1911, he declared: "The tariff question is at the heart of every other economic question we have to deal with, and until we have dealt with that properly we can deal with nothing in a way that will be satisfactory and lasting."¹⁹¹

Wilson's tariff positions first united the Democratic Party and then gave him a clear advantage over Taft and Roosevelt. While Wilson stressed the connections between the tariff and the rise of monopoly power in industry, Taft became identified with the conventional protectionist approach, while Roosevelt failed to generate significant traction among Democratic voters with

¹⁸⁹ On the debates over tariffs in the 1912 campaign, see Kenkel, *Progressives and Protection* (1983), 90; and Goodwin, *The Bully Pulpit* (2013), 648–49.

¹⁹⁰ The architect was William Culbertson, a young staff member for the Tariff Board. He was the protégé of William Allen White, the Progressive editor, from Emporia, Kansas. White discovered Culbertson at Emporia College and mentored him through Emporia College to two degrees at Yale. In the Ph.D. program at Yale Culbertson studied with Henry C. Emery, writing a biography of Alexander Hamilton, which concluded with a chapter on Hamilton's tariff policies. Culbertson immediately began working for Emery on the Tariff Board and single-handedly wrote the Board's "Glossary on Schedule K" (pertaining to wool and woolens) and the policy statement that White, who served on the Progressive Party platform committee, was able to include, with only minor changes, in the platform. See William S. Culbertson, "Ventures in Time and Space," unpublished autobiography, William S. Culbertson Papers, Library of Congress, and his early publications: *Alexander Hamilton: An Essay* (New Haven: Yale University Press, 1911) and "The Tariff Board and Wool Legislation," *The American Economic Review* 3 (March 1913), 59–84.

¹⁹¹ Woodrow Wilson, "Interview," *New York Times*, December 24, 1911, in Link, ed., *PWW*, vol. 23 (1977), 611.

his complicated “reformist” message. Wilson won the White House with a mandate for an across-the-board, significant rollback in tariff rates.¹⁹²

The Underwood Tariff of 1913

Tariff reform was the first issue the new administration pushed in Congress, and passage of the Underwood bill was the swift consequence. The Underwood Tariff represented major reform. It slashed rates on dutiable goods, on the average, by about one-third and expanded the list of duty-free goods to include food products, leather, wool, and sugar (the last phased in over four years). Wilson was generally true to a principle that he had espoused in 1909: customs duties ought to be levied only on “the things which are not of primary necessity to the people in their lives or their industry, things, for the most part, which they can do without suffering or actual privation.”¹⁹³

Wilson’s proposed expansion of the free list had threatened to cause defections of Congressional Democrats, but he insisted on party discipline behind the expansion of the free list over a broad range of products. The President understood that if he allowed any defections, more were certain to follow. He turned back efforts by Democrats in Congress to provide protection on leather, wool, cotton textiles, tobacco, and lumber. The only compromise Wilson allowed was on the phased-out tariff on sugar. He agreed to that in order to protect revenues, while the income tax—included in the Underwood legislation, in large part to replace tariff revenues—proved itself.¹⁹⁴ As a consequence of the Underwood tariff, rates became lower than at any time since the Civil War.¹⁹⁵

The process that the Wilson administration and Congress used to establish tariff rates in the Underwood legislation was, however, far from scientific; it lacked the application of economic principles or systematic investigation. Democratic leaders argued that they sought to establish, in principle, a “competitive tariff.” But, as economist Frank W. Taussig pointed out, this principle could be construed as meaning essentially the same thing as the Republican principle of a tariff “equalizing cost of production,” and both principles were equally inconsistent with the principle of free trade. As Taussig also noted, what was more important was what the “implications” of the two principles were “to the average voter.” The implications “were by no means the same.” Taussig went on to explain that the Republicans “made it clear that they

¹⁹² On the importance of the tariff issue in the campaigns of 1912, see Lewis J. Gould, *Four Hats in the Ring: The 1912 Election and the Birth of Modern American Politics* (Lawrence: University Press of Kansas, 2008), especially 144–49.

¹⁹³ Woodrow Wilson, “The Tariff Make-Believe” (1909), 145.

¹⁹⁴ On the compromise over sugar, see Taussig, *The Tariff History of the United States* (1964), 425–26.

¹⁹⁵ The best history of the crafting of the Underwood Tariff, especially Wilson’s role, is Arthur S. Link, *Woodrow Wilson: The New Freedom* (Princeton: Princeton University Press, 1956), 177–97.

meant duties to be kept amply high enough to leave the domestic producer in command of the situation,” while the Democrats “meant that duties should be kept below the point of prohibition.” In other words, “The Republicans wished to make sure of keeping imports out; the Democrats wished to make sure of letting some in.”¹⁹⁶

Given the lack of clear principle, it was not surprising that the Ways and Means Committee settled duties, to quote Taussig once again, “in more or less rough and ready fashion of compromise, not of any close calculation or accurate information.” Taussig found “not a little truth” in the Republican charge that the committee “had proceeded roughshod,” arriving at duties “by guesswork.” But, Taussig implied, this was in large part because of the desire of Wilson and Congressional Democrats to move decisively toward free trade.¹⁹⁷

Wilson had, in fact, made his strategy crystal clear in 1911, using some of the same words as Taussig: “In the somewhat rough and ready experimental estimates that it will be necessary to make, the judgment of an experienced committee of Congress is as good a guide as the judgment of a professional board. The question is then one of statesmanship.”¹⁹⁸ For Wilson, the call for scientific tariff-making by a commission of experts was merely an excuse to delay substantive reform and maintain the status quo until the Republicans could return to dominance in Congress and re-establish control of the taxing process.

Wilson’s intent, instead, was to create a precedent for a process that would produce sustained across-the-board cuts in tariffs and ultimately bring about something approaching a free-trade posture on the part of the United States. In 1913, he rejected the incremental program of Republican reformists and adopted a strategy that he intended to be far more challenging to protectionism. His assumption was that the President and Congress could be relied on to challenge protectionism if the public could be led to expect continued, regular, and dramatic cuts in tariff rates.¹⁹⁹

In leading the adoption of the Underwood Tariff, Wilson had given the revisionists more reform than they had bargained for. In so doing, he invoked republican, anti-monopoly principles, and made the application of those principles a test of party loyalty. He thereby revived a reform movement within the United States that had its origins in classical liberalism and the

¹⁹⁶ Taussig, *The Tariff History of the United States* (1964), 418–21.

¹⁹⁷ *Ibid.*, 423.

¹⁹⁸ Wilson, “Progressive Democracy Is Remedy for Evils of Tariff and Trusts, Says Woodrow Wilson,” *New York Times*, December 24, 1911, in *PWW*, vol. 12 (1972), 611. Taussig and Wilson were friends, having been at about the same time both students and beginning professors with closely related intellectual interests. In writing the last volume of his history of the United States, Wilson cited Taussig as one of his “chief authorities on matters fiscal, financial, and economic.” (Wilson’s other “chief” authorities on these topics were A.S. Bolles, Carroll D. Wright, and David Ames Wells.) Wilson, *A History of the American People: Reunion and Nationalization* (1902), 197.

¹⁹⁹ Wilson almost certainly had in mind the incremental program of the British Liberals during the 19th century.

representation of southern trading interests. This movement had become attractive as an international strategy for small producers in the late 19th century, and then acquired a powerful republican, anti-corporate dimension during the progressive era. Wilson embraced all of those sources: the republican heritage of the American Revolution, the classical economics arguments, the interest in advancing small business, and the search for an international mechanism for disciplining corporate monopolies.

Wilson's rejection of the tariff commission idea during the campaign of 1912 and his New Freedom legislative victories in 1913 reflected something more than a pragmatic adaptation to the realities of partisan politics, a desire to press ahead rapidly with dramatic tariff reform, and a savvy sense that he should avoid the delays and bickering that had ensnared Taft. Wilson distrusted commission government. One reason was that he had great admiration for the British parliamentary system in which political parties, whether in power or out of power, had substantial technical capacity for drafting legislation. The American counterpart, in his view, should be the development of the technical capacity of Congressional committees and administrative departments such as the Treasury. Indeed, Wilson vigorously supported the mobilization of economic knowledge and data in the analysis of social problems and the formulation of legislation. Partly for that reason, in 1913 he did not stand in the way of providing \$50,000 for the analysis of comparative production costs by the BFDC during the remainder of the 1914 fiscal year. Also in 1913, he did not object when Congress organized a Cost of Production Division within the Bureau to conduct the work.²⁰⁰

In addition to his partiality to Parliamentary-style government, Wilson had a preference, expressed most clearly in his thinking about trade regulation, for "legal regulation" over "executive regulation" as more consistent with democratic values. Executive regulation, he feared, could lead to abuses of power and capture by the regulated or taxed interests.²⁰¹ "Must we fall back on discretionary executive power?" he had asked in 1908. "The Government of the United States was established to get rid of arbitrary, that is, discretionary executive power." He went on, "If we return to it, we abandon the very principles of our foundation, give up the English and American experiment and turn back to discredited models of government." Two years later, in a similar vein, he stressed the risk of the capture of commissions by the interests whom the commissions regulated or taxed. "Having created trusts," he wrote, "the dominant part has tried to 'regulate' them, but its regulation . . . may in the long run only cement the partnership and corrupt."²⁰²

²⁰⁰ Schmeckebier and Weber, *The Bureau of Foreign and Domestic Commerce* (1924), 30, 139–40. Also, see note 188, above.

²⁰¹ Brownlee, "The New Freedom and Its Evolution" (2013), 73–75.

²⁰² Wilson, "Law or Personal Power," Remarks at the National Democratic Club, New York, April 13, 1908, in Link *et al.*, *PWW*, vol. 18 (1975), 264; and Wilson, "To First Voters," June 26, 1910 in Link *et al.*, *PWW*, vol. 20 (1976), 504.

Wilson's reservations about relying on independent commissions to regulate trade extended as well to the process of determining tariffs. He feared that a tariff commission would be subject to capture by protectionists working through Congress or the Presidency, especially during a return of the Republicans to power. If that happened, he believed, the commission might win public support and be able to sustain protectionist policies. Wilson held principled and political institutional objections to the commission, was proud of his party's record on tariff reform, and did not want to take any risks in alienating staunch Democratic supporters of the Underwood Tariff.

