

## VI

### "PROTECTION" OR PROSPERITY?

THE right to property carries with it the right to buy and sell in an open market and, since justice knows no geographical boundaries, this freedom must extend to all the world. A legacy of narrow thinking perpetuates the fiction of favorable and unfavorable balances of trade, according to the direction of the flow of money. It is the thinking of the miser who starves in his attic rather than part with his gold. But normal men realize that money is seldom worth as much as what it will buy and willingly exchange the symbol for the reality. We are ever ready to spend for goods which serve our needs or for factories, railroads, buildings, tools and other things which constitute capital—investing, as we say—and we cannot invest without spending.

Trade, as the word indicates, is always exchange, and means both buying and selling. Mr. Lamont expresses it neatly when he says that trade is not a one-way street but that traffic must move in both directions. If we would sell we must also buy and when we imagine that we sell without buying, it means only that we exchange our wares not for the ordinary commodities of commerce but for one particular commodity, gold or its equivalent. We buy gold with the shoes we sell just as truly as our customer buys shoes with gold.

Limiting exchange brings no profit, for it prevents getting what we need at the price of that of which we have a superfluity and when we insist on trading our goods only for

gold, the time comes when our customers can no longer pay in that metal and trade must cease. Our last tariff brought about sudden and sharp curtailment of our export trade, and drove men out of employment in well-paid crafts and forced women and children into sweated "protected" trades at starvation pay. Can such a policy be defended? Practically all the world's monetary gold is accumulated here, buried in Kentucky, and we would be in far better position today had it been expended to keep international trade alive or had we accepted in its place rubber, tin, manganese, or a hundred other things so urgently needed. For a nation to seek self-sufficiency and isolate itself from the benefits of trade with all the world is as egregious folly as for a professional man to neglect a lucrative practice to cobble his own shoes or make his own clothing, in the hope of "keeping his money at home." Let each individual and each nation follow those occupations for which there is peculiar fitness and which yield the largest returns. Under free exchange all profit by the advantages and capabilities of others.

Economists are agreed that the world would be better off under free trade, but some say that one nation cannot act alone and that, so long as others impose tariffs, we must protect ourselves—but protect ourselves from what? From buying cheaper than we can produce, from the expansion of highly profitable industries, and from friendly ties with other lands, immeasurably strengthened by reciprocal and mutually profitable trade?

But if we alone were to open our gates we would throw many out of work, for we "cannot compete with pauper labor." The first objective of getting out of work is something that we will aim at and the second statement is simply not true. We can but we won't compete with pauper labor, so long as we can do better than to follow their low-paid

callings. Of course, the laborer digs a ditch cheaper than will a business executive who refuses to work for a laborer's pay, but the banker can compete with the scavenger, and probably do a better job, if fool enough to do so, when he might use brains, time and effort to better purpose. There is an impression that costs are fixed by wage levels and that cheap labor unsells the well paid, but such a statement is a reversal of the case. The product of labor is its natural wage and the machinist earns more than does the Mexican peon because cars are worth more than baskets. The skilled farmer grows more potatoes than his indolent neighbor: his wages are higher because intelligence and effort result in greater production, and when a better paid worker continues to compete with the poorly paid it is only because of bad judgment, or because he is often forced by a tariff to work at tasks below his skill and ability.

After the last war we heard much about " dumping "—the sale to us of goods at prices below their production costs here—and when peace comes, the same old whine will again ring in our ears. The fearful prospect of the impoverished and frantic peoples of war-torn lands working for any wages which will keep them alive will not be eased by denial of the opportunity to sell to us in order that they may buy from us the things which they must have to escape starvation. The exclusion of their products means the denial of food to them and we, too, suffer by the exclusion of cheap goods and the loss of export markets. It is the stupidest and most short-sighted selfishness to condemn others to slow death in the fallacious hope that we shall gain. Follow the argument of the protectionists to its logical conclusion. Suppose the other nations of the earth, out of the goodness of their hearts, were freely to provide our every need, dumping everything on our doorstep without price. Freed from the laborious grind of providing for mere existence, we could

turn our efforts to meet growing and higher desires, and, surely, the next best thing to getting something for nothing is to buy it for less than normal cost.

As for the plea that free trade would throw our people out of work, that is to be desired. It is axiomatic that we seek our ends with the minimum of toil. The last thing we want is work, and of that there will always be plenty, for it is a blessed thing that wants are limitless and expand as they are met. When we have bread we want cake; when we have huts we want homes of comfort, beauty and convenience; when we have furnaces we want air-conditioning, and when we have telephones and radios we want television. In this marked difference between man and the brutes is the secret of progress and evolution. It is not work that we want but the reward it brings, and we do well to think in terms of wages and not of work.

That curbing imports restricts exports is not a mere matter of theory: it is the lesson of experience. The Hawley-Smoot tariff of 1930 raised import duties materially, and then, not content with the drag placed on the return of prosperity by the Republicans, the Democrats must add to our troubles by devaluing the dollar, which had the effect of a further increase in prices. In some four years our total foreign trade was cut to a third of what it had been, and, since exports and imports must be in approximate balance, both were equally affected. Left alone, diminished sales to us would have been automatically reflected in inability to buy from us, but other nations did not wait for their own impoverishment to bring this about and retaliated at once by raising their tariffs against us. Switzerland almost quadrupled the duty on typewriters and Italy so increased her tariff on our cars that American agencies folded up overnight, and what had been a large and profitable market was

ended. Such action was paralleled by more than forty countries, which raised their tariffs in retaliation.

