

NATIONAL REVIEW

Terrible Tariffs

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President Donald Trump has been trying to remake American trade policy, forging better deals for the United States with other nations, including China and the European Union countries. Higher tariffs, or taxes upon the goods these nation export to us, is the main way he's trying to get them to come to the bargaining table.

The Republican party and the conservative movement have long been the home of free-market economics, which since at least the time of Adam Smith has disdained tariffs as inefficient and counterproductive. As Scott Lincicome — a trade lawyer with the Cato Institute — has put it, “tariffs not only impose immense economic costs but also fail to achieve their primary policy aims and foster political dysfunction along the way.”

President Trump's domestic policies have otherwise been fairly conservative, so many Republicans may be inclined to give the president a pass on tariffs. But they are wrong to do so. I am not an economist, so it's outside my expertise to make the economic argument against tariffs (although I trust Lincicome and other free traders on the economics).

I have undertaken extensive study of political corruption in the United States, however, and I can say with absolute certainty that, other than slavery and Jim Crow, no single economic policy has undermined our system of government more consistently than the protective tariff.

Internally, republican government can be corrupted by two distinct forces.

The first is what James Madison would call “majority factionalism.” That is, some group with an interest that's contrary to the rights of the minority or to the interest of the whole has enough members so that they constitute a majority of the public. As a majority, they can dominate the government for their own ends. The Constitution — with all its checks and balances — was primarily designed to prevent such a faction from taking power.

The second is a “minority faction,” which has similar designs but does not amount to a majority. Madison was less worried about minority factions in 1787–88, but he came to be alarmed by the growing power of a small clique of financiers in the 1790s.

Believe it or not, the history of industrial protection — meaning *tariffs* — over the course of the 19th century demonstrates that it facilitates *both* kinds of corruption.

Let's start with majority factionalism. Madison's greatest insight was that a diverse republic could prevent any single group from becoming a majority. Yet this is hardly foolproof. One way around this is through a logroll, whereby various factions in the legislature vote for one another's policy in exchange for similar support. In this way, you get what John Taylor of Caroline (a 19th-century politician and cousin of Thomas Jefferson) called "a bill of bargains." No single policy on its own can attract majority support, but they can together.

There is nothing inherently wrong with a logroll. Indeed, Madison had tried to craft one for a tax bill in 1782 and 1783. The Compromise of 1850, which dealt the first true blow to slavery, was basically a logroll, too.

But logrolls can be misused, and so they were in the field of industrial protection. Soon after the first major protective tariff was enacted on a range of products (from pig iron to rope to woolen goods), a logroll formed that joined the Northeast and Midwest against the South. Basically, the North raised tariffs to protect their regional industries, but since the South predominantly exported products like cotton, it couldn't really benefit. The utter one-sidedness of this regime prompted the Nullification Crisis of 1832, where South Carolina argued (not incorrectly) that the tariff was patently unfair and therefore (incorrectly) that the Palmetto State was not obliged to obey it.

After the Civil War, the tariff evolved into a massive combine that benefited industrial workers and farming constituencies in must-win states such as Indiana and Ohio, as well as Civil War veterans (who received bonuses from the excess funds created by the tariff). The losers were the poor farmers of the Great Plains and the sharecroppers of the South, whose agricultural products were mainly exported. By this point, the tariff no longer served any great economic purpose, which means that it was simply majority factionalism — a "a fraud, a robbery," in the words of the 1892 Democratic platform.

The protective tariff also facilitated minority factionalism, something close to rule by the rich or elite. The primary beneficiaries of the tariffs were not workers, but rather the owners whose goods competed with foreign products. They may have passed on some of their effective subsidy to their workers (as tariff supporters argued), but they assuredly kept a lot for themselves. This created an incentive for the great industrial trusts to involve themselves in politics, so that by the 1880s, Republicans (and some Northern Democrats) were utterly dependent on the rich for the financing of their campaigns. The relationship was wide-ranging: It also included maintaining laissez-faire regulatory policy on the state and national level, as well as protecting the gold standard. But the tariff was at the heart of the transaction between the elites and the lawmakers who helped them.

Apart from slavery and Jim Crow, no economic policy comes close to the tariff in terms of its deranging effect on our body politic. The tariff basically created a national political machine that was able to resist almost all efforts of popular reform until the Great Depression.

As I argued in my 2015 book *A Republic No More*, political corruption stems in part from having big, expansive government. The larger the state is, the more capable it is of picking winners and losers, and the more aggressively it will be lobbied to do so in a particular way. And while it is easily misunderstood in this age of the modern regulatory state, the tariff is perhaps the earliest example of *big government* — the state intervenes in otherwise free markets to bring about a result it finds socially or economically desirable. For more than 100 years — from roughly 1816 until 1932 — the federal government used tariffs in such a way, and it produced both majoritarian and minority factions. In other words, it *corrupted* our republic.

Historically speaking, apart from slavery and Jim Crow, no economic policy comes close to the tariff in terms of its deranging effect on our body politic. The tariff basically created a national political machine that was able to resist almost all efforts of popular reform until the Great Depression, which itself was worsened substantially by the Tariff of 1930, levied on both foreign agricultural and industrial goods. That tariff hiked up rates to never-before-seen levels, helping spark an international trade war.

We all should fervently hope that, Trump's dalliances with protectionism notwithstanding, our country never goes back to its previous errors.