IT IS NEARLY COMMON KNOWLEDGE that the kingdom of Hawai‘i’s economic chaos following the passage of the McKinley Tariff in 1890 was a major contributor to the overthrow of Queen Lili‘uokalani in January of 1893. It is also well known that the Wilson-Gorman Tariff of 1894 boosted the fortunes of the nascent Hawaiian Republic by ending the unfavorable provisions of the McKinley Tariff and restoring economic prosperity to Hawai‘i’s plantations. The deleterious effects of the two tariffs for the continued independence of the Hawaiian kingdom has led some historians to suspect that undermining the kingdom and supporting the republic were major unstated intentions of U.S. tariff policy. Indeed, the role of U.S. commercial policy toward Hawai‘i is poorly understood and has for too long served as a reason for implicating U.S. policy in the radical political changes in Hawai‘i in the 1890s. The McKinley Tariff, some historians argue, was a prelude to U.S. support for the overthrow of the monarchy in 1893 and eventual annexation of Hawai‘i in 1898. Yet, an analysis of the politics behind both tariffs reveals that Hawai‘i figured little in the new aggressive commercial policy exemplified by the United States in the late nineteenth century.

The context of U.S. commercial policy of the late nineteenth century is well known. Between the end of the Civil War in 1865 and the end of the century, the United States became one of the world’s
great economic powers. Due in part to considerable government aid and high protective tariffs during and after the Civil War, the United States experienced astonishing, if uneven, economic growth. The population more than doubled to seventy-one million, which provided a dynamic internal market for goods. Wheat production tripled, coal production increased eightfold, steel and rail manufacturing and oil production increased twentyfold. Total imports of goods jumped from $354 million to $765 million from 1860 to 1897, while exports rose from $239 million to $1.03 billion. By the end of the century, Americans challenged Europeans for world markets in iron, steel, oil, cotton, and wheat. Indeed, starting in 1874, the country’s exports regularly exceeded imports, which created more efficient technology at home and surplus capital for investment overseas. The U.S. share of world trade rose from 6 percent in 1868 to 11 percent in 1913.

But rapid expansion came at a price. In 1873, a financial panic marked the beginning of a twenty-three-year-long depression that, with only a few brief upturns in the 1880s and early 1890s, threatened the well-being of the industrial labor and farmers alike. The lingering depression was due to the same productivity of factories and farms that made the United States a major economic competitor in world markets. Despite the growth of the domestic market, Americans produced more than they could consume. Hence, persistent deflation characterized the era. To compensate, farms and factories increased production, thereby aggravating the deflationary spiral. The period was, in addition, marked by recurrent unemployment, strikes, and riots in many large cities and the questioning of industrial capitalism's ability to allocate resources and capital fairly.¹

The Gilded Age's inability to find solutions to recurrent economic dislocation was due to the lack of experience and understanding of the rapid internationalizing of the economy. Even as the domestic market expanded, key sections of the economy required overseas markets to sustain profits. By the end of the nineteenth century, for example, the iron and steel industry exported 15 percent of its goods, sewing machine makers 25 percent, and oil refineries 57 percent of their illuminating oil. Once self-sufficient farmers now depended on unpredictable foreign markets to take 20 percent to 25 percent of their wheat production and between 70 percent and 80 percent of
their cotton crop. Moreover, growing competition from foreign wheat and cotton growers in Russia, Argentina, Egypt and India forced domestic growers to lower their prices while finding ways to sell more.2

The economic turmoil of the Gilded Age led to a debate over solutions to overproductivity that did not end until the election of William McKinley in 1896. Some Americans, led by William Jennings Bryan, argued that prices and employment could be improved by the federal government’s purchasing and coining silver in addition to gold so that more money could be put in circulation. An inflated currency would raise prices for commodities, aid rural debtors, accommodate rapid economic growth, and assist the United States to capture foreign markets where silver was widely used (such as China and Latin America). Corporate leaders, increasingly in control of the political and economic system, pressured Congress and State Department to find outlets for surplus production in foreign markets.

