
Free Trade for Preparedness

In the matter of preparedness, the war emphasized two facts. First, that a large standing army is neither a deterrent of nor protection against aggression; second, that offensive and defensive equipment designed on the basis of past experience becomes obsolete almost as soon as the fighting begins. The massive French and Russian armies, even with Allied accretions, could not protect the borders of these nations, nor did their elaborate fortifications prove as impregnable as the builders thought; while the initial mechanical advantage of the Germans was liquidated by the inventive genius of a nation uninhibited by a blueprint. The arms which won the war were designed and built as the battle raged.

Since no formula for international peace has as yet been devised, preparedness will continue to be the concern of politicians, and the larger and more affluent the nation the more the emphasis put upon it. Which means that as long as the United States retains its present position in the world, insurance against war will be a constant national concern. We should, therefore, learn well the two lessons of the war and apply this knowledge to our benefit.

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If we follow through on these two lessons we come to the conclusion that the most effective instrument of preparedness is thoroughgoing peacetime free trade. How does this follow? Let us take one important industry and see how the breaking down of our trade barriers would improve our capacity for making war. The automotive industry is perhaps the best example, because it impinges on virtually our entire economy in the first place, and, in the second place, because it has proven itself a necessary arm of the military establishment during war. Its factories and its engineers and its know-how came in mighty handy when the going was toughest; out of this incubator came the ships, the airplanes, the guns, and the rolling stock, to say nothing of technical knowledge on the field of battle, which won the war. Furthermore, everything we grow or make in one way or another finds its way into the automobile, and if free trade can build this industry into a more potential war machine, it can likewise strengthen our entire economy.

NO COMPETITION IN SIGHT

Even before the war American automobiles and trucks found foreign competition negligible. What nation can offer any now? Germany is finished, England is done in, Japan will have little to export for many years, Russia is still, in spite of its bombastic claims, a backward nation. In automobiles—and in practically everything else which can be made with machinery—the markets of the world are ours for the asking. If we made it possible for the world to pay for them, American cars would soon cover every strip of concrete, every dirt road which connects any two towns anywhere on this globe. As one consequence, Detroit would be entirely inadequate and we would have a dozen such monstrous automotive centers situated in various parts of the

country, assuring us of a protective decentralization; as another, the world demand would stimulate competition to a point where no American could not afford a car, while the related lines, from steel making to road building, from agriculture to mining, would have to keep pace, increasing our military potential in every direction. Overlooking, for the moment, the increased demand for labor, with its attendant increase in wages, and thinking only of preparedness, what nation would be foolhardy enough to attack such an arsenal, spread out over millions of square miles? The greater danger might be in the temptation to use such strength and security in a military venture of our own.

The great *if* in this proposition is our willingness to permit foreign customers to pay for their automobiles. We have not shown any such willingness in the past, and, since the advent of the New Deal, our "protection" psychology has developed into a form of insanity. By money inflation, by import quotas, by "ceilings" we have made it most difficult for the foreigner to buy our products because all these devices simply reduce his capacity to pay. Need it be pointed out that the only way to pay for goods and services is with goods and services? That money pays no part to trade except as a measurement of value? Even as in transactions between nationals every purchase is ultimately liquidated with another purchase, every sale calls for another sale, so must international transactions be likewise balanced. Minnesota cannot sell flour to New York unless it buys New York clothing in return, and Detroit cannot sell automobiles to Argentina unless it is willing to accept payment in either Argentine beef or in some commodity from a third country which has acquired our claim on Argentine beef. That is primary. And yet, our mad primitive isolationism has blinded us to this basic fact of all business. Like the schizophrenic who seeks escape from reality in dreams, we have taken to the fancy

that we can export without importing, by the trick of lending the foreigner our dollars with which to buy our goods; when we get our own dollars back we feel enriched until we ask the foreigner to liquidate the debt, and then we find that our own tariffs prevent him from so doing. When he defaults, as we force him to do, we write off the loss by some trick in accountancy (like lend-lease), and we start the silly thing all over again.

HOW TO STOP INFLATION

If there ever was a valid argument against free trade, there is not the semblance of one today. As a result of the war the productive capacity of any possible competition is nonexistent. Nobody has anything to "dump" on us. Are we afraid of Russia's slave labor. Or the Chinese coolie? In a desperate effort to build up its export business, England is actually starving its population; can a starved laborer compete with a well-fed one? Why should we keep out Australian wool or lamb chops when there is such a shortage of both in this country? We fear inflation and yet we bar entry of the stocks which will hold prices down. We have a shortage of copper wire and a tariff on copper. Printers and publishers are crying for paper while a ceiling on wood pulp is diverting Sweden's surplus of this product to other shores. The beeves of Central and South America are going elsewhere because of a hoof-and-mouth fiction, and American housewives stand on line at our butchershops. So it goes.

