FREE TRADE FACTS

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Did Tariffs Cause Early American Economic Growth?

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Introduction

Several recent arguments have been advanced that attempt to recast early American economic history as a story of the alleged successes of tariff protectionism in the 18th and 19th centuries. According to these accounts, steep protective tariffs were responsible for the United States' emergence as an economic superpower.[2]

Proponents of this revisionist history make several claims, which include the following:

- that the Founding generation, led by Alexander Hamilton, intended to cultivate American industry under a high protective tariff regime;
- that the United States adhered to Henry Clay's "American System" of tariffs and industrial subsidies, in contrast and competition with a British-inspired philosophy of free trade; and
- that tariffs were responsible for economic growth and industrialization in the 19th-century United States and particularly the period between the Civil War and World War I.

In this survey, I assess each of these claims and show that they are based on fundamental misunderstandings of American economic history. While the United States did employ high tariffs at various points in the 19th and early 20th centuries, protectionism was not consistently followed as an economic policy. The goals of protectionism frequently clashed with the need for federal tax revenue in a tariff-dependent era, preceding the adoption of the income tax amendment in 1913. Of equal significance, 19th-century US economic growth was strong during periods of

1 The author can be contacted at pmagness@independent.org and thanks Caleb Petitt of the Independent Institute for his help in compiling material for this paper.

2 For recent examples, see the following: Michael Lind, *Land of Promise: An Economic History of the United States* (Harper Collins, 2012); Wells King, "Rediscovering a Genuine American System," American Compass, May 4, 2020, https://americancompass.org/rediscovering-a-genuine-american-system/; Oren Cass, "Free Trade's Origin Myth," Law & Liberty, January 2, 2024, https://lawliberty.org/forum/free-trades-origin-myth/.

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trade liberalization such as between 1832 and 1861. During periods of high protective tariffs, including the decades after the Civil War, the American economy grew faster in sectors that were relatively insulated from the effects of tariffs. The eventual abandonment of 19th-century-style protectionism came about due to its disastrous performance during the Great Depression under the Smoot-Hawley Tariff Act of 1930.

Tariffs in the Founding Era

British taxes and regulations on trade with the colonies provided a primary impetus for the American Revolution. In 1774, Thomas Jefferson declared "the exercise of a free trade with all parts of the world, possessed by the American colonists, as of natural right." His instructions to Virginia's delegates to the Continental Congress listed America's grievances, along with many punitive trade restrictions imposed by the British parliament, and urged them to "declare these acts void."[3] Two years later, the Declaration of Independence indicted King George III "For cutting off our Trade with all parts of the world."[4]

Most of the leading figures of the Founding generation maintained this commitment to free trade after securing their independence. In 1780, John Jay pledged the new nation's commitment to free commerce with the world, urging that "Every Man being then at Liberty by the Law to cultivate the Earth as he please[s], to raise what he please[s], to manufacture as he please[s], and to sell the Produce of his Labor to whom he please[s], and for the best Prices without any Duties or Impositions whatsoever."[5] Benjamin Franklin denounced the "specious doctrine" of attempting to reverse a trade deficit with protectionism, noting that "in trade nothing is given without adequate returns or compensation." He continued, "No nation was ever ruined by trade, even seemingly the most disadvantageous," directly anticipating the theory of comparative advantage.[6]

The Constitution, drafted in 1787, directly contemplated a tariff system by giving Congress the "Power To lay and collect Taxes, Duties, Imposts and Excises."[7] Although it was one of several types of taxation authorized by the document, the tariff attained primacy for the collection of much-needed federal revenue for two reasons. First, tariffs were relatively easy to collect, as they are assessed at ports of entry. Second, a quirk of constitutional design made it impractical for the government to rely on direct taxation—a category that included income taxes.[8]

The first tariff system imposed a low and relatively uniform schedule for the primary purpose of generating federal tax revenue. Politicians in this era grappled with interest group pressures to "protect" specific industries from foreign competition with higher rates.[9] They quickly discovered that the goals of revenue and protection are in direct tension. Because higher rates aim to discourage the consumption of foreign goods with discriminatory taxation, they reduce import volume and, with it, revenue collection.[10] If tariff rates are raised too high and imposed on too many goods, the customs houses will fail to collect enough taxes to support the federal government.

