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INTRODUCTION

Research in Economic History is a refereed journal, specializing in economic history, in the form of a book. We publish articles that follow the standard formats of economics journals, but we can also accommodate longer pieces, historical narratives, and articles that primarily present newly constructed data sets.

In this volume, Bernard Beaudreau reexamines the origins of the American Smoot–Hawley Tariff Act of 1930. Earlier research has described the Act as an attempt by the Republican Party to gain support from Midwestern farmers. Beaudreau argues that it instead resulted from eastern industrialists’ efforts to raise tariffs on manufactures, using the farmers’ plight as a pretext.

Brandon Dupont, Drew Keeling, and Thomas Weiss present a newly constructed time series measuring first-class (“first-cabin”) passenger ship fares between Britain and New York city from the 1820s to the outbreak of World War I. This new information about costs of passenger travel, complementing existing series on freight costs, should prove useful to many researchers.

Alexander Field looks back at the American savings and loan meltdown of 1986–1995, which was viewed at the time as a serious financial crisis that affected the macroeconomy. Field argues that later experience, especially the financial crisis of 2007–2009, shows the savings and loan debacle should not be classed as a financial crisis in the usual sense, and was of little macroeconomic consequence.

Elmas Yaldız Hanedar, Avni Önder Hanedar, and Ferdi Çelikay examine investor responses to monetary and fiscal reforms adopted in the wake of an Ottoman government default in 1875. To do this, they manually collected daily data on government bond prices 1873–1883 from Turkish newspapers and tested for changes in price volatility subsequent to reforms. They find that the creation of a fiscal commission controlled by Europeans, and the Ottoman adoption of the gold standard, both led to permanent decreases in price volatility. On the other hand, the creation of a locally controlled fiscal commission led to a permanent increase in volatility. The authors believe this is the first econometrically sophisticated study to use data from the Istanbul Bourse.

Andrew Jalil and Gisela Rua examine the behavior of inflation expectations in the early 1930s. US Economists have argued that an important force for recovery from the Great Depression was a rise in expected future inflation, which was in turn a response to perceived pro-inflation policies of the incoming Roosevelt administration. Jalil and Rua observe that, after strong growth in
spring 1933, recovery faltered in late summer and autumn 1933. They argue the setback was partly due to mixed messages that caused the public to doubt the administration’s commitment to inflation. They draw on narrative evidence and an event study to show that news about administration policy affected expected inflation and financial markets. They present econometric evidence consistent with their hypothesis that perceived shifts in inflation policy affected real activity.
REEXAMINING THE ORIGINS OF THE SMOOT–HAWLEY TARIFF ACT

Bernard C. Beaudreau

ABSTRACT

It is generally believed that the Smoot–Hawley Tariff Act (SHTA) of 1930 was an electoral response on the part of the Republican Party to Midwestern farmers’ concerns in the 1928 general election which via the legislative process (pork-barreling and log-rolling) was transformed into a generalized upwards tariff revision. There are, however, problems with this view, not the least of which is the fact that the farmers themselves were well aware of the fact that higher tariffs would not improve their lot, and hence favored the price support/equalization measures found in the Haugen–McNary Farm Relief Bill. This paper presents an alternative explanation. Specifically, it is argued that the SHTA had its origins in manufacturing states where the demand for a comprehensive upward revision of tariffs was transformed via the electoral process — and not the legislative process — into an omnibus upward tariff revision that included agriculture. The omnibus nature of the bill, it is argued, was intended as both (i) an electoral strategy and (ii) a hedge against near-certain revolt in rural America over anticipated higher prices for manufactures. We show that while successful electorally (i.e., in the 1928 presidential election), the Smoot–Hawley Tariff Bill fell apart in the legislature in the summer of 1929 when 13 Insurgent Republicans broke with the party to vote with the Democrats to lower tariffs on manufactures.

Keywords: Smoot–Hawley Tariff Act; technological change; excess capacity; Republican Party; Herbert Hoover
1. INTRODUCTION

Attempts at understanding the origins of the Smoot–Hawley Tariff Act (SHTA) have been inconclusive. It has commonly been believed that the act began its life as an attempt on the part of the Republican Party to address Midwestern farmers’ concerns, which through the legislative process (pork-barreling and log-rolling) was transformed into a generalized upwards tariff revision (Eichengreen, 1989; Eichengreen & Irwin, 2009; Irwin, 1998, 2011; Shattuck, 1935).¹

In his recent book, Peddling Protection, Smoot-Hawley and the Great Depression, Douglas Irwin has argued that the SHTA should be understood as an electoral strategy on the part of the Republican Party to subdue growing dissatisfaction among Midwestern voters, the large majority of which were farmers.²

Chapter 1 focuses on the long and politically divisive passage of the Smoot-Hawley tariff through Congress. The popular perception is that Congress enacted a higher tariff because it caved in to the demands of special interest groups. In fact, the tariff did not originate in response to demands by politically powerful industries facing competition from imports, but was offered up by Republican politicians who wanted to appease farmers during the presidential election campaign in 1928. Of course, the manner in which Congress handled the tariff gave rise to its association with special interest lobbying and log-rolling, a perception that is wholly accurate. (Irwin, 2011, p. 7)

He then proceeded to ask and answer the following question:

Why, then, did the Republicans propose a tariff revision in 1928? The main reason was that another segment of the nation’s economy was not doing well: agriculture. The 1920s was an exceptionally difficult decade. The contrast between the prosperous East and struggling farms in the Midwest fueled agrarian resentment against industrial and commercial interests. Manufacturers were protected against foreign competition by high tariffs. Farmers felt that they paid for the tariff through higher prices and now they wanted equal consideration from the politicians in Washington. (Irwin, 2011, p. 18).

