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DOLLARS ARE NOT ENOUGH

High Tariffs vs. Marshall Plan

CHARLES SHIRLEY POTTS

THE WORLD at this time is suffering from dollaritis. The American dollar is at once the cheapest thing and the dearest thing in the world. The cheapest thing because, as a result of inflation in this country, the dollar will buy fewer of the items one needs to buy than ever before. The dearest thing because the dollar is the only key that will unlock the world's one great storehouse of food and clothing and machinery and everything else that makes life tolerable for civilized peoples. And, sad to say, this paradoxical situation grows worse daily. As wages and prices go higher, the dollar declines in value nearer to the vanishing point.

Still, the demand for dollars continues to increase, not only in the war-torn countries of Europe but also in those of the Far East—in China, utterly wearied by its sixteen-year-old war against both foreign and domestic foes; in Japan, whose overseas trade was swept away by our fleet, and whose domestic industries were destroyed by our bombs; and in India, where there have always been millions on starvation rations. There is also a pressing need for dollars among our neighbors of the American continents. Mexico has re-

cently had to restrict imports from the United States for lack of dollars to pay for them, and Argentina, supposedly rolling in wealth resulting from her great European trade in wheat and meat products, is finding it necessary to encourage the inflow of American dollars. She is even reported to be considering applying for an American loan as a means of keeping in operation Perón's vaunted billion and a half dollar five-year plan.

Just how grave the situation of the European nations has become can be realized by a hasty look at Britain's financial picture. Only a year ago she applied to the United States for a loan of five billion dollars to tide her over the period of reconstruction of her industries at home and the re-establishment of her trade abroad. It was expected that the loan would take care of her needs for perhaps five years. Congress granted the loan after cutting it down to three and three-quarters billions. But since the loan was made, the value of the dollar has declined by as much as one third, as a result of the rapid rise of prices in this country. British officials have been seriously disturbed by the failure of their efforts to revive the great export trade Britain had en-

joyed before the war; in addition, certain provisions of the loan agreement proved disastrous. One clause forbade discrimination in favor of imports from Britain's overseas dominions which could be paid for in British pounds, whereas imports from America had to be paid for out of the rapidly diminishing supply of dollars. Not only so, but when goods were bought from other countries, as wheat or meat products from Argentina, the seller could demand payment in dollars instead of pounds. The result was that by mid-August the exhaustion of the loan was in sight. Prime Minister Attlee hurried a commission off to Washington to negotiate for the elimination of the objectionable provisions of the loan treaty, and meanwhile took action to freeze the remaining \$400,000,000 of the American loan.

It was in this depressing atmosphere that George C. Marshall, Secretary of State, delivered his brief address at Harvard University on June 5.

In substance he told his hearers, and through the press the peoples of the world, that the United States could no longer hand out doles of money or of goods to each needy nation that might apply. Such a policy would bankrupt this country and at the same time would fail to bring about any constructive improvement in the world's economic situation. Hereafter, Marshall said, the nations of Europe in need of assistance must get together and aid each other as far as possible, and then apply to America only for such additional help as we may be able to furnish. Self-help and mutual assistance were to be the watchwords of the future. And in the determination of what is needed the initiative should come from Europe, and not from us.

He emphasized one further point, that

"any government which maneuvers to block the recovery of other countries, or seeks to make political capital by perpetuating human misery," would encounter the stern opposition of the United States.

EVERYBODY had long known that Marshall was a great soldier, the organizer of the greatest military power and builder of the greatest military victory that the world had ever seen. Probably few people in this country or elsewhere had thought of him as a great statesman. But it may turn out that his short address at Harvard will have very far-reaching political consequences. In a burst of enthusiasm Ernest Bevin, British Secretary of State for Foreign Affairs, told the Foreign Press Association that "the speech may well rank as one of the greatest in the world's history. It is a real attempt by a great country trying to make its contribution to recreating a healthy world, healthy in body and in mind." In much the same spirit Lord Pakenham, spokesman for the Labor Government in the House of Lords, declared that Marshall's speech might mark an epoch in world history. For the opposition Hore-Belisha, former Secretary of State for War in Churchill's coalition cabinet, said Marshall's address had left no doubt that Washington favored the principle of a United States of Europe. He asked whether Attlee's Labor Government would favor it and added that a ringing statement by the Government in support of the policy "would give hope to, and attract the support of, millions of confused Europeans who see no definite alternative to the dynamic politics of Communism."

