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Tariffs and World Peace

Reverend Thomas F. Divine, S.J.

and

Economic Relations Committee

INTRODUCTION: ECONOMIC CAUSES OF WAR

THE TARIFF: NATURE AND KINDS

AMERICA'S CONTRIBUTION: THE
HAWLEY-SMOOT TARIFF

LOOKING TO THE FUTURE—A RAY OF HOPE

CONCLUSION: HOW THE REFORM CAN
BE EFFECTED

A Report of the Economic Relations Committee

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THIS is a Report of the Committee on Economic Relations of the Catholic Association for International Peace and is being issued as a Study from this Committee. The Report was begun under the direction of Rev. Joseph F. Thorning, S.J., chairman of the Europe Committee, and was later allocated by the Ways and Means Committee to the present Committee. It was presented and discussed at the regular annual meeting of the organization. The Committee cooperated in the final form of the Report and it was presented to the Executive Committee which ordered it published. As the process indicates, this Report is a statement from only a committee, and not from the whole Association.

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TARIFFS AND WORLD PEACE

I

INTRODUCTION: ECONOMIC CAUSES OF WAR

A. Imperialism

RAYMOND LESLIE BUELL has said that "in nine cases out of ten political war is simply an economic dispute that has gone too far." Mr. Buell was speaking of the wars of modern times. And, certainly, everyone who is familiar with the history of the wars of the past century will admit the substantial truth of his assertion. Like a mighty river that one sees afar off wending its way through a country teeming with vegetation, may be said to run the economic motive through the history of the past hundred years. Here and there it may escape the eye as it swings behind a towering cliff or dips beneath the luxuriance of the forests on its banks. But its power is ever there, strong, vital, enduring, giving life in abundance to the very factors that tend to obscure its presence. And though it has undergone something of a transformation with the turn of the century, the economic motive is just as vital in international relations today as when imperialism ran rampant among national policies in the nineteenth century. In fact it has been said with truth that the present age is not so much an age of politics; it is *the age of economics*.

In discussing the causes of war one must distinguish between apparent and real causes. The former may vary in magnitude from a minor theft to the assassination of an archduke. They are the "releasing causes" which give vent to the pent-up forces of popular and national antagonism. This smoldering antagonism, on the other hand, is nourished and sustained by the real or "root" causes of war, those policies and national attitudes which either breed or are the progeny of a spirit of intense and narrow nationalism, the greatest enemy to international peace and good will. In nature they may be religious, dynastic, chauvinistic, "altruistic," economic or political. But for all practical purposes we may limit them today to economic and political causes. Nor must we imagine that these two are entirely separate and independent of each other. Arising from a common source, nationalism, and identified in a common cause, the glorification of one nation even



at the expense of all others, they are now one in aim and method. And the politicians of today turn to the field of economics either to seek arguments to justify their national policies or to find there a means of putting them into execution.

Recent decades have brought a change in the places of importance held by the various economic causes of international friction. The first place, undoubtedly, in the past century was occupied by imperialism, a form of extreme nationalism which manifests itself in a frenzied quest for colonial expansion and control of markets and supplies of vital raw materials. "The American public," writes Professor Parker T. Moon, "is barely beginning to realize the significance of the present-day imperialism. . . . The realms conquered by military emperors of past ages were baubles, trifles compared with the far-flung dominions which have been won . . . in our own supposedly prosaic generation."¹

As nations increase in population there is a development from the agricultural to the industrial stage. If trade restrictions close or limit appreciably the markets of foreign countries, the new industrial state seeks elsewhere an outlet for its manufactures. It turns its eyes to the great expanse of country beyond the seas inhabited by semi-barbarous or so-called "backward" races. On the plea, perhaps, of altruistic motives in bringing civilization to these benighted races, it seizes the portions of their lands most favored by the prodigality of nature and makes of them provinces or protectorates. In these newly formed colonies it hopes to find a solution of the problem of a home for its nationals who leave the mother country in search of greater opportunities abroad, a source of raw materials to feed the home industries, and a market for the finished products of those industries. Then follow trade rivalries between the colonizing countries, disputes over colonial territories, protection of the vital arteries of trade, the seizure and fortification of strategic points, the setting up of "scientific frontiers," construction of naval bases for the protection of these arteries of trade, increases in armaments, naval rivalries, suspicions, fears, jealousies, and finally the natural climax of it all—war. The history of the great colonizing powers and the numerous wars that have resulted from their foreign policies in the past century furnish ample illustrations of this process.²

¹*Imperialism and World Politics*, Parker T. Moon (Macmillan).

²*Economic Causes of War*, J. E. Bakeless (Moffat).

B. National Trade Restrictions

However, imperialism can hardly be said to hold today the key position among the economic causes of war that it enjoyed in the previous century. Though its power is still strong in certain quarters, its appeal is less universal and its attainment less possible. Today it yields the spotlight, temporarily at least, to more modern forms of economic disturbances such as foreign investments, international loans, war debts, reparation payments and government regulation of international trade. We are concerned in this report with the last mentioned and perhaps most formidable economic cause of international enmity today—the entrance of governments into economic competition in the sphere of international trade; the use of the power of the government to cut off or to restrict the direction or intensity of flow of goods between nations, and the often unwarranted, unwise and highly injurious prohibitions that political policies impose upon the normal international exchange of products. “Probably half the international disputes,” states Mr. Buell, “in which the world is perpetually involved would be eliminated if it were possible freely to trade between one part of the world and the other.”³

This does not necessarily imply the adoption of “free trade” in the strict sense of the term with all the implications that follow. In pleading here for a greater freedom of trade than is now possible among nations, we are not losing sight of the indisputable fact that a government has the inherent right and the duty to protect its citizens by law in the sphere of international trade as well as in the field of domestic relations, *when the welfare of its citizens demands that it do so*. Every one knows that serious evils follow in the wake of totally free and unrestricted competition between individuals just as in that of an exaggerated policy of government interference. Who would deny, for example, that a government had failed in its duty to its citizens if it refused to protect them against the fatal consequences of unjust competition with goods produced by veritable slave labor, especially when such a means is used as an economic weapon of attack by a government whose avowed purpose is the destruction of all other forms of government? Certainly if governments adhered firmly to this policy in their regulation of international trade no nation would have just complaint of unfair discrimination.

³*International Relations*, Raymond L. Buell (Holt).

But when a government substitutes for the general welfare of its citizens the selfish interests of a small group of business enterprisers or the worn-out principles of a party system, serious evils of both a domestic and an international character are bound to follow.

Government interference in international trade may take either the aggressive form of actual support of its exporters and trade carriers by way of tax exemption, favored banking facilities, preferential railway rates, subsidies, etc., or the defensive form of the protective tariff.

II

THE TARIFF: NATURE AND KINDS

A tariff is a form of taxation. It is a tax levied by the government on goods entering or leaving a country. With the import tariff as the most prevalent form of tariff today and as the only one permitted by the Constitution of the United States, we are chiefly concerned in this report. A tariff is for revenue or for protection accordingly as its purpose is to raise funds for the public treasury or to reserve the home market for the industries within the nation. In the strict sense the two are mutually exclusive. Revenue is collected from the goods that enter a country; protection is afforded by those which are kept out. And yet, in spite of the fact that the two tend to pull in opposite directions, we find them teamed together in the tariff systems of the majority of the nations of the world today. The tariff system of the United States is a classic example. Hence we find the anomalous situation of the Democratic and Republican parties in one presidential campaign promising to add to the national revenue, the one by lowering the tariff rates, the other by raising them.

In its common form, the revenue tariff grants some little protection to the home producer of the taxed article by raising the price of the imported article by the amount of the tax levied. In its more rigid form, where an internal excise tax is levied on the corresponding products of home industry, it grants no protection whatever. Great Britain, the great exponent of "free trade" from the middle of the nineteenth century to the World War, adopted during that period this system of strict revenue tariff, applying in many cases the internal excise tax to articles of domestic production and in general

limiting her schedules to such articles as could not profitably be produced at home. The revenue tariff, if not carried to excess, is an accepted and agreeable form of collecting income for the national treasury and causes little friction in international relations.

A. The Protective Tariff: Its Domestic Implications

This, however, cannot be said of the protective tariff. Widely as it is used and much as it appeals to present-day nationalists, it finds, in the form it has assumed today, neither economic nor political justification even from a domestic point of view; and it has wrought great havoc in its international implications. Protective tariff today usually means a prohibitory tariff. It is Neo-Mercantilistic in stamp and design, a part of the driftwood of the old Mercantilistic doctrine that one nation, as one individual, can gain in trade only at the expense of another. It is the favored offspring of economic and political nationalism which advocates for "patriotic" reasons the patronage of home industries even though the articles of such production be higher in price and inferior in quality to those of foreign stamp. These arguments nationalism has "bolstered up with appeals to self-interest. If foreign competition is rigorously excluded, domestic business men may automatically increase their prices—a fact explaining why many capitalists have been strong nationalists. Although the domestic consumer, of course, foots the bill, he is mollified by the argument that the importation of foreign goods manufactured by cheap labor would injure his own high standard and would mean cheap wages at home. In other words, economic self-sufficiency means the full dinner pail."⁴

A recent article depicts among the bitter fruits of the new nationalism the shrinkage of international trade, the collapse of currency, unemployment of tens of millions, the miles of idle shipping in great harbors of Europe and America, etc. "And by the way of remedying the universal disorder," it states, "the sovereign states of the world, great and small, strike new blows at trade by means of exchange restrictions, tariffs and import quotas and delve more feverishly into the traveler's bag."⁵ Despite the warnings of the World Economic Conference in Geneva, 1927, and of individual economists, it

⁴Buell, *op. cit.*

⁵*New York Times Magazine*, June 26, 1932, p. 3.

continues, "tariffs remained high, blocking trade, drawing gold to the protected creditor countries . . . and then to save their threatened moneys and what gold they had left, nation after nation put up new barriers to trade by rationing imports and limiting international payments."

1. *What Economists Say*

It is not surprising, then, that many economists today are at swords' points with the politicians in their stand against a high protective tariff. The World Economic Conference—a gathering of representatives and economic experts of some fifty states, members and non-members of the League of Nations, men who had no political axes to grind, whose sole aim was to promote by concerted action the prosperity and peace of their own nations and of the world at large—left in its resolutions the solemn declaration that "the time has come to put an end to the increase in tariffs and to move in the opposite direction." This group of leaders with representatives from both the United States and Russia saw clearly the threat to world harmony and prosperity in unrestrained national economic rivalries.

