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Sectional Conflict and Crisis, 1816–1833

The end of the War of 1812 marked the beginning of a new era in US trade policy. The dominant problem of the post-independence period, securing neutral trading rights from Britain and France, disappeared as the reexport trade shrank to a fraction of its former importance. Instead, the trade-policy debate shifted to whether import duties, in addition to raising revenue for the government, should be used to protect domestic producers from foreign competition. Those in Congress who favored doing so quickly pushed the average tariff on dutiable imports up to its highest level in US history, an average of 62 percent in 1830. This generated strong political opposition and led to a dangerous predicament when South Carolina decided to nullify the 1828 “Tariff of Abominations.” Thus, a sectional dispute over tariff policy put the United States on the brink of one of its worst political crises since independence.

PROTECTIONISM EMERGES

The Treaty of Ghent, which ended the war between the United States and Britain, was signed in December 1814 and ratified by the Senate in February 1815. The return of peace meant the resumption of overseas commerce after many years of disruption. The opening of trade in the spring of 1815 provided welcome relief for export-oriented agricultural producers. The prices of major export crops, including cotton, tobacco, and rice, rose sharply as access to foreign markets was restored. As happened after the Revolutionary war, the increase in exports could not keep pace with an even greater surge in imports. As figure 2.1 shows, exports increased sharply in 1815 and 1816, but not nearly as much as imports. Imports in 1815 and the first half of 1816 were subject to the high wartime duties; the

average tariff on dutiable imports was about 49 percent in 1815. But these duties, double those in the previous tariff act of 1804, did not restrain the enormous pent-up demand for British manufactured goods.

The surge of imports helped the government collect enough customs revenue to start paying down the debts incurred during the war. But the imports were an unwelcome shock for fledgling domestic industries that had begun operation and expanded production when competing imports had been kept out of the market, a period dating back to Jefferson's trade embargo in 1808. The influx of low-priced foreign goods threatened to destroy many of the new manufacturers and had a particularly devastating impact on producers of iron, cotton, and woolen goods. These young and inexperienced producers were simply too small and inefficient to withstand the onslaught of foreign competition that came with a return to normal trading conditions. As the price of imports fell 28 percent from 1814 to 1816, industrial production declined 7 percent in 1816 as vulnerable firms went bankrupt and shut down.¹

British manufacturers were immediately accused of "dumping" their goods in a deliberate attempt to destroy the infant industries. In a famous speech in the House of Commons in April 1816, Henry Brougham stated that "it was well worthwhile to incur a loss upon the first exportation, in order, by the glut, to stifle in the cradle those rising manufacturers in the United States which the war had forced into existence contrary to the natural course of things."² This remark has often been quoted to prove that British producers were deliberately cutting their prices to destroy the new American entrants, but Brougham actually argued that the substantial losses incurred by British merchants in 1816 were not intentional but the result of a mad rush to sell in the market when commerce was reopened.³

Of course, everyone expected that many of the new manufacturing establishments would face severe difficulties once trade resumed. In submitting the peace treaty to Congress in February 1815, President James Madison requested that Congress consider the "means to preserve and promote the manufactures which have sprung into existence, and attained an unparalleled maturity throughout the United States, during the period of the European wars."⁴ This was a critical issue facing Congress after the war. Neither the Madison administration nor Congress wanted to see the new industries destroyed with the return of foreign competition. America's military weakness had been so embarrassingly evident during the war, and patriotic sentiment had developed to such an extent, that many in Congress were determined to support the new manufacturers and ensure that the country achieved economic independence from foreign sources of

supply. This task was made easier by the disappearance of the Federalist party from national politics after the war, leaving Congress without an organized political party in favor of low tariffs and open commerce.

With the high wartime duties scheduled to remain in effect until early 1816, Congress did not act on the issue in 1815. In his December 1815 annual message to Congress, Madison reiterated his long-held belief that "however wise the theory may be which leaves to the sagacity and interest of individuals the application of their industry and resources, there are in this as in other cases exceptions to the general rule." For one, the United States could only adopt a liberal trade policy if it was reciprocated by other countries. Furthermore, "experience teaches that so many circumstances must concur in introducing and maturing manufacturing establishments, especially of the more complicated kinds, that a country may remain long without them, although sufficiently advanced and in some respects even peculiarly fitted for carrying them on with success." Therefore, because the war gave a "powerful impulse to manufacturing industry," there was now good reason for believing that, if they were given "a protection not more than is due to the enterprising citizens whose interests are now at stake," domestic manufactures would not only be safe "against occasional competitions from abroad, but a source of domestic wealth and even of external commerce."⁵

In February 1816, at the request of Congress, Treasury Secretary Alexander Dallas delivered a report proposing a new schedule of import duties. Dallas focused on two issues: raising enough revenue to pay the government's expenses, especially the debts incurred during the war, and satisfying the country's three main economic interests—agriculture, industry, and commerce. This was a difficult balancing act because the interests of agriculture and commerce were not the same as those of industry. Farmers and planters wanted easy access to foreign markets to sell their goods and purchase various articles of consumption, while merchants and shipping interests benefited from an expanding volume of both exports and imports. However, manufacturers facing competition from British producers had an interest in restricting imports as much as possible.

Dallas noted that the government had regarded the establishment of domestic manufactures as important ever since Hamilton's *Report on Manufactures* in 1790, but policy measures to achieve that objective had never really been undertaken. The country was almost wholly cut off from foreign supplies of weapons and munitions of war, clothing, and other goods during the war, and Dallas pointed out that "from these circumstances of suffering and mortification have sprung . . . the means of future

safety and independence" with the emergence of domestic producers of such goods. With the resumption of trade, Dallas concluded, "the preservation of the manufactures . . . becomes a consideration of general policy, to be resolved, by a recollection of past embarrassments, by the certainty of an increased difficulty of reinstating, upon any emergency, the manufactures which shall be allowed to perish and pass away, and by a just sense of the influence of domestic manufactures upon the wealth, power, and independence of the Government."

Dallas then placed domestic industries into one of three categories. First, there were "firmly and permanently established" manufactures, such as cabinets, hats, iron castings and muskets, window glass, leather manufactures and paper. Second, there were industries "recently or partially established . . . but which, with proper cultivation, are capable of being matured to the whole extent of demand," including cotton and woolen goods of the coarser kind, plated wares, iron manufactures (such as shovels, axes, and nails), and beer and spirits. Finally, there were goods "which are so slightly cultivated as to leave the demand of the country wholly . . . dependent upon foreign sources for supply," including finer cottons and linens, silk and woolens such as carpets and blankets, chinaware, other glass products.⁶

Curiously, Dallas proposed duties inversely related to the requirements of the industry, that is, high duties for those able to withstand foreign competition and low duties for those least able to compete. Dallas proposed imposing the highest tariffs (35 percent) on the goods in the first category for which domestic production was secure because, for these well-established industries, prohibitive duties could be imposed "without endangering a scarcity of supply, while the competition among the domestic manufacturers alone would sufficiently protect the consumer from exorbitant prices." The "slightly cultivated" industries in the third category (mainly luxury goods) deserved no support at all because "the present policy of the Government is directed to protect, not to create manufactures." For the "recently or partially established" infant industries in the second category, Dallas recommended government support in the form of import duties that "will enable the manufacturer to meet the importer in the American market upon equal terms of profit and loss." These duties were more modest, ranging from 33-1/3 percent on cotton textiles, 30 percent on earthenware and glass, 28 percent on woolen manufactures, 22 percent on iron goods, 20 percent on linens, and so forth. Dallas concluded that "it is respectfully thought to be in the power of the Legislature, by a well-timed and well-directed patronage, to place them, within a limited period,

upon the footing on which the manufacturers included in the first class have been so happily placed. . . . Although some indulgence will always be required, for any attempt so to realize the national independence in the department of manufactures, the sacrifice cannot be either great or lasting. The inconveniences of the day will be amply compensated by future advantages."⁷

Congress promptly took up the administration's proposals. For the first time since the nation's founding, the tariff debate focused more on protecting industries from foreign competition than raising revenue. The tariff should be set "as would give the necessary and proper protection and support to the agriculture, manufactures, and commerce of the country," Henry Clay of Kentucky asserted. "The revenue was only an incidental consideration, and ought not to have any influence in the decision upon the proposition before the committee."⁸

Flooded with petitions from many interested parties, particularly manufacturers requesting tariff increases and commercial interests urging tariff reductions, the House instructed the Ways and Means Committee to craft a bill consistent with Dallas's proposal. However, in March 1816, the chairman of the committee, William Lowndes of South Carolina, reported a bill that reflected his southern preferences and shaved down many of the suggested duties. For example, the 35 percent duty on paper and leather was reduced to 30 percent, the 33-1/3 percent duty on cotton textiles was cut to 25 percent (and scheduled to be reduced to 20 percent in 1819), the 22 percent duty on iron goods was marked down to 20 percent, and so on, although the 15 percent duty on unenumerated goods was retained. Most of the discussion centered on a few key commodities, particularly iron goods and sugar, with special attention to cotton textiles.

The Congressional debate exposed two opposing factions that would clash repeatedly in coming decades: a high-tariff group of Mid-Atlantic states and a low-tariff group of southern states. At this point, New England was divided because it had a mix of commercial and manufacturing interests, but it would soon join the Mid-Atlantic in supporting protection when manufacturers became a larger economic force in the region. The leader of the high-tariff faction was Henry Clay. He wanted "thorough and decided protection by ample duties" for home manufacturers with the objective of encouraging industrial growth by displacing imports from the domestic market. The country's national security depended on ending foreign dependence on critical supplies, such as boots and clothing, arms and munitions, Clay insisted, but he also touted the broader economic benefits from encouraging domestic production of manufactures.

The South resisted the effort to enact higher tariffs. Their representatives complained that the tariff increased the price of imported goods that the South consumed, reducing their standard of living. Furthermore, by reducing imports, higher tariffs would translate into lower foreign demand for exports, most of which came from the South. Therefore, high import tariffs would put a heavy economic burden on the South by reducing its exports and increasing the price of the imports it consumed. The mercurial John Randolph of Virginia denounced tariffs as an artificial way of promoting northern industry at the expense of southern agriculture. He suggested that the issue came down to this:

whether you, as a planter will consent to be taxed, in order to hire another man to go to work in a shoemaker's shop, or to set up a spinning jenny. For my part I will not agree to it, . . . I will not agree to lay a duty on the cultivators of the soil to encourage exotic manufactures; because, after all, we should only get much worse things at a much higher price. . . . Why pay a man much more than the value for it, to work up our own cotton into clothing, when, by selling my raw material, I can get my clothing much better and cheaper from Dacca [India]. . . . I am convinced that it would be impolitic, as well as unjust, to aggravate the burdens of the people for the purpose of favoring the manufacturers.⁹

But after the tumultuous experience of the past decade, even southern representatives could not oppose a moderately protective tariff. This acceptance did not reflect any warm feelings for northern manufacturers, but arose from a strong sense of nationalism and concern for the country's defense. The lack of domestic supplies of important materiel had hampered the recent war effort. John Calhoun of South Carolina, later a fierce tariff critic, supported the 1816 tariff bill because the issue of protection was "connected with the security of the country."¹⁰

The House passed the bill in April 1816 by a vote of 88–54. The Senate quickly followed, and Madison signed the measure later in the month. Most of New England's representatives voted in favor of the higher duties; with small cotton textile firms having sprouted up in the region, it was no longer dominated by merchant and shipping interests, as it had been a decade earlier. The Mid-Atlantic states, led by Pennsylvania, strongly supported the bill because many iron and glass producers were located there and faced competition from imports. The South was split but slightly more unfavorable to the legislation. It did not favor the higher tariffs as a general

matter and had supported failed amendments to reduce the tariff on cotton and woolen manufactures to 20 percent. At the same time, anti-British sentiment was very strong in the South, and the fear of another war convinced members from the region that the protection of new manufacturers was necessary. These concerns about national defense were decisive in ensuring support for the tariff in the South, whose votes were critical for the legislation's passage. In a sign of the battles to come, however, representatives from the South also made clear their opposition to any additional protection to industry.¹¹

The Tariff of 1816 was the first "protectionist" tariff of the United States in the sense that it was mainly designed to provide assistance to domestic manufacturers facing foreign competition. Given Madison's opposition to Hamilton's *Report on Manufactures* in the 1790s, it is ironic that his administration helped institutionalize government support for manufacturing by imposing high duties on imports.¹² However, the federal government never had a conscious policy of starting "infant industries." Rather, those industries emerged as a by-product of the trade interruptions and then pressured Congress to protect them from foreign competition. The direction of causality is important: Congress did not deliberately create the infant industries through policy measures; the industries emerged and then compelled Congress to enact higher tariffs for their benefit. In other words, Congress was not farsighted in shaping the future path of the economy but simply reacted to the political pressures that it faced.

