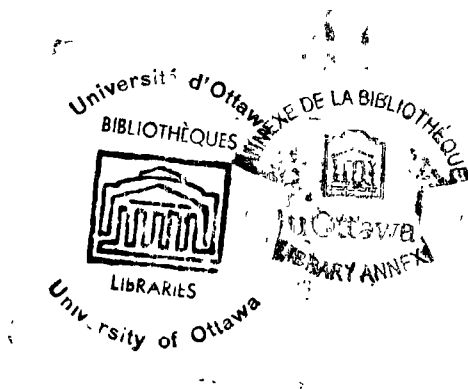


TRADE LIBERALIZATION AND THE QUEST  
FOR PEACE AND PROSPERITY: THE FATE  
OF AN IDEA IN THE MINDS OF  
WOODROW WILSON AND CORDELL HULL

Bernard L. Nevins

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## INTRODUCTION

The idea that trade liberalization was the soundest basis for peace and prosperity has had a long but ill-fated history. The notion that the exchange of goods would promote the economic interests of industrial nations and act as a deterrent to war has had many proponents. Most recently this concept has been expounded by such men as President Gerald R. Ford of the United States when he recommended a trade reform bill to a joint session of Congress on August 12th, 1974, and by Jean Monnet of France, principal architect of the European Economic Community.

This thesis examines the presence and the persistence in the early part of the twentieth century of the concept that trade fostered peace and prosperity. It traces its formulation in the mind of President Woodrow Wilson and relates it to his political principles and to his perception of economic conditions. It traces the expression of the ideal by statesmen at the international conferences in the 1920's and accounts for its frustration. Secretary of State Cordell Hull sought to establish the proposition as the basis of the New Deal's foreign policy. From 1913 to 1934, the major impediments to the adoption of a liberal trade policy by the United States and the other industrial nations arose from the experience of war and depression. Both generated restrictive economic policies; in the search

for peace and prosperity they rejected the idea that both depended upon the liberalization of trade.

Among historians of American foreign policy, including many of those cited on the following pages, there is a tendency to isolate or to emphasize single causative factors. Thus, one group affirms the idealism that motivated foreign policy, and the other excludes the pursuit of ideals through commercial policies and concentrates its attention on the perceived economic benefits. In their extreme position, it seems that both schools exclude the likelihood that concern for peace and for economic prosperity could be compatible and mutually reinforcing aims of foreign policy. This thesis demonstrates that in the minds of Wilson, Hull, and Roosevelt, there was no conflict between the condition of peace and the criteria for prosperity. In their belief, both depended upon a liberalization of trade and they acknowledged their double concern for peace and prosperity. Moreover, at the international conferences sponsored by the League of Nations, the statesmen of Europe - sometimes ignored by American historians - also asserted the principle. The failure of those who aspired to the proposition - peace and prosperity through trade - to convince their own and each other's government of its wisdom does not testify to their insincerity. This thesis reveals the evidence that the concerns for peace

were overshadowed by hostilities and fears generated by war and economic crises.

Woodrow Wilson formulated the idea that the cause of peace was related to the liberalization of trade relations. He came to the Presidency long a critic of Republican tariff policy. He was convinced that high tariffs meant bad economics and bad politics. Assuming that prosperity in the United States required the expansion of its industrial capacity and with confidence in American industry to compete in world markets, tariff reductions became the first item on his reform agenda. World War One and United States participation in the conflict gave Wilson an opportunity to present a formula for universal peace. His principles for permanent peace were defined in two of his Fourteen Points, the removal of trade barriers and the formation of the League of Nations. The first was rejected at Versailles and both were rejected at home in the post-war elections.

Throughout the post-war decade there was some reason to believe that the Versailles conference represented only a temporary setback to Wilson's idea of political and economic cooperation. The several conferences, sponsored by the League of Nations, gave spokesmen for member nations the opportunity to reaffirm their support for the goal of trade liberalization. But the policies applied by the

United States and other industrial nations were protectionist and nationalistic because the war had engendered hostilities that had not been forgotten. When prosperity was achieved, there was a reluctance to risk it by experimenting with a new trade policy. The 1920's ended with a renewal of economic nationalism in response to the spreading depression.

The London Economic Conference of 1933 afforded another opportunity to test the commitments of governments to the idea that peace and prosperity depended upon free trade. The new administration was represented by Secretary of State Cordell Hull who throughout his political career reiterated his support for world trade. Like Wilson, Hull believed trade was the best domestic policy and also was the surest guarantor of peace. He took advantage of the meeting to convince delegates of his ideas, but there was not much hope that they would be accepted. In response to the depression each nation chose its own priorities which were in apparent conflict. Roosevelt's decision to seek the elimination of trade barriers before discussing the issue of whether exchange rates should be stabilized was the excuse for the dissolution of the conference. The concern for the economic crisis and the concern for the policies that would relieve the economic crisis overshadowed any willingness on the part of the attending

nations to enter into an untried and uncertain formula for peace.

Hull, undaunted by his experience at London, persisted in his beliefs that the expansion of international commerce would bring prosperity to the United States and its trading partners, that these commercial bonds would cement peace among these states, and that the United States had a responsibility to take the lead in eliminating trade barriers in order to revive world trade. By the end of 1933 Roosevelt had secured the necessary legislation to protect the American economy and to fix the exchange rate of the American dollar. He also supported Hull's proposals for bilateral negotiations for the gradual lowering of tariff barriers.

The Reciprocal Trade Agreements program represented Hull's belief in the Wilsonian ideal, peace through trade. It was inspired by the idea that trade was the best guarantee of peace and by the more practical decision to revitalize the American economy through the expansion of exports. The slow bilateral-treaty approach to trade expansion, whereby the United States would join with the governments of other commercial nations in making their domestic policies subservient to the search for peace through the exchange of goods, fell short of this ideal. As treaties were negotiated nationalistic ambitions drove the world to war.



The Trade Agreements program did not stop war but it was the first step to a spirit of cooperation among the United States and its partners to winning the war. In 1945 in the United States and in the governments of its western allies there was a return to the belief that peace depended upon economic cooperation. There was a commitment to seek new agreements to liberalize trade.

## CHAPTER I

### THE WILSONIAN PRESCRIPTION FOR PEACE AND PROSPERITY

The devastation and slaughter of the First World War confirmed President Woodrow Wilson's conviction that the only hope for permanent peace rested upon the acceptance by all nations of a spirit of cooperation. Wilson considered trade to be the primary vehicle of contact among the nations of the world. He opposed economic barriers because they not only became a disruptive force in international exchange but also prevented any beneficial commercial relations among the nations of the industrial community. In his view the cornerstones of American economic policy, protection and self-sufficiency, were no longer appropriate in the twentieth century. The United States had become the leading industrial nation and its economic prospects were dependent on the expansion of the overseas trade. It was the President's intention to provide leadership by establishing a new tariff policy that would be non-discriminatory, that would offer protection against unfair competition and that would promote exports. Wilson cherished the belief that all nations had a right to a fair share of the world's economic resources, free of any restrictions. Failure to acknowledge this fact, or to cooperate economically was to reject any hope of peace

and prosperity. At the Versailles Peace Conference, the Allied statesmen had less concern for Wilson's vision than for the immediate problem of readjustment; cooperation with former enemies was not uppermost in their minds. Wilson's formula won token acceptance in Europe, but it was decisively rejected in Washington. He had won a war and lost a peace.

Woodrow Wilson's views on political economy were greatly influenced by the Manchester Liberal school and by Richard Cobden, the leader of the free trade movement in England. Cobden believed that peace and trade belonged to one another, and that if peace was to be attained, the interdependence of nations would have to be made known to the reason and conscience of mankind. While speaking on peace at Wrexham, on November 14, 1850, Cobden affirmed that "free trade would unite mankind in the bonds of peace."<sup>1</sup>

Like Cobden, Wilson envisioned free trade and peace as inseparable. In addition, he considered both worthy national goals. He believed that it was America's mission to bring justice, democracy, and prosperity to the world. For these purposes the world needed an instrument to preserve stability, prevent aggression, and to foster political

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1. William Harbutt Dawson, Richard Cobden and Foreign Policy (London: George Allen and Unwin Ltd., 1926), p. 32. , , '

exchange. Wilson's instrument was the League of Nations. Commerce would reinforce the new political system since, Wilson said, "trade was the great nurse of liberal ideas."<sup>2</sup>

Wilson judged that the prosperity of the United States and of the world were interdependent. In the interest of his own and of other countries he opposed any policy that restricted economic growth. He assumed that liberalizing trade would expand American commerce and that it would profit its trading partners as well.<sup>3</sup>

There was no doubt in Wilson's mind that a liberal trade policy was in the best interest of the United States. Like so many of his contemporaries, both business men and politicians, he was concerned about the capacity of the home market to absorb the expanding production of American industry. On the eve of his first presidential campaign, Wilson told the Virginia Assembly that "the United States would stifle economically unless American surplus goods were exchanged on the world markets."<sup>4</sup>

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2. Wilson, Speech at the University of Virginia, March 6, 1880, in Arthur S. Link (ed.), The Papers of Woodrow Wilson: Vol. I, 1856-1880 (Princeton, New Jersey: Princeton University Press, 1966), p. 610.

3. N. Gordon Levin Jr., Woodrow Wilson and World Politics: America's Response to War and Revolution (New York: Oxford University Press, 1968), p. 18.

4. Wilson, Speech at Richmond, Virginia, February 1, 1912, in R.S. Baker and W.E. Dodd (eds.), The Public Papers of Woodrow Wilson: Vol. II (6 vols.; New York: Harper and Brothers, 1926), p. 375.

Unlike protectionists, Wilson had great faith in the efficiency of American industry. In the competition for overseas markets, he believed, the manufacturers had no reason for concern.<sup>5</sup> To promote exports Wilson concluded it was necessary to abolish the system of protection of home industries by high tariffs. If American products were not freely entering overseas markets, it was because the United States restricted the entry of foreign goods.<sup>6</sup> "Trade was reciprocal," he asserted, "America could hardly expect to sell American goods to its neighbours if it was unwilling to buy their goods in return."<sup>7</sup> Thus, the key to prosperity and industrial expansion was a reversal of the protective tariff policy. The system was contrary to the nation's best interest. To maintain employment and a high standard of living, the government should adopt a policy that would find outlets for the surplus goods that threatened "a severe congestion of the American economy."<sup>8</sup>

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5. Levin Jr., Woodrow Wilson and World Politics: America's Response to War and Revolution, p. 17.

6. Wilson, Essay, October, 1878, in Baker and Dodd (eds.), The Public Papers of Woodrow Wilson, I, p. 13.

7. Wilson, Speech on Accepting Nomination of the Democratic Party, August 7, 1912, in Baker and Dodd (eds.), The Public Papers of Woodrow Wilson, II, p. 472.