We might mention here the response of the economists, all members of the American Economic Association, to whom questionnaires were sent by the Bureau of Business Research of New York University, September 28, 1929, for the purpose of ascertaining their opinion of the Hawley-Smoot bill then pending. Of the 196 replies that could be tabulated, 90 per cent were opposed to the bill, stating that in addition to the fact that there was no justification for the increased rates which would add to the burden of the domestic consumer, the bill would result in increased friction with foreign nations and unfavorably affect the peace and welfare of the world. And have the results not given us ample proof of the wisdom of their prophecies?

2. *Two Extreme Views: Mercantilism and Liberalism*

The Mercantilist would have us believe that the protective tariff is absolutely essential to the well-being of the state. In his eyes the prosperity of a nation is measured by the so-called "favorable balance of trade." Exports which bring gold into a country and so promote a favorable balance of trade are to be encouraged in every way; while imports which take gold out

of the country are to be rigidly curtailed. Hence the necessity to him of the protective tariff. On the other hand, to the Liberalist, the protective tariff is *a priori* wrong in so far as it is a form of state interference in freedom of competition among individuals. For him individual "liberty" is the supreme goal to be attained. The state must refrain from all interference in matters economic except where such intervention is necessary to protect individual "liberty." Both schools are extremists and are obviously in error. Mercantilism stands condemned on four major charges: 1. The favorable balance of trade is never a criterion of the genuine welfare of a country; nor is it in all cases a certain criterion even of material prosperity. An excess of exports may, for example, be but a means of paying off previously contracted debts. 2. A country cannot, under ordinary circumstances, hope to maintain a very appreciable favorable balance of trade for a considerable length of time. For the flow of gold into a country, other conditions remaining the same, will cause prices to rise, and so automatically check excess of exports by rendering the markets of that country uninviting to foreign purchasers.⁶ 3. The very curtailing of imports has an adverse effect upon the exports of a nation. It reduces foreign purchasing power and often induces retaliation on the part of foreign nations. 4. The ultimate purpose of international trade is not the amassing of gold, which is but a *medium* or means to an end and not an end in itself, but the more effective satisfaction of human wants. And when gold that is received in exchange for exports has to be spent within the country on protected articles that are often inferior in quality and higher in price than foreign products, the advantages of international trade are thereby totally destroyed.

Nor is the doctrine to be tolerated that the State has under no condition the right to interfere with what the Individualist is pleased to call "liberty" in matters economic. Here the

⁶Though the principle on which this second argument is based is correct in theory and is in fact but a corollary of the quantity theory of money, we must add here the qualification that in our complex economic system the application of the principle noted above is more often impeded than experienced. This is due to the prevention of increase of gold from reaching domestic circulation, as happens in the case of a debtor country, or of a country which "sterilizes" surplus gold by banking control, or offsets its trade balance by foreign investments. The same is true when the increase in gold is offset by a corresponding increase of national production.

error arises from a distorted concept of liberty. In the words of Lacordaire, "Between the strong and the weak it is liberty that enslaves and the law that liberates." When the common welfare demands such intervention the State has not only the right but the duty to interfere. And so the protective tariff cannot be labeled as a thing of evil merely because it bears the mark of State intervention and restriction of individual "liberty."

3. *The Case Against Protection*

The protective tariff means economic loss. On the grounds of economic principles the protective tariff, certainly in its present prohibitory form, is open to most serious objections. It does not fit into the present economic picture. It cannot be reconciled with our present universally accepted system of large scale production. In fact by placing unnecessary restrictions upon the natural exchange of goods it retards the progress of and destroys for many the advantages of regional and national specialization.

As Mr. James A. Farrell, of the United States Steel Corporation, recently pointed out, the day "when our forefathers and mothers could and did produce with their own hands and their own toil most of the food and clothing and shelter they required is gone forever. In its place is established permanently a dependence upon the resources of the world, which renders the steady maintenance of our foreign trade absolutely essential to our continued well-being." We are making no comparison here between the old system and the new. It is not altogether improbable that civilization was in a better way in the days when, in accordance with Mr. Yeats' criterion of culture, even the kitchen utensils were a thing of beauty and the pardonable pride of their domestic producer. But granted the permanence of the present system, is it not illogical to impede it by unnecessary barriers and restrictions from attaining its natural and most profitable stage of development?

The theory of regional specialization is but a natural development of the simple division of labor whereby a man will profit most by confining his efforts to the production of those utilities for which he is best adapted either by natural or acquired ability. The cobbler will profit by directing all his efforts to the production of shoes. For the satisfaction of all his other human wants, individual and social, he must rely upon the specialists in other fields. The surplus of his own

produce he will exchange with the farmer for food, with the carpenter for shelter, with the tailor for raiment, with the merchant for place and time utilities, with the doctor and lawyer for their professional services. And in the end he will find that he is richer in the goods he has obtained from the exchange than if he had endeavored to produce them all.

What is true of individual is true on a larger scale of regional and national specialization. If the people of the Middle States find themselves most favorably adapted, either through natural or induced advantages, to the extensive cultivation of wheat and corn or the manufacture of shoes or automobiles, it is a waste of capital and human effort to attempt to compete with the South in the cultivation of cotton or sugar cane, or with the West in the cultivation of tropical fruits, or with the states of the Northwest in lumbering, or with the Eastern states in textile manufactures. Fortunately, the possibility of such a waste of capital and labor was minimized by the constitutional prohibition of interstate tariffs. Consequently, there has developed in the United States a great diversity of industries, each built upon the advantages afforded by a prodigal nature, and all allowed to profit, within the limits of the national boundaries, by the advantages of production on a large scale which come only from the free interchange of goods. This, more than anything else, is responsible for the rapid ascendance of America among the foremost industrial nations of the world and the prosperity that has resulted therefrom. Contrast this with the situation in Europe which is honeycombed with tariff walls and where production is in many cases limited to markets narrower in territory than some of our own individual states.

National is but a step higher, a natural development of regional specialization. It implies the extension of the advantages of regional specialization, unimpeded by national barriers, from local and national consumption to the demands of a world market. And with the further application of decreasing costs, the advantages of such an extension are highly desirable both to producer and consumer. But when world markets are closed or restricted by tariff barriers the effect is both to check the full growth of these advantageous industries and to give rise to a host of unprofitable industries within the countries affording the "protection." Economically there is no more justification for the international than there would be for the interstate tariff.

Finally, "protection" impedes the full attainment of economic prosperity that would result from the complete development of regional specialization. It sacrifices the interests of exporting or advantageous industries and places a premium upon those industries whose products could be more profitably imported from abroad. It diverts capital and labor from productive into unproductive channels. It creates a host of economic parasites that prey upon national industrial life. It sacrifices the common economic welfare of a country for the good of a few rich and influential enterprisers, the so-called "vested interests." It destroys all the advantages of international trade which is the necessary corollary of regional and national specialization on a large scale.

The desire for economic independence, political nationalism and military preparedness is given as the cause of protection, but the real underlying cause of the almost universal acceptance of the policy of protection by national leaders (outside of pressure exerted by "vested interests") is the belief in the doctrine of economic independence or self-sufficiency. "In a world controlled by purely economic considerations, in which there was neither war nor preparation for war, protection would in the long run almost certainly represent a losing policy. But the World War has supplied another illustration on a gigantic scale of the historic truth that the tariff problem cannot be regarded as a purely economic question. Protectionism, which before the war played a material part in generating the international friction which brought on that conflict, has since the war rapidly gained ground, as indeed it has been doing for half a century preceding the outbreak of hostilities in 1914."⁷

In its political form this argument states that without economic independence, political independence or political *nationalism* is an impossibility. Its military form is this: a nation that is not economically self-sufficient is at the mercy of an enemy in time of war. Preparedness must be economic as well as military. And the nation will profit in the end, contends the militarist, even* if the cost of that preparedness is a sacrifice of the economic advantages of international trade.

Obviously, the first answer to this argument is that economic independence in the strict sense is incapable of attainment by any single nation. The nature of the distribution of natural resources practically precludes such a possibility. Eco-

⁷*Outlines of Economics*, Richard T. Ely (Macmillan).

conomic and political boundaries can by no manner of wizardry be made to coincide. America, because of her variety of climate, her wide range of natural resources and the personal initiative of her people, is, perhaps, better qualified than any other single nation to attain this end. And yet, as Professor Moon points out, "even she must rely on the rest of the world for some thirty important commodities."⁸

But is a nation justified in striving to attain at least that degree of economic independence which lies within her power? Certainly to acquire thereby that degree of nationalism which is the goal of the majority of the political nationalists who use this argument, she would not. International trade and all forms of international cooperation are perfectly consistent with that wholesome form of nationalism which consists of a true and genuinely patriotic love of country. This love, based on real intrinsic merit, does not exclude a recognition of the merits as well as the rights of other countries.

It is encouraging at this point to listen to the warning given by our present Holy Father, Pope Pius XI, regarding "the ultimate consequences of this Individualistic spirit in economic affairs." He says: "The whole economic life has become hard, cruel and relentless in a ghastly manner. . . . As regards the relations of peoples among themselves, a double stream has issued forth from this one fountainhead: on the one hand, economic nationalism or even economic imperialism; on the other, a not less noxious and detestable internationalism or international imperialism in financial affairs, which holds that where a man's fortune is, there is his country."⁹

The only nationalism with which the relations consequent to international trade are inconsistent is that narrow, selfish, Mercantilistic attitude which looks with contempt upon all things "foreign," which considers national standards as the sole standards of value, and which seeks the glorification of one's own nation at the expense of all others. Again let us turn to the words of Pope Pius XI uttered a short time ago: "If, however, egoism, abusing this love of country and exaggerating this sentiment of nationalism, insinuates itself into the relations between people and people, there is no excess that will not seem justified; and that which between individuals would be judged blameworthy by all, is now considered law-

⁸Moon, *op cit.*

⁹*Forty Years After*—Encyclical Letter, 1931 (National Catholic Welfare Conference, Washington).

ful and praiseworthy if it is done in the name of this exaggerated nationalism."¹⁰

Earlier this same Supreme Pontiff states: "Love of country becomes merely an occasion, an added incentive to grave injustice when true love of country is debased to the condition of an extreme nationalism, when we forget that all men are our brothers and members of the same great human family, that other nations have an equal right with us both to life and to prosperity."¹¹ Pope Leo XIII in discussing "a system of jealous egoism in consequence of which the nations now watch each other, if not with hate, at least with the suspicion of rivals," points out that "in their great undertakings they lose sight of the lofty principles of morality and justice and forget the protection which the feeble and the oppressed have a right to demand."¹²

"Two specific duties of international charity require particular emphasis in our time," states the report on International Ethics. "The first is that of curbing nationalism and excessive patriotism. The obverse side of the duty is to develop and promote a reasonable and moderate internationalism."¹³ The distinguishing note of nationalism, according to Professor Carlton J. H. Hayes, is "a proud and boastful habit of mind about one's own nation, accompanied by a supercilious or hostile attitude toward other nations; it admits that individual citizens of one's country may do wrong, but insists that one's own nationality or national state is always right."¹⁴ M. le Fur declares that "the conflict of nationalism and internationalism constitutes the gravest problem of international law, affecting its very existence."¹⁵

May the economic good of a country be sacrificed for a militaristic end? The answer to this question rests on the determination of the rights and duties of the state. That it is within the power of the state to bring this about everyone must admit. But only on this condition, *viz.*, that it is more

¹⁰*The Sacred Heart and World Distress*—Encyclical Letter, 1932 (National Catholic Welfare Conference, Washington).

