

## Shrink Agriculture or Shift Tariff Protected Industries

BY THEODORE W. SCHULTZ

It was pointed out in the previous chapter that the United States has, due to the circumstances of the World War and the post-war period, graduated from the position of the world's greatest debtor to a position as one of the two greatest creditor nations. It is an inescapable fact in international trade that a mature\* creditor nation cannot sell as much to other countries as it is obliged to take from them.

### Less Exports or More Imports

There are essentially two ways by which this adjustment in our foreign trade can be made. We may either decrease our exports or increase imports. Naturally, a combination of the two is also possible.

For a long time we have looked upon ourselves as an exporting country, and rightly so. Since 1874 American trade has been marked by an export trade balance. The value of exports exceeded imports; we sold more goods to foreigners than we took from them.

Up until the World War our trade balance reflected our debtor position. We were a mature debtor country. We had borrowed more capital from abroad than any other country. In order to make interest and sinking fund payments to foreign citizens it was necessary for us to export more than we imported. It is estimated that at the time of the outbreak of the World War Americans were paying about \$200,000,000 a year to Europeans for the use of capital. In contrast, the principal creditor countries, such as the United Kingdom, pre-war Germany and France, imported more than they exported. This, too, was only natural. These trade balances merely reflected the financial positions of the respective countries.

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\*A mature creditor nation is said to exist when new loans to foreigners do not cover interest and amortization due it on previous investments abroad, and a mature debtor nation exists when funds borrowed currently from other countries are not as large as interest and sinking fund payments due other countries on all previous foreign loans.

A mature debtor country must export more than it imports to balance its international payments. Germany, India, Argentina and Mexico are in this position at the present time. Similarly, a mature creditor country is obliged to import more than it exports. The United Kingdom, France and the Netherlands are examples of such countries.

### **Relation of Prosperity to Trade Balances**

It is a common belief that a country gains from international trade only when it sells more than it buys. There is no adequate foundation for this belief. In fact, it is contrary to one of the basic principles underlying all trade among countries. In the last analysis, imports pay for exports. **They are a nation's receipts for the commodities that it sells to foreigners. To refuse to accept imports is to refuse payments for goods sold and awaiting to be sold.**

The trade balance in itself is therefore not a key to the prosperity of a country. For instance, the prosperity of the United States during the years preceding the war is no more to be attributed to the excess of exports that characterized our trade balance, than is the British prosperity of the same period to be accounted for on the grounds of an excess of imports. The economic well-being of a nation depends upon other considerations, principally on the effectiveness of its workers, the state of the arts, and the abundance of natural resources.

From a national viewpoint large exports and small imports are in themselves neither desirable nor undesirable. Foreign trade is closely related to the international flow and ebb of capital. A trade balance reflects the debtor or creditor position of a country and not the prosperity of the people. Although the time has come when the United States must change from an exporting to an importing country, this transition should occasion no alarm.

Two alternatives have been stressed, namely: (1) shrinking the export industries, including mid-western agriculture, to more nearly a domestic basis, thus cutting down exports, or (2) scaling down our tariff walls so as to permit enough imports, which would probably be chiefly diversified manufactures, to make it possible for farmers and manufacturers to sell a part of their produce in foreign markets.

**TABLE XLI. BALANCES OF INTERNATIONAL PAYMENTS OF THE UNITED STATES SHOWING NET INCOMING PAYMENTS AND NET OUTGOING PAYMENTS OF THIS COUNTRY FOR 1922-1930 AND FOR 1931 AND THE PROSPECTIVE LONG-TREND OUTLOOK OF EACH CLASS OF TRANSACTIONS**  
(millions of dollars)

Class of international transactions	1922-1930 yearly average	1931	1932 <sup>b</sup>	Prospective long-trend outlook
<b>Commodities*:</b>				
Export .....	4,834	2,424	1,612	Decrease, relative to imports.
Import .....	4,212	2,090	1,323	Increase, relative to exports.
<b>Net incoming payments to the United States:</b>				
1. Commodity trade balance .....	622	334	289	A complete reversal is probable, imports exceeding exports.
2. Earnings on foreign investments .....	493	754	610 <sup>c</sup>	Likely to increase in size and in importance. Considerable default at present.
3. Returns on war debt	205	113 <sup>d</sup>	99 <sup>d</sup>	Further scaling down in prospect.
4. All other items.....	4	0	0	Cancels out against item (4) below. No significant change probable.
5. Gold (exports) .....	0	176	0	Flows out or in upon the slightest pressure. Long-run direction of flow undeterminable.
<b>Net outgoing payments from the United States:</b>				
1. Capital exports .....	513	0	0	Few loans likely to be made to foreigners for some years. After international stability is reached, they are likely again to become important.
2. Tourist expenditures	521	456	375	Subject to many unforeseeable factors. This item will probably remain large.
3. Immigrant remittances .....	214	163	132	Definitely declining and will gradually disappear.
4. All other items .....	0	758 <sup>e</sup>	480 <sup>e</sup>	The 1931 figure represents short term credit changes, a danger signal of pending uncertainty. Normally likely to cancel out against item (4) in net incoming payments.
5. Gold (imports) .....	76	0	11	See (5) above.

<sup>a</sup>Adjusted for difference in year end lag.

<sup>b</sup>Preliminary.

<sup>c</sup>Includes \$218,000,000 for 1931 and \$217,000,000 for 1932 of net inflow of funds into the United States as a result of international securities transactions.

<sup>d</sup>1931 and 1932 reflect the Hoover Moratorium and also the default and postponement of some countries in 1932.

<sup>e</sup>Of these figures \$709,000,000 for 1931 and \$371,000,000 for 1932 represent a net outflow of short term capital from the United States. It reflects especially the sharp drop in deposits carried in the American market by foreigners.

Source: Based on the studies of Ray Hall, formerly assistant chief of the Finance and Investment Division, Department of Commerce, and of Amos E. Taylor, present assistant chief, as reported in "Balance of International Payments of the United States in 1931," Trade Information Bulletin No. 803.

Whether it is better national policy to shrink the export group or allow more merchandise to be imported depends principally upon the advantages or disadvantages of tariff protection. Before examining the arguments commonly advanced for tariffs, however, it will be necessary to consider how foreign trade adjusts itself to tariff barriers when, for instance, other countries are obligated to make large dollar-payments to the United States.

### **ADJUSTMENTS NOW TAKING PLACE IN OUR BALANCE OF PAYMENTS**

Even though the United States does not change its tariff policy, are there not some well defined long time adjustments in process that will eventually correct the acute scarcity of American dollars abroad? After all, are not the painful ruptures in our foreign trade healing themselves? Let us consider some of the forces that are at work which if left alone should in time relieve the pressure on incoming payments—trends that give promise to correct the vicious state of affairs now existing in our balance of payments.

It is easier to see how these adjustments take place when one studies the case of the foreign country meeting the pressure of outward payments to the United States. Keep in mind that we are protected by a high tariff wall.

