

THE GROWING REVOLT
IN THE UNITED STATES

WHAT is it that has caused increasing dissatisfaction with tariff tyranny and corruption in the United States, especially among businessmen and some labor leaders? It is not merely because of our absorption in international problems and war and the conviction that we must as the most powerful nation take part in the development of every quarter of the globe. Nor is it wholly due to an increased popular understanding of economic problems or the encouraging desire on the part of labor's scientific advisors to put another aspect upon the tariff problem and to stress the solidarity of all labor in every clime. Neither can it be attributed to the sudden conversion of the American banking world in the 1920's because of its recognition that foreign trade is essential to American prosperity. It is certainly not because of repentance on the part of the tariff beneficiaries who have for generations lined their pockets and built up huge fortunes with government assistance plus, in numerous instances, the exploitation of labor. Nor is it because of any major political uprising. If the Democrats are now compelled by a ruined world to uphold reciprocal agreements and to urge abolition of tariffs and trade barriers, it is not due to any change of heart or apology for their tariff instability since 1928. The party is still pledged to keep the farmer in the sacred tariff circle.

Today's revolt against the tariffs, such as it is, is not due to any spontaneous popular demand nor to the rise of any other leader as eloquent in his attacks upon the protective

system as was Woodrow Wilson. Yet there have been deep stirrings underneath which have finally compelled the extraordinary reversal of our governmental policy. Among them stands out the tremendous industrial expansion of the United States well before 1939, and now enormously enlarged by the gigantic extension of our manufacturing power under the stress of the Second World War, so largely won by the overwhelming output of our factories. The panic of 1929 and the financial collapse of 1932-34 taught many of our business men the lesson they needed as to the inability of one nation to escape the effects of a world-wide depression. In addition, more and more industrialists became aware that, however rich and prosperous the United States might be during any given period, the safety of its economic life depended not merely upon the efforts of its own citizens, but also upon happenings and economic policies overseas, and upon our ability to dispose abroad of our surplus products.

To this must be added the hostility and the retaliatory measures provoked by the Hawley-Smoot tariff, both powerful elements in awakening the American importer to the injury done him by the closing of one market after another and the widespread limitations upon imports from the United States. It was all very well to be for high tariffs as long as they could be put over on the foreigner without his doing much more than complain. It was a very different matter when he began to strike back at us effectively, to use some of our own methods to oppose us, and even to talk about organizing all of Europe in a tariff crusade against the United States. On top of all this came the crash of the Second World War and a consequent understanding that, unless there was friendly co-operation after it for the lowering of the tariffs and the removal of trade barriers, there would inevitably be a cutthroat struggle between the United States,

England and its Dominions, Russia, and the perishing European nations for the desperately needed foreign business upon which the economic life of so many depends.

Most striking of all has been the liberalization of chambers of commerce, merchants' associations, importers' councils, and other conservative organizations, and of prominent Republicans who have usually been the most hidebound tariff partisans. Thus, the United States Chamber of Commerce in March, 1944, urged, from its marble palace in Washington, "a constructive, liberal and realistic tariff policy, designed to prevent world-wide erection of excessive tariff walls such as followed the last war." True, it remained alert to "the importance of forestalling any destructive competition from imported products" which might be due to abnormal economic factors or chaotic postwar conditions. Hence it hoped that some government agency might be given the impossible postwar task of making a "thorough investigation of all such factors as raw material costs, wages, currency, depreciation, subsidies, governmentally-controlled output and other factors likely to affect the levels of competitive prices in the United States," as if such a thing were possible in a war-ruined Europe. It did, however, lay down the sound rule that to attain an increasing level of world prosperity, "so essential for lasting peace, more and more goods must be produced and distributed at lower prices and made available to more and more of all the peoples of all the world"—truly a most remarkable reversion from its former historic position that we must have a one-way foreign business and "keep our American dollars at home"!

As for the Los Angeles Chamber of Commerce, in the face of the 1944 *Fortune Magazine* poll showing that 45 per cent of the business executives polled by it favored maintaining or increasing the then existing tariffs after the war, the Chamber itself sided with the 55 per cent that favored lower

tariffs or free trade. Indeed, most of the arguments of its economic counsel, Dr. V. O. Watts, pointed directly to freedom of trade.¹ Thus, he declared that "an overwhelming majority of farmers and manufacturers would benefit from reduction in American trade barriers as well as foreign trade barriers," and asserted that tariffs restricting imports "discriminate against various producers and consumers at the same time that they give protection to a few." Hence, he said, "duties of this sort should be called 'discriminatory tariffs' instead of 'protective tariffs.'" Next the *Economic Sentinel* asserted that subsidies and tariffs for less advantaged industries "raise costs and diminish markets for all other home industries which do not need such special help," and then called them "the business man's Socialism." The demand for a postwar wheat cartel of England, the United States, Canada, Australia and the Argentine it denounced as "black reaction toward mediaevalism."