3 Thomas Jefferson, "A Summary View of the Rights of British America," The Avalon Project, Yale Law School, accessed June 17, 2025, https://avalon.law.yale.edu/18th_century/jeffsumm.asp.

4 "Declaration of Independence: A Transcription," America's Founding Documents, National Archives, last reviewed May 16, 2025, https://www.archives.gov/founding-docs/declaration-transcript.

5 "From John Jay to Floridablanca, 25 April 1780," *Founders Online*, National Archives, accessed June 17, 2025, https://founders.archives.gov/documents/Jay/01-02-02-0033.

6 Benjamin Franklin, "Principles of Trade," in *The Works of Benjamin Franklin*, ed. Jared Sparks, vol. 2 (Tappan and Whittemore, 1836; repr., Kessinger Publishing, 2010), 401.

7 "Constitution of the United States," Article I, Section 8, United States Senate, accessed June 17, 2025, https://www.senate.gov/about/origins-foundations/senate-and-constitution/constitution.htm#a1. The tariff power is encompassed under the arcane word *impost*, which was explained as a type of tax "appropriated to commerce" (see records of the Federal Convention in the "Madison Debates," The Avalon Project, Yale School of Law, August 16, 1787, https://avalon.law.yale.edu/18th_century/debates_816.asp).

8 "Constitution of the United States," Article I, Section 9, United States Senate, accessed June 17, 2025, https://www.senate.gov/about/origins-foundations/senate-and-constitution/constitution.htm#a1. Article I, Section 9, stipulates that "No Capitation, or other direct, Tax shall be laid, unless in Proportion to the Census or enumeration herein before directed to be taken." Under this clause, a direct tax would have to be apportioned on each state according to its population, making it unwieldy to administer and politically cumbersome to assess. The 16th Amendment, ratified in 1913, exempted the federal income tax from this apportionment requirement.

9 The first tariff bill proposed by James Madison in 1789 originally intended a uniform "impost" of a low, fixed percentage on all dutiable goods. During debate, members of Congress amended the bill to attach a small number of higher "protective" rates on specific products, usually to penalize foreign competitors of industries in their home districts. Even with these amendments, the average duty under this measure came to about 13 percent.

10 Phillip W. Magness, "Constitutional Tariffs, Incidental Protection, and the Laffer Relationship in the Early United States," *Constitutional Political Economy* 20, no. 2 (2009): 177–192, https://doi.org/10.1007/s10602-008-9060-6.

Alexander Hamilton, the first secretary of the Treasury, has a reputation as a protectionist due to the industrial plan he laid out in his 1791 *Report on Manufactures*. This document contains classical arguments in favor of levying high tariffs on certain "infant manufactures" and products of strategic military value, paired with "bounties," or subsidies, that aimed to develop a manufacturing base.[11] Despite its modern portrayal as a pro-tariff document, Hamilton's report was met with mixed reception in Congress. The bounties failed the following year, although Congress implemented most of Hamilton's specific duty recommendations. For all his protectionist rhetoric in the report, Hamilton's recommended list of tariff rates remained low by historical standards and even reduced or eliminated some duties on raw materials.[12] Most scholars of this period conclude that Hamilton accepted and prioritized the need for federal tax revenue at moderate rates over his desire for industrial protection at higher rates.

The Myth of the "American System" and the Origins of 19th-Century Growth

The most notable disruptions to trade in the early republic came not from the tariff but rather because of military reasons surrounding the War of 1812 and associated embargo measures on trade. With the return of peace, Congress adopted the Dallas Tariff in 1816. This measure included some ostensibly protectionist rates at the behest of specific industries, yet its practical effect reduced some of the wartime barriers to trade. By 1819 the average tariff rate on dutiable goods was 31.4 percent. Although this figure is high by modern standards, it reflected an era when approximately 90 percent of the government's tax revenue came from tariff collection.