8. William Diamond, The Economic Thought of Woodrow Wilson (Baltimore: Johns Hopkins Press, 1943), p. 133.

Woodrow Wilson outlined his views on trade and tariffs before the Atlantic session of the Tariff Commission. In his testimony he said that "the government's ability to tax should be used for the benefit of all taxpayers and not just for a few individuals or groups of individuals."<sup>9</sup> He accepted a tariff for revenue as long as it did not hinder beneficial trade relations. It was not his intention to remove all duties on imports but to retain those necessary to "defray the expenses of the government, reduce the public debts, and leave a small surplus for accumulation."<sup>10</sup> He advocated a system that reflected "the actual conditions of trade and manufacture."<sup>11</sup>

Wilson contended that the national interest did not require a permanent high tariff system. The protectionists argued that the United States had to be self-sufficient, that it should not have to depend upon foreign sources. National defense justified high tariffs. Wilson argued that the United States was not dependent upon foreign manufacturers, and that a tariff policy should

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9. Roy S. Baker, Woodrow Wilson: Life and Letters (8 vols.; New York: Greenwood Press, 1968), I, p. 95.
  10. Wilson to the U.S. Tariff Commission, Atlanta, Ga., September 23, 1882, in Arthur S. Link (ed.), The Papers of Woodrow Wilson: Vol. II, 1881-1884 (Princeton, New Jersey: Princeton University Press, 1967), p. 141.
  11. Wilson, Speech to the National Democratic Club, New York, April 13, 1908, in Baker and Dodd (eds.), The Public Papers, of Woodrow Wilson, II, p. 28.

serve the requirements of peace.<sup>12</sup>

The primary purpose of the tariff was to provide a source of revenue. In addition, Wilson wanted to modify or eliminate protection so that American industries would become more competitive in world markets. This was a wise policy for a country that wanted to develop new and expand established industries. The idea of protecting infant industries gradually had degenerated to the level of dispensing favors to inefficient industries that could not compete on the world markets.

During the first fifteen years of the twentieth century a profound change had taken place in the domestic economy which affected both the volume and the character of American foreign trade. In 1900 agricultural products constituted sixty per cent of the nations exports - by 1914 manufactured products accounted for nearly forty-nine per cent of American exports. The United States had transformed itself into a great manufacturing nation under a tariff policy that was highly protectionist. Rather than adopt "a new policy which reflected these changes - and one that encouraged exports"<sup>13</sup> the Republican Party

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12. Wilson to the U.S. Tariff Commission, Atlanta, Ga., September 23, 1882, in Link (ed.), The Papers of Woodrow Wilson, II, p. 141.

13. Harold U. Faulkner, The Decline of Laissez-Faire, 1897-1917, Vol. III of The Economic History of the United States, ed. by Henry David, et al. (9 vols.; New York: Holt, Rinehart, and Winston, 1961), p. 60.

continued a system of highly protective tariffs.

The Republicans outlined a new defense of an old tariff policy in their national party platform of 1896. They demanded a just tariff on foreign imports which competed with American products in order to protect the wage levels of American labor. The Republicans believed that tariff rates were "to be governed by the conditions of time and production. The ruling and uncompromising principle was the protection and development of American labor and industries."<sup>14</sup> This attitude was continued by William McKinley, who became President of the United States in 1897. McKinley considered himself the agent of the businessman, the creator of prosperity. The Dingley Tariff of July 24, 1897, the highest in American history to that time, was testimony to his belief in the principle of protection. One possible justification of a tariff increase was the Treasury deficit accumulated during the depression years.<sup>15</sup> The more likely reason was a dispensing of special favors to big business in return for support of the Republican Party.

The manufacturers wanted to expand overseas markets for American goods. Some of McKinley's advisors considered

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14. Kirk H. Porter and Donald B. Johnson, National Party Platforms, 1840-1964 (3rd ed.; Urbana: University of Illinois Press, 1966), p. 107.

15. Faulkner, The Decline of Laissez-Faire, 1897-1917, p. 59.



a tariff policy that would support those ambitions which had been recognized in the Republican platform of 1896. John A. Kasson, Minister Plenipotentiary, was given the task of negotiating reciprocity agreements but his efforts to satisfy their demands conflicted with the principle that reciprocity augmented but did not replace the policy of protection.<sup>16</sup> The Republican party's platform in 1896 had promised reciprocity arrangements "that would equalize American trade with other nations," remove any obstructions to the sale of her goods abroad, "and secure enlarged markets for her farm, forest, and factory products."<sup>17</sup> Kasson was aware that the United States would have to widen its commercial sphere, lessen strained economic relations with Germany, France, Austria-Hungary, and Canada. He believed that if the United States opened new trade channels it would promote peace.<sup>18</sup> McKinley, himself, spoke of "sensible trade arrangements" that would expand American production so long as they did not dislocate those that were well-established. Reciprocal trade arrangements could promote peace if they

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16. Porter and Johnson, National Party Platforms, 1840-1964, p. 107.

17. Ibid.

18. Edward Younger, John A. Kasson: Politics and Diplomacy from Lincoln to McKinley (Cedar Rapids, Iowa: Torch Press, 1955), p. 365.

did not threaten prosperity.<sup>19</sup>

Theodore Roosevelt, who became President following the untimely death of McKinley, was inclined towards lower tariffs and trade expansion through reciprocity. He was well aware of the opposing viewpoints even within his party; his indecision and political caution made him unwilling to do anything that would divide Republicans. Elihu Root, his Secretary of State, warned him that the preservation of world peace meant recognition of the fact that international commerce made nations interdependent.<sup>20</sup>

It was Roosevelt's successor, William Howard Taft, who had to contend with the conflicting views on the tariff. The Payne-Aldrich Tariff, which Taft approved in 1909, continued the Republican doctrine of protection. It offered no concessions to foreign countries and threatened additional penalty duties if they discriminated against American products.<sup>21</sup>

The Payne-Aldrich Tariff was a target of Wilson's verbal tirades which began shortly after it became law and

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19. H. Wayne Morgan, William McKinley and His America (Syracuse, New York: Syracuse University Press, 1963), p. 519.
  20. Elihu Root, Addresses on International Subjects, ed. by Robert Baron and James Brown Scott (Freeport, New York: Books for Libraries Press, 1969), p. 167.
  21. F.W. Taussig, "Necessary Changes in American Commercial Policy," Foreign Affairs, XI (1933), p. 397.

continued throughout his campaign for the presidency in 1912. To him it epitomized all that was wrong with Republican policies. It represented nothing less than a breach of all of the economic and political principles which he cherished and which he was inclined to elevate into moral precepts. In his own words, the continuation of the high tariff policy "excluded the United States from its proper part in world commerce, violated its just principles of taxation, and made the government a facile instrument in the hands of private interests."<sup>22</sup>

If, as Wilson believed, the primary purpose of customs duties was to provide revenue, then those rates which were too high, and which discouraged imports, could not be justified. Neither did he consider indiscriminate protection in the general interest but "a doling out of government privileges."<sup>23</sup> The Payne-Aldrich Tariff conferred a government boon on special interests. Wilson claimed that Republicans assumed "that if a few prospered all would share in their prosperity, and if you made the captains of industry rich they would make the country rich."<sup>24</sup>

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22. Wilson, Address to National Democratic Club, New York, January 3, 1912, in Baker and Dodd (eds.), The Public Papers of Woodrow Wilson, II, p. 340.

23. Roy S. Baker, Woodrow Wilson: Life and Letters, IV, p. 96.

24. Wilson, Address to National Democratic Club, New York, January 3, 1912, in Baker and Dodd (eds.), The Public Papers of Woodrow Wilson, II, p. 340.

He charged, too, that it served partisan purposes - that it allied protected producers with the Republican party.<sup>25</sup> He might have cited the example of the high duty on nippers and pliers which benefitted a single manufacturer whose interests were sponsored by the Vice-President.<sup>26</sup>

Wilson did allow for tariff protection in some instances where it would promote the development of new industries. He attacked the Payne-Aldrich Act because it distorted the argument in favor of protection for infant industries. Protection continued in the twentieth century and for long-established industries rewarded inefficiency, and stifled competition. Behind the tariff wall domestic manufacturers enjoyed high profits and the consumer paid high prices. Competition was the regulating force in the market and it nurtured equity.

A policy that did not encourage industrial efficiency and enterprise, Wilson said, hindered prospects for expansion.<sup>27</sup> If American manufacturers could not meet competition from foreign producers in the home market they

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25. Woodrow Wilson, "The Tariff Make-Believe," North American Review, 190, (Oct. 9, 1909), p. 544-553.

26. F.W. Taussig, The Tariff History of the United States (8th ed., New York: Augustus M. Kelley, Publishers, 1967), p. 402.

27. Wilson, Address to U.S. Congress, April 8, 1913, in Baker and Dodd (eds.), The Public Papers of Woodrow Wilson, III, p. 33-34.

would not be able to compete overseas. He was concerned that the industrial capacity of the United States had outpaced its ability to consume the goods, hence his emphasis on the need to find new markets.<sup>28</sup> The protectionism of the Payne-Aldrich Act conflicted with his view that American business would not "stand aloof and still remain prosperous in economic isolation."<sup>29</sup> To the extent that it invited retaliation against domestic American products, it would exclude American business from its proper share of the world's commerce.<sup>30</sup>

The presidential election campaign of 1912 gave Wilson and the Democratic Party an opportunity to criticize Republican tariff policy and to indicate their aim. The Democrats insisted that the Republican policy had benefited unproductive industries whose excessive profits were guaranteed against the rigors of competition. Wilson indicated that he favored a tariff policy "that was consistent with the stability and safety of the business of the

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28. William Appleman Williams, The Tragedy of American Diplomacy (rev. ed., New York: Dell Publishing Co., 1962), p. 66-67.

29. Woodrow Wilson, A History of the American People (5 vols.; New York: Wm. H. Wise and Co., Publishers, 1921), V, p. 255.

30. Wilson, Inaugural Address, March 4, 1913, in Baker and Dodd (eds.), The Public Papers of Woodrow Wilson, III, p. 3.

country."<sup>31</sup> The Democrats promised a lower tariff that would restore competition, allow fair profits, and maintain domestic production.<sup>32</sup> The farmer and the industrial worker would enjoy a better standard of living when lower tariffs restored competition and lowered prices.<sup>33</sup>

The first item on Wilson's legislative agenda, following his inauguration as President, was tariff revision. The Underwood Act of 1913, although essentially protective, "was an honest effort to reduce rates."<sup>34</sup> Most of the 958 reductions were on manufactured-iron goods and on woollen goods. In comparison the Payne-Aldrich rates, on the average, when converted to a proportion of the value of the dutiable products were between thirty-seven and forty per cent; the average of the Underwood bill, about twenty-nine per cent. Although the Underwood Tariff of 1913 marked a reversal of policy, it did not affect American industry or the prices of commodities to any extent. The changes, for the most part, lowered duties that were prohibitive

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31. Wilson, Address to National Democratic Club, New York, January 3, 1912, in Baker and Dodd (eds.), The Public Papers of Woodrow Wilson, II, p. 342.

32. Taussig, The Tariff History of the United States, p. 419.

33. Porter and Johnson, National Party Platforms, 1840-1964, p. 168-169.

34. Faulkner, The Decline of Laissez-Faire, 1897-1917, p. 64. ;

and eliminated those that were unnecessary. It is difficult to evaluate the effect of these reductions because the outbreak of war stimulated American exports to Europe and relieved the American producer of competition at home and overseas.<sup>35</sup>

To Wilson, the new tariff act fulfilled more than one of his principles and goals. He believed that it would encourage the American economy, that it represented the proper use of government power, and that it would contribute to the world's quest for prosperity and peace. Believing that the production of goods had outstripped domestic consumption, Wilson pursued a commercial policy that would enable the United States to continue her material well-being by securing and consolidating new markets for her exports.<sup>36</sup> The Underwood Tariff was the first legislative effort of Wilson to establish rules of free competition, to destroy monopoly, and to remove discriminatory and artificial barriers to trade. When he signed the tariff of 1913, Wilson opined that it "freed the business of the country from those conditions which made monopoly easy and possible."<sup>37</sup> It reflected Wilson's acceptance of moderate

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35. Taussig, The Tariff History of the United States, p. 448-449.

