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ECONOMIC BARRIERS TO PEACE

Addresses on the occasion of the presentation of the
Woodrow Wilson Medal to the Honorable Cordell Hull,
New York, April 5, 1937

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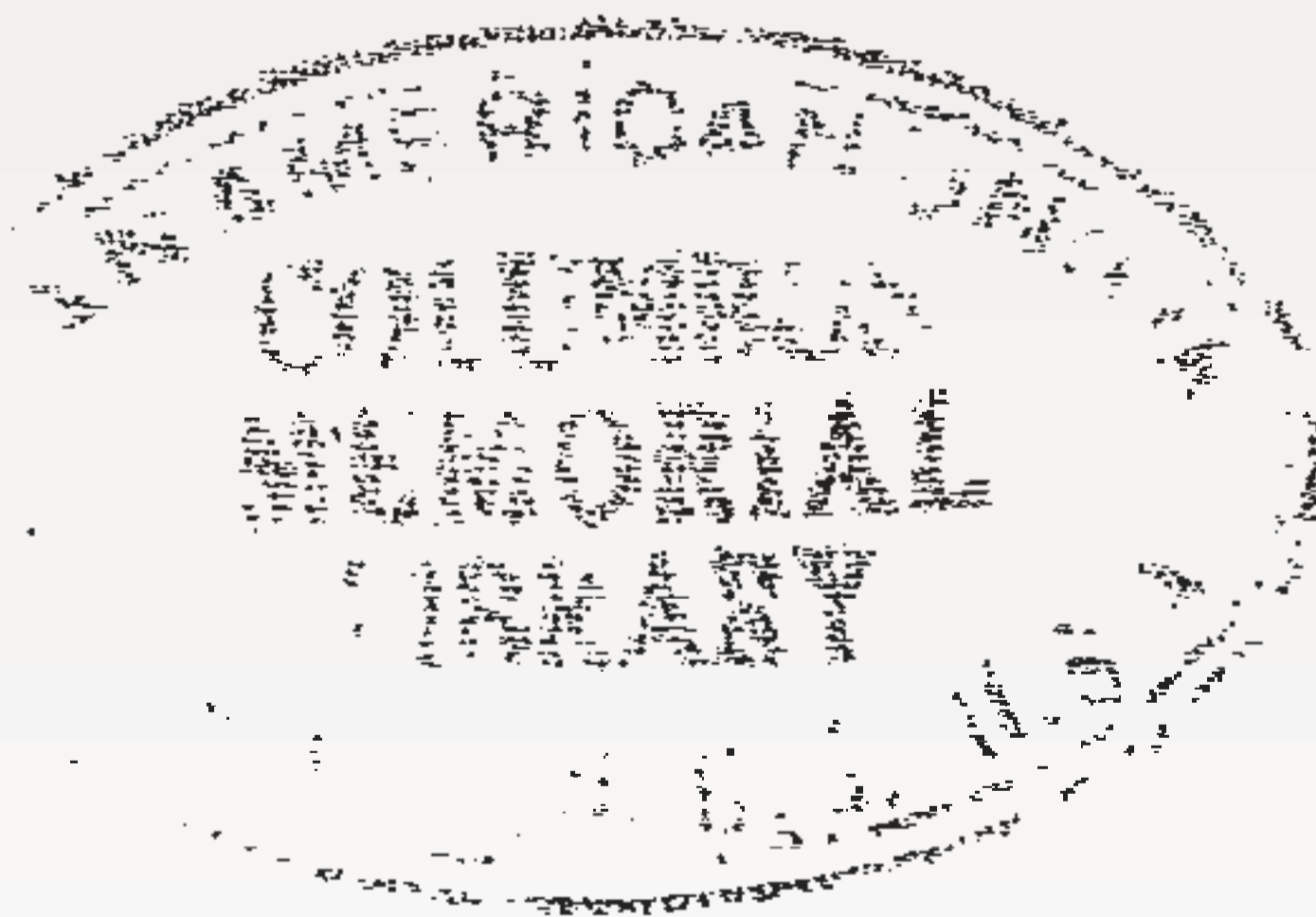
CORDELL HULL

Secretary of State of the United States

and

HAMILTON FISH ARMSTRONG

President of the Woodrow Wilson Foundation



WOODROW WILSON FOUNDATION

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end of so long and so destructive a struggle. Alterations in the map involved alterations in many old habits of trade. The productive systems of all the belligerents had been warped or broken; currencies were unstable; budgets were out of balance; problems of demobilization added to the economic confusion. The demand for reparations was bound in any case to unsettle trade relations. To aggravate the strain, Mr. Lloyd George saw to it that the bill handed Germany was tripled by the addition of the costs of Allied pensions.

