CHAPTER I

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NO PEACE WITHOUT RADICAL TARIFF REFORM

THERE can be no lasting peace in this shrinking world unless there is freedom of trade. Yet in the face of the unparalleled disaster of the Second World War the Allied nations failed utterly to profit by the lessons of the bungling at Paris in 1919, which made the second catastrophe inevitable, and to take immediately the straight road to reconstruction and economic rehabilitation by the freeing of trade from all possible restraints and barriers everywhere. History has, therefore, repeated itself. Politics, nationalism and the bitter war hatreds roused by the sadistic German crimes against humanity controlled such efforts as were made toward a peace, precisely as had been the case in Paris, save that the condition of Europe has been far more menacing than the combined hunger, disorder and economic chaos that marked the end of the First World War. Undeterred by that, the major Allies wrote the already discredited and abandoned Potsdam Pact as if determined to increase the misery of all the war-ridden peoples and to make them, whether allies or enemies, suffer as long as possible. The result was a steady sinking of the standard of living, the increase of famine in Europe, the placing of England in the greatest jeopardy of its entire national existence, and the increasing destruction of the normal economic life of Germany, the powerhouse of Europe.

Whatever the praise which is justly due to the Washington Government for its genuine desire to make use of this reconstruction period to strike for more and wider tariff

reciprocity, lower tariffs, and the removal of trade obstacles, the failure to call together the International Trade Conference at Geneva for two years after the cessation of hostilities is proof enough of the general lack of understanding that there can be no permanent peace as long as there is economic warfare, not to say anarchy; that there is no possibility whatever of the world's returning to the ante-bellum tariff systems and making life economically bearable for the survivors of the world's greatest catastrophe. Neither Mr. Churchill nor Mr. Roosevelt was a man of economic knowledge and understanding; neither foresaw that the splitting up of Germany into four parts created an economic abortion which made it necessary for their governments actually to keep their ex-enemies alive at a cost to the American and British taxpayers of hundreds of millions of dollars a year. Hence, by January, 1947, it was discovered that merely to make it possible for Germany to support itself would cost the Anglo-Saxon partners one billion dollars in the next two years—provided the reconstruction was immediately and vigorously undertaken.

Neither Mr. Churchill nor Mr. Roosevelt understood that their economic blunders in handling Germany gravely retarded the industrial recovery of the other Western European States, that what was at stake was less the fate of Germany than the immediate sanitation of all of Europe, and that, as Herbert Hoover put it in his first 1947 report on the Reich, "if Western civilization is to survive in Europe it must also survive in Germany."[1] Mr. Roosevelt had every opportunity to make terms with the Russians from the very beginning of the Lend-Lease program, yet nothing was done to insure the co-operation of the former ally of Adolf Hitler or even to discuss in detail what the economic future of

[1]Report by Herbert Hoover to President Truman, *The New York Times*, February 28, 1947.

Europe was going to be. There was not even any consideration of what was certain to be the economic result of the unconditional surrender policy. On the contrary, no sooner had hostilities ceased than the Allies gave permission for one of the most monstrous crimes in history, the movement of millions of Poles and Germans from territories in which they and their ancestors had been settled for centuries—again as if for the purpose of adding to the general economic chaos and ruin and utter human misery. Even were such mass movements of populations—bitterly denounced when engineered by Adolf Hitler—justified, there was certainly no excuse for executing them when roads and railroads were wrecked, when owing to the bombings the number of habitations throughout Europe was greatly decreased, when there were no homes, no farms, no factories, to which these hopeless people could be assigned. Indeed, all the conditions exacted a fearful toll in deaths, notably of children and the aged—a vast massacre of innocents.