Briefly, many foreign countries each year must make immense payments to us. These payments must be made in dollars. Up until 1930, in most of these countries no apparent scarcity of dollars developed. There had been a rapid increase in foreign loans obtained from us which made dollar exchange plentiful. When foreign loans stopped, as they did during 1930, pressure soon developed.

#### **Premium on Gold**

Foreign countries must continue to make large payments to the United States. To obtain American dollars, now that credit is no longer available, they must sell their goods to us. At present we stand ready to receive gold and certain raw materials without the penalty of a tariff. Most manufactured articles are allowed to enter only after paying a heavy customs duty.

Gold, moreover, has special privileges. Not only is it permitted free entrance; but it is acceptable in unlimited amounts and at a fixed price. All other duty-free articles if imported in excess of usual requirements are acceptable only at a much reduced price. This places gold in a favored position. As a result, in all countries making heavy payments to the United States there arises a premium on gold.

Under normal conditions premiums on gold of this nature are the very forces that correct the pressures that may develop in the international balance of payments. Since the monetary structures of these countries are based on gold a premium on it tends to press internal prices down. Their price levels in terms of gold would therefore separate downward from ours.

Since the outflow of gold from a country reduces the price level and the inflow raises it, the movement of gold to the United States to discharge foreign obligations should set forces into operation that would relieve the scarcity of dollars abroad. In barest outlines the process is as follows. Gold imports would inflate our price structure. The loss of gold by the outside world would deflate their price structures. Thus our prices would separate from those of other countries. This would act as a check on our exports and as a stimulant to imports. Foreign goods would come in over the tariff wall in large enough amounts to reestablish a balance between outgoing and incoming payments.

But why did this corrective not take place during the last decade? Certainly, all of the countries that made heavy payments to us have experienced a scarcity of gold. Furthermore, gold has flowed in extraordinary amounts into the United States.\*

### **Sterilized Gold**

In the first place much of the gold that was sent to us was absorbed by the Federal Reserve Banks. The system acted

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\*The United States, which in 1913 held only 23 percent of the gold in the world, in 1931 had 43 percent of the total supply. England and Germany had 10 percent and 11 percent, respectively, of the world's gold in 1913; by 1931 their share had fallen to slightly less than 7 and 3 percent. During this period France had increased her holdings from 15 to 19 percent, while Russia's share had dropped from 11 to 3 percent. Two countries in 1931 had come to possess over 60 percent of total gold stocks. On the other hand, two great trading and financial countries—England and Germany—were forced to operate on less than half of their former gold reserves. Rogers, James Harvey. "America Weighs Her Gold." p. 211. Yale University Press. 1931.

partly as a sponge soaking up the incoming metal. Consequently it did not lead to a proportional enlargement of the credit structure. Hence prices did not rise to the full extent that available gold stocks would have allowed.† The policy of the Federal Reserve Banks in not letting domestic prices inflate more than they did prior to 1929 may have been commendable. But whereas a stable price level was a good national objective, it threw an undue strain upon the price structure of the rest of the world. By attempting to keep domestic prices in hand, that is, avoiding undue inflation prior to 1929, the Federal Reserve Banks counteracted the effects of much of the incoming gold. Thus they lessened the curative powers of the incoming gold in reestablishing a normal balance in our international payments.

### Tariff Warfare .

In the second place, we followed a policy of trade restriction. Whenever a stream of goods showed signs of coming in over our tariff wall we quickly raised additional barriers. The Tariff Act of 1922 practically closed the American market to foreign goods, except for certain raw materials. The Tariff Act of 1930 followed with its all but prohibitive duties. To the extent that the loss of gold abroad lowered their price levels it should have aided foreign manufacturers in selling in our market.) But relief in this direction proved impossible. Any separation of our price level from that of other countries was more than offset by new and higher tariffs.

Thus the rupture in our balance of international payments has not been mended. The healing process that might and should have taken place through increased merchandise imports was purposefully frustrated. Two things have happened chiefly as a result of our foreign trade policy: (1) It has snapped the bond that in the past tied the various price structures of the world together. Nearly all of the rest of the world has been

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†Observe the following figures. Roughly the Federal Reserve Banks are required by law to keep a "reserve ratio" of 40 percent. At the end of 1920 they had 43 percent; 1921, 70 percent; 1922, 73 percent; 1923, 75 percent; 1924, 73 percent; 1925, 69 percent; 1926, 71 percent; 1927, 66 percent; 1928, 63 percent; 1929, 70 percent; 1930, 74 percent; 1931, 67 percent; 1932, 63 percent. Statistical Abstract of the United States 1931 and Federal Reserve Bulletin, January, 1933.

forced to abandon the gold standard.\* Premiums on gold became too high for them to support. (2) It has brought about widespread restrictions on trade, some of which have been retaliatory and some defensive in character. Many countries have been forced to use tariffs to protect the stability of their currency. Nationalism, too, has played an important part. Consequently, innumerable trade barriers have been raised against our commodity exports. Such is the impasse in which we find international trade at present.

Although inflowing gold was in part sterilized and merchandises were not accepted without a heavy tariff penalty, other important corrective influences appear to be at work. Given time they promise to relieve, in some measure, the acute scarcity of American dollars abroad. The more important ones are:

1. Migration of American industries to foreign countries.
2. An abrupt downward separation in terms of gold of the internal prices of other countries and ours due to depreciating currencies abroad.
3. The probability of tourist travel, an invisible import, increasing.
4. Foreign tariffs, import quotas, milling restrictions, and exchange controls which forcefully reduce our commodity exports. Each of these will be briefly examined.

### **Migration of American Industry to Foreign Countries**

The American manufacturer who is dependent upon foreign outlets has one escape. If the goods that he makes cannot be sold abroad because of tariff barriers and the unavailability of American dollars in foreign countries, he can export his factory. Many of the most aggressive and efficiently managed industries have done exactly this; they have established factories abroad. Observe two characteristics of this migration of our industries to other countries: (1) The industries opening plants abroad are among the leaders in paying high wages, in using efficient methods of production and in having outstanding managerial personnel; (2) while this escape is open to the resourceful businessman, it is not open to the farmer. Obviously, it is impossible

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\*The United States, too, has departed from the gold standard. One cannot foresee, now, what measures the United States Government will adopt upon monetary policy.

for Iowa farmers to establish branch farms in Germany and England to produce the lard that they formerly sold to those countries.

The Department of Commerce estimates that there were 524 American manufacturing establishments in Canada at the end of 1929 compared with 186 in 1918. Of the 453 American plants reported in Europe for 1929, only 82 were established before 1918. No branch factories were established in South America before 1920. Nine years later Latin America had 49 American branch factories and a total of 153 manufacturing plants. Our manufacturers had also established 64 plants in Africa and Asia and 42 in Australia and New Zealand. It is estimated that the total number of American plants abroad at present is over 2,000 and that they employ between 400,000 and 500,000 workers. By exporting the factory the need for exporting manufactured goods is decreased. Thus the demand for American dollars required to make payments to the United States is being lessened in foreign countries.