As a consequence, exports shrank by more than two-thirds and the automobile trade, our largest and most profitable single industry, with exports which had reached almost half a billion dollars in a single year, shrank by more than eighty-five per cent. Total exports to Canada and France declined to a quarter of what they had been, and the British Empire, our best customer and long a bulwark of free trade, was forced into a protectionist policy which, coupled with trade preferentials within the Empire, did us incalculable harm. Can we profit by such follies, crippling our profitable industries to subsidize shaky occupations exploiting the labor of women and children? We hear it said that exports are a minor consideration in a country like ours, with so vast a domestic market, but no inconsiderable number of our workers are directly concerned in foreign trade. In some periods, from a quarter to a half of the output of many products, such as automobiles, typewriters, sewing-machines, farm implements and general machinery, have been produced for export.

Broadly speaking, there is a sharp difference between our exports and imports. The former are manufactured goods, wherein the labor value is great, while the latter consist largely of raw materials upon which our manufacturing is absolutely dependent. Restricting foreign trade therefore has two baneful effects: it increases the overhead, which must be borne by domestic consumers, and it increases the cost of essential materials such as the rubber on which our cars must roll.

There is no denying that the removal of trade barriers would upset some industries, but society can never remain static and progress always means readjustment. Our fast-changing society always necessitates modification of indus-

trial life. What happened to the makers of bowls and pitchers when plumbing became general? What has become of the manufacturers of gas-lighting equipment, and what became of the harness makers and blacksmiths with the advent of the automobile? What future is there for the makers of razor strops and shaving soaps? All life is a process of change, and we must see to it that this constant flux brings happiness and not despair. Women and children, slaving long hours in cotton mills, might be out of jobs, but husbands and fathers would earn enough in well-paid callings to support their families and the exploitation of childhood would be ended.

We have spoken only of the tariff, because that is the pre-eminent barrier to economic freedom among nations; but quotas, subsidies, and other devices are of the same character and have the same effects. The alteration of money standards is another serious factor in disturbing exchange; in some respects it is even more reprehensible, for it is a tricky, dishonest, and indirect way of working the same evils. Repudiation of established standards of values means breaking promises and vitiating contracts, as in the devaluation of the dollar. Not content with violating contractual obligations to make payments in gold, we refused equivalent payment in other form, and the course of government, sustained in the courts, was naturally followed by the same repudiation in private dealings. However such policies may be defended on grounds of political expediency, we cannot make wrong right, and "stealing still continues stealing."

Some would displace gold as a monetary standard by some other base but, in the opinion of those best qualified to judge, gold is the best, safest and most stable monetary standard. A dollar, whatever form it may take, should always represent and be exchangeable for a definite amount of gold, and this might well be fixed by constitutional

amendment. If by stress of circumstances it becomes impossible to redeem our money in gold, the obligation may be deferred but never repudiated: there is a vast difference between a debtor who postpones settlement when it becomes impossible and one who disclaims his debts.

Contrary to common opinion, there is no reason why one country cannot act alone in breaking down the barriers of trade and stabilizing an honest money, and the United States can and should take the initiative. Action on our part would blaze a path which, sooner or later, other nations would be constrained to follow, for the stabilization of our own currency would lead to monetary soundness in other lands. Playing fair ourselves and abiding by our contracts, we could then insist that all balances due us be settled in a stable money based on gold, and balances normally would correct themselves were international trade completely free.

Were we to follow such a course, the immediate effect on the trade of the world might be slight, for the war has brought to a standstill normal international commerce. It would, however, do much to establish amity and good faith, laying foundations for peace in the integrity and fair dealing of one great nation. It would give some hope of the ultimate settlement of the balances due us, rolling up every day, although to press for full payment of all debts accruing to us would be short-sighted selfishness. We are fighting a common war for a common cause, with everything at stake. If others give their lives we should give them lavishly and with open hand the things wherewith they fight.

Holding uncompromisingly to the principles of free trade, there are nevertheless reservations, to be made not for economic motives but for greater reasons. It is your right to sell your rifle to a law-abiding citizen or to buy one for legitimate use, but it is not your right either to buy or sell

firearms to be used in holding up a bank. The physician may buy morphine to ease suffering, but he has not the right to peddle it to debauch others. We have the right to import cattle, but not to bring in diseased cows which may become a source of infection. No argument for free trade can be stretched to cover such abuses: regulation, quarantine, licensing and similar measures are necessary for common protection, but in the exercise of such police powers tariffs should play no part.

Thus far, the argument has been based primarily on our own economic interests, but this is not pure selfishness, for, as Winston Churchill has said, "Economic and financial disorder in the United States not only depresses all sister countries but weakens them in those very forces which might either mitigate the hatreds of races or provide the means to resist tyranny." There is a border line where economic considerations overlap greater questions of international amity, so we pass on to these greater aspects of international relations.