TABLE 1 MAJOR U.S. TARIFF LEGISLATION, 1789–1930

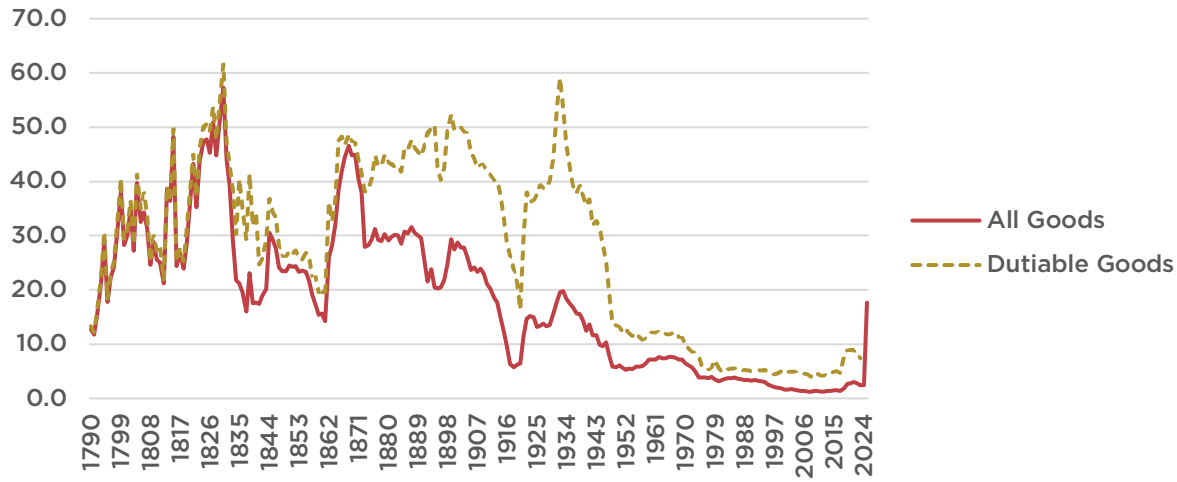
Year	Name	Description	Party
1789	First Tariff Act	Established the first federal revenue system	n/a
1792	Hamilton Tariff	Based on *Report on Manufactures* but was primarily revenue oriented	n/a
1816	Dallas Tariff	Post–War of 1812 revision with some protective characteristics	Democratic-Republican
1824	Sectional Tariff	Protectionist rate increase based on Clay's "American System"	Democratic-Republican
1828	Tariff of Abominations	Extreme protectionist rate increase, precipitating the Nullification Crisis	Democrat (Jacksonian)
1832	Tariff of 1832	Modest reduction to 1828 rates; failed to appease Nullifiers	Democrat (Jacksonian)
1833	Compromise Tariff	Phased in gradual reduction of rates to 20 percent target by 1842	Democrat (Jacksonian)
1842	Black Tariff	Protectionist rate increase based on Whig Party platform	Whig
1846	Walker Tariff	Rate reduction to reverse 1842 rates and codify ad valorem schedule	Democrat
1857	Tariff of 1857	Across-the-board rate reduction to 1846 schedule	Democrat
1861	Morrill Tariff	Protectionist rate increase to rates approximately matching 1842 Tariff	Republican
1872	Tariff of 1872	Modest rate reduction, expansion of the free list of non-dutiable goods	Republican
1883	Mongrel Tariff	Compromise rate reduction of less than 2 percent on average	Bipartisan
1890	McKinley Tariff	Protectionist rate increase	Republican
1894	Wilson-Gorman Tariff	Moderate rate reduction	Democrat
1897	Dingley Tariff	Protectionist rate increase	Republican
1909	Payne-Aldrich Tariff	Protectionist rate revision with some increases	Republican
1913	Underwood-Simmons Tariff	Large rate reduction, paired with revenue swap to federal income tax	Democrat
1922	Fordney-McCumber Tariff	Protectionist rate increase with minimal revenue component	Republican
1930	Smoot-Hawley Tariff	Extreme protectionist rate increase in response to the Great Depression	Republican

Source: Compiled from *Historical Statistics of the United States*, 1789–1945 (US Census Bureau, 1949).