Wartime Disruption, 1914–15

In less than two years as President, Woodrow Wilson had led in the creation of structural economic reform, including tariff reform, more ambitious than any since the sweeping program of the Republicans during the Civil War. But World War I intervened to prevent any comprehensive testing of the long-run potential of some of Wilson's New Freedom reforms, including the launching of what Wilson had hoped would be a sustained movement toward free trade. The wartime situation forced Wilson to modify the assumptions that had led him to champion the Underwood Tariff as a model of tariff reform that was politically viable.

The economic stress caused by the war during 1914 and 1915 was crucial in weakening Wilson's political attachment to the Underwood Tariff's strategic and institutional formula. The outbreak of war in August 1914 immediately disrupted established trading and financial relationships, threatened economic contraction, and imposed powerful new fiscal pressures on the federal government. These factors gave second wind to the tariff commission movement that had gone down to apparent defeat in 1913.

One source of revival was widespread concern among former small-business advocates of tariff revisionism that the postwar world would be chaotic, providing greater justification for a systematic understanding of the political economy of commerce and for expanding the role of administrative discretion in setting tariff rates. Very quickly in this newly unstable environment, the traditional leaders of the tariff commission movement won new recruits to their cause among large corporations, the labor movement, and a variety of civic leaders. In 1915, the Chamber of Commerce and the MANY took the leadership in forming a broader set of alliances. The Chamber and its organizational allies formed a new tariff commission lobby, the Tariff Commission League (TCL), which replaced the NTCA and broadened its base to include leaders from large firms engaged in investment banking, railroading, merchandising, and manufacturing. Support for the MANY was weighted even more heavily toward the largest financial and manufacturing enterprises, including National City Bank; Kuhn, Loeb (some of whose partners were major supporters of Woodrow Wilson), U.S. Steel; International

Harvester; Western Electric; and General Electric. For the sake of peace and order in the postwar world, international commerce, they believed, would require stronger management by the world's largest economies, and the United States would need the instrument of a professional tariff commission to play its part effectively.

The need for planning for that postwar world was immediate. During 1915 and 1916, the tariff revisionists, along with Wilson and the leaders of his administration, were at times optimistic that negotiations or breakthroughs on the battlefield would bring about an early peace. This led the revisionists to worry that a swift end to the war might result in belligerents, organized in state-sponsored cartels, dumping their accumulated stockpiles on the American market while raising barriers to American exports. In the view of people with this worry, a tariff commission would be an instrument to support the introduction of the retaliatory provisions absent in the Underwood Tariff. A more widely held position was that, even if dumping proved not to be a problem, the inflamed nationalism among the former belligerents and the unsettled nature of international relations might require a more vigorous representation of American exporting interests by the government. At the same time, however, the rising concern about these issues provided convenient political cover for business interests that wished to use the tariff commission issue, either directly or indirectly, to roll back the Underwood reforms.²⁰³

This revival of the tariff commission movement and tariff revisionism did not immediately arouse the American public over tariff issues. But what did over the 18 months following August 1914 were the economic and political difficulties that the war created. Weakening trade and financial disruption in the initial months of the war, including the closing of the New York stock exchange from the end of July 1914 through mid-December, made more severe an economic recession that had begun in 1913. The new Federal Reserve did not become effective until early 1915, and its role in international finance was especially slow to adapt to wartime conditions. In turn, the flow of customs revenues declined and a major federal budget deficit loomed in 1915.²⁰⁴ Fearing that the deficit would produce a banking crisis and a worsening recession, in October 1914 the Wilson administration led in the passage of the Emergency Revenue Act. This measure imposed about \$100 million in new taxes, mainly in the form of taxes on domestic consumption.

The combination of the recession, financial trouble, and the tax increases that were unpopular almost everywhere except the Southern states meant that the Democrats suffered significant losses in the 1914 Congressional elections. The Republicans successfully blamed Wilson's

²⁰³ On the antidumping panic of the dyestuffs industry, see Schnietz, "Democrats' 1916 Tariff Commission" (1998), 16–17.

²⁰⁴ As it turned out, in fiscal 1915 customs revenues fell about \$80 million, to about three-fourths of the previous year's level. U.S. Government, Secretary of the Treasury, *Annual Report, 1915* (Washington, DC: Government Printing Office, 1915), 243.

reforms, particularly the Underwood Tariff, for creating the recession, and the tax increases for adding to the pain.²⁰⁵ In November the Democrats barely held onto control of Congress, losing some 48 seats in the House, including many in the vote-rich states of New York, Ohio, and Illinois, which Wilson had carried in his 1912 election and might need to hold in order to win reelection in 1916.²⁰⁶

The electoral setback caused Democrats from the grassroots of the party, Congressional leaders, and Wilson cabinet members to begin to doubt their party's prospects in 1916. They realized that, even without the wartime economic problems, they faced a major problem of building a winning coalition in the face of a Republican Party reunified by Theodore Roosevelt's return to the fold. The only way to win, Democrats were certain, was to hold at least some of Northeastern states and to develop a successful appeal to the Midwesterners and Westerners who had bolted from the Republican Party in 1912 and formed the core of the Progressive Party.

Beginning shortly after the 1914 elections Democrats throughout the nation, except the South, urged the Wilson administration to appeal to the former Progressive voters by embracing a proposal for a permanent tariff commission. Getting behind the tariff commission idea, they argued, could move the Democratic Party from a defensive to an offensive posture on tariff issues, hold some support in the northeast, and attract support from former Progressives who had favored the tariff-commission approach and were still suspicious of the protectionism of the Taft Republicans.²⁰⁷

Wilson had no objections in principle to making tactical adjustments in his economic program to attract former Progressives to the Democratic Party. In fact, he had already done so during the 1914 election campaigns by shifting his position on the regulation of trade. In the Congressional debates that preceded the creation of the Federal Trade Commission (FTC) in August 1914 he led a coalition of Democrats and progressive Republicans in pressing for a regulatory commission rather than an antitrust covenant enshrined in law, which had been his preference.²⁰⁸

²⁰⁵ For an excellent survey of the Republican attacks on the Underwood Tariff, see Schnietz, "Democrats' 1916 Tariff Commission" (1998), 12–16.

²⁰⁶ On the 1914 elections, see John Milton Cooper Jr., *Woodrow Wilson: A Biography* (New York: Random House, 2009), 273–74.

²⁰⁷ On the lobbying of Wilson by Democrats, see Schnietz, "Democrats' 1916 Tariff Commission" (1998), 19–20, especially n. 41 and 42; Kenkel, *Progressives and Protection* (1983), 101, 262, n. 15; Link, *Wilson: Confusions and Crises* (1964), 342; and Becker, *The Dynamics of Business-Government Relations* (1982), 87, 207, n. 54.

²⁰⁸ On the political calculations involved in Wilson's support for the creation of the FTC, see Cooper, *Woodrow Wilson* (2009), 231–34, and Brownlee, "Wilson's Reform of Economic Structure" (2008), 75.

There were three interrelated reasons why Wilson was willing to make that policy move in the area of trade regulation but not in tariff-making. First, tariff reform was a much higher priority for Wilson than antitrust regulation. Second, Congressional Democrats like Representative Claude Kitchin and Senator Oscar Underwood, who had been elected to the Senate from Alabama in 1914, shared his priorities and wanted him to stand firm in opposition to a tariff commission. Third, after August 1914, Wilson had the shield of the FTC to fend off proposals to create a tariff commission.

In late 1914 Wilson began to try to divert attention away from the tariff commission idea by suggesting that the FTC as well as the BFDC might take on the analysis of tariff issues. At a press conference in December 1914 a reporter asked Wilson if he had “given any further consideration to the proposal to have an expert tariff commission.” After commenting, “Well, it is called to my attention about once every twenty-four hours, so it's a continuing performance,” Wilson pointed out that “the trade commission is authorized to report and advise Congress upon these, as upon all such matters.”²⁰⁹ At another press conference in January 1915 Wilson had an exchange with a reporter who asked Wilson to say more about how the FTC would “take up the work of a tariff commission.” Wilson replied that the work “has to be developed by the [trade] commission itself.” The reporter followed up by asking: “Isn't there a bureau of the Commerce Department that has that power?” Wilson said that the BFDC did have “inferentially, those powers.” Wilson then agreed with the reporter's next comment, which was that “Mr. Underwood, when the tariff was in process, had laid some stress upon the powers which had been granted to these bureaus.” Wilson added: “I don't think there is any lack of power now. It merely is a question of development.”

In reply to yet another follow-up question, Wilson explained that the BFDC and the FTC would probably make independent reports on tariff issues. Wilson noted that, on the one hand, the BFDC was engaged in “an active sort of business of promotion,” sending “agents to foreign countries” and studying the opportunities there for American merchants,” and then getting “American merchants in touch with those opportunities.” On the other hand, the FTC would be “making a more scientific study” of commercial “opportunities.”²¹⁰

Through the summer of 1915 Wilson stuck by his position. In August he told Representative James M. Cox of Ohio, a Democrat who had advised him to embrace a tariff commission, that

²⁰⁹ Press Conference, December 29, 1914, in Robert C. Hildebrand, *The Papers of Woodrow Wilson, The Complete Press Conferences, 1913–1919*, vol. 50 (Princeton: Princeton University Press, 1985), 661.

²¹⁰ Press Conference, January 12, 1915, in *ibid.*, 676. A week later Wilson made the same distinction between the work of the BFDC and the FTC. Press Conference, January 19, 1915, in *ibid.*, 681.

well before the election he would deliver a public explanation that “full powers of a tariff commission are already lodged in existing organs of the Government.”²¹¹

Wilson’s Conversion

As 1915 wore on, however, fiscal problems became more difficult and began to encourage a shift in the attitudes of Wilson’s advisors, and ultimately Wilson himself. Federal revenues remained weak in the first half of 1915, falling short of estimates. The Emergency Revenue Act was scheduled to expire on December 31, 1915. Moreover, the Underwood Tariff had scheduled the sugar tariff’s demise for May 1, 1916, thus threatening an even larger revenue shortfall. On May 7, 1915, as the administration contemplated what already promised to be a budget deficit of unprecedented scope, a German U-boat sank the British ocean liner, the *Lusitania*, killing 1,198, including 128 Americans. Calls for American entry into the war mounted and the crisis in German-American relations continued until September, energizing the movement for American military preparedness. On July 21, Wilson wrote to the Secretaries of War and the Navy to develop plans for an “adequate national defense” in preparation for recommendations to Congress in December. In response, Secretary of the Treasury William Gibbs McAdoo asked his staff for recommendations to raise additional revenues. After they proposed retaining the sugar duty, McAdoo asked them to go further and make “every possible suggestion as to new sources of internal taxation which you think are worthy of consideration.”²¹² In August, a German U-boat torpedoed another British passenger liner, the *Arabic*, killing 44 people (including two Americans). Wilson stiffened his resolve to seek tax increases. He gradually embraced most of the elements of a preparedness program that McAdoo and his staff recommended after consulting with Kitchin, the powerful member of Congress who was both the majority leader of the House and the new chair of the House Ways and Means Committee.