36. William Appleman Williams, The Tragedy of American Diplomacy, p. 67.

37. Wilson, Address at White House, Oct. 3, 1913, in Baker and Dodds (eds.), The Public Papers of Woodrow Wilson, III, p. 52.

protection and the provisions of the Revenue Act of 1916 further indicated that he endorsed "tariff policies that would encourage economic development."<sup>38</sup> It was his intention to initiate a competitive tariff "as a means of progress and development, a way of helping and facilitating business and enterprise,"<sup>39</sup> and of securing peace. Henry T. Rainey, a member of the House of Representatives, and later its Speaker who sponsored Wilson's Tariff Commission Bill in 1916, hailed the Underwood Tariff as "the first step towards peace and prosperity among the commercial nations of the world."<sup>40</sup>

The outbreak of hostilities in 1914 was both a shock to Wilson and an opportunity for him to present his formula for peace. He "identified America's role in world affairs with the creation of a rational peaceful international system"<sup>41</sup> that would serve humanity. The future did not offer much consolation; yet, the hope of attaining

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38. Arthur S. Link, Wilson, Vol. IV: Confusion and Crisis, 1915-1916 (Princeton, New Jersey: Princeton University Press, 1964), p. 344-345.

39. Wilson to S.M. Hastings, July 28, 1916, in Baker and Dodd (eds.), The Public Papers of Woodrow Wilson, IV, p. 258.

40. Robert A. Waller, "Congressman Henry T. Rainey of Illinois: His Rise to the Speakership, 1903-1934" (Unpublished Ph.D. dissertation, University of Illinois, 1963), p. 145.

41. Norman A. Graebner (ed.), Ideas and Diplomacy: Readings in the Intellectual Tradition of American Foreign Policy (New York: Oxford University Press, 1964), p. 411.



his purpose had not completely eluded his grasp. In his mind, war had erupted because nations were denied access to the world's markets and sources of raw materials. Thus he concluded that "the right of all nations to a fair share of the world's economic opportunities"<sup>42</sup> was essential to any plan for peace.

Wilson's demand for the removal of economic restrictions was a reasonable proposal in the interest of global peace. Yet war had altered the outlook of the Allied powers. The agreements at the Paris Economic Conference of 1916 clearly indicated that the allies did not intend to cooperate with the enemy after the war. "They held their adversaries responsible for the destruction of Europe and were determined to make them bear the cost of reconstruction."<sup>43</sup> With the cessation of hostilities their aim was to restore their own economies and to restrict German power. For themselves they sought access to raw materials while denying them to Germany. They intended the economic isolation of the enemy, not cooperation with it.<sup>44</sup>

The agreements at the Paris Economic Conference were viewed as a threat to the United States because they excluded

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42. Wilson, Reply to Pope Benedict XV, 1917, in Baker and Dodd (eds.), The Public Papers of Woodrow Wilson, V, p. 95.

43. William S. Culbertson, Commercial Policy in War Time and After (New York: D. Appleton and Co., 1919), p. 370.

44. Ibid., p. 370-372.

it from any post-war political and economic arrangements.<sup>45</sup> They were responsible for Wilson's declining image as an arbiter of peace. The Allies' commercial arrangements and colonial policy were opposed to his precept for peace.

Wilson wanted to ensure permanent peace by incorporating his fourteen points in a treaty. He envisioned open diplomacy, freedom of the seas, the removal of economic barriers, the reduction of armaments, and the fair adjustment of colonial claims. He outlined a series of formulas for the adjustment of boundaries and the recognition of nationalist ambitions. Finally, he advocated a compact among nations to guarantee peace. Wilson believed that a league of nations would promote amity and commerce. A liberal exchange of ideas and goods would be the surest guarantee of peace.<sup>46</sup> This was sound policy, but not very realistic in relation to old world diplomacy. It was one thing to think that a League of Nations could maintain peace by removing economic barriers but it was another to assume that all members would do so.

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45. Lloyd C. Gardiner, "American Foreign Policy 1900-1921: A Second Look at the Realist Critique of American Diplomacy," in Barton J. Bernstein (ed.), Towards a New Past: Dissenting Essays in American History (New York: Vintage Books, 1969), p. 223.

46. Diamond, The Economic Thought of Woodrow Wilson, p. 169.

The Paris Peace Conference was essentially a confrontation between Wilson's ideal of cooperation and the old system of defensive alliance and special commercial relations. Wilson had hoped to replace the national striving for security through ententes and autarchic policies with a general agreement on trade and a League of Nations.<sup>47</sup> Wilson should have realized that the European states that were ravaged by war were not ready to accept his new diplomacy. The agreements at the Paris Economic Conference should have been sufficient to warn him that the Allies had specific post-war objectives which conflicted with his fourteen points.

Premier George Clemenceau of France let it be known that the alliance system would guide him at the Paris Peace Conference. He assured his allies that France would conclude the pacts necessary to its defense and for its economic interests. Wilson despised the old alliance system but the Premier argued that France had concerns that he, not Wilson, had to consider. Clemenceau had little sympathy for Wilson's ideals. He had seen the Germans in his country for the last four years, and had many accounts to settle.<sup>48</sup>

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47. Ray Stannard Baker, Woodrow Wilson and World Settlement (Gloucester, Mass.: P. Smith, 1960), II, p. 315.

48. See The Times (London), Dec. 31, 1918, cited in Edwin C. Rozwenc, Realism and Idealism in Wilson's Peace Program (Boston: D.C. Heath and Co., 1965), p. 37-38.

Clemenceau's forceful statement forewarned Wilson that the post-war economic policies of the Allies were selfish, nationalistic, and completely opposed to his vision of international cooperation. To protect itself, France intended to regulate the German economy, regardless of the consequences to France and to the rest of the world. Wilson probably foresaw that this unfortunate attitude might emerge at the peace conference yet he was confident that the force of his ideas would triumph over the negative policies of the Allies.

The Paris Peace Conference was a bitter disappointment for Woodrow Wilson because its outcome was a rejection of his fourteen point peace plan and particularly dashed his hopes for liberal trade patterns. His encounter with the European ministers and the need to compromise - always difficult for him - determined Wilson "to defy all opposition to the treaty at home."<sup>49</sup> Instead of sailing home to meet the Senate in a conciliatory spirit, Wilson expected its members to accept the treaty without opposition or amendment.

Wilson's attitude aggravated senatorial suspicions which cost him some popular support for the treaty. He was criticized both for sacrificing American interests to

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49. D.F. Fleming, 'The United States and the League of Nations, 1918-1920 (New York: Russell and Russell, 1968), p. 487.

his utopian vision and for the departure from the principle of self-determination. In addition, opponents of the League of Nations noted the requirement for member states to aid each other in case of attack. This represented a radical departure from the isolationist tradition of American foreign policy without offering, in turn, any compensatory advantages.

The League of Nations was, for Wilson, the institution that would secure international cooperation, that would distribute the burden of peace-keeping, and that would dispense the blessing of prosperity. It offered the only hope to modify the international contentions which had led to war, which the war had fed, and which the treaty of peace reflected. In his own country, the Wilsonian ideal was shattered. Republican leaders gauged the public temper in favor of a retreat from involvement in the security of Europe and a return to the principle of protection of the home market for the American producer.

The memories of war, the hardship of depression, and a concern for the future led the United States to an isolationist position. The first evidence of this was the rejection of membership in the League of Nations and the erection of tariff barriers against the threat of foreign competition. The dual hope that international cooperation could both maintain peace in the world and promote economic

progress had little chance of acceptance by the realistic statesmen at Versailles and in the United States. These ideals had been, in fact, the first victims of the artillery barrages of August, 1914.

## CHAPTER II

### THE ILLUSION OF COOPERATION IN THE POST-VERSAILLES DECADE

A decade after the great conference at Versailles, one observer of the international scene noted that the intervening years had been marked by conflicting tendencies. On the one hand, there was an acknowledgement of the principles for which President Wilson had spoken, that the best hope for peace rested upon the recognition of the interdependence of nations and the substitution of a spirit of cooperation for the older one of national rivalry. The war had engendered hostilities and fears which inspired nations to follow an autarchic policy in order to guarantee the means to defend themselves. Still, the dream persisted in spite of the tendency to erect trade barriers and even while former allies squabbled over the repayment of war debts which, in turn, stimulated the demand for reparations.

The spirit which permitted some adjustment of the burden of war debts and reparation payments and the return to what was assumed to be normal, even prosperous conditions, permitted the observation that the ideal of cooperation between nations "still glimmered through the corridors of the League of Nations."<sup>1</sup> The ideal was affirmed at the

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1. Wicklam Steed, "Does Our Tariff Menace Peace," Outlook, 152 (August 28, 1929), p: 683.

International Financial Conference in 1920 and reaffirmed at the World Economic Conference in 1927. By the time of the Tariff Truce Conference in 1930, trade liberalization was scarcely whispered. All hope for it was dashed as the Great Depression swept through the United States, Germany, Great Britain, and France - the very countries on which Wilson had relied for the new order of peace and prosperity.

The International Financial Conference, which met in September, 1920, at Brussels, was the first acknowledgment that cooperation among nations was essential for world peace and prosperity. It studied and proposed solutions to the financial problems that beset post-war Europe. The eighty-six delegates, from thirty-nine countries, were concerned with the problems of war debts, inflation, the cost of living, currency, and trade. Special commissions subjected these problems to extensive scrutiny and published their recommendations for joint action in the areas of public finance, currency exchange, international trade, and credit arrangements.<sup>2</sup>

The Commission on International Trade and Commerce endorsed the resolution formerly taken by the Supreme Council of the Paris Peace Conference. It recognized the importance of removing trade restrictions as a necessary

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2. League of Nations, International Financial Conference (Bruxelles: Th. Deuvarichet, 1920), p. 3-7.



condition "for the free exchange of commodities and to re-establish the cooperation necessary for European unity."<sup>3</sup> The delegates understood that it would not be easy to break down economic nationalism or to eradicate the wave of selfishness that extended over the world. But the implications of their remarks were in accord. "All countries would have to work together in order that the international economic community function properly, and that world peace be preserved."<sup>4</sup> Any economic barrier that hindered nations from interacting with one another would have to be removed because peace and economic prosperity hinged upon international cooperation.

The Commission on International Trade and Commerce wanted to achieve some form of economic harmony through the removal of economic trade restrictions, fair treatment in trade relations, and the conclusion of commercial treaties embodying the unconditional most-favored-nation clause. There was no hope that these objectives would be attained because European nations were unwilling to work together in promoting trade relationships. The predominance of such an attitude in the early twenties discouraged all efforts to promote freer and more equal trade. Even

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3. Ibid., p. 22-23. ,

4. Ibid., p. 96-100.

though the League was trying to establish security by removing the causes of political friction and the Financial Committee was trying to stabilize currencies and reconstruct the finances of individual European countries, there was no plan to deal with the fundamental economic problems of international trade. Only commercial relationships were deemed the proper sphere of study for an international economic body.<sup>5</sup> In the final analysis, the good intentions of the delegates attending the Conference were superseded by their respective governments who were still content to view their post-war economic problems as purely domestic, and that they should be solved by purely nationalistic means.

The year 1920 marked the American withdrawal from world affairs and a return to economic and diplomatic insularity as witnessed in the trend towards high protectionism in the tariffs of 1921 and 1922. The Emergency Tariff of 1921 and the Fordney-McCumber Tariff of 1922 were an attempt to alleviate the problem of post-war depression in the United States and to restore the pre-war pattern of the world economy.<sup>6</sup> This course of action was impossible because the World War had irrevocably

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5. Martin Hill, The Economic and Financial Organization of the League of Nations (Lancaster, Pa.: Lancaster Press Inc., 1946), p. 36-39.