During the early twenties, when business began here and there to revive, each country tried to seize more than its share. Each tried to sell only and never to buy. None noticed or cared if its policy produced ruin and inflation and unemployment somewhere else.

The countries which were able for a time to ride the crest of the wave rushed to supply credit on any conditions—almost on no conditions—to the countries still lying in the trough. Taking the world as a whole, industrial production shot ahead rapidly in the period 1925-1929. But capital movements and trade movements had not been harmonized. Creditor countries refused to receive increased imports, and instead helped their debtors out by giving them fresh loans.

In 1929 the whole artificial structure fell with a crash. In their new agony, nations turned to forms of economic nationalism never dreamed of before. By 1932 the industrial production of the world was down almost to the 1913 level. Twenty years of progress had been squandered in the war and its aftermath.

Americans cannot recall their part in this story with any satisfaction. With one hand we wrote out demands for the payment of war debts and with the other hand raised trade barriers which prevented the debts from being paid. The theory or lack of theory underlying this policy prevailed in Washington through three Ad-

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ministrations. Many persons still hold it today.

The present Secretary of State is not one of these. From the moment he took office, he began working actively to increase the volume of world trade, as a matter of direct material interest to the American people and as a counter-offensive against the economic nationalism which depresses the world's standard of living and disposes people to throw their troubles onto the shoulders of dictators who claim to be infallible.

Obviously the causes of war are not solely economic. The years just before 1914 were a time of comparatively free economic competition, comparatively free trade, comparatively little unemployment and comparatively free movements of emigration. Incidentally, Germany then possessed the colonial domain which she now claims she must get back in order to prosper and live peaceably. Yet the war came. Though it was a time of relative laissez-faire economy, Germany was dissatisfied with her role as a world power and felt an urge to expand her influence. The Germans and Magyars of the Austro-Hungarian Empire felt a similar urge.

In other words, man is primarily a political animal. He does not fight just for more food and more room; he also fights to satisfy appetites of sentiment and passion.

Thus no purely economic or purely political solution can stand by itself. For any general scheme of political appeasement to succeed, it must include some method of reversing the desperate measures by which nations have been trying to isolate themselves economically—sky-high tariffs, embargoes, quotas, raw material monopolies, arbitrary price controls, export subsidies, exchange discriminations, every conceivable sort of rigidity and artificiality in international economic life.

The present Secretary of State saw that here was one sector of the international front against dictatorship and war where American public opinion might be willing to

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allow the American Government to take some initiative. And it is to his credit that he has seized the possibility and developed it with endless patience.

The idea was not one which Mr. Hull happened upon suddenly after President Roosevelt invited him to head the Cabinet. He had served 24 years in Congress, first in the House, then in the Senate. All that time he was an advocate of liberal commercial policies. During the World War he repeatedly suggested that after hostilities ceased an international trade conference should be called to formulate measures for eliminating unfair and discriminatory trade practices. He embodied the idea in a resolution which he introduced in Congress as early as April 1917, and he brought it forward again in 1919 and again in 1925. He eloquently opposed the successive increases in the American tariff which were passed by Congress in 1921, 1922 and 1930.

As Secretary of State, he has formulated and put into effect a policy of trade reciprocity. He has succeeded in making reciprocal trade agreements with a number of the most important commercial nations, among them France, Brazil, Belgium, Cuba, Sweden, the Netherlands, Switzerland and Canada. A special kind of agreement is in force with Soviet Russia; and Japan still holds—with exceptions—to the most-favored-nation principle.

The chief Powers with which no reciprocal agreement has yet been made are Great Britain, Germany and Italy. Two of these are totalitarian states, which means that they control their national economies and subsidize their export industries. They cannot afford, as we can, to generalize trade benefits and let trade find its natural channels; for their object is not prosperity through trade but national power.

Great Britain is not under any such constraints. Without seriously modifying her present system of imperial preferences she probably could accept a treaty similar to

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the others negotiated by Secretary Hull. That would place her, with all her immense power, among the nations which are moving away from economic nationalism, away from the system that fosters political nationalism and war.

But we are here tonight to consider actual accomplishments.

The Directors of the Woodrow Wilson Foundation are of the opinion that the economic principles and policies of Secretary Hull are in the direct succession of Woodrow Wilson's economic principles and policies.

The New Freedom was not something exclusive or nationalistic. It was a broad conception of just and humane relations between individuals and social groups and nations. We are witnessing today an effort to form a group of powerful nations dedicated to the idea that economic progress and welfare for all is the best guarantee of economic progress for each. If that group grew until the influence of its example could not be withstood by those who now look on life as a struggle of rival Powers for exclusively selfish ends, then the way would be open for a discussion of how to disarm and how to try again to lay the political bases of collective security. That would be a well-rounded, a true Wilsonian peace. The Directors of this Foundation believe that Secretary Hull's work has been in the direction of that sort of peace. Because of the concrete progress he has made they have authorized me to proceed as follows:

Mr. Secretary: On behalf of the Woodrow Wilson Foundation, I have the honor to award you the medal of the Foundation, bearing the following citation:

"To Cordell Hull, Secretary of State of the United States, unremitting in his labor to remove the economic barriers to peace."

