Tariff by Money

Currency devaluation by any nation gives its exporters a price advantage in world markets—until other nations follow suit. Thus, if the franc is cheap as compared to the dollar Frenchmen must send us more goods in exchange for our dollars. We don't get more francs—we get more goods. If we lower the value of the dollar as compared to the franc, Frenchmen get more of our goods in exchange for theirs.

Thus, cheap dollars (compared with the money of other nations) act like a tariff duty, at first. There is, of course, a tendency to compare goods with goods, in value, ultimately. And since all nations are operating on the stupid self-sufficiency policy, tinkering with money in order to avoid goods coming into a country is resorted to in a retaliatory manner. Internally the effect of lowering the value of money is inflationary; externally the effect is to keep goods out of the country. This jockeying of money is a rather new technique in tariff mongering.

However, changing the yardstick every once in a while is likely to affect a store's business adversely. The international scheme of changing money values had a similar effect. So, France, England and the United States came to an understanding to minimize fluctuations among the pound, the franc and the dollar. Stabilization funds were established to frustrate speculation and keep the exchange steady. These funds are really threats against the nations not to do any monkeying with their respective monies for tariff purposes.

The Gold Reserve Act of 1934 gave President Roosevelt the power to peg the dollar at from 50 to 60 per cent of its former gold content. He devalued it to 59 per cent, retaining a leeway for further reduction, if necessary. This power expires on June 30, and the President has asked Congress for an extension to January 15, 1941.

Why not just raise the tariff walls and have it over with?