

The History of the U.S. Customs Service

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With ratification by the necessary number of states, the Constitution of the United States went into effect on March 4, 1789. A bit more than four months later, on July 31 of that year, the U.S.

Customs Service started operating, among the very first of the federal agencies to come to life. It was given a life-and-death mission.





The young nation was then on the brink of bankruptcy.

After strenuous debate about how to best deal with this problem, the first Congress and President Washington agreed that the collection of duties on imported goods was essential if the United States were to survive.

Only a few days after Customs drew its first breath, on August 5, 1789, the power of the service went from legal theory to concrete reality when Captain James Weeks sailed his brigantine, *Persis*, into New York harbor with a miscellaneous cargo from Leghorn, Italy. The duty on the cargo -- the first such payment ever made to the United States Treasury -- was \$774.41.

While the payment was modest, it was the initial fiscal prop for a very young and shaky government. More was to come. In its first year of operation, the service reportedly collected over \$2 million in duties. And for the next 124 years -- until that moment in 1913 when the amendment authorizing the income tax was approved -- customs remained a major source of revenue for the federal government.

Thus the Customs Service, especially in the early years of the nation, proved the truth of that profound maxim: "the revenue of the state is the state."

But because no one likes to pay taxes, from the very beginning there were a good number of citizens who tried to take the law into their own hands, bending the system in the pursuit of increased profits.

Two years after the War of 1812 had begun, for example, the Governor General of Canada wrote the British foreign office in London that "two thirds of the army in Canada are at this moment eating beef provided by American contractors, drawn principally from the states of New York and Vermont."

Although Customs seized some of the contraband, its task was obviously impossible. "Like herds of buffaloes they [the smugglers] pressed through the forest, making paths for themselves," a general wrote the American Secretary of War. "Were it not for the supplies, the British force in Canada soon would be suffering from famine, or their government would be subjected to enormous expenses for their maintenance."

The reality is that with a small number of inspectors, thousands of miles of hard-to-protect borders, and unscrupulous entrepreneurs willing to fill almost any demand, the Customs Service has always been something of an underdog.

These inherent conflicts, and the vast profits to be realized from contraband, have meant that the Customs Service has been required to wage an almost continuous battle against corruption. A report from the solicitor of the Treasury Department in the middle of the Civil War concluded that Customs Service clerks in New York with annual salaries of \$1,000 began an eight-year tour of duty with nothing and left government with what at the time was "a fortune of \$30,000" or more.

While the adoption of the income tax in World War One would lessen some of these pressures, the national ban on the sale of liquor during most of the 1920s-- Prohibition -- created an economic dynamic in which businessmen and gangsters serving a thirsty nation were all too willing to set aside some of their vast profits to assure that those guarding the borders looked the other way.



When the nation's war on drugs picked up steam during the Nixon, Reagan, Bush and Clinton administrations, drug organizations from every corner of the world presented a new challenge to the integrity of enforcement officials at all levels of government. The White House Office of National Drug Control Policy estimates that federal agents in 1998 seized 120 metric tons of cocaine and 1,580 kilograms of heroin. But this is known to be only a small fraction of these two drugs that were smuggled in the country that year. While corruption is only one of many factors explaining the continuing success of the smugglers, historical record is clear: bribery is a continuing concern.

In 1998, for example, Congress became sufficiently worried about such problems in the Customs Service that it ordered the Treasury Department's Office of Professional Responsibility to undertake a special study of corruption within the service and the efficacy of service's internal affairs system to combat it. In February 1999, in a little noticed report, the office concluded that while organized networks of corruption had not been uncovered within the Customs Service, that the massive flow of drugs into the U.S. places "Customs and its employees at great risk to corruption." OPR also found serious weaknesses in how the Office of Internal Affairs "sought to detect and combat corruption."

As described in the strategic plan of Customs, the agency now faces five distinct strategic challenges. They are: the continued threat of narcotics smuggling, terrorists, the growth of world trade, the proliferation of trade agreements and general public resistance to increasing the budget of the federal government. Thus, the general pressure against additional funding has developed at a time when the enforcement demands on customs are growing.



The first four of these basic challenges are directly pushed along by the steady growth in the general economy of the United States. The pressures on Customs also have been influenced by factors such as the collapse of the Soviet Union and the continued world-wide demand for all kinds of American products. This year, for example, it is estimated that \$2.6 trillion in merchandise will be imported into and exported from the United States. Customs believes that the surge in the overall economy could result in a 2 percent annual growth in the 450 million people now entering the U.S and about a ten percent yearly jump in entry and export declarations.