6. Hajo Holborn, The Political Collapse of Europe (New York: Alfred A. Knopf, 1951), p. 116.

changed the economy of the world. The only means for Europe to honor her debts to the United States was by being allowed to send her products and goods to America. Yet, America's trend toward high protectionism made it not only impossible for European countries to honor their economic obligations but also invited equal retaliation. Any attempt to secure greater freedom in the international exchange of goods failed because "very few countries were willing to remove restrictions unless other countries did likewise."<sup>7</sup>

The recovery<sup>1</sup> of the 1920's, while it seemed bright, was brittle and pitted with weak spots. It appeared to most politicians and to the common man that economic conditions were good in Europe. But to generalize was to ignore specific difficulties. There were many regions and sectors of the economy that did not share in the recovery of postwar Europe. A rapid increase in the total European population despite the large number of casualties, meant that a return to prewar levels of production would not provide pre-war living standards for everyone. In the industrial nations, stagnating sectors of the economy acted to retard general European recovery. This was reflected in an overall rate of economic growth that was lower than before the

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7. Hill, The Economic and Financial Organization of the League of Nations, p. 45.

war and high levels of unemployment. Investment capital was scarce, yet it was used to finance public works projects such as municipal buildings. This investment in non-productive assets endangered financial stability, especially in Germany. In addition, the relative decline in Europe's position in world trade and manufacturing output came at a time when, because of the liquidation of foreign assets during the war, European countries were heavily dependent on exports to pay for purchases abroad and to service foreign debts.<sup>8</sup>

The years following the World War were marked by certain restrictions in the international exchange of goods but for the most part economic activity showed a substantial, if uneven, recovery. German economic recovery depended upon fiscal stability which was bound up with her reparation obligations. In 1923 German currency was faced with the problem of runaway inflation. The German government provided a temporary solution by replacing the old currency with the Reutenmark.

The Reparation Commission asked Charles Dawes, an American banker, to find a way to guarantee Germany's financial recovery and reparation payments. The Dawes Plan was the preliminary to Germany's economic recovery

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8. Shepard B. Clough, Thomas Moodie, and Carol Moodie (eds.), An Economic History of Europe: Twentieth Century (London: Macmillan, 1969), p. 133-134.

and it adjusted annual reparation payments on the basis of ability to pay.<sup>9</sup> The Commission experts concluded that the Dawes Plan would satisfy Germany's requirements while permitting it to maintain her payments.<sup>10</sup> The Plan did much to accommodate both American and Allied financial interests; unfortunately it did nothing to eliminate the rivalry between Germany and the Allies.

France, although it was badly devastated by the War, soon produced results that seemed impossible. By 1927, she rebuilt what had been destroyed, and "actually increased her ability to produce, because her new equipment was more efficient and more productive than the antiquated machinery which it replaced."<sup>11</sup> This industrial renovation placed France in a strong position for international economic competition. The only problem was that France had increased productive power to a point where it exceeded national consumption. Because France could not increase her home and colonial consumption, and because other nations were increasing their productive

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9. Ibid., p. 135.

10. "Report of Committees of Experts to Reparation Commission," Federal Reserve Bulletin (Washington: Government Printing Office, May, 1924), p. 6.

11. Shepard B. Clough, France, a History of National Economics: 1789-1939 (New York: Octagon Books Inc., 1964), p. 133.

capacity, she soon found herself in an awkward position - the French market was being flooded with outside products. In an effort to solve this problem, France reverted to such traditional economic weapons as tariffs and quotas.

The economy of Great Britain in the 1920's was beset by difficulties which inspired consideration of a more restrictive commercial policy. Its leading role in the world economy was threatened by the rise of competing industrial societies which developed with the assistance of tariff protection. The opportunities for capital investment in the new territories were exhausted. The coal, steel, and textile industries were handicapped by failing to adopt new technology. To restore the economy the government sought to promote exports and it encouraged those industries that were oriented on the home market. The efforts seemed inadequate to cope with the serious problems that arose from long-range structural changes.<sup>12</sup>

Signs of prosperity and economic cooperation proved to be more apparent than real; problems of postwar adjustments dispelled the facade of cooperation. The Dawes Plan did nothing to satisfy Germany, and France and Britain embarked upon independent policies in an effort to overcome their economic problems. Germany and the Allies merely had

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12. H.W. Arndt, The Economic Lessons of the Nineteen-Thirties (New York: Oxford University Press, 1944), p. 45.

transferred their hostilities from the battlefield to the conference table.

The most important issue left unsettled at the Brussels Conference in 1920 was the question of securing greater freedom in the international exchange of goods. Since then, the United States and France had adopted protectionist tariffs in order to preserve domestic markets for their own industries. Many other countries followed suit which resulted in an overall decline in world trade.

The World Economic Conference, which began on May 4th, 1927, was attended by 194 delegates, together with 157 experts, from fifty states including non-members of the League such as the United States of America and the Union of Soviet Socialist Republics. A motion, passed on September 24th, 1925, by the Assembly of the League of Nations, served as the basis of discussion for the Conference. The Assembly resolved "to establish peace and security throughout the world by investigating and finding remedies for the economic difficulties which stood in the way of general prosperity."<sup>13</sup> The Conference delegates realized that peace and security could

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13. League of Nations, Economic and Financial Section, Report of the Preparatory Committee to the Council on its Second and Last Session Held in Geneva from November 15th to 19th, 1926, and Resolution Adopted by the Council on December 9th, 1926 (Geneva: Publications of the League of Nations, 1926), I, p. 7.

not be attained through the continued use of policies of economic nationalism. The Committee on Commerce tried to persuade countries to forgo their erroneous economic ideas in favor of "restoring greater freedom to a world that had been hampered by economic obstacles."<sup>14</sup> Cooperation rather than discord, was accepted as the key to future amity.

Certain critics of government policies were aware that nationalistic economic policies were harmful to all and beneficial to no one. They realized that the economic policies of their respective governments not only deprived people of a better way of life but also made them victims of stagnated economies which meant suffering and unemployment. These critics also understood that if their governments adopted more enlightened economic policies, these problems could be alleviated.

The delegates attending the Geneva Economic Conference were convinced that the expansion of trade was a necessary condition for prosperity. The Conference delegates knew that the postwar measures, with their import and export prohibitions and discriminations against the circulation of goods and capital, had deplorable results. These policies hampered the normal play of competition

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14. League of Nations, Report and Proceedings of the World Economic Conference (2 vols.; Geneva: Publications of the League of Nations, 1927), I, p. 13.



and also imperilled both the essential supplies of some nations and the ~~not~~ less indispensable markets of others.' They brought about an artificial organization of production, distribution, and consumption. This post-war experience had demonstrated that the grave drawbacks of those measures had not been counterbalanced by certain anticipated financial advantages or social benefits. No matter what the arguments were, whether for self-defense, for the protection of infant industries, or for providing employment for surplus labor, economic isolation could no longer be maintained.

The delegates acknowledged the interdependence of states and affirmed that a spirit of cooperation<sup>15</sup> was necessary to assure prosperity. Few countries had the resources and other means to justify a striving for self-sufficiency. Thus, they concluded, governments should abandon those isolationist economic policies which could only injure their own and others' interests and support trade liberalization.<sup>16</sup>

Various spokesmen at the World Economic Conference opined that the framework of cooperation that promised prosperity would also serve to guarantee peace.

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15. Ibid., p. 34.

16. Ibid., p. 40.

They asserted that each nation should enter into negotiations of new commercial treaties and support the League's efforts to encourage trade in order to promote international amity. Mr. George Theunis, Minister of State, Belgium, and President of the Conference, stressed the need for cooperation to ensure the twin objectives, peace and prosperity.<sup>17</sup> Count Bonin Longare of Italy expressed his support of those recommendations which would afford every nation an equal opportunity to improve living standards. Liberal trade policies, he believed, would enable all states to "share in the riches of the world" and would remove existing obstructions to national aims - prosperity and peace.<sup>18</sup> As one of the delegates from France, Mr. Jouhaux, put it, there could be no political peace if economic relations among nations were hostile, nor could there be economic peace if political relations among nations "bore within them the seeds of war."<sup>19</sup> Thus, peace presupposed economic harmony.

The delegates to the World Economic Conference took it upon themselves to promote cooperation and good will among nations. They hoped to lay the foundation

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17. Ibid., p. 61.

18. Ibid., p. 68.

19. Ibid., p. 86.

for permanent peace and the advancement of human welfare.- As they envisioned it free trade would mean for millions of people, "prosperity instead of poverty, sustenance instead of starvation, and employment instead of the degradation of unemployment."<sup>20</sup>

The recommendations of the 1927 World Economic Conference were enthusiastically received by the business and labor communities the world over. In order to implement these recommendations the Economic Consultative Committee was established to prepare a general agreement on tariff matters. At first it seemed that the Economic Consultative Committee was making some headway in achieving some of its objectives. There were a number of bilateral commercial treaties which resulted in a reduction in duties, or which halted for a while, further tariff increases. Unfortunately, the expectations of the Economic Consultative Committee were never realized since whatever basis for a general agreement it tried encountered innumerable obstacles.<sup>21</sup>

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20. Sir Arthur Salter, "The First Results of the World Economic Conference," in Problems of Peace, Third Series: Lectures Delivered at the Geneva Institute of International Relations, August 1928 (London: Oxford University Press), p. 93; League of Nations, Report and Proceedings of the World Economic Conference, I, p. 155.

21. Hill, The Economic and Financial Organization of the League of Nations; p. 50-51.

By the end of the decade, the general upward movement of tariffs had been resumed and the leading industrial countries embarked upon a policy of protectionism. The enthusiasm for commercial cooperation had been short-lived. The attitude of self-sufficiency dominated even though "there were many minds preoccupied with international economic problems" and even though cooperation was acknowledged as the basis of peace and prosperity.<sup>22</sup> It was generally believed that peace depended upon trade by which the world's resources could be shared. In striving for national prosperity, however, this idea seemed incompatible; given the choice, prosperity was chosen over the remoter ideal. Thus, cooperation yielded to economic rivalry which "was preached almost as a duty irrespective of the obvious fact that the only logical outcome of such a doctrine was war."<sup>23</sup>

The general upward movement of tariffs was heightened by the financial crisis and the depression. The trend was established by the Hawley-Smoot Tariff which the United States adopted in 1930. President Herbert Hoover had called a special session of Congress to deal with the

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22. Hugh Dalton, M.P., Towards the Peace of Nations; a Study in International Politics (London: George Rutledge and Sons Ltd., 1928). p. 238.

23. Viscount Cecil, The Way of Peace, Essays and Addresses (London: Philip Allen and Co., Ltd., 1928), p. 238.

agricultural depression. He suggested increases on farm products and the same remedy for those manufacturers who also found their business in trouble. In other words, "there was to be limited revision to cure specific ills."<sup>24</sup> Hoover's expectations soon resulted in a log rolling fiasco that boosted the ad valorem tariff rate, an average of forty per cent in the interests of special groups. The Ways and Means Committee of the House of Representatives and the Senate's Committee on Finance discarded the idea of limited revision in favor of a general revision of the tariff law "in order to grant favours all round."<sup>25</sup> Senator Reed Smoot, an ultra-protectionist and head of the Senate Committee declared that "the abnormal condition throughout the world" made protection "the key to industrial stability."<sup>26</sup> For Smoot, tariff protection was necessary to save American industry "from what might otherwise become the most serious upheaval it had ever experienced."<sup>27</sup>

When the tariff bill went to President Hoover, all pretence of limited revision had disappeared. The Tariff

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24. F.W. Taussig, The Tariff History of the United States (8th ed., New York: Augustus M. Kelley, Publishers, 1967), p. 491.

25. Ibid.

26. Senator Reed Smoot, "Our Tariff and the Depression," Current History, 35 (Nov., 1931), p. 173.

27. Ibid.

Act of 1930 contained the highest rates ever. Moreover, it enabled the President to impose additional duties, up to fifty per cent on imports from those countries which unreasonably limited American products. The President could even exclude the products of those countries which discriminated against American goods.<sup>28</sup> The Hawley-Smoot Tariff of 1930 tried to preserve the American market for domestic goods by eliminating foreign dumping and discrimination. It accelerated the general upward movement of tariffs throughout the world.