Plainly this was the time above all others in human history for practical, realistic statesmanship, not for resort to an inhuman, self-injuring policy of revenge and indifference to the need for a far-reaching solution of the ills and rivalries which have cost Europe innumerable lives for centuries. It was the moment not merely to urge an economic and political union of Europe, as Mr. Churchill did after more than a year out of office, but the one economic world demanded by many millions all over the globe who realize as well as did Wendell Willkie that in this atomic age the nations cannot continue to make war and survive. This crisis when there was actually not enough food in the world to feed all its inhabitants was surely the hour above all others to proclaim that there were not just four fundamental human freedoms but five—the latter the right of all people to buy and sell wherever they wish at whatever prices they can

afford to pay. At least it should have been pointed out that all the magnificent plans discussed during the war for disarmament, for a world police force, for an international currency and control of exchanges, for banishing famine by a world granary, for supervision of immigration, for freer access to raw materials, lead directly to world economic union. Every effort should have been made to co-ordinate these proposals and to show their relation to each other and the whole economic problem.

If it is alleged that this is a counsel of perfection, and that it was impossible because of war hatreds and Russia's attitude alone to bring the nations together at once, the answer is that Secretary James Byrnes, to his lasting credit, advanced in April, 1946, a proposal that *all European countries abolish their tariffs for a period of five years* to expedite the economic recovery of the Continent—a plan which should have been offered immediately after the surrender and pushed home with all the power of the United States Government as the most important issue of the hour. Instead, it was dropped and the International Trade Conference at Geneva was put off until April, 1947. When it came to organizing the United Nations at San Francisco, every emphasis should have been laid upon the restoration of the economic health of the world as the supreme issue—instead of which there were excluded from the first deliberations not merely the defeated enemies, but even neutral nations, such as Portugal, Switzerland and Sweden and political plans had the right of way.

The Allied failure to regard the tariffs as a major menace to future peace was the more remarkable because the Second World War was portrayed not only as a crusade for democracy, but for the abolition of special economic advantages, for the freedom of the individual citizen from encroachments by the State upon his personal liberties and his life from cradle to grave. Yet in no other field than this

one of international trade have there been more determined efforts to compel the individual to yield to special privilege, to limit his freedom of action on nationalistic grounds, to tax him to make great profits for favored manufacturers or favored agriculturalists. The champions of liberty and of the rights of the private citizen said nothing in their war propaganda about the role played by tariffs in bringing on aggression and war. They did not feature the slogan, "If goods do not cross boundaries, armies will,"[2] nor, even while the cannon were still being fired, make the most determined plans for a clean sweep of trade obstacles.

As Professor Sumner H. Slichter has put it: "Breaking down the barriers which cut off markets from the rest of the world is the acid test of the country's abandonment of isolationism"[3]—the isolationism of trade selfishness and international hostility. Obviously, his words apply to every country as well as to our own. It is customary today among the uninformed to say that our war with Japan was unavoidable. Actually, as few Americans know, in 1939 Japan offered to discuss the situation in China with England and the United States, first, in order to obtain the equality of Oriental races and the abolition of all colonial conditions in China, secondly, and most importantly, "freedom of world commerce, including liquidation of existing economic blocs, and the abolition of tariff barriers and import quotas." The third demand was for "fair distribution of national resources, including free access to raw materials needed for national existence and the acquisition of material needed for national defense."[4] All of these were proper and just demands and

[2]Apparently first used by Francis B. Sayre, lately Assistant Secretary of State, while campaigning for the reciprocal trade agreements.

[3]See "The American Tariff and World Trade" by Prof. Slichter in *The Atlantic Monthly* for December, 1945.

[4]See dispatch of Hugh Byas from Tokyo in *The New York Times* of January 17, 1939.

could well have been discussed by the United States and England, despite Japan's preparedness for war—indeed, the discussion might well have headed off the conflict. Actually, the economic demands are *the very ones* now being urged upon the whole world by the American Government.