Further contributing to “agrarian resentment,” Irwin argued, was the failure of both the McNary–Haugen Farm Relief Bill (i.e., farm subsidies) and the McMaster Resolution (lower tariffs on manufactures) to gain traction, as the former was vetoed by President Calvin Coolidge on two occasions and the latter was defeated in the Senate. Irwin explained:

Defeated again, the Midwestern Republicans went back to the drawing board. With the Republican establishment opposed to farm subsidies and unwilling to reduce protective tariffs on manufactured goods, the only solution seem to be higher tariffs on agricultural goods, as imperfect a solution as that might be. This laid the groundwork for what would become the Smoot-Hawley Tariff. It is ironic that it was set in motion not by industrial lobbyists or the Republican leadership in Congress, but by progressive Midwestern Republicans. (Irwin, 2011, p. 27)

Sharing this view is Barry Eichengreen who in 2009 pointed to the problems of American agriculture.
The explanation coming closest to satisfying these requirements is the view of Smoot-Hawley as a response to the problems of American agriculture. The explanation runs as follows. While the 1920s were boom years for the country as a whole, prosperity was unevenly distributed. After benefiting from high prices from 1917 to 1920, American agriculture failed to recover from the recession of 1920-21. (Eichengreen, 2009, p. 32)

There are, however, problems with this view. For example, Callahan, McDonald, and O’Brien (1994) and Cupitt and Elliott (1994) tested this hypothesis using roll-call voting data on both amendments and the final bill and found no evidence that either agricultural (or light industry) interests were involved. Perhaps the greatest problem, however, is with the underlying proposition itself, namely the proposed upwards tariff revision on farm products. Throughout the 1920s, most Midwestern farmers and their representatives called for price supports (Haugen–McNary Farm Relief Bill) and/or lower tariffs on manufactures (McMaster Resolution). Because the United States produced nearly all the corn, wheat, barley and oats that it consumed — thus virtually no imports — it was clear that higher tariffs would do little to improve their lot. Interestingly, until the 1928 Kansas City convention, the Republican Party had advocated a series of policy measures aimed at overseeing/stabilizing supply — Federal Farm Board, Farmer-Controlled Stabilization. To most observers including President Calvin Coolidge, agriculture was a victim of its earlier successes in the “Great War,” when it had expanded rapidly.

This raises an important question, namely why did they change their position on the tariff question at the 1928 Kansas City convention? After all, outgoing President Calvin Coolidge had vetoed the Haugen–McNary Farm Relief Bill on two occasions (1924 and 1928). Was it electorally motivated as Douglas Irwin maintained? And why did it seize the occasion to propose a general upwards tariff revision on manufactures. This paper addresses these questions, and presents an alternative interpretation. Specifically, it is argued that this was part of a carefully crafted strategy on the part of Eastern industrial states/interests to increase tariffs on manufactures which, for electoral concerns, metamorphosed into an omnibus tariff bill, the agricultural provisions of which were national in scope. In this way, it was an electoral strategy as suggested by Douglas Irwin, but one designed to deflect criticism over its principal underlying objective, namely that of raising tariffs on manufactures, not to consolidate their hold on power in the Mid-West.

The paper is organized as follows. To begin with, we examine the electoral strategy hypothesis. We then present new evidence on the role of the industrialized Eastern states in the drafting of the Kansas City platform. Particular attention is paid to the writings and policy statements of the ranking members of the party, as well as the executive of the Republican National Conference. Specifically, the demand for another upward revision of the tariff schedule appeared to have been motivated by the alleged presence of generalized excess...
capacity, a point made by the bill’s chief architect, Utah Senator Reed Smoot, chairman of the Senate Finance Committee, on numerous occasions. This is then followed by our ancillary hypothesis, namely that for electoral reasons, the Party framed its proposed tariff hike on manufactures in terms of an omnibus tariff bill that for the first time, included tariff increases in agriculture — in short, what we refer to as the agricultural tariff about-face/ploy. We show that while this strategy was immensely successful at the polls, it collapsed in the legislature, prompting a major schism in the party in July 1929 when 13 Insurgents broke with the party to vote with the Democrats on rewriting the tariff bill.

2. REEXAMINING THE ROLE OF THE INDUSTRIAL EAST IN THE SHTA

Calls for higher tariffs on manufactures, we maintain, came from the Eastern industrialized states, principally Pennsylvania, New York and Massachusetts. This raises the question, namely why? Why did the East feel that a mere 6 years after the prohibitive Fordney–McCumber Tariff Act of 1922, another upward tariff revision on manufactures was needed?

Prior to the Kansas City convention, ranking Republicans had argued that tariffs on manufactures were in need of a revision. Consider, for example, the following remarks made by Senator Smoot in the Senate, in response to claims by Democrats that unemployment was on the rise in 1927.

Senator Smoot insisted that the picture drawn by the Democrats on Monday, when the Senate passed the Senate resolution, was much overdrawn. He admitted that some unemployment existed, but insisted that it did not compare with that of 1920 and 1921 when the Republicans came into power after eight years of Democratic administration. As for one reason for a degree of unemployment, Senator Smoot referred to large importations of foreign merchandise that have been steadily reaching American shores in spite of the Republican protective tariff .... These imports have a tendency to supplant large quantities of American goods, despite the tariff, thus slowing down many American industries. There also was an over-supply or over-production in many lines, Senator Smoot contended, and over-production or under-consumption in the textiles industries. A slow-down of many industries helps to increase industrial unemployment, and the result is immediately felt in the lowering of the consuming power of the wage earners. This has brought about what may be called an oversupply or overproduction existing in many lines; and we might add that mass production has cut a great figure in the amount of production in the United States in special lines. (The New York Times, March 8, 1928, p. 1)

According to him, the US economy in 1928 was characterized by overproduction, the chief culprits being higher imports and mass production. As it turns out, this was a recurrent theme in the debate over the proposed Smoot–Hawley Tariff Bill. For example, at Hearings in the House of Representatives on the proposed tariff bill in February 1929, overproduction was a recurrent theme. The New York Times reported: “Most of the petitioners
for large basic industries have admitted states of over-production or over-capacity for meeting domestic demand. Some estimated excess facilities at as much as 25 percent” (The New York Times, February 17, 1929, p. 1).