Tariffs are not the only factor that has motivated American industries to migrate. Those who invest in oil, mining and agricultural activities abroad are only taking advantage of productive natural resources. American-owned Mexican oil wells, Cuban sugar plantations and Canadian pulp and newsprint factories are of this nature. Costs of transportation, patent services and national sentiment have induced some to migrate. But it is safe to say that the ever growing tariff walls have unquestionably been the most influential factor.\*

Our Tariff Act of 1930 went into effect in June; by September the Canadians had raised their tariffs. Observe what has happened as a result. During the period from September, 1930, to June, 1931, 74 additional American branch manufacturing companies were established in Canada; nor has the movement stopped. Canada has preferential tariffs with 29 countries under the British flag and favorable trade agreements with 43 others. These markets are, therefore, open to the American

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\*" . . . the tariff is in the majority of cases the first obstacle that the American exporter is likely to consider in connection with his export trade plans. It is safe to state that in the case of Canada, where probably the greatest number of American branch plants are located, the tariff is the most influential factor. . . ." Senate Document, No. 258. American Branch Factories Abroad. 1931.



branch factories that move to Canada. But the payrolls also have been transferred across the line; Canada undoubtedly has profited thereby.

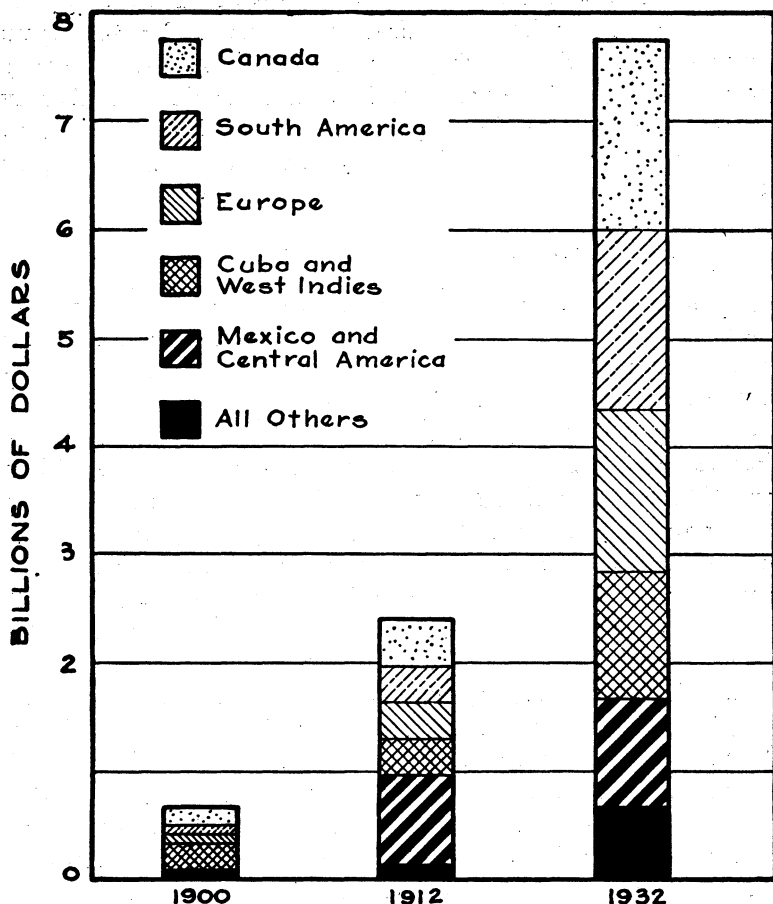


Fig. 20. The movement of American industries to foreign countries (based on American Direct Investments in Foreign Countries. Trade Information Bulletin No. 731, 1930, by Paul D. Dickens. Additional direct investments made since 1930 are based upon data given in Trade Information Bulletins No. 761 and 803).

It is of special interest to note what industries are leaving the United States. At the end of 1929 the manufacturers of agricultural and industrial machinery had 147 such plants; pharmaceutical products, 102; electric and telephone supplies, 98; automotive industry, 87; paints and varnishes, 32; and so on

down the line. The ariteles, according to the Department of Commerce, range from typewriters to mining machinery and from cough drops to automobiles. As is shown below these industries have been among the most effective in using American labor. This group has been directly responsible for forcing up our wage scale. Because they were among the most efficient they were able to pay high wages and at the same time sell cheaply enough to attract foreign buyers. But, the present, in order to maintain these foreign outlets, they find it necessary to export their factories.

### Depreciated Currency

Outside of France, practically the whole world has departed from gold.\* Because gold increased in value relative to all other commodities, it came to command too high a premium. As a result country after country found it impossible to pay the price necessary to stay on gold. The immediate causes for abandoning the gold standard are both numerous and complex. They are different for each country. But since they are not germane to our analysis, they may be omitted. The question arises: What determines the value of the money of those countries no longer redeemable in gold? The answer is simple. Take the English pound. Since its price is no longer fixed in terms of gold, the free play of supply and demand forces now determine its market value. The thing that happened to sterling was similar to what took place in wheat during and after the operations of the Farm Board. The Farm Board had fixed the domestic price of wheat and stood ready to buy or sell any amount at a fixed price. World economic events soon showed that the Farm Board's wheat price was too high. When it abandoned wheat the price of wheat quickly found a new level, determined principally by supply and demand forces. As in wheat, the foreign exchange markets at present establish the price of currencies no longer based on gold. Let us briefly examine the supply and demand factors, for instance, of British sterling.

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\*The United States is at present off the international gold standard. The reasons for this action on the part of the Federal Government have not been external but chiefly internal. The collapse of the banking structure within the United States rather than the pressure of outward payments of dollars to foreign countries was responsible for the suspension of gold payments.

On the supply side of sterling are British importers and all other persons who want to part with sterling in order to get foreign currencies. This includes the British government and citizens who have borrowed American funds and who want dollars to pay interest and sinking funds. On the demand side are all buyers of British exports and all other people who want to exchange foreign currency for sterling. The market for British money today is like the market for wheat and corn. The price from day to day is no longer fixed but it fluctuates according to the dictates of supply and demand. What is true of sterling applies to every currency inconvertible into gold.

Note what happens. Since there is a pressure on outward payments in these countries, they are anxious to exchange their currency for dollars. But dollars are scarce. So they are obliged to bid up the price of dollars, that is, they must offer more of their money to induce those persons who have dollars to sell. Thus their currency depreciates relative to dollars. But this action corrects the balance of payments. It does this in two ways: (1) by checking the consumption of those goods that are imported, and (2) by stimulating exports.

A book published in England before England abandoned gold cost, we will say, \$4.86. In France, or countries still on the gold standard, it can now be bought for a much reduced price, about \$3.40. Before the United States went off the gold standard this trade advantage was true for our importers. Contrary to popular belief, however, we did not import more, relatively, than we did before the wholesale depreciation of foreign currencies.

