

Tariff Protection: an American Necessity

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THE FORUM recently presented a defense of the Roosevelt-Hull reciprocal-tariff treaty law by the estimable Frank A. Southard, Jr.,* for whose good purpose I have great respect. THE FORUM asks me to reply. I do so — briefly and without statistical detail. I do so because I profoundly disagree with the fundamental philosophy which Mr. Southard submits; because I emphatically dissent from the long-time low-tariff views of Secretary of State Hull, who, by the way, is one of the most distinguished old-time Democrats in American public life; and because I deeply feel that these Roosevelt-Hull so-called tariff bargains are an affront to the American constitutional system, a menace to permanent American economic advantage, and a persistent threat to American labor, American industry, and American agriculture.

Let us first establish a few general definitions and clear away a few needless misunderstandings.

AMERICA FIRST

I AM A thoroughgoing American “protectionist” who implicitly believes that American wage and living standards, admittedly higher than in any other land on earth, cannot survive progressive disintegration and ultimate disaster except as they are faithfully “protected” — in all competitive situations — by a legitimate tariff which honestly measures the difference in cost of production at home and abroad. The Roosevelt Administration is not a protectionist administration in any such sense. Its tariff “bargains” are under the primary influence of a Secretary of State who throughout his public life has earnestly fought protection

and who is as nearly a free trader as may still be found in the United States. He is the ablest living exponent of a low-tariff policy for America. Thus we obviously approach this subject from inevitably different viewpoints, and it would be absurd to deny a certain element of mutual bias as a result. The Southard defense of contemporary “trade treaties,” in my judgment, reflects, wittingly or otherwise, the viewpoint of the Hull school, because its eulogies are reserved exclusively for exports and imports, with but passing concern for the great American domestic market which, over the years, is responsible for 93 per cent of our American prosperity. I believe that legitimate protection is more necessary today in America than ever before, (1) because our American costs of production are going constantly higher (owing, among other things, to payroll taxes for social “security”); (2) because foreign costs of production are going constantly lower (owing, among other things, to the foreign use of our methods of mass production and to exports of our American laborsaving machinery. So — let’s be frank about it — I am incorrigibly in favor of adequate tariff protection for American labor, capital, industry, and agriculture. I *do* believe in America First — and, if that is provincial, make the most of it.

DREAM BARGAINS

ANOTHER preliminary matter. Every defense of the Roosevelt-Hull treaties proceeds upon the erroneous assumption that none but these tariff bargainers appreciates the importance of exports and imports, that none else would encourage foreign trade. This is self-serving nonsense. I know that foreign trade is important to many American industries and to many American agricultural commodities and

* EDITOR'S NOTE: — “*America Self-Contained?*” August FORUM.

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I would realistically encourage it in any and all ways which do not produce a net American loss. Your Southard defense particularly attacks the viewpoints and proposals of Mr. George N. Peek. I remind you that Mr. Peek was President Roosevelt's own personal choice as his own official foreign-trade adviser; that he was President Roosevelt's own personal choice as head of his Export-Import Bank; that he is a great, invincible advocate of more foreign trade for the United States; and that his quarrel (and mine) is not with this laudable objective but with the Roosevelt-Hull formula, which is calculated, in the long view, to do America infinitely more harm than good. Mr. Peek does not disparage increased foreign trade. Neither do I. Mr. Peek disparages a refusal to pursue it realistically. So do I. Mr. Peek declines to hunt it at the cost of jeopardy to our own domestic markets. I join him in this.

Speaking abstractly at this point, the Roosevelt-Wallace economics takes thirty million American farm acres out of production by arbitrary curtailment and public subsidy, while this same Roosevelt economics does nothing to stop the importation of foreign farm commodities representing the production of thirty million foreign acres. That is my idea of foreign trade which we were better off to do without. Meanwhile the Roosevelt cotton economics, by exploded theories of price fixing, actually curtails the prospects for recapturing a vitally necessary foreign market for American cotton. That is my idea of foreign trade which we sadly need and which we may be permanently losing through (1) unsound Roosevelt economics at home and (2) failure to embrace a realistic method of definitely trading ourselves into profitable markets abroad.