While it is true that Dr. Watts states in his foreword that the views expressed above "represent my own opinions, and not necessarily those of any other person or persons associated with the organization which employs me," this does not alter the fact that a few years ago no chamber of commerce or trade association would have employed for a single day any man holding such heretical views, much less issue them under its imprint even with his assumption of sole responsibility. But that is no more striking than the fact that today it is Winthrop W. Aldrich, the son of Nelson W. Aldrich, former Senator from Rhode Island and dictator of the Payne-Aldrich tariff law of 1908, who is the foremost business champion of an enlightened customs system. Mr. Winthrop Aldrich is the head of our greatest bank and has large and widespread business interests affiliated with those of the

¹See "Do We Want Free Enterprise?" by V. O. Watts, Ph.D. *The Economic Sentinel*, vol. 2, no. 1 (1944), the Los Angeles Chamber of Commerce.

Rockfellers. Yet he has upheld the passage of the 1945 tariff reciprocity measure conferring authority upon the President to lower tariffs to the extent of 50 per cent. He not only urged the loan to Great Britain, as head of the International Chamber of Commerce Nelson Aldrich's son has campaigned for its objective "to help people everywhere to convert their longings for peace, security and prosperity into a practical program of economic adjustment and human understanding," instead of sticking to his father's position of seeking to damage the foreigner as much as possible through high tariffs.

The International Chamber, in Mr. Aldrich's words, seeks also to substitute "for the movement of armies across frontiers, the increasing movement of goods, services and capital," and favors the complete abnegation of the doctrine that we should export but head off all imports, that the products of cheap foreign labor should never pass through our custom gates, and that the only way of keeping up a high standard of American living is to exclude all possible foreign-made goods which might compete with some produced in this country. It is thus a far cry from the time when Senator William M. Evarts of New York asserted that he would be ready for free trade "when protection had so far developed all our industries that the United States could sell in competition with all the world, and at the same time be free from the necessity of buying anything from all the world."² Mr. Winthrop Aldrich is, of course, not a free trader; yet today's protectionists have the right to charge that his doctrines, logically carried out, would lead us straight toward the lowest tariffs this country has seen since the 1850's—and eventually to free trade.

Even more astounding is the fact that the last three Re-

²Quoted by Henry George in *Protection or Free Trade?* (New York: Robert Schalkenbach Foundation, 1946), p. 131.

publican candidates for President of the United States, Alfred M. Landon, Wendell Willkie, and Governor Dewey, have come out flat-footedly against what Mr. Willkie, on June 17, 1944, called "the complexities and absurdities of our present tariffs." He was certain that "many tariff items could be swept away in the readjustments that will occur after the war without substantial injury to any American industry and with great gains to the consuming public," and that ". . . the wider the spread of economic prosperity the higher will be our own standard of living." He saw clearly, and so has Mr. Landon, that if our foreign trade shrivels away the inevitable alternative is more regimentation, more subsidies and more government control of production at home.

Governor Dewey spoke out in June, 1945, against government controlled cartels, exchange controls, restrictions, quotas, dumping and the high tariffs and said that "we ourselves can lead in reducing them as we have done in recent years" As if this were not treachery to the traditional fundamental policy of Republicanism—enough to make the former party leaders turn in their graves—this Republican presidential candidate demanded the world conference for general tariff reduction later set for Geneva, and the elimination of all forms of discriminatory treatment in international commerce in order to promote "mutually advantageous economic relations" with our partners in the World War. Worse than that, he called for the removal of *all other trade barriers*. He admitted that it was not within our power alone to make the world one of active trade, expanding commerce, and broadening opportunity, but he was certain "that in our own self-interest we should take the lead in promoting the trade which is the life-blood of our standard of living, our enterprise system and our individual freedom." Of course no Republican holding such views could possibly have been ac-

cepted as a Presidential candidate until latterly. This is the clearest example of the remarkable extent of the political antiprotection revolt in the United States. Unfortunately, there is still much evidence that the old spirit of insistence upon government aid for specially favored and politically powerful industries is far from being at an end, as recent Congressional hearings have shown and the wool bill proves.