11 "Alexander Hamilton's Final Version of the Report on the Subject of Manufactures [5 December 1791]," *Founders Online*, National Archives, accessed June 18, 2025, https://founders.archives.gov/documents/Hamilton/01-10-02-0001-0007.

12 Douglas A. Irwin, "The Aftermath of Hamilton's 'Report on Manufactures,'" *The Journal of Economic History* 64, no. 3 (2004): 800–821, https://doi.org/10.1017/S0022050704002979.

FIGURE 1 AVERAGE U.S. TARIFF RATE BY YEAR



Source: Douglas A. Irwin, "New Estimates of the Average Tariff of the United States, 1790–1820," *The Journal of Economic History* 63, no. 2 (2003): 506–513, https://www.jstor.org/stable/3132445.

A protectionist shift in US tariff policy began in earnest in 1824 when Senator Henry Clay of Kentucky outlined the case for centrally planned economic industrialization, which he dubbed the "American System." Clay's program consisted of high protective tariffs on imported competitor goods to American industry, federal funding of "internal improvements" or infrastructure projects in American cities, ports, and canals, and an expansive National Bank, which critics denounced as a mechanism to manipulate currency and assume debt at the national level.[13] Clay's program drew multiple rebukes from the Founding generation. James Madison, then in retirement, wrote the Kentucky senator in 1824 to challenge the wisdom of his proposed tariff hikes. Thomas Jefferson, in one of his last political acts before he died in 1826, secretly authored a draft resolution for the Virginia assembly that denounced Clay's program as unconstitutional.[14]

At the same time, Clay's program proved extremely popular among special interest groups, who recognized it as an opportunity to secure punitive tariff rates on their foreign competitors. Indeed, the modern practice of "lobbying" traces its origins to the wave of tariff seekers who descended on Washington during tariff schedule revisions in 1824 and 1828 and largely succeeded in securing legislative favors during the drafting of these bills.[15] The ensuing interest group free-for-all drove the average tariff rate steadily upward from 31.4 percent in 1819 to an astounding 61.7 percent by 1830. This near doubling of tax rates for protective ends, dubbed the "Tariff of Abominations" by its critics, nearly sparked a constitutional crisis in 1832 when the state of South Carolina "nullified" the measure and indicated intentions of resisting federal revenue collection in its ports. To avert this collision, the protectionist Clay and his nullifier counterpart John C. Calhoun negotiated a retreat from protectionism, to be

13 See Phillip W. Magness, "The American System and the Political Economy of Black Colonization," *Journal of the History of Economic Thought* 37, no. 2 (2015): 187–202, https://doi.org/10.1017/S1053837215000206. See also Henry Clay, "The American System," in Robert C. Byrd, *The Senate 1789–1989 Classic Speeches 1830–1993*, ed. Wendy Wolff, vol. 3 (U.S. Government Printing Office), https://www.senate.gov/artandhistory/history/resources/pdf/AmericanSystem.pdf. Clay's "American System" philosophy had a complex relationship with the institution of slavery that precipitated further addenda to its tenets. After first proposing it in 1824, Clay came to recognize that the American System's plan to harmonize the American economy through tariff-induced import substitution could strengthen the position of slavery in the southern states by structuring them as raw material producers to the textile mills of the Northeast. Though a slaveowner himself, Clay favored gradual emancipation. Clay attempted to reconcile the tensions in his economic system by endorsing a scheme to colonize or resettle freedmen in what is now Liberia with funding provided by federal tariff revenue.

14 "From James Madison to Henry Clay, 24 April 1824," *Founders Online*, National Archives, accessed June 18, 2025, https://founders.archives.gov/documents/Madison/04-03-02-0296; "From Thomas Jefferson to William Gordon, 1 January 1826," *Founders Online*, National Archives, accessed June 18, 2025, https://founders.archives.gov/documents/Jefferson/98-01-02-5794.

15 Daniel Peart, *Lobbyists and the Making of US Tariff Policy, 1816–1861* (Johns Hopkins University Press, 2018).

implemented by gradual rate reductions every two years until reaching a base level of 20 percent in 1842.