¹¹*Ubi Arcano Dei*—Encyclical Letter of Pius XI, 1922.

¹²*Review of His Pontificate*—Leo XIII, 1893.

¹³*International Ethics*, Dr. John A. Ryan and Ethics Committee (Catholic Association for International Peace, Washington).

¹⁴*Essays on Nationalism*, Carlton J. H. Hayes (Macmillan).

¹⁵*Le Problème de la Vie Internationale*, p. 227 (French Catholic Social Week, 1926).

conducive to the general welfare of the nation that the militaristic interests be promoted rather than the economic. Is such the case? Professor Ely, in commenting on this situation, draws the following conclusion: "A sufficient diversification of industry to prevent industrial paralysis and to insure a prompt supply of the necessaries of life in time of war is manifestly desirable."¹⁶ To that extent economic self-sufficiency remains rational and is undoubtedly conducive to the general welfare of the nation. And it might be effected by a moderate degree of protection that would entail neither domestic nor international loss. But when this economic preparedness is carried to such extremes as economic independence in the strict militaristic sense demands, then it not only saps the vitality of a nation but becomes one of the causes rather than a preventive of war.

Present conditions in Germany afford us a striking example of the sacrifices that a nation is willing to (and of necessity must) make to attain even a semblance of economic independence. "Because our economic policy is governed by the idea of producing as much as possible at home," states the *Deutsche Volkswirt*, "we pay three times the world price for wheat, double the world price for iron, four times the world price for sugar, from five to seven times the world price for fuel, and have relatively the highest unemployment of any country in the world."¹⁷ Yet a noteworthy achievement in the eyes of Minister of Agriculture, Baron von Braun, is the economic self-sufficiency purchased at so costly a price; for "nobody in the world can force us to our knees by hunger today, as happened years ago."

Realizing the futility as well as the economic waste of competitive armaments on sea and land, world leaders are striving valiantly today to reduce our excessive preparedness programs of naval construction to reasonable limits. The unmistakable words contained in the Apostolic Letter on Unemployment issued by Pius XI, October 2, 1931, need no explanation: "And since the unbridled race for armaments is on the one hand the effect of the rivalry among nations, and on the other the cause of the withdrawal of enormous sums from the public wealth and hence not the smallest of contributors to the current extraordinary crisis, We can not refrain from renewing on this

¹⁶Ely, *op. cit.*

¹⁷"Fiercer Grows the Battle of the Tariffs," Harold Callender. *New York Times Magazine*. October 16, 1932.

subject the wise admonitions of Our Predecessors which thus far have not been heard."

But the full benefit of this laudable plan to promote international peace and prosperity will be reaped only when, with naval and military disarmament, economic disarmament falls into step. Why set up an expensive machinery of attempted economic self-sufficiency which preys upon the economic life of a nation and not only professedly prepares for war but even hastens its coming, when the same effort can be expended in pacific policies that will tend to avert the dangers of war and that prove at the same time more rational and more advantageous to the nation and to the world in general?

4. *Why We Have Tariffs Today*

In addition to these two outstanding causes, the influence of vested interests and the desire of economic independence, protective tariffs are inspired by various other motives of greater or lesser importance. Here we shall endeavor to emphasize only those which today play a prominent role in checking the natural and wholesome flow of international trade.

a. *Creation of New Frontiers*

The readjustment of the political boundaries of Europe affected by the Treaty of Versailles was destined to rock to its very foundations the economic as well as the political structure of that continent. The latter does not interest us here. But we are concerned with the grave dislocation that has followed in the wake of the repartition of Europe.

The unification of large areas under centralized political control and the consequent formation of the great monarchies in Europe in the nineteenth century—England, Germany, Russia, the Hapsburg Monarchy, Italy, Spain—offered a favorable field for the application of the principles of the Industrial Revolution. Tariffs, too, were of comparatively slow growth and production was allowed to enjoy in large measure the advantages of international as well as national expansion. Came the war and the Treaty of Paris. Old monarchies were broken down or shorn of much of their territory. New national frontiers were created. New nations sprang into being. And from the process of fixation of national boundaries often grew the wierdest of economic anomalies. Hinterlands were separated from the seaports that carried their commerce, agricultural regions from their city markets, mines from industrial cities,

towns from navigable rivers—even the farmhouse from the field.¹⁸

Even then the economic life of Europe might have been preserved had not economic hopes been joined to political aspirations. And in the blind fury of unbridled nationalism that swept over post-war Europe economic advantages were sacrificed to political interests, regional assets to ethnic ambitions. Tariff walls rose higher and higher along the political boundaries of the new Europe, old nations aiming at an economic self-sufficiency that would prevent a repetition of the indignities suffered in the World War, new ones adding to this motive a desire to protect their infant industries. To add to the confusion political alliances (such as those between France, Poland, and the Little Entente) have been formed which are scarcely in harmony with the economic interests of the parties concerned. And here again the tariff is often used as a means of reprisal against a country with whom geographical necessity and economic welfare would dictate a wholesome cooperation. Speaking of these lamentable effects which the creation of new national units has had upon the multiplication of tariff barriers in Europe, Harold Callender says: "Centuries of racial hatred conspired to produce suspicion of economic ties which might lead to political ties; a network of formidable tariff barriers soon marked the frontiers drawn at Versailles; and when the Layton-Rist report to the League of Nations diagnosed the economic anemia of Austria it estimated that trade among the Austrian succession states had dropped about 60 per cent below the pre-war level."¹⁹

b. *Retaliation*

To strike back, sharply and decisively, when one is or fancies that one is attacked, is a most common human failing. This is true of the wounding of national as well as individual sensibilities. And so when a nation finds its exports vitally affected by a rise in alien tariff schedules, it not uncommonly parries by legislating against the exports of the original offender. The experience that America has had of foreign tariff reprisals will be pointed out later in this report. Here it is sufficient to mention that retaliation has assumed a role of ever-increasing prominence in the tariff wars of recent years. Naturally enough, nations, for diplomatic reasons, are loath

¹⁸*Can Europe Keep the Peace?* Frank Simonds (Harpers).

¹⁹Callender, *op. cit.*

to make admission of such a motive in increasing their duties. But all too often the ugly fact is there, which no amount of mellifluous language or proffered excuses will suffice to conceal.

c. *Protection of Gold Reserves and Unstable Currencies*

The present financial insecurity of many nations, due in large measure to the stifling of international trade, has added another motive for tariffs of recent date. Deprived by foreign tariffs of the possibility of paying in terms of goods, debtor nations have relied in the past decade chiefly upon tourist expenditures, immigrant remittances and new loans and investments of foreign origin to make payments to their creditors on public and private loans and unfavorable trade balances. But these three items have declined sharply since 1929. The figures of the Department of Commerce, for example, show that immigrant remittances from America have fallen (owing chiefly to restriction of immigration) from \$223,000,000 in 1929 to \$163,000,000 in 1931. American tourist expenditures abroad have showed a decline in the same period from \$685,000,000 to \$458,000,000; and the figures for 1932 are expected to manifest even a sharper descent. American investments abroad, *i. e.*, in excess of foreign investments in the United States have likewise tapered off from \$944,000,000 in 1928 to \$547,000,000 in 1931; and in 1932 foreign lending virtually came to a standstill. In fact not a new long-term foreign issue was offered in the New York market in the first eleven months of 1932 as opposed to a volume of \$1,251,000,000 offered in 1928.²⁰

The consequent drain upon gold reserves (over 50 per cent of which are concentrated in the hands of the United States and France) has undermined the stability of the currencies of perhaps a score of debtor nations, adversely affected their rates of exchange, and even forced some to abandon the gold standard. To protect these threatened currencies and conserve their dwindling gold reserves such nations have resorted to higher tariffs and import quotas designed to decrease their unfavorable balance of trade. Some too, have defaulted in their payment of foreign obligation of a public and private nature. The protection of her currency was in great part responsible for England's abandonment of her traditional policy of free

²⁰"The Larger Issues Behind the War Debts," Charles Merz. *New York Times*, December 18, 1932.

trade and enlistment in the ranks of the protectionists. On the other hand the fall in prices of commodities in countries which have abandoned the gold standard may prompt "gold" nations (as it did France) to impose special tariff rates or the more deadly import "quotas" to protect their producers against the cheapened goods of the "sterling area."

d. *The Bargaining Tariff*

Tariffs are also used for bargaining purposes. In this sense they are called "bargaining tariffs" or "fighting tariffs" or "*tarifs de combat*." They are used to put a nation in a place of vantage to bargain or barter with other nations. They are erected with the purpose of being torn down in exchange for a reciprocal concession, particularly the lowering of foreign duties against the exports of the bargaining nation. Within limits they may serve a useful purpose and even bring about a reduction of existing tariff schedules, provided the nations that employ them do not make their additions for bargaining purposes to tariff rates that are already excessive. If the reverse is the case, *i. e.*, if rates are increased purely for bargaining purposes, they will not only accomplish nothing of value in the amelioration of world trade, but may even add to the confusion and intensify the bitterness of existing evils.

The recent change of front in English tariff policy has again brought the bargaining tariff into the foreground of the tariff picture. We have already alluded in the previous section to one important motive that has prompted England to amplify her tariff schedules both in scope and intensity. At the same time the British leaders, Prime Minister Ramsay MacDonald and Mr. Walter Runciman, President of the Board of Trade, were emphatic in declaring from the very beginning that their new policy had been formed with a view to tariff bargaining, *i. e.*, to prevail only so long as other nations would continue measures of excessive and unreasonable protection. And even today, in spite of the pacts of the Ottawa Conference, wherein England united her tariff policy with that of her high-tariff dominions and agreed neither to alter her basic 10 per cent duties for a period of five years nor to change certain specific duties without the consent of her dominions, the contention is still vigorously made that one of the important objects of the tariff is to bargain for advantages for British exports hitherto barred from foreign markets. It has been pointed out that the British proposed import quota on meat will induce on the

part of Argentina a greater eagerness for British manufactures; that Denmark has already expressed her desire to purchase more coal and cotton products from England and more wheat from Canada in the hope of favorable treatment of her dairy products in England who has been forced by her dominions to raise her schedules on those articles.