One of the most significant utterances in Britain came from the *Economist*, which analyzed Marshall's speech ably and at length. Keenly aware of the fact

that the American government is hopelessly divided between the two parties and that neither the President nor his Secretary of State can declare any particular policy to be the policy of the United States, the *Economist* urged England and the needy nations on the Continent to formulate a program so big, so broad, and so challenging as to win the overwhelming support of the Congress and of all the American people. Said the *Economist* in conclusion:

If Mr. Marshall's initiative is to be accepted by the American people, it will have to be embodied in an ambitious and inspiring program . . . It must be big enough to take the breath away, but there is no time to construct even the simplest structure . . . But for all the difficulties, it would be criminal to let such a wonderful opportunity slip . . . There is only one achievement big enough to be worth scores of billions of dollars and that would be a full customs union of the main countries of Western Europe.

Here then are two concrete and very alluring suggestions, the one for a customs union and the other for a United States of Europe. Fortunately there is no clash between the two. The customs union might well lead later to the formation of a federation of states more or less similar to our own.

The idea of a United States of Europe has for a hundred and fifty years appealed strongly to outstanding thinkers everywhere. Twenty years ago the great French statesman, Aristide Briand, proposed a European Federation as a means of preventing another war, and last year Winston Churchill in an address at Zurich put the suggestion forward in his vigorous fashion:

Over wide areas a vast quivering mass of tormented human beings gaze on the ruins of

their cities and scan the dark horizon for new perils . . . That is all that Europeans, grouped in so many ancient states, have got by tearing each other to pieces . . . There is a remedy which would, as if by a miracle, transform the whole scene . . . We must build a kind of United States of Europe.

On the Continent most of the Western nations promptly approved Marshall's suggestion, and seemed eager to get the plan going. But Molotov said no. He was quite willing to receive American aid, but he objected to the method of getting it as outlined by Marshall. He would have the United States make a preliminary survey of her own resources and state just how much help she could give and then allow the needy nations to make their requests in the light of the available supply.

When Bevin flew to Paris with a group of advisers for consultation with Premier Ramadier and Foreign Minister Bidault, he found the French profoundly interested in the Marshall plan, but determined to get Russia in on the early discussions. For this purpose, the talks in Paris adjourned for a few days.

Back in London, Bevin made a stirring speech before the House of Commons. Winding up a debate on foreign affairs in which vigorous anti-Communist and anti-Soviet speeches were made by Labor members as well as by Conservatives, Bevin bluntly warned the Soviet Union that the days of appeasement in Anglo-Russian relations were past, that Britain was determined to go on speedily with Marshall's plan "with or without the Soviet Union, and against it if necessary." Said he, "If there is to be a conflict in ideologies, I shall regret it, but if it is forced upon us we must face it." Referring to Russia's aggressive actions in the satellite states of eastern Europe, Bevin exclaimed: "We have lived through all

this before—Poland, Hungary, Rumania! Why blind our eyes?”

Finally on June 23 Molotov agreed to talk things over with Bevin and Bidault in Paris. He arrived three days later. At once the wrangling and discord began. Molotov again put forward his counter-proposal to the Marshall approach. Bevin angrily rejected the Russian suggestion; “we would be asking the United States to sign a blank check,” he said. The conference made no progress toward agreement, and on July 2 it broke up. At the last meeting Molotov cautioned England and France that the course they were pursuing would not lead to rehabilitation but to “very grave consequences.” To this Bevin replied, “My country has faced grave consequences and threats before, but that is not the sort of prospect that will deter us from doing what we consider our duty.”

THUS ENDED the attempt to get an all-European acceptance of the Marshall plan. Thus also ended two full years of bickering at every international conference, at every meeting of foreign ministers, and at every meeting of the United Nations, from the days of the San Francisco conference in 1945—bickering that had the appearance of a deliberate scheme to prevent co-operation and understanding, in order, as Marshall phrased it, “to make political capital by perpetuating human misery.”

The sweet reasonableness and evident purpose to co-operate that have prevailed among the Western nations since July 2 suggest that Molotov’s trek from the conference hall in Paris may have been a blessing in disguise, and may itself prove to be a turning point in world history. If Molotov expected his departure to kill the Marshall plan, he was doomed to dis-

appointment. Bevin and Bidault immediately sent letters to the other twenty-two European states inviting them to attend a conference to be held in Paris. Fourteen of the European states not under Russian domination promptly and enthusiastically accepted. The other eight, all Russian satellite nations, declined. Several of them were eager to accept—especially Czechoslovakia; but the Kremlin was adamant.