Calls for higher tariffs on manufactures came from the industrialized North-East. Leading the charge was Joseph A. Grundy, President of the Pennsylvania Manufactures Association and a long-time Republican. Grundy played an instrumental role in Hoover’s victory at the 1928 Republican National Convention in Kansas City. According to historian Harold U. Faulkner: “The Smoot–Hawley Tariff was an administrative measure put through the party machine and no single person was more active than Joseph R. Grundy, president of The Pennsylvania Manufacturers Association, who became Senator in December 1929” (1950, p. 342). His political agenda was limited to one item: a general upward tariff revision including manufactures.

Unfortunately, there is no record of the rate hikes Grundy had in mind. Were they to rise by 10%, 20%, or 100%? What we do know however is that when the Hawley Tariff Bill was put before the House in early 1928, Grundy was unhappy with the proposed rate revisions. The New York Times reported:

The dissatisfaction in highly protected industry because the bill does not increase rates on manufactured products is apparent from a statement of Joseph R. Grundy, president of the Pennsylvania Manufacturers’ Association. Mr. Grundy had an interview with President Hoover not long ago, and while he would not comment on what took place behind the doors of the President’s office, the impression was created that he had yielded to Mr. Hoover’s desire that he should not insist on higher duties on industrial products than the bill was then expected to provide. Today Mr. Grundy said: “The few rises that are in the bill fall short of meeting the requirements, which the past seven years of Pennsylvania’s industries show, along the lines indicated in the Republican platform adopted at Kansas City.” (The New York Times, May 9, 1929, p. 3)

Other leading tariff protagonists included Pennsylvania Governor John S. Fisher and Samuel M. Vauclain, president of the Baldwin Locomotive Works of Philadelphia. On September 5, 1929, in a meeting with President Hoover, Fisher expressed his concerns over increasing pressure to amend the tariff bill.

Earlier in the day President Hoover heard Representative Albert Johnson of Washington vigorously oppose the Senate Tariff bill, while two others, Governor Fisher of Pennsylvania and John E. Edgerton of New York, president of the National Manufactures Association, voiced protests against administrative features of the bill. Governor Fisher said that the American valuation plan was essential to a sound tariff bill and that protection could not be given to one group alone, but must be extended to the entire country. “During the campaign we preached protection for the East, West and all parts of the country,” Governor Fisher said. We in Pennsylvania are for a tariff that will afford protection for all of our industries. We expect agricultural protection, but we are not going to stand for recognition of any section to the disadvantage of another. (The New York Times, September 6, 1929, p. 1)

In his January 1928 address to The Chicago Association of Credit Men, Vauclain pointed out that high wages and high tariffs were essential for the preservation of prosperity in America.
Wages should not be governed solely by supply and demand, he asserted, but should be placed at a level which would enable workers to buy the necessities of life. It is the wage-earner who constitutes the great majority of our population, he said. These people are the spenders of the nation and upon their ability to spend freely the general business of our country depends. Foreign importations should be avoided by all, he said. We may profit individually by buying foreign goods at less than American manufacturers can produce, but the injurious consequences to general business more than offset the selfish gain, he declares. A protective tariff is necessary if we are to have full dinner pails for our boys during 1928 and the years to come, he insisted. (The New York Times, January 24, 1928, p. 3)

This brings us to the question of why? Why did the Ranking Eastern Republicans see a need to raise tariffs on manufactures. America’s new greater capacity to generate wealth and need for more control over the domestic market through the use of tariffs was raised by Secretary of Labor, John J. Davis at the 1928 Kansas City Republican convention. For example, on June 11, he highlighted the successes and impending dangers facing US industry.

Summing it all up, the protective tariff, limited immigration, exclusion of child labor, general watchfulness of women in industry, the eight-hour day, collective bargaining coupled with conciliation and arbitration of injunction, are the important things in which the American laboring man is very much interested. Industrial competition among the countries of the world has caused fundamental changes in American industry that have vastly increased output and at the same time, relatively decreased the cost of production in practically all lines of endeavor. Thus, in meeting the competition from countries were lower standards of living obtain, the mechanization of industry has been brought about a practical industrial revolution in our country. The American workers are the highest paid in the world; the American standard of living surpasses that of any country; but even with this enviable record of progress, the mechanization of industry and the development of rapid power machinery processes have displaced many veteran workers and others, necessitating their engaging in other activities. To maintain high wages, it is absolutely necessary to have a high protective tariff, a tariff that protects. (Washington Post, June 12, 1928, p. 4)

The role of over-production and excess capacity in the thinking of Reed Smoot and hence in the drafting of the SHTA can be seen from the following quote taken from Merton Merrill’s biography:

On his return to Utah in August 1932, in preparation for his final battle in political life, Smoot advised his people that it had been the common attitude in 1930 to attribute the depression to unwise governmental policies, with the Smoot-Hawley act specified. Lest there were some obsessed with heresy, he declared, “To hold the American tariff policy, or any other policy of our government, responsible for this gigantic deflationary move is only to display one’s ignorance of its sweeping universal character.” He found that “The world is paying for its ruthless destruction of life and property in the World War and for its failure to adjust purchasing power to productive capacity during the industrial revolution of the decade following the war.” (Merrill, 1990, p. 340)

At the Kansas City convention, Ranking Republican Charles E. Hughes praised the merits of an upward tariff revision against a background of greater efficiency, lower costs and greater output.

