Weekend Essay

Congress Loved Tariffs Long Before President 'Tariff Man' Trump

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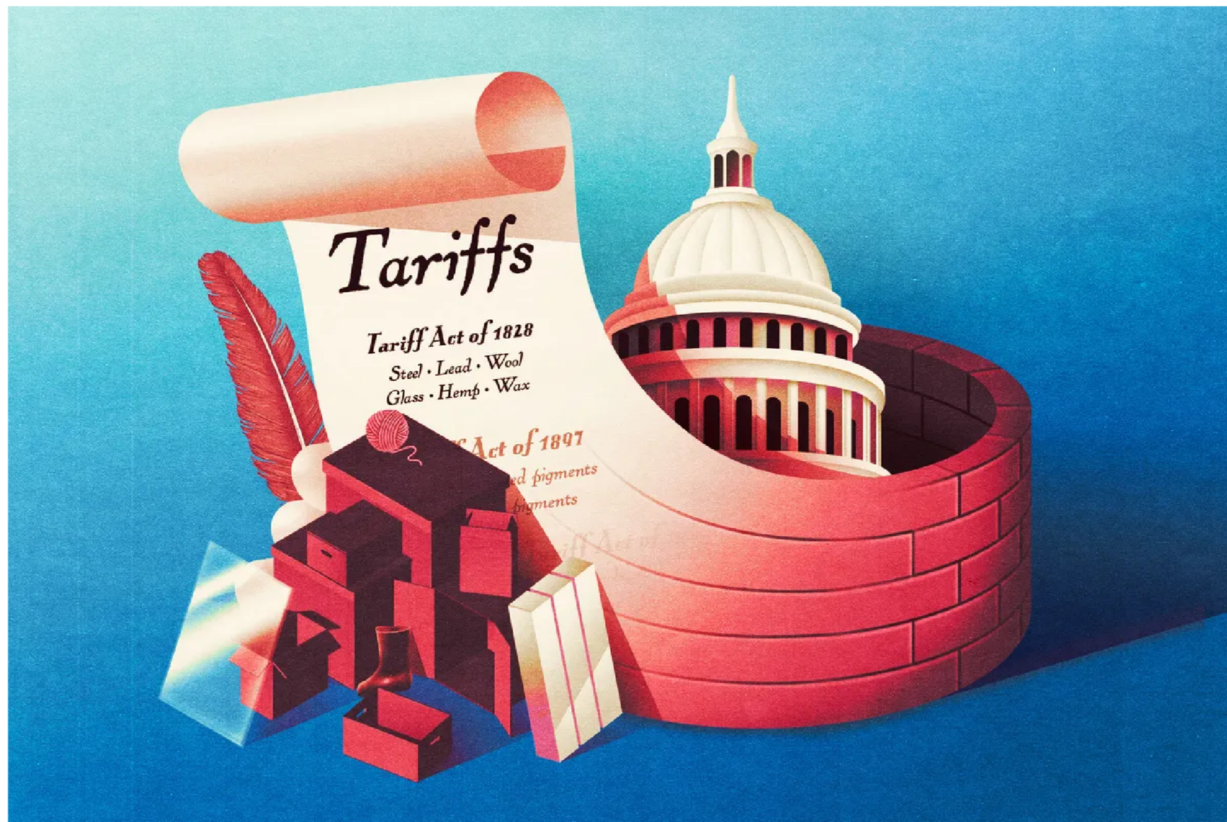

Illustration: Ishaq Fahim for Bloomberg

By Marc Levinson
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As US President Donald Trump raises tariffs on imports from friends and foes alike, support is building in both parties to give Congress a greater role overseeing foreign trade. The president may be a self-proclaimed "tariff man" – but Congress, the thinking goes on Capitol Hill, could rein in his protectionist instincts by asserting its right to approve new or increased duties on foreign goods.

Critics of Trump's bull-in-a-china-shop approach should be careful what they wish for. Historically, most senators and representatives have zealously preferred higher import barriers to freer trade. They are unlikely to champion a more open US economy.

Congress's protectionist inclinations go back to the country's earliest days. The Constitution empowers the legislature to tax imports, and the very first Congress in 1789 exercised that power aggressively. It crafted duties both to raise revenue and to increase the cost of imported goods in order to protect US producers. A 50-cents-per-pair duty rendered imported boots less competitive with boots made from American hides by American bootmakers many of whom had workshops in Philadelphia. A charge of 16 cents per pound of indigo preserved the domestic dye market for South Carolina plantation owners by pricing out indigo from British India. A tariff of 50 cents per 112 pounds of imported dried fish placated New England fishermen, while a levy of 56 cents per 112 pounds of unwrought steel aided New Jersey's iron-and-steel industry.