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ADDRESS

By the Honorable Cordell Hull

I was deeply moved when I was informed that the Directors of the Woodrow Wilson Foundation had decided to confer upon me the Foundation's medal and to cite my efforts to bring about a lowering of international economic barriers as the reason for the award. I accept the honor with heartfelt gratitude. It evokes in me many memories of the long years during which the problem of improvement in the economic relations among the nations has been of absorbing interest to me.

Among these memories, none is more vivid than that of the eighth day of January, 1918, on which the ideal of economic peace among the nations received the formal championship of one of the greatest statesmen our country has ever produced. It was on that day that Woodrow Wilson laid before the world his historic peace program, Point 3 of which called for "the removal, so far as possible, of all economic barriers and the establishment of an equality of trade conditions among all the nations consenting to the peace and associating themselves for its maintenance."

I well recall the gratification and joy which this clear-sighted appeal to constructive statesmanship aroused in those of us who, like myself, had watched the developments of the war years with a heart growing ever heavier and more despondent.

President Wilson's call was addressed alike to our friends and to our foes in the stupendous conflict in which nearly the whole civilized world was engaged at that time. On both sides of the battle-front, plans had been perfected for an indefinite continuation of warfare in the sphere of economic relations after the cessation of armed hostilities. The politico-military alliance, the lines of which had been drawn so sharply for the all-embracing

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purposes of the war, were to be perpetuated in the form of economic alliances. The world was to continue to be divided into hostile camps, with economic obstacles and the multifarious forms of inequality and discrimination in commercial treatment as the weapons of warfare. It was against this "war after the war" that President Wilson raised his powerful voice.

The emotional welter which dominated the transition to political peace obscured in some measure the clarity of vision which Wilson sought to inject into the task of rebuilding the war-shattered world. It is true that the victorious Allies discarded, at the Paris Peace Conference, most of the basic ideas of a special economic alliance upon the creation of which they had agreed among themselves in 1916. So much was salvaged for sound statesmanship. But in the treaties of peace provisions were inscribed which subjected Germany and her allies to unequal treatment in commercial matters for varying periods. It was not until the beginning of 1925 that equality in commercial matters was restored as between the victors and the vanquished in the World War.

Unfortunately, this latter development, so heartening in itself, served as a signal for an increase, rather than decrease, of trade barriers. During the early post-war years, tariffs and other obstacles to international commerce were rising in nearly all countries whose freedom of action was untrammelled in this respect by the treaties of peace. As the defeated countries of Central Europe re-acquired freedom in commercial matters, they, too, plunged into the race for extremes of restrictive action.

So widespread and so alarming did this race become that enlightened statesmen in many countries began to exert their influence in the direction of some effort to halt its headlong career. Before the end of 1925, a movement was launched on a world scale for the liberation of international trade from the excesses of the ever-growing

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restrictions which threatened it more and more with complete strangulation. This movement culminated in the convocation of a World Economic Conference, which met at Geneva in 1927.

The conference surveyed the sorry plight into which international economic relations were being plunged deeper and deeper. It recommended to the Governments the imperative need of reversing the direction of their policy and action in the sphere of commerce.

For a short time thereafter the outlook brightened sufficiently to arouse hope. There was a noticeable retardation of restrictive action and even some movement in the opposite direction. But this improvement was all too soon overwhelmed by a new and sharp reversal of trend, to which our country, unfortunately, made the largest single contribution.

Immediately following our national election of 1928, the dominant political and economic forces in this country embarked upon a drastic upward revision of our tariff rates and an extension of other trade restrictions. This process was continued through the year 1929 and the early part of 1930. It served as a signal which unleashed the forces of extreme protectionism all over the world.

The years which followed, the years of ever spreading and ever deepening depression, were characterized by an uninterrupted growth of barriers to trade. The exigencies of the unprecedented economic upheaval, panic, desperation, short-sighted attempts at defending narrowly-conceived national interests, retaliation and counter-retaliation—all these combined to create as tangled a network of trade restrictions, and as large a measure of discrimination in commercial policy, as the world has ever seen in times of peace.

That "war after the war," which had smouldered ominously during the first decade of renewed political peace, finally burst upon us in all its fury. It differed

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from the pattern of international economic hostility which had been devised in the days of the world conflict in that it did not involve the creation of mutually hostile economic alliances. But its scope was even more widespread and its destructiveness far more deadly.