I shall not review at any length the results of the Republican tariff policy. Mr. Hoover did that in his speech at Boston. Let me recall to you what he said. “Every argument urged by
our opponents against the increased duties in the Republican tariff act has been refuted by actual experience. It was contended that our costs of production would increase. Their prophecy was wrong for our costs have decreased. They urged that the duties which we proposed would increase the price of manufactured goods; yet prices have steadily decreased. It was urged that, by removing the pressure of competition of foreign goods, our industry would fall in efficiency. The answer to that is found in our vastly increased production per man in every branch of industry, which indeed is the envy of our competitors.”

(The New York Times, October 24, 1928, p. 5)

The key is in the last sentence where Hughes invokes the “vastly increased production per man in every branch of industry.” Put differently, higher tariffs, by increasing domestic firms’ market share, would allow firms to “slide” down their new, lower average cost curve. Greater market share would lower costs and ultimately, prices.

These excerpts serve to confirm Faulkner’s view that the SHTA was an administrative measure put through the party machine, and provides a rationale, namely the presence of excess capacity. Ranking Republicans and party officials were unanimous in their desire to see a major upward revision in tariffs, thus lowering imports and providing the American producer with a larger share of the domestic market. Furthermore, it dovetailed with the long-held Republican belief in the “protective tariff to be a fundamental and essential principle of the economic life of this nation” (The New York Times, June 24, 1928, p. 13). In the final text of the Republican Platform adopted by the Kansas City Convention, the tariff figures prominently, mostly as a tool of stabilization policy and overall economic growth.

We reaffirm our belief in the protective tariff as a fundamental and essential principle of the economic life of this nation. While certain provisions of the present law require revision in light of changes in the world competitive situation since its enactment, the record of the United States since 1922 clearly shows that the fundamental protective principle of the law has been fully justified. It has stimulated the development of our natural resources, provided fuller employment at higher wages through the promotion of industrial activity, assured thereby the continuance of the farmer’s major market and further raised the standard of living and general comfort and well-being of our people. The great expansion in wealth of our nation during the past fifty years and particularly in the last decade could not have been accomplished without a protective tariff system designed to promote the vital interests of all classes. (The New York Times, June 15, 1928, p. 8)

Table 1 presents a compendium of tariff positions/opinions expressed by leading members of the Republican Party at the Kansas City convention. Interestingly, these themes were echoed by industry spokesmen in the Hearings before the Committee on Ways and Means, House of Representatives (US Congressional Record, 1929) in early 1929. Table 2 lists the various sectors/industries that presented briefs to the Committee. What is immediately obvious is the breadth of the hearings, covering virtually every US industry, from Chemicals, to Cement, to Wines and Spirits. What is especially revealing is the sectoral breakdown. Specifically, 26 days of hearings were set aside for manufacturing (81%), while only 6 days were set aside for agriculture (19%).
A recurrent and universal theme in most briefs was the presence of excess capacity which was attributed to “new machinery” and to “rising imports.” For example, the cement industry alleged that Belgian imports were weakening to the point of compromising East-coast producers. Interestingly, the importers of cement presented a brief in which this cast doubt on the picture painted by the industry, pointing out that from 1922 to 1928, mill shipments went from 117,701,216 barrels to 175,455,000 barrels, an increase of 57,753,784 barrels. Imports throughout this period only increased by 604,715 shipments. It concluded by pointing out that “The American manufacturers of cement have enjoyed a most wonderful period of development in their industry and cannot

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<tr>
<th>Joseph R. Grundy, President of the Manufacturers Association</th>
<th>“We therefore advocate a general revision of the tariff upward, that every section of the country with all labor in every industry and business may reap the benefit and enjoy profitable prosperity.” (<em>The New York Times</em>, June 11, 1928, p. 1)</th>
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<tr>
<td>James J. Davis, Secretary of Labor</td>
<td>“An utmost economic call for increased duties and that the present unemployment was due to low tariff schedules which permit cheaply made goods to come in and cripple American industry.” (<em>The New York Times</em>, June 11, 1928, p. 1)</td>
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<td>William M. Butler, Chairman of the Republican National Committee</td>
<td>“has favored revision of the tariff for some time and while he is not impressing his personality on the platform drafters, it is believed that his views and those of others in the East will be taken into consideration. The compromise suggestion that the farm group offered for increased duties on farm-products and the decreasing of the free list has been met by the manufacturing interests with a willingness to cooperate with the farmers provided the industrial schedules are also considered favorably.” (<em>The New York Times</em>, June 11, 1928, p. 1)</td>
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<td>S.D. Fess, Senator from Ohio</td>
<td>“even should the convention decide that there should not be a general revision of the tariff favored in the platform, any tinkering with the tariff, such as the change in the farm schedules, inevitably would lead to a general revision.”</td>
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<tr>
<td>George H. Moses, Permanent Chairman of the Republican National Conference</td>
<td>“In seeking for an economic policy for the United States, we know that our people will not turn to the party which clings to the fetish of free trade. In seeking for a policy to make the tariff effective for every interest in the United States, we know our people will not turn to the party whose strength and weakness alike lie in its sectional character.” (<em>Congressional Record</em>, May 29, 1928, p. 10624)</td>
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fairly or decently claim that the importations of cement have injured them” (U.S. Congressional Record, 1929, p. 63).

The chemical industry was more forthright in their brief, pointing to a need to “insure command of home market.”