If, as has been said, the nations of the world are too impoverished to buy what we can offer, then it follows that they are too impoverished to pay back the dollar loans we are making them. We make these loans on the assumption that when they get back to production they will become sellers of their re-

spective surpluses, and out of the proceeds of these sales (to other countries) will come the funds for repayment. Well, then, if we can trust them with our dollars, we can trust them with our goods. Even if they have no wine to ship us now, the French have always been pretty good winemakers and we can depend on it they will make shipment against any trucks they may take now. Olive oil from Italy would indeed be welcome on any American table whenever it comes. The petroleum interests tell us our domestic supply of this commodity is dwindling to a point of national danger, and yet a tariff on petroleum prevents the importation of the vast supplies offered by South American wells, owned, incidentally, by these same interests. There is no nation in the world which does not have an overabundance of something which we can use, and which would make pretty good specie for the automobiles we are equipped to send them.

WHY SCUTTLE OUR NAVY?

The inclination is strong to extend this argument for preparedness through free trade to other industries. We have seen how all sorts of plants were turned almost overnight into war machines, and since free trade must increase the productivity of all industry by the simple expedient of widening the market, it is evident that free trade is the best assurance of a ready-made, well-oiled and superior defense potential. But, there is one industry which merits special attention, since its need in time of war is most essential, and which our protective policy threatens to extinguish. That is our merchant marine. In any war which we can envisage our navy must play an important part, and what kind of a navy would we have without a merchant marine? The common carrier which plies the seas in peacetime is immediately convertible into an auxiliary of the fighting ship,

while its personnel are graduates of the most important naval academy.

The maintenance of a merchant marine is so necessary for defense purposes that we have resorted to subsidization to keep it from folding up. Yet there was a time when the American merchant marine was the envy of the nations of the world, and that was when this nation was poor both in population and in capital. The American Clipper was the cockiest ship on the high seas simply because it had cargoes to take home as well as to deliver. It had no tariff wall to impede its progress. The men who manned the Clipper were a comparatively opulent crew, and therefore enterprising, hardy, and resourceful; and all this because there were practically no political impediments to their business. Then came the protective tariff lunacy, about the time of the Civil War, and the American merchant marine began to decline. When World War I came, it was necessary at great cost to build merchant ships in a hurry; as soon as the war was over this vast accumulation of capital had to be scrapped because our protective tariff made shipping a profitless one-way business. Since we as a nation are addicted to this protective lunacy, we were incapable of learning the lesson, and when the second war came we had the same job to do all over again. Unless we come to our senses and realize that ships which carry cargoes out must have cargoes to bring back, we shall have to scuttle a second great and expensive navy. Free trade is the only means of saving it. Imagine what would happen to our railroad system if the various states put quotas and tariffs on the importations from the other states. That is what has happened to our merchant marine.

Now, this vast arsenal which an expanded international business would build up would cost the nation nothing. On the other hand, the wealth it would bring into the country, the

wealth it would create by the employment of labor, would strengthen the nation financially in time of need. An army and a navy are all expense. Industry not only supports itself but also supports the army and the navy. The colossal French army collapsed at the first test because it rested on a decadent economy, a tax-corroded industrial establishment. As a consequence the morale of the people was far below fighting pitch and the productive capacity of the country was no match for the extra task put upon it by war. The experience of France should warn us against the stupidity of taxing industry to death to support a standing army. With a flourishing economy, we can build an army when we need it; with a tax-ridden economy, no army can stand up.

USELESS STANDING ARMIES

Rumor has it that Russia has a standing army of three million—a semitrained army of millions more. If this is so, Russia is getting weaker day by day. The cost of maintaining a nonproductive institution of anything like that size must be debilitating. But, more than that, every man who marches and drills is a man who not only is not producing, but because of lack of training is incapable of producing when production is most important. In the last war, the comparative technical skills and capacities of the two sides told off in the end. In the next war this factor will be of even more importance. The wags speak of it as the “pushbutton” war, meaning that mechanical gadgets will be relied upon more than personal fighting. Mechanical gadgets are made and operated by men who know how, and that knowledge can be gained only in designing rooms and shops, not in barracks. In the final analysis the nation with the biggest and most productive factories will be superior to the

one with the biggest and best drilled army. Those factories are the product of a free economy—in which free trade is an essential element.

The final argument for free trade as a measure of preparedness is that it tends to minimize the irritations which lead to war. A free-trade nation is a nation of buyers, and on the recognized principle that "the buyer is always right," such a nation is looked on with favor by its neighbors. So, the most effective good-neighbor policy we could pursue is that of buying from our neighbors that which they have in abundance, and which we can use to advantage, selling them in return the things we have lots of and want least. They would not expect us to buy from them what we can produce more cheaply, nor would they consider buying from us anything of which their natural advantages or skills provide all they want. But, if we have automobiles and cotton which they need, we should not refuse payment in steers or minerals we could use. It is time we quit taxing ourselves to support our inefficient producers or to protect such "infant industries" as the United States Steel Corporation. It is time we stopped irritating other countries by refusing to do business with them on an equitable basis. Thus, both for preparedness and as a preventative of war, free trade commends itself.