During December 1915 and January 1916 it became clear to Wilson and the Democratic leadership in the House that this preparedness program would certainly entail massive increases in the income tax that had been introduced as part of the Underwood Tariff. It would almost certainly include very significant increases in the taxation of corporations, probably through regular income taxation and, even more important, some form of excess-profits taxation. Wilson and Secretary McAdoo favored this approach but worried about the potential backlash—both from business, including the Democratic Party’s own significant supporters

²¹¹ “Wilson’s Stand on Tariff: Opposed to Special Commission for Scientific Legislation,” *New York Times*, September 26, 1915.

²¹² A. J. Peters to William G. McAdoo, August 14, 1915; McAdoo to William H. Osborn, August 18, 1915, Papers of William G. McAdoo, Library of Congress (referred to below as the McAdoo Papers). Peters was McAdoo’s Assistant Secretary for Tax Policy.

within the New York investment banking and mercantile communities, and from voters, particularly in the Northeast, who might punish the President for tax increases during an election year. Within the Wilson administration, a tactical idea took hold. Administration support for the tariff commission idea could help moderate business hostility to the tax plan and defuse the charge that Wilson was antibusiness.

At least two of Wilson's cabinet members, Secretary of Agriculture David Houston and Secretary of the Interior Franklin Lane, were "Roosevelt Democrats" who had admired the ex-President. They had long been friendly to the idea of establishing a tariff commission as a way of generating information that would enhance the drafting of tariff reform legislation and reduce the influence of protectionists on tariff policy. Houston held particularly strong pro-commission views. A kind of protégé of key Wilson advisor Colonel Edward M. House, Houston was a political scientist and university administrator who had been president of Texas A&M, president of the University of Texas, and, most recently, chancellor of Washington University in St. Louis.²¹³ As a graduate student in political science at Harvard University, where he had earned an M.A. in 1892, Houston had studied with the distinguished tariff expert, Frank Taussig. Like Wilson, Houston remained a friend of Taussig's.

Houston recalled that he had brought up the tariff commission idea early in Wilson's administration, urging its adoption, and then had done so twice more. On these occasions, Houston had told the President that "he was not foolish enough to think that the tariff or any form of taxation could be taken out of politics, that I recognized clearly that taxation was the sort of thing that constituted the essence of political difference" and "that I was not so innocent as to believe that any Congress would ever fully accept the conclusions of any administrative or investigating commission on any matter of taxation." But he "was convinced that such a body could be of great service by gathering reliable data for the information of the President, of Congress, and, above all, of the public," which "was ignorant both of the principles and facts"—to the benefit of "special groups" that shaped legislation "in the dark and secret chamber of conference committees."²¹⁴

Houston won no early recruits to his campaign to persuade the President. He was a person of "intellectual force and solid information," as McAdoo later wrote, but Houston was a relatively marginal figure in the political deliberations of the cabinet because he was "somewhat at odds

²¹³ On Houston's relationship with Colonel House, see Charles E. Neu, *Colonel House: A Biography of Woodrow Wilson's Silent Partner* (Oxford: Oxford University Press, 2015), especially 50 and 82. Much earlier House had apparently recruited Houston from the University of Texas, where he had been a dean, to become President of Texas A&M.

²¹⁴ David Houston, *Eight Years with Wilson's Cabinet, 1913–1920*, vol. 1 (Garden City: Doubleday, 1926), 196–97.

with the liberal Democrats” in the administration.²¹⁵ However, another cabinet member soon joined Houston and Lane in their campaign. As the best-connected New York politician in the cabinet, and close to the traditionally free-trade mercantile community of New York City, McAdoo agreed that championing the tariff commission would improve Wilson’s chances in the 1916 elections.²¹⁶ In addition, in the process of managing his department during the turbulence of the war, McAdoo began to see some administrative promise in establishing a tariff commission. In 1914 and 1915 McAdoo had sought to use the Treasury and the nascent Federal Reserve Board to promote American international trade, and now he concluded that a tariff commission might be a useful tool to bargain for more favorable treatment of American exports and might expand the scope of power of McAdoo’s own initiatives in promoting international trade.²¹⁷

At the same time, McAdoo saw the political advantage for Wilson in championing the creation of a tariff commission. In October McAdoo hinted in public that the administration might embrace the tariff commission. In a well-publicized speech in Helena, Montana, McAdoo declared that the Wilson administration was seeking to end “agitation of the tariff” and “do business upon the basis of an established tariff.”²¹⁸ Guy Emerson, a New York publicist who was the eastern representative of the Tariff Commission League (based in Chicago) immediately wrote to congratulate McAdoo for the speech. Emerson appreciated the plea for “taking the tariff out of politics” and urged McAdoo to pursue this by getting behind “a nonpartisan Tariff Commission of the highest personnel.” Emerson observed that the notables who led the League, including James J. Hill, Thomas A. Edison, and Jane Addams, had joined with the U.S. Chamber of Commerce in drafting proposed legislation. Emerson added that Samuel Gompers of the American Federation of Labor “has given us his unqualified endorsement and support.”²¹⁹

²¹⁵ William Gibbs McAdoo, *Crowded Years: The Reminiscences of William G. McAdoo* (Boston: Houghton Mifflin, 1931), 181.

²¹⁶ For an example of the business concerns, see the correspondence of Albert Strauss, a member of the New York mercantile investment firm of J.W. Seligman and Co., with McAdoo’s close associate, John Skelton Williams, the Comptroller of the Currency. Strauss to Williams, March 1, 2, and 3, 1915, McAdoo Papers.

²¹⁷ On McAdoo’s ambitious leadership at the Treasury, see W. Elliot Brownlee, “Social Investigation and Political Leadership in the Financing of World War I,” in Michael J. Lacey and Mary O. Furner, *The State and Social Investigation in Britain and the United States* (Washington, DC, and Cambridge, UK: Wilson Center Press and Cambridge University Press, 1993), 323–64; and Brownlee, “Wilson and Financing the Modern State: The Revenue Act of 1916,” *Proceedings of the American Philosophical Society*, 129 (1985), 173–210. I agree generally with Karen Schnietz’s assessment of the importance of McAdoo’s role in persuading Wilson to embrace the tariff commission idea, but I think she has overly downplayed the importance of Houston. See Schnietz, “Democrats’ 1916 Tariff Commission” (1998), 23, n. 52.

²¹⁸ Address of W.G. McAdoo, Secretary of the Treasury, at Helena, Montana, October 28, 1915,” transcript with McAdoo’s penciled editing, McAdoo Papers.

²¹⁹ Guy Emerson to McAdoo, November 8, 1915. McAdoo Papers. During the Liberty Loan campaigns of wartime borrowing in 1917 and 1918 McAdoo would draft Emerson as the chief public relations coordinator for the loans.

A potential obstacle within the cabinet, however, was Secretary of Commerce William C. Redfield. He was engaged in his own efforts to promote trade and, like McAdoo, sought to react positively to the same business concerns about the post-war world that motivated many of those who sought to revive the tariff commission idea. Redfield, however, often came into conflict with McAdoo, particularly with regard to the organization and financing of Latin American trade.²²⁰ Like McAdoo, he appreciated the need for improved information in understanding the new financial and trading environment. In particular, he believed that the most important work a new tariff commission might do was to conduct cost of production studies. However, the very same work was already being performed by the BDFC—superbly so, in his view—within his cabinet department. Redfield saw no need for the FTC to take over this work, and saw no need either for a new agency, especially one that might not have as much expertise in understanding manufacturing as the Commerce Department. The most efficient solution, he suggested, was to provide more support for the excellent but underfunded BDFC.²²¹

What had emerged, in part, was a turf fight between the Treasury and Commerce for control of tariff policy. Wilson hated resolving disputes among his cabinet members, and the skirmish undoubtedly contributed to his sluggish movement toward support of a tariff commission.²²² By October of 1915 McAdoo had decided to join Houston and Lane in attempting to change the President's mind, and in the process ease the enactment of the new revenue program and the expansion of the scope of the Treasury in managing international commerce. Yet he proceeded cautiously. Momentous financial issues, national and international, dominated McAdoo's discussions with Wilson, and McAdoo's efforts to expand his influence over the nation's economic affairs had often irritated the President, particularly when McAdoo was too brazen in his efforts to dominate the cabinet or manipulate the President. McAdoo's caution in pressing for the tariff commission may well have delayed Wilson's conversion.²²³

As McAdoo often did when he found himself in this kind of situation, he recruited Colonel House to his cause. Partly because of his friendship with Houston, House was already

²²⁰ See the discussion by Dale Norman Shook, *William G. McAdoo and the Development of National Economic Policy, 1913–1918* (New York: Garland Publishing, 1987), 120.

²²¹ For Redfield's own survey of the international work of the Bureau of Foreign and Domestic Commerce, see William C. Redfield, *With Congress and Cabinet* (Garden City: Doubleday, 1924), 117–124. See also Schmeckebier and Weber, *The Bureau of Foreign and Domestic Commerce* (1924), 30–37, on the work of the Department of Commerce during World War I. For Redfield's case to Wilson, see Redfield to Wilson, December 22, 1915, in Link *et al.*, *PWW*, vol. 35 (Princeton: Princeton University Press, 1980), 384.

²²² The FTC was slow to start up in 1915 and faced serious organizational problems into 1916. Otherwise, it too might have become a contender in the competition.

