

"THE LAST CHANCE
TO SAVE DEMOCRACY"

THAT the United States has long been a country ridden and controlled by catchwords and slogans has often been pointed out by the author of this volume. In no field has this been more evident than in that of international relations and international trade. "Bar the products of pauper labor abroad"; "safeguard our infant industries from foreign invasion"; "protect us from the dangerous threats of other industrialized nations"; "keep your dollars at home"; "buy American"—these and various others have done far more to entrench the protected interests than any arguments of the many protective tariff leagues. Like other naive notions that a surplus of exports is a "favorable" balance of trade, they belong in this pregnant hour of the world's history to an outworn and injurious American past. Indeed, our traditional international policies, which may have had their uses in the earliest days of the Republic, not only fail to serve our complex present day industrial set-up, but could destroy it if not fundamentally changed.

Today, what we need is vigorous, nation-wide circulation of some new slogans based not on illiterate economic concepts, but upon the indisputable truths of world trade and the outstanding measures and policies which must be adopted if the world is to be restored, the standards of living everywhere raised, and the trade and traffic of the nations increased. Our people must learn that the fundamental principles of international business are such as these: "Imports control our exports"; "To sell abroad we must buy

abroad"; "To obtain foreign markets, we must offer our markets"; "America cannot grow without foreign trade"; "Want cheaper autos? Then lower the tariff bars"; "Want to lower the cost of living? Then work for freer trade." To these and others must be added the sound instruction that world trade has a direct effect upon the jobs, wages, profits, sales, security and the welfare of all American families. Americans should be taught to take pride in knowing that as we developed our country from ocean to ocean by the free, competitive interchange of goods in all our States and Territories, so we became a great industrial nation because we to a limited degree pushed this interchange of goods throughout the world.

Never has there been such an opportunity to sell our goods to all the world, if only because our army has introduced American products to the farthestmost countries, and never has the technical skill of Americans enjoyed such high repute. Never before has it been so clear and so plain to all mankind that economic security is needed and can be achieved primarily by economic justice, reciprocal trading, and thriving industries profitably pursued. Without the levelling of tariff bars, without the removal of the invisible tariffs and all the other handicaps to international trade, all efforts to build world organizations for peace, all treaties pledging nonaggression for decades, all co-operation in the exploitation of oil, of air traffic, or of the markets of backward peoples, will go for nought. The only world in which agreements like these can really be made realistic instruments of peace is one in which there is a wholesome and *sustained* growth of mutual economic activities and steadily developing international trade co-operation along the lines of the ITO Charter. This is what must be taught to the American electorate if there is to be real statesmanship in Washington and success in world leadership.

Today two billion customers for the products of our industries, our farms, and the skill of our technicians, await overseas the materials and the crops of which they are in such dire want—Latin-America alone has a need approximating seven billions of dollars a year. But how, it may be asked, can they buy from us today? Well, business has been booming because the dollar supply has been adequate—whatever may shortly be the case—and some countries had accumulated large dollar exchange reserves by selling vast quantities of materials to us for which they were not able to obtain products in return. In addition UNRRA has given large supplies to numerous countries and many loans have been made to our Allies and other nations.

Not only has Washington made enormous loans—it still is—but the International Bank has been set up in order to supply additional billions. England, if it absolutely needs it, must have additional help. Some of these loans will be paid back with interest, some will be outright gifts. In either case to maintain the purchasing power stimulated by the loans and to provide sound investments for future loans, ways must be found to sustain the flow of dollars in the world trade arteries, for the dollar has become the principle monetary unit in world commerce, as it has helped to make us the foremost authority in world affairs. The chronic drying up and disappearance of dollars in the between-war periods was one of the major contributions to the economic restrictions that in part led to the last war. If it seems strange to the layman that the United States must loan its money to nations to get them to buy from us, it is nonetheless the fact. If, as now threatens, there should be a world-wide scarcity of dollars, the results may be very serious.

The alternative to the policies just outlined are increased and most dangerous restrictions, controls, quotas, embargoes, economic rivalry, international hatred, and finally, atomic

war. Never will there be such another chance to make over the world so that it may live as if it were one wholesome, prosperous community subordinating all selfish rivalries to the welfare of the whole. Above all, it is the opportunity to abandon the archaic idea that trade is warfare and that the great objective of every nation must be to injure every other nation by selling them all that it can and buying as little as possible from each one with which it trades.