Promptly on July 12 the accepting nations together with England and France met in Paris. Speed was the order of the day. Within one hour from the fall of the gavel Bevin had been unanimously elected president by acclamation, the opening addresses had been delivered, provision had been made for setting up the necessary committees, and the first day’s session had ended. Bevin remarked that it was the speediest conference he had ever attended.

Two days later the conference had finished its organizational job and had recessed until early in September, at which time the committees would presumably be ready to report. In addition to a general steering committee on which all sixteen nations have representation, there are four lesser committees dealing with food and agriculture, fuel and power, steel, and transport. The nations of the Western group, in addition to England and France, are Iceland, Ireland, Sweden, Norway, Denmark, Holland, Belgium, Luxembourg, Portugal, Italy, Switzerland, Austria, Greece, and Turkey. Spain was not invited and is not eligible so long as she retains Franco.

Russia, too, has been very busy since July 2, organizing her eight satellite nations into an Eastern bloc with herself as the head and front. Cartels for the exchange of products are rapidly being

formed—it does not require much time to make bargains when one party only is free to bargain. The eight puppet states are Finland, Poland, Czechoslovakia, Hungary, Rumania, Bulgaria, Yugoslavia, and Albania. The Eastern bloc includes, besides this group of satellites, Russia's zone of occupation in Germany. Correspondingly, the area included in the Western bloc is increased by the British, French and American zones.

A glance at the map of Europe will show that the boundary between the East and West is marked roughly by a north and south line from Stettin on the Baltic at the mouth of the Oder to Trieste in Italy at the head of the Adriatic. It is unfortunate from the standpoint of European trade that most of the predominantly food-producing regions lie within the Eastern area, while the Western states are industrial rather than agricultural countries. Sooner or later each bloc will find it increasingly profitable and desirable to exchange the manufactured products of the West for the surplus food supplies of the East. This long-range pull does not help the present critical situation in either area, but it abundantly shows the wisdom of the Western group in taking pains to assure Russia and family that the door is always open to them.

Up to this writing the committees appointed at the Paris conference have hit only one snag. England and America believe that the revival of the Ruhr and the industries that depend upon it is the swiftest and surest route to the restoration of normal conditions in the whole Western bloc. France is quite willing to have the Germans in the Ruhr produce as much coal as possible. She is somewhat less willing to see the German iron and steel industry there revived. She

bitterly opposes restoration of German manufacturing industries, fearing that step might lead once more to Germany's rearming and another invasion of France. Vigorous official protests against this possibility have been lodged with the governments in both Washington and London.

To the present writer it seems perfectly clear that the British and American position is absolutely sound. But the French fear is also quite natural in the light of the three invasions that France has had to endure within the memory of men still living. Perhaps French fears could be allayed if the Ruhr were entirely separated from Germany and put under the administration and control of an international commission appointed by the UN, and representing such states as France, England, the United States, Italy, and Holland or Sweden. This would have the further effect of strengthening the position of the UN.

In any case, time is of the essence and the sooner all the wheels of productive enterprise are set going the sooner will the world's nightmare of confusion and despair be ended. Britain's near financial collapse is indicated by her declared intention to withdraw from Greece, by her expressed desire to turn over to the United States her occupation zone in Germany, by her request for modification of the loan agreement with America and her action in freezing the handful of American dollars she still has left, and by Parliament's restoration (at Attlee's request) of wartime restrictions on business, employment, and prices. Further proof of urgency is shown by the desperate struggle the Communists are making to seize the governments in France, Italy, and Austria.

IN THE MEANTIME Congress and most American businessmen have shown themselves largely oblivious or indifferent to the holocaust that is going on elsewhere. Their attitude seems to be to let things rock along and perhaps they will right themselves somehow. Maybe these men are willing to let somebody else do something to remove the trade barriers that are plaguing the rest of the world; but no bill lowering our own tariff barriers has been introduced or even discussed.

To the contrary, on at least two occasions Congress has voted to raise higher the trade barriers already shutting the world out of the United States.