The intervention of the depression prompted many countries to adopt exceptional defensive measures in order to protect their economic structures. As early as September, 1929, the Assembly of the League of Nations adopted a British proposal for a diplomatic conference in order to discuss the problem of arresting the renewed trend towards economic isolationism. The conference was a failure before it started; when the so-called "Tariff Truce Conference" met in early 1930, it immediately discarded any proposal of a tariff truce.<sup>29</sup>

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28. F.W. Taussig, "Necessary Changes in Our Commercial Policy," Foreign Affairs, XI (1933), p. 398.

29. Hill, The Economic and Financial Organization of the League of Nations, p. 52.

The French government tried to lessen the effects of the depression through the introduction of tariffs and the quota system. It adopted high tariffs in order to stem the flow of competitive goods into France and to relieve the pressure on her balance of payments and budget deficits. Britain abandoned her free trade policy in 1932 in favor of a general tariff and an imperial preference scheme. Through the enactment of the Import Duties Act of 1932 and the Ottawa Agreement of 1932, Britain hoped to correct her balance of payments, to obtain fresh revenue, to ensure against a rise in the cost of living, to decrease unemployment, and to render production and distribution efficient.<sup>30</sup>

John M. Keynes, the eminent British economist, judged economic internationalism as unsuccessful in avoiding war. The British wanted to solve their own economic problems free from outside interferences. From this point of view the policy of an increased national self-sufficiency and economic isolation was to be considered not as an ideal in itself, but to serve the cause of peace.<sup>31</sup> Such measures were reminiscent of the wartime policies of the old drive for autarchy.

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30. Arndt, The Economic Lessons of the Nineteen-Thirties, p. 102.

31. John M. Keynes, "National Self-Sufficiency," Yale Review, XXII (June, 1933), p. 758.

The failure of the Lauzanne Conference of 1932 to settle the outstanding question of reparation and war debt payments intensified national sentiments which impeded the hope for international cooperation. While the United States continued to expect the return of money loaned, Germany ceased reparation payments and other nations, except Finland, simply defaulted. Inter-governmental debt, economic crisis, political instability, and the resurgence of nationalistic policies in search of security were the background of yet another international economic conference in 1933.



## CHAPTER III

### THE REJECTION OF ECONOMIC COOPERATION IN 1933

The London Economic Conference of 1933 was the first major attempt to solve the economic crisis through international cooperation. It was an opportunity, amidst worsening economic conditions, to test the proposition that recovery depended upon a relaxation of trade barriers. For President Franklin D. Roosevelt and Secretary of State Cordell Hull it was also a test of their commitment to the Wilsonian ideal that peace and prosperity were best achieved through trade. The conference became deadlocked on the question whether or not stabilized currency exchange rates had to precede more liberal trade agreements. Roosevelt was still searching for a course of action that would bring about recovery in the United States. He announced to the conference that he intended to persist in his experiment with currency inflation in order to raise price levels. The conference adjourned in response to this inflexible position; the only recognition of the need for trade expansion was the temporary tariff truce which did not survive the adjournment.

From the day that he was a freshman member of the House of Representatives from Tennessee, throughout his public career Hull echoed the Wilsonian view that favored

a liberal trade policy. He consistently opposed protectionism because he believed that barriers to trade were bars to amicable relations among nations. Equally important was Hull's conviction that the expansion of trade would promote the economic development of the United States. He seemed to assume that all of his country's trading partners, whether industrialized or not, also would benefit from liberal trade arrangements.

Hull's liberal faith led him to the simplistic equation that trade barriers caused war and that their removal was the prerequisite of peace. As he saw it, the restrictive trade practices of the industrial nations and their unwillingness to submit to the rules of fair competition were primary sources of tension that led to World War I. To avoid another holocaust, Hull prescribed, for the United States and for other commercial nations, low tariffs and an end to all discrimination or preferential commercial regulations and all other "irritating practices."<sup>1</sup>

Both before and after the United States entered World War I Hull attempted to gain support for his formula

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1. Cordell Hull, The Memoirs of Cordell Hull (New York: Macmillan Co., 1948), I, p. 81-83; Julius W. Pratt, Cordell Hull, 1933-1944 (Volumes XII and XIII, The American Secretaries of State and Their Diplomacy, ed. Robert H. Ferrell; New York: Cooper Square Publishers, Inc., 1964), XII, p. 4, and Harold B. Hinton, Cordell Hull (Garden City, N.Y.: Doubleday, Doran and Co., Inc., 1942), p. 159; both note Hull's persistent belief in this point.

for peace. In 1916, he prepared a resolution for Congress that called for a post-war trade conference and the establishment of a permanent international congress that would promote international harmony through equitable trade relations.<sup>2</sup> Hull hoped that the congress would be able to eliminate destructive trade practices and commercial rivalries, and promote international accords that would avert the economic contentions which menaced peace. Secretary of State Robert Lansing, then still hopeful for a negotiated peace, advised Hull to defer his resolution because Lansing did not believe that it would be acceptable to the belligerent states.<sup>3</sup> When the United States entered the war Hull introduced his resolution but Congress did not adopt it. He believed that Wilson had expressed the same idea in the third of his Fourteen Points which called for the elimination of trade barriers.

After the armistice in 1918 Hull reiterated his conviction that the policy which would preserve the peace also served the economic interests of the commercial nations. Hull agreed with Wilson, that the creditor position of the United States reinforced the argument for American leader-

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2. P. Chu, "A History of the Hull Trade Program, 1934-1939" (Unpublished Ph.D. dissertation, Columbia University, 1957), p. 56.

3. Lansing to Hull, April 1, 1916, cited *ibid.*, p. 57-58.

ship in the search for liberal trade policies. A return to high protective tariffs would prevent debtor nations from paying their obligations by the sale of goods in the American market. At the same time, American protectionism would provoke a similar response by other nations and that would hinder the sale of American goods overseas. Hull and Wilson supported a liberal commercial policy that would serve the interests of industrialized nations. Peace and prosperity demanded an end to economic isolation.<sup>4</sup>

In the post-war decade Hull emphasized that the economic interests of the United States would have been served better by a policy that promoted trade expansion. The farms and factories produced an abundance of goods beyond domestic demands. Like the spokesmen for the farmers, Hull sought markets for a growing surplus of agricultural commodities. For a country that produced abundance, he said, protection was an "anomaly"; its interests demanded trade expansion, not "the narrow, short-sighted, suicidal policy of commercial isolation."<sup>5</sup> Hull's assessment

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4. Ibid., p. 101; Peter Molyneaux, "American Trade Policy and World Recovery," International Conciliation, 311 (June, 1935), p. 300-301; and William R. Allen, "The International Trade Philosophy of Cordell Hull, 1907-1933," American Economic Review, XLIII (March, 1953), p. 102.
5. U.S. Cong. Rec., 66th Cong., 2nd Sess., 1919, Vol. 59, p. 8744; 66th Cong., 3rd Sess., 1920, Vol. 60, p. 634-635; 68th Cong., 1st Sess., 1924, Vol. 65, p. 3948; 69th Cong., 1st Sess., 1926, Vol. 67, p. 7472; 70th Cong., 2nd Sess., 1929, Vol. 70, p. 1071-1072.

coincided with that of one segment of the business community - importers and exporters and those larger manufacturers who sought foreign markets in order to expand production.<sup>6</sup>

The commercial policy of the United States in the post-war decade did not correspond to Hull's thinking. Instead, the return of the Republican party to a majority position meant a return to the principle of protection. The Fordney-McCumber Tariff of 1922 reflected the demands of the greater number of manufacturers who lacked overseas marketing facilities and who were fearful of foreign competition in the home market.<sup>7</sup> For these smaller producers, maintaining control of the American market was more significant than any hope for entry into overseas markets. Thus, they preferred, and the policy emphasized protection rather than trade expansion.<sup>8</sup> President Calvin Coolidge maintained the high tariff structure, and defended

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6. Carl P. Parrini, Heir to Empire: United States Economic Diplomacy, 1916-1923 (Pittsburgh: University of Pittsburgh Press, 1969), p. 5 and 234; Joan Hoff Wilson, American Business and Foreign Policy, 1920-1933 (Lexington, Kentucky: The University Press of Kentucky, 1971), p. 75.

7. Selig Adler, The Uncertain Giant, 1921-1941; American Foreign Policy Between the Wars (New York: Macmillan, 1965), p. 71; Chu, "A History of the Hull Trade Program, 1934-1939," p. 67-68; Carl P. Parrini, Heir to Empire: United States Economic Diplomacy, 1916-1923, p. 5 and 234; and Joan Hoff Wilson, American Business and Foreign Policy, 1920-1933, p. 75.

8. Molyneux, "American Trade Policy and World Recovery," p. 305.

protectionism as the promoter of prosperity.<sup>9</sup>

Hull was not alone when he condemned the Hawley-Smoot Act of 1930 which raised tariff rates to an all-time high. Ignoring the advice of bankers, industrialists, and economists, President Hoover signed into law what Professor Denna F. Fleming called "a declaration of economic war by the strongest economic power against the whole civilized world."<sup>10</sup> The tragedy of the entire situation was the fact that "a nation had no effective peaceful method of saving itself from the injury which a foreign nation could at any time, inflict upon it through a tariff."<sup>11</sup> The Hawley-Smoot Tariff was nothing more than the assertion of America's sovereignty without any regard for the ruin that it would bring to the other nations of the world. This unrestricted liberty in American tariff making only aggravated the depression and contributed to an international tariff war. Experts in international economics were nearly unanimous in urging a reversal of commercial policies. They espoused a more rational commercial policy

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9. Donald R. McCoy, Calvin Coolidge, the Quiet President (New York: Macmillan Company, 1967), p. 191 and 337.

10. Lewis E. Ellis, Republican Foreign Policy, 1921-1933 (Rutgers, New Jersey: Rutgers University Press, 1968), p. 21.

11. Philip G. Wright, "The Bearing of Recent Tariff Legislation on International Relations," American Economic Review, XXIII (March, 1933), p. 18.

as "an urgent prerequisite to the establishment of international economic equilibrium."<sup>12</sup>

The collapse of prosperity was not solely and directly precipitated by the trend toward higher tariffs; barriers to trade weakened the economies of those countries most dependent upon exports or imports. The trading partners of the United States sought to resist the impact of American protectionism by retaliatory measures of their own. They not only raised tariffs against American products but also against each other. By 1932, twenty-five governments had adopted measures which sought to guarantee a home market for their industries' products. Like the United States, these countries saw the volume of their exports decline as rapidly as that of their imports.<sup>13</sup>

Hull sought to reverse the tide of protectionism in the United States and in the other industrial nations. He blamed the "half-insane policy of economic isolation" for the prolongation of the depression.<sup>14</sup> As the volume

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12. Henry J. Tasca, The Reciprocal Trade Policy of the United States: A Study in Trade Philosophy (Philadelphia: University of Pennsylvania, 1938), p. 13-14.

13. Sumner H. Slichter, "Is the Tariff a Cause of Depression," Current History, 35 (Jan., 1932), p. 520; F.W. Taussig, "Necessary Changes in Our Commercial Policy," Foreign Affairs, XI (1933), p. 404; and Joseph Marion Jones, Tariff Retaliation: Repercussions of the Hawley-Smoot Bill (New York: Columbia University Press, 1934), p. 4-5.