"Thus Britain, her currency driven off gold and her trade choked by growing tariff barriers, has herself turned to protection as a means of gaining a fair deal for her commerce and perhaps contributing to general revision of tariffs. In the field of currency the so-called 'sterling area' of non-gold countries, led by Britain, manages to carry on without the gold reserves which the high tariff creditor countries have drained away. In the field of tariffs the 'sterling area' is going to try to do a little mutual reduction through bargaining; and if the high protection countries would like to join in they would be cordially welcomed. If they prefer to stay out, while claiming nevertheless the benefits of the most-favored-nation clause, all that is possible will be done to proceed without them—even to the extent, possibly, of terminating the most-favored-nation privileges."²¹

This is an optimistic view of the British change of front. But there is a darker side of the picture, to which Sir Arthur Salter points with great concern in a recent discussion of "Ottawa's Aftermath."²² It is mentioned here because it serves to illustrate another development in modern tariff policies.

e. *Empire-Preference Tariff*

Imperial preference is not an innovation either in tariff history or in that of the relations of mother countries and dominions, colonies and dependencies. With two notable exceptions it has held a prominent place in the policies of colonizing nations of modern times. England and Holland have hitherto proved the exceptions. As late as 1922 only five per cent of the total volume of British colonial trade was subject to preferential duties. All other colonial powers adopted the policy either of assimilation of their colonies with the national customs area or of application of preferential duties. In some systems the two were combined. The policy of the United States, too, relative to its dependencies, was that of assimilation of Hawaii and preferential duties for the Philippines.

²¹Callender, *op. cit.*

²²"Ottawa's Aftermath: A Fateful Issue Arises," Sir Arthur Salter. *New York Times*, October 2, 1932.

This is the story prior to the Ottawa Conference. In all these cases preferences were granted on tariffs already in existence and dictated by other national interests. But in the Ottawa agreements we find a new development of this principle whereby England binds herself to extend her tariff schedules and to maintain existing duties for the express purpose of granting dominion and colonial preference. "This is an innovation in tariff negotiations," laments Sir Arthur Salter, "and a very unfortunate one. We have had in recent history every sort of tariff monstrosity, due to the clamor of national industries for higher protection and to mistaken views of what is in the national interest. We have had many conferences which have attempted vainly to secure reductions of those tariffs, and on their failure have been followed by new increases under national pressure. But it is a new experience for a conference to result in one country's engaging itself to other countries to impose duties which, whether rightly or even wrongly, it does not want on behalf of its own producers, and to retain duties even if it considers them in the light of experience to be injurious to its own national interests."²³

Commenting upon the possible consequences of such an innovation, he continues: "It is not only of the utmost importance to the British colonies themselves; it is also (to adopt phrasing from the report of the United States Commission of 1922) a matter of serious concern to the rest of the world if, in the greatest empire, the old mercantile principle of the reservation of colonial products and colonial markets to the mother country is reintroduced. . . . We thus see that Great Britain has recently made a substantial, though still partial and incomplete, change in her domestic policy from free trade to protection. She has made some tentative but hesitating steps toward the goal of an integrated imperial economic unit by negotiations with the self-governing dominions. She has simultaneously taken a few steps toward a closed Colonial Empire."

B. The Protective Tariff: Its International Aspect

1. *World Peace*

Contrary, then, to the assertions of the advocates of our present tariff systems, tariffs are not a matter of mere domestic concern. They vitally influence the peace and prosperity of

²³Salter, *op. cit.*

the world as a whole. As long as industries and commerce are carried on by the individual, competition between industrialists and traders is individual; and whatever friction may arise remains within the sphere of private economic interests. But once a government begins to put *unwarranted* restrictions upon international trade, whether by bounties, subsidies, discriminatory rates or prohibitive tariff laws, then the economic competition becomes national in character, and the enmity, antagonism and quarrels that ensue are international in magnitude. Instead of the mutual interdependence so conducive to the promotion of the interests common to all nations, there arise economic rivalries and jealousies among nations which only too often lead to open hostility and armed conflict.

For historical confirmation of this fact we need but review the Russo-German "tariff war" of 1893, the German-Spanish tariff war of 1894, the Franco-Italian tariff war of 1888-1899 and the Franco-Swiss tariff war, 1893-1895. The Austro-Hungarian tariff barriers to Serbian exports aggravated the nationalistic conflict between Serbia and Austria-Hungary and precipitated the World War.

"Economic conflicts and divergence of economic interest," stated M. Theunis of Belgium, President of the International Economic Conference, in his memorable and stirring appeal to his colleagues at the close of the Conference, "are perhaps the most serious and the most permanent of all dangers which are likely to threaten the peace of the world. No machinery for the settlement of international disputes can be relied upon to maintain peace if the economic policies of the world so develop as to create not only deep divergencies of economic interest between different masses of the world's population, but a sense of intolerable injury and injustice. No task is more urgent or more vital than that of securing agreement on certain principles of policy which are necessary in the interests of future peace. And there is perhaps no question which, in comparison with its intrinsic importance, has had so little careful and collective deliberation."

2. *World Prosperity*

That these unwarranted restrictions affect the prosperity as well as the peace of the world is clearly illustrated by the tragic part which competitive tariffs have played in aggravating and prolonging the present international economic depression.

The creation of new national frontiers by the World War raised the number of separate economic units in Europe from twenty to twenty-seven, each striving to attain national economic independence behind newly strengthened or newly erected tariff fortifications. Industries abnormally stimulated by the war clamored for protection. Infant industries within the newly erected national frontiers joined in the cry. Depleted public treasuries had to be replenished, war debts and reparations to be paid. In consequence we find Europe honeycombed with tariff walls such as she has never known before, each country almost hermetically sealed against the marketable surplus of her neighbors. What wonder, then, that the period of post-war recovery has been indefinitely prolonged, that industrial nations find themselves on the verge of bankruptcy, that production among the various nations is curtailed by lack of markets, that currencies are rendered unstable or driven off a gold basis, and that unemployment is increasing daily with hundreds of thousands on the verge of starvation?

It is quite obvious that international trade, with a few exceptions, may be destroyed by the dangerous national economic policies now followed by a large percentage of the nations of the world. With modern science making world intercourse possible and nations dependent upon one another, we find that world trade has declined by more than 50 per cent. Prosperity even in the United States has followed increased foreign commerce and when, as now, due to restrictive trade policies, the latter has declined, millions have been added to the ranks of the unemployed. It is estimated that in 1928 our total volume of exports furnished employment for 2,400,000 families and that, at the same rate of increase, 500,000 families would have been added during the five succeeding years.

Summing up, in an article to which we have already alluded, regarding the origins, growth, and domestic and international consequences of present-day tariffs, we read: "Thus tariffs begin as defensive measures, to stimulate industries indispensable in wartime, to protect the nation's social institutions against unwelcome cosmopolitan influences, to establish a diversified and balanced economy by creating industries that could not survive competition; and they finish, perhaps inevitably, by raising up a host of vested interests ever prone to demand just a bit more protection by sharpening international antagonism if not provoking economic warfare, by hampering the interchange of goods and services upon which the

prosperity and the high standards of living of the more advanced nations depend."²⁴

And Sir Arthur Salter, pointing out that the dominant and ultimate motive of England's abandonment of her low tariff policy was the political impossibility of one nation's maintaining such a position in the midst of a tariff-crazed world, concludes with the dire warning: "The world as a whole will either move toward a system in which each country can exchange the products which it is best qualified to produce for those in respect of which other countries have corresponding advantages, or it will move toward an organization, national, imperial or regional, in which each unit will pursue the ideal of self-sufficiency, with their standards of living poorer for the loss of world trade, but, it may be thought, less precarious (so long as peace is preserved) than when their markets are always under the Damocles' sword of possible new tariffs."²⁵

The interrelation of tariffs, nationalism and world conflict is well delineated in the report, "Europe and the United States": "If what others say is true that a federalized industry is a prerequisite of much tariff reduction, to say nothing of free trade within the European continent; and if free trade is necessary before a United States of Europe is created, then indeed a federalized Europe is distant. Here again the search for a united Europe is hampered by the very nationalism and capitalism of some who speak in its favor; for they wish a united Europe on terms that would prevent much industrialization in other countries as well as much freedom of trade in their own markets for the agricultural products of other countries."²⁶

III

AMERICA'S CONTRIBUTION—THE HAWLEY-SMOOT TARIFF

A. Neither Necessary Nor Beneficial

Let us take an example nearer home. America emerged from the World War a creditor nation and the industrial and financial leader of the world. Of the sum of \$35,000,000,000 worth of commodities exchanged by the nations of the world

²⁴Callender, *op. cit.*

²⁵Salter, *op. cit.*

²⁶*Europe and the United States: Elements in Their Relationship*, Rev. R. A. McGowan and Europe Committee, pp. 20-21 (Catholic Association for International Peace, Washington).

in 1929 the United States supplied exports to the amount of over \$5,000,000,000, while her imports totaled about \$4,500,000,000. The value of her export surplus in the same year was \$648,000,000, and in the previous year \$865,000,000. She held first place as an exporter of goods and ranked second only to the United Kingdom as an import market. It was to the future economic advantage of America to facilitate and hasten the economic recovery of Europe, her chief foreign customer, by admitting as much of her goods as our existing economic system would allow. For her high level of exports could be maintained only by taking a large quantity of imports in return. Again there were the war debts to the value of about \$7,500,000,000 owed by Europe to America; and private American investments in Europe totaled about \$4,800,000,000. The foreign loans of a public and private nature made by the government and citizens of the United States within the past decade had reached a staggering total of more than \$20,000,000,000. In the absence of gold (almost half of which was then concentrated in the United States) the payments of these obligations could be made only by an exchange of goods or services. Payments for the latter by American tourists, though once a very considerable item of foreign credit, have declined rapidly since 1929. The only alternatives were payment in export goods or the fatal policy of debtor nations, their recovery stifled by the closure or restriction of foreign markets, meeting their obligations by a further pyramiding of debts.