THE GROWTH OF THE COTTON TEXTILE INDUSTRY

The period after the War of 1812 saw the emergence of two important sectors of the economy: cotton in the South and cotton textiles in the North. While cotton producers were dependent on exports, the cotton textile industry faced competition from imports. As a result, the two regions of the country developed strongly opposing interests with respect to trade. The coming battles over US trade policy would pit manufacturers in the North against agricultural exporters in the South for many decades to come.

In 1793, Eli Whitney introduced a new invention, the cotton gin, which led to an astonishing improvement in productivity. It used to take a farmhand one day to remove seed from one pound of cotton fiber, but with the cotton gin the same person could separate the seed from three hundred pounds of cotton fiber per day. In 1793, the United States produced 10,000 bales of cotton, just 1 percent of world production. By 1830, the country produced 732,000 bales of cotton, about half of the world's production.¹³ As

a result, the growth in cotton exports was explosive. In 1792, the year before the introduction of the cotton gin, the United States exported 138,328 pounds of raw cotton. Just two years later, cotton exports were 1.6 million pounds. By 1800, the United States exported 17.8 million pounds. By 1821, cotton alone comprised almost half of total exports. Cotton was the largest single commodity export of the United States throughout the nineteenth century and remained so as late as 1929, when it alone comprised 18 percent of total exports. The expansion of cotton production reinforced the South's position as an export-oriented region and strengthened its opposition to high tariffs. The cotton gin also entrenched the South's attachment to the "peculiar institution" of slavery, because harvesting cotton was so labor-intensive.

Meanwhile, the New England cotton textile industry was the most striking new industry to have arisen during the period of disrupted trade. From the tariff of 1816 to the present day, the textile and apparel industry has been at the center of trade-policy debates. The first cotton mill in the United States was set up in Rhode Island in 1790 using the Arkwright technology. This spinning technology was brought to the country by Samuel Slater, a superintendent of an early Lancashire mill. Slater memorized blueprints of the equipment used before he sailed to America because Britain banned the export of textile machinery, and officials would have searched his possessions for descriptions of the technology as he left the country. The technology gradually spread through Massachusetts and Rhode Island, and by 1807, the United States had about fifteen cotton mills working eight thousand spindles, according to Gallatin's *Report on Manufactures*. The spinning mills simply converted raw cotton into thread, which was then woven into fabric by artisans working outside the mill.

The embargo changed everything. Domestic textile production became enormously profitable: the price of textiles shot up with the drop in imports, while the price of cotton plummeted with the inability to export. This wider gap between the price of textiles and the cost of cotton spurred the rapid entry of many small spinning factories, as figure 3.1 shows. The number of textile mills jumped from about 15 before the embargo to 87 in 1809, and Gallatin estimated that 112 would be in operation by the start of 1811. Gallatin wrote that "the injurious violations of the neutral commerce of the United States, by forcing industry and capital into other channels, have broken inveterate habits, and given a general impulse, to which must be ascribed the greatest increase in manufactures during the last two years."¹⁴

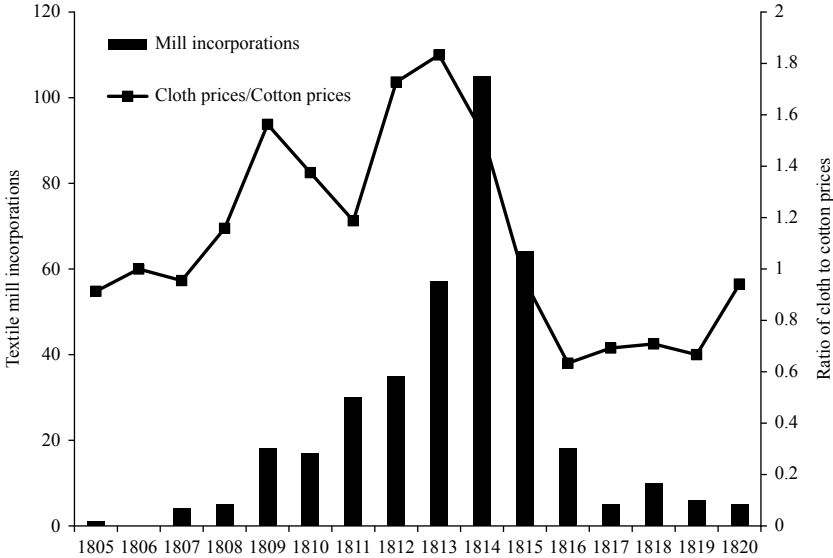


Figure 3.1. Textile mill incorporations and relative cloth/cotton prices, 1805-1820. (Lebergott 1984, 128.)

Domestic manufacturers were unprepared for the flood of imports that poured into the country in 1815 and 1816 when trade resumed. Although still protected by 35 percent wartime duties, most small mills were inefficient and simply could not compete against the cheaper goods produced by the larger and more advanced British producers. The profitability of American mills was squeezed as imports drove down the price of textiles while exports pushed up the price of cotton. As figure 3.1 shows, entry into the industry ceased, and business failures multiplied; about half the spindles around Providence, Rhode Island, were said to be idle during 1816.

The technology that helped ensure the industry's survival was the power loom, which allowed factories to weave yarn into cloth (instead of sending thread out to be spun by individual artisans) and then made into apparel. The power loom enabled spinning and weaving to be done under one roof in larger enterprises. By integrating these operations, the power loom allowed cloth to be mass produced and reduced its cost by half.¹⁵ The technology diffused rapidly through New England: by 1820, there were 1,667 power looms in use by eighty-six firms. According to the Census of 1820, about 100,000 spindles were involved in spinning, but more than 225,000 in both spinning and weaving.

The power loom was also based on pirated British technology brought

over in the minds of enterprising individuals. Francis Cabot Lowell, who personally observed the introduction of the power loom in Lancashire around 1810, returned to the United States and helped organize the Boston Manufacturing Company with his business partner, Nathan Appleton, a Boston merchant. Located in Waltham, Massachusetts, the firm started producing sturdy, inexpensive coarse cloth in 1815 and became fully operational in 1816. The Boston Manufacturing Co. was so successful that, despite the struggling economy, it declared a dividend of 17 percent in October 1817 and invested in another mill in 1818. From 1817 to 1826, its average annual dividend was nearly 19 percent.¹⁶

The success of the New England industry was not so much due to the tariff as to the transfer of new technology from Britain and the ability of American entrepreneurs and skilled artisans to improve the technology and apply it to local conditions. Lowell introduced the power loom not because tariff protection was in place but because the technology had just become available in Britain, was easily transferable to the United States, and sharply reduced production costs and therefore was highly profitable. The power loom was a critical cost-saving innovation whose adoption was a necessity because lower textile and higher cotton prices made efficiency an imperative after the war. The power loom revolutionized the industry and produced a huge shakeout among existing firms: the sales of firms that adopted the new technology grew rapidly, while many of the old spinning mills in Rhode Island and around Philadelphia were driven out of business.

Although the power loom was more important to the survival of the industry than the 1816 tariff, Lowell was instrumental in shaping the duties on imported cotton textiles to his benefit. As Appleton (1858, 13) recounted, "The Rhode Island manufacturers were clamorous for a very high specific duty. Mr. Lowell was at Washington, for a considerable time, during the session of Congress [in 1816]. His views on the tariff were much more moderate, and he finally brought Mr. Lowndes and Mr. Calhoun to support the minimum 6 1/4 cents the square yard, which was carried." In other words, Lowell helped establish a "minimum valuation" provision that was applied to imported textiles. The minimum valuation provision meant that anything priced at less than 25 cents per yard would have to pay a duty of 6.25 cents a yard. This provision was regressive because it put a heavy burden on cheap cloth imports and a lighter burden on expensive cloth imports.

The Lowell compromise was politically savvy in that it proposed a tariff structure that balanced the interest of southern cotton exporters and

New England textile manufactures facing foreign competition. The tariff was designed to be high enough to keep out inexpensive Indian fabrics that did not use American cotton but competed with domestic producers, but not so high as to keep out higher-priced, higher-quality British goods that used American cotton, something southern export interests would have found objectionable.

The larger textile firms were not fearful of British imports, because the two countries tended to produce different types of products. The New England power looms produced mass quantities of plain weaves, such as sheeting and shirting, with lower-count yarns than British products. British imports tended to be high-quality fabrics with high yarn counts, such as ginghams and pattern weaves that power looms were not able to produce. Since there were no imports of low-count, plain-woven goods from either Britain or India after 1816, the minimum valuation was a binding constraint on imports from India but not on Britain until 1819, when deflation lowered their price.¹⁷

The cotton textile industry grew steadily throughout this period. In 1826, one of the first years in which data are available on domestic production and imports, the shares of the market are about equal. By 1830, however, domestic production far exceeded imports (as discussed in chapter 4). Thus, it appears that if the cotton textile industry was an "infant," it matured quickly. While trade disruptions led to the establishment of small spinning mills, the adoption of the power loom led to the success of large, mass-production enterprises, which were able to supply most of the growing demand for cloth. Economic historians have been skeptical that protective duties were essential to the industry's growth. Zevin (1971, 128) concluded that "while the tariff may have had demand augmenting effects which contributed to the cyclical recovery from the postwar depression, the tariff made no significant contribution to the secular growth of American demand for New England mill products over the period from 1815 to 1833." In Taussig's (1931, 60) view, the early progress of the cotton textile industry, "though perhaps somewhat promoted by the minimum duty of 1816, would hardly have been much retarded in the absence of protective duties."¹⁸

THE OUTBREAK OF TARIFF CONFLICT

The 1820s saw some of the fiercest political battles ever waged over trade policy in the nation's history. A powerful coalition in Congress representing northern manufacturers and western raw materials producers pushed

relentlessly for higher tariffs in 1820, 1824, 1827, and 1828. While the effort to increase duties failed in 1820 and 1827, the coalition's successes in 1824 and 1828 infuriated southern politicians who represented export-dependent crop producers. The South vigorously opposed every bid to raise tariffs, but its minority position in Congress left it unable to stop it. This failure pushed South Carolina to the brink of secession. How did import duties become one of the most divisive issues in American politics during this time?

The source of the emergent protectionist sentiment was a severe recession in 1818–19. If the dislocations of the war and the adjustments to peacetime commerce were not wrenching enough, America's financial system was in chaos. The Madison administration closed the Bank of the United States in 1811, and the government had to finance the war without a central bank. Although the Second Bank of the United States was chartered in 1816, it sought to build up its reserves of specie in order to service the debts arising from the Louisiana Purchase. To do so, the bank tightened credit in the summer of 1818. Meanwhile, state banks had become vastly overextended, partly as a result of lending to land speculators. This created an excess of paper currency that came to a painful end as banks began to demand repayment in specie, which led to the Panic of 1819. The panic and subsequent financial contraction led to plummeting land prices and a rash of bank failures. The economy suffered through a severe deflation and recession. Consumer prices dropped 11 percent between 1819 and 1821, and the price of cotton fell almost 60 percent over the same period.

Not surprisingly, the downturn led to demands for higher tariffs.¹⁹ As the economic suffering intensified, producer groups and merchant associations, towns and state legislatures, mainly from the North, sent messages to Congress pleading for higher duties to alleviate the economic distress and reduce widespread unemployment. They requested higher tariffs to secure the home market for domestic producers, to encourage raw materials to be processed at home rather than being exported for processing abroad, and thus end the nation's dependence on imports. The petitioners were not looking for temporary relief, but a permanent tariff system that would secure their position in the domestic market.

The campaign for higher import duties was strong because it was well organized and benefited from nationwide publicity. A Philadelphia printer named Mathew Carey helped establish the Philadelphia Society for the Promotion of National Industry that joined other groups in sending memorials and petitions to Congress asking for greater protection for domestic industries. Carey played a key role in spreading the agitation for a higher

tariff outside of Pennsylvania to the nation at large.²⁰ Carey's argument was simple: free trade led to a drain in specie, the decay of industry, and the rise in unemployment, while tariffs would secure the home market for industries and their workers and thereby strengthen the economy. Hezekiah Niles, the editor of the influential *Weekly Register*, also published an endless stream of editorials extolling the benefits of higher tariffs in protecting domestic industries from foreign competition.

Although the recession originated in the nation's troubled financial sector, manufacturers blamed foreign competition for the weak economy.²¹ Yet higher duties were proposed as a potential remedy because the government had no other policy instruments with which to address the slump. The government did not have a discretionary monetary policy, and there was no fiscal policy, because federal spending was a tiny part of the overall economy. Therefore, producers facing competition from imports had no alternative but to demand that the only available policy tool, import tariffs, be raised to cushion them from the sharp economic downturn.

The financial crisis hit agricultural producers just as hard, if not harder, than manufacturers because of the collapse in commodity prices. Although the government could protect import-competing manufacturers through higher tariffs, it had no readily available means of helping exporters, because Congress was not prepared to enact export subsidies or price supports for any commodity.²² Southern planters resented the demands that Congress consider higher tariffs to help manufacturing while doing nothing to help agriculture. Memorials and remonstrations from the South dismissed the idea that low tariffs were a cause of the depression, arguing that higher tariffs would only worsen the situation.