Opinions may diverge as to the extent to which failure to adopt sane and constructive policies in the economic relations among the nations was responsible for the onslaught of the great depression. Personally, I am convinced that it was the most important single cause of the holocaust. However that may be, once the depression had assumed the scope and the character which it did assume, the conclusion became inescapable that there was no hope of full and lasting recovery unless peace succeeded war in international economic relations.

It was acting upon this conclusion that our nation, after the lapse of more than a decade, assumed once more the responsibility for providing its fair share of leadership in a world movement for economic peace—as an essential foundation of international political stability, as well as of economic well-being within nations. We placed on our statute books the Trade Agreements Act of 1934 and inaugurated, under the authority of that Act, a comprehensive program of negotiation for the purpose of rebuilding our foreign commerce and international trade in general through a liberalization of commercial policy everywhere. We made a standing offer to each and every nation to go as far as may be practicable and mutually profitable in reducing in its favor our barriers to trade and to extend to it full equality of treatment in commercial matters—provided it was willing to deal with us in the same spirit and to act toward us in the same manner.

For nearly three years we have pursued this policy with vigor and sincerity. The response of others to our initiative has been most gratifying. We have concluded

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sixteen trade agreements. The mutual benefits conferred by these agreements—through reciprocal relaxation of trade barriers, through removal of discriminations, and through expansion of trade—are a matter of public record.

Equally of public record are many other manifestations of improvement in international economic relations. Responsible statesmen and leaders of business and of public opinion in many countries are more and more giving utterance to the idea that the removal of excessive trade barriers and the establishment of fair-dealing and of equality of treatment in international commercial relations are indispensable to the welfare of all nations. The representatives of the twenty-one American Republics, meeting at Buenos Aires last December, were unanimous and emphatic in recommending to their governments the imperative need of reducing barriers to trade and of abolishing unfair and discriminatory practices in commercial relations. Instances of efforts to translate these realizations into concrete action multiply in many quarters.

As ten years ago, there is again a brightening of outlook and a new hope. Unfortunately, there are also today in the world other and discordant tendencies.

The problem of removal of trade barriers is much more difficult than it was in 1927. The years of the depression created obstructions to trade and brought about impairment of friendliness and fair-dealing in commercial relations of such scope and destructiveness as would not have appeared possible even a short time ago. As a result, the volume of international commerce has been drastically curtailed, and a large portion of what remained has been arbitrarily diverted away from channels of economic advantage. The task of correcting these artificial shifts and of repairing the damages of the economic war is, indeed, one of enormous magnitude.

Moreover, the situation today is complicated by many

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new factors—some of them constituting direct repercussions of the long period of intense economic hostility. During the past few years, there has been, in many parts of the world, an alarming deterioration of all essential international relationships. Solemn obligations among nations have been set aside with a light heart. International law has been breached and flouted.

Animosities and resentment in the sphere of commercial and financial relations, and economic aggression and retaliation which they have provoked, must bear an important share of responsibility for the depth of economic distress into which some nations have been plunged. Out of such distress springs temptation to seek a greater measure of self-sufficiency by force of arms.

We have witnessed the spectacle of some nations, already in the throes of economic poverty, straining their meager resources for the creation of unprecedented armaments. We have seen other nations drawn into the suicidal race. The construction of armaments on so vast a scale gives the impression of intensive economic activity. But that activity is like the unhealthy flush of fever. It destroys rather than builds. It sows the seeds of disaster, either in the form of a military explosion or of an economic collapse.

There is only one way to avert this impending doom. It is for the nations which today bend their major effort toward preparation for war to join with those other nations which are intent upon a policy of peace, in a determined and concerted effort to rebuild international political and economic relationships upon a basis of friendliness and coöperation. No outcome of an armed conflict can possibly bring the nations concerned greater benefits than they can derive from a peaceful and fruitful exchange of goods and services, developing in a liberal spirit upon a basis of fair-dealing and mutual regard for each other's needs and rights.

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It was this type of economic peace that Woodrow Wilson urged upon the world. The acceptance by the nations of the basic ideas which underlie it is even more desperately needed today when the dark clouds of a possible new war or of another economic catastrophe gather ominously on the horizon.

Since this is an intimate occasion, permit me to end these brief remarks on a personal note. I have never faltered, and I never will falter, in my belief that enduring peace and the welfare of the nations are indissolubly connected with friendliness, fairness, equality, and the maximum practicable degree of freedom in international economic relations. I have never doubted the ability of statesmanship to create conditions in which relations of this type will become firmly established. I earnestly hope that no development will ever arise which will impel me to relinquish this belief. I shall continue to seek, as I have sought in the past, in whatever manner and in whatever measure time and circumstance may vouchsafe me, to translate these profound convictions into the realities of public service.