²²³ Wilson's occasional irritation over McAdoo's aggressiveness may have been augmented by McAdoo's marriage to Wilson's daughter Eleanor in May 1914. However, subsequently McAdoo had far greater access to Wilson than any other cabinet member, and Wilson always had high regard for McAdoo's competence.

sympathetic to the tariff commission idea. On November 5, he broached the subject in an introductory way with Wilson in the context of a discussion of the 1916 elections. When Wilson “seemed to look with equanimity upon losing Massachusetts, Connecticut, New York, and perhaps, New Jersey,” House “asked how far he was willing to go toward creating a tariff commission.” Wilson replied, according to House, “Only so far as one might be assembled from existing boards like the Trade Commission and the Bureau of Commerce.” And, Wilson added, “the tariff was a political question which one could not relegate out of active politics, and what ever party was in should express its views as to tariff.” House recalled that he “disagreed wholly,” arguing that as a result of partisan politics “our whole industrial system lacks stability.” House went on: “No American manufacturer feels secure and he never knows whether to increase or curtail his plant.” In contrast, “his European competitor has no such handicap as a constantly rising and falling tariff.” The tariff commission, House told Wilson, offered an opportunity to reduce the economically disruptive and destabilizing partisanship of the tariff issue.²²⁴

The conversation with House prompted Wilson to contemplate discussing the tariff commission in his State of the Union message scheduled for December 7, 1915. On November 28, the President asked House for his advice. House, apparently worried that Wilson might speak out against the idea of a tariff commission, urged Wilson not to but “go into the matter fully in another message.” House recalled that they subsequently “discussed the idea of a tariff commission in some detail, I urging it and he arguing against it.” Wilson reiterated his belief that “the Government now had the necessary machinery for doing it”—the position which he had maintained for more than a year. But in this conversation he added his fear that “a tariff commission such as the republicans suggested” would “finally come to be a legislative body upon that subject which would not be good for the country.” Wilson cited the Interstate Commerce Commission (ICC) as an example of “what he had in mind.” Wilson opined that the ICC “had been in force so long and the people had accepted it so thoroughly, that he did not believe Congress now dared to radically change any decisions they laid down.” Perhaps Wilson’s additional implication was that with a return of Republican power to Washington, protectionist interests would capture the tariff commission.²²⁵

In writing his State of the Union message Wilson decided to follow House’s advice. In the message Wilson laid out at length his preparedness program, called for measures that would strengthen American commerce and military capability, and embraced the challenge of the revenue program that he and McAdoo had crafted. He did not mention a tariff commission. However, near the end of his message, he declared that “many conditions about which we have repeatedly legislated . . . are likely to change even more rapidly and radically in the days

²²⁴ “From the Diary of Colonel House, November 5, 1915,” in Link *et al.*, *PWW*, vol. 35 (1980), 176–77.

²²⁵ “From the Diary of Colonel House, November 28, 1915,” in Link *et al.*, *PWW*, vol. 35 (1980), 261.

immediately ahead of us, when peace has returned to the world and the nations of Europe once more take up their tasks of commerce and industry with the energy of those who must bestir themselves to build anew.” But “just what these changes will be no one can certainly foresee or confidently predict. . . . The most we can do is to make certain that we have the necessary instrumentalities of information constantly at our service so that we may be sure that we know exactly what we are dealing with when we come to act, if it should be necessary to act at all.”

Wilson concluded these remarks by indicating that he might “ask the privilege of addressing you more at length on this important matter a little later in your session.” The President had not yet made up his mind on the question House had asked, but Wilson had followed House’s advice and had not closed the door on the creation of a tariff commission. Moreover, he ended his message with a tone that resembled Roosevelt’s New Nationalism more than the New Freedom: “For what we are seeking now, what in my mind is the single thought of this message, is national efficiency and security. We serve a great nation . . . We should see to it that it lacks no instrument, for facility or vigor of law, to make it sufficient to play its part with energy, safety, and assured success. In this we are no partisans but heralds and prophets of a new age.”²²⁶

In January 1916, as the discussions within the administration regarding an imminent fiscal crisis intensified, McAdoo pressed Wilson to embrace a proposal for a tariff commission. The chore of persuading Wilson had exhausted the cabinet. More than a year later, in February 1917, when various cabinet members were becoming deeply frustrated in their efforts to persuade Wilson to harden his line against Germany (Houston and McAdoo threatened resignation), Lane thought back to the previous winter, when he had written to a family member: “I tried to smooth [Houston and McAdoo] down by recalling our past experiences with the President. We have had to push, and push, and push, to get him to take any forward step—the Trade Commission, the Tariff Commission. He comes out right but he is slower than a glacier—and things are mighty disagreeable, whenever anything has to be done.”²²⁷ Lane had identified a crucial dimension of Wilson’s political persona—a great reluctance to compromise his principles in order to gain a tactical advantage.

In January 1916 McAdoo persevered. Early in the month he asked A. J. Peters to submit a memorandum detailing the history of tariff commissions and outlining a proposal, including a draft of legislation. Peters provided the draft and a nine-page document in which he traced the history of tariff analysis by Secretaries of the Treasury, the tariff commission in 1882, and Taft’s tariff board. Peters prefaced his remarks by noting that “our lack of information at hand in

²²⁶ “An Annual Message on the State of the Union, December 7, 1915,” in Link *et al.*, *PWW*, vol. 35 (1980), 309–10.

²²⁷ Franklin Knight Lane to George Whitfield Lane, February 25, 1917 in Link *et al.*, *PWW*, vol. 41 (1983), 282.

preparing the last tariff bill was a source of anxiety to many of us.” He went on: “The public at large recognizes the need for a careful consideration of tariff matters, and the proposition for the establishment of a tariff board is receiving the support of commercial and business bodies and fair-minded men all over the country.” He recommended against a commission appointed by the Secretary of the Treasury, and McAdoo concurred in a marginal note. Peters recommended instead “an independent commission” with broad investigatory responsibilities and “full power to summon witnesses and to acquire information.” In relating the history of Taft’s board, Peters wrote that “it made contributions of great value” and observed that when Congress cut off funding for the board, “the Speaker, Mr. Clark, Mr. Underwood, and sixty-two Democrats, including a majority of those Democrats serving on the Ways and Means Committee of the next Congress,” voted in favor of the appropriation.”²²⁸

With a clear and detailed proposal in hand, McAdoo wrote a confidential political memorandum to Wilson. McAdoo warned that Republicans planned to focus on the tariff in the upcoming 1916 elections. McAdoo reported on his extensive speaking trip to the Midwest and Far West on which “in almost every one of the large cities I visited I found that there had been a carefully cultivated sentiment, amounting to a genuine fear, on the part of manufacturers and many business men, that this country is in jeopardy from a possible invasion of its markets by manufacturers and merchants of Europe after peace is restored.” His main point: “It is by this skillful appeal to the fears of the manufacturer and business men of America that the Republicans hope to make the tariff an issue.” McAdoo dismissed these fears, declaring that after the war “we shall be better prepared to meet world competition in the future than ever before in our history.” He urged Wilson not to consider any “anti-dumping” legislation, which would only strengthen “the fears and apprehensions of the business interests of the country,” but, “if the matter is to be considered at all, it should be considered as part of a tariff commission program and not as a separate matter, and that it would be better, even in that case, to confine action to an investigation by such a commission of the ‘dumping’ problem and not go beyond that.”²²⁹

This memorandum, along with the continued pressure from Lane and Houston, reinforced by a paper by Taussig that both Houston and Redfield had circulated, finally convinced Wilson. Taussig’s moderate views, especially his deference to legislative and executive authority, may well have been important in persuading Wilson. Taussig saw the role of a tariff commission as rather circumscribed—a narrowly technocratic role, leaving fundamental policy decisions to Congress and the President. Taussig was sympathetic to a case for “permanent officials

²²⁸ A. J. Peters, Memoranda for the Secretary from Mr. Peters: “A Tariff Commission and the History of Previous Commissions,” January 10, 1916, and “The Essentials of a Draft for a Tariff Commission,” January 10, 1916, McAdoo Papers.

²²⁹ William G. McAdoo to Woodrow Wilson, January 14/16, 1916, in Link *et al.*, *PWW*, vol. 35 (1980), 475–77.

regularly serving in executive departments,” just as Redfield had proposed, but worried that the sub-department board would not attract a “permanent, dignified, able, non-partisan” group of experts. While Taussig certainly favored free trade, he did not recommend rapid movement toward it, and did not believe that the tariff commission should have a mandate to promote it. In February 1916 he published his views, writing that “if we are really to have a useful, permanent, non-partisan board, it must be appointed in such a way, and its duties must be defined in such a way, as to make clear its purely advisory and non-political functions.” He added that “if its establishment is simply a political move by one party or another, it is almost certainly doomed to failure.”²³⁰

The President immediately discussed with McAdoo the delicate next step—the negotiations with Claude Kitchin. He was certain to dislike the idea of any compromise on the tariff issue, particularly one that might diminish the role of Congress in the drafting of tariff legislation and might encourage future increases in tariffs. With the assistance of McAdoo and probably Houston, Wilson wrote to Kitchin expressing the “hope” that his committee would take up “this question . . . immediately with a view of formulating some policy and action concerning it.” Wilson said he felt “confident that you will agree with me that the situation of the whole world in the matter of economic development is so unusual and our own interest in the changes probably impending so vital that I am justified in pressing this great topic upon the consideration of the Committee at this time.”