At this time, presidents were neither expected nor encouraged to meddle with the legislative process, which was considered to be strictly Congress's business. But President James Monroe gently nudged Congress in the direction of increasing the tariff. In his annual message to Congress in November 1818, he offered this modest suggestion: "The strict execution of the revenue laws . . . has, it is presumed, secured to domestic manufactures all the relief that can be derived from the duties which have been imposed upon foreign merchandise for their protection. Under the influence of this relief several branches of this important national interest have assumed greater activity, and although it is hoped that others will gradually revive and ultimately triumph over every obstacle, yet the expediency of granting further protection is submitted to your consideration."²³

A year later, Monroe accused other countries of dumping their goods in the United States and dropped another hint: "It is deemed of great im-

portance to give encouragement to our domestic manufacturers. In what manner the evils which have been adverted to may be remedied, and how far it may be practicable in other respects to afford to them further encouragement, paying due regard to the other great interests of the nation, is submitted to the wisdom of Congress."²⁴ These presidential invitations set the stage for the next trade battle in Congress.

As a new Congress convened in December 1819, the new speaker of the House, Henry Clay, took authority over tariff legislation away from the Ways and Means Committee and gave it to the rival Committee of Manufactures, which he had packed with supporters of protection. In March 1820, the committee chairman, Henry Baldwin of Pennsylvania, reported a bill to increase import duties across the board. Baldwin promised that a higher tariff would improve the unfavorable balance of trade, end the drain of specie, and increase employment, while ensuring an expanding home market for domestic agricultural producers.²⁵

Baldwin also criticized Lowndes for having scaled down the duties recommended by Dallas in 1816. Baldwin argued that the poor economy was indisputable proof that the 1816 duties had been set too low. In response, Lowndes defended the tariff of 1816 and sharply questioned the need for higher rates. The issue was not whether manufactures are useful or whether the government should assist manufacturers, he insisted, for that question had been answered affirmatively. But manufacturers were already supported with considerable duties on imported goods, and the "encouragement already afforded was as great as could reasonably be granted." Lowndes argued that high tariffs were not a remedy for the poor economy because carriage makers and others were suffering from a want of employment and yet did not face any competition from imports. "It is a distress from which our tariff can give no relief," he insisted, and yet, by raising prices, higher tariffs would reduce the real incomes of consumers.²⁶

Other southern members of Congress joined in the attack. Higher tariffs would constitute an unjust subsidy to industry at a time when the vast majority of citizens were employed in agriculture, they complained. Southern agriculture was suffering just as much as northern manufacturing, but high tariffs that would help the latter would only harm the former. The troubles faced by manufacturers were due to the nation's financial problems, not foreign competition, and therefore higher import duties were an inappropriate remedy, particularly when other regions were suffering more than the North. The purpose of the tariff was to raise revenue, they argued, not to protect certain industries at the expense of others. As John Randolph of Virginia stated, "It is not consonant with the principles

of a wise policy to lay duties not for the purpose of raising revenue to the government, but to operate as a bounty on any particular species of labor at the expense of the community in general on whom taxes are laid."²⁷ The encouragement of trade through low duties, he and others insisted, would help revive the economy.

Clay countered that the United States could not follow a policy of free trade (although that was not really the alternative) unless it was reciprocated by other countries. As he put it,

All other countries but our own exclude, by high duties, or absolute prohibitions, whatever they can respectively produce within themselves. The truth is, and it was in vain to disguise it, that we are a sort of independent colonies of England—politically free, commercially slaves. Gentlemen tell us of the advantage of a free exchange of the produce of the world. But they tell us of what never has existed, does not exist, and perhaps never will exist. They invoke us to give perfect freedom on our side, whilst, in the ports of every other nation, we are met with a code of odious restrictions, shutting out entirely a great part of our produce, and letting in only so much as they cannot possibly do without. . . . At present I will only say, that I am too a friend of free trade, but it must be a free trade of perfect reciprocity.²⁸

Whatever the merits of the case, it would have been very difficult for Congress to do nothing in response to the strong constituent pressures. Indeed, the Baldwin bill "represented the culmination of a sustained and concerted lobbying campaign that singled out the moderate Tariff of 1816 as the principal cause of the nation's economic distress."²⁹ In April 1820, the Baldwin bill passed the House by a vote of 91–78. The Mid-Atlantic region strongly supported the bill; the South was overwhelmingly opposed, while New England was split owing to the coexistence of merchant shipping and manufacturing interests. But a month later, in the Senate, where the political power of the North and South was more equally balanced, the bill was defeated by a single vote. Unlike its 1816 position, the South now unanimously opposed the bid to increase tariffs. The South voted 14–0 to table the bill, while other regions voted 21–8 to keep it alive. The South's support for the Tariff of 1816 had depended on three factors: the need for additional revenue, the continuing threat of war with Britain, and the surge of manufactured imports. All three factors were absent in 1820.

The sectional pattern of the 1820 vote would be repeated for many

decades to come. The South had little hope of stopping tariff legislation in the House, where it was outnumbered because representation was based on population. Therefore, the South aimed to defeat tariff bills in the Senate, where its power was more evenly matched with that of the North. Given the North-South standoff, the rapidly growing Midwest would soon be a critical swing region in the sectional division over tariff legislation.

One issue on which all members of Congress could agree was that statistical data on foreign trade was woefully incomplete. Up to this point, the annual Treasury publications on foreign trade reported only the quantity of goods imported subject to specific duties and the total value of goods charged with ad valorem duties, but failed to enumerate the quantity and value of imported goods. In 1820, Congress authorized the collection of more detailed data on exports and imports. Consequently, US trade statistics improve beginning in 1821, but it was not until after the Civil War that more comprehensive data become available.

CLAY'S AMERICAN SYSTEM

The early 1820s have been described as the "Era of Good Feelings" for the absence of partisan conflict, but good feelings about the tariff were in short supply. The question of using import duties to protect domestic manufacturers from foreign competition became a controversial and divisive issue, sharpening existing sectional divisions.

Even as the economy recovered after the Panic of 1819 and government finances improved, President Monroe continued to suggest that Congress increase import duties. For example, in his annual report to Congress in December 1822, Monroe gave an optimistic assessment of the nation's trade, noting that the government's finances were strong and that "our commercial differences with France and Great Britain have been placed in a train of amicable arrangement on conditions fair and honorable in both instances to each party." The previous disputes with Britain about shipping rights simply vanished. American shipping was no longer harassed, the West Indies was no longer a significant part of US trade, and the British market gradually became more open to US products.³⁰

The president also reported that manufacturing industries were now doing well but deserved further support. Yet he warned that "the interest of every part of our Union, even of those most benefitted by manufactures, requires that this subject should be touched with the greatest caution, and a critical knowledge of the effect to be produced by the slightest change." Still, he concluded that "I am persuaded that a further augmentation may

now be made of the duties on certain foreign articles in favor of our own and without affecting injuriously any other interest."³¹

Congress did not act on the president's suggestion. Philip Barbour of Virginia used his position as the new House speaker for the Seventeenth Congress (1821–23) to prevent the introduction of any new tariff bills. Supporters of protection never gave up hope of enacting higher duties, but had to wait until they controlled the key leadership positions on Congress. That came in December 1823 with the convening of the Eighteenth Congress, the first elected under the new apportionment of seats based on the 1820 census. The census found that population, and hence political power, had shifted to states in the North: Whereas the South gained only two House seats, Pennsylvania and New York picked up ten seats, Ohio eight seats, and other border states (such as Kentucky and Tennessee) another eight seats. Although the North-South balance of power remained even in the Senate, these apportionment changes, along with the election of Henry Clay as the speaker once again, made it much easier to get tariff legislation through the House.

When the new Congress convened, President Monroe repeated his call for a tariff revision. As in 1820, Clay referred the matter to the Committee on Manufactures, which reported a bill in January 1824. The committee again held that the Tariff of 1816 had been inadequate and that higher duties were needed to help manufacturers in particular and the economy more generally.

Speaking before the House over two days in March 1824, Clay gave an important address that proposed something called the "American System." He opened by describing the nation's weak economy and the "general distress that pervades the whole country," attributing the economic woes to the fact that "we have shaped our industry, our navigation, and our commerce in reference to an extraordinary war in Europe, and to a foreign market, which no longer exists."³² While there may have been a large foreign market for US goods and services during the exceptional wartime period, those markets had long since vanished. Excessive reliance on overseas markets made farmers and planters dependent on an unreliable source of demand and put domestic industries at the mercy of strong overseas competitors.

To counter this overdependence on foreign markets, Clay suggested that the United States concentrate on developing its own market.

We have seen that an exclusive dependence upon the foreign market must lead to still severer distress, to impoverishment, to ruin. We

must then change somewhat our course. We must give a new direction to some portion of our industry. We must speedily adopt a genuine American policy. Still cherishing a foreign market, let us create also a home market, to give further scope to the consumption of the produce of American industry. Let us counteract the policy of foreigners, and withdraw the support which we now give to their industry, and stimulate that of our own country.³³

As he put it,

It is most desirable that there should be both a home and a foreign market. But with respect to their relative superiority, I cannot entertain a doubt. The home market is first in order, and paramount in importance. The object of the bill under consideration is to create this home market and lay the foundations of a genuine American policy. It is opposed; and it is incumbent upon the partisans of the foreign policy (terms which I shall use without any invidious intent) to demonstrate that the foreign market is an adequate vent for the surplus produce of our labor.³⁴

The remedy for the nation's economic problem, he concluded, "consists in modifying our foreign policy, and in adopting a genuine American System. We must naturalize the arts in our country by the only means which the wisdom of nations has yet discovered to be effectual—by adequate protection against the otherwise overwhelming influence of foreigners. This is only to be accomplished by the establishment of a tariff."³⁵

Clay proposed that Congress adopt a tariff structure similar to the failed Baldwin bill of 1820, which would increase the tariff on cotton and woolen manufactures from 25 percent to 33-1/3 percent. Congressional inaction, he warned, "will complete the work of destruction of our domestic industry" and such a "fatal policy" would lead to "impoverishment and ruin."³⁶

Clay's "American System" address was a landmark in US trade policy. The vision set out in the speech was much greater than the particular duties he proposed. Clay was an economic nationalist who believed that the federal government should take an active role in strengthening the economy by promoting manufacturing industries, establishing a national banking system, and financing internal improvements to create a transportation network of roads, bridges, and canals that would bind the nation together. In terms of trade policy, the American System involved reducing

the nation's dependence on foreign markets and creating a strong home market through high protective tariffs. Rather than exporting the country's raw materials to Britain for manufacture, they should be shipped to the North for processing into final goods which would then be sent back to the South for consumption. This arrangement would employ American labor, not foreign labor, to make the manufactures that were consumed at home. This would diversify the nation's employment and strengthen the economy, but it would not happen naturally: the government had to undertake measures to ensure that this would happen.

Clay knew that changing the direction of the economy through protective tariffs would be controversial, so he tried to ease the worries of potential opponents: "And what is this tariff? It seems to have been regarded as a sort of a monster, huge and deformed—a wild beast, endowed with tremendous powers of destruction, about to be let loose among our people, if not to devour them, at least to consume their substance. But let us calm our passions, and deliberately survey this alarming, this terrific being. The sole object of the tariff is to tax the produce of foreign industry with the view of promoting American industry."³⁷

Anticipating criticism from the South, Clay denied that higher tariffs would promote manufacturing industries at the expense of other sectors of the economy. Instead, he argued, tariffs would produce a balanced, self-sufficient economy with strong demand for all producers. It was not just industries in the North that would flourish under the tariff, Clay maintained, but agricultural and raw materials producers in the South and West as well. He was confident that the factories in New England could provide a stronger and more stable source of demand for southern cotton and could eventually supply the South with cotton goods that would be cheaper and better than those imported from Britain. In fact, he maintained that protective tariffs would not diminish British demand for southern cotton because it was the most competitive source of supply in the world and would create new demand for cotton at home that would more than make up for any lost exports.³⁸ The American System was not a sectional piece of legislation, he concluded, but one that would bring the country together and work to the advantage of all interests and all regions.³⁹

Despite Clay's rhetorical efforts, many of his colleagues were unpersuaded. Daniel Webster of Massachusetts rose immediately to "dissent entirely" from the picture of distress painted by Clay. The economic troubles caused by the Panic of 1819 had passed, he noted, and the nation's prosperity was increasing. This growth was built on free enterprise without limits on trade that would depress trade-dependent industries such as the

commercial and shipping interests of New England. The issue was not an "American" as opposed to a "foreign" economic policy, he countered. Rather, there were three great interests in the country—agricultural, commercial, and industrial—and any proposed legislation that operated to the benefit of one without considering the consequences for the other two was "dangerous." The adoption of an American System would eventually lead to the prohibition of imports, Webster feared, which would impose an incalculable cost on shipbuilders and merchant interests.⁴⁰