Fighting to protect the stability of the dollar, men like John D. Rockefeller supported a gold standard with its deflationary economic effects. The crucial 1896 election, coming at the end of the horrific depression of 1893–1897, confirmed that the inflationary monetary policy position of Bryan and the populists would not win the day. The outward thrust of U.S. foreign policy, which had begun to actively seek new world markets (but not landed expansion) as early as the 1860s, was exemplified by the new efforts to compete for Latin American markets. These efforts would shape commercial trade policy, lead to the McKinley Tariff, and undermine Hawai‘i’s prosperity at a crucial time in the kingdom’s political history.

The key U.S. policy maker in implementing the search for new Latin American markets was the Republican secretary of state under William Henry Harrison, James G. Blaine (1889–1892). Believing with Harrison that future economic stability required not acquisition of more land but access to growing markets, Blaine organized and then presided over the First International American Conference. At the well-attended conference, Blaine proposed an ambitious agenda to expand inter-American relations. Anticipating many of the features of President Bill Clinton’s North American Free Trade Agreement (NAFTA) policy, Blaine urged Latin American leaders to create
an inter-American common market, a common currency, increased cultural exchange, and a Pan-American highway system linking the United States to the lucrative markets in South America. Although the 1889 conference led to few real breakthroughs, it did confirm for Blaine the need for creative commercial policy to pave the way for sales abroad.

For Blaine, the high protective tariffs initiated by Lincoln and the Republican Party during the Civil War had served their purpose well. American industry had thrived in the postwar years as an interventionist state assisted railroads, created corporate law, provided minimal regulation of developing corporations, and provided for high tariffs to shelter domestic manufacturing. A more innovative approach to commercial policy was necessary, however, and the key lay in crafting reciprocity treaties.

Blaine was not alone in staking much of America's economic future on creative tariff solutions to Gilded Age economic problems. By the late nineteenth century, Democrats and Republicans saw tariffs as a means to ameliorate surplus production and the growing disparity of income between labor and management. Historically, the Republicans had generally found high protective tariffs to be a legitimate initiative of an activist government. Democratic leaders, reflecting the party's states' rights tradition and its large agrarian constituency in the South, generally favored modest revenue tariffs. But both parties contained elements of all the principal economic groups, including merchants, manufacturers, lawyers, bankers, farmers, and wage laborers. Both parties sought compromise on the tariff rate that would best meet import and export requirements as well as provide sufficient revenue for the Treasury. In an era when local issues were more important than national issues to most voters, both parties sought tariff rates that would foster economic growth and thus social and political harmony. Democrats generally sought tariff reductions as the best means to open markets to farmers, while Republicans saw higher tariff rates as necessary to protect and expand industrial exports and access to raw resources. In any case, the object of politicians in both parties was to get elected; abstract issues were secondary. National political figures such as Grover Cleveland, William McKinley, and Benjamin Harrison focused on the tariff in part because it was less divisive than controversial religious, ethnic, or economic issues that could destroy
the valued "essential political center" of the era. Most important, political leaders in both parties understood that the tariff policy could offer something to nearly everyone while underwriting sustained economic growth. Both parties shaped their tariff arguments to build greater coalitions. Thus, the Republicans assured working men that high tariffs protected their jobs from cheap labor in Europe and industrialists, that high tariffs protected profits. Democrats aimed their arguments toward Midwestern and Plains states' farmers by claiming that lower tariff rates facilitated agricultural exports and lower prices for manufactured goods. Meanwhile, interest groups representing sugar, wood, wheat, cotton, steel and iron, oil, and a host of other commodities pressured a compliant Congress into adjusting specific rates up or down to favor their specific cause. None of this complex domestic political interaction had much to do with Hawai'i as an examination of the epochal 1890 McKinley Tariff reveals.