The chief reason why depreciated currencies did not have any noticeable influence on our imports was because our tariffs are specific duties or a combination of specific and ad valorem duties, with customs collected on the basis of which proves to be the higher of the two. When prices decline a specific duty increases relative to the value of the commodity. Take sugar. When raw sugar sold for 4 cents a pound at the point of importation, the duty of 2 cents per pound was 50 percent of the price of sugar. But with Cuban sugar selling at 1.3 cents per pound at New York, as it did in 1931, the tariff penalty became 150 percent of the import price. This increase in tariffs tended to offset the advantage to importers created by the depreciation of currencies in exporting nations.

In the same way depreciated currencies tend to reduce the imports to that country—or the exports from a country with a stable currency. An American automobile that sold for \$750 in England could be bought for 150 pounds sterling before England went off gold. When the sterling depreciated an Englishman had to pay many more pounds sterling for the same automobile—about 215 in February, 1933. Wages, salaries and other forms of income in England did not change materially so that it was much harder for the English to buy our goods.

This, of course, does not hold for imports coming from countries that also have had their currencies decline in value. The Danish krone is quoted at 58 percent of its par exchange value, while the pound is selling for 70 percent of its former gold value.\* Accordingly, English consumers are not checked in buying Danish goods, instead it is slightly to their advantage to use commodities produced in Denmark. In all of the preceding analyses it has been assumed that internal prices—wages, salaries, taxes, contractual obligations involving capital investments and those commodities produced and consumed within the country—are more or less rigid in character.

### Travel Abroad†

The downward separation of many foreign price levels away from our own may be expected, in normal times, to encourage Americans to travel abroad. Although the depression has sharply reduced tourist travel, it would seem that the cheaper costs in Europe and elsewhere are likely to act as a strong inducement for Americans to spend, when incomes again permit, their vacations abroad. As living costs become progressively cheaper in foreign countries, foreign travel may be expected to become increasingly popular. Services and goods bought by our tourists have the same influence as imports of merchandise; in fact, they are considered an invisible import. They help to correct our balance of payments. Tourist expenditures are already an important source of dollars to Europeans. "Thus, in true lordly

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\*February, 1933.

†When this was written the dollar had not depreciated materially in the foreign exchanges.

fashion, may we eat and drink at the tables of our debtors much of what our system of trade restrictions make impossible for us to receive in more direct ways.'''\*

### Trade Barriers Abroad

It is not necessary to stress the adverse effects of the many forms of trade restrictions enacted by those countries that heretofore have been our best customers. There are all manner of tariffs, quotas and milling restrictions. The most drastic has been the control of foreign exchanges. Viewed from the standpoint of the countries required to make heavy outward payments, import restrictions are for them rational correctives. In large measure, they have been forced to use them in self-defense. Because of the demand for outward payments, they must export more than they import. To accomplish this they have curtailed imports, the one factor within their control.

One example will suffice. Take Cuba, heavily in debt to us, a producer of one crop, sugar. Americans are among the heaviest consumers of sugar in the world; the Cubans normally use more lard per capita than any other people. We need their sugar and they want our lard. But what has happened?

Sugar is selling for less than 1 cent a pound in Cuba. Our tariff is 2 cents a pound. The Cuban government has retaliated by increasing the duty on lard to 7½ cents a pound, and as a result the selling price of lard in Cuba is three times the Chicago price. Observe the results. Cuba, which in the past has been our third largest consumer of lard, exceeded only by Great Britain and Germany, has reduced her lard purchases to less than one-third of normal. Cuba, which usually took around 80 million pounds, in 1932 bought from us only about 25 million pounds of lard.

Adjustments of this kind, although they tend to correct our balance of payments, that is, they bring the supply and demand of dollars in the outside world into an equilibrium, chiefly by decreasing our exports, fall, of course, heavily upon the American exporter, who is the most efficient of all domestic producers. The correctives now taking place bear with ruthless severity

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\*Rogers, James Harvey. *America Weighs Her Gold*. p. 155.

upon those industries, agricultural and non-agricultural, that are dependent upon foreign outlets. As all of the preceding study shows, at present, knowingly or otherwise, the United States is carrying out a policy the consequences of which can be none other than to decrease exports.

## **SOME CONSEQUENCES OF LOWERING TARIFFS**

In the preceding analysis we noted that the burden of the adjustments now taking place in our balance of payments fall chiefly upon the American producer dependent upon foreign outlets. The movement of exporting American factories, the effects of depreciated currencies and the influence of trade barriers abroad all bear adversely on the exporter. Since downward tariff adjustments are the principal alternative, the remainder of this study is devoted to an examination of the consequences that probably would arise from a scaling down of tariffs.

Tariffs are intended to check imports. It is the protective aspect and not the revenue-raising feature of tariffs that is commonly stressed in Congress. What reasons are there for a nation to check, in fact, often prohibit, imports? Is it better national policy gradually to reduce the tariff protection which is at present supporting certain industries and thus increase imports, or let the correctives now taking place contract the export industries to somewhat more nearly a domestic production basis?

Many arguments are advanced in favor of tariffs. The more important of these are as follows. Tariffs, it is claimed:

1. Help maintain the standard of living of a high-wage country against the competition of a low-wage country.
2. Provide a home market for the American farmers.
3. Protect labor and if used in an emergency reduce unemployment.
4. Protect the domestic producer against foreign dumping.
5. Aid in building up industries that are necessary for the national defense of a country.
6. Foster infant industry.

7. May be employed to facilitate internal economic adjustments.

Each of these arguments will be examined in turn. Although space does not permit a full discussion of all aspects of the tariff question, an endeavor is made to show in broad outlines how tariffs apply under present conditions to this country. The treatment, of necessity, is in general terms. Yet an attempt is made to distinguish between tariffs as emergency measures and tariffs as part of a long-time policy.

### High Wages

It is evident that many factories could not pay the wages that they are now paying if the tariff on their products were sharply reduced. This fact leads many people to conclude that our high wages are to be attributed to tariffs. Stated in another way, they believe that inasmuch as the American scale of wages is higher than in foreign countries, cheap foreign goods must be kept out or else under competition wages will be forced down. To what extent is this assumption valid for our wage scale as a whole?

It is commonly recognized that the automobile industry has been one of the leaders in bringing about higher wages. But automobiles are not tariff-protected; they are exported. Our motor industry has captured markets the world over in direct competition with automobiles made with much cheaper labor in France, England and Germany. The explanation is simple. The American worker is more effective than the European. The reasons are several. Mass production, specialization of labor, superior managerial personnel and an abundance of resources all play a part. Take, for example, the experience of American branch factories abroad, many of which find the efficiency of European workers lower than that of the American. "An American automobile plant assembles a certain model in about 34 hours. . . . Its European subsidiary assembles the same model in 60 hours. . . ."\*

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\*Parker, Graham W. "American Branch Plants in Europe," *Factory and Industrial Management*. October, 1932.