In the ranks of labor, too, there have been evidences of a revolt against the protective tariff system. Thus, in 1943 Republican members of the House Ways and Means Committee could not believe their ears when William Green, leader of the American Federation of Labor, assured the Committee that "imports under the Trade Agreements program have not impaired wage standards and have not resulted in job displacements as was feared by the opponents of this measure." Hastily they asked Mr. Green whether he spoke for himself when he said that "labor in the United States has not suffered but gained from application of the reciprocal trade policy," or as head of his great organization. He stuck to his guns while admitting that there were individuals and unions in the AF of L which held the old point of view—the head of the Waltham Watch Makers Union 72 followed him before the Committee to speak against the re-enactment of the reciprocal trade bill. Mr. Green asserted that "the net effect of the program was to benefit American workers by sustaining and expanding employment in the recession of 1938." He was not affected when the opposition reminded him that the Executive Council of the AF of L had, in April and May, 1938, expressed "its opposition to reciprocal trade agreements which discriminate against American workers," and that his predecessor, Samuel Gompers, had declared that it was inconsistent to restrict immigration while permitting the "products of the immigrant to enter our country by payment of a small . . . tariff tax."

In 1945, James B. Carey, Secretary-Treasurer of the CIO "appearing . . . in behalf of 6,000,000 workers³ organized in the Congress of Industrial Organizations," urged the extension of the Reciprocal Trade Act in the following words:

We know . . . that the world-security organization must be implemented by practical measures such as the bill now before you. Economic co-operation is the practical, hardheaded, realistic basis for political co-operation. Regardless of how perfect the structure of the new-world security organization may be, it will prove to be but a hollow shell if it is not buttressed by agreement among the nations on the practical problems of world trade and the exchange of goods.⁴

The CIO's director of research, Mr. J. Raymond Walsh, asserted that it was "an imposition on credulity" to allege that a large proportion of the workers depend on the tariffs for employment. Similarly, Solomon Barkin, the director of research of the Textile Workers' Union, declared that:

The traditional policy of the Textile Workers Union on the problems of tariff is well known. It has always been in favor of high protection, and it was with a considerable amount of investigation, soul searching, and concern that we proceeded to review our policies and to determine afresh what our attitude would be to the present proposed act as it was passed in the House. . . . We . . . appear before you in favor of it . . . as a symbol of our future international policy and our willingness to co-operate with other countries in the reconversion and reconstruction of our destroyed world.

Furthermore, Mr. Barkin sounded a fine new note when he said that "we are interested in raising the standards of living of textile workers everywhere," a gratifying proof of a labor leadership able to look across the ocean. Mr.

³Today the figure is nearer 10,000,000.

⁴See his testimony at the 1943 hearing before the House Ways and Means Committee on the extension of the reciprocal tariffs.

Walsh joined the chorus by saying that "the American policy of tariffs in the past has worked to diminish the full productive possibilities of the nation." In his testimony he also said, "tariff adjustments should be made with a steady determination to plan those adjustments and preserve a pattern of control *in the national interest.*" (My italics.) He impressed upon the workers that as consumers they are adversely affected by excessive tariffs. Irving Richter, legislative representative of the United Automobile and Aircraft Workers, CIO, after declaring that he could speak as an expert as to whether increased imports were or were not harmful to the American workers, stated:

We know from our history that a high level of imports has always been accompanied by high production and high employment in this country. . . . Workers benefit from imports in the same way that all other groups benefit. As consumers we get things cheaper—not only goods immediately consumed, but also everything into which imports enter as raw materials. If we can buy more cheaply we raise our living standards, for we increase our real wages.

It is true that some industries and workers will have to shift to other jobs if tariffs are lowered and imports increased. But this is a familiar process. We have had, in this country, historical shifts from agriculture to industry. . . . If we provide such help as may be needed during the shift, in the form of unemployment compensation and other special financial assistance and, more important, if we obtain an economy of full employment, American labor will not suffer from these shifts. *We know, and all authorities agree, that unless there is a high level of exports and imports we will not have full employment after the war.* (Italics mine.)

On the other hand, in the same 1943 hearing and since then, representatives of unions have demanded additional protection and spoken against the Reciprocal Trade Act.