So let's not encumber our thinking on this subject with any notion that the critics of the Roosevelt-Hull treaties are blind to the utility of foreign trade which can be profitably pursued. But let's have no mistake about my own conviction that foreign immigration (which is now almost universally opposed) is no more dangerous than foreign importations of competitive commodities below the level of the cost of American production.

IS IT A BLUFF?

THEN, ONE other preliminary is worth ventilating. Defenders of the Roosevelt-Hull

treaties like to imply that those in disagreement with them are nothing more than entrenched devotees of the widely assaulted Smoot-Hawley tariff law (which was made and passed with Democratic votes), in which, by the way, 94 per cent of all rate increases were on commodities of agricultural origin. This begs the question. As a matter of logic and consistency it might be parenthetically observed that, if the Smoot-Hawley tariff really deserves all the Democratic anathema which has been conveniently poured out upon it by Roosevelt orators, it is passing strange that the Roosevelt Administration — although in complete command of all branches of the government for three and one half years — has not repealed a single line of it. Indeed, in only two or three instances have any Smoot-Hawley rates been reduced by executive order, although in other directions this administration freely practices government by executive decree and although the United States Tariff Commission is headed at the moment by a gentleman who has frankly stated to a congressional committee that he believes his function is to do just about whatever the President wants. There is much New Deal activity at the political wailing wall but little or none at the point of productive contact. For myself, I think our great tariff need is an active and courageous Tariff Commission which, with a sympathetic and consistent president, will use the "elastic clause" of existing tariff law to keep our rates continuously as nearly as possible a yardstick that measures the difference in cost of production at home and abroad. That is the American formula.

So much for the preliminaries. Now for the Roosevelt-Hull treaties and the law which authorizes them.

UNLAWFUL DELEGATION OF POWER

IN THE FIRST place, I believe the law itself to be a gross invasion of the Constitution of the United States. If it is, nothing else matters — unless one be a cash-register patriot who ceases to be a constitutionalist at the point where he thinks he sees a personal profit. The law has never gone to the Supreme Court. When it does, the Court will decide. The Court passed the earlier elastic-tariff clause solely because it contained a direct and specific congressional mandate that the Tariff Commission and the president should arrive at rates which

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measure the difference in cost of production at home and abroad. The Court practically said that, in the absence of this fixed rule, the elastic tariff would be an unconstitutional delegation of legislative power to the executive — and *practically every Democratic senator* took (and voted) this precise attitude (namely, that the elastic tariff was unconstitutional), when the elastic clause was passed.

But along came the New Deal! Constitutional scruples, however reasonable (to use the President's own phrase), no longer matter. There is no cost-of-production rule in the tariff-bargain law. There is no rule at all — except that our deeply conscientious swivel-chair internationalists in Washington (and I beg that I be not deemed disrespectful, because I *do* respect their good faith) shall pick and choose which American commodities shall be favored with new export advantages and which shall be jeopardized by new import competition. There is no fixed rule. But the same New Dealers who were perfectly sure that the purely ministerial functions of the elastic tariff would wreck our representative institutions are now amazingly sure that the tariff-bargain law — as wide-open as a typical prairie State — snuggles comfortably and wisely and safely within the boundaries of the Constitution. I do not think so. Neither do some of the best constitutional lawyers in the United States, with whom I have consulted. I mention two among several — the late James F. Beck, former Solicitor General of the Department of Justice of the United States, and Thomas D. Thatcher of New York, also a former Solicitor General. Perhaps it is a horse-and-buggy inhibition, unworthy of too much attention, to put the Constitution first in these considerations. But that is my oath as a senator, and it is my dedication as a citizen.