One of these attempts, the proposed increase in the tariff on raw wool, came very near wrecking the only real postwar effort our government has made to improve international trade relations. It will be remembered that two years ago, after much coaxing, Congress was finally persuaded to extend the law permitting reciprocal trade treaties. Acting under this grant of authority, Under Secretary of State William L. Clayton, one of the ablest men connected with our government, had succeeded in assembling at Geneva representatives of seventeen of the world's leading commercial countries, and during two or three spring months of this year considerable progress had been made toward reducing the one hundred and five bilateral trade agreements in existence to a dozen or two multilateral treaties to be signed by the participating nations. In addition the conference was laboring night and day on an international trade charter (which has now been unanimously agreed to by the representatives at Geneva and is to be laid before all the sixty nations of the world at

another conference to be held at Havana in November).

At the height of this delicate undertaking, the lower house of our Congress dropped a bombshell in the midst of the Geneva delegates by passing a bill authorizing the President to add "fees" to the existing tariff of thirty-four cents per pound levied on imported raw wool, even though a different rate might be prescribed in the trade treaties being laboriously worked out at Geneva. In lieu of the additional fees the President might, if he should see fit, establish "quotas," limiting the amount of raw wool that might be imported.

Two or three times during the slow journey of the bill through Congress, Clayton felt moved to leave the Geneva meeting to fly to Washington in an attempt to prevent its passage. But evidence and persuasion were alike futile, and only the President's veto prevented this stupid measure from becoming a law.

The story of the Sugar Act of 1948, the other case of boosting American trade barriers, is a sorry tale indeed—one that has the *New York Times* crying, "A cartel! Written by the sugar industry for the sugar industry." And the conservative *Wall Street Journal* is no less strong in its denunciation: "A legal monopoly [for which] the consumer is to pay."

The bill extends for five years the existing sales quota system but adds objectionable amendments that it is believed will increase materially the high cost of living for the American people. American bakers, for example, estimate that the annual bill for cake alone will be increased by \$30,000,000. Domestic sugar producers had their quotas raised by 20 per cent above the average for 1936-1945, while foreign sugar producers (other than Cuba) had their quotas cut. In the light of

this action by Congress no one should have been surprised when the Sugar Rationing Administration announced on August 5 an increase in the price of sugar to the consumer.

But undoubtedly the worst effect of the Sugar Act and the wool bill will be in the international field. The rest of the world can have no faith in our sincerity when we talk piously of removing trade barriers—they will believe that we wish to remove the mote from our neighbor's eye but fail to see the beam in our own. Our tariff walls are even higher now than they were under the celebrated McKinley Tariff of 1890. After World War I came first the Fordney-McCumber tariff, raising barriers when we should have lowered them. Then, in 1930, the Smoot-Hawley tariff brought the greatest depression in the world's history. That obnoxious law is still in force except to the slight extent it has been modified by the Hull reciprocal trade treaties. No other nation has ever had so formidable a system of trade protection as now separates the United States from the rest of the world.

It should be remembered that we can relieve the existing dollar distress in only three ways: first, by giving away our dollars or the goods they will buy, as we have been doing through UNRRA; second, by lending our dollars or goods, with the hope more or less definitely in mind that sooner or later the debts will be repaid; third, through the normal business way of securing credits in a foreign country—by paying for them in goods. This normal business process the countries of the world are ready and eager to carry out just as far as they have surplus goods that they can send us—if only we will let these goods in. Nothing that we could possibly

do would bring such hope and courage to the peoples of the world as a declaration on our part that our tariff walls must be lowered as rapidly as can be done without undue jars and industrial dislocations.

This suggestion has everything to recommend it. It is the best possible policy for us as well as for our hungry neighbors. Our nineteenth-century high tariff policy is as obsolete as wearing asafetida to keep off disease or as planting potatoes in the dark of the moon. A century ago we needed to help our infant industries, and as a borrowing nation we had to keep the balance of trade in our favor so as to be able to meet foreign-held debts and to pay ocean freight and insurance on our exports. Now the shoe is on the other foot—we are the great creditor nation and must expect the balance of trade normally to be against us, so as to enable the other nations to pay their debts to us. This is the A.B.C. of international commerce.

If the process of lowering our trade barriers were entered upon with vigor compounded with due business caution, it would no longer be necessary for the President to indulge in futile appeals to merchants to lower retail prices, or to get on his knees before the coal and steel barons and beg them not to raise their prices. Prices would adjust themselves to the competition from abroad, and the American people could count on a gradual but steady decline in the cost of living. Sooner or later labor contracts, too, would respond to the downward trend, and we would ultimately become an integral part of an international world economy.

Have we sense enough and altruism enough to adopt such a program? That is the all-important question.