Chapter 146 – Polk Achieves His Financial Goals		
	**Dates:** July – August 1848	**Sections:** • A New Tariff Is Approved By Congress • The West Is Emerging As The “Swing Vote” In Congress • Polk Gets His Independent Treasury With Help From Benton

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Date: July 28, 1846

A New Tariff Is Approved By Congress

U.S. Treasury Department

For the hard-charging President Polk, the first three months in office have been a whirlwind, although he remains determined to complete all his identified objectives in one term.

He has settled the border dispute over Oregon on June 18, 1846, and his forays into Texas and Alta California are progressing well. He decides now to tackle nagging issues related to tariffs and the federal treasury.

Polk was a second term member of the U.S. House in 1828 when the “Tariff of Abominations” bill – cynically designed to undermine the South’s political opponents – backfired on John C. Calhoun, and was signed into law. It doubled the tax on imported goods to an average of 45%.

For the nascent New England manufacturers, this high tariff on imported goods such as cotton, wool and pig iron provides marketplace “protection” by keeping their retail prices in line with what is offered by their competition – the larger and hence more efficiently run factories in Europe.

The West also favors the higher rates, since they stand to benefit disproportionately from increases in the government’s infrastructure spending that will follow.

Federal Spending On Internal Improvements (1820-29)

Region	% Spending	% Population
North	49%	47%
South	19	40
West	32	13

Malone (1998)/Douglas Irwin

Meanwhile the Southern planters are outraged by the negative effects on the tariff on their cotton industry. Higher taxes on finished goods from Europe dampens both total demand and pricing of US exports of raw cotton. The effect on Southern wealth is such that planters attempt to "nullify" the bill by refusing to collect the duties in ports under their control. This renegade action, led by Calhoun, ends in 1830 with President Jackson's "Force Bill" threating to send troops south to insure compliance.

Jackson lowers the rates in 1830, only to have the "protectionists" drive them back up in 1832. The Compromise of 1833 delivers a framework that holds up well until 1842. It focuses on all imported goods currently being taxed at high rates in 1833, and imposes a formula for gradual yearly reductions to adjust them down to a 20% target by 1842.

But when 1842 arrives, the Whigs have taken control in Congress, and, despite two vetoes by Tyler, Henry Clay's so-called "Black Tariff" drives the levies back up to roughly 40%.

As a congressman, Polk experiences all of this regional turmoil, and hopes to never see it repeated.

He believes – with good cause – that America's manufacturing sector is now well established, and no longer in need of "protection" from the federal government. At the same time, however, he recognizes that tariff revenues continue to supply upwards of two-thirds of all money coming into DC. These funds will now be needed to carry on the Mexican War, in addition to further infrastructure projects.

Polk charges his Treasury Secretary, Robert Walker, with arriving at a new tariff bill that lowers the tariff while striking a proper balance between the financial needs of the nation and the political needs of his Democrat party.

The "Walker Tariff of 1846" breaks imported goods into five classes, assigning staggered rate to each, from a high of 100% to a low on 0%, reserved for coffee and tea. The historically most fought-over items fall into the "C-Class" (iron, other metals, wood, glass, paper, wool, woolens, leather) taxed at 30%, and the "D-Class" (including cotton) at 25%.

The Bill breezes through the House, but ends in a tie 27-yea vs. 27-nay vote in the Senate – and only due to a last ditch effort by the Governor of Tennessee to convince Whig Senator Spencer Jarnigan to vote "yes."

Responsibility for breaking the tie falls on the shoulders of Polk's Vice-President, George Dallas, of Pennsylvania. Dallas plans to run for President in 1850 and knows that his backing in New England will erode if he supports the lower tariff. Still, as a Democrat, he has no real choice in the matter. He votes "aye" on July 28, 1846, and the Walker Tariff becomes the law of the land. It will survive intact until 1857 when rates are further reduced to 17% on average.

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Date: 1828-1846

The West Is Emerging As The "Swing Vote" In Congress

While Polk finally secures approval for his 1846 Tariff, the voting reveals an adjustment in the balance of power in Congress.

The North consistently favors higher rates; the South wants them lowered, and both sides prioritize their own regional self-interest over any compromises.