The period between 1833 and 1861 marked a sustained liberalization of US trade policy, save for a brief interruption from 1842 to 1845 when Clay's Whig Party gained control of Congress. Through a succession of trade schedule revisions, average dutiable rates dropped from their 61.7 percent peak under the Tariff of Abominations to less than a third of that level by 1861.

US manufacturing capacity grew rapidly during this roughly three-decade stretch of tariff liberalization. The period between 1830 and 1860 witnessed one of the fastest expansions of American industrial production in the 19th century, with output expanding by some 563 percent.[16] Tariffs dropped almost continuously in this same period from their peak of 61.7 percent in 1830 to 18.8 percent on dutiable goods in 1860. The simple correlation between tariff reductions and industrial growth does not demonstrate causality any more than the protectionist claim that high tariffs in the late 19th century caused a similar pattern. It does, however, belie the claim that protectionism and Clay's "American System" were necessary to spur industrialization in the United States.

Antebellum industrialization also coincided with a broader movement toward free trade among other countries. The 1846 Walker Tariff, which reduced rates and standardized a more efficient ad valorem schedule in the United States, coincided with Great Britain's repeal of their protectionist Corn Laws, which previously penalized trade in agricultural goods, including cheaper grains grown in the United States.[17] By the eve of the Civil War, the United States had one of the lowest tariff systems in the world—a revenue-oriented schedule that taxed dutiable goods at about 18.8 percent and all goods at just 14.2 percent while also generating sufficient tax dollars to balance the federal budget and eliminate most of the national debt.[18]

Economic Growth and Detriment in the High-Tariff Era

The period of US tariff liberalization in the mid-19th century came to a sudden halt in 1861 with the adoption of the Morrill Tariff. Much confusion surrounds the legacy and purpose of this measure, which became law a little more than a month before the attack on Fort Sumter. Protectionist narratives usually identify it as a new launching point of American industrialization and manufacturing, although, as we have seen, this process had been well underway for the previous 30 years amid lower and declining tariff rates. Others portray it as a revenue measure to finance the Civil War, although its prewar timing renders this claim anachronistic.

In truth, the measure emerged as one of several competing tariff schedule revisions after the Panic of 1857, a banking crisis triggered by the insolvency of the Ohio Life Insurance and Trust Company. Recycling Clay's theories from decades prior, its backers believed that protectionism would function as an economic stimulus package to shore up American industry against international competitors. The tariff passed in early 1861 when protectionist special interest groups took advantage of the resignation of several southern senators to revive the dormant bill amid the chaos of the unfolding secession crisis. In the month before the outbreak of the war, it hiked the average tariff

16 Rates calculated from Joseph H. Davis, "An Annual Index of U.S. Industrial Production, 1790–1915," *The Quarterly Journal of Economics* 119, no. 4 (2004): 1177–1215, https://doi.org/10.1162/0033553042476143. See also Phil Gramm and Donald J. Boudreaux, "No, Tariffs Don't Fuel Growth," Opinion, *Wall Street Journal*, October 16, 2024, https://www.wsj.com/opinion/no-tariffs-dont-fuel-growth-american-history-policy-trade-protectionism-economy-9ec595d0?gaa_at=eafs&gaa_n=ASWzDAiosEQ206OXBlUrwIAV2cSyDQ_iKcIy9T9LTVvYxo6dDY5-wDxdKrOG_wv0vWM%3D&gaa_ts=6852f602&gaa_sig=1bovY7aJN7ecZv29bBY5AKGiDaW0sjkKpDf1TY1zczOkQRea3fWWtdYerSpbOfUHAcIV4QYjM3hTZp93nN2Bmw%3D%3D.

17 Scott C. James and David A. Lake, "The Second Face of Hegemony: Britain's Repeal of the Corn Laws and the American Walker Tariff of 1846," *International Organization* 43, no. 1 (1989): 1–29, https://doi.org/10.1017/S0020818300004549.