Webster's polite but firm rejection of Clay's proposal contrasted with the bitter denunciation and scorn issued by southern Congressmen. They fervently denied that higher import tariffs would benefit all sections of the country, viewing it instead as a sectional proposal that would simply reward politically powerful special interests in the North at the expense of the South. As James Hamilton of South Carolina complained, "All sorts of pilgrims had traveled to the room of the Committee on Manufactures, from the sturdy ironmaster down to the poor manufacturer of whetstones, all equally clamorous for the protection 'of a parental, of an American policy.'"⁴¹ Christopher Rankin of Mississippi sneered that "the idea of a home market for either our produce or manufactures . . . is most fallacious; it has no foundation in reason or truth, but is calculated to delude and deceive the people."⁴² Robert Hayne of South Carolina denounced "this scheme of promoting certain employments at the expense of others as unequal, oppressive, and unjust, viewing prohibition as the means and the destruction of all foreign commerce the end of this policy." Hayne complained about the incoherence in the bill: "There are duties on the manufactured articles, and duties on the raw material; . . . the whole bill is a tissue of inconsistencies. In attempting to gratify the wishes of interested individuals, we are legislating in the dark, distributing the national funds by a species of State lottery—scatting abroad bounties and premiums of unknown amount; and all this, without the rational prospect of producing any effect, except that of sowing the seeds of dissension among the people. . . . We are opening a Pandora's box of political evils."⁴³ Adding to the hyperbole was John Randolph of Roanoke, who attacked the tariff as "an attempt to reduce the country south of Mason and Dixon's line, and east of the Allegheny Mountains, to a state worse than colonial bondage; a state to which the domination of Great Britain was, in my judgment, far preferable."⁴⁴

Stripping away the heated rhetoric, the South made two key objections to Clay's system. First, higher import duties would discourage exports, and the sale of exportable goods (cotton and tobacco) at home could not possibly make up for the loss of foreign markets. Second, higher tariffs

would harm consumers by raising the price of manufactured goods. Thus, southern income would receive a double blow: the prices of the goods it sold would fall and the prices of the goods it bought would rise. To the South, the American System was merely a scheme to enrich the North at the expense of the South. The South, particularly South Carolina, a major cotton-producing state, objected so passionately that Robert Hayne issued this warning:

I take this occasion to declare that we [the South] shall feel ourselves justified in embracing the very first opportunity of repealing all such laws as may be passed for the promotion of these objects. Whatever interests may grow up under this bill, and whatever capital may be invested, I wish it to be distinctly understood that we will not hold ourselves bound to maintain the system; and if capitalists will, in the face of our protests and in defiance of our solemn warnings, invest their fortunes in pursuits made profitable at our expense, on their own heads be the consequences of their folly!⁴⁵

In April 1824, after intense debate, the House passed the tariff bill by the slim margin of 107–102. The strongest support came from the Mid-Atlantic states, while the South was completely opposed. In the Senate, some of the rates were reduced, but the bill passed a month later by the narrow vote of 25–21; fourteen nay votes from the South were nearly offset by eleven yea votes from the Midwest. President Monroe signed the bill shortly thereafter.

The Tariff of 1824 helped raise the average tariff on dutiable imports from about 38 percent in 1823 to about 42 percent in 1825. Import duties on cotton and woolen manufactures were increased from 25 percent to 33–1/3 percent. The act also pushed up the tariff on raw wool from 15 percent to 30 percent and hiked duties on iron, hemp, and most other goods as well. However, the circumstances of its passage were quite different from those affecting the Tariff of 1816, which passed with the benefit of a national consensus that manufacturers, particularly those related to national defense, deserved some protection after the War of 1812. They even differed from those surrounding the failed tariff of 1820, which was considered in the midst of a major recession. Instead, the Tariff of 1824 was enacted when the national economy was doing reasonably well, giving the appearance that government policy was being used to promote one section of the country at the expense of another. These different circumstances marked a clear shift in the political coalition driving US trade policy. Even

Thomas Jefferson, who, as we have seen, had come to favor protecting domestic industries, viewed Congress's actions with a skeptical eye.⁴⁶

Clay's "American System" speech attempted to provide an overarching rationale for protective tariffs without getting bogged down in the details of specific tariff rates, although invariably those became the subjects of the debate. Clay's remarks started a long and acrimonious wrangle over the appropriate and just rates of duty in the tariff code. Each state had its own particular producer interests that its representatives sought to protect: iron and glass in Pennsylvania, hemp in Kentucky, flax in Tennessee, sugar in Louisiana, wool in Ohio and Vermont, and cotton and woolen manufactures in Massachusetts. Protecting these producers from foreign competition put them at odds with the export-oriented interests of cotton in South Carolina, tobacco in Virginia, merchants in New York, and shipping in Massachusetts.

Tariff legislation was also becoming more complex. As the American economy began producing a growing range of products, and the linkages between the production of various goods became more intricate, Congress also faced sharper trade-offs in dealing with import duties on a case-by-case basis. The conflict was not just between export-oriented and import-competing industries, but between producing and consuming industries, particularly raw materials producers and final goods producers. For example, by the 1820s, the iron industry had separated into two distinct branches, each with different trade interests. In the past, iron producers had used their furnaces and forges to produce basic products (pig and bar iron) as well as final consumer goods (such as pots and stoves, wire and nails, rails and machinery). As the industry evolved, firms began to specialize in either the production of the primary raw materials or the secondary finished goods. For the pig and bar iron producers, no amount of protection from foreign competition was too much. But manufacturers of iron products wanted inexpensive raw materials and asked for low tariffs on basic iron goods and high tariffs on the final products that they produced.⁴⁷

Similarly, whalers in Massachusetts called for high duties on imported tallow, but Boston tallow chandlers and soap boilers called for low duties to reduce their production costs; both industries claimed that they were depressed and deserved legislative support. There were also conflicts between hemp producers (used for making rope) and the shipping industry (consumers of rope), and between those supporting high molasses duties and rum producers, who wanted low duties, to mention just a few. The tariff was becoming a "tedious disagreeable subject," as Daniel Webster

put it, because it involved so many conflicting interests and trade-offs that satisfying all interested parties in any piece of tariff legislation was simply impossible.

The producers most unsatisfied by the 1824 tariff were the woolens manufacturers. Envious of the protection received by cotton textile producers, they believed that the 1824 tariff discriminated against them by increasing the duty on raw wool (from 15 percent to 30 percent) proportionately more than it increased the duty on woolen goods (from 25 percent to 33-1/3 percent). In early 1827, the House voted to remedy this matter, but the Senate vote was tied, allowing Vice President John Calhoun of South Carolina to cast the decisive vote against it. Thus, the woolens bill of 1827 suffered the same fate as the Baldwin tariff in 1820, which passed the House but was defeated in the Senate by a single vote.

This failure convinced woolens manufacturers that they had to strengthen their political position by joining with other producers of raw materials in demanding greater protection from imports. They helped organize the Harrisburg Convention in August 1827, which was attended by manufacturers, newspaper editors, politicians, and pamphleteers who supported protective tariffs.⁴⁸ The Harrisburg convention received nationwide publicity and marked the high point of the antebellum protectionist movement. In particular, this meeting enabled wool producers and woolens manufacturers to come together and arrive at a mutually agreed upon set of duties. In a public statement written by Hezekiah Niles, the convention called for greater protection for all industrial products, such as glass and iron, but with primary attention to woolens, for which they advocated a 50 percent tariff along with a minimum valuation. The convention also proposed higher duties on such raw materials as sugar, hemp, flax, lead, and wool.

This pressure for higher duties came at the start of a presidential election year and set the stage for a new tariff bill in early 1828. This legislation became known as the "Tariff of Abominations" and helped raise the average tariff on dutiable imports to the highest level in history. But it also brought sectional tensions to their highest state since the nation's founding and led to the Nullification Crisis of 1833.

THE TARIFF OF ABOMINATIONS

The Tariff of 1828 was the result of bizarre political machinations that are imperfectly understood even today. Called "a mere farrago of political tricks and undisguised appetites," the Tariff of 1828 is said to have

“resulted not from a conspiracy of one section against another but from an irresponsible bit of political chicanery in which all the sections shared.”⁴⁹

The disputed presidential election of 1824 served as a political backdrop to these events. A four-way race for the presidency prevented any candidate from receiving an outright majority in the Electoral College, although Andrew Jackson of Tennessee received a large plurality in the popular vote, with John Quincy Adams of Massachusetts far behind. For the first time, under the procedures set out in the Constitution, the House of Representatives would determine the next president. Although Jackson had the strongest claim to the office, Adams secured the presidency after Clay and Webster threw their support behind him in the House. Adams then appointed Clay as secretary of state, a position then seen as a stepping stone to the presidency, while Jackson supporters denounced the whole affair as a “corrupt bargain.”

The 1828 presidential election was a rematch between Adams and Jackson. Adams championed the American System of protective tariffs and internal improvements, and drew his support from the North. Jackson stood for limited government and states’ rights, and drew his support from the South. Yet the tariff was one issue on which Jackson did not necessarily agree with his southern allies. As a former general, Jackson supported a strong national defense. As a senator, Jackson voted for the Tariff of 1824 and against amendments that would have reduced some of its rates. When asked about his position on the tariff during the 1824 election campaign, Jackson said he was in favor of a “judicious examination and revision of it; and so far as the Tariff before us embraces the design of fostering, protecting, and preserving within ourselves the means of national defense and independence, particularly in a state of war, I would advocate and support it. The experience of our late war ought to teach us a lesson; and one never to be forgotten.” This vague statement led Clay to snort that he was in favor of an “*injudicious*” tariff.⁵⁰

However, in light of the strong southern opposition to high tariffs, which was part of the growing political backlash against Adams’ proposed expansion of federal power, Jackson was viewed as being much less supportive of high protective duties than either Adams or Clay. The South supported Jackson as their best alternative and hoped that they could persuade him to join the cause of lower tariffs.

In the 1828 election, Jackson’s political base was in the South, while Adams had a lock on New England. The crucial swing states were in the Mid-Atlantic and Midwest. Led by Senator Martin Van Buren of New York, Jackson’s supporters sought to exploit the protectionist sentiment

aroused by the Harrisburg Convention to gain political support for Jackson in those pivotal states. Van Buren apparently believed that Jackson's allies in the new Congress should push for a tariff bill that would raise import duties on the raw materials produced in states that Jackson needed to win the presidency, such as Pennsylvania (iron), Kentucky (hemp), and Ohio (wool), thereby proving that they were sympathetic to their interests. Although higher tariffs on raw materials would harm the industrial users of those materials in New England, those states were voting for Adams anyway. Whatever the outcome, Van Buren's too-clever-by-half strategy was supposedly designed to help Jackson: if the bill passed, the Jackson allies could claim the credit; if the bill was vetoed by Adams or defeated by his supporters, they could claim that the president was no friend of the Mid-Atlantic and Midwest.⁵¹

The strategy unfolded at the opening of the Twentieth Congress in December 1827. Jackson's supporters controlled the Committee on Manufactures after the speaker of the House (from Virginia) appointed five supporters of Jackson and two supporters of Adams to serve on it. For the first time, the committee held open hearings on the prospective tariff legislation. A total of twenty-eight individuals, including nine members of Congress, appeared before the committee, representing iron and steel, wool and woolens, hemp, flax, glass, and paper interests.⁵² In March 1828, the committee reported a highly skewed bill that significantly increased duties on raw materials but provided no compensatory tariff adjustments for manufacturers using those products. Most glaringly, instead of addressing the concerns of New England woolen manufacturers, as the Harrisburg Convention had demanded, the bill proposed increasing the tariff on raw wool from 30 percent to 50 percent, along with a specific duty, without adjusting the duty on woolen manufactures.

As an Adams supporter, the chairman of the Committee on Manufactures, Rollin Mallery of Vermont, disowned the committee's bill and blamed it on other members. The various sides were at loggerheads. The House debate was dreary. "Day after day passes without any sensible advance in the public business," John Taylor of Virginia complained. "One dull prosing speech after another & arguments for the fiftieth time repeated are hashed up & dished in new covers."⁵³ States that produced raw materials favored the measure, while representatives from Pennsylvania and New England were incredulous that such a bizarre tariff structure was even being considered. John Barney of Maryland asked: "While it proposed to increase the duties on the raw materials, wool, hemp, and flax, in a ratio almost equivalent to prohibition, it refuses to extend corresponding

protection to the manufacture; thus annihilating the manufactories themselves. What avail is it to the grower of these articles that foreign competition is excluded, if, at the same time, you destroy the home market? The manufacturer asks for bread—we give him a stone."⁵⁴

Samuel Smith of Maryland, who supported higher tariffs for manufacturers, dubbed the measure a "bill of abominations," and the label stuck.⁵⁵ The bill was so lopsided that many began to suspect that it was designed to be defeated by the New England delegation or elicit a presidential veto. Yet throughout the House debate, the South had been uncharacteristically silent. "The Jackson party are playing a game of brag on the subject of the tariff," Clay complained. "They do not really desire the passage of their own measure; and it may happen, in the sequel, that what is desired by *neither party* commands the support of both."⁵⁶ Under the House's rules, the reported bill was not amendable on the floor, and so it quickly went to a vote. In April 1828, the bill passed by a margin of 105–94. Figure 3.2 shows the North-South voting division.