Frustrated by the lack of tangible outcomes in the 1889–1890 Pan-American Conference, Secretary of State James G. Blaine persisted in his belief that Republican reliance on high tariffs was out of step with the need for a flexible policy to facilitate access to lucrative markets. Latin America, he felt, was a natural market because of the area's exports of raw products and need for manufactured goods. Britain and Germany had dominated these markets for years, leaving the United States dependent on raw products (such as sugar, tea, molasses, and hides) and having a net outflow of cash to pay for them. President Harrison, though occasionally suspicious of the strong-willed, well-connected former congressman and speaker of the House, and former presidential candidate (1884), supported the new aggressive approach to developing Latin American markets. Like Blaine, he felt that traditional tariff protectionism needed to be modified to protect domestic markets and secure foreign markets. Harrison, a former senator, would use his political savvy to move doubters in the Republican Party to adopt the new weapon of tariff reciprocity.4

The strategy of reciprocity was not unknown in the United States. Hawai'i had signed an agreement with the United States in 1875 that permitted Hawaiian sugar to enter the United States duty-free in return for certain concessions from the kingdom. Canada had signed a reciprocity agreement in 1854, and there had been several minor
agreements with Latin American countries in the early 1880s. What Blaine and Harrison proposed to Congress in 1890 was different and would set a precedent for commercial policy.

Blaine and Harrison proposed a policy that would give the president the power to reduce tariffs on foreign goods (especially raw materials) when other nations reduced their tariffs for the U.S. products (especially industrial and staple farm products). The policy provided the president a commercial weapon. Five primary articles of sugar, molasses, coffee, tea, and hides were to be allowed in duty-free in exchange for foreign countries' giving American manufactured goods preferential tariff rates. Such an activist, neomercantilist approach to world commerce would, Harrison and Blaine felt, appeal to a broad economic constituency, meet the need for foreign sales, and prevent domestic depression and economic unrest. Best of all, he argued, the goals of traditional Republican protectionism would be combined with a more aggressive search for international markets.

Republican opposition to Blaine and Harrison began almost at once. Congressman William McKinley from Ohio, a rising star in the Republican Party, was busy undermining Blaine's Pan-American Conference by proposing a tariff that would raise rates, while permitting sugar to enter duty-free. Blaine complained loudly that McKinley, in his ambition to become president, was proposing to give sugar away without any trade concessions. McKinley's opposition to the bold reciprocity policy ensued from his promise to westerners that free sugar would be part of the 1890 McKinley Tariff, thereby lowering their cost of living. Moreover, in calling for familiar protective rates, he hoped to appeal to traditional Republican supporters. For McKinley, the domestic market, not dubious overseas expansion, was the key to America's prosperity. Introducing his tariff bill in May, he bitterly denounced Blaine for mistaking a foreign-policy measure for a tried-and-true domestic bill. On May 21, 1890, the Republican-dominated House of Representatives passed the McKinley Tariff with free sugar and no reciprocity amendment. The Senate prepared to pass the bill without change. An embarrassing and bitter split over commercial policy threatened to destroy the Blaine-Harrison initiative.

Such an inauspicious beginning did not disturb Blaine. Throughout the late spring and summer of 1890, he directed a public relations campaign to change Republican opinions. He sent out brochures
describing the virtues of reciprocity to trade associations, chambers of commerce, newspapers, farm groups, and boards of trade. In addition, Harrison and Blaine used every device at their disposal to pressure the House Ways and Means Committee to amend the McKinley Tariff. Then on July 11, Blaine revealed to the press that the State Department had deemed that Spain had increased duties on American wheat flour bound for its colonies, Cuba, and Puerto Rico. Blaine used this as an example of how a reciprocity provision focused on sugar would provide a lever to force the Spanish to end their discriminatory tariff. While the McKinley Tariff was a just measure, there was, Blaine argued, “not a section or line in the entire bill that will open a market for another bushel of wheat of another barrel of pork.”

The longest block of opposition to Blaine came from consumers who wanted free sugar to be guaranteed under any tariff bill. To meet congressional demands for free sugar, Blaine expanded his reciprocity proposal to include Cuba, Puerto Rico, and Santo Domingo. These, added to other Latin American sugar-producing countries, could provide adequate tax-exempt sugar for the United States. (Hawai‘i’s sugar entered the United States duty-free under the provision of the reciprocity treaty of 1875.) This trader application would also further cement America’s influences over the economies of Spain’s colonies in the Caribbean.