Take an illustration in agriculture. The rice farmers of Louisiana, Arkansas and especially of Texas until recently were among the most prosperous in the entire South. They, too, are on an export basis. Their rice is sold to Europe, Canada, Latin America and even to the Orient. The chief exporting countries are India, Siam and Indo-China. At first thought it would seem impossible for us to compete with these countries for world markets in view of their unlimited supply of cheap labor and low standards of living. But, again, the explanation is not difficult. The average rice farmer in Texas harvests 10,000 bushels a year. He uses the most modern large scale machinery.† The Chinese farmer depends at best upon a water buffalo, a crude plow, a hoe, a sickle and a flail. Buck‡ found that it takes a Chinese farmer 945 man-hours to produce an acre of rice. Compare this with the 20 to 30 hours of man-labor that the American spends per acre. In reality, it will become increasingly difficult for the Chinese to hold his home market in the face of our low cost of production.

There is no doubt that wages are higher in the United States than in Europe. This is true not only for money wages but also for what wages buy, namely, real wages. This means that the American worker can buy more food, shelter and clothing for a day's work than can Europeans.

It is clear, however, that higher real wages cannot be handed over to workmen by the employers unless the workmen turn out a larger volume of products. If all Americans gainfully employed were no more effective in production than Europeans, wages could be no higher in the United States than in Europe. All of the income of a country has its origin in the output of its industries, agricultural and non-agricultural. High wages

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†It is of interest to note that Prof. Seaman A. Knapp, who left Iowa State College in 1885 to develop the rice industry of lower Louisiana, was the principal pioneer in bringing about the remarkable technical advancements which domestic rice growing has undergone. He introduced modern machine methods, thus revolutionizing rice production. He induced farmers from the north central states, especially from Iowa, who were familiar with large-scale machinery, to come to southwestern Louisiana and take up rice growing. These farmers lost no time in turning to machinery. As a result, whereas we formerly imported up to 5,000,000 bushels of rice a year over a tariff wall of 1½ cents a pound, we now export as much as 25,000,000 bushels annually. See Howard W. Odum, "Southern Pioneers," for an account of the important role played by Seaman A. Knapp. The University of North Carolina Press, pp. 89-115. 1925.

‡Buck, John Lossing. "China's Farm Economy." University of Chicago Press. 1930.



cannot be paid unless the chief industries of a country are highly productive.

The high real wages, hence the high standard of living, of the United States rest fundamentally upon the greater productivity of the American farmer and worker.

### Unprotected Industries

But not all industries are equally effective in converting work into articles that people want. The rice farmers and the workers in the automobile industry are especially so. Labor is most productive in those industries that can sell cheaply enough to capture foreign markets and it is least productive in those fields that require prohibitive tariffs in order to operate. For example, labor used in producing wheat in Kansas with combines, tractors and other large-scale machinery is extremely effective, while labor used in growing sugar beets, at present, is comparatively ineffective. One is suited to the economy of the United States while the other apparently is not. The Kansas farmer who pays high American wages sells his wheat at world prices. He was, until recently, when policies beyond his control closed his foreign markets, producing at a profit. On the other hand, the sugar beet grower using cheap foreign labor, usually Mexican, has needed a high tariff so as to enable him to operate at all. Should the sugar beet industry be able to mechanize and thereby increase its labor productivity several fold, it, too, may become effective, be able to employ American workers, and hence become adapted to our economy.

The general effectiveness of the workers in the dominant industries of a country tend to establish the general wage scale.

In agriculture the tempo is set by such farmers as the hog, wheat, cotton, apple, orange and rice growers and in manufacturing by the automobile, tire and the machine-making industries. The fact that products such as lard, wheat and cotton; copper, tin plate and lumber; locomotives, cash registers, sewing machines, typewriters and printing machinery; tires, cigarettes and hosiery; and automobiles—all products of highly paid labor—are exported and are sold cheaply is proof that Americans have in them a comparative advantage.\*

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\*See preceding chapter.

There is a large class of industries that for sundry reasons do not come within the range of international trade. Bulky products like brick, tile and cement are necessarily made near the spot where they are used. Hay and coarse feed grains fall into this class. Then, too, perishable commodities like vegetables and milk are usually produced near their market. Houses, office buildings, manufacturing plants and roads are all made by domestic labor. Workers in these and similar occupations may or may not be more effective than foreign labor. It is estimated that of the 48,833,000 gainfully employed workers reported in the 1930 census about three-fourths were employed in unprotected industries. Not all of the remaining one-fourth of the workers benefit from the tariff. Many tariffs are clearly nominal. For example, most of the duties on agricultural commodities—to mention only a few, take barley, oats, corn, apples and potatoes—are practically meaningless. The same is true of many tariffs on manufactured articles. Most American workers and farmers are engaged in unprotected enterprises.

### Protected Industries

Finally, there is another class of industries unable to produce unless they have the support of a tariff. Certain wool, cotton and silk textiles, fine lace, fancy embroidery, toys, dyestuffs and many other chemicals, artistic pottery, silverware, fancy leather goods, tin plate, steel rails and sugar—these are some of the articles in this group. After years of protection they are often no more in a position to meet foreign competition than when the protection was first given. Imports would quickly enter should tariffs be removed even though there is no obvious obstacle to their domestic production from the viewpoint of soil, climate, skill and of the organization ability required. It is this group that finds high wages an insuperable barrier. They do not measure up to the average productivity set by the dominant industries. While such industries may appear to be suited to a country, they do not have the comparative advantage. Their difficulty often is not physical but economic. They cannot hold their own against the most effective and dominant industries.

High wages are more characteristics of the unprotected than of the industries that are supported by tariffs. Observe the following table.

Of the 21 manufacturing industries that are listed in table XLII, 11 are always in the van when tariffs are being considered by Congress, while 10 of these are either indifferent or are actively opposed to tariffs. The average weekly wages for 1925-1929 of the employees on the payrolls of these plants were \$27.69. They ranged from \$39.03 for news and magazine publishing to \$19.96 for cotton manufacturing plants located in the northern states.

It is significant to observe that of the first 10 paying highest wages, 8 are unprotected industries. Only two protected industries—iron and steel and chemicals—held a place among the high wage industries. The monopoly position of iron and steel in certain important products made possible by tariffs is worthy of notice. At the bottom of the list, with wages below \$23 a week, all but one have high tariff protection. Observe that although they are given tariff support, they still are unable to pay as high wages as the more effective industries.

It is true that tariffs make it possible for some factories to employ more workers than would otherwise be possible. But their effect is to lower rather than to increase real wages. Custom duties help certain domestic producers. They make it possible for those domestic enterprises in which labor and capital are relatively ineffective to take man and funds from those fields in which labor and capital are more effective. In substance they therefore subsidize the less efficient producers of a country at the expense of the more capable, alert and efficient.

Tariffs protect the textile industry against the high wages which the efficient motor industry is able to pay. They make it possible for sugar beet growers to hire workers in the same area where the more effective corn and wheat farmers operate. Even so, up until now, the beet growers have been unable to pay high American wages.