14. U.S., Cong. Rec., 72nd Cong., 1st Sess., 1932, Vol. 75, p. 6788.

and value of world trade continued to decline in the early 1930's, Hull was firmly convinced that the destructive practices of autarchism would mean further economic deterioration and this would prove the setting for war. Recovery and peace, he decided, depended upon the reduction of trade barriers. In his opinion, the United States would have to lead the way "to rebuild the international economic structure."<sup>15</sup> His foreign policy was to be based on the idea that peace and prosperity were alike the rewards of liberal trade practices.<sup>16</sup> As Secretary of State he ordained himself to rehabilitate the United States and the world through a liberalized commercial policy.

In Franklin D. Roosevelt, Hull found a Democratic colleague who seemed to share the Wilsonian view that peace and prosperity depended upon the free exchange of goods. Roosevelt began his political career in 1910, by accepting the Democratic nomination for the New York Senate in his Hudson Valley district, which he finally won through hard campaigning. In 1911, he led a small group of anti-machine Democrats at Albany in a fight to prevent the election of the Tammany leader, William F. Sheehan, to the United States Senate. Success in this

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15. Cordell Hull, "The Foreign Commercial Policy of the United States," Vital Speeches, I (May 20, 1935), p. 545.

16. Pratt, Hull, XII, p. 29.



first skirmish brought Roosevelt a measure of national publicity; soon afterward he organized the anti-Tammany Democrats in support of Wilson's presidential campaign in 1912. From 1913 to 1920, Roosevelt served as Assistant Secretary of the Navy and as a member of the Wilson circle, he was influenced greatly by the president's ideas. In 1920 his popularity won him the Democratic vice-presidential nomination on a Wilsonian platform; in 1928 he was elected Governor of New York.

Hull was convinced that he and Roosevelt shared the view that trade expansion was the key to economic recovery. When Roosevelt sought his party's nomination as presidential candidate, he stressed the importance of revitalizing trade patterns. In his first major tariff speech he emphasized that the United States needed foreign markets for its surplus production and that it could not sell abroad unless it also bought abroad. He held that the American tariff structure would have to be revised to permit a reciprocal exchange of goods, but he added that increased trade should not threaten the American economy since imports could not be permitted to "throw any American industries out of balance."<sup>17</sup> Hull and Roosevelt cooperated to write into

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17. Roosevelt, Radio Address, Albany, N.Y., April 7, 1932, in Samuel I. Rosenman (ed.), The Public Papers and Addresses of Franklin D. Roosevelt (13 vols.; New York: Russell and Russell, 1969), p. 626-627.

the Democratic platform for 1932 pledges to scale down tariff walls "and to join an international effort to revive trade."<sup>18</sup>

When Roosevelt began his administration, in March, 1933, he was committed to a reversal of the prevailing tariff policy. He had assured the people that tariff rates could be lowered without jeopardizing their standard of living. Moreover, he noted that high duties added to the cost of imported goods and of domestic goods which were made in part from materials of foreign origin. If this new low tariff policy were enacted through reciprocal agreements, Roosevelt had explained, it would facilitate American exports and thereby provide employment. He had promised a vigorous foreign policy that would seek to expand international trade and thus restore prosperity to the United States and its trading partners. Like Hull, he believed that economic stability was necessary to prevent international discord and the threat of war.<sup>19</sup> When he appointed Hull as Secretary of State, Roosevelt emphasized his new policy.

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18. Kirk H. Porter and Donald B. Johnson, National Party Platforms, 1840-1964 (Urbana: University of Illinois Press, 1966), p. 331.

19. Roosevelt, Radio Address, Albany, N.Y., July 30, 1932; Campaign Address on the Farm Problem at Topeka, Kansas, Sept. 14, 1932; and Inaugural Address, March 4, 1933, in Samuel I. Rosenman (ed.), The Public Papers and Addresses of Franklin D. Roosevelt, I, p. 665-666; I, p. 706-710; II, p. 12-14.

In the first hundred days of his administration, Roosevelt had an opportunity to demonstrate his commitment to a liberal trade policy. At first it seemed that he was prepared "to embark upon a course of international cooperation designed to combat the twin menace of depression and war."<sup>20</sup> While his prime concern was the welfare of the American people, he also held that cooperation with other nations was the only responsible attitude for Americans to take. His message to the disarmament conference at Geneva enunciated the need for "realistic mutual arrangements for trade" instead of "trade warfare." Agreements to expand the exchange of goods, Roosevelt maintained, "were the best guarantors of peace and would strengthen any agreement to limit armaments."<sup>21</sup>

Roosevelt accepted the commitment of the United States, made by his predecessor, to participate in the London Economic Conference. Unlike Hoover, he was willing to see tariff rates on the agenda and, in fact, these were his prime concern. Late in April, Roosevelt and Ramsay MacDonald, the British Prime Minister, met in Washington

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20. David H. Popper, "Progress of American Tariff Bargaining," Foreign Policy Reports, II (May 22, 1935), p. 58.

21. Roosevelt, "An Appeal to the Nations of the World for Peace," May 16, 1933, in Samuel I. Rosenman (ed.), The Public Papers and Addresses of Franklin D. Roosevelt, II, p. 191.

to discuss the possibility of a tariff truce. In a joint statement the two leaders pledged themselves "to moderate the network of restrictions...that presently hampered commerce."<sup>22</sup> Britain and the United States committed themselves to maintaining their present tariff levels for the duration of the London Economic Conference; actually, they failed to adhere to their proposition. Britain was unwilling to let the tariff truce interfere with its bilateral trade agreements, and the United States was unwilling to let it interfere with its domestic legislation. At most, the truce was a feeble step in the direction of trade liberalization.

When the Secretary of State decided to head the American delegation to the London Economic Conference, Hull sought a platform for his idea that nations ought to be willing to accept mutual responsibility for political stability and cooperate to achieve economic rehabilitation. He prepared to demonstrate American leadership in the construction of a new global economic

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22. Richard N. Kottman, Reciprocity and the North Atlantic Triangle, 1932-1938 (Ithaca, New York: Cornell University Press, 1968), p. 41 and 45; see also the Joint Statement by President Roosevelt and the British Prime Minister (MacDonald), April 26, 1933, in Foreign Relations, 1933, I, p. 492-493.

system.<sup>23</sup> Beyond the practical goal of recovery lay Hull's belief that he could shape "the economic forces of the world into a mold for peace."<sup>24</sup>

In preparation for the conference, Hull established an ad hoc committee to draft a reciprocity bill for submission to Congress. The Under-Secretary of State, William Phillips, invited representatives of the Department of Commerce, of Agriculture, of Treasury, and the Tariff Commission to an interdepartmental committee to prepare the new commercial policy measure. After three months the committee submitted a draft reciprocity bill to President Roosevelt. It was aimed specifically at the London Conference and was designed to permit the United States to participate in any multilateral undertaking. The preamble stated that the constriction of international trade had contributed directly to the depression and asserted that the task of the delegates to the Conference was to work for economic disarmament. The bill asked

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23. M.M. Skinner, "The Trade Reciprocity Program of the United States As a Contribution to World Stability," Institute of World Affairs Proceedings, XVI (1938), p. 68; Arthur W. Schatz, "Cordell Hull and the Struggle for the Reciprocal Trade Agreements Programme, 1932-1940" (unpublished Ph.D. dissertation, University of Oregon, 1965); and Hull, Memoirs, I, p. 174.

24. Francis B. Sayre, "The Hull Agreements and International Trade," Academy of Political Science Proceedings, XVII (May, 1937), p. 364-365.

authorization for presidential power to raise and to lower duties on any item a maximum of fifty per cent, subject to congressional ratification.<sup>25</sup> This reciprocity bill was Hull's affirmation that the clearest path to recovery for the United States and for other nations was through the revival of international trade and this would be the firmest step towards peace.<sup>26</sup>

Hull was confident that the reciprocal trade bill would be enacted by Congress so that the United States delegation could make a concrete offer of cooperation at the conference. But, on June 11, while Hull and the American delegation of James M. Cox of Ohio; Key Pittman of Nevada, Chairman of the Foreign Relations Committee; Samuel D. McReynolds of Tennessee, Chairman of the Foreign Affairs Committee; James M. Couzens of Michigan; and Ralph W. Morrison, a Texas businessman, were en route to London, Roosevelt cabled his decision to postpone sending the trade bill to Congress. He told Hull that "the eleventh-hour rows in Congress over domestic problems made general tariff debate dangerous to the government's whole program."<sup>27</sup>

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25. Schatz, "Cordell Hull and the Struggle for the Reciprocal Trade Agreements Programme, 1932-1940," p. 76; see also "Draft Bill of the Interdepartmental Reciprocity Committee, June 1, 1933, cited *ibid.*

26. Chu, "A History of the Hull Trade Program, 1934-1939," p. 72.

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27. Hull, Memoirs, I, p. 252.

It was not Roosevelt's intention to abandon Hull, yet he was aware that pressing domestic issues which plagued the United States would first have to be solved on a basis of economic isolation, rather than on a basis of international cooperation. Time was an important factor, and Roosevelt probably realized that more time was needed in order to re-educate public opinion to accept the fact that more trade was essential to world peace and prosperity. Nevertheless, it was disheartening for Hull to receive such news, the day before the Conference opened.

When the London Economic Conference began on June 12, 1933, the delegates were aware of Cordell Hull's embarrassing position. They also realized that the economic chaos was intensified by "the increasing restrictive character of the measures taken by the states to limit the flow of international trade."<sup>28</sup> Instead of paying full attention to Hull's ideas on free trade, the delegates were more concerned with the problems of currency stabilization. The French delegation insisted that the stabilization of exchange rates was of paramount importance while rejecting any discussion of international price levels. Thus, there developed among the leading commercial nations two positions: those countries still adhering to

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28. League of Nations, Sixth International Studies Conference (Paris: International Institute of Intellectual Cooperation, 1934), p. 168.

the gold standard wanted to stabilize exchange rates; others, including the United States, wanted to let commodity prices rise.<sup>29</sup>

In response to the insistent French demands for currency stabilization, the delegates worked out a temporary agreement fixing the exchange value of the franc, the dollar, and the pound at least for the duration of the conference.<sup>30</sup> For France, principally, the monetary truce was more important than the tariff truce and its rejection by Roosevelt doomed the conference.<sup>30</sup> Roosevelt would not accept any fixed exchange rate for the dollar at that time. His primary concern was to raise price levels which, he hoped, would increase purchasing power, aid debtors, and stimulate production. This policy he urged on other governments; a rise in the level of prices around the world would stimulate trade. In addition, a negotiated exchange rate which was set while the value of the dollar was declining would drain gold from the United States.<sup>31</sup>

In order to achieve temporary stabilization the gold bloc countries prepared a new monetary stabilization

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29. Arthur M. Schlesinger Jr., The Coming of the New Deal (Boston: Houghton Mifflin Co., 1959), p. 214.

30. Jacques Néré, La Crise de 1929 (Paris: Librairie Armand Colin, 1968), p. 135.

31. Herbert Feis, 1933: Characters in Crisis (Boston: Little, Brown, and Company, 1966), p. 179, 201, and 223.



plan. In the context of the gold bloc pressure, Roosevelt read the declaration as an attempt to force his hand on stabilization. He cabled to Moley on July 1st, 1933, that he would not permit limitations on his domestic policy. The President insisted that the economic conference was initiated to reach agreement on a solution for the economic crisis and not to discuss the policy of one nation out of sixty-six present. If Britain had been off the gold standard for two years before seeking stabilization and France had not adjusted the gold value of the franc for more than three years, the United States could not be expected to stabilize its dollar in only three months. Roosevelt wanted more time in order to demonstrate the value of his inflationary policies.<sup>32</sup>

Three weeks after the conference began Roosevelt sent his famous "bombshell message" to Hull. Roosevelt said it would be "a catastrophe amounting to world tragedy" if the conference allowed "itself to be diverted from its broader problems by the proposal of a purely artificial, temporary experiment affecting the monetary exchange of a few nations only."<sup>33</sup> The "restoration of world trade" was his major concern, not "temporary exchange fixing." If nations were to exchange their goods with one another

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32. Schlesinger Jr., The Coming of the New Deal, p. 221.