No one can honestly say that this was all a Machiavellian Japanese plot, a trick, a subterfuge. Certainly, the demands made by the Japanese Government are the final proof, if such were needed, that tariffs and trade barriers and monopolistic control of colonial areas do contribute to the making of wars. Even a partial result of such a conference as the Japanese asked would have advanced the welfare of the entire world; their failure to call it puts a dire responsibility upon our State Department and the British Foreign Office. Had the Japanese, in such a conference, shown that they were insincere and not really concerned with settling the outstanding problems of Asia and the Anglo-Saxon countries, we and the British would have been that much stronger in our opposition to Japanese aggression in China. Had there been success with such a conference, it must be repeated, millions of human beings who died on the battlefields might be alive today. But the Japanese appeal fell on deaf ears; there was at that moment no farsighted statesmanship in London and Washington.

Today, free markets and international competition are the best safeguards for the health of a nation and its greatest protection against that totalitarianism which continues to split the world apart, despite the victory of the United Nations. They are the best antidote to those who, opposing a sound and absolutely just economic system, are leaning toward the suppression of true industrial liberty, and even upholding international cartels and monopolies as the road to international welfare. Under-Secretary of State for Economic Affairs, William L. Clayton, has declared that bilater-

alism in trade is the economic counterpart of fascism and nazism. Even if this is an exaggeration, there can be no doubt that it creates new rivalries, new jealousies, international wirepulling, the use of economic weapons for political purposes, and may even transfer to the economic field those balancing alliances which, in the political field, have led to endless hostilities.[5]

The convening of the conference for an International Trade Organization on April 15, 1947, was plainly a recognition of the above truths and was of supreme importance. Naturally, the United States was compelled to be the all-important factor at Geneva if only because of the injury done to the whole world by our past tariff procedures, to say nothing of our having the only well-stocked treasury on the globe. Again, world trade is the keynote to peace and we have the largest share of it. Before World War II, our productive capacity was the largest among the nations, amounting to 40 per cent of the world's total and 50 per cent of the world's ability to produce steel which is the basic material in an industrialized economy. Where other manufacturing plants were to a greater or lesser degree worn down or destroyed during hostilities, ours were tremendously expanded and modernized. These enormous productive facilities must now serve, not as the arsenal of

[5]Mr. Clayton might well have cited these words of William Lloyd Garrison reported in the Boston *Journal* of April 21, 1869: "For the cause of human liberty covers and includes all possible forms of human industry and best determines how the productions thereof may be exchanged at home and abroad to mutual advantage. Though never handling a tool, nor manufacturing a bale of cotton or wool nor selling a yard of cloth or a pound of sugar, he is the most sagacious political economist who contends for the highest justice, the most far-reaching equality, a close adherence to natural laws, and the removal of all those restrictions which foster national pride and selfishness. . . . . There is nothing intricate in freedom, free labor, free institutions, the law of interchange, the measure of reciprocity. It is the legerdemain of class legislation, disregarding the common interests of the people, that creates confusion, sophisticates the judgment, and dazzles to betray."

democracy, but as a vast storehouse and power plant which give the best, if not the only, hope of a swift industrial reconstruction the world over. If our business and political leaders are but wise enough to recognize the unlimited opportunity that the dire needs of humanity offer to us, there will be no need to fear that we shall have to abandon part of our industrial production or to dread great unemployment. That carries with it, however, wholehearted support of President Truman's advanced position for export trade taken in his speech at Baylor College on March 6, 1947. In the course of that address he said:

> Certainly, nobody won the last economic war. As each battle of the economic war of the '30's was fought, the inevitable tragic result became more and more apparent. From the tariff policy of Hawley and Smoot, the world went on to Ottawa and the system of imperial preferences, from Ottawa to the kind of elaborate and detailed restrictions adopted by Nazi Germany. Nations strangled normal trade and discriminated against their neighbors, all around the world.
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> Who among their peoples were the gainers? Not the depositors who lost their savings in the failure of the banks. Not the farmers who lost their farms. Not the millions who walked the streets looking for work. I do not mean to say that economic conflict was the sole cause of the depression. But I do say that it was a major cause.