The high standard of living of the United States—abundance of wholesome food, modern homes, time for education, automobiles and so on—rests fundamentally upon the effectiveness of the workers in the dominant industries. The effectiveness of workers in the dominant industries, in turn, depends upon the following factors. The first of these is land, commonly thought of as our natural resource. Deep black soil, favorable

TABLE XLII. AVERAGE WEEKLY EARNINGS OF ALL WAGE-EARNERS IN 21 MANUFACTURING INDUSTRIES AND THE APPROXIMATE TRIFF PROTECTION THESE INDUSTRIES RECEIVE

Rank	Class of manufacturing industry	Wages per week, <sup>a</sup> 1925-1929 average (dollars)	Relation of tariff to value of imports <sup>b</sup> (per cent)	Comment
1	Printing, news and magazine .....	39.03	nil	A domestic industry, practically unprotected by tariffs.
2	Iron and steel .....	34.71	40	Monopoly prices are made possible in tin plate and in steel rails because of tariffs. Industry also protected in pig iron at and near seaboard. <sup>c</sup>
3	Printing, book and job	32.02	nil to 20	Chiefly a domestic industry not supported by tariffs.
4	Automobile .....	31.80	nil to 10	Strictly on an export basis, unprotected.
5	Agricultural implement	30.32	nil	No tariffs, hence unprotected.
6	Foundries and machine shops .....	29.66	nil	On export basis, unprotected.
7	Rubber manufacturing	29.58	nil to 25	Rubber tires, footwear, gloves, caps, and numerous similar articles are exported. A few specialties are protected.
8	Paint and varnish.....	28.51	nil to 25	Industry on an export basis in nearly all pigments, paints and varnishes. Protected only in some specialties.
9	Chemical .....	28.22	30	Highly protected in most products. Some like sodium compounds on export basis.
10	Electrical manufactur- ing .....	28.17	nil to 35	Heavy exporters of electrical machinery and apparatus. Light bulbs protected.
11	Paper and pulp .....	27.46	10 to 25	Large imports of paper base stock.
12	Furniture .....	25.93	38	Imported and exported. Not enough information to determine extent of protection.
13	Meat packing .....	25.64	nil	A domestic industry, chiefly unprotected.
14	Lumber .....	25.62	15	Both exported and imported. Protected in some woods.
15	Paper products .....	24.78	25 to 35	Information not available.
16	Leather tanning and finishing .....	24.46	15 to 30	Protected by tariffs chiefly in those leather goods requiring considerable hand work. Leather footwear, belting, harness and suitcases are exported.
17	Silk manufacturing.....	22.67	60	Fancy broad silk highly protected. Ordinary broad silk less dependent upon tariff support. Full fashion silk hosiery are exported in quantity. <sup>d</sup>
18	Wool manufacturing....	22.00	73	Definitely dependent upon tariff protection. Industry in a position of comparative disadvantage. <sup>e</sup>
19	Boot and shoe .....	21.92	20	Protection limited to those shoes and boots requiring much hand work.
20	Hosiery and knit goods	21.07	60	Protected except for machine-made hosiery.
21	Cotton manufacturing <sup>f</sup>	19.96	48	Fine goods dependent upon tariff support. This part of industry ineffective compared with foreign cotton mills. <sup>g</sup>
	All industries .....	27.69		

<sup>a</sup>"Wages in the United States, 1914-1930." National Industrial Conference Board, New York, 1931. Based on reports of 1,444 manufacturing industries employing about 840,000 workers.

<sup>b</sup>Estimates based upon the ad valorem equivalent for 1930-31 as reported by the U. S. Tariff Commission in "Relation of Duties to Value of Imports," Misc. Series, 1932; and in "Comparison of Rates of Duties in the Tariff Act of 1930 and in the Tariff Act of 1922," 1930.

<sup>c</sup>Taussig, F. W. "Some Aspects of the Tariff Question." 3rd enlarged edition continued to 1930 with the cooperation of H. D. White. Harvard University Press, Cambridge, Chap. XXIII, 1931.

<sup>d</sup>Taussig, Op. cit. p. 418.

<sup>e</sup>Taussig, Op. cit. Chap. XXVIII.

<sup>f</sup>Includes only the northern cotton manufacturing plants, 29 in all.

<sup>g</sup>Taussig, Op. cit. p. 463.

climate, minerals and water power—these are aspects of land, the final source of all materials and energy. The second includes the economic technique of a people. It is made up of the accumulated material equipment. Here are included tools, trac-

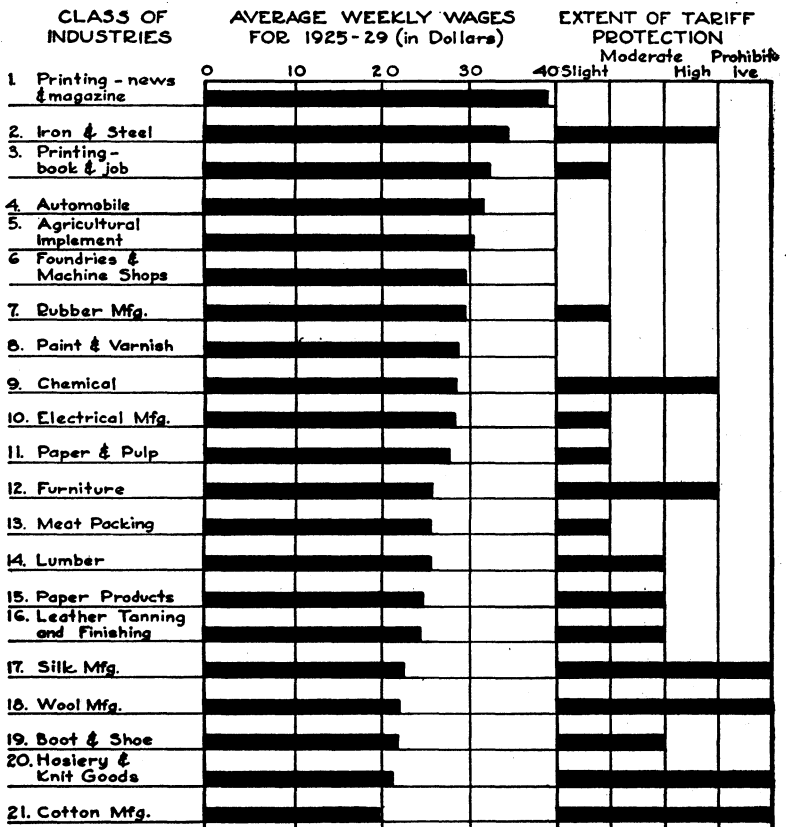


Fig. 21. A comparison of the average weekly wages of workers in the principal classes of manufacturing industries with the approximate extent of tariff protection each class of manufacturing industry receives.

tors, combines—all machines—railways and industrial plants. Then there is the scientific knowledge and technical efficiency of the people. This final factor, perhaps the most important of all, also takes in the qualities of the workers themselves. These involve the industry, thrift, stability and health of the workers. To these qualities must be added the size of the population relative to natural resources. With a favorable combination of all these factors no power on earth can keep a people from enjoying a high standard of living.