The summary prepared by Charles Merz of the totals of debit and credit items on our international ledger for the decade of years 1922 up to and including 1931 (taken from figures of the Department of Commerce) clearly illustrates the manner in which our debtors met their obligations to us in that period.²⁷ The credit side of our ledger shows a total of \$12,907,000,000 in payments made to us by debtor nations. Of this sum \$5,967,000,000 was due for our export surplus. Interest on foreign investments ranked second with \$4,985,000,000, while payment on war debts amounted to \$1,955,000,000. How did our debtors balance these obligations? Their two most important credit items were American tourist expenditures which totaled \$5,063,000,000 and new American loans or investments to the amount of \$4,936,000,000. Immigrant remittances from America ranked third, adding a revenue of \$2,142,000,000. Only \$509,000,000 was paid in gold. Mis-

²⁷*New York Times*, December 18, 1932.

cellaneous items to the value of \$257,000,000 made up the balance.

We have already alluded to the fact that the first and third of these items have suffered a rapid decline, that the flow of new American loans to foreign countries has almost completely dried up, and that in view of their inability to use the only other alternative of payment of obligations in terms of export goods a heavy drain has been put on the gold reserves of the debtor nations.

It was, then, both conducive to America's economic interests as well as necessary for the maintenance of international good will and the recovery of world prosperity that we should accept as much of the export surplus of foreign countries as our true economic welfare would allow. How different was the policy that America adopted. Hardly had the new administration of 1929 begun when a special session of Congress was presented with the task of raising protection for farm products and for "certain industries which cannot now successfully compete with foreign producers." Ex-President Hoover recommended a limited revision. Congress, promptly ignoring the suggestion, began work upon a general revision of schedules. Lobbying and log-rolling showed their familiar faces. Bargains were made and votes traded by Congressmen from various localities to obtain increases for the interests they represented. After thirteen months of debate the bill was passed and sent to the President for his signature.

Earnest protests had already been made to the President by economists, exporters' and consumers' organizations that he veto the act on the score that it "flatly repudiated his original proposal; that a further increase in protection duties was inconsistent with our new position as a creditor nation; that the effect of a broad upward revision of rates would be to deepen the business depression which had begun with the stock market panic, some eight months before."²⁸ But to no avail. On June 17, 1930, the President affixed his signature and the Hawley-Smoot tariff act became a law.

Under the new tariff law, rates were increased on 887 articles and reduced on 235. The most important changes were effected in the schedules of agricultural products. Among other commodities profiting by the increase of rates were: sugar, tobacco, wool, silk and embroidered goods, chemicals,

²⁸"Again the Tariff Becomes a Dominant Issue," Charles Merz. *New York Times*, October 16, 1932.

optical and surgical instruments, earthenware, glass, watches, paper, wood manufactures, hats, gloves, shoe upper leather, etc. In general the rates of the Hawley-Smoot tariff may be estimated at about 20 per cent in excess of those of its predecessor, the Fordney-McCumber act, itself labeled by the *Manchester Guardian* "the most extreme protectionist measure ever undertaken by any country," and under the application of whose rates a committee of the League of Nations declared, after diligent investigation, that the American tariff was higher than that of any other nation with the single exception of Spain.

A generation ago such a rise in American tariff schedules might have passed in foreign councils without comment. But the day had passed when American tariff policy was merely a domestic issue. The emergence of America as an outstanding leader in the industry, finance and commerce of the world has brought an enormous increase of prestige and power; and with it has come a corresponding increase of responsibility. A piece of legislation of such far-reaching consequences as an upward revision of tariff schedules is no longer a matter of mere domestic interest but, in the words of Lewis W. Jones, "an event of the greatest international concern which may mean the difference between prosperity and bankruptcy in certain foreign communities largely dependent upon the American market."²⁹

B. What It Has Meant for America

Foreign nations, then, were not slow in protesting against the Hawley-Smoot tariff bill while it was being debated before Congress. Protests ranging from mild remonstrances to threats of severe reprisals were received from thirty nations regarding some two hundred important commodities. Retaliation was swift when the protests failed. Partial or general increases of import duties were levied by approximately eighty countries and colonies. Spain, Australia, Cuba, Canada and New Zealand retaliated with sweeping tariff revisions sufficient to discourage imports from the United States; France, Italy, Mexico and Argentina increased their duties on certain leading imports from this country. Some of the economic results have been mentioned above.

It is true that the general rise in American tariff was not

²⁹*Tariffs and American Foreign Trade* (Foreign Policy Association, June 12, 1929).

solely responsible for all the trade evils that followed in its wake. The past two years have witnessed the world's business growing steadily worse. "To the ordinary motives for increasing tariffs . . . were then added other and seemingly compelling considerations," declares The Foreign Policy Association.³⁰ "As a result, the nations resorted to new and more drastic means of restricting imports. But every nation's import is some other nation's export. Hence every national act of self-defense was a blow at some other nation. In this way the vicious circle of trade restriction and retaliation was set in motion. It caught in its grip the last great upholder of free trade when Great Britain recently enacted its first general tariff legislation."

1. *Loss of International Good Will*

As a result of her stubborn persistence in this unfortunate policy America sacrificed whatever prestige and kindly feeling may have existed toward her in foreign circles and deepened the bitterness and antagonism in other quarters. Uncle Sam, instead of a rich and benevolent uncle, became in the eyes of European nations an ungrateful son, a miser, a conqueror crushing out beneath an iron heel the very life of the conquered, a shirker of his duty to cooperate in the restoration of world peace and world prosperity. How, Europe has been asking, can she be expected to pay even the interest on her debts to America with treasuries depleted and her goods barred from the American market? Not long ago we read of France's decision to purchase 20,000,000 bushels of wheat from Canada. The news account that carried the story added the naive comment that, since the quality of American and Canadian wheat was practically the same, it must have been a difference of price that influenced France in making the decision. But is it not just possible that such memories as the public demonstrations of workers against the Hawley-Smoot tariff bill in the streets of Lille and other manufacturing centers were hovering in the minds that were responsible for the decision?

2. *Loss of Foreign Trade Retaliation*

But much as this may injure our national pride, the swift retaliation of other nations to our rise of tariff levels has touched a more sensitive and vital spot—our national prosperity. Canada, without waiting for the new American tariff

³⁰*Shall International Trade be Stifled?* (Foreign Policy Association, June 2, 1932).

act to become law, enacted a new tariff of its own on May 19, 1930, which seriously affected many imports from the United States. Italy followed by increasing, by a royal proclamation of June 27, 1930, import duties on automobiles, about 80 per cent of the total imports of which come from the United States. The new Spanish tariff of July 23 of the same year affected such American exports as automobiles, motorcycles, sewing machines, pneumatic tires and safety-razor blades. Similar revisions have been brought about in the tariff of some-45 other nations. Retaliation was, of course, in all cases denied to be a motivating cause; national defense, protection of home industries, or defense of threatened currencies was the plea. But surely it was not with a troubled heart that those nations realized the disastrous effect that such measures would have upon American export trade.

Contrary to the predictions of the advocates of the Hawley-Smoot tariff, American exports have continued to maintain a sharp and steady decline that had already begun in November of 1929. In June of 1929 exports totaled approximately \$390,000,000. By the end of October of that year they had reached the peak total of over \$520,000,000. Between June, 1930, the month of the passage of the Hawley-Smoot tariff bill, and July, 1932, they fell from \$294,000,000 to \$106,764,576. For the first nine months of 1932, exports from the United States amounted to only \$1,188,894,000 as compared with \$3,844,404,000 for the same period of 1929. And during the first ten months of 1932 they totaled in value less than one-fourth that of the exports of the same period in 1929, and reached the lowest level of any year since 1910.

Consulting the figures for the total volume of American foreign trade, we find that this surpassed the sum of \$9,000,000,000 in 1929. In 1930 it dropped to less than \$7,000,000,000, and in 1931 to about \$4,500,000,000. The exact percentage of decline during those two years (1930 and 1931) was 53.2, as compared with 36.2 suffered by the United Kingdom. And in 1932 the fall was even more abrupt. At the same time American export surplus was falling in value from \$801,000,000 in 1930 to \$369,000,000 in 1931.

In Canada the elections that followed the passage of the Hawley-Smoot law were fought and won on protectionist principles. And when the new Premier made good his pre-election promises, exports from the United States to Canada fell off in one month from \$70,044,000 to \$45,092,000. And while ex-

ports from the United States to Switzerland (whose watch industry was badly crippled by the prohibitive rates of the new tariff) were falling from a value of about 11,648,000 in 1929 to 8,192,000 pounds in 1930, England was increasing her export trade with that country by approximately the same amount.³¹

Many will consider it a far cry from the Hawley-Smoot tariff to the Ottawa agreements. But a study of the sentiments and motives that inspired the chief promoters of the conference and the principles that guided it will show that between the two there is more than a mere semblance of causal relation. Illustrative of this fact, a United Press dispatch issued from Ottawa, October 13, 1932, carries the following disheartening story: "Drastic tariff changes expected to eliminate from \$75,000,000 to \$150,000,000 in sales by the United States to this country went into effect today. They affect agricultural and manufactured product exports from all sections of the United States and, accordingly, all wage earners dependent upon such exports. Industrial and steel centers such as Cleveland, Youngstown, Buffalo, Pittsburgh, Birmingham and Gary will lose millions in trade. The business, it is contended, will be transferred to members of the British commonwealth of nations. The new rates, including some of the most radical schedule changes in this country's history, were drawn up during the Ottawa imperial economic conference. They are the result of agitation which became widespread with passage of the Hawley-Smoot tariff act in the United States more than two years ago, which Canadians and others said reduced their market. . . . Premier Bennett said he hoped the preferences given Canadian metals would result in Canadian copper replacing that formerly sold to Britain by producers in the United States, up to the value of that formerly sold in the United States by Canadian producers, and now barred by a duty. He also pointed out that the Hawley-Smoot tariff act had closed the market for Canadian farm products in the United States, and that the preferences to be given Canadian agriculture by Britain would make up for much of the loss."

3. Increase in Unemployment

This sharp decline of export trade has contributed in no small measure to the disastrous increase of unemployment in

³¹"Tariffs and Economic Recovery," Joseph F. Thorning, S.J., *America*, May 30, 1931.

the United States. Loss or restriction of foreign markets means curtailing of production in the exporting industries and consequent decrease of employment in the exporting and subsidiary industries. Employment is also indirectly affected by the establishment of American factories, branches or "assembling plants" abroad to evade the rates of foreign tariffs on American exports. This means a substitution of foreign for American labor. The Department of Commerce recently estimated in a report to Congress that by the end of 1929 Americans had invested \$1,534,351,000 in manufacturing establishments abroad.