What was the South's view of this turn of events? Their representatives had been largely silent during the debate, apparently having been assured by Van Buren and the northern Jackson supporters that the bill would either fail in the Senate, like the 1827 woolens bill but this time due to opposition from Massachusetts, or be vetoed by President Adams. To kill the bill, all the South had to do was to keep the duties on raw materials high enough to force senators from New England to vote against it, or so it was thought. As Niles' *Weekly Register* reported, "It would be too much to say—and we shall not say it—that the committee reported a bill with a coldly calculated design that it should not pass; but it is as clear as that the sun shines at mid-day, that all the open and well known anti-tariff members, every one of them, believed that the bill was so drawn as to contain within itself the elements of its own destruction. It is impossible that they could have supported it on any other principle, unless we suppose that they are all fools, which cannot be admitted."⁵⁷

In May, the bill was reported to the Senate, where the real battle was to take place. "Its fate rests on our ability to preserve the bill in its present shape," confided John Tyler of Virginia, adding that "if we can do so, it will be rejected."⁵⁸ However, unlike in the House, the bill could be amended on the Senate floor. Confident that the bill was structured to be defeated, the South resisted every effort to change it. Although several proposed amendments to reduce the duties on raw materials and to raise those on finished manufactures were rejected, things soon began to unravel: seven of fourteen amendments making the bill more amenable to New England were

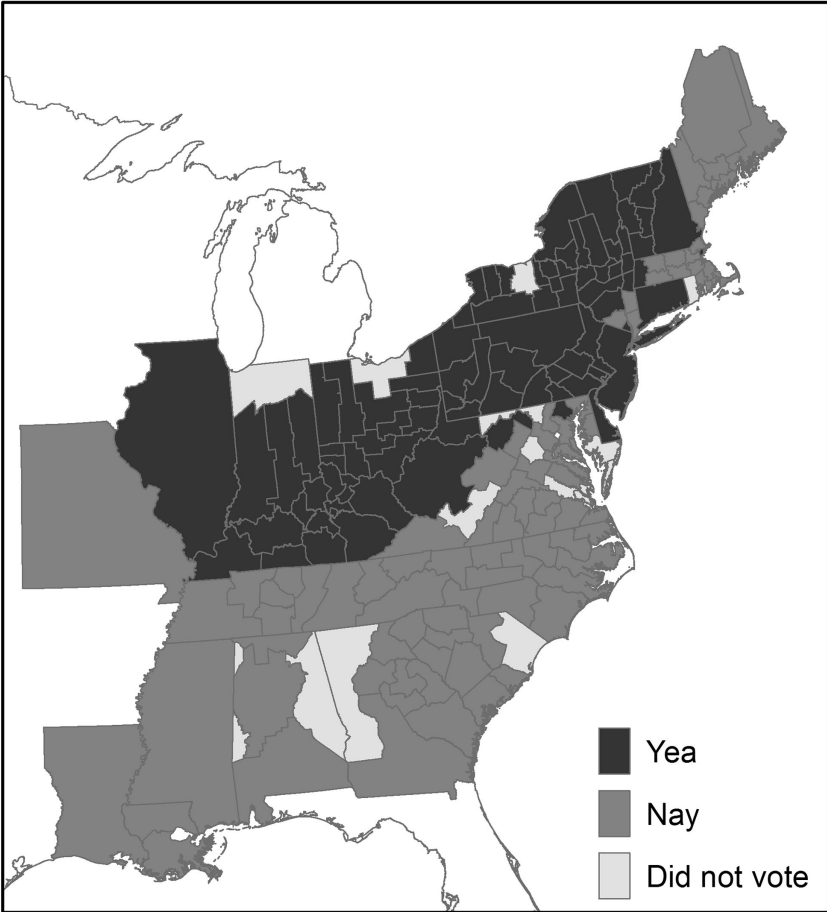


Figure 3.2. House vote on the Tariff of Abominations, April 22, 1828. (Map courtesy of Citrin GIS/Applied Spatial Analysis Lab, Dartmouth College.)

passed. In particular, the South was outmaneuvered on one critical vote in which the Senate voted 24–22 to raise the tariff on woolen manufactures from 33–1/3 percent to 45 percent (and then to 50 percent the following year) along with a minimum valuation provision. This went a long way to satisfying New England’s problems with the measure, yet the South was stunned to see Van Buren vote for the amendment. Indeed, Van Buren’s vote allowed the amendment to be carried; had he voted against it, the vote would have been tied, and Vice President John Calhoun would have blocked it, thereby making passage of the whole bill unlikely. This vote tipped Van Buren’s hand: contrary to what representatives from the South

had been led to believe, he and other northern Jackson supporters actually supported the bill and genuinely wanted it to pass.

The change in the tariff on woolen manufactures persuaded enough senators from New England to support the entire bill and thus ensure its final passage. After agonizing over his vote, Daniel Webster decided to support it, although he was in an awkward position, given his previous stance against most tariffs. The Senate passed the bill by a vote of 26–21. Two days later, after the reconciliation in the conference committee, the House accepted the higher woollens tariff by a vote of 115–67, with Adams forces strongly in favor and Jackson supporters split. President Adams signed the bill into law in May 1828.⁵⁹

Having been duped into playing along with the tariff schemers, the South was stunned by this unexpected turn of events. Robert Hayne of South Carolina thundered that “there is not a provision [in the bill] that holds out a shadow of benefit to us. . . . In this business, from beginning to end, the interests of the South have been sacrificed, shamefully sacrificed! Her feelings have been disregarded, her wishes slighted, her honest pride insulted! I say that this system of protective duties has created discordant feelings, strife, jealousy, and heart-burnings, which never ought to exist between the different sections of the same country.”⁶⁰

Most of the invective was aimed at Clay and Adams, despite the fact that they had not initiated the bill. The South was also infuriated at Van Buren’s treachery. As Calhoun recalled many years later, the Senate had passed the tariff “by a breach of faith”:

Relying on the assurance on which our friends acted in the House, we anticipated with confidence and joy that the bill would be defeated and the whole system overthrown by shock. Our hopes were soon blasted. A certain individual [Martin Van Buren], then a senator, but recently elected to the highest office in the Union, was observed to assume a mysterious air in relation to the bill, very little in accordance with what, there was every reason to believe, would have been his course. The mystery was explained when the bill came up to be acted upon. I will not give in detail his course. It is sufficient to say, that, instead of resisting amendments, which we had a right to expect, he voted for all which were necessary to assure the votes of New England, particularly the amendments to raise the duties on woollens which were known to be essential for that purpose. All these amendments, with one or two exceptions, were carried by his votes. Why such a course, which good

faith, as well as the public interest, so obviously dictated, was avoided, and the opposite pursued, has never been explained.⁶¹

Nearly two decades later, George McDuffie of South Carolina explained his votes on the amendments to keep high duties in the Tariff of 1828: "We saw this system of protection was about to assume gigantic proportions, and to devour the substance of the country, and we determined to put such ingredients in the chalice as would poison the monster and commend it to his own lips. This is what is sometimes called 'fighting the devil with fire,' a policy which, though I did not altogether approve, I adopted in deference to the opinions of those with whom I acted."⁶²

Representatives from the South were not the only ones upset with the outcome. Hezekiah Niles and Mathew Carey did not consider it a fair application of the protective tariff doctrine because it made little economic sense to raise the cost of raw materials to manufacturers. And the legislative process had been so overtly political and disreputable that it gave Congressional tariff-making a very bad name. After the House passage, someone suggested adding "for the encouragement of domestic manufacturers" in the title of the bill, to which John Randolph of Virginia replied "the bill referred to manufactures of no sort or kind, but the manufacture of a President of the United States."⁶³ Looking back, Calhoun later described the 1828 tariff as "a combined measure, originating with the politicians and manufacturers, and intended as much to bear upon the presidential election as to protect manufacturers." In retrospect, Calhoun said that he "was amazed at the folly and infatuation of that period. So completely absorbed was Congress in the game of ambition and avarice, from the double impulse of the manufacturers and politicians, that none but a few appeared to anticipate the present crisis, at which all are now alarmed, but which is the inevitable result of what was then done."⁶⁴

Few members of Congress could be proud of the Tariff of 1828, let alone all the complex political machinations behind its passage. "Harmony and concord among the friends of the American System can only be preserved by the adherence to what has been done, although some if it has been ill done," Clay conceded after the fact.⁶⁵ Even President Adams, a strong supporter of the American System, regretted the legislation: "The tariff of the last session was in its details not acceptable to the great interests of any portion of the Union, not even to the interest which it was specially intended to subserve."⁶⁶

Jackson's reputation was untarnished by Congress's action, and he eas-

ily beat Adams in the election of 1828, but it is doubtful that the tariff played any role in this outcome. The most important consequence of the legislation was that South Carolina, deeply upset that the Tariff of Abominations had followed so closely on the heels of the Tariff of 1824 and tired of complaining about the inequity of high protective tariffs, abandoned hope of obtaining a legislative remedy for its grievances. Instead, it began to consider alternative measures, such as nullification, that would soon threaten the Union. In the summer of 1828, Calhoun wrote that he had never seen such universal excitement in the South over the tariff: "There is but one impression, that it is unjust, unconstitutional, and oppressive." While South Carolina was strongly attached to the Union, he warned that "I am compelled, by a regard to truth, to say, that the sense of injustice has a strong tendency to weaken it and if long continued may finally wholly estrange this [state] from the other sections."⁶⁷

TARIFF POLITICS AND SOUTHERN DISCONTENTS

The average tariff on dutiable imports climbed steadily during the 1820s, rising from about 25 percent in 1820 to reach 62 percent in 1830, the highest level in US history. What underlying political forces explain this movement toward higher tariffs? And why did it generate such deep hostility in the South?

In part, the tariff laws of 1824 and 1828 were much more controversial than previous ones because they did not reflect the government's need for additional revenue. The government ran fiscal surpluses after 1822, and by the end of the decade, the national debt was close to being extinguished. Furthermore, the tariffs did not reflect the demands of producers suffering in the midst of a general economic downturn. While the attempt to pass tariff legislation in 1820 was understandable, given the economic slump that followed the Panic of 1819, the tariffs of 1824 and 1828 were not a response to widespread economic distress. Instead, they simply reflected forceful moves by domestic producer interests to protect themselves as much as possible from foreign competition, or by politicians seeking to gain political advantage in promoting those interests.

The tariff debates of the 1820s exposed a sharp cleavage between two competing positions: those who favored a tariff for revenue only, and those who favored a tariff for the protection of domestic industries. The revenue-tariff proponents came mainly from the South and wanted a small and frugal government with limited powers. They recognized that import duties were an essential source of finance for the federal government and could

not be abolished completely, but they did not want the government favoring certain industries with high duties. They proposed that all imports be subject to a single uniform duty set at a modest rate, somewhere between 10 and 20 percent.⁶⁸

By contrast, supporters of protective tariffs agreed with Henry Clay that "the sole object of the tariff is to tax the produce of foreign industry with the view of promoting American industry." In general, these advocates came from the North and Midwest and wanted different duties imposed on different goods, depending upon their perceived importance to the national economy. In general, they wanted low duties on the raw materials used in the production of manufactured goods and high duties on final goods. Their objective was to use domestic raw materials to produce final goods at home rather than to export them for processing abroad and then import the final product. The duties on imports of final goods should be high enough to assure that domestic producers competing against foreign firms could stay in business. They also wanted tariffs in the form of specific duties instead of *ad valorem* duties. They believed that *ad valorem* duties gave importers an incentive to understate the value of their goods to avoid paying the tax; specific duties would prevent such fraudulent under-invoicing of foreign goods. In addition, if import prices were to fall, the *ad valorem* equivalent of a specific duty would automatically rise, giving the domestic industry greater protection from the lower prices. Specific duties also obfuscated the degree to which imports were taxed: if the specific duty on iron was set at \$10 per ton, there would be no way of knowing whether this was a high or a low rate without information about the price of imported iron.

Despite the controversy about import duties in the 1820s, political changes made protective tariffs easier to enact in Congress. The American economy consisted of three principal sectors—agriculture, industry, and commerce—each concentrated in a different part of the country with a distinctive, trade-related economic interest. Prior to the War of 1812, average tariffs were relatively modest, because the agricultural exporting interests of the South and the commercial shipping interests of New England worked together to keep them low. Industrial interests in the Mid-Atlantic states, such as Pennsylvania, were a minority in Congress and lacked the political power to enact higher protective duties.