### Home Market

Henry Clay in his famous speech of 1824 declared that protective tariffs for manufacturers would benefit agriculture. He held that such tariffs would create a home market for farm products. Just what advantages the domestic market had over the foreign market were not set forth.

In times such as the present it can readily be shown that the home market is the surer outlet. A foreign market is more likely to be closed by sudden changes in foreign tariffs and by war. The producer who is on a domestic basis does not face these uncertainties. The present tariff crisis in international trade has brought widespread disaster to the hog, cotton, wheat, tobacco and rice growers. The average farm price of these commodities is now only 43 percent of pre-war, whereas the prices of those farm commodities that are not produced in excess of domestic requirements stands at 80 percent of their 1910-1914 level.\*

Tariffs for the purpose of giving the farmer a home market involve giving protection to industry in order to bring about a working population in our cities large enough to consume all of the farm products grown in this country. Thus it is reasoned that if the manufactured goods which are imported were made at home the additional number of people employed would consume most, if not all, of the 1.5 to 2 billion dollars of farm commodities normally exported.

A policy of this kind in all probability cannot be successful from the farmer's viewpoint for three reasons: (1) It is apparently impossible to expand our industrial population anywhere

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\*See fig. 19 in preceding chapter.

near enough to absorb all of the food and raw materials produced on our farms; (2) industrial tariffs always tend to increase the cost of living to farm people, hence are a direct burden on agriculture, and (3) the protected goods absorb, because of their higher price, a greater share of the consumer's income, thus leaving him less with which to buy bread and meat.

Historically, the policy enunciated by Henry Clay more than a century ago has proved for American agriculture, especially for the Mississippi Valley, a direct burden rather than an indirect benefit.

The American farmer continues to be inescapably dependent upon foreign buying. The home market is, in spite of the phenomenal growth of our cities, too small to absorb the farmer's food and raw materials. Nor is there even a remote probability that our industrial population will furnish during the next decade or two a home market sufficiently large. The farmer must continue to export or face ruinously low prices that result from glutted domestic markets. The crop and animal products of nearly one-fifth of our total crop land were exported from 1922 to 1928. Since then these exports have been piling up until we are confronted with unprecedented carryovers. Under the existing price system, facts force us to accept the conclusion, whether we wish it or not, that farmers must continue to sell abroad or face wholesale liquidation. Temporarily, with governmental aid, production may, of course, be checked or even curtailed to something approaching a domestic basis. But as a long-time policy, it is very problematical.

Protection did hasten the industrialization of America, but the home market for agriculture did not materialize. The prosperity or poverty of American agriculture continues to depend chiefly upon world prices.

But protection did one thing frequently overlooked. It set certain forces into motion that have slowly and silently lowered the relative buying power of the commodities that the farmer sells. Not only have these forces practically closed his foreign markets, but they have, in addition, increased the cost of many of the goods that he buys. Thus gradually there has occurred an ever widening discrepancy between the things the farmer sold and the articles he bought.

We placed a high tariff on dyestuffs and textiles. This kept the German and English supplies out and enabled domestic manufacturers to produce these goods. This gave rise to a working population which in turn furnished a demand for farm produce. Observe, however, what happened on the other side of the account.

Prior to the enactment of these tariffs, imported dyestuffs and textiles gave rise to purchasing power abroad; hence, they provided payments for foodstuffs that were exported. By shutting out these commodities we, therefore, reduced our ability to export. At this point it would appear that the home market that arose, at best, simply replaced the foreign market that was lost. In fact, it can be shown that in this replacement of markets the total demand for farm produce was actually decreased. Society was made poorer. In the United States both dyestuffs and textiles\* are manufactured at a greater cost than in Germany and England, and in Europe they are now growing wheat on sandy and infertile soil and producing pork and lard at cost much higher than in the Corn Belt. Equally important is the fact that the price of clothing made from domestically manufactured dyestuffs and textiles was raised to the farmer. Protection is always a double-edged sword cutting simultaneously in two directions. It raises the farmer's cost of living and it reduces his income. But usually it acts so slowly that the effects are not obvious until serious consequences have occurred.

To employ tariffs to force consumers to "Buy American" only shifts the burden of the depression even more upon the producers dependent upon foreign markets. Long before it is possible for dollars spent for American linens, assuming that a tariff has shut out Irish linens, to find their way to American workers in new factories or increased employment, the price of farm products will be further depressed. Foreign buyers quickly reduce their purchases of raw materials. Cables work faster than payrolls. Raw materials are more sensitive to changes in demand than wages. To this must be

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\*Most textiles can be manufactured more cheaply abroad than in the United States. Rayon and certain machine-made hosiery are notable exceptions. Observe the comments given in table XLII.



added the likelihood of retaliation. It would simply be another battle in the international warfare of tariffs with the producers of lard, cotton and wheat in "no man's land."

### Unemployment

It is said that tariffs are a factor in keeping work at home and thereby reducing unemployment. This argument has strong popular appeal. There is no doubt that a country can reduce the volume of its imports and thereby create employment at home. Goods that are not imported, if they are to be had at all, must be made domestically. This obviously is a demand for labor.

But is the demand thus created an additional demand for labor? On the surface it may appear that there actually is more income. The same error is involved, however, that was pointed out in the home-market argument.

Thus, if we kept out rubber boots that Czechoslovakia is able to lay down in our market at less cost than our own manufacturers, more American workers would be put to work making rubber boots. This action would throw out of work Czechoslovakian laborers who in turn would buy less wheat, bread and meat. Potatoes and black bread is the diet to which they then are forced. As before, by excluding imports we reduce exports of equal value. By giving the rubber boot market to some domestic manufacturer we have deprived some domestic exporter, that is, some American farmer, of his lard and wheat market abroad. No additional employment is created.) The farmer, one of our most efficient producers, lost his job while the bootmaker, less suited to the economy of the United States, was given a job.

No person would deny that a sudden downward adjustment of tariffs would throw many wage earners out of employment. Once a country has embarked upon a protective policy it cannot by one stroke remove tariffs without causing serious dislocations. Labor and capital cannot shift readily. Likewise, it is equally true that if all imports were suddenly stopped—the aim of the "Buy American" sponsors—it would cause dislocations even more serious than those already existing within the export industries.

J. M. Keynes, noted English economist, wrote in 1923, "The one thing that protection cannot do is to cure unemployment. If Protectionists merely mean that under their system men will have to sweat and labor more, I grant their case. By cutting off imports we might increase the aggregate of work; but we should be diminishing the aggregate of wages. . . . Imports are receipts and exports are payments. How, as a nation, can we expect to better ourselves by diminishing our receipts? Is there anything that a tariff could do, which an earthquake could not do better?"