Had the President but known of them, he might well have cited these words of William E. Gladstone, so long the Prime Minister in Great Britain: "I warn and entreat you never to argue the question of free commerce as if it were a material question alone. It is just as strong in its political, in its social and in its moral aspects, as it is in its operation upon the production and increase of wealth." Or those of Professor William Graham Sumner of Yale who said that: "The protective tariff is all wrong. It is wrong

in economics, wrong in morals, and a great corrupter in politics. Therefore the protest against it, and resistance to it never will cease." Could there be any more thrilling moment for the American people to realize these truths than when there is wholesale starvation such as the world has never witnessed in modern times, when the plight of innocent human beings in many quarters of the globe defies adequate description? Shall the United States and the other great productive countries ignore this and calmly urge a return to another building up of tariff fences, to the increase or re-establishment of embargoes, quotas, subsidies, exclusions and all the rest of the efforts to choke off the trade of the world? It is truly unthinkable, for never were right and justice more clearly on the side of industrial freedom and of humanity itself.

The greatest stumbling block to free trade remains the spirit of nationalism among the countries of the world. They will not apply the lesson of the vast free trade markets within Russia and the United States to their own situation and so they allow their trade, external and internal, and their whole economic condition, to be crippled and choked because the flag which flies over them is different from those of their neighbors. It has been the easiest trick of protectionists everywhere to wrap themselves in the banner of their country and to appeal to the selfishness, the ignorance and the fear of the masses of their people in whom have been sedulously cultivated the doctrine that the foreigner has but one object in life and that is to take the bread from their mouths. Always they are told that with just a little higher tariffs they will be safe and protected. Yet that elysium is never won according to protectionists. On the contrary, tariffs have gone higher and higher under American leadership, and hidden behind the tariffs have been great combinations of capitalists and laborers, politicians and

masters of privilege concerned only with their personal welfare and not with national or international situations.

Now, however, the world has caught up with them. The great wars which were inevitable under the capitalistic high tariff system have produced a condition of chaos, misery and want and have compelled manufacturers and statesmen everywhere to realize the interdependence of all traders and of all nations. In the face of beggary and starvation, with one nation after the other on the verge of bankruptcy and all the governments grinding down their people by higher and higher taxation it seems extraordinary that the old slogans, the pretended altruisms of the protective tariffs, can still hold anybody enthralled. Certainly this would seem to be the last hour, the final moment, for freeing humanity from this legalized exploitation, for leading it into a real association of nations—an economic brotherhood out of which will arise, once it is tried, the closest ties between all the peoples of the world and the greatest assurance of peace, that will open the road to a real parliament of mankind and to that world community for which the greatest minds have striven for centuries.

"We know," wrote Winston Churchill years ago, "how the delusion that it is possible for a nation to raise its revenue at the expense of other peoples in other lands far beyond its territorial sovereignty and control is still widely and persistently shared. How evil is their nature, how injurious in their results are all these suspicions and superstitions! Do they not all march towards a common point of ill-will, distrust, and discord between the nations of the world? We believe that all these misconceptions . . . . tend only to produce disunion between great peoples, we believe all of them tend only to delay the march of mankind toward a larger and more harmonious synthesis."[6] Were Frédéric

[6]Address to London Free Trade Congress, August, 1908.

Bastiat alive now he would again write that protection is "a question between monopoly and liberty, aristocracy and democracy, a question of equality and inequality in the distribution of the general well-being." It is perhaps quite needless to point out that the world is in the middle of its greatest revolution, that no one can foresee or prophesy where the present upheaval will end. The decision as to whether it will lead to the self-destruction of humanity in a welter and chaos, or to a world of greater and greater spiritual and economic liberty, depends in largest degree upon the choice now before us of trade freedom or continuing international rivalry and tariff wars. There can be no lasting peace without free trade.