Chemical products are ever changing. New Products take the place of old ones and the element of risk is greater in the chemical than in any other industry. We urge such a tariff on chemical products as will warrant the extension of existing plants, encourage sustained research, permit of payment of the American standard of wages, and at the same time justify the expectation of reasonable profit on the capital investment. The tariff rates must be such as to meet these conditions, thereby insuring the permanency of this industry. (U.S. Congressional Record, 1929, p. 95)

3. SELLING THE PROPOSED UPWARD REVISION IN TARIFF ON MANUFACTURES: THE PROPOSED OMNIBUS TARIFF LEGISLATION

It is fair to say that given President Calvin Coolidge’s vetoes of the Haugen–McNary Farm Relief Bill and the Republican-led defeat of the McMaster Resolution, the Republican Party was staunchly opposed to direct
government intervention in agricultural markets. Throughout the late 1920s, farmers, farm groups, and their representatives raised what they felt was a fundamental injustice in United States and Republican policy, namely of favoring industry over agriculture, of East over West. From the late 19th century to 1928, the general view was that tariffs on manufactures had unduly and unfairly raised the cost of living for farmers by raising prices on manufactures. Realizing that tariffs had not, could not, and would not do the same for them, the farm block advocated (i) governments-sponsored price supports (Haugen–McNary) and (ii) demand for lower tariffs on manufactures (McMaster Resolution) as a means of increasing their real income.

Hence, the conundrum. The Eastern Party establishment had set its sights on a major upward tariff revision on manufactures, against a background of what was a disillusioned and increasingly fragile agricultural sector. We maintain that raising rates only on manufactures would have been morally and electorally indefensible. Rural America would have felt ignored, neglected, and cheated (i.e., owing to anticipated higher prices). The solution: an omnibus tariff bill inclusive of agriculture — in fact, one in which for political purposes the emphasis would be placed on agriculture. Tariffs in both industry and agriculture would as such be revised upwards — in short, a win-win situation.

With an eye to the upcoming election, the Republican National Conference decided on a limited tariff revision with an emphasis on agriculture. As it turned out, doing so de facto maximized its chances at the polls. For one, the policy was vague and non-committal. The tariff revision would be limited, without however defining the limits. It would be up to the Ways and Means Committee and the Senate Finance Committee, both dominated by Eastern interests, to elaborate the content and breadth of the actual tariff hikes. Electorally speaking, it was clearly unassailable.

The downside however was its effectiveness, especially in agriculture. As mentioned, it was common knowledge that tariffs on grain (corn, wheat, oats, and barley) would have limited-to-no effect given the nature of US foreign trade in agriculture at the time. In fact, it could be argued that this new overture to farm interests offered little in the way of relief. Tariffs on imported manufactures, on the other hand, could be effective, raising factory utilization levels, sales, earnings, and profits.

To recapitulate, we maintain that the SHTA began its life as a response on the part of the Eastern Republican Party establishment to the perceived-of problem of growing excess capacity in manufacturing, which for electoral reasons, was transformed into an omnibus bill with the inclusion of an upward revision of tariffs on farm products. This change, we maintain, occurred in the weeks immediately preceding the Kansas City convention and marked a significant shift in the Republican Party’s policy stance regarding agriculture. More importantly, as mentioned, the proposed upward revision was orthogonal to the decades-old demands of the sector itself (McNary–Haugen Farm Relief Bill and the McMaster Resolution). This, we maintain, should be understood
as an electorally motivated strategic shift in Republican Party policy — in short, an electoral ploy of a much greater breadth.

4. TARIFF REFORM AS SEEN BY REPUBLICANS IN THE ELECTION CAMPAIGN

For electoral reasons, the Republican Party played politics with the question of tariffs and tariff revision. Specifically, it will be argued that the proposed general upward tariff revision on manufactures was downplayed on the campaign trail, while the upward revision on farm products was highlighted (see Table 3). This can best be seen in the official position on tariff reform as a “limited tariff revision with an emphasis on agriculture.” Interestingly, tariff Party stalwarts such as Joseph R. Grundy, President of the Pennsylvania Manufacturers Association,

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<tr>
<th>Senator Borah of Idaho</th>
<th>“In the event of the election of Herbert Hoover to the Presidency, Senator Borah of Idaho will urge that Congress be called in extraordinary session in the sprint for a revision of the tariff, notably for the benefit of agriculture, and for the enactment of other measures of farm relief.” (The New York Times, October 21, 1928, p. 3)</th>
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<td>Senator Charles McNary of Oregon</td>
<td>“predicted a Hoover victory with the support of Western farmers, who believe, he said, that the Republican protective tariff system is essential to their welfare.” (The New York Times, October 17, 1928, p. 5)</td>
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<td>Representative Gilbert M. Haugen</td>
<td>“With the results of the tariff for revenue and the Wilson deflation policy fresh in the memory of all, the Republican Party, in its 1928 platform, reaffirms its belief in the protective tariff as fundamental and essential in the life of the nation”. (The New York Times, October 27, 1928, p. 2)</td>
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<td>Senator Johnson of California</td>
<td>“The Senator said that his audience would vote for Hoover and Curtis if they would ‘keep California sage from attack by foreign agricultural products.’ He pictured California as the best protected State in the union agriculturally with tariff walls guarding most of the orchard crops. Without such protection, he added, ‘a serious danger exists that the whole structure would teeter and fall.’” (The New York Times, October 26, 1928, p. 2)</td>
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<td>Representative Bacharach of New Jersey</td>
<td>“The farmers and manufactures of New Jersey are in need of immediate relief, which only can be afforded in the upward revision of many schedules in the present tariff law.” (The New York Times, October 28, 1928, p. 27)</td>
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<td>Senator Reed Smoot</td>
<td>“said today that the Republican Party in this plank had promised not only revision upward of the industrial schedules but had assured the farmers that the agricultural schedules would be raised to prevent the increasing importations of farm products.” (The New York Times, July 29, 1928, p. 10)</td>
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were altogether absent from the campaign/campaign trail. Other interesting developments included the conversion of Representative Gilbert M. Haugen and Senator Charles McNary, authors of the McNary–Haugen Farm Relief Bill, to the Republican farm tariff plank: “With the results of the tariff for revenue and the Wilson deflation policy fresh in the memory of all, the Republican Party, in its 1928 platform, reaffirms its belief in the protective tariff as fundamental and essential in the life of the nation” (*The New York Times*, October 27, 1928, p. 13).