Wilson proposed an “unpartisan” (“nonpartisan” in Wilson’s dictated version) tariff “board.” Wilson’s proposal drew heavily on Peters’ draft of January 10 and outlined responsibilities that included: (1) examining the “whole economic situation of the country with a dispassionate and disinterested scrutiny”; (2) providing the government and the public with “useful facts” regarding “treaty and tariff relations between the United States and foreign countries”; (3) investigating the “industrial effects of proposed or existing duties on products which compete with products of American industry” and “the possibility of establishing new industries or of expanding industries already in existence through scientific and practical processes in such a manner as substantially to promote the prosperity of the United States”; (4) cooperating “with all appropriate agencies already in existence in the several departments of the Government”;

²³⁰ Frank W. Taussig, “The Proposal for a Tariff Commission,” *The North American Review*, 203 (February 1916), 194–204. The quotations are on 202 and 204. Taussig did not connect the proposal for a tax commission to wartime conditions but George Harvey, the publisher of *The North American Review* (a high-brow forum for policy discussions), provided that context in a long editorial that appeared in the same issue. “Wilson and a Second Term,” *The North American Review* 203 (February 1916), 161–84, especially 172–76.

and (5) helping lawmakers understand unfair business methods and the damage potentially associated with the “dumping” of foreign goods.²³¹

The Revenue Act of 1916

Wilson must have known that his turn toward a crusade for tariff reform that was “unpartisan” or “nonpartisan” would shock Claude Kitchin and many other Congressional Democrats who in 1913 had championed and enacted distinctly partisan tariff reform. Kitchin and Wilson had been in agreement that what the nation needed by way of tariff reform in the future was more of the same Democratic leadership. Wilson could not have been surprised when, the very next day, his private secretary Joseph Tumulty let the President know that he had spoken with Kitchin, who would be arriving at the White House that day “to oppose the idea of a Tariff Commission.” Tumulty also told Wilson that Kitchin had reminded him that Kitchin himself had “made two speeches against it.” While Tumulty understood and supported Wilson’s change of heart, he warned the President “that you will again be charged with inconsistency.” Tumulty suggested that Wilson “explain in the frankest possible way” why he had changed his mind, calling out in particular the “economic changes that are bound to spring out of the war.” He provided Wilson with a draft of a letter and also suggested that he tell Kitchin “that Congress has so much to do at the present time that it is impossible to collect all the data necessary upon which to base honest and accurate re-adjustments of the tariff law.”²³²

Two days after meeting with Kitchin, Wilson wrote the letter along the lines suggested by Tumulty. “I have changed my mind,” Wilson said, “because all the circumstances of the world have changed and it seems to me that in view of the extraordinary and far-reaching changes which the European war has brought about it is absolutely necessary that we should have a competent instrument of inquiry along the whole line of the many questions which affect our foreign commerce.” Wilson emphasized that the commission would focus on fact-gathering rather than policy-making, and its main assignment would be assisting legislators to write fair-trade laws after the war. Wilson concluded his letter with a long quotation from his State of the Union message. “You will remember that in my last message to Congress,” he told Kitchin, “I foreshadowed just the considerations which were operating in my mind in this matter.”²³³

²³¹ Woodrow Wilson to Claude Kitchin, January 24, 1916, in Link *et al.*, *PWW*, vol. 35 (1980), 510–12. On the drafting of the letter to Kitchin, see Link, *Wilson: Confusions and Crises* (1964), 342–43, and Link *et al.*, *PWW*, vol. 35 (1980), 512, n. 2. Link suggests that Houston drafted the letter (except for the first and last paragraphs), but the undated and unsigned memorandum Link mentions was more likely a draft by McAdoo and his leading tax and tariff expert in the Treasury, A. J. Peters.

²³² From Joseph Patrick Tumulty to Woodrow Wilson, January 25, 1916, in Link *et al.*, *PWW*, vol. 35 (1980), 524.

²³³ From Woodrow Wilson to Claude Kitchin, January 26, 1916, Link *et al.*, *PWW*, vol. 35 (1980), 526–27.

The Wilson administration immediately launched a public relations campaign. Someone arranged for the *New York Times* to publish Wilson's letter the following day. Meanwhile, McAdoo encouraged Wilson. McAdoo told him that two of Wilson's most important financial backers among his close Princeton friends had just met with McAdoo in New York and "are very earnestly in favor of a tariff commission." McAdoo added: "I suppose you know that the American Federation of Labor endorsed the idea at its National Convention in San Francisco in November, last, and that the National Grange did the same thing." McAdoo enclosed the resolutions that the two organizations had passed.²³⁴

The next evening, at the annual dinner of the Railway Business Association at the Waldorf-Astoria in New York, Wilson told the members that he had changed his mind and now favored a "tariff board." He declared that "there is going on in the world, under our eyes, an economic revolution. No man understands that revolution; no man has the elements of it clearly in his mind. No part of the business of legislation with regard to international trade can be undertaken until we do understand it; and members of Congress are too busy, their duties are too multifarious and distracting, to make it possible, within a sufficiently short space of time, for them to master the change that is coming."²³⁵

Early the next month, Wilson said much the same thing to a breakfast meeting of the 560 members of the Business Men's League of St. Louis. "Before this war began and the universal sweep of economic change set in," he admitted, "I believed . . . that a tariff board was meant merely to keep alive the question of protection. Now, the sweep of this change has been so universal that an unprejudiced, nonpartisan board is absolutely necessary in order to find how far and in what way the facts have been changed." He added, however, that he had "some misgivings" because he would "have to choose the men that make it up. And I tell you that men without prepossessions are hard to find, and, when you find them, they are generally empty of everything else. . . . Yet I shall have to choose suitable members for a tariff board, for I feel great confidence that we shall have one, and I want the best counsel I can get."²³⁶

A week later, Wilson provided even more details of his thinking to the annual convention, 800 strong, of the U.S. Chamber of Commerce at the New Willard Hotel, just around the corner from the White House and the Treasury. For this audience, which contained many ardent supporters of a tariff commission, he expanded on the context for the introduction of a tariff

²³⁴ McAdoo to Wilson, January 26, 1916, McAdoo Papers. Wilson's two Princeton friends were fellow alumni Cleveland H. Dodge and David B. Jones, magnates in copper and zinc, respectively. McAdoo was probably meeting with them regarding the financing of Wilson's 1916 campaign.

²³⁵ *New York Times*, January 27, 1916; Woodrow Wilson, "An Address in New York on Preparedness," January 27, 1916, in Link *et al.*, *PWW*, vol. 36 (1981), 11–12.

²³⁶ Woodrow Wilson, "An Address to the Business Men's League of St. Louis," February 3, 1916, in Link *et al.*, *PWW*, vol. 36 (1981), 113.

commission. “America is going to be thrust out into the economic leadership of the world,” he predicted. “It is a matter of congratulation that we have gained the instrumentalities which are necessary for this great part.” He cited as an example the Federal Reserve System, but noted: “There are some instrumentalities which we still lack and which I believe I can confidently predict we shall get. For example, we do need an instrument which will have a wider scope of power of inquiry in the field which, for lack of a better term, we call the field of foreign exchange, and, therefore, the field which is touched by all matters affecting tariffs. We ought to have a really scientific tariff board, and I think we are going to have one.”

In this Chamber of Commerce speech Wilson took a new and very different tack. For the first time he talked about previous debates as debates between doctrines—the “doctrine of protection” vs. the “doctrine of free trade,”—and the role of the previous tariff board in keeping alive “an unprofitable controversy.” In what was a stunning declaration for a disciple of Gladstone, Wilson said that he was not interested in either doctrine. Moreover, he seemed to imply that more than wartime conditions were moving him to abandon doctrine. “I have been a college professor,” he explained, “and know why I am not interested—because there is nothing in either doctrine. The only thing that is interesting are the facts of commerce and industry, and that the only thing that is right to deduce from the facts is something that has nothing properly to do with party politics at all.” He had begun to see a virtue in taking the partisan and ideological sting out of tariff debates.²³⁷

The next part of the plan was for McAdoo and his Treasury staff to draft a bill, which Representative Henry T. Rainey of Illinois, the second-ranking Democrat on Ways and Means, would introduce on February 1. The administration recognized that introducing the bill himself would have been embarrassing for Kitchin, who had a record of strong opposition to the tariff commission idea. And by introducing the bill, Kitchin might have compromised his leadership of the more important revenue legislation that his committee had begun reviewing in January. As for Rainey, he was happy to carry the bill. He was personally concerned about German competition after that nation’s tariff legislation expired later in 1916 and, although he had voted against funding Taft’s tariff board in 1911, he “realized the value of [its] Reports” as “the most reliable sources of information we had.” Rainey told McAdoo that while “Kitchin does not believe in the Tariff Board proposition . . . he does not expect to oppose it and as the ranking Democrat on the Ways and Means Committee.” Rainey added: I desire to assure you that I will be very glad indeed to make the fight in the Committee and on the Floor for the Bill.”²³⁸

²³⁷ Woodrow Wilson, “An Address to the Chamber of Commerce of the United States,” February 10, 1916, in Link *et al.*, *PWW*, vol. 36 (1981), 155–56.

²³⁸ Rainey to McAdoo, January 27, 1916, McAdoo Papers.

The revenue legislation preoccupied Kitchin through June. He worked tirelessly to advance the funding for Wilson's preparedness plan, which was the President's top priority during these months. To hold together the now slim majority of Democrats in the House and on the Ways and Means Committee meant that Kitchin had to satisfy a group of insurgent Democrats who held the balance of power. Members of this group, like himself, opposed entry into the war. However, they were willing to fund the preparedness program so long as it was funded without deficit spending, avoided consumption taxation, and imposed steeply progressive taxes on individuals and corporations. Furthermore, this group also had strong anti-protectionist views, and its members were reluctant to vote for any stand-alone bills that might seem to favor tariff increases. This meant that Kitchin could not allow the Rainey bill to advance in the House.

In June, however, as the Ways and Means Committee hammered out its version of the revenue legislation, Kitchin decided that the contents of the Rainey bill were useful as a vehicle to dampen what was becoming vigorous business opposition to the revenue legislation. That opposition was intense because the revenue measures now included a greatly expanded, more progressive income tax, the introduction of a progressive estate tax, and a graduated gross receipts tax on the munitions industry. Kitchin, in private collaboration with McAdoo, included the tariff commission proposal as one section of the revenue bill that the committee reported out on July 1, 1916 (H.R. 16763). The bill included another measure that the Wilson administration had proposed to appease business: the imposition of a new tariff, including duties of 30 percent on the importation of dyestuffs, medicines, and synthetics. The goal was to protect the American chemical industry from German competition, specifically the German Farben Trust, both during and after the war, when the American industry anticipated price-cutting and dumping.²³⁹

Meanwhile, the Democratic Party embraced the tariff commission in its national platform. The platform, to which Wilson had contributed, declared, "Two years of a war which has directly involved six of the chief industrial nations of the world, and which has indirectly affected the life and industry of all nations, are bringing about economic changes more varied and far-reaching than the world has before experienced." The platform went on: "In order to ascertain just what those changes may disclose themselves to be," the Democratic majorities were "providing for a non-partisan tariff commission to make dispassionate and thorough study of every economic fact that might throw light either upon our past or upon our future fiscal policy with regard to the general conditions under which our trade is carried on." The platform endorsed the legislation and its goal of shaping future policy "in accordance with clearly

²³⁹ McAdoo to D.F. Houston, February 2, 1916; A. J. Peters to McAdoo, March 7, 1916; and A. J. Peters to McAdoo, June 3, 1916, McAdoo Papers. Peters vigorously opposed the duties on dyestuffs.