While foreign tariffs increased and export trade suffered a steady decline, unemployment figures in the United States have continued to rise, reaching, according to Mr. William Green, President of the American Federation of Labor, the all-time record of 11,590,000 persons.

4. *Defaulting of Debtor Nations*

In the course of the debate of the Hawley-Smoot tariff bill, national leaders were warned that an increase in tariff policy was inconsistent with our position as a creditor nation. Has the truth of this statement been established? In this report we have pointed out that the drying up of former sources of revenue has threatened the gold reserves of debtor nations and undermined the stability of many national currencies. Despairing of effecting a breach in our tariff policy and unable to pay off these obligations at least partly in terms of goods, these nations have endeavored to scale down their debit items by further restricting imports to protect their trade balances while pleading for revision or deferment of payments on foreign loans.

The moratorium granted in answer to this plea reduced payment on war debts received by America from \$241,000,000 in 1930 to \$113,000,000 in 1931, and to approximately \$98,500,000 in 1932 (France, Belgium, Poland, Esthonia and Hungary defaulting their December 15 payments). Defaulting has also occurred on payments due on loans and investment of private foreign creditors. Great Britain made it known that her December 15, 1932, payments would be the last she could make under the present funding agreements. France refused to make her payments due on December 15, not because she was unable to do so (the gold was already earmarked for shipment), but because she considered it impossible for her to

"make over the next 56 years her total due payments of \$6,500,000,000 and might as well balk now as later."³²

Hence debtor nations present a solid front in demanding a revision of the present terms of war debt payments. They protest that their "capacity to pay," which forms the basis of the present agreements, has been greatly reduced by existing economic conditions; that as payments must, in the long run, be made largely in goods and services, the debtor's "capacity to pay" depends in great measure upon the creditor's willingness to receive. We are thus faced with the alternatives either of revising our tariff policy in the interests of our debtor nations (which would be to our own interest as well) or of acceding to a reduction of the war debts and private American investments abroad.

The United States in 1929 failed to learn her lesson from the losses suffered among European nations resulting from trade restrictions and adhered blindly to the principle "that nations have an absolute right to determine their own tariff and other foreign trade policies 'without regard to whether those policies prove immediately disastrous to other peoples and ultimately disastrous to those who launch them.'"³³

IV

LOOKING TO THE FUTURE

Such is a brief story of the past. Does the future hold no promise of a saner attitude? In recent years a reaction to this narrow, selfish, nationalistic policy has taken place, led chiefly by international organizations and societies and by far-seeing statesmen, economists, industrialists and financiers who are coming to realize more and more the truth of the interdependence of nations and the need of international cooperation and good will or, as Owen D. Young expresses it, "that men help themselves the most by helping others, too." An outstanding manifestation of this attitude is found in the resolutions of the International Economic Conference of 1927 which summed up its final sentiments on the world tariff situation in the following general conclusions:

³²*Time*, December 26, 1932.

³³*Shall International Trade Be Stified?* (Foreign Policy Association, June 2, 1932).

A. Resolutions of the World Economic Conference

"In view of the fact that harmful effects upon production and trade result from the high and constantly changing tariffs which are applied in many countries;

"And since substantial improvement in the economic conditions can be obtained by increased facilities for international trade and commerce;

"And in view of the fact that tariffs, though within the sovereign jurisdiction of the separate states, are not a matter of purely domestic interest but greatly influence the trade of the world;

"And in view of the fact that some of the causes which have resulted in the increase of tariffs and in other trade barriers since the war have largely disappeared and others are diminishing;

"The Conference declares that *the time has come to put an end to the increase in tariffs and to move in the opposite direction. . . .*

"This should be affected by an effort made along three lines: (1) *Individual* action by States with regard to their own tariffs; (2) *Bilateral* action through the conclusion of suitable commercial treaties; (3) *Collective* action, by means of an enquiry, with a view to encouraging the expansion of international trade on an equitable basis by removing or lowering the barriers to international trade which are set up by excessive customs tariffs."

Promptly and with perseverance the nations proceeded to ignore the first recommendation of the conference. Little Belgium and Holland have profited by the second by agreeing to a mutual reduction of their tariffs in favor of each other with an open invitation to other countries to join in the agreements. It has already been intimated that the new British tariff policy may result in bargaining and reciprocal agreements between England and the countries that are anxious to sell in her markets. Still greater prominence did this method of tariff reduction attain in recent months when it found a champion in the person of the new President of the United States.

Realizing that without a change in our present tariff policy "there is no hope for full economic recovery or for true prosperity in the United States," President Roosevelt declared in one of his pre-election speeches that "trade barriers of all kinds ought to be lowered . . . as quickly and as definitely as

possible." This he proposed to accomplish by "reciprocal agreements with other nations." In his opinion "more realistic mutual agreements for trade, substituted for the present system in which each nation attempts to exploit the markets of every other, giving nothing in return, will do more for the peace of the world and will contribute more to supplement the eventual reduction of armaments than any other policy which could be devised."

The merits of this method of tariff reduction are still open to debate. Sir Arthur Salter believes that "reduction of tariffs by regional agreements is now the most promising method of reduction in sight." Others point to the possibility of complications arising from demands of most-favored-nation treatment, and the dangers of international jealousies and protests of discrimination. The fact that nations which employ this method are assured of fair treatment in return for their own tariff reductions is a point in its favor. At the very least it would form a breach in the present tariff defenses and, if sufficiently comprehensive in purpose and execution, should lead to the general reduction of trade restrictions that is essential to world prosperity.

An opportunity to apply the principles of the third and most important recommendation of the conference will present itself with the convocation of the World Economic Conference. Provided the nations are genuinely sincere in their desire to cooperate in the promotion of their common interests and abide by the decisions of the conference, this is the quickest and most effective means of placing the regulation of international trade on an equitable basis "by removing or lowering the barriers to international trade which are set up by excessive customs tariffs." It is likewise in accord with the appeal of our Holy Father, Pope Pius XI, that "various nations in common counsel and endeavor" should strive "to promote a healthy economic cooperation by prudent pacts and institutions, since in economic matters they are largely dependent one upon the other."³⁴

B. A Lesson From the Depression

The disciplinary value of hardships and suffering is a matter of universal experience. And one of the lessons that the world might learn from the present economic depression is the

³⁴*Forty Years After*—Encyclical Letter, 1931 (National Catholic Welfare Conference, Washington).

fact of international interdependence and the necessity of international cooperation. Attention was called to this fact by William T. Stone at the time of the passage of the Hawley-Smoot tariff bill when the depression was as yet in its infancy. "As a result of the financial depression," he wrote, "industrialists, bankers and business men who in the past have accepted the protectionist doctrine as synonymous with 'prosperity' have joined the academic economist in pointing to the dangers inherent in trade barriers. The statements of Henry P. Ford, Alfred P. Sloan, the president of General Motors and the president of the American Bankers' Association, have been heard where the voices of the professors of economics have been unheeded in the past."³⁵ As the depression has plodded along through weary weeks, months and years to a seemingly hardy and tireless old age, that same section of opinion has grown in strength of conviction and numbers. But as far as practical results are concerned, it is as yet but a voice crying in the wilderness against the great international sin of sacrificing the peace and prosperity of the world to selfish individual interests. In other words these principles have not yet become part of the guiding force of the leadership that is directing the destinies of some of the nations today.

C. Need of New Leadership

Honest educators are beginning to admit that the leadership which has been responsible for the direction of the business and political activities of America and of the world at large has been sadly deficient both in principles and in the results achieved. In its place must arise a new type of leadership capable of restoring order and tranquillity to the state of turmoil of the present international scene. These men must be leaders whose chief aim is not, to use the phrase of Dr. Nicholas Murray Butler, "trying to keep their seats like jockeys," but men trained to a proper *sense of values*; men who realize that the welfare of civilization depends upon the proper adjudication and maintenance of those values; men whose chief object in life is not the amassing of fabulous sums of wealth—whether in the form of private fortunes or favorable balances of trade; men who realize that wealth alone does not constitute the measure of man's temporal welfare and happiness, and that beyond that temporal welfare there is yet a

³⁵*News Bulletin* (Foreign Policy Association, June 29, 1930).

higher and eternal goal to be attained; men who realize that national leadership means national responsibility—responsibility to God from Whom that authority is ultimately derived and responsibility to the people for whose welfare it is exercised; men who are sublimely conscious of the fact that the common good of the community cannot be sacrificed for individual gain nor can the national policy be shaped without due consideration of the fact that nations, like individuals, have rights that must be respected and obligations that must be met; and, finally, that the determinants of these international, as well again as individual, relations are to be based not upon mere economic or material advantage but upon the unchanging norms of moral rights and obligations as well as upon those Christian principles of justice, charity and equity without which the maintenance of world peace and prosperity is utterly impossible.

D. Justice and Charity

"The general principles of ethics," says Dr. John A. Ryan, "which govern economic intercourse between States are the same as those which apply to other international relations. They are identical with the ethical principles that govern the relations between different groups of persons within the same country. As a rule, actions which are wrong when performed by one domestic corporation in relation to another are likewise immoral when perpetrated by one State against another State. In their economic attitudes toward and dealings with one another, nations are bound by the precepts of charity, justice, veracity, and all the other virtues which are binding upon neighbors."³⁶

Justice and charity are words that are too little understood and virtues too little practiced in the varied and complex relations of modern society. Justice is not a word to be conjured with, a term to furnish sport for idle jurists, but beyond the comprehension of the lay mind. It is a very difficult, a very real and objective thing—a law that binds all men to recognize and respect the rights of others, to give to others what is their due. It is not the mere creation of any given legislature or any given state at any given time. Nor does it depend upon the changing feelings or passing whims and fancies of the human mind, prone to selfishness and greed if allowed to follow the dictates of a perverted nature. Man, in possession of a

³⁶*America*, May 6, 1933.

rational nature essentially different from all other forms of animal life and of a soul that is not only destined never to die, but to live after death a life that is incomparably higher than that of its present existence, has certain inviolable rights that his fellow men are morally bound to respect. He has the right to life which is an end in itself, and the right to all means that are necessary for the proper attainment of that end. It is the function of justice to protect these rights, to hedge them about with moral sanctions, to render them inviolable against attack, to impose upon others the obligation, the duty of respecting these rights under pain of violation of the objective moral law and the subjective reflection of that law in the individual conscience. In that sense justice is the bond of society. It maintains order in society by protecting individual rights. And as these rights are just as objective and unchangeable as the very nature of man, justice whose purpose is the protection of those rights is no less objective and immutable. Justice is also universal. It binds all men, singly and collectively. The just man is he who habitually respects the rights of his fellow men. A just state is that which bases its laws upon the immutable laws of justice and that recognizes and respects the rights of other nations in its international policies and conduct.