18 See table 19 of the *Statistical Appendix to Annual Report of the Secretary of the Treasury on the State of the Finances* (Department of the Treasury, 1979), 62, https://fraser.stlouisfed.org/files/docs/publications/treasar/AR_TREASURY_1979_2.pdf.

rate to 27 percent.[19] Further augmented by wartime rate adjustments, the tariff schedule imposed an average dutiable rate of 47.6 percent at the cessation of hostilities in 1865. It would fluctuate between roughly 40 and 50 percent for the next half-century.

Owing to the entrenched special interest lobbies they attracted, postbellum tariff politics became synonymous with the political machines and corruption of the "Gilded Age." Tariff revisions invited bribery and backroom dealmaking as lobbyists clamored to obtain punitive rates on their competitors and special carve-outs on their raw materials. Protectionist overreach could be costly. The McKinley Tariff in 1890 and the Payne-Aldrich Tariff in 1909 sparked public backlashes that cost the Republican Party both houses of Congress and the presidency in their respective aftermaths. Yet interest group entrenchment also watered down Democratic attempts to reduce the tariff rates below the 40 to 50 percent window, such as the Wilson-Gorman Tariff of 1894.

Three other factors nonetheless blunted the effects of protectionism during the "high tariff" era of 1865–1913. First, the number of items on the duty-free list was greatly expanded—often as a favor to politically connected industries that used imported raw materials. This pattern may be seen in Figure I, beginning in 1874. While the average tariff rate on dutiable goods hovered between 40 and 50 percent, the free list reduced the overall tariff rate to approximately 10–15 percentage points lower in most years. Second, the need for federal tax revenue functioned as an upper constraint on protectionist pressures until the income tax amendment in 1913 created a separate revenue source. Third, the economic burdens of a protective tariff system were likely offset by other factors: a low federal tax burden in other areas, a large and geographically diverse internal market provided by unimpeded trade between the states, relatively free immigration and associated human capital, and a stable currency. The American economy grew in this period, leading to modern claims that tariffs "caused" high levels of industrial growth. This claim lacks evidence.

It is true that American manufacturing grew at a rapid pace in the late 19th century. Industrial output expanded by about 345 percent in the 30-year period after the Civil War—an impressive expansion, although not as fast as the 30-year period before the war under comparatively free trade.[20] In addition to the aforementioned offsetting factors (relatively low taxes, high immigration, and a large unrestricted internal market), several data points indicate that this growth took place despite high tariffs.

After an exhaustive investigation of the claimed evidence connecting tariffs to 19th-century economic growth, economic historian Douglas Irwin concluded that the hypothesized "links between tariffs and productivity are elusive."[21] Irwin's study examines the major pro-tariff claims in detail.

Echoing Hamilton's theoretical arguments, one such claim asserts that tariffs induced a shift of productive resources from agriculture to manufacturing in the late 19th century, allegedly yielding greater growth. Even under favorable assumptions, though, Irwin's calculations suggest that the cumulative effect of this shift was just a 0.8 percent difference in gross domestic product between 1870 and 1913. Irwin similarly investigated whether the tariff made the US workforce more productive by shifting labor into manufacturing. By comparing the US manufacturing workforce to the United Kingdom at the same time, he concluded that this labor shift was insufficient to explain why US per capita gross domestic product caught up with and eventually overtook Britain.

19 Phillip W. Magness, "Morrill and the Missing Industries: Strategic Lobbying Behavior and the Tariff, 1858–1861," *Journal of the Early Republic* 29, no. 2 (2009): 287–329, https://www.jstor.org/stable/40208200.

20 Rates calculated from Davis, "An Annual Index of U.S. Industrial Production."

21 Douglas A. Irwin, "Tariffs and Growth in Late Nineteenth Century America," Working Paper No. 7639 (National Bureau of Economic Research, April 2000), https://www.nber.org/system/files/working_papers/w7639/w7639.pdf.

Finally, Irwin analyzed the average annual total factor productivity growth in the United States by economic sector. If tariffs were the determinative factor, we might reasonably expect to find clear signs that heavily protected sectors such as manufacturing saw faster productivity growth than other sectors of the economy. Instead, the opposite is true. Total factor productivity growth in the United States was much more rapid in non-traded sectors such as transportation, utilities, and communication, which were comparatively insulated from the effects of the tariff system.