5. THE POLITICAL FALLOUT

Electorally, the proposed “limited upward tariff revision with an emphasis on agriculture” was an unqualified success, with the party winning both the House and the Senate as well as the White House. As it turned out, this is when things began to unravel. As soon as the proposed bill was introduced in the Ways and Means Committee, its limited nature was, for all intents and purposes, abandoned. As Edward Kaplan pointed out, in the first week of April, a congressional delegate from Pennsylvania pressured the Committee to raise rates on textiles, cement, and chemicals. By the time the Hawley bill passed the House, Kaplan pointed out, “general tariff reform was an accomplished fact” (Kaplan, 1996, p. 23).

There was no question that it contained concessions to the farmer element in the form of higher duties on agricultural products, but what Hawley did not mention was that it also raised duties on many other articles such as sugar, silk, razors, carpets, textiles, and dressed fur. This was certainly not a limited tariff revision as almost all of the hundreds of rate changes were upward. The New York Times in an editorial claimed that the farmer had been fooled into thinking that the high rate on his goods would benefit him. For example the duty on corn was increased from 15 to 25 cents, but imports of corn amounted to only 0.05 percent of the total production of the United States. (Kaplan, 1996, p. 23)

Opposition in rural America began to grow. There was a feeling that farmers had been misled, especially in light of the fact that the proposed higher tariffs on agricultural products would have limited effects on farmers’ well-being. Over the course of the next 2 months, a schism would develop within the Republican Party, one opposing farm and non-farm interests — in short, of East versus West. Led by Midwestern Senators Borah, Norris, and Nye, it called for a fundamental shift in policy, specifically for lower, not higher tariffs on manufactures — essentially, the reintroduction of the McMaster Resolution. The Party, however, ignored these calls. Led by ranking Republican Senator Reed Smoot, it remained steadfast in its attempt at keeping the promises made at the Kansas City convention.

Opposition to the proposed Hawley Tariff Bill was not confined to rural America. France reacted swiftly calling for the creation of a “united front” against the United States. Gathering in Amsterdam on July 7, 1929, Europe’s
delegates to the Assembly of World Business denounced the Hawley Tariff Bill vehemently. As The New York Times reported on July 8, 1929, “France and other European nations stood united in their determination retaliate.”

The fifth biennial congress of the International Chamber of Commerce opens here tomorrow morning with the proposed upward revision of the American tariff as the dominant if unofficial issue. The agenda, in its long list of world trade problems, does not mention this provocative question, but most of the 1,200 delegates now assembling in Amsterdam from more than forty countries have made it quite clear that the American tariff is uppermost in their minds. (The New York Times, July 8, 1929, p. 1)

France called for the creation of international committees, one for each branch of industry doing business with the United States. According to The New York Times, these groups “would study how best to supplant American exports to Europe, either of domestic production or from purchases from other European countries.” The committees would also study the question of finding markets to replace the American market.

Opposition to the proposed tariff continued to mount. By then, the Hoover administration’s much-anticipated tariff initiative was clearly in trouble. Opposition, both domestic and international, was growing. Sensing the approaching storm, on July 18, 1929, the Senate Finance Committee suspended hearings. On July 22, Republican members of the committee, determined to achieve passage, began rewriting the Bill, paying particular attention to the farmers’ demand for equity. The following day, however, the roof caved in. 13 Republican Senators, led by Republican Senator William A. Borah of Idaho, announced that they had broken party rank and would work with the Democrats to defeat the Smoot—Hawley Tariff Bill.

Just as the Republicans of the Senate Finance Committee completed consideration of the tariff bill this afternoon, Senator Borah of Idaho denounced the measure as a violation of Republican pledges to agriculture and demanded its defeat. Another Progressive Republican, Senator Brookhart of Iowa and Senator McKellar, Democrat of Tennessee, charged that the Finance Committee Republicans had failed to put the farmer on a basis equal with industry. They, like Mr. Borah, asserted that the Republican Committee men had not improved the bill as compared with the House measure so far as the farmer was concerned. In his denunciation of the bill, Senator Borah asserted that there would never have been any special session of Congress nor any tariff revision had the purpose not been to relieve agriculture. But now, he added, if either the House or the Senate tariff bills were passed, the farmer would continue to suffer the same inequity with industry that he was under today. (The New York Times, August 23, 1929, p. 2)

5.1. The Ploy Backfires: Insurgency and Legislative Stalemate

The decision on the part of the 13 Insurgent Republicans to break rank with the party stands as one of the most intriguing episodes of US political and legislative history. Throughout the 1920s, the Republican Party had steadfastly
rejected calls for direct financial aid to agriculture, proposing instead a series of
government-sponsored marketing programs. Yet, when the Party announced in
Kansas City a new round of tariff revisions for both industry and agriculture,
the Insurgents fell into line, so to speak. This begs the question, why did they
not break with the party then, and not 1 year later? After all, the writing was
on the wall: parity with industry could not, and would not be achieved.