established facts rather than by preconceived theory or the arbitrary demands of selfish interest.”²⁴⁰

On the floor of the House, Kitchin openly sought Republican support for the bill, pointing to its creation of a tariff commission and the imposition of the tariff on dyestuffs. Kitchin declared that “If I were as good a Democrat as I used to be, I would be fighting the dye-stuffs provision, but I am going to take this bill with that dye-stuffs provision and tariff commission in it like I used to take a bad pill when I was a boy. I would take it down all at once.”²⁴¹

The consensus that the Kitchin committee and the Wilson administration had established swept the revenue package through the House with little difficulty. Because of Kitchin’s effective floor leadership, the administration was able to refrain from taking a public position on the bill. And, as it turned out, many House Republicans responded favorably to Kitchin’s initiatives. Ohio Representative Nicholas Longworth, a protectionist stalwart and Taft loyalist, reflected the views of these Republicans when, on July 6, he declared that he would vote for the bill if he had “to choose between voting it all up or voting it all down.” He lauded, in particular, support for preparedness, the creation of a tariff commission, and the protective duties on dyes and dyestuffs.²⁴² While the bill was under discussion in the House, the anti-tariff Democratic Senator William Jennings Bryan wrote in support of the revenue measure while assuring his low-tariff colleagues that the tariff commission provision “does no harm.”²⁴³ The Democratic leadership allowed virtually no tampering with the Kitchin committee’s report. The committee had held no formal hearings. Business groups first learned about its provisions in the press. They had precious little time in which to respond, since Democrats introduced the legislation as a “privileged bill” to make amendments difficult. On July 10, 1916, only four days after consideration of the bill began, the House passed the Kitchin package. Joined by 39 Republicans, the Democrats established a 240–140 margin of victory.²⁴⁴

²⁴⁰ “A Draft of the National Democratic Platform of 1916,” June 10, 1916, in Link *et al.*, *PWW*, vol. 37 (1981), 193.

²⁴¹ *Congressional Record*, 64th Congress, 1st sess., *Appendix* (Washington, DC: GPO, 1948).

²⁴² “Speech of Nicholas Longworth in House of Representatives, July 6, 1916, copy in the Papers of Nicholas Longworth Papers, the Library of Congress. For the supporting positions of other Republicans, see *Congressional Record*, 64th Congress, 1st sess., 10662, and *Appendix*, 1402–3.

²⁴³ William Jennings Bryan, “The New Revenue Measure,” *The Commoner* 16 (July 1916), 1.

²⁴⁴ The House had made some changes in the original tariff commission proposal in the Rainey bill. The only changes that concerned the Wilson administration were the reduction of the salaries of the members from \$10,000 to \$7,500 per year and the elimination of a clause guaranteeing a permanent annual appropriation for the commission. See Joseph P. Tumulty to Woodrow Wilson, August 10, 1916, in Link *et al.*, *PWW*, vol. 38 (1982), 20–21. Karen Schnietz has pointed out two other important changes that Congress made in Wilson’s original proposal. These were expansion of the investigatory scope of the Commission to include “the industrial effects” of tariffs and an increase in the membership of the Commission from five to six. See Schnietz, “Democrats 1916 Tariff Commission” (1998), 34–36.

On the same day, Wilson was in Detroit, continuing to try to drum up support for the tariff commission. He began to emphasize even more the virtue he now saw in taking the partisanship out of tariff debates. At a luncheon meeting of the World's Salesmanship Congress Wilson declared: "It has been a very great grief to some of us, year after year, year after year, to see a fundamental thing like the fiscal policy of the Government with regard to duties on imports made a football of politics." Party politics, he said, "ought to have nothing to do with the question of what is for the benefit of the business of the United States, and that is the reason we ought to have a tariff commission." The focus of the commission would be to determine the facts. "Do not let a fact catch you napping, because you will get the worst of it if you do. And the object of the tariff commission is that we should see the facts coming first, so that they could not get us."²⁴⁵

The Senate Finance Committee, in order to soften the impact of new preparedness taxes on business, agreed to add the provisions creating a tariff commission and raising the level of tariff protection for the chemical industry. Finance Committee Democrats justified the latter as necessary for mobilization, and certainly knew that it would lessen the sting of the munitions tax to E.I. du Pont de Nemours and Co. But in the Senate at large, divisions within the Democratic Party were more severe than in the House. Free-trade Democrats, led by Senator Underwood, threatened to break ranks and oppose the entire revenue package. Even more troublesome was the opposition of various portions of the business community. On July 17, in discussing Wilson's reelection prospects, McAdoo reported to Colonel House that "the new revenue bill is getting me much concerned."²⁴⁶ In response, McAdoo and his Treasury Department stepped up their lobbying and mediation. By making a few minor concessions to the munitions industry and mining interests, the Finance Committee and the Democratic caucus protected and even toughened the provisions of the Ways and Means bill.

In the final debate in the Senate, McAdoo and Wilson faced another problem. In his effort to defeat the tariff commission proposal, Underwood tried to encumber the revenue act with a kind of poison pill—a severe reduction of the personal exemption in the income tax. Most Democrats interested in low tariffs refused to support him. Bryan, for example, on August 22, wrote that lowering the exemptions could "jeopardize the entire income tax" because Republicans "would want to transfer it to tariff rates."²⁴⁷ In response to this problem, on August 24 Wilson passed word to the press that "President Wilson was showing a deep interest in saving the provisions of the pending General Revenue bill for the creation of a permanent non-

²⁴⁵ Woodrow Wilson, "A Luncheon Address in Detroit," July 10, 1916, in Link *et al.*, *PWW*, vol. 37 (1981), 392–93.

²⁴⁶ McAdoo to Colonel House, July 17, 1916, McAdoo Papers.

²⁴⁷ Bryan to Kitchin, August 22, 1916, Papers of Claude Kitchin, University of North Carolina Library.

partisan tariff commission and was doing everything he could to prevent this important legislation from becoming futile.”²⁴⁸

During the time the bill was in the Senate, Wilson accepted the nomination of his party for President. In detailing the accomplishments of his administration he anticipated the success of the revenue measure. His headline was: “Alike in the domestic field and in the wide field of the commerce of the world, American business and life and industry have been set free to move as they never moved before.” Wilson emphasized that “the tariff has been revised, not on the principle of repelling foreign trade, but upon the principle of encouraging it” and that “a Tariff Board has been created whose function it will be to keep the relations of American and foreign business alike under constant observation, for the guidance alike of our business men and of our Congress.” Later in the speech he explained that the tariff commission was part of what he described as “the instrumentalities of prompt adjustment” to changing world economic conditions. He singled out the FTC, the Bureau of Foreign and Domestic Commerce, and, finally, the new tariff commission, which “completes the machinery by which we shall be enabled to open up our legislative policy to the facts as they develop.”²⁴⁹

Wilson had declared the victory of the tariff commission before the outcome in the Senate was entirely settled but in the next week Underwood’s poison-pill ploy failed. On September 6, the Senate passed the revenue bill, including the tariff commission provision, by a margin of 42 to 16. Democrats with major reservations about the commission chose not to vote. The next day Congress accepted a conference committee’s reconciliation of the House and Senate bills, and on September 8 Wilson signed the measure into law.²⁵⁰

The final legislation—the Revenue Act of 1916—created the United States Tariff Commission. The new body would be independent in its work from any agency of the federal government. The Commission would consist of six members serving 12-year terms on an overlapping basis and appointed by the President subject to confirmation by the Senate. No more than three of the six could be members of the same political party. The Commission was obliged to study the operation, administration, and fiscal and industrial effects of the laws regarding customs. It had the power “to investigate the tariff relations between the United States and foreign countries, commercial treaties, preferential provisions, and economic alliances, and the conditions and causes relating to the competition for foreign industries with those of the United States.” It also was responsible for reporting, “whenever requested, all information at its command” to the President and the tax-writing committees of Congress.

²⁴⁸ *New York Times*, “President to Push Tariff Board Fight,” August 25, 1916.

²⁴⁹ Woodrow Wilson, “A Speech in Long Branch, New Jersey, Accepting the Presidential Nomination,” September 2, 1916, in Link *et al.*, *PWW*, vol. 38 (1982), 129 and 136–37.

²⁵⁰ *Congressional Record*, 64th Congress, 1st sess., 13873.

The legislation created the core of an administrative and clerical staff by transferring to the Tariff Commission the Cost of Production Division of the BFDC within the Department of Commerce, along with all of its records and those of the former Tariff Board.²⁵¹ The Act contained critical provisions to enable the Commission to enforce its right of access to records of business organizations that produced, imported, or distributed any good under investigation, and to summon witnesses under oath. Finally, the legislation authorized an appropriation of \$300,000 for the 1916–17 fiscal year.²⁵²

The Election of 1916

The tariff commission proposal had eased Republican objections within Congress to the highly progressive revenue measure, just as the Wilson administration had hoped. It is more difficult to discern the effect of the enactment of the legislation on the outcome of the election in 1916. But a clear difference on tariffs between the two parties did emerge during the campaigns, and Wilson enthusiastically championed his leadership in creating the Tariff Commission.

During his campaign Wilson reaffirmed his declaration that the Commission's studies would help guide the tariff policies of his administration. On September 25, to the Grain Dealers' National Association, he said that his government had "admitted that, on the one side and on the other, we were talking theories and managing policies without a sufficient knowledge of the facts upon which we were acting. And, therefore, we have established what is intended to be a nonpartisan tariff commission." The Commission, Wilson said, will be "Another eye created to see the facts!" It would "look for the facts no matter who is hurt."²⁵³ Later that month, in speaking to more than 3,000 people, including a thousand members of the Young Men's League of Democratic Clubs, Wilson contrasted the structure of Taft's tariff board with his. The Republicans "are perfectly willing to have a tariff board, at least they were willing to have it before we created it, provided they can determine beforehand what its conclusions are going to be by determining the quality and antecedents of the men who compose it. You can very easily determine beforehand what is going to happen."²⁵⁴

Early the following month, closer to the election, Wilson had an opportunity to bring his message on the tariff commission to a larger audience. The renowned investigative journalist Ida Tarbell interviewed him for an extensive profile she was writing for *Collier's*, a magazine

²⁵¹ Schmeckebier and Weber, *The Bureau of Foreign and Domestic Commerce* (1924), 140–41.