By the end of the summer, Blaine and Harrison’s intense lobbying, combined with a troublesome depression in southern and western agriculture, turned the tide of opinion. The agricultural depression and the disaffection of western farmers to traditional Republican protectionism scared even McKinley. The Republicans had to satisfy agrarian interests by seeking new markets or risk losing the farm vote to the new Populist Party or even to the Democrats. Reciprocity increasingly seemed the best solution to providing protection to industrial constituencies as well as trade expansion to agrarian and industrial interests. As Blaine concluded in his speech in Waterville, Maine, at the end of the summer:

I wish to declare the opinion that the United States has reached a point where one of its highest duties is to enlarge the area of its foreign trade. Under the beneficent policy of protection, we have developed a volume of manufactures, which, in many departments, overruns the
demands of the home market. In the field of agriculture, with the immense propulsion given to it by agricultural implements, we can far more than produce breadstuffs and provisions for our people; nor would it be an ambitious destiny for so great a country as ours to manufacture only what we can consume, or to produce only what we can eat. 

Although many Republicans felt no urgency about the need for international markets, they did fear the congressional election in November of 1890 if they did not act and end the schism between the Harrison administration and McKinley's protectionists. On September 10, the Senate passed the tariff amended for reciprocity, on a party-line vote of thirty-seven to twenty-eight. The House, after much rancor, passed the same bill on September 27. McKinley, though privately bemoaning the surrender of pure protectionist principle, signed the bill, which would ironically carry his name. 

In Harrison's last two years in office, he and Blaine negotiated reciprocity treaties with eleven nations. In the first, the United States agreed to keep Brazilian coffee, hides, tea, molasses, and sugar on the free list. In exchange, Brazil allowed American manufactured goods and processed agricultural products to enter Brazil duty-free. Free sugar was also used to obtain concessions from Santo Domingo, Puerto Rico, Cuba, Nicaragua, Honduras, Guatemala, Costa Rica, El Salvador, and Britain's Caribbean possessions. Except for Cuba and Brazil, however, the reciprocity treaties failed to provide a major stimulus to the economy. This was due to their average duration of two years and because both Latin America and the United States experienced major depressions for most of the decade. The reciprocity treaty with Cuba had the greatest single impact. American exports to Cuba increased from $12 million in 1891 to $18 million in 1892 and to $24 million in 1893. Cuban exports to the United States increased from $62 million in 1891 to $79 million in 1893. After the termination of the treaty due to the Wilson-Gorman Tariff of 1894, the value of trade with Cuba declined rapidly, thereby unsettling the Cuban economy and paving the way for Cuba's revolt against Spain (1895-1898).

Hawaii was, clearly, not part of the intricate domestic debate over
the need for expediting foreign markets through reciprocity. Hawai‘i had obtained reciprocity at the behest of President Grant and King Kalākaua in 1875. The act was renewed in 1887, when King Kalākaua was pressured by sugar interests to cede unilateral control of Pearl Harbor to the United States for the duration of the treaty. Thus the passage of the McKinley Tariff of 1890, which provided duty-free sugar to major sugar exporters such as Cuba, removed the special advantage that Hawai‘i’s sugar had in domestic markets. Moreover, domestic sugar producers obtained subsidies to make up for lost market share due to the cheaper imported foreign sugar. Hawai‘i fell into almost immediate depression. By the summer of 1892, Hawaiian sugar prices fell to a figure below the cost of production. In addition, land values fell, stores were put out of business, shippers suffered, labor importers lost money, and bank deposits fell dramatically. Many businessmen and planters formerly opposed to annexation to the United States now believed that annexation, which would give planters access to the domestic subsidy, was the only solution to permanent instability.