Thus, Harry H. Cook of the Flint Glass Workers' Union of Toledo, Ohio, an AF of L organization, declared that the products of the labor of his fellow glass workers could only secure an equal opportunity of sale in American markets "through the levying of adequate tariff rates, which rates will . . . equalize the difference in production costs." He assured the Ways and Means Committee that "our workers produce 90 per cent of all American-made glassware, other than machine-made bottles and jars for container purposes, and flat or sheet glass."

As Francis Sayre has written, "labor is not helped but is definitely injured by embargo tariffs." Referring to the crash of 1932-33, he asks, "Was there ever a more stark and tragic object lesson that embargo tariffs are powerless to protect American labor against unemployment, starvation wages and disaster?"—there were then more than thirty million workers idle throughout the world, with other millions only partially employed. In fairness it must be pointed out that the responsibility for that world disaster rested not merely upon tariffs and trade barriers, but was also due to the closely allied economic depression. No one can claim, however, that tariffs were of value in mitigating the depression or that they held it off or hastened convalescence. On the contrary, our tariffs made recovery much more difficult by preventing the distressed foreigners from buying our exports. Prompt tariff reductions by Congress would have encouraged foreign nations to send us goods in exchange for our exports which they needed so much. But Congress refused to come to the rescue of the unemployed American workers and so prolonged the depression period.

Undoubtedly, despite the encouraging signs of a changed labor point of view, there is still much educational work to

¹Francis B. Sayre, "Does American Labor Stand To Win Or Lose By Trade Agreements?" *Political Science Quarterly* (June, 1939), pp. 184-86.

be done to make the great mass realize that they must abandon their historic indifference to the effect of American tariffs upon laborers elsewhere, and that any American tariff policy which lowers the standards of foreign workers re-venge itself upon our own workers if only because of the higher tariffs and additional tariff obstacles it creates abroad. By this time labor should begin to realize that export industries pay higher wages than do the highly protected businesses which restrict themselves to the domestic market, and that those countries pay high wages which are efficient in exporting commodities and obtain for them a good price in the world's markets.⁶ David L. Cohn has brought out that the average annual wage in industries more or less dependent upon exports and not upon protection was \$1,704 in 1929, running from \$1,334 to \$4,330 per worker. In the case of thirty-six industries highly protected and working on a domestic basis the figures were \$1,109 for the same period, the range being from \$698 to \$1,364. "The highest average in the group was only a little higher than the lowest in the group not depending upon protection."⁷ When labor realizes this its revolt will spread rapidly.

Labor leaders who are enlightened on the subject of tariffs should be especially teaching the truth that low tariffs invariably lead to a sounder and healthier industry, and that there is grave danger to the workers in a politically controlled prosperity. Industries kept alive only by government pap are not in a wholesome condition and are always confronted with the possibility that a sudden reversal of political policies, as was the case in 1892, may threaten their abnormal existence—abnormal because they cannot maintain themselves without their always besought government aid. The best factories for labor to enter are those which are indiffer-

⁶F. W. Taussig, *Some Aspects of the Tariff Question* (New York, 1881), p. 35.

⁷David L. Cohn, *Picking America's Pockets* (New York: Harper & Bros., 1936).

cent to tariffs, and, like the automobile concerns, have a steady export business. The automobile industry, beyond cavil, illustrates the correctness of the familiar assertion that "prosperity is a matter of increased market outlets." Again, specialization of labor and industry is one of the foundations of a nation's progress and prosperity. All these are truths that must be hammered in if labor is to be held in line for the International Trade Organization, for lowered tariffs, the removal of all artificial obstacles, and for the universal solidarity of the workers.

The sending of millions of Americans in uniform to foreign lands all over the globe should have given them an insight not only into how other people live, but into the necessity of foreign trade and the marvelous opportunity for the United States to do a huge overseas business with the rest of the world. If they have learned this lesson, then the revolt in the United States against our tariff folly of the past will steadily grow. That numerous members of Congress will endeavor to head it off, is plain. But so grave is the world's plight that every intelligent American—labor leader or banker, industrialist or plain citizen—should insist that the Truman-Roosevelt policy of tariff reduction be continued. When such Republican leaders as Winthrop Aldrich, Wendell Willkie in his last years, Alfred Landon and Governor Dewey, abandon the historic Republican protection policy to demand greater trade freedom as the sole means of redeeming the world, who has any reason to hesitate?