More Imports - More Jobs

By C. O. STEELE

Senator Robert A. Taft of Ohio, in the course of his campaign for the Presidential nomination, said recently: "The Republican Party believes in imposing and retaining a tariff equal to the difference in the cost of production abroad and the cost of production at home."

Senator Taft is true to his heritage. His amiable father, the late President William Howard Taft, was a staunch advocate of a high protective tariff, too staunch, perhaps, for his own good. His best remembered speech is one delivered at Winona, Minnesota, during the presidential campaign of 1912, in defense of the Payne Act, a tariff measure enacted by the Republicans in 1909. Unfortunately for the elder Taft, the speech worked in reverse. In the electoral college ballot, the genial president running for reelection received only 38 of the 531 votes cast. It is not surprising that William Howard Taft is remembered more for his kindly disposition than for his political acumen.

The senatorial son might draw a lesson from his father's experience. Perhaps he has; and perhaps he has concluded, as well he might, that there was nothing in his father's unfortunate experience to prove that adherence to a high protective tariff is politically inexpedient. He might point out with truth that the tariff question was but one, and a lesser one at that, of a multitude of causes leading to his father's political downfall. And even if voters in 1912 were antagonistic to high tariffs, their attitude could justly be described as but a passing phase. Had not the Republican party, the traditionally high tariff party, won most of the national elections since the Civil War? It could hardly be claimed that the great mass of voters for any considerable length of time have favored low tariffs, much less free trade.

The evidence is all to the contrary. Senator Taft might claim, too, and with equal validity, that there are more than a few high tariff advocates among the Democrats, though that argument would prove considerably less than nothing. No, there is nothing in the record to prove that whooping it up for the high tariff has lost its efficacy as a device for capturing votes.

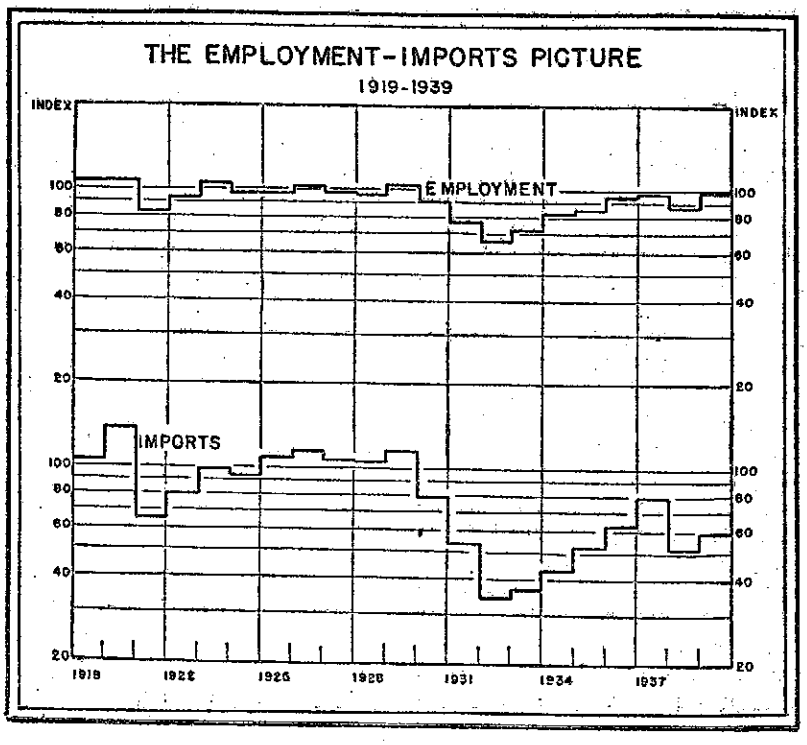
But for those of us who agree with the fellow who defined a Republican as one who thought a Democratic administration was bad for the country, and a Democrat as one who thought a Republican administration bad for the country, and said they were both right, some consideration of the economic consequences of the tariff may be of passing interest.

Of the seven tariff measures enacted by Congress in the past 50 years, five were labeled Republican and two Democratic. The Underwood Act, passed in 1913 following the Democratic landslide which swept the Taft administration out of office in 1912, was an earnest and reasonably successful effort to undo some of the more harmful provisions of the Payne Act. The other piece of Democratic tariff legislation was the Wilson Act of 1894. Whatever its aim, it accomplished no great results, though it was an improvement on the McKinley Act of 1890.