Blaine, who had long felt that Hawai‘i was an extension of California and a de facto U.S. protectorate, moved to strengthen American dominance in the kingdom. In 1891, Blaine began negotiating with Hawai‘i’s minister to the United States, H.A.P. Carter. In return for an equal bounty for Hawai‘i’s sugar, Blaine asked for a permanent reciprocity treaty that would include a permanent exclusive concession of a naval station at Pearl Harbor. Blaine also asked Carter for a treaty that would deny Hawai‘i the right to enter into any treaty with another power without first informing the United States and would give the United States the right to land troops in Hawai‘i to restore order when property or citizens were threatened.

The passage of such an agreement received a fatal blow when, in 1891, King Kalākaua died and was succeeded to the throne by Queen Lili‘uokalani, a strong nativist who sought to alter the 1887 Hawaiian constitution, restore some of the political prerogatives of the monarchy, and to restrain the growing power of the economically dominant Americans. The queen, after reviewing the proposed treaty, objected to its every tenet and rejected it completely. With increasing economic depression, much of the American planter, professional and
business class sought complete independence. With the tacit approval of the Harrison administration, the queen was overthrown in January of 1893 by a revolution abetted by the landing of Marines to keep order and protect American lives. The American-led provisional government petitioned for immediate annexation. Though annexation was delayed until 1898, the McKinley Tariff had had its greatest political impact, albeit an unintended one, in Hawai‘i.11

To a much lesser extent, the 1894 Wilson-Gorman Tariff, which ended free sugar and curtailed reciprocity, shaped Hawai‘i’s political future. The tariff, passed in the middle of one of America’s worst depressions, restored Hawai‘i’s privileged status in the market and thereby helped guarantee the economic and political viability of the Hawaiian Republic (1894–1898). To what extent was this outcome a goal of the Wilson-Gorman Tariff? Did Hawai‘i’s political future figure in the debate over this tariff?

Like the politics surrounding the more famous McKinley Tariff, Hawai‘i figured little in the 1894 debate over commercial policy. In 1892, Harrison lost his bid for reelection to the Democratic candidate, Grover Cleveland. The worsening economic picture, the Homestead Steel strike, the growing agrarian attraction to the new Populist Party and the “free silver” message, Republican factionalism, and Blaine’s illness and the loss of his campaign skills all hurt Harrison’s chances.12 Moreover, the reciprocity feature of the McKinley Tariff had not worked miracles in creating access to the promised Latin American markets.

With Cleveland and the Democratic Party facing a worsening depression, a tariff debate took place under fears generated by a violent Pullman strike and the march of Jacob Coxey’s “army” on the nation’s capital. William Wilson, chairman of the House Ways and Means Committee, drafted a tariff bill that substantially lowered duties. Although both Republicans and Democrats agreed that expansion of foreign trade was necessary, Democrats complained that high tariff rates aided domestic monopolies while increasing the cost of living for average consumers. Wilson’s bill proposed to end duties on key raw materials such as hides, wool, lumber, coal, copper, iron ore, and raw sugar. Cheaper raw products, not subject to the caprice of negotiated reciprocal arrangements, would stabilize the economy,
reduce government intrusions in the marketplace, and provide for foreign economic expansion. In addition, reduced tariffs on raw materials would lower production costs, thus making domestic goods more attractive to foreign buyers. Moreover, such a stance was consonant with traditional Democratic opposition to interference in free markets, which threatened individualism and self-reliance. Cleveland and the Democrats agreed with Republicans that foreign market expansion designed to alleviate the unsold surplus in the depression of 1893–1897 was essential. But for Cleveland, a broad and guaranteed free raw material strategy was the heart of effective expansion, not reciprocity. Moreover, Cleveland felt the strategy might attract farm support in the South and West at a time when many farmers were deserting the party for the Populist Party and free silver. The duty-free coal and iron ore might also attract support from New England and Midwest manufacturers. Thus, Cleveland’s duty-free raw materials strategy was designed to meet both urgent domestic political and foreign-policy needs.13