After the War of 1812, the balance of political power between these sectors and regions had shifted. The commercial shipping interests of New England had been overtaken by local manufacturing interests, particularly cotton textiles. The growth of manufacturing and relative decline

of shipping and shipbuilding in New England helped turn the region from one supporting open trade to one supporting protective tariffs, although its representatives were often divided depending on their particular constituency. In 1825, for example, the Boston firm of W. & S. Lawrence shifted its business from importing and merchandising foreign goods to manufacturing goods itself, sharply changing its economic interests. Politicians followed this rebalancing of economic power and altered their voting patterns, the classic example being Daniel Webster, who opposed tariffs up to 1824 but began supporting them after that.⁶⁹

The Mid-Atlantic states provided the greatest political support for protectionist legislation because they were the location of other domestic manufacturers, such as the iron and glass industries. Although the mercantile community in New York had shipping interests that favored low taxes on imports, most other Mid-Atlantic states firmly supported higher tariffs. Pennsylvania was a major political force for higher tariffs because many of the earliest manufacturers were located around Philadelphia. As early as 1810, Pennsylvania accounted for about 20 percent of the country's manufacturing production and more than 40 percent of iron production.⁷⁰ Pennsylvania was also one of the nation's most populous states and therefore had a large group of representatives in the House who fought for higher tariffs.

The South was an implacable opponent of protective duties throughout the antebellum period. The region still produced staple crops, particularly cotton and tobacco, which were heavily dependent on exports to foreign markets. The South vigorously denounced high tariffs as sectional legislation that helped manufacturing industries in the North at the expense of agriculture in the South. High tariffs were said to impose a ruinous burden on the South by depressing the prices of exported staple crops and inflating the prices of imported manufactured goods that it consumed. The South voted almost uniformly against any tariff increase, except for Louisiana, which favored protective duties for its sugar interests.⁷¹

The Midwest had mixed interests with respect to trade in the 1820s. Kentucky was a leading producer of hemp (used for making ropes and cotton bagging), and Ohio was a leading producer of wool; both raw materials faced some competition from imports, and therefore representatives tended to support higher import duties. Illinois and Indiana produced wheat and flour, for which there was potentially a large foreign market, but high transport costs and British duties prevented these goods from reaching overseas consumers. Overall, the Midwest's trade-related economic interests were less sharply defined than those of the North or the

South because its geographic position kept it largely isolated from foreign commerce, although reductions in transportation costs would change this in the 1840s.

The Midwest's relative isolation gave it a unique position in American trade politics. With neither the North nor the South holding an absolute majority of seats in Congress, the Midwest held the crucial swing votes. The North controlled less than half the seats in the Senate, and although it had a slight majority of seats in the House, this was often divided between different political interests (or political parties after the mid-1830s). The South held less than 40 percent of the House and Senate. Hence, both the North and the South needed support from the Midwest to enact their legislative agendas. Furthermore, as figure I.6 showed, the Midwest gained political strength over the antebellum period, largely at the expense of the North. By 1850, the Midwest controlled more than a quarter of the seats in Congress. The Midwest became the pivotal player in the political system due to its intermediate position between the opposing interests of the North and South on many issues—not just the tariff but also slavery.

The Senate was the key battleground for the fierce trade debates of the period. In 1824 and 1828, the Senate vote was virtually identical: about two-thirds of senators from the North supported the higher tariffs, while the South was almost unanimously opposed. Senators from the Midwest broke in favor of the legislation, and this support was critical to its passage. Had it not been for the votes of the Midwest, the South would have stopped the effort to increase tariffs.

How were the pro-tariff forces in the North able to persuade representatives from the Midwest to vote for tariff legislation that was not directly tied to their economic interest? One reason is that the Midwest had something to gain on an issue of even greater importance to them: internal improvements.⁷² The Midwest strongly supported federal spending on canals, roads, and other transportation improvements as a way of reducing the region's economic isolation and attracting labor and capital from the East. The Mid-Atlantic also encouraged such expenditures because its geographic position made it the logical place for transportation outlets from those regions; it therefore stood to gain a disproportionate share of federal spending. New York (since it already had the Erie Canal) and New England (which was geographically separated from the Midwest) were less enthusiastic about such spending, but northern states were generally willing to spend the surplus revenues generated by high tariffs on internal improvement projects in order to win votes in Congress from the Midwest.

Henry Clay, of course, was the politician most responsible for creat-

ing the "American System" coalition that combined support for protective tariffs and internal improvements.⁷³ In essence, high tariffs that would benefit the North would raise the revenue needed to finance internal improvements that would benefit the Midwest. The tariff debates in Congress reveal many veiled and not-so-veiled references to this North-Midwest coalition.⁷⁴ Writing to Webster in 1827, Clay noted that he was "most anxious . . . that they [internal improvements] should be supported in New England, and that the West and Pennsa. should be made sensible of that support. . . . You have your equivalents in other forms. . . . We must keep the two interests of D[omestic] M[anufactures] & I[nternal] I[mprovements] allied."⁷⁵

The great failure of American System advocates was their inability to enact a comprehensive plan for either internal improvements or the encouragement of manufactures. Instead, internal improvement projects proceeded in a piecemeal fashion, in which politicians got to pick and choose which canal or road proposal to support. The result was an ad hoc process in which Congress set about "advancing pet projects with increasingly dubious claims of national significance and indulging in ever more bitter attacks on each other."⁷⁶ Proponents also failed to develop a comprehensive plan for protecting domestic industries with import duties. As seen in the debates regarding the Tariff of Abominations, the process by which Congress set import duties was deeply political rather than based on some rational design. Congress struggled over the conflicting interests of raw materials producers in the Midwest and those of industrial goods producers in the North. The most difficult problem of this sort was adjusting the tariff schedule to satisfy both wool producers and manufacturers of woolen goods.

Thus, the North-Midwest coalition seemed to be an interlocking system of trading votes for tariffs for votes for internal improvements, but it was potentially unstable if tariffs were ever to become delinked from internal improvements. The South was aware of this potential weakness and tried to split the coalition by separating the two issues. As Senator William Smith of South Carolina astutely observed, "Destroy the tariff and you will leave no means of carrying on internal improvements; destroy internal improvements and you leave no motive for the tariff."⁷⁷

Indeed, the South failed to see how it could gain from any aspect of the American System. It bitterly opposed both high tariffs and spending on internal improvements: such spending was a justification for keeping tariffs high, and high tariffs generated excess revenue that was unnecessary unless spent on internal improvements. The South objected to protective

tariffs because they encouraged industries that were almost exclusively located in the North. These tariffs were directly contrary to the South's economic interests as a producer of exported goods. The South also objected to internal improvements because it was not geographically positioned to benefit from any federal spending on such projects. The region was unsuited for canals running from west to east, and it already had easy access on the eastern seaboard for its cotton and tobacco, while the Mississippi River and New Orleans served as outlets for inland crops.

In sum, the South viewed import duties as a tax on the South for the benefit of the North and an important cause of the South's economic troubles. John Tyler, a Virginia senator who later became president, succinctly summarized the region's perspective: "The protective tariff is the cause of our calamities and our decay. We buy dear, and sell cheap. That is the simple secret. The tariff raises the price of all that we buy, and diminishes the demands for our products abroad by diminishing the power of foreign nations to buy them."⁷⁸

John Calhoun produced a powerful summary of the South's complaints in "Exposition and Protest," which he drafted for the South Carolina legislature in late 1828. The key problem with protective tariffs was that their "burdens are exclusively on one side, and the benefits on the other." As described by Calhoun, the North and South were hopelessly divided over this fundamental issue. "On the great and vital point, the industry of the country, two great sections of the Union are opposed. We want free trade; they, restrictions. We want moderate taxes, frugality in the government, economy, accountability, and a rigid application of the public money to the payment of the public debt, and the objects authorized by the Constitution; in all these particulars, if we may judge by experience, their view[s] of their interest are the opposite."⁷⁹

In fact, the tariff reduced the price of what the South sold because "a duty, whether it be laid on imports or exports, must fall upon this exchange, and . . . must in reality be paid by the American producer of the articles exchanged," Calhoun explained. Hence, "there is little or no difference between an export and import duty." "Our very complaint is, that we are not permitted to consume the fruits of our labour, but that through an artful and complex system, in violation of every principle of justice they are transferred from us to others."⁸⁰

Thus, southerners dismissed the claims of American System advocates that high tariffs served the "general welfare" of the country; instead, they believed that the tariff siphoned off the South's wealth and sent it to other sections of the country. The tariff was simply viewed as "a means by

which a few northern industrialists became rich by legislative favoritism at the expense of southern agriculture" or, in the words of one southerner, as "a miserable, mean, unprincipled rascally 'pick-pocket' scheme to steal and defraud from one portion of the people their property for the exclusive benefit of another."⁸¹ Even worse, Calhoun argued that tariffs destroyed more income in the South than it transferred to the North, thus reducing overall national income. As he put it, "If all we lose be gained by other citizens of the other section, we would at least have the satisfaction of thinking, that however unjust and oppressive, it was but a transfer of property, without diminishing the wealth of the community. Such, however, is not the fact, and to its other mischievous consequences, we must add, that it destroys much more than it transfers. . . . The exact amount of loss, from such intermeddling, may be difficult to ascertain, but it is not therefore less certain."⁸²

The pressure for higher tariffs by the North and for more spending on internal improvements by the Midwest led the South to look with dismay at the degraded state of the nation's politics: "The government is rapidly degenerating into a struggle among the parts to squeeze as much out of one another as they possibly can," Calhoun complained. "The South being the least, and I may add less avaricious than the other, is destined to suffer severely in this odious struggle."⁸³

As the decade went on, and the South seemingly lost battle after battle, its anti-tariff rhetoric became more inflamed and impassioned. The South's insistence that it was being oppressed and exploited by the other sections became shriller. South Carolina went far beyond any other southern state in expressing its fears about the direction of national policy. If Pennsylvania was the bastion of protectionist support in the North, South Carolina was the citadel of low-tariff agitation in the South. A confluence of these various factors made South Carolina more extreme than other southern states. The depressed economic condition of the Carolina cotton economy in the 1820s was one factor behind the state's prickly sensitivity. Although the collapse of cotton prices in 1819 and again in 1825 affected all cotton producers, planters in South Carolina were particularly hard-hit. The second collapse coincided with increasing soil exhaustion on upcountry plantations and greater domestic competition, as cotton cultivation moved to more fertile lands in the southwest, such as Alabama and Mississippi.

As the prosperity of the North grew in relation to the South, the high tariff became a standard explanation for the economic difficulties of southern planters. What could the South do about the situation? As a mi-

nority in Congress, the South simply did not have enough votes to determine policy. And they recognized that it was fruitless to try to persuade members of Congress from manufacturing states to adopt their views on tariff policy. Recognizing that it was fighting a losing political battle in Congress, the South for a time made the argument that protectionist tariffs were unconstitutional because they had not been imposed for the "general welfare." This argument was easily dismissed. Clay replied that the critics had "entirely mistaken the clause of the Constitution on which we rely." It was not the first clause of article 1, section 8, which mentions debts and general welfare, but clause 3, which gives Congress the power to regulate commerce with foreign nations. Under this article, "the grant is plenary, without any limitation whatever," Clay noted.⁸⁴

Even the aging James Madison, who was sympathetic to the view that protective tariffs had been pushed too far, agreed that there was nothing unconstitutional about the policy. After the Virginia legislature passed a resolution declaring that import duties for the protection of domestic manufactures were unconstitutional, Madison wrote a detailed letter explaining why such duties were permitted.⁸⁵ Furthermore, Madison believed that the tariff issue had been completely overblown by southern politicians:

With respect to the existing tariff, however justly it may be complained of in several respects, I cannot but view the evils charged on it as greatly exaggerated. . . . I cannot but believe, whatever well-founded complaints may be agst. the tariff, that, as a cause of the general sufferings of the country, it has been vastly overrated; that if wholly repealed, the limited relief would be a matter of surprise; and that if the portion only having not revenue, but manufactures for its object, were struck off, the general relief would be little felt.⁸⁶

Thus, as a minority in Congress with little hope of changing the constellation of political forces that had led to higher tariffs, and with the constitutional argument failing to compel any reconsideration of the policy, the South saw its only alternatives as submission or resistance. Submission would lead to federal despotism, which was viewed as intolerable. This gave rise to the idea that the South should consider leaving the union. If the exploitation of the South through high tariffs continued, Thomas Cooper argued, "we shall 'ere long be compelled to calculate the value of our union; and to enquire of what use to us is this most unequal alliance? By which the south has always been the loser and north always the gainer? Is it worth our while to continue this union of states,

where the north demand to be our masters and we are required to be their tributaries?"⁸⁷

An underlying factor in this discontent was that the North was overtaking the South in wealth and income. In 1774, the South was well ahead of the North in terms of income and wealth; by the 1840s, it was well behind.⁸⁸ The relative decline in economic status gnawed at the South, which feared that its political power was shrinking as well. In losing the tariff battles of the 1820s, the South saw the loss of its economic and political position in the Union and feared that it had become a permanent and besieged minority in Congress. In fact, many in the South may have been concerned less about the harm the tariff was doing to it and more about the benefits received by the North, which was growing in population and wealth.