What has changed with time is the role and impact of the West in deciding the tariff issue. In 1828, the West cast only 16% (39 of 199) of all votes in the House; by 1846, that number has grown to 29% (60 of 209).

As such, the West is becoming the "swing vote" on which bills will pass and which will fail in Congress.

In the case of the tariff, the West sides with the South, having little to lose by a lower tariff when it comes to manufacturing, and something to gain by participating more fully in exports, especially of flour.

That will not, however, be the outcome later on when the issue becomes opening the West to slavery.

Votes On Major Tariff Bills: 1829-1846

	1828	**1832**	**1833**	**1842**	**1846**
Tariff Goes	Higher	Same	Lower	Higher	Lower
House	105-94	132-65	119-85	104-103	114-95
North	73-34	79-35	34-75	80-19	27-66
South	3-50	27-27	55-1	4-50	49-7
West	29-10	36-3	30-9	20-34	38-22
Senate	26-11	32-16	29-16	24-23	28-27
North	14-7	22-0	11-11	14-4	4-18
South	1-13	2-12	12-0	2-14	10-5
West	11-1	8-4	6-5	8-5	14-4
"Control"					
House	Pro-AJ	Dem	Dem	Whig	Dem
Senate	Pro-AJ	Dem	Dem	Whig	Dem
President	Adams	Jackson	Jackson	Tyler	Polk

Voteview/Douglas Irwin

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Date: August 6, 1848

Polk Gets His Independent Treasury With Help From Benton

Alongside his efforts to resolve the tariff, Polk faces head-on into ongoing debates over a federal banking system.

Going all the way back to Jefferson, Democrats distrust the notion of a privately run bank corporation having control over the government's money and, in turn, the future direction of the economy. From their perspective, it puts too much power in the hands of un-elected officials, offers too many temptations to put selfish interests above the public good, and lacks the transparency needed to avoid corruption.

Polk's mentor, Andrew Jackson, launches a personal crusade against the Second Bank of the United States which he calls "the monster on Chestnut Street." In 1834 he discovers that rampant speculation by banks has driven up land prices for western settlers and undermined the true value of all soft money. In response he abruptly shuts down the BUS, provoking the financial panic of 1837.

At that time, Thomas Hart Benton, offers an option to the BUS which he calls the National Exchequer Bank. It would still handle all revenue deposits and sell insurance backing independent transactions, but have nothing whatsoever to do with impacting the course of the economy. Jackson likes this option, but Congress refuses to go along.

After the crash of 1837, Van Buren proposes an Independent Treasury, run by government officials and not private investors, committed to receiving tax payments in hard money, and operating within a narrow charter – depositing federal revenue, disbursing funds to cover federal spending, and making loans to demonstrably solvent state banks.

Van Buren finally gets congressional approval in 1840, at the end of his term. Jackson applauds the move as does his hard money advisor, William Gough, who cites the utter simplicity of the solution:

> *So plain would be the accounts that we might choose for the chief bookkeeper…a cordwainer (shoemaker)…who daily threw into the leg of one boot his receipts for the day, and into another…his expenditures.*

But the Independent Treasury stands for only one year before Henry Clay and his Whigs repeal the bill – hoping to establish a Third U.S. Bank, to keep more credit in the marketplace, and to back their spending on infrastructure.

When Tyler vetoes this effort, all federal revenues are deposited directly into state banks.

In 1846 it is the need to fund the Mexican War which forces Polk's hand on the banking system.

He has begun as a strict Jacksonian, inclined to hard money and suspicious of all private banks and bankers. But he grudgingly comes around to seeing the need for banknotes to support daily commerce and for a public agency to handle the government's cash flow and insure the value of the currency.

He decides that Van Buren's Independent Treasury is the best path to meeting these goals – and supports a bill to re-instate it, along with a clause giving Secretary Walker the power to issue short-term notes (bonds) to bolster cash-on-hand, as needed.

The Independent Treasury Act passes Congress on July 29, 1846, with vote cast along straight party lines.

"Old Bullions" Benton applauds it as the final divorce between the State and the Banks. Henceforth decisions about spending federal money would rest with elected officials and not private corporations.