The Wilson-sponsored bill passed the House on February 1, 1894, on a party-line vote and was sent to the Senate. There, with only a slim Democratic majority, Maryland Senator Arthur Gorman took command. Quickly, Cleveland’s relative lack of influence over his party, in the middle of a dreadful depression, became apparent. Driven by numerous pressure groups demanding protection from cheap foreign imports, sugar, coal, and iron ore were removed from the duty-free list. Gorman himself had large investments in domestic sugar refining that would be hurt by duty-free sugar from countries like Cuba. Many senators, moreover, were infuriated by Cleveland’s making important nominations for federal positions without traditional and informal advice and consent.14 Many found Cleveland sanctimonious and insincere on issues ranging from free silver to tariff reform.

Under pressure from the Senate and powerful Louisiana sugar planters, and in need of revenues, Cleveland approved the duty on foreign sugar. Dismayed by the angry reaction to his interference by many Democratic senators, he allowed the Wilson-Gorman Tariff, which emerged from conference committee to become law. Lumber and wool remained on the free list. Overall tariff rates on manufactured goods were reduced, and sugar was restored to the dutiable list.
Crushing Democratic defeats in the 1894 congressional election and 1896 presidential elections would ensure that limited reciprocity would be restored in 1897 under the Republican President McKinley. With the return of tariff protection for domestic sugar, Cuba's economy was devastated, and the agricultural depression set the stage for the Cuban Revolution and ultimately the Spanish-American War. For Hawai'i's fledgling republic, however, the tariff was joyfully received. Hawai'i sugar exports to the United States were not subject to the Wilson-Gorman Tariff as Hawai'i was still subject to the reciprocity treaties of 1875 and 1887. The resumption of Hawai'i special status as the only foreign producer without a tariff to pay underwrote the Hawaiian republic's prosperity. It also guaranteed that Hawai'i's economy would continue to be closely integrated with the U.S. economy, which would, for many planters, make annexation in 1898 a natural political extension of that economic relationship.

Interestingly, though Cleveland and Harrison had different approaches to commercial policy and different attitudes about the rectitude of annexing Hawai'i in 1893, both were in agreement with the dominant late nineteenth-century consensus regarding expansion. Both presidents believed that economic growth and success in Latin American and Asian markets were both natural and necessary to secure domestic prosperity and tranquility. Both presidents, and a majority of both parties, assumed that the United States should be predominant in the Western Hemisphere and enjoy a strategic capacity in the Pacific. Neither wanted the exposure, risk, and controversy of acquiring a formal empire, but both sought an aggressive economic and political thrust into key markets. Indeed, in the midst of a serious depression that would ruin many of his political initiatives, Cleveland supported increased appropriations to continue the construction of a modern navy. Cleveland aggressively defended the Monroe Doctrine, approved of Cuba's nascent revolt against Spain, pursued America's interests in Cuba, called for a consular service friendlier to U.S. business interests, and refused to restore Queen Lili'uokalani to her throne. Consonant with this assertive foreign-policy posture, he could only appreciate that the short-lived Wilson-Gorman Tariff (revised by the Dingley Tariff of 1897) secured economic dominance in the strategically vital Hawaiian Islands.
Thus, the causes of the controversial McKinley Tariff and the Wilson-Gorman Tariff lay almost exclusively in the dynamic of domestic politics, interest-group rivalry, and the emerging consensus that a growing industrial economy required access to foreign markets, particularly in Latin America. A largely unanticipated consequence was the unsettling of Hawai‘i’s precarious monocultural economy and the undermining of the kingdom’s independence. Hawai‘i’s economy was, as is still the case as the twenty-first century begins, dangerously dependent on economic and political decisions made in remote locations. That Hawai‘i had no voice in the vigorous domestic debate over commercial policy in the 1890s and yet experienced such dramatic consequences from that debate sums up the problematic nature of the kingdom’s and the subsequent republic’s viability.

NOTES


7 New York Tribune, June 23, 1890, 1.

8 New York Tribune, Aug. 29, 1890, 2.

9 New York Times, Sep. 1, 1890, 1.