AT THE MERCY OF BUREAUCRACY

IN THE SECOND place — if there be any argument left until this primary challenge is settled — I do not think these distinguished gentlemen in the Roosevelt-Hull State Department, even though they may be sustained by experts of whom as many as 90 per cent wear college degrees (as urged by Mr. Southard), are competent or qualified or entitled to hold the power of life and death over American labor, industry, and agriculture. Suppose their parch-

ment wisdom should go wrong! Suppose their decision to lower an American rate for the benefit of a foreign importer should put the competitive American producer out of business! Mr. Southard's article in *THE FORUM* minimizes this possibility and suggests that the hazard at most is small and can't hurt — much. Again, that begs the question. This is still supposed to be a government of laws rather than of men. It is still supposed to be a system which protects the rights of minorities — even a minority of one. Under that system and government, any American farmer or businessman is entitled to his day in court before his livelihood is stricken with what may prove to be a fatal tariff reduction.

No amount of caution or of conscience on the part of the Roosevelt-Hull horse traders can substitute for the citizen's right — the *right* — of self-defense; and no amount of persuasive sophistry can make anything but a perfunctory privilege (although Mr. Southard objects to the word) out of the so-called hearings granted to the American producer under the tariff-bargain law. Oh, yes; he is told in advance that our State Department contemplates a bargain with France, for example; and he is notified (if he happens to hear anything about the matter at all through his newspapers) that, if he thinks his commodity may be one of several thousand in Franco-American trade which might be involved in the bargain, he may appear or file a brief — a shot in the dark — against this anonymous threat. But he never knows what is specifically intended in respect to his particular commodity; he never gets a chance to confront the specific tariff change which is meditated against him by the State Department's metaphysicians; and he never gets any further word until he reads (again in the newspapers) that the State Department has put him down for slaughter. From that verdict there is no appeal. The bureaucrats have spoken. It is the end. These particular treaties require no ratification by Congress (although the Constitution says two thirds of the senators present must concur to complete the treaty process).

I maintain that the provisions for hearing these intended victims or beneficiaries, as the case may be, is not only perfunctory but a travesty on realism. I maintain that no amount of foreign trade (assuming only for the sake of this argument that such accrues) can compen-

sate for the establishment of a system which puts it in the power of Washington bureaucracy to decide for itself what shall be the destiny of American labor, industry, and agriculture. I maintain that such a system is not calculated, in the long view, to produce advantage for even its chosen favorites — because America stands or falls as a composite whole and because the right of survival is one of those inalienable human rights which no isolated dictators can justly control in a land of free enterprise.

To the American businessman who may be applauding these bargains because he happens fortuitously to be one of their transient beneficiaries and who selfishly and nearsightedly declines to be patient with those of his less fortunate fellow citizens who deem themselves menaced by their present or prospective terms, I am content to quote a warning from the old *Federalist* papers: "No man can be sure that he may not be tomorrow the victim of a spirit of injustice by which he may be a gainer to-day."

It is not to be overlooked that the existence of this uncharted and unlimited executive authority summarily to alter tariff rates within a 50-per-cent range is one more threat to that economic confidence which is indispensable to the psychology of economic recovery. To this additional extent the Roosevelt-Hull formula is bad contemporary business; for certainly no protected industry (which is to say no industry wholly dependent upon a full measure of adequate tariff rates for its continuance) can be expected to make a courageous long-range plan of activity and expansion so long as it is wholly at the mercy of these Washington "planners" with their notoriously antiprotectionist predilections. Such American interests as these can only live from day to day, hoping for the best but prepared for the worst. The President says we have "nothing to fear but fear." But the President's tariff bargains are among the vivid reasons why the protected sector of American industry and agriculture feels the precise incubus which the President thus describes. It is known, for example, that some of these planners think we should not attempt to produce anything here which somebody else can produce cheaper somewhere else and that our commerce should be regimented accordingly. Indeed the President himself did not hesitate to flirt with this view in his congress-

sional message respecting domestic sugar. Yet the application of any such mandate would decimate American factories and American farms. The underlying vice of the present reciprocal law is that an executive order can substantially precipitate this or any other economic novelty upon a relatively helpless country. There could be no more insidious breeder of economic uncertainty, no matter how nobly our overlords may meditate their dreams.