²⁵² For a good summary of the provisions, see Joshua Bernhardt, *The Tariff Commission: Its History, Activities and Organization* (New York: Appleton, 1922), 17–18.

²⁵³ Woodrow Wilson, "An Address in Baltimore to the Grain Dealers' National Association," in Link *et al.*, *PWW*, vol. 38 (1982), 265–66.

²⁵⁴ Woodrow Wilson, "A Campaign Speech to Young Democrats at Shadow Lawn," in Link *et al.*, *PWW*, vol. 38 (1982), 308.

that reached millions of readers. Tarbell was most famous for her exposés of the monopolistic practices of John D. Rockefeller and Standard Oil, but she also had played a major role in dramatizing the tariff issue for a national audience. She had begun to publish on the tariff in 1907 and in 1909, when the Payne-Aldrich tariff was under debate, writing essays in *The American Magazine* that powerfully connected protectionist profits with economic hardships of average Americans. In one of the articles, “Juggling with the Tariff,” she called out the need for “evidence of the cost of production here and abroad, gathered not by the interested, but by the disinterested, not by clerks, but by experts.”²⁵⁵ In 1911, she collected the essays in a book, *The Tariff in Our Times*.²⁵⁶

In her October 1916 piece for *Collier's*, “A Talk with the President of the United States,” Tarbell reported that Wilson stressed the importance of the fact-finding role of the Tariff Commission. It would assist, Wilson said, in the “almost impossible” task of getting “old notions out of men’s heads.” He offered the example of a “Republican congressman” who “came to me not long ago to offer a suggestion about what the commission should do. ‘Its chief business,’ he said, ‘should be finding the cost of production.’ ‘My dear man,’ I said, ‘haven’t you discovered that there is no such animal, that the cost of production differs always with management? I can take you to five factories in one community, all making the same kind of goods, and each having a different cost of production. In the case of two factories of which I know, one making money and the other not, the condition was exactly reversed by swapping managers.’” After quoting him Tarbell added that “Mr. Wilson . . . really knows something about the tariff. He knows something about everything he touches, and the subjects of which he talks so well are very far apart.”²⁵⁷

In the Tarbell interview Wilson began to shift back to the more partisan or doctrinal line that a nonpartisan, scientific tariff commission would tend to support continued movement toward free trade. Later in October, in a campaign document, Wilson made this shift more explicit. He was trying to unify his political base behind his shift to support of the Tariff Commission, reassuring Democratic loyalists that he remained a steadfast foe of protectionism. He asserted that the Democrats “have released our foreign trade from the shackles of a tariff contrived in the interest of special groups of favored producers, and have created a Tariff Commission intended to substitute public for private influences, facts for theories and pretensions, in all future legislation with regard to duties and restrictions on imports.”²⁵⁸ Wilson continued in this

²⁵⁵ On Tarbell’s role in promoting tariff reform, see Goodwin, *The Bully Pulpit* (2013), 492, 495–96, 584–85, and 590–92. The quotation from “Juggling the Tariff,” is from 590–591. Although Taft and Tarbell were seated together at a cabinet dinner shortly after the 1908 election, he apparently never sought any subsequent communication with her. See 592.

²⁵⁶ Ida Tarbell, *The Tariff in Our Times* (New York: Macmillan, 2011).

²⁵⁷ “An Interview by Ida M. Tarbell,” October 3, 1916, in Link *et al.*, *PWW*, vol. 38 (1982), 333.

²⁵⁸ “Woodrow Wilson to My Fellow-citizens,” October 15, 1916, in Link *et al.*, *PWW*, vol. 38 (1982), 463–64.

vein throughout the campaign, speaking subsequently to, for example, the Chicago Press Club; to 4,000 “nonpartisan” women in Chicago; to 15,000 New Yorkers who had traveled down to Shadow Lawn, New Jersey; and to 500 people in Buffalo.²⁵⁹ Meanwhile, Charles Evans Hughes, the Republican candidate, hewed to a partisan line of his own, calling simply for a return to protective tariffs after the war.

The exact contribution of the tariff issue to the hard-fought and narrow victory of Woodrow Wilson in 1916 is unknown. But at the time the election results seemed to bear out the advice of his advisors who had called on him to embrace the idea of a tariff commission. Wilson succeeded in attracting former Progressives in the West, carrying California, which he had lost in 1912. The other crucial state to his victory was Ohio, the only large Northeastern and Great Lakes state that he won in 1916. There, too, the appeal of the tariff commission proposal may have won important support from former Progressive Party voters and small businesses.²⁶⁰

Appointing the Commission

During the campaign, after the passage of the Revenue Act, Wilson came under some pressure to appoint the members of the Commission swiftly. His advisers believed this would help counter the charge of Republicans that the prospect of postwar trade problems called for action immediately.²⁶¹ Wilson, however, moved slowly, largely because of his active involvement in the campaign, but for two other reasons as well. One was a desire not to offend some of many people who might see themselves as candidates for the position. Another was that Wilson had come to understand that in order to win public support for the Tariff Commission and its work he had to avoid—or at least to appear to avoid—appointing commission members with strong party identifications.

Occasionally during the campaign, Wilson complained publicly about the provision of the legislation that allocated positions between the two major parties. As early as July, Wilson had said he would rather not have to take party identification into account at all “because my desire

²⁵⁹ Woodrow Wilson, “A Luncheon Address to the Chicago Press Club,” October 19, 1916; “An Address in Chicago to Nonpartisan Women,” October 19, 1916; “A Campaign Address to New Yorkers at Shadow Lawn, October 28, 1916; and “A Luncheon Address in Buffalo,” November 1, 1916, in Link *et al.*, *PWW*, vol. 38 (1982), 478, 486, 555–56, and 574.

²⁶⁰ On the outcome of the 1916 election, see Cooper, *Woodrow Wilson* (2009), 357–61 and Arthur S. Link, *Wilson: Campaigns for Progressivism and Peace, 1916–1917* (Princeton: Princeton University Press, 1965), 160–64.

²⁶¹ See, for example, Bernard Baruch to Woodrow Wilson, August 17, 1916, William Joel Stone to Joseph P. Tumulty, September 25, 1916, Edward M. House to Woodrow Wilson, September 29, 1916, William G. McAdoo to Woodrow Wilson, October 4 and 11, 1916, in Link *et al.*, *PWW*, vol. 38 (1982), 44, 278, 297, 335–36, and 393. However, near the end of the campaign, Colonel House had changed his mind, telling Wilson he was “glad you have not made the appointments” to the Commission. “It will be much better to do it after the election and for reasons which of course you have had in mind for not making them before.” Edward M. House to Woodrow Wilson, October 27, 1916, in Link *et al.*, *PWW*, vol. 38 (1982), 546.

would be not to have a bipartisan, but an absolutely nonpartisan commission of men who really applied the tests of scientific analysis of the facts, and no other tests whatever, to the conclusions that they arrived at.”²⁶² In October he told the Chicago Press Club: “I asked Congress for a nonpartisan commission, and they gave me a bipartisan commission.” He explained to Chicago’s nonpartisan women that he had been slow to make appointments “because I hate as much to ask them which party they belong to as to ask them which church they belong to.”²⁶³

After the November 1916 election, the intensification of the European crisis, the expansion of preparedness planning, his determined efforts to broker a peace, and then the onset of the crisis that brought America into the war all preoccupied Wilson and his cabinet. McAdoo managed the appointment process, though he was especially busy as he worked out the complex and innovative financial plans for American intervention. He conferred closely with Secretary Houston and Colonel House, and cleared all names with the President.

The first person they asked to serve was Frank Taussig. In fact, as early as February 1916 Wilson had alluded to Taussig as his first choice.²⁶⁴ In October, during the campaign, McAdoo had asked Houston “to sound out Taussig” and suggested other candidates, as had House.²⁶⁵ The journalist Ida Tarbell, who had done so much to dramatize the tariff issue, was also high on Wilson’s list. Tarbell had a long meeting with House but at the end of December turned down the offer, pleading health problems.²⁶⁶ About the same time Taussig told Houston that he would serve. On January 8, 1917 Wilson announced to a correspondent of *The New Republic* that Taussig had accepted an appointment to the Commission.²⁶⁷

After Taussig’s acceptance, McAdoo retrieved the file of candidates from Wilson. McAdoo, with the help of Houston and House, went on to vet the finalists, including Herbert Emery, Carl Shurz Vrooman (Houston’s Assistant Secretary of Agriculture), and candidates suggested by

²⁶² Woodrow Wilson, “A Luncheon Address in Detroit,” July 10, 1916, in Link *et al.*, *PWW*, vol. 37 (1981), 393.

²⁶³ Woodrow Wilson, “A Luncheon Address to the Chicago Press Club,” October 19, 1916, in Link *et al.*, *PWW*, vol. 38 (1982), 378; “An Address in Chicago to Nonpartisan Women,” October 19, 1916, in Link *et al.*, *PWW*, vol. 38 (1982), 486. *See also* “A Luncheon Address in Buffalo,” November 1, 1916, in Link *et al.*, *PWW*, vol. 38 (1982), 574.

²⁶⁴ In the speech in which he referred obliquely to Taussig, Wilson described him as the only “impartial” man on the tariff that he knew. “I shall have to institute a very elaborate search for the rest,” he added. “An Address to the Chamber of Commerce of the United States,” February 10, 1916, in Link *et al.*, *PWW*, vol. 37 (1981), 156.

²⁶⁵ William G. McAdoo to Woodrow Wilson, October 4, 1916, in Link *et al.*, *PWW*, vol. 38 (1982), 335. *See also* Edward M. House to Woodrow Wilson, September 29, 1916, in Link *et al.*, *PWW*, vol. 38 (1982), 297.

²⁶⁶ On Taussig’s appointment, *see* William G. McAdoo to Woodrow Wilson, December 28, 1916, in Link *et al.*, *PWW*, vol. 40 (1983), 347, and Houston to McAdoo, December 29, 1916, McAdoo Papers. On the effort to appoint Tarbell, *see* Diary of Edward M. House, December 20, 1916, Woodrow Wilson to Ida M. Tarbell, December 28, 1916, Woodrow Wilson to Jane Addams, December 28, 1916, Ida M. Tarbell to Woodrow Wilson, December 30, 1916, and Woodrow Wilson to Ida M. Tarbell, January 3, 1917, in Link *et al.*, *PWW*, vol. 40 (1983), 343, 372, and 384.