Those tariffs were the new government's main source of revenue, and Treasury Secretary Alexander Hamilton felt they didn't raise enough money. A year later, he sent Congress a second bill increasing tariffs "for the discharge of the debts of the United States, and the encouragement and protection of manufactures." Congress posed no objections to hiking the tariff on indigo to 25 cents per pound or the duty on imported steel to 75 cents per 112 pounds.

Posters displaying information on reciprocal tariffs in the White House briefing room. *Photographer: Kent Nishimura/Bloomberg*

While Hamilton's subsequent plans to pay "bounties" – cash subsidies that we would recognize today as industrial policy – to support domestic manufacturers ran into fierce opposition in Congress, his proposals to employ tariffs for the same purpose were generally accepted so long as legislators from each region felt their constituents' interests were getting the attention they deserved.

Why Legislators Like Tariffs

Congress passed a new tariff act every few years during the 19th century. The peak came with the Tariff of 1828, which targeted imports of steel, lead products (think rifle shot), wool and woolen clothes and fabrics, window glass, hemp and flax.

The beneficiaries were manufacturers, mainly in the Northeast and mid-Atlantic states, along with farmers in Kentucky, Ohio and Missouri, as well as sheep growers across the North. The deep South produced little of the commodities protected by the new tariffs, which is why the law was fiercely opposed by South Carolinian John C. Calhoun, then the vice president.

Congressional horse trading ultimately pushed the import duties in the new law so high that the revenue produced by the Tariff of Abominations, as critics called it, came to 57% of the value of imports in 1830, the highest average tariff rate in US history.

There are two ways to measure how protective a country's tariffs are: calculating the government's take as a percentage of the value of all imports (as in the chart above), or calculating it as a percentage of the value only of imports that face tariffs.

For much of the 19th century those percentages were not far apart because tariffs were collected on almost everything that entered the United States. That picture changed dramatically during the 1870s as the gap widened between the average tariff rate for all imports and the far higher average for goods on which tariffs were assessed. The reason? Senators and representatives had become adept at manipulating tariffs for political ends,

eliminating them altogether on many products but keeping them high on items that mattered to their constituents or contributors.

This change was crystal clear in the Tariff Act of 1897. By then, giant manufacturers dominated much of the US economy and demanded more protection from imports. When the tariff bill came up for debate in the Senate, senators offered no fewer than 872 amendments. The act as finally approved went into detail, specifying, for example, that imports of chromium-based yellow pigments were to be charged 4.5 cents per pound while iron-based blue pigments were to be assessed 8 cents, distinctions that displayed the artistry of lobbyists at work.

Congress reversed some of those tariff increases following Woodrow Wilson's inauguration as president in 1913. Wilson, a Democrat who styled himself as the first consumer-friendly president, had campaigned in favor of lower tariffs. A constitutional amendment allowing Congress to levy a personal income tax – ratified just before he took office – also made tariffs a less essential source of government revenue.

But soon after the end of World War I in 1917, a Republican-controlled Congress raised tariffs again. The 1922 Tariff Act was sweeping, imposing import duties on everything from doll heads (70% of their value) to violin rosin (15%) to white bleached beeswax (25%). Congress even went out of its way to protect the rosary industry: Importers of inexpensive rosaries paid a duty of 15%, but rosaries made with gold or silver faced a 50% tariff.

Giving Up the Tariff Power

It is not an accident that Congress has favored tariffs: Their benefits are often geographically concentrated, while their costs are diffuse and often difficult to foresee. For example, nail mill owners can plausibly object that lowering tariffs on nails will increase imports, threatening their profits and their workers' jobs, and harming the mill town's economy. The case in favor of reducing tariffs is less specific: Lower prices for nails will make it slightly cheaper to renovate a home and will raise productivity as nail makers adjust by acquiring more efficient machinery, closing outdated mills or shifting production abroad.

While the president can weigh the diffuse and long-term benefits of reallocating capital and labor away from nail manufacturing against the immediate harm from greater imports, members of Congress representing the mill town cannot afford to favor the long term.

Legislators aren't oblivious to this dynamic or to the benefits of trade. But it wasn't until the disastrous aftermath of the Smoot-Hawley Tariff Act of 1930, which raised tariffs on many products above the high levels set in 1922, that Congress agreed, at the urging of President Franklin Roosevelt, to delegate its authority over trade to the White House. The Great Depression was already dragging down consumer spending, and higher tariffs may have made matters worse: The volume of US imports fell by nearly a third between 1930 and 1932, and exporters were crushed as trading partners retaliated by raising tariffs on US-made goods.

Desperate to reinvigorate a flaccid economy, politicians began to acknowledge that US trade policy needed protection from Congress itself. The vehicle was a nearly forgotten statute called the Reciprocal Trade Agreements Act.

Barely two pages in length, the 1934 law authorized the president to sign agreements with foreign governments reducing duties by up to 50% – no congressional approval required. "It would have been folly to go to Congress and ask that the Smoot-Hawley Act be repealed or its rates reduced by Congress," Secretary of State Cordell Hull explained succinctly. The law offered a way for Congress to step away from high tariffs that benefited certain industries at the expense of US consumers and economic growth. It could now pass the blame to the president, Franklin Roosevelt.