MORE ABUNDANT LIFE — FOR FOREIGNERS

IN THE THIRD place, the chances are against any balance of advantage accruing to the United States from one of these miscalled bargains.

This conclusion rests upon two premises.

So long as we make these deals under the so-called most-favored-nation theory (and that is what we do), the mathematical chances against us are about 60 to one, because, while we theoretically get a presumed trade advantage in the *one* country with which the deal is made, we give to *all* countries (enjoying most-favored-nation relations with us) all of the trade advantages in our own domestic market which we give to the one with whom we make the covenant. Considering the fact that our own domestic market is infinitely richer than any other on earth, the percentage of disparity becomes even greater. Someone has said that we never lost a war or won a peace. Someone else has said we never lost a war or won a conference. That is an exaggeration. But I shall be greatly surprised if the analogy does not finally apply to these tariff bargains which are made under circumstances that put us at a physically vast disadvantage from the very moment when the State Department gentlemen sit down with these adroit plenipotentiaries from other lands.

Defenders of the Roosevelt-Hull bargains usually counter with statistics which presume to show increased American trade with those countries with whom we have bartered. But they almost invariably neglect to show how, during the same periods, our foreign trade has also increased with other countries with whom we have *not* made bargains. In other words they transparently give all credit, for increased exports to our "barter countries," to those treaties — and none to general world recovery and a general resurgence of world trade everywhere. Furthermore, they usually fail to em-

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phasize what we have paid for these new exports in terms of increased imports (which frequently displace equivalent American production). For example, the Southard article boastfully says that in the year following our Cuban treaty "her imports from the United States increased in quantity by more than 50 per cent." Very good. Increased in *quantity*! That is the first catch — because the important thing is *value* and not quantity. But what about Cuba's exports *to us*? Not a word on that subject. I do not have the full year's statistics before me as I write. But I do have the statistics for the first seven months. Our exports to Cuba increased \$14,000,000. But our imports from Cuba increased \$24,000,000! So our balance of trade was \$10,000,000 worse than when we started. I repeat that I think in the long run we shall always, similarly, get the worst of it.

But let me refer briefly to the other premise which sustains this particular contention. If we are unbelievably lucky enough to trade absolutely even on the face of the balance sheet, we shall actually have *lost* if the new imports competitively displace equivalent American production. It is a fine thing to sell more automobiles in a given foreign country — let us call it Wonderland for anonymous identification. But if we have to let Wonderland sell us more lace, which displaces an equivalent lace production in America, then we have merely traded American labor out of a lace job and into a motor job. Then American lace labor quits buying motorcars, and even the motor industry has merely traded a sale at home for a sale abroad. A sale at home is worth more to us than a sale abroad, because the home sale (of a motorcar, for example) contributes to our continuous trade through the use of spare parts and gasoline, servicing, etc. In other words, I greatly dissent from the Southard thesis that the "nationality of a sale is of no consequence." I think it is. Lincoln said that when we sell abroad "we get the money, and the alien gets the goods" but when we sell at home "we keep both the dollar and the goods." This is not to be applied too literally, but it still presents a sound philosophy. It illuminates one of my reasons for believing that tariff bargains may prove to be a mirage even to their intended and often temporarily enthusiastic beneficiaries.