Of course, something else was lurking behind the South's extreme reaction to tariffs in the 1820s. Many southerners believed that the tariff was merely the first skirmish in a struggle that would determine if the federal government would have the power to abolish slavery. Therefore, the South resisted higher tariffs as a first line in the defense of their peculiar institution. James Hamilton of South Carolina called the tariff fracas "a battle at the outposts, by which, if we succeeded in repulsing the enemy, *the citadel would be safe,*" the citadel being slavery.⁸⁹ He and his colleagues reasoned that a high tariff that created a stronger national government would be in a better position to meddle with slavery. In fighting against the tariff, the South was really fighting for limited government that would preserve states' rights against unlimited government power that eventually could be used to eliminate slavery. William Smith intoned that the "paragraph of the Constitution which authorizes Congress to provide for the 'general welfare' . . . has given you a Tariff, by which you are taxed to support manufacturers that are wallowing in wealth. And it will, as soon as the Northern States . . . have finished internal improvements, rend your government asunder, or make your slaves your masters."⁹⁰ John Randolph warned that a Congress that could build roads wherever it wanted could also "emancipate every slave in the United States."⁹¹

For this reason, John Calhoun concluded in 1830,

I consider the Tariff, but as the occasion, rather than the real cause of the present unhappy state of things. The truth can no longer be disguised, that the peculiar domestic institution of the Southern States, and the consequent direction, which that of her soil and climate have given to her industry, has placed them in regard to taxation and appro-

priation in opposite relation to the majority of the Union; against the danger of which, if there be no protective power in the reserved rights of the states, they must in the end be forced to rebel, or submit to have their permanent interests sacrificed, their domestic institutions subverted by colonization and other schemes, and themselves and [their] children reduced to wretchedness.⁹²

The South's enormous economic stake in slavery far outweighed the impact of protective tariffs on its income. In 1860, the aggregate value of slaves as property was \$3 billion, nearly 20 percent of the nation's wealth. The value of slaves was more than 50 percent greater than the capital invested in railroads and manufacturing combined, a calculation that excludes the value of land in southern plantations. Slavery generated a stream of income that enabled overall white per capita income in the South to approximate that of northern whites. In the seven cotton states, nearly a third of white income came from slave labor. Thus, slavery was essential to the prosperity and standard of living of many southern whites.⁹³

The only real threat to this way of life came from the North. The growing strength of the abolitionist movement posed a direct challenge to the position of wealthy Southern whites. Once again, South Carolina was particularly sensitive to this danger. Blacks far outnumbered whites in the state and there were constant fears of a slave rebellion. Without a commitment by the federal government to respect states' rights, Southerners feared that its expanding powers might affect the status quo. Calhoun believed that "there is a deep, and, if not removed in time, a fatal disease lurking in the system," the disease being an overly powerful national government dominated by a northern majority that could dictate policy to the South.⁹⁴ As William Freehling (1965, 255) stated, "Put in simple terms, the nullification crusade was produced by two acute problems: protective tariffs and slavery agitation; and to most nullifiers, the separate issues had long since intermeshed in a single pattern of majority tyranny."

Meanwhile, the North had no sympathy for the South's position and became increasingly fed up with what it saw as the South's hysterical complaints about the tyranny of the tariff. Advocates of the American System professed to believe that all sections of the country would benefit from protective duties, and they could not understand what the fuss was all about. Protective tariffs would simply shift demand for cotton from British to American factories without any diminution in overall demand, they contended, ignoring the fact that British textiles were exported throughout the world rather than just sold in the American market. Senator Asher

Robbins of Rhode Island issued this taunt: "Show me, I again ask it, the connection between the [tariff] as the cause, and your distress as the effect. . . . Your complaints—what are they? One is, that your lands are worn down and that your crops are unprofitable. Pray, is the [tariff] the cause of that sterility?"⁹⁵ Others criticized the South for blaming the tariff for all its troubles but never mentioning the instability of the currency or the growing production of cotton in the Southwest.

As the South's criticisms of the tariff became increasingly strident, the North became equally resentful as well. Congressmen from the North began equating free trade with "slave power" and denouncing lazy Southern plantation owners for earning riches off the hard labor of their slaves while selfishly denying the security that tariffs gave to employment of northern free labor and the capital invested in industry by entrepreneurs. They asked why one fifth of the country should dictate to the rest of the country what the nation's tariff policy should be. And they turned the South's arguments against them: it was the South, rather than the North, that was being narrow and selfish. Why should national policy be dictated by slave owners, leaving the majority hostage to the slave-holding minority? Henry Clay said that the general welfare was not defined as the South's welfare and that for the North to sacrifice its own interests to the South "would be to make us the slaves of slaves."⁹⁶ To the charge that protective tariffs supported rich capital-owners in the North, Clay responded sharply: "But is there more tendency to aristocracy in a manufactory, supporting hundreds of freemen, or in a cotton plantation, with its not less numerous slaves, sustaining perhaps only two white families—that of the master and the overseer?"⁹⁷

In retirement, James Madison watched the nasty tariff debate with growing dismay. "Were the tariff, whatever be the degree in which it has added to the other causes of depression, to be removed so far as it has protective operation, the other causes remaining the same, the relief would be but little felt." Madison noted that more tobacco was now exported from New Orleans than from Virginia. "The more the question of the tariff is brought to the test of facts, the more it will be found that the public discontents have proceeded more from the *inequality* than from the *weight* of its pressure, and more from the exaggerations of both than from the reality, whatever it may have been, of either."⁹⁸ Madison attributed the declining value of land and the lower prices of staples in the South mainly to the cheap and fertile land in Mississippi and Alabama.

While the South had strongly objected to the 1824 tariff, it found the

1828 tariff intolerable. North-South relations deteriorated rapidly after its passage. Two political factors also facilitated the tariff hikes of 1824 and 1828 and hence contributed to the impending crisis. First, Congress as an institution failed to manage and control the issue well. The competition between the Ways and Means Committee and the Committee on Manufactures over the authority to report tariff legislation to the House floor was a microcosm of the larger sectional conflict. The Ways and Means Committee, a standing committee since 1802, traditionally had the prerogative to report tariff bills as revenue measures. But in 1819, House Speaker Henry Clay established a separate Committee on Manufactures, packed it with supporters of high tariffs, and began referring tariff matters to it, thus bypassing the more moderate Ways and Means Committee. The Committee on Manufactures reported the controversial tariff bills of 1820, 1824, 1827, 1828, 1830, and 1832, but, as we will see in chapter 4, it was the Ways and Means Committee that ultimately forged the Compromise of 1833. This reestablished the committee's authority over trade policy. Given its more moderate approach, the loss of control by Ways and Means over the issue during the 1820s allowed extremely divisive sectional politics to get out of hand.

Second, presidential leadership was notably lacking throughout this period. Of course, presidents were not expected to play an active role in formulating legislation at this time, but they could help manage conflict by signaling their position in their annual message to Congress. As we shall see, Andrew Jackson might have eased sectional tensions earlier if he had been more engaged on the issue. Certainly Calhoun believed that the president was the only person who could calm the discontent in the South.⁹⁹ Unfortunately, Jackson's failure to act decisively during the tariff controversy in his first term gave South Carolina nullifiers their strongest arguments against opponents who hoped for redress from the federal government.

THE NULLIFICATION CRISIS

In July 1828, shortly after the passage of the Tariff of Abominations, Calhoun wrote that he had never seen such universal excitement in the South over the tariff. "There is but one impression," he noted, "that it is unjust, unconstitutional, and oppressive." Crowds in South Carolina burned Adams and Clay in effigy, but they did not blame Jackson's supporters for the debacle. Calhoun feared that, while his constituents were strongly

attached to the Union, "I am compelled, by a regard to truth, to say, that the sense of injustice has a strong tendency to weaken it and if long continued may finally wholly estrange this [state] from the other sections."¹⁰⁰

At the request of the state legislature, Calhoun secretly drafted his "Exposition," which set out South Carolina's objections to the protective tariffs enacted during the 1820s. Published in December 1828, the "Exposition" declared "that the Act of Congress of the last session, with the whole system of legislation imposing duties on imports, not for revenue, but for the protection of one branch of industry, at the expense of others, is unconstitutional, unequal and oppressive; calculated to corrupt the public morals, and to destroy the liberty of the country." Calhoun argued that "the Constitution authorizes Congress to lay and collect an import duty, but it is granted for the sole purpose of revenue—a power in its nature essentially different from that of imposing protective or prohibitory duties." Now, that "power is abused by being converted into an instrument of rearing up the industry of one section of the country, on the ruins of another."¹⁰¹ Calhoun then set out the doctrine of nullification, in which the states had the right to strike down a federal law that it found to be unjust or unconstitutional. The South never tested this proposition in federal court, probably because it knew that it would lose.

The election of Andrew Jackson as president over John Quincy Adams in 1828 gave the South a ray of hope. Jackson supported states' rights, a strict construction of the Constitution, and limited government, and he was expected to champion the South's cause when it came to tariff policy as well. But Jackson took a middle ground, refusing to adopt a strong anti-tariff stance that would alienate his northern supporters. Indeed, in his March 1829 inaugural address, Jackson revealed little about his position when he stated that "it would seem to me that the spirit of equity, caution, and compromise in which the Constitution was formed requires that the great interests of agriculture, commerce, and manufactures should be equally favored; . . . that perhaps the only exception to this rule should consist in the peculiar encouragement of any products of either of them, that may be found essential to our national independence."¹⁰² This was hardly the clarion call for the tariff reductions that the South desperately wanted to hear, but Southerners remained optimistic that the president would ultimately come around to their side, because he was certainly no friend of Henry Clay and his American System.

The South also took comfort from the fact that Jackson began to split the North-Midwest coalition by delinking the issues of the tariff and internal improvements. Jackson's veto of the Maysville Road Bill in May

1830 was the first blow to the coalition. Congress had helped finance road improvements in the past, and there was nothing particularly unusual about this bill. But in vetoing it, Jackson raised constitutional questions about federal support for internal improvements by noting that the road was wholly within Kentucky and was therefore a local project, not a national one. Three days later Jackson vetoed another turnpike bill on similar grounds. "It is the only thing that can allay the jealousies arising between the different sections of the Union, and prevent that flagitious *log-rolling legislation*, which must, in the end, destroy everything like harmony, if not the Union itself," Jackson explained.¹⁰³

The vetoes helped change the dynamic in Congress that had tied higher tariffs to spending on internal improvements. Senator Thomas Benton (1854, 1:167) later wrote that the Maysville veto was "a killing blow" to a national system of internal improvements, and Martin Van Buren recalled it as "the entering wedge to the course of action by which that powerful combination known as the Internal Improvement party was broken asunder and finally annihilated."¹⁰⁴ By splintering the North-Midwest alliance, the veto helped stop the momentum toward ever-higher import duties.

But the South was not content with simply preventing further tariff increases; it wanted a significant reduction in rates. Here another factor came into play: as the government began recording large fiscal surpluses, the political tide began to turn toward a moderation of import duties. Still, appeasing the South would not be easy: northern supporters of protection refused to acknowledge any harm to the South and were prepared to defend the existing level of duties.

In his first annual message to Congress in December 1829, President Jackson suggested that, in view of the recent fiscal surpluses and decline in national debt, some duties on goods not produced in the United States, notably tea and coffee, could be reduced. In 1830, competing House committees proposed different bills. Ways and Means Committee Chair George McDuffie of South Carolina recommended repealing the duties in the 1824 and 1828 tariffs and going back to the 1816 rates, whereas Committee on Manufactures Chair (and former president) John Quincy Adams of Massachusetts recommended no change to existing duties. But the general sentiment in the House was that tariff adjustments along the lines suggested by the president should be made. "Thereupon ensued one of the most tedious and fruitless debates in the history of Congress," Stanwood (1903, 1:362) reports, with set speeches "of interminable length and quite devoid of fresh arguments and novel illustrations."

Eventually, Congress agreed to reduce duties on imported tea, coffee, cocoa, and even on some protected articles such as salt and molasses. The North mistakenly believed this concession would appease the South, but the reductions were simply designed to reduce revenue and did not address the protected articles—cottons, woolens, and iron—that were the South's main concern. The South dismissed the legislation as "nothing but sugar plums to pacify children" and rejected it as failing to address the protectionist system that they had been complaining about.¹⁰⁵

In his December 1830 annual message to Congress, Jackson conceded that the reduction in revenue duties left the tariff controversy unresolved: "I am well aware that this is a subject of so much delicacy, on account of the extended interests it involves, as to require that it should be touched with the utmost caution, and that while an abandonment of the policy in which it originated—a policy coeval with our Government, and pursued through successive Administrations—is neither to be expected or desired, the people have a right to demand, and have demanded, that it be so modified as to correct abuses and obviate injustice." If protective tariffs had been imposed on their merits, Jackson stated, the system would command support and "the branches of industry which deserve protection would be saved from the prejudice excited against them when that protection forms part of a system by which portions of the country feel or conceive themselves to be oppressed." Furthermore, "the vital principle of our system—that principle which requires acquiescence in the will of the majority—would be secure from the discredit and danger to which it is exposed by the acts of majorities founded not on identity of conviction, but on combinations of small minorities entered into for the purpose of mutual assistance in measures which, resting solely on their own merits, could never be carried." Jackson asked Congress to carefully consider its next step: "To make this great question, which unhappily so much divides and excites the public mind, subservient to the short-sighted views of faction, must destroy all hope of settling it satisfactorily to the great body of the people and for the general interest."¹⁰⁶

Although Congress did nothing during 1831, the political pressure for tariff adjustments continued to build. Many observers feared that if the new session of Congress did not make real reforms, then South Carolina would nullify the tariff and secede from the nation, perhaps bringing other southern states along with it. Furthermore, groups in favor of moderate duties began to assert themselves. Among the dozens of petitions, statements, and memorials that Congress received was one from a Free Trade

Convention that met in Philadelphia in the fall of 1831. The convention statement, drafted by former Treasury Secretary Albert Gallatin, called for a uniform tariff of 20–25 percent on all imports to avoid giving special preference to any particular article. The statement maintained that the protective system that forced industry into

unprofitable pursuits which cannot be sustained without exaggerated duties paid by the consumer, and a corresponding national loss, does not open new channels of productive industry, but diverts it from profitable to unprofitable pursuits to the community. It is truly remarkable that the advocates of the restrictive system should pretend to consider your memorialists as wild theorists, when there cannot be a plainer matter of fact than that if a man pays two dollars more for his coat, his plough, or the implements of his trade, it is a loss to him, which he must pay out of the proceeds of his industry, and that the aggregate of those individual losses is an actual national loss.