TABLE 2

US TOTAL FACTOR PRODUCTIVITY GROWTH BY SECTOR

Growth Category	1869–1909	1879–1909	1889–1909
Agriculture	0.8	0.6	0.4
Manufacturing	1.2	1.1	0.9
Mining	--	1.5	1
Transportation	2.8	2.6	2.1
Utilities & Communication	2	2.3	3
Nationwide	1.5	0.6	1.3

Source: Irwin, "Tariffs and Growth."

Irwin further noted that non-traded sector employment grew from 31 percent of the US workforce in 1870 to 43 percent in 1910, suggesting it was a significant driver of economic growth in this period.[22] By implication, pro-tariff arguments exaggerate the role of protectionism in the late 19th-century economy while also understating or ignoring other factors that were not contingent on the tariff system.

Additional evidence against the 19th-century tariff system emerges when we turn our attention to its downsides. Suppose we accept the common argument that tariffs advanced certain strategic industries after the Civil War, even if the evidence for their overall contribution to US economic growth is underwhelming. Tariffs, and their resulting economic distortions, are not costless, and a full accounting must weigh their harms against the claimed benefits.

Economist Bradford DeLong highlighted two examples from the late 19th century in which protective tariffs likely harmed the US economy. First, the protective tariff system likely harmed American agricultural exporters and particularly farmers in the western states.[23] The reason comes from agriculture's position as the main export sector of the US economy in the late 19th century. Import tariffs have long been known to impose symmetry effects on the export sector of the country that adopts them. Because exporters are essentially price takers who sell their goods on the world market, they often absorb the brunt of pass-through effects from increased domestic prices due to tariffs.[24]

Under a steep protective import tariff system, these effects are felt through foregone exports to the rest of the world. Per DeLong, the cumulative effect is a wealth transfer from the agricultural export sector to large industries in the Northeast. Further evidence of these effects may be seen in 19th-century political patterns. Wealthy regions in New England and the industrial mid-Atlantic tended to wield outsized political influence in Washington, especially when setting tariff rates. Rural areas in the middle of the country suffered the brunt of foregone agricultural export trade to Europe. Tariff-induced wealth concentrated in certain "strategic" sectors in the Northeast at the expense of the rest of the country.

Second, DeLong noted that protective tariffs likely impeded productivity in certain manufacturing sectors as well—particularly those that relied on machinery, steam engines, and other large capital goods that were imported from Europe. Tariffs on these items reached as high as 50 percent in the decades after the Civil War. These

22 Irwin, "Tariffs and Growth."

23 J. Bradford DeLong, "Trade Policy and America's Standard of Living: A Historical Perspective," in *Imports, Exports, and the American Worker*, ed. Susan M. Collins (Brookings Institution Press, 1998), 349–388.

24 A. P. Lerner, "The Symmetry Between Import and Export Taxes," *Economica* 3, no. 11 (1936): 306–313, https://doi.org/10.2307/2549223.

rates insulated domestic machinery manufacturers in the US from their foreign competitors but also drove up other domestic manufacturing costs downstream. A manufacturer who used heavy machinery in production had the choice of either paying the steep tariff to import these items from Europe or paying a higher price for American-made machinery. An intended tariff benefit to one type of manufacturing—the US machine industry—accordingly harmed US manufacturing in almost any industry that used the same machines in their production.[25]

A final economic harm from the late 19th-century tariff system appeared in the form of its main political toll: corruption. As noted, the tariff issue had strong associations with special interest group lobbying tracing back to the early 19th century. These patterns only intensified after the Civil War, when protectionist tariff rates offered lucrative political "rents," or privileged economic benefits, to any industry that secured them. Favor trading, price collusion schemes between companies, and even outright bribery of politicians became commonplace features of tariff schedule revisions between the Civil War and the shift to the federal income tax system in 1913.