Figures prepared by the Tariff Commission in 1930 show the following estimates of the average ad valorem duties embodied in those seven measures:

Smoot-Hawley Act	(Rep.)	1930	41.64%
Fordney Act	(Rep.)	1922	38.22
Underwood Act	(Dem.)	1913	26.97
Payne Act	(Rep.)	1909	40.73
Dingley Act	(Rep.)	1897	46.49
Wilson Act	(Dem.)	1894	41.29
McKinley Act	(Rep.)	1890	48.39

The above figures suggest that the tariff of 1930, though higher than that of 1922, was lower than the Dingley and McKinley Acts. However, because radical changes have taken place in the character of American imports in recent years, the figures must be read with caution. Actually, the Smoot-Hawley bill of 1930 represented the peak of economic nationalism. That act, passed at the vociferous insistence of industries having a vested interest



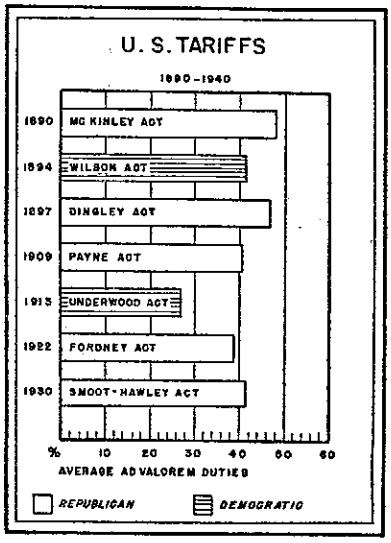
in the maintenance of tariffs, not only increased rates but also authorized the government to impose additional duties to offset any subsidy that might be granted by a foreign nation to stimulate exports to the United States.

During the making of the Smoot-Hawley bill, 26 nations protested officially against the contemplated rates. After its passage, more than a thousand American economists urged President Hoover not to sign the bill. Following its enactment no less than 50 nations took action against the United States by raising their tariffs, or establishing quotas, special import duties or embargoes. World trade fell from $68,000,000,000 to $23,000,000,000 a year, and part and parcel of this drop was the unprecedented unemployment we have had in the past ten years. In 1929, United States exports provided a livelihood for 2,585,000 families; in 1932 the number had dropped to 767,620.

Obviously, the decline in world trade was not the only cause of the current depression, but it is a matter of record that unemployment struck most heavily at those industries largely dependent on world trade. In 1929 we were exporting 36% of our copper, 31% of our lubricating oil, 41% of our typewriters, 49% of our cotton, 41% of our tobacco. Exports in these industries declined sharply after the Smoot-Hawley bill became the law of the land. Workers lost their jobs by the thousands, and their purchasing power for other goods—suits, dresses, furniture, hosiery, shoes, glass, china, food, etc.—practically stopped, and the circle of unemployment grew wider and wider.

Between 1922 and 1929 our imports increased by 34%, and exports gained 51%. During that period, under the mistaken idea that it was undesirable to import goods, we were lending millions of dollars abroad to finance foreign purchases of American goods. Finally we found it impossible to continue the fantastic policy of supplying both the merchandise and the money to pay for it. Our alternative was to accept payment in essential commodities. But what we did was to raise tariffs even higher by the Smoot-Hawley Act of 1930. The result was that American industry, instead of being protected by the tariff, soon found itself being destroyed by it. Workers, instead of receiving higher wages, lost their jobs in steadily increasing numbers.

Senator Taft, yearning to be president, might ponder on these things. Let him delve into the records ever so little and he will see for himself whether high tariffs are the unfailing panacea the grand old Republican Party would have us believe. He



might begin with import data of the Department of Commerce and employment data of the Department of Labor. It won't take him more than five minutes to discover that employment has always been highest when imports were highest, and lowest when imports were lowest.

If the Senator would be interested in learning how tariffs subsidize inefficient industries at the expense of the American people, he might turn to manganese. Manganese ore is essential in the production of steel. Rich deposits are found in India, Russia, Brazil and the Gold Coast of Africa. Deposits in the United States are poor and not extensive. The Smoot-Hawley Act imposed a duty of $22.40 a ton on manganese, which in 1922 was 87% ad valorem. In 1929 we imported 316,000 tons of manganese, on which we paid a duty of over $7,000,000. Our domestic production was only 27,000 tons. We paid a tariff, or tax, of more than $7,000,000 to protect an American industry whose total output was worth only $1,300,000. The American industry was so small that comparatively few workers were employed in it. So few, indeed, that it would have been cheaper for the American people to have closed down the industry and given every manganese worker an annuity equal to his average wage, plus room and board at the Waldorf for the rest of his life rather than burden the nation with the added price we paid for manganese because of the $7,000,000 tariff.

But perhaps candidate Taft is not interested in such things. After all, he doesn't want to be an economist—he wants to be president. Economists don't get to be president; politicians do. Let him eschew economics, outpromise the New Deal, and borrow some of old Doc Townsend's ideas, and he may yet win the object of his heart's desire.

Yet, come what may, this strange fact remains: that in all our recent American experience, employment in this country has closely followed the volume of our imports. One would imagine therefore, that politicians, having in mind a program for solving our most pressing social problem, unemployment, would at least bring this fact to light and make an effort to lift the blockade of trade imposed by tariff barriers. A platform offering lower tariffs would, on the record, be a platform offering wider employment. There's no copyright on such a platform; it may be had for the taking. Who'll take it?

●