Since I have mentioned motorcars, I think

in fairness I should add that many motorcar producers disagree with these contentions and favor the Roosevelt-Hull treaties. It is particularly distressing for me to disagree with them, because they are my constituents and they certainly know more about selling motorcars than I do. But when, under such circumstances, I persist in the disagreement, I shall at least be credited with deep convictions upon the subject. I should also add, gratefully, that the State Department has been highly considerate of the motorcar industry in negotiating these treaties. But I dare to believe that, in the long run, those motorcar producers who do not believe in the Roosevelt-Hull philosophy will live to be vindicated in their opinions. I venture the further prediction that these tariff bargains will cost this administration more popular support, in practical terms of votes, in the Northeast, the Middle West, and the Northwest, where the vice of any paraphrase of a low-tariff policy (this one included) is grimly and intimately understood, than any other single thing.

Ours *must* be a protected economy — until we are ready for the World State and ready also to sink to its living level. Ours *must* be an economy dependent primarily on our own great and precious and priceless domestic market, which produces 93 per cent of our normal trade. If we use the 93 per cent as bait in fishing for the other seven per cent, we shall wake up to discover that we have traded our birthright for a mess of pottage.

THE GREAT MIRAGE

THIS LEADS me to the fourth and final consideration. It is sheer folly to talk and think of world trade in the astronomical figures of the last two decades. That day is gone for many a year to come. Advocates of the Roosevelt-Hull tariff bargains constantly talk about the time when we had an annual \$5,000,000,000 export trade. They infer that it is again available if we will but pursue it according to their infatuate schemes. I respectfully deny it. There were just two eras in which we had those \$5,000,000,000 exports. One was the World War era, when this swollen commerce was directly induced by a cataclysmic tragedy which, I take it, none of us would duplicate for all the money on earth. The other was the post-War era, in which we loaned incalculable sums

abroad, to finance the continually swollen purchases of our goods by foreigners. The loans are in default. The foreigners have both our money and our goods. I take it that none of us would repeat that incalculable stupidity for the sake of a renewal of those record exports. How else, pray, can it be done? — particularly at a moment when the whole round earth is striving for self-containment (and when, don't forget, we are contributing to it not only by exporting our mass-production machinery and methods but also by operating 2,000 branches of our own great production units abroad).

Let me illustrate with an example, in the field of agriculture. In 1928 we sold Cuba 6,102,000 dozen eggs. In 1933 we sold Cuba 26 dozen eggs.

Take a kindred figure in textiles. In 1928, we sold Cuba 699,000 dozen pairs of cotton hose. In 1933 we sold Cuba 4,834 dozen pairs of cotton hose.

What happened? To some extent, other trade routes were opened. But basically the answer is *self-containment*. The old conditions will not prevail again under *any* circumstances.

‘This is a realistic world. We Americans had better be realists in dealing with it. America built herself up as a great nation, with high wage and living standards, by a protected system of potential self-containment. The poorest time on earth to abandon it is when other lands are now proceeding in kind. We can make some useful export bargains if we bargain as realists. This means an identified *quid pro quo* when the bargain is made. Self-containment can never be perfect. That is true here and everywhere else. Our bargains should deal primarily with the noncompetitive commodities.

I have no quarrel with appropriate efforts of the State Department to bargain us into reciprocal trade in return for our vast purchases of raw materials abroad — provided the bargains actually produce foreign trade instead of a mere invitation to foreign trade. But the general pursuit of bargains in competitive and necessarily protected fields is, in my view, both illogical and disastrous; and the pretense that a stable American prosperity can be regained by reliance on *any* such bargains, in a world which everywhere seeks self-containment, is, in my view, a pathetic mirage.

One day last year Mr. Paul Mallon, a highly

reliable Washington newspaper correspondent, reported the following:

Five big cotton men went to the White House about ten days ago. . . . They stressed particularly the big decline in cotton exports and possible permanent loss of our foreign markets because other nations are planting more cotton. . . . The President is said to have left them with the idea that foreign trade is a thing of the past. Whether rightly or wrongly, they got the view that the President believed the United States would eventually have to reconcile herself to the prospect of living largely within herself. . . . Most foreign-trade experts have come to that view, although they do not dare say so openly.