33. Hull, Memoirs, I, p. 262.

existing trade barriers would have to be removed.<sup>34</sup>

Although the message threw the Conference into an uproar, and deeply disappointed Hull, he attempted to salvage what he could. Initially, Hull wanted the governments at the Conference to pledge their support of liberal trade policies and to end promptly every form of trade restriction.<sup>35</sup> Frustrated even in this effort, all that Hull could do was to try and interest individual delegates in his ideas. He had hoped that the principal commercial countries would support his attack on impediments to trade but he was disappointed by their unenthusiastic response.

The nations attending the Conference adhered to policies of economic nationalism as the only solution to their economic problems. At the same time they paid lip service to the idea of a tariff truce. In Hull's view they failed to appreciate the reality of the situation. "Many measures, indispensable to full and satisfactory business recovery, were beyond the power of individual states." Hull's plea to solve the world depression through economic cooperation based

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34. Roosevelt, Wireless to the London Conference, July 3, 1933, in Samuel I. Rosenman (ed.), The Public Papers and Addresses of Franklin D. Roosevelt, II, p. 265.

35. Schatz, "Cordell Hull and the Struggle for the Reciprocal Trade Agreements Programme, 1932-1940," p. 79.

upon a reciprocal trade program fell upon deaf ears. "All the nations attending the conference were thinking only of themselves. They forgot that in a betterment of world conditions lay the possibility of their own advancement."<sup>36</sup>

A disappointed Hull returned to the United States with little hope that the nations attending the conference would adhere to any kind of temporary truce. In fact, the tariff truce that was established at the London Economic Conference barely survived the session and eventually it was evaded. When the conference ended many of the participating states began to increase their tariffs and impose other restrictions on trade. Such actions, in Hull's opinion, were "a direct road to economic suicide" and, possibly, to war.<sup>37</sup>

In retrospect, Hull recorded that in contradiction to what he hoped to achieve at the London Economic Conference, there were two tragic results. On the one hand, its failure, impeded economic recovery. Worse, Germany, Italy, and Japan witnessed both another unsuccessful attempt at economic cooperation and the recrimination between France, the United Kingdom, and the United States. With hindsight, Hull concluded that the three Axis nations

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36. Hull, Memoirs, I, p. 251 and 266.

37. Ibid., I, p. 354.

were thus encouraged in their autarchic tendencies and in their military preparations for expansion since the very nations that could have checked them had proven unable to cooperate even to their mutual benefit. For Hull, the collapse of the London Conference dashed hopes for economic revival and represented a missed opportunity to check movements toward the great conflict.<sup>38</sup>

The failure of the London Conference lay in the fact that none of the nations represented, including his own, shared Hull's view that the most urgent task was the reduction of trade barriers. At most, as Hull noted in his report to the President, each country was willing to abolish the restrictive practices of the other countries and advocated tariff reduction by their trading partners. For their own part, the willingness to lower trade barriers depended upon other states meeting a long list of conditions. For Roosevelt, no international agreement could interfere with his domestic recovery program and his aim to raise commodity prices. For France and certain other countries the key to recovery was currency stabilization on a gold basis. These conflicting theories made any agreement unlikely and overshadowed Hull's proposals for a liberalization of international trade. The idea was too late to

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38. Ibid., I, p. 268.

avoid depression and too early to attract widespread support.<sup>39</sup>

Hull, and historians who have been influenced by his account of the conference, may have attached too much importance to the impact of Roosevelt's decision.<sup>40</sup> It may be that the tone of Roosevelt's message, even more than its content, doomed the proceedings.<sup>41</sup> Given the failure of previous conferences and the impact of the depression it is possible that Roosevelt's message was the pretext rather than the cause of failure. For political rather than economic reasons the new German government was prepared to hear proposals to liberalize trade. It had assumed that the prospects for a general agreement were slim.<sup>42</sup> The failure of the United States, France, and the United Kingdom to agree meant that there was no opportunity to test the new German government's sincerity.

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39. Schlesinger Jr., The Coming of the New Deal, p. 226-229; William E. Leuchtenberg, Franklin D. Roosevelt and the New Deal, 1932-1940 (New York: Harper and Row, 1963), p. 203.

40. See, for another example, Denis W. Brogan, The Era of Franklin D. Roosevelt (New Haven, Conn.: Yale University Press, 1951), p. 61.

41. Néré, La Crise de 1929, p. 137.

42. John L. Heineman, "Constantin von Neurath and German Policy at the London Economic Conference of 1933: Backgrounds to the Resignation of Alfred Hugenberg," Journal of Modern History (June, 1969), p. 161.

Events at the London Economic Conference revealed that Roosevelt did not give the same priority as Hull did to the resolution of problems that blocked international cooperation. The conference convened while the President was still searching for a recovery program that would gain the support of Congress. Hull's idealism came up against the realities of international politics. His experience at London did not diminish his faith in his formula for economic recovery and peace. On the contrary, he sought a new approach to the same goals.

## CHAPTER IV

### THE NEW DEAL'S TRADE PROGRAM

When Cordell Hull was unable to achieve his objectives at the London Economic Conference, he was determined to find an alternative solution to restore prosperity and, he hoped, to provide an economic base for peace. With the support of President Roosevelt and Secretary of Agriculture Henry A. Wallace, Hull endeavored to reduce trade barriers through a series of bilateral agreements. He first had to overcome the spirit of protection which the Depression strengthened in the United States and in other countries and to combat the general isolationist sentiment. Hull perceived in a reciprocal trade program the means by which the United States could assert leadership in international affairs; he intended to make this economic program a basic tool of his diplomacy. He believed that when nations exchanged their products it promoted their mutual prosperity, it preserved harmonious relations, and it was accompanied by an inter-change of cultural benefits as well.

Roosevelt seemed to commit his administration to seek a revival of world trade. During the presidential campaign of 1932 he had criticized the protectionism of the Hoover administration and offered the hope that prosperity would return to America with the restoration of the

flow of international trade. He particularly promised the farmer that his administration would secure foreign markets for their surplus production through bilateral trade agreements. It was necessary to add that these agreements would not menace recovery; there would be no "romantic adventurings in foreign markets" but hard bargains for "a real exchange of goods to the mutual benefit "of the United States and of its trading partners."<sup>1</sup>

Neither trade agreements nor tariff reduction enjoyed a priority in the immediate assault on the economic crisis during the first hundred days of the New Deal. Roosevelt did not risk the political tempest that would have greeted an early call for a general overhaul of the protective tariff structure. The high rates of the Hawley-Smoot Tariff Act of 1930 remained in effect. He foreswore an international agreement to peg the value of the dollar

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1. Roosevelt, Campaign Address on the Farm Problem at Topeka, Kansas, Sept. 14, 1932; Campaign Address on Agriculture and Tariff at Sioux City, Iowa, Sept. 29, 1932; and Campaign Address on Reciprocal Tariff Negotiations at Seattle, Washington, Sept. 20, 1932 in Samuel I. Rosenman (ed.), The Public Papers and Addresses of Franklin D. Roosevelt, I, p. 697-702, p. 758, and p. 725-726. See also his Request for Authority to Consummate Reciprocal Trade Agreements for the Revival of Foreign Trade, March 2, 1934, Ibid., III, p. 115, and a Letter to the National Foreign Trade Council, Nov. 19, 1935, Ibid., IV, p. 463; and Franklin D. Roosevelt, Looking Forward (New York: John Day and Co., 1933), p. 179 and 245.



while he flirted with currency inflation as a means to raise prices and to lengthen the burden of debt and then sought a natural exchange rate. Not until January, 1934 did Roosevelt stabilize the gold value of the dollar and thus take the first necessary step toward agreements to stimulate world trade. A similar nationalistic approach also marked the measures which were designed to promote recovery in agriculture and in manufacturing. The Agricultural Adjustment Act and the National Industrial Recovery Act sought a balance between domestic production and domestic consumption. In both the administration accepted protectionist safeguards in order to gain congressional acceptance of the two experiments in economic planning and in order to make certain that imports would not undermine the anti-depression programs.<sup>2</sup>

The Roosevelt administration had to determine how it would respond to the crisis on American farms before it could embark upon a trade program. The problem had been defined: to raise agricultural prices in order to maintain the production of food and fibre and to enable the farmer to purchase the products of the city. Tariff protection had proven inadequate; restrictive duties on farm products which were exported had no economic impact.

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2. Kottman, Reciprocity and the North Atlantic Triangle, 1932-1938, p. 66-67.

The high duties of the Hawley-Smoot Tariff of 1930 had done nothing to raise the domestic prices of wheat, corn, cotton, or hogs. Countries that could not sell their manufactured goods in the United States looked elsewhere for raw materials and with a world-wide surplus of grain and depression among industrial nations it seemed less and less likely that the American farmer could expect to sell more of his crops abroad.<sup>3</sup>

Secretary of Agriculture Henry A. Wallace had the urgent task to formulate a program for agricultural recovery. The major difficulty with which he had to contend was not in originating measures but in persuading agricultural spokesmen to unite upon a common plan. Their differences had gradually crystallized into four roughly recognizable positions: the proposal to fix prices; the belief that the surplus was disposable abroad, even by dumping; the idea of marketing agreements; and,

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3. Roosevelt, Inaugural Address, March 4, 1933 in Samuel I. Rosenman (ed.), The Public Papers and Addresses of Franklin D. Roosevelt, II, p. 12-14; Bernard Ostrolenk, "Prosperity Waits Upon the Farmer," Current History, XXVII (Nov., 1932), p. 130; Frank W. Fetter, The New Deal and Tariff Policy, in Public Policy Pamphlets, No. 7, ed. by Harry D. Gideonse (Chicago, Illinois: University of Chicago Press, 1933), p. 4; and Theodore Christianson, "Is the Tariff Fair to Farmers?" North American Review, vol. 228 (Sept., 1929), p. 279.

the demand for a reduction of production.<sup>4</sup> George Peek, later the Agricultural Adjustment Administrator, and the millers, packers, and other processors, objected to acreage controls and argued that marketing agreements and foreign sales offered the best solution. The Assistant Secretary of Agriculture, Rexford G. Tugwell, believed that the administration had to rely on strict production controls and that dumping was self-defeating and unreasonable. John Simpson of the radical Farmers' Union wanted price fixing and no nonsense about managing markets or reducing production.