A well known educator, Bryn J. Hovde, has thus summed up the case:

All the world is waiting to observe how the United States will settle its foreign policy. If, due to the pressures of private industry and labor, the United States excludes the only payment they can make for their imports, namely their goods and services, other countries will be forced to consider democracy a failure. It is on such simple and undramatic matters as this that our devotion to democracy will be tested.¹

For the American citizen the tariff constitutes an outstanding test of democracy because the protected groups have for generations moulded the fiscal policies of the Government for their own private profit. Tariffs have been written, not with an eye solely to the welfare of labor or the public weal, but to that of the entrenched tariff interests. The real stake has too often been the filling of the treasuries of the leading political parties.

Decisions of vital importance to the people of the United States have been settled by handfuls of men in committee rooms of the House and Senate, motivated chiefly by politics. No one can contend that there is true democratic rule as long as the price of sugar is fixed, not by an unbiased Congress, but by representatives of such forced and artificial

¹Statement by Bryn J. Hovde, President of the New School for Social Research. New School Bulletin, April 14, 1947.

enterprises as those of our growers of beet or cane sugar. It was Woodrow Wilson who declared in his *New Freedom* that he was particularly interested in "getting the grip of special interests off the throat of Congress" in all tariff matters. He did not succeed. Now is the time for another effort to achieve this.

As by a miracle, the scene is made entirely favorable for that complete change of policy which world events have compelled the Washington Government to advocate. But if that were not the case, the American people would still be driven by their enormously increased industrial power, and therefore inevitable need for greater and greater markets elsewhere in the world, to face the question whether they shall control their economic destinies or will continue to permit those privileged business men who have fattened on government favors dictated by themselves, to do so.

Today the free trader faces some new hindrances and new arguments against unhampered trading. He is told, for example, that the disappearance of a number of laissez-faire national economies and of the system of "complementary economies" based on the gold standard and upon the dominance of the London money market, make impossible the establishment of multilateral world trade such as has been attempted at the Geneva Conference. It is also alleged that "order and stability in world trade depend on the domestic maintenance of internal stability and high employment." Then the tariff opponent is told that England must protect her industries against American competition as if this were a novel theory instead of the oldest protection dogma. As for the new situation due to the world's no longer being composed wholly of laissez-faire economics, and the assertion that world trade depends today on the maintenance of internal stability and high employment, the first fact to note is that nothing save war has contributed more to in-

stability and unemployment than the protective tariffs. What is urged therefore is that sickened economies are to be cured by more doses of the same deadly poison.

The answer to all this has been given by the International Trade Organization meeting which, however large the exceptions to its rules, has had no doubt whatever as to what is the true road to world unity and prosperity. That the untangling of the mess will be a long and difficult operation and involve numerous compromises and shifts does not alter the fact that the way out exists. If humanity is in sufficient danger, and has enough brains in its leadership, the solutions will be found.

Whatever the new or old arguments which may be advanced as reasons for further bolstering of the protective tariff system, they are bound to prove erroneous because in free trade human freedom is itself at stake. Against the bedrock principle upon which rests the right to buy where and when one will, all compromises, all excuses for continuance of the exploitation of the masses for the benefit of the few, will in the long run collapse or work enormous injuries upon the peoples involved. For the convinced tariff reformer it is sufficient that he take his stand upon the principle involved, undaunted by the appearance of the old evil in new dress or form. At bottom there remains the question whether governments shall sponsor the fleecing of the multitude and the enriching of the privileged individual by the wholesale plundering of his fellow-citizens.

The author is well aware that freedom of trade alone will not insure world peace and that by itself it will not bring freedom and justice to our people. We have more to do to achieve that. Justice requires that every one who works with hand or brain should receive to the fullest possible extent his share of the product. The great corporation-owned landholdings in Puerto Rico and the Philippines, the growing

size of our farms under the pressure of mechanization and a dwindling labor reserve, the plight of our own sharecroppers and transient labor, the congested areas of our cities and other factors in our capitalistic development, prove only too clearly that the problem of man's relation to the material resources of the world is far from being solved—to the detriment of the wage-earner. But with freedom of trade won, the removal of other entrenched domestic evils and special privileges will be far easier than is the case today.

The moral and financial leadership of the world is in our grasp. We cannot hold it and use it for the betterment of mankind without absolute economic freedom wherever the American flag flies. To free the world, we must first free trade.