The statement argued that the United States had achieved unparalleled economic growth because of robust domestic competition and the freedom of individuals to pursue employment for which their labor and capital were best suited: "To ascribe that unexampled and uninterrupted prosperity, which even legislative errors cannot arrest, to a tariff is one of the most strange delusions by which intelligent men have ever suffered themselves to be deceived."¹⁰⁷

The growing economy and burgeoning fiscal surplus, along with the fear that further delay might trigger some extreme action by South Carolina, created another opportunity for resolving the impasse. In his December 1831 annual message, President Jackson held out the possibility of further tariff reductions once the public debt was extinguished within just a few short years. "The confidence with which the extinguishment of the public debt may be anticipated presents an opportunity for carrying into effect more fully the policy in relation to import duties which has been recommended in my former messages." The tariff should be slashed to reduce revenue "with a view to equal justice in relation to all our national interests" and "is deemed to be one of the principal objects which demand the consideration of the present Congress."¹⁰⁸

In the House, competing proposals once again came from McDuffie's Ways and Means Committee and Adams's Committee on Manufactures. Ways and Means issued a sweeping condemnation of existing policy: "the

protecting system is utterly ruinous to the planting states, injurious to the Western states, and exclusively beneficial to the manufacturing states, and ought to be abandoned with all convenience and practicable dispatch, upon every principle of justice, patriotism, and sound policy."¹⁰⁹ The committee advocated abolishing all protective tariffs and adopting a uniform tariff set at 25 percent in the first year, 18.75 percent in the second year, and 12.5 percent in the third year. Although the South enthusiastically supported this proposal, the House rejected it as too extreme.

This gave the Committee on Manufactures the opportunity to craft a bill. Adams sought to appease the South without sacrificing too much protection for industry, but Clay rejected any accommodation. In Clay's view, "the discontents were almost all, if not entirely, imaginary or fictitious, and in almost all the Southern States had, in a great measure, subsided." "Here is one great error of Mr. Clay," Adams wrote in his diary, because in fact the discontent was not fictitious and had not subsided. Adams noted that Clay forcefully exclaimed, in private consultation, that he would "defy the South, defy the President, and the devil" to preserve and strengthen the American System.¹¹⁰ Clay feared that if there was "any attempt to repeal any existing duty, laid for protection, no matter on what article, the seeds of fatal division will be sown" and the entire system would be destroyed.¹¹¹ Adams judged Clay's position to be "exceedingly peremptory and dogmatical."¹¹²

Clay proposed abolishing or cutting the revenue duties on tea, coffee, spices, indigo, and even alcohol in order to save the critical duties that protected manufacturers. Adams retorted that such a bill would be rejected by the South and would not pass. Instead, working with Secretary Louis McLane, Adams crafted a more balanced measure that would reduce tariffs on cotton and woolen textiles somewhat, but slash duties on coarse woolens (used to clothe slaves) to 5 percent. Clay rejected this compromise and, in a spirited address over three days in early February 1832, gave a robust defense of protective tariffs. He argued that the Tariff of 1824 had transformed the country from "gloom and distress to brightness and prosperity." This happy outcome was "mainly the work of American legislation, fostering American industry, instead of allowing it to be controlled by foreign legislation, cherishing foreign industry." Abandoning protection now would lead to the destruction of iron foundries, woolen, cotton, and hemp manufactories, and sugar plantations, and "lead to the sacrifice of immense capital, the ruin of many thousands of our fellow citizens, and incalculable loss to the whole community." Furthermore,

when gentlemen have succeeded in their design of an immediate or gradual destruction of the American system, what is their substitute? Free trade! Free trade! The call for free trade is . . . unavailing . . . It never has existed, it never will exist. . . . To be free, it should be fair, equal, and reciprocal . . . Gentlemen deceive themselves. It is not free trade that they are recommending to our acceptance. It is, in effect, the British colonial system that we are invited to adopt; and, if their policy prevail, it will lead substantially to the recolonization of these States, under the commercial dominion of Great Britain.¹¹³

He went so far as to attack the Swiss-born Albert Gallatin as an "alien" who, in participating in the Free Trade Convention, did not have the country's best interests at heart.

The South was sickened by Clay's hard line. John Tyler of Virginia responded, "The South seeks to lay no rude or violent hand on existing [manufacturing] establishments, but it has a right to expect an amelioration of its burdens. The proposition of the Senator from Kentucky yields nothing to her complaints. The taxes which he proposed to repeal have never been complained of, and have existed from the foundation of the Government."¹¹⁴

The South was also skeptical of the Adams-McLane compromise, which had the support of moderates in Congress and had gone some way to address the South's objections. That compromise would essentially repeal the Tariff of Abominations and move duties back down to those in the 1824 tariff, but it was viewed with suspicion by Calhoun and his allies because it seemed to satisfy Hezekiah Niles and Mathew Carey.

Although the Southern delegation in the House was wary of the Adams-McLean compromise, enough saw it as a move in the right direction, and the South split over the bill. In June 1832, the House passed the bill by a 132–65 margin; average rates were reduced, but protective rates on cotton, woolen, and iron manufactures were retained. The Senate soon followed by a vote of 32–16, with the South largely opposed, and Jackson signed the measure. Because it passed with some southern support in the House, the president was led to believe that the legislation would end conflict on the matter: "The people must now see that all their grievances are removed, and oppression only exists in the distempered brains of disappointed ambitious men."¹¹⁵ But Clay quietly claimed victory, assuring Niles that "every principle for which I contended at the commencement of the Session [has] been substantially adopted," particularly by maintain-

ing protective duties (except on cotton bagging “where it was voluntarily abandoned”) and reducing revenue duties.¹¹⁶

In fact, the outcome failed to placate the South. As John Tyler of Virginia warned his colleagues,

I invoke honorable Senators to pause, long to pause ere they decide that this grinding system shall receive no abatement. Its oppression, if that were the only circumstance, would be as nothing in comparison with the alienation of feeling which it has produced. What can compensate for the loss of that affection on the part of even a single state in this union? Flatter not yourselves that this is, exclusively, a South Carolina question. No, sir, it is a Southern question. Every state on the other side of the Potomac feels alike interested in it. . . . Do you seek to give perpetuity to the Union, practice not injustice, for, as certain as fate itself, they who sow injustice will reap iniquity.¹¹⁷

South Carolina was upset that the legislation did not challenge the principle of protection and failed to reduce duties on the “exchangeable products” of cotton, woolens, and iron, which they insisted should be immediately cut to 15 percent.

Calhoun thought that the 1832 bill was dangerous because, “while it diminished the amount of burden, [it] distributed that burden more unequally than even the obnoxious act of 1828: reversing the principle adopted by the bill of 1816, of laying higher duties on the unprotected than the protected articles, by repealing almost entirely the duties laid upon the former, and imposing the burden almost entirely on the latter.” Furthermore, the bill was supposed “to be a *permanent* adjustment” of the tariff, but it failed at that, and now “all hope of relief through the action of the General Government” was shattered. Therefore, South Carolina was “compelled to choose between absolute acquiescence in a ruinous system of oppression, or resort to her reserved powers” of nullification to end “the flood of political corruption which threatens to sweep away our Constitution and our liberty.” In Calhoun’s view, the issue “involves no longer the mere question of free trade, but of liberty & despotism.”¹¹⁸

Action then shifted to the South Carolina state legislature. The state was divided between the radical nullifiers, who argued that it was futile to depend on Congress for relief because the northern majority was bent on permanently repressing the South, and the more moderate unionists, who held out hope that a better compromise could be reached. The problem

for the extreme nullifiers was that, given the limited concessions of 1830 and 1832, one could not rule out further concessions in the future. This is where Jackson's first-term inaction proved costly; as long as John Quincy Adams had been president, moderate forces in South Carolina believed that a change in policy would come with a new administration. When Jackson did little more than accept the limited reform offered by Congress, the nullifiers lost hope for change.

The debate in South Carolina centered on whether the state should oppose the North's legislative "oppression" by working within the federal system or by asserting state sovereignty through nullification. The nullifiers thought the unionist cause was hopeless and labeled their opponents "submissionists." Unionists believed that nullification was unconstitutional and dangerous, but their apathy allowed the nullifiers to gain political strength between 1829 and 1833. Although the nullifiers narrowly lost their bid for a majority in the South Carolina state legislature in 1830, they regrouped and gained control of the state legislature in the October 1832 election. The nullifiers won about 60 percent of the vote and captured about two-thirds of the seats in an electrifying campaign that saw huge turnout.¹¹⁹

Events then moved swiftly. The state legislature immediately called for a special convention to consider nullification. In late November 1832, the convention issued the Nullification Ordinance, which contended that

the Congress of the United States, by various acts purporting to be acts laying duties and imposts on foreign imports, but in reality intended for the protection of domestic manufactures and the giving of bounties to classes and individuals engaged in particular employments, at the expense and to the injury and oppression of other classes and individuals, and by wholly exempting from taxation certain foreign commodities, such as are not produced or manufactured in the United States, to afford a pretext for imposing higher and excessive duties on articles similar to those intended to be protected, has exceeded its just powers under the Constitution, which confers on it no authority to afford such protection, and has violated the true meaning and intent of the Constitution, which provides for equality in imposing the burdens of taxation upon the several states and portions of the confederacy.¹²⁰

The Ordinance declared that the tariffs acts of 1824 and 1828 were "unauthorized by the constitution of the United States, and violate the

true meaning and intent thereof, and are null, void, and not law, nor binding upon this State, its officers or citizens." Therefore, "it is further ordained, that it shall not be lawful for any of the constituted authorities, whether of this State or of the United States, to enforce the payment of duties imposed by the said acts within the limits of this State" starting in February 1833. Any attempt by the federal government to force the state to comply with the tariff would be "inconsistent" with South Carolina remaining part of the union. A subcommittee of the convention set out the terms of a compromise that would satisfy South Carolina: a uniform tariff not exceeding 12 percent on all imports.¹²¹

President Jackson was furious with South Carolina's decision. In December 1832, Jackson issued the Nullification Proclamation, which denounced the refusal by any state to enforce federal law as "incompatible with the existence of the Union, contradicted expressly by the letter of the Constitution, unauthorized by its spirit, inconsistent with every principle on which it was founded, and destructive of the great object for which it was formed." He declared that it was an "impractical absurdity" for any one state to pass judgment on and refuse to enforce a federal law. As commander in chief, the president warned South Carolina that "disunion by armed force is treason."¹²²

Jackson also ridiculed the supposed economic rationale for South Carolina's action:

You are deluded by men who are either deceived themselves or wish to deceive you. Mark under what pretenses you have been led on to the brink of insurrection and treason on which you stand! First a diminution of the value of our staple commodity, lowered by over-production in other quarters and the consequent diminution in the value of your lands, were the sole effect of the tariff laws. The effect of those laws was confessedly injurious, but the evil was greatly exaggerated by the unfounded theory you were taught to believe, that its burdens were in proportion to your exports, not to your consumption of imported articles.¹²³

The enraged Jackson remarked privately that the nullifiers were "in a state of insanity" and that "the wickedness, madness and folly" of the state's leaders "has not its parallel in the history of the world." He called nullification "this abominable doctrine that strikes at the root of our Government and the social compact, and reduces everything to anarchy," and he

wrote to a general vowing to “crush the monster [of disunion] in its cradle before it matures to manhood.”¹²⁴

The conflict over tariff policy brought the United States to its most dangerous crisis since independence.¹²⁵ The stakes were high because the structure of power in the federal system was now in question. By endorsing nullification, South Carolina chose a risky strategy that changed the fundamental issue from the injustice of the tariff to the power of a state to defy the federal government. While several southern states supported it on the tariff question, few defended its extreme position on states' rights. Georgia showed some support, but other southern states were horrified by South Carolina's decision. The question looming over the country was whether a political compromise might be reached before the dispute erupted into armed conflict.