²⁶⁷ “A Report of a News Conference by Charles Merz,” January 8, 1917, in Link *et al.*, *PWW*, vol. 40, 347.

Taussig.²⁶⁸ It took until the first week in March for McAdoo to complete his final recommendations. One of the most difficult constraints was the requirement that not more than three of the members of the commission could be of the same party. At the end of the process Wilson appointed two Independents, two Democrats, and two Republicans.²⁶⁹

The Independents were Taussig and William Kent.²⁷⁰ Kent, of Marin County, California, had served three terms in Congress, from 1911 to 1917, as a progressive Republican and then as an Independent. Kent had advised Wilson on details of the Rainey bill and had led in sponsoring the legislation that, just two weeks before the enactment of the Tariff Commission, established the National Park Service.²⁷¹ In November he had heard that he was under consideration and wrote to Norman Hapgood, the former editor of *Collier's*, the current editor of *Harper's Weekly*, and a prominent Wilson supporter, to tell him that the position would “open up the possibility of economic study and investigation in which I believe I could be of good service,” and to ask Hapgood, if he agreed, “to suggest it at headquarters” [the White House, presumably]. He added: “I probably could secure the governorship here if I wanted it, but I do not like the idea of getting down to state matters when my view has been directed to national affairs.”²⁷²

The first Democrat the Wilson administration settled on was Daniel C. Roper, who agreed to serve as Vice Chair of the Commission. He had impressive credentials as an experienced federal bureaucrat, having served as a clerk for the Interstate Commerce Commission, a researcher on textiles for the Bureau of the Census, a clerk of the House Ways and Means Committee, and First Assistant Postmaster General. Roper may well have been campaigning for the appointment to the Tariff Commission. While serving in the U.S. Post Office Department he made it known that he had great enthusiasm for the tariff commission idea, and even wanted to expand its scope. Roper was also a highly partisan figure. In July 1916 he had resigned from

²⁶⁸ McAdoo to Wilson, December 29, 1916, and March 9, 1917, McAdoo Papers. With regard to Emery's role on Taft's Tariff Board, see 80-81, above.

²⁶⁹ For McAdoo's final recommendations, see McAdoo to Woodrow Wilson, March 9, 1917, Link *et al.*, *PWW*, vol. 40 (1983), 379.

²⁷⁰ The Wilson administration had been uncertain about Taussig's party identification. In Houston's letter to McAdoo reporting Taussig's agreement to serve, Houston had originally written: “I understand that Taussig is a Wilson Democrat.” Before sending the letter, Houston had scratched out this sentence and scrawled “Doubtful” in the margin. In his official recommendation to Wilson, McAdoo put Taussig in the Independent category. Houston to McAdoo, December 29, 1916, McAdoo Papers; McAdoo to Woodrow Wilson, March 9, 1917, in Link *et al.*, *PWW*, vol. 41 (1983), 379.

²⁷¹ William Kent to Woodrow Wilson, February 23, 1916,” in Link *et al.*, *PWW*, vol. 36 (1981), 206–07 and Woodrow Wilson to William Kent, February 28, 1916, in Link *et al.*, *PWW*, vol. 36 (1981), 227.

²⁷² William Kent to Norman Hapgood, November 29, 1916, in Link *et al.* *PWW*, vol. 40 (1983), 173.

the Post Office to work at the Democratic national headquarters.²⁷³ The other Democrat Wilson appointed was a former member of Congress, David J. Lewis, who had been Chair of the House Committee on Labor but lost a campaign for the Senate from Maryland in 1916.

The two Republicans were Edward P. Costigan and William Smith Culbertson. Costigan was a Progressive Republican and an attorney from Denver. He had helped found the Progressive Party in Colorado in 1912, represented the United Mine Workers during a 1914 Congressional investigation of the coal strike, and ran unsuccessfully for governor in 1912 and 1914.

Culbertson was the least known of the six, but his credentials were superb. He had served on the staff of the Tariff Board, had made a major policy contribution to the Progressive Republicans in 1912, had provided bill and speechwriting support to Senator Robert La Follette in 1913, had earned a law degree, and since November 1915 had been serving as special counsel for the FTC. His nomination had come to Wilson from the Progressive Kansas editor William Allen White. McAdoo may also have heard good things about him from Emery; from Taussig, who had been impressed by an article Culbertson had written in *The American Economic Review*; and from Edwin N. Hurley, the Chair of the FTC.²⁷⁴

The terms were staggered, as required by the legislation. Taussig was asked to serve 12 years; Roper, 10; Lewis, 8; Kent, 6; Culbertson, 4; and Costigan, 2. In picking an Independent as chair of the commission, assigning him the longest term, and appointing an additional Independent, Wilson had upheld his commitment to nonpartisanship. However, in making the other appointments he revealed his partisan preference. He assigned the next-longest terms to the two Democrats; identified Roper as the vice chair, in which capacity he would clearly provide advice to Taussig on both bureaucratic and partisan matters; and relegated the two Republicans to the shortest terms.

²⁷³ In January 1916, Roper had advised his boss, Postmaster General Albert S. Burluson, who worked closely with McAdoo and House on patronage issues, that he, Roper, not only agreed with the recommendation of "Professor Taussig" but also thought the commission should take up "all internal sources of revenue, corporation, and inheritance and all internal revenue taxes." Roper proposed naming it "the Federal Tariff and Revenue Commission." The broad-scope commission should "make its inquiry and recommendations to Congress the entire revenue requirement of the government, the most equitable means under changing conditions of meeting those requirements, and the encouragement of American industry and trade both at home and abroad." Roper to Burluson, January 28, 1916, McAdoo Papers. In September 1917 Roper would resign from the Tariff Commission to become Commissioner of Internal Revenue, a position he held throughout World War I. Brownlee, "Social Investigation and Political Learning" (1993), 348–499, 353.

²⁷⁴ See note 190 above and Culbertson, "Ventures in Time and Space." On his nomination, see Link *et al.*, *PWW*, vol. 38 (1982), 3, n. 2. In less than a year after his appointment to the Tariff Commission Culbertson had published a substantial article in *The North American Review* on the Commission's work. See William Smith Culbertson, "The Tariff Commission and Its Work," *The North American Review*, 207 (January 1918), 57–65.

On March 21, 1917, the President made recess appointments to the Commission because Congress was not in session,²⁷⁵ and the formal organization of the Tariff Commission took place at the end of the day on March 31, 1917. This occurred only six days before Congress recognized a state of war between the United States and Germany.

Wilson's Intentions and His Legacy

Between 1913 and 1916 Wilson made a significant shift in political tactics. He made a transition from his partisan leadership in crafting the Underwood Tariff to his campaign on behalf of an independent, nonpartisan, and permanent Tariff Commission. But Wilson's shift did not mark a fundamental change in his concept of what was progressive tariff reform. Wilson continued to believe in both the goals and the strategic premises that had shaped his leadership of the enactment of the Underwood Tariff. His goal remained to move the nation toward a policy of free trade. And he remained convinced that the Democratic Party remained the superior vehicle for advancing reform of tariff policy.²⁷⁶

During late 1915 and early 1916, however, he had become persuaded of several realities. The first was that the Democratic Party had not yet replaced the Republican Party as the nation's dominant political agency, and that there was thus a significant political risk of a Republican victory in 1916. The second was that economic uncertainty, coupled with the challenges of financing military preparedness, increased the risk of a Republican victory.²⁷⁷ The third was that the prosperity of the United States in the international economy of the postwar era might well depend on having a more supple, aggressive, and well-informed tariff policy.

These realities led Wilson to pivot from the tariff policies of the New Freedom program to embrace the Tariff Commission. Wilson continued to believe that a vital Democratic Party was necessary for the ultimate victory of free trade. However, he had concluded that the establishment of the Tariff Commission might be necessary to persuade the American public that the tariff damaged the nation's economic and social fabric and that tariff reform under

²⁷⁵ U.S. Tariff Commission (USTC), *First Annual Report of the United States Tariff Commission for the Fiscal Year Ended June 30, 1917*, H. Doc. 65–616 (Washington, DC: Government Printing Office, November 15, 1917), 3-4. The Senate confirmed the appointments on April 12.

²⁷⁶ Like Arthur Link, Joseph Kenkel, and Karen Schnietz, I heavily attribute Wilson's shift in supporting the Tariff Commission to partisan motivations. But, in contrast with those scholars, I place great emphasis on the continuing influence of Wilson's deep grounding in the ideas of international liberalism and his distrust of commission government. Accordingly, even more than Link and Schnietz, I would emphasize the tactical nature of his shift. See note 156 above.

²⁷⁷ Also like Link, Kenkel, and Schnietz, I attach great importance to the historical contingency associated with the wartime crisis in 1915–16, but I emphasize far more than they do the political and fiscal impact of financing preparedness on the enactment of the Tariff Commission. For my analysis of the response of the Wilson administration to the fiscal crisis of 1914–16, see W. Elliot Brownlee, "Wilson and Financing the Modern State" (1985), 173–210.

Democratic leadership would be fair and competent. Democratic partisan politics had driven the process of creating the Tariff Commission, and after the 1916 election Democratic leaders were optimistic that they would remain in control of the federal government. McAdoo himself harbored the ambition to run for the Presidency in 1920.

The country's entry into the First World War almost immediately after the opening of the Tariff Commission's doors changed the roles that the Wilson administration had intended for the Commission and its members. Other chapters in this volume will discuss the changes that occurred during the 1920s. But one thing that did not change was Wilson's belief in the power of free trade. If anything, the war strengthened this belief. In 1918, in crafting the third of his Fourteen Points, Wilson advanced one of his most eloquent and concise statements for free trade. He called for "the removal, so far as possible, of all economic barriers and the establishment of an equality of trade conditions among all the nations consenting to the peace and associating themselves for its maintenance." This was more than economics. Wilson declared: "What we ourselves are seeking is a basis which will be fair to all and which will nowhere plant the seeds of such jealousy and discontent and restraint of development as would certainly breed fresh wars."²⁷⁸ Perhaps the most important question to address in evaluating Wilson's long-term accomplishments in creating the Tariff Commission is whether or not the Commission succeeded in advancing the lofty goals for promoting international comity articulated by Wilson in the Fourteen Points.

²⁷⁸ Wilson to Sidney Mezes, November 12, 1917, in Link *et al.*, *PWW*, vol. 45 (1984), 17.

Part II

Evolution