Wallace himself had decided on a national farm program that was tinged with international idealism. It would set a floor under agricultural prices, balance domestic consumption and production, and seek overseas markets to permit an expansion of agriculture. Wallace urged bilateral trade agreements in which the United States would reduce its tariffs to permit the importation of more manufactured goods while securing access in industrial countries for a half-billion dollars worth of American farm products. He envisaged the possibility that these treaties which the United States initiated would

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4. Rexford G. Tugwell, The Democratic Roosevelt (Garden City, New York: Doubleday and Co., Inc., 1957), p., 275:

encourage other countries to re-arrange their commercial agreements and to harmonize their national economies in the same manner that the New Deal planners advocated.<sup>5</sup> The Agricultural Adjustment Act of 1933 provided support for farm prices to those farmers who agreed to curtail production. The Secretary of Agriculture controlled the sale of basic commodities in interstate and foreign trade through the power to licence producers and processors.<sup>6</sup> Given this control over commodities in the domestic market, Wallace supported Hull's plan to relax tariff barriers and to seek new overseas markets for American products.<sup>7</sup>

The ill-fated National Industrial Recovery Act of 1933 was an experiment to regulate competition among manufacturers with a view to the maintenance of production and jobs, and to the improvement of wages and working conditions. The act conferred upon the President broad powers to regulate imports in the event that foreign competition

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5. Alonzo E. Taylor, The New Deal and Foreign Trade (New York: The Macmillan Company, 1935), p. 178-179; and Henry A. Wallace, "America Must Choose," World Affairs Pamphlets (February, 1934), p. 18 and 28-29.
  6. Agricultural Adjustment Act of 1933 in Alfred B. Rollins, Jr., Depression, Recovery, and War: 1929-1945, Vol. VII of A Documentary History of American Life, ed. by David Donald (8 vols., New York: McGraw-Hill, Inc., 1966), p. 92-97.
  7. Arthur W. Schatz, "Cordell Hull and the Struggle for the Reciprocal Trade Agreements Programme, 1932-1940" (unpublished Ph.D. dissertation, Oregon University, 1965), p. 83-88.

threatened the terms of the industrial codes. The President could impose conditions upon licensees and limit or prohibit the importation of specific goods.<sup>8</sup> Clearly, foreign competition was not to be permitted to endanger the plans for recovery in the manufacturing sector of the economy.

While pursuing a nationalistic, even protectionist, approach to recovery, New Deal policy makers delayed but did not relinquish the hope that the return of prosperity depended upon a re-vitalization of international trade. In November, 1933, Roosevelt encouraged Hull to pursue a new trade program. The President created a special inter-departmental committee to draft a bill that would establish a new commercial policy.

The State Department's Economic Adviser, Herbert Feis, saw an opportunity to develop a long-range international policy that would be integrated with the domestic program. He wanted to determine what imports would be least injurious and most beneficial to the American economy. Feis suggested an assessment of the six industrial groups on the basis of their efficiency, their possible contribution to national defense, the wage levels and other indications of general social utility, the number

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8. National Industrial Recovery Act of 1933 in Alfred B. Rollins, Jr., Depression, Recovery, and War: 1929-1945, Vol. VII of A Documentary History of American Life, ed. by David Donald, p. 82-88.

of people employed and the size of vested interests by a represented, geographical distribution, alternative sources of foreign supply, and mutual relations with other domestic industries.

The sub-committee which considered the Feis plan was composed of Assistant Secretary of State Francis B. Sayre; John Dickinson, Assistant Secretary of Commerce; Assistant Secretary of Agriculture Rexford G. Tugwell; Wilbur Thorp, the Director of the Bureau of Foreign and Domestic Commerce, and Feis. On December 18, 1933, the members of this sub-committee reported that foreign markets were necessary to American prosperity and that a plan for grading and classifying industry be adopted. To implement these recommendations, Congress would have to authorize the President to alter existing tariff rates through negotiation of a series of trade agreements. The sub-committee had agreed to avoid a general revision of the tariff. With Roosevelt's approval the committee drafted a trade bill which was rather long and complicated. While some members of the committee objected to the bill, the major question was whether or not Congress would accept such a package. Peek had his doubts; he suggested that a greatly simplified bill would stand a better chance. Hull admitted he was right. Roosevelt and the committee finally agreed to send to Congress a bill that was short and to the point. It gave the President control over all forms of trade.

restrictions, and the authority to lower rates of duty a maximum of fifty per cent for bargaining purposes. The President was charged with the regulation of imports in accordance with the characteristics and needs of various branches of American production. He would have power to suspend negotiated reductions in retaliation for discrimination against American products.<sup>9</sup>

Roosevelt sent the proposed Reciprocal Trade Agreement Bill to Congress on March 2, 1934, accompanied by a message that "permanent domestic recovery depended in part upon a revived and strengthened international trade." He noted too, that there could be no increase in exports "without a corresponding increase in imports."<sup>10</sup> The President also gave assurance "that no sound and important American interest would be injuriously disturbed."<sup>11</sup> The congressional hearings and debates on the new trade bill were relatively brief; the House of Representatives and the Senate approved it by a substantial margin.<sup>12</sup> When

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9. Schatz, "Cordell Hull and the Struggle for the Reciprocal Trade Agreements Programme, 1932-1940," p. 101-107.
  10. Roosevelt, Annual Message to the Legislature, Jan 6, 1934 in Samuel I. Rosenman (ed.), The Public Papers and Addresses of Franklin D. Roosevelt, III, p. 14.
  11. Ibid., p. 15.
  12. U.S. Cong. Rec., 73rd Cong., 2nd Sess., 1934, Vol. 78, p. 5805, and 10395.

Roosevelt signed the Reciprocal Trade Agreements Act on June 12, 1934, Hull watched and later recorded that "each stroke of the pen wrote a message of gladness on my heart."<sup>13</sup>

The Reciprocal Trade Agreements Act represented a mixture of selfishness and idealism with the pursuit of a national economic interest. The foundation of New Deal foreign policy embodied two principles: one, that trade expansion would be beneficial to the sluggish American economy, and the other, that the exchange of goods between nations would form bonds of peace. Roosevelt and Hull had accepted Wilson's formula for peace and prosperity; they also accepted Wilson's idea of a special mission for the United States. They believed that international economic cooperation depended upon the willingness of the United States to remove its own restrictions on trade as an example to other nations.<sup>14</sup>

For Hull, freer trade was more than an economic principle, it was a moral precept as well. In his estimation, the United States had been and most likely would

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13. Hull, Memoirs, I, p. 357.

14. Ibid., I, p. 364; A.C. Bunce, Economic Nationalism and the Farmer (Ames, Iowa: Collegiate Press, 1938), p. 92-93; Roosevelt, A Letter to the National Foreign Trade Council, November 19, 1935, in Samuel I. Rosenman (ed.), The Public Papers and Addresses of Franklin D. Roosevelt, IV, p. 465; Address at Chautauqua, New York, August 14, 1936, ibid., V, p. 289; and W.H. Shepardson and W.O. Scroggs, The United States in World Affairs (New York: Harper and Brothers, 1937), p. 153.



continue to be the least injured by restrictive trade practices. Yet, it was necessary for his country to lead the other nations toward a policy that would replace imperial rivalries. Moreover, he assumed that open markets would mean equal benefits to "have" and "have not" nations alike. Economic disparities, in Hull's mind, were a primary cause of war.

It is significant that Hull placed the negotiations of the trade agreements under the charge of Francis B. Sayre. Sayre, an Assistant Secretary of State from 1923 to 1939, was the son-in-law of Woodrow Wilson. He, too, believed that a liberal trade policy was both an economic and a moral necessity. The expansion of American commerce would create markets for its surplus production. More than that, it would contribute to peace, especially if the United States and its trading partners treated all nations on an equal and non-discriminatory basis. Finally, Sayre believed that through the reciprocal trade program the United States would shape "the economic forces of the world into a mold for peace."<sup>15</sup>

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15. Francis B. Sayre, "The Most-Favored-Nation Policy in Relation to Trade Agreements," American Political Science Review, 33 (June, 1939), p. 420, and Sayre, "The Hull Agreements and International Trade," Academy of Political Science Proceedings, XVII (May, 1937), p. 364-365.

In 1937 and again in 1940, Congress renewed the Trade Agreement Act and the President's authority to negotiate tariff adjustments. By the latter date, the United States had entered into twenty-one agreements; by that time, too, most of the world was at war. Germany, Italy, and Japan, in pursuit of a nationalistic and expansionist policy, had rejected the offers of trade agreements. As Hull observed "the political line-up followed the economic line-up" since with few exceptions, the countries with which the United States had signed trade agreements joined together in opposing the Axis powers.<sup>16</sup>

Peace proved elusive even though the United States, immediately following the London Economic Conference, "moved towards greater participation in the world economy."<sup>17</sup> It was not due to any success preventing the war but to its contribution to winning the war that the New Deal international economic policy became the prescription for cooperation in the post-war period.<sup>18</sup> The joint declaration of President Roosevelt and Prime Minister Winston S. Churchill, known as the Atlantic Charter, revived the Wilsonian

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16. Hull, Memoirs, I, p. 363-365.

17. Lloyd C. Gardiner, Economic Aspects of New Deal Diplomacy (Madison, Wisconsin: University of Wisconsin Press, 1964), p. 26.

18. Basil Rauch, From Munich to Pearl Harbor; a Study in the Creation of a Foreign Policy (1st ed., New York: Creative Age Press, 1950), p. 7.

ideal that the free exchange of goods would promote prosperity and peace. In his vision of the post-war world, former Under Secretary of State Sumner Welles also based a hope for peace on a liberal trade program for foe and victor alike.<sup>19</sup> In 1945, Cordell Hull received the Nobel Prize for Peace; the award testified to the persistency of the idea that trade was the basis for world peace.

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19. Sumner Welles, The Time for Decision (New York: Harper and Brothers, Publishers, 1944), p. 177, 305, 405, and 408-409.

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## RESUME

This thesis attempts to examine the presence and the persistence, in the early part of the twentieth century, of the concept that trade fostered peace and prosperity. It also attempts to demonstrate the major impediments to its adoption as a policy by the United States and the other industrial nations of the world.

Chapter one relates the formulation by Wilson of the idea that the cause of peace was related to the liberalization of trade relations. He continually criticized Republican tariff policy because it was contrary to what he thought was good for the United States. When he became President, the first item on his agenda was tariff revision. The First World War and American participation in it afforded Wilson the opportunity to emulate his formula for economic and political cooperation among nations. His principles for a permanent peace were embodied in his Fourteen Points. Two of his proposals were the removal of economic barriers and the formulation of the League of Nations. The former was rejected at Versailles and both were rejected at home in the post-war elections.

The second chapter concentrates on the post-war years. Following the war there was reason to believe that the Versailles Conference represented only a temporary setback to Wilson's idea of political and economic cooperation.

The several conferences sponsored by the League of Nations gave delegates of member nations an opportunity to reaffirm their support for the goal of trade liberalization. When prosperity returned, however, there was a reluctance to risk it by experimenting with a new trade policy. With the advent of the depression any hope of cooperation among the industrial nations of the world ended with a renewal of economic nationalism.

Chapter three focuses attention on the London Economic Conference of 1933. It provided another opportunity to test the commitments of governments to the idea that peace and prosperity both depended upon free trade. The United States welcomed the conference as a chance to test its new policies. The new administration was represented by Secretary of State Cordell Hull who throughout his political career reiterated his support for world trade. Like Wilson, he believed that trade was the surest guarantee to all nations to enjoy peace and prosperity. But there was little hope that his views would be accepted. In response to the depression each nation chose its own priorities which were in conflict with the United States which was still evolving its own policies. Roosevelt's decision to seek the elimination of trade barriers before discussing the issue of exchange rates was the excuse for the dissolution of the conference. Nations that were concerned with the

economic crisis and with policies that would relieve it, were unwilling to enter into an untried and uncertain formula for peace.

The final chapter is devoted to Hull's continued persistence in his beliefs that the expansion of international trade would bring prosperity to the United States and its trading partners, that these commercial bonds would cement peace among these states, and that the United States had a leading role in eliminating trade barriers. By the end of 1933 Roosevelt had secured the necessary legislation to protect the American economy and to fix the exchange rate of the American dollar. He then gave his support to Hull's proposals for bilateral negotiations for the gradual lowering of tariff barriers.

The Reciprocal Trade Agreements program represented Hull's belief that trade was the best guarantee of peace and the more practical decision to revive the American economy through the expansion of exports. Although trade agreements were negotiated, nationalistic ambitions drove the world to war. The agreements were the first step towards that cooperation between the United States and its partners that was necessary to win the war. Following the Second World War in the United States and in the governments of its western allies there was a return to the belief that peace depended upon economic cooperation and that there should be new agreements to liberalize trade.