### Dumping

A tariff against dumping is nothing more than an attempt to enforce fair competition. It prevents short time cut-throat and unfair competition carried on to crush a competitor after which prices are raised to a higher level than formerly. Although tariffs are a clumsy device, until better remedies are available, it appears wise to use them to protect the import trade from the demoralizing practices of dumping.

The principal forms of dumping may be described as sporadic dumping of occasional overstocks, predatory dumping, monopoly dumping, and state-aided dumping. To these may be added "exchange dumping." Undue imports caused by depreciated currency come under this class.)

To deal with these by tariffs is far from simple and is exposed to many risks. It is altogether too easy for an inefficient, high cost group of producers to convince their congressmen that they are facing dumping from abroad.

### Military Necessity

No nation can afford to become wholly dependent upon foreign countries for its supply of war materials. But to carry on a modern war the list of essential materials is indeed long. Self-sufficiency, it is asserted by the most nationalistic, is therefore desirable. Defense, they declare, is more important than opulence.

(Enough diversification of industry to prevent paralysis and to assure the necessities of life in time of war is undoubtedly de-

sirable. The argument is not economic but wholly political. The price of tariffs to attain these ends should be clearly recognized as a cost of preparedness. They are a tax on the standard of living of a nation similar to any other tax the revenue of which is to build battleships, bombs and machine guns. How much a country should pay for military preparedness is chiefly a socio-political problem. It is seldom, if ever, considered on its economic merits.

### **Infant Industries**

If a nation has infant industries that are suitable to the economy of the country they may very properly be accorded protection until they reach maturity. Children should be protected and cared for until they reach maturity before they are forced to compete with mature people. Economists have generally admitted that the analogy holds for infant industries. Many of the early tariffs of this country may be justified on the grounds that they encouraged and hastened the industrialization of America.

Sight, however, should not be lost of the fact that most of our older industries can no longer, by any flight of imagination, be classified as infants. There is a real basis for the fear that the usual relationship between parent and child are reversed and that by lobbying and logrolling the child today dictates his own tariff terms to the parental authority.

### **Facilitate Economic Adjustments**

When new technique, the development of new resources in foreign countries or improved transport facilities subject a domestic industry to sudden and violent dislocations, tariffs may be used to break the fall of prices and render the movement of capital and labor to other enterprises easier. For instance, the rapid exploitation of the American prairies following the Civil War flooded Europe with cheap wheat. The English farmer could not meet this competition and for fully a quarter of a century England experienced a severe agricultural depression.) Since England was a wheat importing country a judicious application of protection would have rendered the farmer's plight

in England less severe. In adjustments of this character tariffs may well be employed to mitigate disaster and alleviate distress.

## DESIRABILITY OF TARIFF ADJUSTMENTS

It cannot be emphasized too strongly that the burden of the adjustments now taking place in international trade falls chiefly on the producers dependent upon foreign outlets. The correctives that are mending the fabric of foreign trade bear with ruthless severity upon American agriculture. Farm prices show the consequences.

The American manufacturer has one escape. He can export his factory. The more efficient and resourceful businessmen, moreover, are availing themselves of this escape. About 2,000 American plants have been established abroad. Obviously, this alternative is not open to hog, cotton and wheat farmers.

Another corrective is the influence of the depreciated currencies of other countries. They have resulted in a sharp downward separation of their internal prices away from ours in terms of gold. Such a separation of price levels tends to check our exports and stimulate imports. But the corrective influence of depreciated currencies, too, has fallen chiefly on the exporter. It has become harder for him to sell abroad as a consequence. Imports have been less affected because most tariffs are specific duties, the protection of which increases relative to the value of the article imported when prices decline.

As the cost of living abroad declines, more Americans are likely to spend their vacations in Europe. The expenditures of our tourists is an invisible import and tends to relieve the scarcity of dollars abroad. Although this item may remain large and even expand when better times prevail, for the immediate future tourist expenditures may be expected to decrease. Observe, however, that of the several important adjustments taking place this one alone does not burden the American producer dependent upon foreign outlets. In fact, an increase in tourist expenditures has the same effect as increasing imports.

The influences of trade barriers abroad are self-evident. Import quotas, milling restrictions, import monopolies, exchange controls and all manner of tariffs—all of these are designed, primarily, to do one thing, namely, decrease our exports. To the

extent that they are successful in reducing our exports they tend to correct our balance of payments.

The movement of American industries to foreign countries, depreciated currencies, tourist expenditures and trade barriers abroad are adjustments, if left to take their course, that will in due time reduce the exports of commodities from the United States enough to balance our international payments to fit our creditor position. Meanwhile, ruinously low prices are forced upon agriculture and bankruptcy becomes well-nigh universal. At the same time our debtors abroad—foreign governments, municipalities, corporations and citizens using American capital—are forced to default. Is such a cure desirable?

But there is an alternative—increase imports. To bring this about involves a gradual, yet definite, scaling down of our tariff wall. A downward adjustment of tariffs would tend to throw some of the burden of reestablishing foreign trade upon protected industries. Some business dislocations would result. Manufacturers at present supported by high and often prohibitive tariffs would have to meet foreign competition or shift into fields better suited to the economy of the United States.

From a long trend national viewpoint this would be a desirable adjustment. Lowering tariffs to permit enough of an increase in imports of diversified manufactures to make it possible for our farmers and export manufacturers to hold their foreign markets would do two things: (1) Maintain those industries that have in their production the greatest comparative advantage and (2) reduce those least effective in using American workers and resources. The ultimate result would be to raise the standard of living of the people of the United States.

Prompt reduction of tariffs and the moderation of other trade barriers is highly desirable. This action is basic to the reestablishment of our export trade, which, in turn, is basic to the restoration of the fundamental balance in our national economic life. Farmers and other producers of raw materials must first receive an adequate price for their products before they are able to buy the products of our factories in adequate volume to restore business activity and employment in the cities.)

But desirable as it may be to lower tariffs it should be realized that this cannot be done in 1 or 2 years. Even under the most

favorable circumstances it will probably take from 5 to 10 years to effect a substantial reduction of prevailing domestic and foreign trade barriers. Then, too, serious dislocations would result if all tariffs were suddenly removed or even sharply reduced. There are many reasons why the process should be carried out gradually, the chief one being that it would give the tariff supported industries an opportunity to shift to more productive enterprises. Meanwhile, what will happen to the American producer who has lost his foreign market? Until our foreign trade is reestablished, that is, until imports are increased, exports must be reduced. Therefore, temporarily at least, some plan to facilitate the orderly retreat\* of our cotton, wheat, hog and tobacco producers is not only desirable but in all probability essential. While our national trade policies are being adjusted to fit our creditor position, sight should not be lost of the fact that the American farmer is carrying most of the burden of the adjustments now taking place; hence, they are entitled to first consideration in any relief program.

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\*Among the various proposals designed to accomplish this end are the domestic allotment plans, governmental reforestation program, and measures whereby the government leases land in order to withdraw it, at least temporarily, out of cultivation.