But as the maintenance of justice is the very foundation of social welfare, the observance of charity is its necessary complement. Justice and charity are both necessary for social welfare. Justice is the skeleton, the backbone of society, that which gives strength and durability; charity is the flesh, the blood, the sinews, that which gives cohesion and warmth and beauty. Justice is negative; it commands us to do nothing that would be a violation of the rights of others. Charity is positive; it commands us to go beyond the mere respect of the rights of others and to give of our own bounty that of which they are in need. St. Thomas says: "It is not enough for peace and concord to be preserved among men by precepts of justice, unless there be a further consolidation of mutual love. Justice provides for men to the extent that one shall not get in the way of another, but not to the extent of one helping another in his need."³⁷ And one may sin just as gravely by failing to meet his obligations of charity as he would by trespassing upon the just rights of others. These natural principles of justice and charity Christianity has done much to define and clarify. All law to be effective must have an official

³⁷*Man and Society*, Rev. Francis J. Haas (Century).

interpreter. And this office Christ, Who as God was the Author of the natural law, gave to the Church which He came to found and which He ordained should never err in her authoritative interpretation of the principles of the moral law.

All nations, then, as all individuals, are morally bound to observe these principles in their relations with one another. The full implication of this fact in the varied and complex problems of international relations is beyond the limited scope of this study to examine. But we might ask one or two questions pertinent to the subject of this report. When as a result of the economic interdependence of nations and of the demand for a certain commodity on the world market an industry grows up within a certain nation which effectively and efficiently meets that demand, and when in the course of time the livelihood of perhaps hundreds of thousands of workers comes to depend upon that industry, and when later another nation, jealous of the success of that foreign industry in its home market and wishing to give preference to a few favored but incompetent nationals clamoring for the trade, enacts a tariff law that partially ruins that foreign industry and throws a very large percentage of its workers out of employment—is that nation observing the principles of justice and charity? And again, would one say that a creditor nation is meeting her obligations of charity when, while demanding of debtor nations full payment of staggering obligations, she enacts at the same time a tariff law, dictated by a few vested interests, which renders the debtor nations incapable of meeting those obligations without reduction to a state of human misery and destitution? Such questions should not rest lightly upon the consciences of legislators.

V

CONCLUSION: HOW THE REFORM CAN BE EFFECTED

Under a leadership which recognizes the principles of justice and charity will develop a proper sense of mutual international interdependence and responsibility to the exclusion of individual greed and extreme nationalistic selfishness which prove so disturbing to world peace and prosperity. But the actual reduction of tariff barriers must not be too sudden or violent. No one with any appreciation of present economic conditions in the United States would advise her adoption of

"free trade." So drastic a modification of American tariff policy would be an egregious blunder. Changes of custom of such long standing must be accomplished slowly and with caution and moderation, with due warning to those who will be affected by the change. But we can and must begin to correct the excesses and abuses of our present tariff system by effecting "a reasonable reduction of the excessive schedules of the Hawley-Smoot tariff, a reduction that, without failing to protect home industries, will nevertheless allow other countries to sell goods here."³⁸ That this can easily be done will be admitted by anyone who compares the duties on many of the articles of the Hawley-Smoot schedules with the duties proposed by the United States Tariff Commission after a lengthy study of comparative domestic and foreign costs of production.

This might well serve as a starting point of tariff reform. It would affect only "a minute fraction of the people, and they would be hurt only to the extent of their excess profits above a reasonable return on investment."³⁹ It would, by increasing the buying power of and promoting friendly relations with foreign nations, create an expansion of markets for American goods with increased production and greater employment in our exporting industries. This would be an important step forward in the recovery of economic prosperity.

But to profit in full measure from the benefits of international trade, tariff reduction must go still further. Moderate protection is, indeed, justified, and at times necessary for the genuine welfare of the State, when used for such ends as the relief of industries necessary for the development of natural resources, the promotion of diversification of industry and national defense within *rational* limits, or the safeguarding of national production against manifestly unjust foreign competition. But if the so-called "scientific" principle of equalization of costs of production is made the basis of tariff policy and applied to all industries, irrespective of their chances of success in open and fair competition, the result will be the increasing of protection in proportion to the incompetency of industries unsuited to national conditions and the well-nigh complete destruction of the advantages of international trade. "If countries throughout the world would withdraw protection from those forms of production for which they are least

³⁸Thorning, *op. cit.*

³⁹"The Country's Plight," Charles G. Ross. *St. Louis Post-Dispatch*, November 29, 1931.

suited, they would do a great deal of good both to themselves and to others."⁴⁰

"The general conclusion about existing tariffs," writes Dr. Ryan, "particularly those of Europe, is that they greatly increase international ill-will and misunderstanding and that with few exceptions they ought to be abolished as rapidly as is practicable and equitable. All authorities on international conditions and relations are agreed that the necessity for immediate reduction of tariffs has become extremely urgent. A beginning should be made immediately. At the forthcoming International Economic Conference an agreement should be reached for a universal reduction of ten per cent on tariff duties in all countries. In the absence of such agreement, the United States ought immediately to lower its tariff rates by this percentage. This action would not only be of great benefit to our own country but would provide a powerful example for the other countries. Moreover, and regardless of the course taken by the European nations, the United States ought to make the ten-per-cent reduction an annual affair until our entire tariff structure disappears."⁴¹

Truly, in the face of domestic and international conditions, never was there a more acceptable time for America to "put an end to the increase in tariffs and move in the opposite direction." And she is now accused of being the greatest sinner in prolonging the depression, so can she, by a sincere repentance which is manifesting itself, become the world leader in economic recovery. At the same time she will be laying a firm foundation for genuine and lasting peace. "Peace," says Mr. Buell, "cannot be secured without a price; and that price is a revision of the commercial policy of the United States and of other nations so as to cut the Gordian knot in which the economic life of the world is now tied. . . . It does little good to wrestle with the problem of political war, when at the same time we insist upon following economic policies which make economic warfare between nations inevitable."⁴²

The fate of this reform hangs upon a realization of the inconsistency of, on the one hand, declaring ourselves staunch advocates of peace and devising schemes for the outlawing of war, while, on the other, we follow a policy of hard and cruel economic isolation that breeds antagonism and renders conflicts between nations inevitable. It demands a realization

⁴⁰Salter, *op. cit.*

⁴¹*America*, May 6, 1933.

⁴²"Economic Imperialism," *Forum*, October, 1930.

of the compelling truth of the economic interdependence of nations as well as a recognition of the Divine Will that all share the goods of this world on equitable terms. This would be to substitute for a spirit of narrow, selfish and disastrous egotism, one of wholesome international cooperation, based as well on principles of equity as on the demands of enlightened self-interest.

In fact, some form even of organized international cooperation seems to have become today a natural obligation. Speed of modern communication and travel breaking down the barriers that isolated nation from nation, modern developments of specialization in all fields and quantity production, and the rise of common interests of an industrial, commercial, scientific, cultural and religious nature point to its necessity. Natural law which governs the conduct and promotes the welfare, individual and social, of man, and is the basis of all human law would seem to demand it.

The world today is at the crossroads; two paths lie before it. One is the way of isolation, of narrow aims, of futile purposes. The other is the way of organized international cooperation whereby nations, while continuing to exercise supreme dominion over matters of purely national concern, will unite in common council to protect and promote the interests that are common to all nations. "We shall move as a whole to a world order in which each national unit will be a unit in a general commonwealth, or to a system of closed and, it may be feared, increasingly hostile units which will add immensely and incalculably to the risks of further wars."⁴³ The one is the way of selfish interests, of timid fears and stubborn folly, of lower standards, of impeded advancement, of increasing friction and hostility. The other is the way of progress, of greater achievement, of mutual advantages, of genuine love, of enduring peace.

International cooperation along economic lines implies, as has been pointed out by our present Pontiff, Pius XI, the establishment of sound economic policies by prudent pacts and institutions, based in turn upon the realization of the economic dependence of nations and the application by all nations of the Christian principles of justice and charity to national policies. To quote again from the Encyclical: "All those versed in social matters demand a rationalization of economic life which will introduce sound and true order. But this order, which

⁴³Salter, *op. cit.*

We ourselves desire and make every effort to promote, will necessarily be quite faulty and imperfect, unless all man's activities harmoniously unite to imitate and, as far as is humanly possible, attain the marvelous unity of the divine plan."⁴⁴ This unity is to be attained not merely in the domestic economic and social relations of the individual nation, but in international relations as well. It is to be promoted by a genuine love and mutual cooperation between nations, without which cannot be attained that only true peace which is the "peace of Christ in the Kingdom of Christ." For Christ is King not of any one nation or of nations separately. He is King of kings, and His Kingdom is the world.

No effort, be it ever so laudable, will avail aught to secure international harmony and peace until "human beings, banded together in governments, recognize that they and their governments are bound by laws of right and wrong toward other peoples and other governments, and that these laws include the laws of justice and the laws of charity and kindness. . . . If right and wrong, justice and charity are denied in international relations, the quest for peace is futile."⁴⁵ But on the other hand, once these principles are made the basis of the tariff policies of nations the world will find that it has rid itself of one of the most formidable obstacles to enduring peace and prosperity. The golden opportunity of leading the way to the attainment of this goal lies with America.

⁴⁴*Forty Years After*—Encyclical Letter, 1931 (National Catholic Welfare Conference, Washington).

⁴⁵*The Christian Way to Peace*, N. C. W. C. Joint Committee on Peace, 1929 (National Catholic Welfare Conference, Washington).

APPENDIX A

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APPENDIX B

N. C. W. C. STUDY CLUB OUTLINE

ON

TARIFFS AND WORLD PEACE

(Printed by Permission of the N. C. W. C. Study Club Committee)

Lesson I

ECONOMIC CAUSES OF WAR (Text—Section I)

TOPICS FOR DISCUSSION

1. "Releasing causes" of war *vs.* "root causes" of war.
2. National trade restrictions, reprisals, and resulting national animosities.
3. "Vital interests" and territorial expansion.
4. Limitations of the theory of the economic determination of history.

QUESTIONS

1. What are the principal causes of war? What wars in recent times

have been due to the desire to exploit new markets and sources of raw materials?

2. What is Imperialism? Has the United States ever shown imperialistic tendencies? What is the origin of Latin American distrust of so-called "Yankee Imperialism?"