With Congress on the sidelines, the Roosevelt administration struck trade agreements with 32 countries by 1945. Each of these was reciprocal – that is, in return for Canada lowering its tariff on a US export, the United States would reduce its tariff on an import from Canada. Perhaps more important, these pacts included a feature called Most Favored Nation status: If the US reduced its tariff on cedar shingles from Canada, that lower rate would automatically apply to cedar shingles from Sweden, Switzerland and any other country that signed a similar agreement.

The Reciprocal Trade Agreements Act set tariffs on a downward path by giving the president the lead when it came to trade policy. That has not left Congress without influence, but it changed the way that influence is exerted.

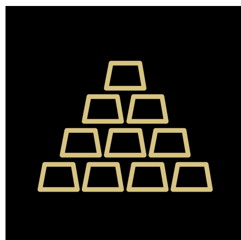
Since World War II, reducing trade barriers has been an important aspect of US economic leadership. That leadership has been exercised through broad agreements, such as the 1994 pact among 123 countries that established the World Trade Organization, as well as more limited arrangements like the United States-Mexico-Canada Agreement of 2020. Entering such a negotiation requires Congress's approval, but from there the executive branch takes the lead. Representatives and senators may push trade negotiators to include this or delete that, but they only get an up-or-down vote on the final product. They can no longer tinker with the tariffs on hydrochloric acid or frozen sea bass to placate constituents.

Those limitations on Congress's role are red meat for opponents of a more open economy, but they are in place for good reason. Where international trade agreements once were simple – the 1935 US-Canada agreement comprised a mere eight pages of text plus a list of agreed tariff rates – 21st-century trade pacts incorporate hundreds of pages of legalese. If members of Congress could pick them apart sentence by sentence at the behest of one interest group or another, no trade agreement would ever be ratified.

This does not mean that Congress is entirely out of the loop. In 1956, it directed the Eisenhower administration to limit other countries' exports of textiles to the United States, leading to a system of import quotas that remained in place in various forms for half a century. In 1981, congressional threats to cap imports of Japanese cars pushed the Reagan administration to seek "voluntary" export limits, to which Japan agreed. In 2016, Congress refused even to vote on the 12-nation Trans-Pacific Partnership, a trade agreement conceived by the Obama administration as a way to counterbalance China's growing power. Congressional leaders of both parties had supported a bill authorizing the negotiations in 2015, but as domestic politics changed, congressional support fell away. The other 11 countries put the agreement into force, but the US lost an opportunity to build stronger ties with some of China's closest neighbors.

At the 2017 Asia-Pacific Economic Cooperation CEO Summit in Vietnam, Trump says the US will seek bilateral pacts instead of joining multilateral deals like the Trans-Pacific Partnership. *Photographer: SeongJoon Cho/Bloomberg*

Congress can also express its protectionist instincts in less visible ways. One is by tinkering with the procedures by which the government judges complaints that subsidized or unreasonably cheap imports are injuring US manufacturers or workers. Such a complaint triggers investigations by two separate federal agencies and can end with the government slapping high tariffs on the products concerned. Over the years, Congress has gradually changed the rules governing these investigations to make it easier for US companies to win.



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It has also repeatedly tightened mandates to use American-made goods when federal funds are involved. This anti-import policy is one reason

building a mile of tunnel for a subway line costs several times as much in the United States as in other high-wage countries: The contractors must use US-made steel – which, thanks to high tariffs demanded by the steel industry's friends in Congress, is the world's most expensive. Steelmakers and steel workers' unions show their appreciation. Construction workers and transit riders, on the other hand, are unlikely to connect the buy-American provisions to the exorbitant costs imposed by Congress that make rail transit projects few and far between.

So what might we expect if Congress *were* to reclaim veto rights over US tariffs? The answer is not as cut-and-dried as it once was. Many manufacturers depend on imported inputs that cannot profitably be made in the US. Their wish lists will favor high tariffs on competing products and no tariffs on imports they can't do without, leaving members of Congress with more complicated choices.

Most of the pressure on Capitol Hill, however, remains on the protectionist side. Across-the-board tariff rates in the triple digits, such as Trump has imposed on China, are probably too extreme to find much favor. But there has been little opposition in Congress to the 10% tariff Trump placed on almost all imports effective April 5, and resolutions in Congress declaring that his tariffs violate a US trade agreement with Canada and Mexico have drawn few sponsors.

Digital trade and international supply chains notwithstanding, the claim that protecting manufacturers with high tariffs is the key to prosperity seems almost as hard for Congress to resist today as it was in Alexander Hamilton's time.

Marc Levinson is an economist and historian in Washington, DC. His most recent book is Outside the Box: How Globalization Changed from Moving Stuff to Spreading Ideas.

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