I add one other significant quotation. It is from an article prepared for American publication by Mr. Chester Davis, former head of the AAA and now a member of the Federal Reserve Board. Mr. Davis was completing a tour abroad. He prepared an authorized interview with the Associated Press for publication in American newspapers on April 18, 1936. He cabled a “kill” order on the story a few hours ahead of its release date but not in time to stop publication in the *Newark Sunday Call*. I quote from it:

I am afraid those who hope for a suddenly revived European market for our farm products as the immediate solution to our American agricultural problem are destined for disappointment. . . . Under the rising surge of nationalism and the continued threat of war, with the possibility of food supplies choked off by blockade, the leading countries in Western Europe are striving to become self-sufficient and, so far as possible, to produce their own foodstuffs. . . . I see no sense wasting our soil resources and great national heritage to produce for a market we cannot have because of circumstances far beyond our control. . . . These are stubborn facts that no amount of wishful thinking in the United States will change, and they affect European export trade in many lines.

There you are. My authorities are out of the Roosevelt party itself. They may or may not be good. In this particular I agree with them.

THE AMERICAN WAY

WE WANT all the exports we can get — and, by the way, we can balance a very large export trade without any compensating competitive imports, through the use of our enormous foreign credits created by tourist expenditures abroad; by immigrant remittances sent back to the old homelands; by foreign collections on American securities owned abroad; by our unavoidable use of the foreign merchant marine; and by our necessary pur-

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chases of noncompetitive raw materials. We want all the exports we can get; and I heartily favor a realistic pursuit of them. But we cannot base our recovery economy upon any such pursuit. Our recovery will come essentially at home and out of our home markets. Anything else is what Mr. Chester Davis rightly calls wishful thinking. This may not be the way we should like to have things. But it is the way things are.

I have but skimmed the surface of my text. Space limitations prohibit the exhaustive analyses which this subject deserves. I have not meant to be dogmatic. No one can be entirely sure of himself in these perplexing, tinder times. Many men who otherwise disagree greatly with the New Deal are in sympathy with its reciprocal-tariff-treaty law. But I have

a deep conviction upon the subject. I think the law should be repealed. I think it should be replaced with a constitutional measure which will permit realistic tariff bargains which can stand the scrutiny of Senate ratification. I think that in this and in all other things we should follow the American way for the benefit of America first. I should like to have the opportunity of sustaining and promoting an administration which will do, in these related respects, what Secretary of the Treasury Morgenthau *said* (the verb, unfortunately, must be discriminatingly emphasized) the present administration would do:

The Administration will evade no opportunity to assist in the direction of world prosperity, except the ever present opportunity to donate prosperity at our own expense.



ANNAPOLIS— Stronghold of Mediocrity

by **JAMES OLIVER BROWN**

ONE OF THE best known of our service schools is the United States Naval Academy at Annapolis, where young men from the ages of sixteen to twenty are taken in to be commissioned four years later as officers of the United States Navy. In spite of the great amount of publicity given the Academy, the American taxpayer knows little about this expensive institution. Much of his knowledge is erroneous.

I lived the strenuous life of a midshipman. I arose at six-thirty and went to bed after a full day at ten-fifteen. I swept, scrubbed, and dusted my room, learned to arrange my few possessions in an orderly manner. I ate three

meals a day at regular hours, spent regular hours studying, attended three classes every day, took examinations every month, took part in a drill every day in everything from cutter rowing to gunfire control. I walked extra duty with a gun for demerits received for breaking rules. I looked forward to a coveted five hours on Saturday afternoon, when I could go to town, and a few hours on Saturday night, when I could dine with friends or go to a hop. I marched to chapel every Sunday morning and crowded my Sunday afternoons with luncheons, teas, parties, and dances at Carvel Hall. I experienced the depression which every mid-