There are, in our view, two reasons. The first what we refer to as “past as
prologue.” President Taft had made similar overtures to agriculture in the 1908
general election, but failed to follow through via the Aldrich–Payne Tariff Act
of 1909, resulting in a party split which led to the creation by Theodore
Roosevelt of the Progressive Party, which in turn split the vote in the 1912 elec-
tion allowing the Democrats to take power. Second, the Insurgents (Senators
Borah, Norris, and Nye) felt that their chances of achieving the goal of agricul-
tural relief were greater within an imperfect Republican Party than in the
Democrats (who advocated free trade). In fact, a reading of the popular press
shows that, against all odds, Senator Borah continued to believe that the party
would soften up on the question of farm equalization.

As it turned out, this did not happen, leading the 13 senators to break with the
party and vote with the Democrats. Throughout the months of August,
September, and October 1929, they stonewalled all attempts on the part of
Senator Smoot to address their concerns. In fact, in time, they became more
demanding. For example, when the Thomas Recommittal Plan was an amend-
ment tabled by Republican Senator Elmer Thomas of Oklahoma aimed at break-
ing the growing stalemate in the Senate by redefining/limiting the scope of the
Tariff Bill, the Insurgent-Democrat coalition resoundingly defeated it.
Republicans continued to favor higher tariffs on manufactures, while Democrats
and Insurgent Republicans (the majority) opposed the proposed tariff hikes,
setting their sights on lowering existing Fordney–McCumber (1922) tariff rates
on manufactures. In short, the Insurgents had resuscitated the essence of the
McMaster Resolution — that is, lowering tariffs on the goods farmers used in
production and consumed. The Thomas Amendment was as follows:

I move that the bill (H.R. 2667) to provide revenue, to regulate commerce with foreign coun-
tries, to encourage the industries of the United States, to protect American labor and for
other purposes, be recommitted to the Committee on Finance with instructions to eliminate
therefrom the following described text: Beginning with line 5, on page 2, and including line 4,
on page 121, and beginning with line 9, on page 146, and including line 23, on page 279:
Provided, That the elimination of such text shall be without prejudice to the submission in
the Senate of specific amendments to exiting law: And provided further, That, when the con-
sideration of the said bill is completed in the Senate and before final passage, said Finance
Committee is hereby authorized and requested to amend section 648, relating to repeals, so
as to make said section conform to the action of the Senate. (Congressional Record, October
21, 1929, p. 4716)

The amendment was defeated by a vote of 64—10. In their view, tariffs on
manufactures would now be lowered. Empowered and emboldened by its
victory (Thomas Recommittal Plan), the Democrat-Insurgent Republican coalition set its sights on manufactures, starting with medicinal tannic acid. On Tuesday, October 22, 1929, Senator Alben W. Barkley of Kentucky moved to cut the rate to 18 cents (from 20 cents). The motion passed by a margin of 12 votes with 45 for and 33 against. The New York Times reported: “The item on which the vote was taken was incidental, but the result showed that the coalition was nearly intact in its initial drive and also that was still held control in the Senate” (The New York Times, October 23, 1929). The tide had clearly shifted: tariffs on manufactures would in all likelihood fall.

These developments irked both the Old-Guard Republicans. Sensing the growing polarization (and the resolve of the Democrat-Insurgent Republican coalition), on Sunday, October 27, Senator Reed of Pennsylvania predicted that the Bill would die on the Senate floor.

The New York Times reported:

Senator David A. Reed of Pennsylvania, speaking here last night at a dinner given in honor of the Pennsylvania delegation in Congress by the Metal Trades Council of the Philadelphia Navy Yard, declared that the present Hawley-Smoot tariff bill was dead. The Middle West corn belt Senatorial bloc, he said, was its executioner. Senator Reed accused the Western block, only one of which, Senator Borah, he named, of a deliberate determination to boost every tariff provision touching agriculture and beat down every one touching on Eastern industry, “until we are on a level of common misery.” (The New York Times, October 27, 1929, p. 1)

With the benefit of hindsight, it was clear that the Kansas City ploy had backfired. Not only would tariffs on manufactures not rise in the fall of 1929, they would in all likelihood fall.

6. SUMMARY AND CONCLUSIONS

In this paper, we have proposed an alternative theory of the origins of the SHTA. Specifically, we argued that it began its legislative life as a Republican National Conference initiative aimed at firming up industrial prices in the face of growing overproduction. For electoral reasons, its scope was broadened to include farm products, resulting in an omnibus Smoot—Hawley Tariff Bill. Thus, while it was billed as a measure geared toward the farmer, it became increasingly clear that it was, from the start, a Party measure intended to raise tariffs on manufactures.

These results, we believe, shed light on the confusion that has and continues to exist over its initial objectives, its evolution, and its eventual demise. For example, they are consistent with Irwin’s notion of a political ploy. However, the ploy was not intended to secure the Mid-West for the Republicans (as they were in no apparent danger of losing it), but rather was intended to
placate/apppease rural America in general in anticipation of the proposed higher tariffs on manufactures. Second, it has long been argued that what began as the SHTA began as a limited tariff revision became, as a result of pork-barreling and log-rolling, a generalized upward tariff revision. Yet, the evidence has failed to corroborate this view. Our work shows that the breadth of the SHTA was not the result of the legislative process (Ways and Means Committee, Senate Finance Committee), but rather was present ab ovo — that is, from the start. Put differently, from the very beginning, it was intended to be broad in scope. In this way, it is consistent with Harold Faulkner and Richard Pastor’s view that it was a party measure (Faulkner, 1950; Pastor, 1980).