Public corruption has an economic toll, as it diverts resources away from productive economic uses and into the political system: hiring lobbyists, funding campaigns for office, and bribing politicians.[26] A notable example of this occurred during the Payne-Aldrich Tariff revisions of 1909 when a request by President William H. Taft to "modernize" the tariff schedule devolved into a favor-trading free-for-all under the watch of the bill's namesake, Senator Nelson Aldrich of Rhode Island. Aldrich succeeded in passing a favor-laden tariff schedule, but, in doing so, he sparked an intense backlash among the Democratic opposition and a group of breakaway Republican "insurgents" who recoiled at its excesses. The political fallout precipitated the abandonment of the tariff-based revenue system itself as part of an attempt to weed out corruption. The 16th Amendment authorized the federal income tax by exempting it from the Constitution's census apportionment requirements. Ratification came just four years after the Payne-Aldrich schedule's fallout, giving the federal government a new source of tax revenue that was not dependent on trade.[27]

The 19th-century tariff system proved more difficult to topple than the income taxers realized, particularly after a protectionist coalition, unchained from revenue needs, attained majorities in Congress in the 1920s. Its final hurrah proved to be a self-inflicted wound, though. Following the stock market crash of 1929, Congress turned once again to the 19th-century prescriptions of Henry Clay's "American System." The Smoot-Hawley Tariff of 1930 began as an attempt to "insulate" the US economy from global recessionary turmoil by erecting high tariff barriers around American industry. Although it was styled as a policy response to an unfolding recession, the measure misdiagnosed the causes of the crisis. The origins of the Great Depression rested primarily in monetary policy mismanagement.[28] In short order, the Smoot-Hawley revision devolved into the familiar pattern of special interest lobbying, favor trading, and bribery that defined 19th-century tariff politics.[29] When signed by President Herbert Hoover against the advice of most economists, Smoot-Hawley backfired. The new tariff triggered a retaliatory trade war with most of our major trading partners and triggered a near-complete collapse in global trade over the next four years. While Smoot-Hawley did not cause the Great Depression, it exacerbated its effects and created international political obstacles to recovery.

25 DeLong, "Trade Policy."

26 Gordon Tullock, "The Welfare Costs of Tariffs, Monopolies, and Theft," in *40 Years of Research on Rent Seeking 1*, eds. Roger D. Congleton et al. (Springer, 2008), 45–53; Jagdish N. Bhagwati, "Directly Unproductive, Profit-Seeking (DUP) Activities," *Journal of Political Economy* 90, no. 5 (1982): 988–1002, https://doi.org/10.1086/261104.

27 Phillip Magness, "A Club to Beat Down the Tariff: The Political Economy of Tax Swaps and the Interest Group Origins of the 16th Amendment," SSRN, May 8, 2016, http://dx.doi.org/10.2139/ssrn.2777217.

28 Milton Friedman and Anna Jacobson Schwartz, *A Monetary History of the United States, 1867–1960* (Princeton University Press, 1963); Ben S. Bernanke and Harold James, "The Gold Standard, Deflation, and Financial Crisis in the Great Depression: An International Comparison," in *Financial Markets and Financial Crises*, ed. R. Glenn Hubbard (University of Chicago Press, 1991).

29 E. E. Schattschneider, *Politics, Pressures and the Tariff: A Study of Free Private Enterprise in Pressure Politics, as Shown in the 1929–1930 Revision of the Tariff* (Prentice Hall, 1935).

Conclusion

When assessed in full, the legacy of 19th-century tariffs leaves little to commend the policies of tariff protectionism. In the early 19th century, political experiments with "American System" style protectionism were brief, sporadic, and fraught with controversy and constitutional crisis. Early American industrial growth, by contrast, largely coincided with the three-decade period of trade liberalization before the Civil War.

While trade protectionism became politically entrenched in the latter half of the 19th century, the tariff system's claimed benefits are not apparent in empirical evidence from the period. When weighed against documented costs of the postbellum tariff system, it becomes apparent that the US economy grew in that period for other reasons that generally offset the detriments of protectionism.

The long political tail of late 19th-century tariffs persisted into the 20th century, ultimately concluding with catastrophic missteps in 1930. Its historical lessons are informative in evaluating claims about tariff protectionism today but serve primarily as a warning rather than a guidebook for reviving 19th-century economic ideology.