3. What were the remote or "root" causes of the World War? Do these causes, in whole or part, still exist?

4. Is the friction between the United States and Japan in the Far East fundamentally a question of national prestige or economic advantage? What interests are at stake? How are China and Soviet Russia involved in this dispute?

5. What place have armaments, particularly large navies, in the development of imperialistic policies? How is the "freedom of the seas" involved? How are naval bases and stations located with respect to "spheres of influence," protectorates, colonies, trade routes, and markets? (Use maps.)

6. Were economic motives involved in the Spanish-American war?

PAPERS

1. The Foundations of Modern Imperialism:
"Imperialism and World Politics," Parker Thomas Moon.
2. Does Imperialism Inevitably Lead to War?:
"Economic Causes of War," J. Bakeless.
3. Review of the Occupation of Nicaragua by United States Marines and Reasons Leading to Subsequent Withdrawal:
"Latin America and the United States," R. A. McGowan, C. A. I. P., p. 34.
4. Manchukuo is the "life-line" of Japan. (One paper from Chinese, the other from the Japanese viewpoint.) Discuss the place and influence of treaty obligations on the development of this conflict.

Lesson II

THE TARIFF: NATURE AND KINDS (Text—Section II)

TOPICS FOR DISCUSSION

1. Define tariff, its nature and varieties. Outline the chief advantages claimed for the protective tariff, its effect on the domestic market, export trade, standards of living, wages, and development of home industries. Show how it operates when applied to agricultural produce. Give a brief summary of the best economic opinion on the subject.
2. Show how each of the arguments used to justify the protective theory would or would not be valid, if applied to each of the States of the Union or to great sections of the country.
3. Outline the main arguments against Protection.
4. Point out its relation to current arguments drawn from the desire of economic independence, political nationalism and military preparedness.
5. Discuss the argument of protectionists that the tariff has been responsible for high wages in America. (Cf. Taussig: "Principle of Economics.")

QUESTIONS

1. Has the tariff been a fruitful source of revenue? What part did it play in the expansion of industry in the United States? Was Alexander Hamilton the "Father of the Protective Tariff?"

2. Do the majority of economists oppose the protective tariff as such, or merely its extreme forms? Can their reasons be backed by facts? All in all has the protective tariff policy of the United States been of benefit to industry, to financial interests, to agricultural producers, to business men generally, to the factory workers, to farm laborers?
3. How has "log-rolling" in Congress affected tariff schedules? Has either of the great political parties in this country shown itself immune from influence of this type?
4. Has the desire for gain, stigmatized in the Papal Encyclicals, played a major part in the development of tariff policies?
5. What important raw materials have to be imported into and exported from the United States? How does this affect the doctrine of economic independence and military preparedness?

PAPERS

1. The Tariff and Taxation:
"Principles of Economics," F. W. Taussig.
2. The Happy Medium Between Extreme Mercantilism and Extreme Liberalism:
"Between War and Peace," F. B. Boeckel, Ch. on *Tariffs*.
3. Tariffs and the "Profits" Motive in Economic Life:
"Forty Years After," Pius XI. National Catholic Welfare Conference.
4. Pre-War Tariff Policy and the Outbreak of Hostilities:
"Outlines of Economics," R. T. Ely, p. 371.
5. Application of Ethical Principles to Tariff Problems.
"International Ethics," John A. Ryan, C. A. I. P., p. 17.
6. Relation of the Tariff to Agriculture.

Lesson III

THE TARIFF IN THE POST-WAR WORLD AND ITS
INTERNATIONAL ASPECT (Text—Section II, 4-5)

TOPICS FOR DISCUSSION

1. Secure two maps, one of Europe before the war and the other of Europe after the Peace Treaties. Note: (a) Changes in national boundary lines; (b) New relation of industrial to agricultural areas.
2. With the aid of statistical tables impinge on this map walls, in the shape of building blocks, to represent the number and intensity of customs barriers. Note how the movement has been accelerated in the past three years.
3. The psychology of tariff retaliation.
4. The value of the tariff as a bargaining instrument.
5. The effect of tariffs on the world price level.

QUESTIONS

1. Why has Czechoslovakia weathered the economic depression better than the other Succession States of Central Europe?
2. Did the findings of the World Economic Conference, 1927, influence subsequent tariff legislation?
3. How has the trade of Spain, France and Italy been affected by tariff reprisals?
4. Is the peace of the world seriously jeopardized by extreme tariff policies?

5. Do the nations, as has been stated, actually "grow rich together" or "grow poor together?" In what sense?

PAPERS

1. "Interests Do Not Unite Men; They Divide Them" (Woodrow Wilson):

"Can Europe Keep the Peace?" F. Simonds.

2. Relation of the Tariff to World Peace:

"Causes of War," Parker T. Moon, p. 8. C. A. I. P.

3. How Do "Import Quotas" Differ from Ordinary Tariff Schedules?:

"Shall International Trade Be Stifled?" Foreign Policy Association *Information Service*, June 2, 1932.

Lesson IV

AMERICA'S CONTRIBUTION: THE HAWLEY-SMOOT TARIFF
(Text—Section III)

TOPICS FOR DISCUSSION

1. Goods and services *vs.* gold payments.
2. Increase in unemployment and the tariff.
3. Default: Its repercussions on foreign trade.

QUESTIONS

1. How many nations lodged formal protests against the proposed changes? How many adapted their own tariff policy to the new rates? With what effects on the export trade of the United States?
2. What are the more important "invisible items" in the balance of trade? Were these in any way affected by the Hawley-Smoot tariff?
3. Can the Ottawa Agreements be traced, in part, to the tariff policy of the United States?
4. What are the pertinent counsels of Pius XI with respect to "the barriers to international trade?"

PAPERS

1. The Depression, Aggravated by Tariff Policy, Becomes World-wide:

"Protection Run Wild; European Symposium," *The Living Age*, Aug. 1, 1930.

"Tariffs and Economic Recovery," Joseph F. Thorning, S.J., *America*, May 30, 1931.

2. Foreign Investments and the Tariff:

"Recovery, the Second Effort," Sir Arthur Salter.

3. Unemployment and the Tariff:

"The Hawley-Smoot Tariff," Percy W. Bidwell, *Annalist*, June 27, 1930.

Lesson V

PROSPECTS FOR THE FUTURE (Text—Section IV)

TOPICS FOR DISCUSSION

1. Background of the World Economic Conference (1927).

2. Types of tariff agreements.
3. Lessons of the industrial crisis and financial panic.
4. The need of new leadership.
5. Paramount Christian principles.

QUESTIONS

1. Are the resolutions of the World Economic Conference (1927) still valid? How may they be put into operation?
2. Have tariff wars accelerated or retarded the forces of depression?
3. Why do politicians in the various countries pay only lip-service to the need of tariff revision?

PAPERS

1. Economic Justice and Leadership:
"Economic Disarmament," John Carter, *Commonweal*, October 23, 1929.
"The United States in World Affairs," Walter Lippmann.
2. Lessons of the Depression:
"Recovery: The Second Effort," Sir Arthur Salter.
3. An Ethical Interpretation:
"The Christian Social Manifesto," Joseph Husslein, S.J., Ch. VIII.

Lesson VI

METHODS OF REFORM (Text—Section V)

TOPICS FOR DISCUSSION

1. The "new deal" in world tariff policy.
2. The elimination of embargoes and "quotas."
3. America's opportunity and obligation.
4. The world at the crossroads.

QUESTIONS

1. Is the method of bargaining with each country independently sufficient?
2. How would international wage and working-hour agreements help the scheme?
3. How can "log-rolling" be obviated in drawing up the next tariff bill?
4. Are certain groups and interests bound to suffer in the change?

PAPERS

1. Economic Isolation:
"International Relations," R. L. Buell, Ch. VI, *Economic Internationalism*.
2. Program of the Forthcoming World Economic Conference:
"The Larger Issues," Charles Merz, *N. Y. Times*, Dec. 19, 1932.
3. Reform: A Matter of the Educated Conscience:
"The Christian Way to Peace," N. C. W. C. Joint Committee on Peace, 1929.

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THE CATHOLIC ASSOCIATION FOR INTERNATIONAL PEACE has grown out of a series of meetings during 1926-1927. Following the Eucharistic Congress in Chicago in 1926, representatives of a dozen nations met with Americans for discussion. In October of the same year a meeting was held in Cleveland where a temporary organization called the Catholic Committee on International Relations was formed. The permanent name, The Catholic Association for International Peace, was adopted at a two-day Conference in Washington in 1927. Annual Conferences were held in the same city in 1928, 1929, 1930 and 1933; in New York City, 1931; and in Cleveland, 1932. All-day regional Conferences took place in Chicago on Armistice Day, 1930, and in St. Louis on Washington's Birthday, 1932. It is a membership organization. Its objects and purposes are:

- To study, disseminate and apply the principles of natural law and Christian charity to international problems of the day;
- To consider the moral and legal aspects of any action which may be proposed or advocated in the international sphere;
- To examine and consider issues which bear upon international goodwill;
- To encourage the formation of conferences, lectures and study circles;
- To issue reports on questions of international importance;
- To further, in cooperation with similar Catholic organizations in other countries, in accord with the teachings of the Church, the object and purposes of world peace and happiness.

The ultimate purpose is to promote, in conformity with the mind of the Church, "the Peace of Christ in the Kingdom of Christ."

The Association works through the preparation of committee reports. Following careful preparation, these are discussed both publicly and privately in order to secure able revision and they are then published by the organization. Additional committees will be created from time to time. The Association solicits the membership and cooperation of Catholics of like mind. It is seeking especially the membership and cooperation of those whose experience and studies are such that they can take part in the preparation of committee reports.

The Committees on Ethics, Law and Organization, and Economic Relations serve as a guiding committee on the particular questions for all other committees. Questions involving moral judgments must be submitted to the Committee on Ethics.

Publications of the Catholic Association for International Peace

Pamphlet Series—

- No. 1—International Ethics.
- No. 2—Latin America and the United States.
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- No. 5—Francis de Vitoria.
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Miscellaneous Series—

- League of Nations in Its First Decade.
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Reports in Preparation—

- American Intervention in Santo Domingo.
- Manchuria—The Problem in the Far East.
- Is War Justifiable Today?
- Disarmament.
- The Church and Peace Efforts.
- The World Court.
- International Cultural Relations.
- Peace Education.
- So-called "Over-Population."
- Catholicism—the Keynote of Pan-Americanism.
- French-Italian Relations.

N. C. W. C. Joint Committee on Peace—

- The Christian Way to Peace.
- Peace Statements of Recent Popes.