Further, the results serve to (i) recast the debate over the SHTA on what we feel are more solid grounds and (ii) integrate the debate on the SHTA into the larger debate over the origins and causes of the Great Depression. As pointed out, the SHTA has been seen as an anomaly (largely owing to the nature of the legislative process in the United States) set against what was a sectoral problem (e.g., agriculture). As we have shown, its scope from the beginning was wide, extending to all sectors of the economy. Furthermore, they serve to absolve, in a certain sense, the legislative process, again in keeping with results of Callahan et al. (1994) and Cupitt and Elliott (1994). Second, they are integrative in the sense that they reposition/recast the debate over the SHTA into the larger debate over the Great Depression. As Reed Smoot emphatically pointed out, the Great Depression had nothing to do with the SHTA, but rather, the SHTA was, in actual fact, an attempt on the part of the Republican National Conference to deal with the problem of over-production/oversupply.

We showed that not only is our theory consistent with the facts, it is also consistent with existing empirical evidence as well as with competing theories. For example, it is consistent with Douglas Irwin’s notion of political ploy. However, we go even further and argue that the proposed upward revision of agricultural tariffs was a ploy designed to (i) prevent a revolt within the party over the proposed higher tariffs on manufactures and (ii) prevent a backlash across rural America — not only the Mid-West. The plan, while initially successful, took a turn for the worse in the summer of 1929 when 13 Insurgent Republican senators broke with the Party, crossed the floor, and voted with the Democrats to rewrite the bill with the farmer in mind.

In conclusion, we have shown that there was more to the Smoot–Hawley Tariff Bill than meets the eye. Rather than being a farm-based tariff initiative that, via the legislative process, metamorphosized into a full-fledged tariff bill, it started its life as an Eastern states-based tariff initiative that, via the electoral process (within the party and nationally), metamorphosized into a full-fledged tariff bill. The farm-based portion of the bill, it therefore follows, was as Douglas Irwin pointed out, a ploy, but a ploy of a different nature, one intended to appease the farm sector in general (throughout the country), and its almost certain opposition to the proposed higher tariffs on manufactures.
The fact that the Republican Party splintered in July 1929, we maintain, should be viewed as evidence of the strategic and opportunistic nature of the Smoot—Hawley Tariff Bill. In the same vein, the fact that the Eastern Party establishment refused to back down on tariff increases for manufacturing in the late summer/early fall of 1929 should also be viewed as further evidence of Party’s original motives. In conclusion, the Smoot—Hawley Tariff Bill began its life as an attempt on the part of Eastern industrialized states to raise tariffs on manufactures, which via the electoral process (1928 Republican national convention and election) metamorphosized into an omnibus tariff bill. Higher tariffs on agricultural products, it therefore follows, should be seen as a ploy to placate agricultural interests in general, not only in the Mid-West, in the 1928 Republican convention, and the 1928 general election.

NOTES

1. “In view of the increasing economic difficulties that afflicted agriculture during the 1920s, it was not unnatural for the Republicans to call for another upward revision of the tariff during the election campaign of 1928. (Recall that several times previously the Republicans had revised their own tariff.)” (Irwin, 1998, p. 334).
2. The publisher, Princeton University Press, summarized his basic thesis in the following terms:

Starting as a Republican ploy to win the farm vote in the 1928 election by increasing duties on agricultural imports, the tariff quickly grew into a logrolling, pork barrel free-for-all in which duties were increased all around, regardless of the interests of consumers and exporters. (http://press.princeton.edu/titles/9430.html)

3. The Haugen—McNary Farm Relief Bill of 1928 called for the creation of a federal agency to support and protect domestic farm prices by attempting to maintain price levels that existed before the First World War. By purchasing surpluses and selling them overseas, the federal government would take losses that would be paid for through fees against farm producers. The McMaster Resolution, on the other hand, called for a reduction in tariffs on manufactures, the idea being that lower finished goods prices would raise farm real income.

4. For example, in the Farm Plank offered by Minority at the Kansas City convention stated:

The Republican Party recognizes that this surplus problem of agriculture calls for national legislation to aid the farmers in its solution, since the number and wide distribution of the producers of many important crops renders concerted action in handling surpluses impossible. We do not favor legislation which attempts to correct this situation through direct and indirect Treasury subsidies. We believe that any operations undertaken to assist farmers to meet this problem should be largely under the direction of the farmers’ cooperative associations, with the use of only such Federal powers as are necessary to distribute the costs and losses that may be incurred in dealing with agricultural surpluses, over each marketed unit of the crop whose producers are to be benefitted by such assistance. (Washington Post, June 15, 1928, p. 10)

5. In other words, it was directed toward farmers in all 49 states.
6. More than 1,100 persons sought a hearing as a result of this notice, and instead of the 35 days indicated in the notice the committee was compelled to sit 43 days and 5 nights in order that all might be heard, concluding its labors on February 27, 1929.

7. Of the 12 Insurgent Republicans who had voted in favor of the McMaster Resolution on January 15, 1928 (Senators Blaine, Borah, Broookhart, Capper, Frazier, Howell, La Pollette, McMaster, Norbeck, Norris, Nye, and Pine), 6 voted against the Thomas Recommittal Plan (Borah, Brookhart, Capper, La Follette, Norbeck, and Norris), while 5 voted in favor (Frazier, Howell, McMaster, Nye, and Pine). Senator Blaine did not vote on this motion.

8. As it turned out, the Bill underwent significant changes in the fall and winter, as the Insurgent Republican/Democrat coalition cut tariffs on manufactures. It was not until the spring that the Republicans regained control of the Bill to deal with the fallout from the Stock Market Crash. In short, opposition to higher tariffs on manufactures abated with rising unemployment, with the result that when the Bill was signed into law, tariffs on manufactures had de facto risen.

REFERENCES


