CORDELL HULL'S TRADE PROGRAM

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By

BLOOMER SULLIVAN

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T. H. Reynolds

In Charge of Thesis

T. H. Reynolds

Head of the History Department

D. C. McIntosh

Dean of the Graduate School

PREFACE

An attempt has been made to portray the historical background of the tariff policy of the United States since the World War; to show the necessity for Cordell Hull's reciprocal trade agreement program; to explain how the trade agreements were negotiated; to give a summary of those agreements which were concluded prior to the writing of this thesis; to show the results of the trade agreements program; and to give some of the criticisms of the program.

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B. S.

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THE UNITED STATES AND ITS NEED FOR FOREIGN TRADE

A. A Short Survey of Trade Policies of the United States from the World War to 1932.

1. Before the World War, the United States owed to various European countries nearly $3,000,000,000. It had borrowed money to develop the resources of its continent, expanding its boundaries, building railroads, factories, and financing great capitalistic ventures. It repaid this borrowed money by exporting cotton, coal, petroleum, wheat, tobacco, and manufactured articles to its creditor nations. United States' exports were larger by far than its imports.

Shortly after the World War, Europe owed the United States over $19,000,000,000 as a result of borrowing to purchase war munitions and supplies.[1] By this time the United States was the chief creditor, the greatest industrial nation, and the greatest nation of consumers in the world. Now, the United States Government wanted to collect the debts due it and to continue exporting her huge manufacturing and agricultural surpluses.

But Europe did not possess enough gold to pay her debt to the United States; there was only one way left to pay--in goods and services. When they tried to pay their debts in this manner, a storm of protest arose from American

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1. Maxwell S. Stewart, "American Commercial Policy and the World Crisis," Foreign Policy Reports, May 25, 1932, New York.

farmers and manufacturers, who clamored for protection against competitive imports and enthusiastically endorsed a protection program of economic self-sufficiency and isolation.[2]

The idea was prevalent that America could increase employment and raise standards of living for Americans only by excluding foreign goods. As a great industrial creditor nation, the United States clung to the same protective tariff policy which it had adopted as a young agircultural debtor nation with struggling infant industries. In pursuance of this policy, she increased her tariff rates and placed embargoes on foreign imports. By becoming net creditor to the extent of $19,500,000,000 to the world, the United States was enabled for a time to continue exporting surpluses and collecting debts. But when the United States stopped its loans and investments to Europe, the whole pyramid of credit and loans crashed with disastrous repercussions to both ourselves and Europe.[3]

By the way of restricting foreign importations, in 1921 the United States raised her tariff by passing the Emergency Tariff Act.[4] In 1922 she further heightened it by passing the Fordney-McCumber Tariff Act. Both acts

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2. Alexander Ryllis Goslin and William T. Stone, America Contradicts Herself, New York, 1936, p. 28.

3. Ibid., p. 28.

4. "Public Laws, No. 10," United States Statutes at Large, Washington, 1923, part I, XLII, 9-19.

were drawn to give additional protection to American producers.[5] At last, in 1930, facing the peril of strained European financial structures resulting from mounting European debts, the United States, disregarding protests and warnings from thirty-three countries, drew up and passed the Hawley-Smoot Tariff Act.[6] This act, the highest tariff act in the history of the United States, was an important factor in the cause of the economic breakdown and the resulting depression.[7]

Not only America, but nation after nation strove to become self-sufficient and pursued the policy of economic isolation. This was a result, largely, of the war when belligerent and neutral nations who were unable to purchase products from other countries turned to increased and intensified home production. After the war, these home industries needed and received protection from foreign competitors. This protection rendered markets valueless to foreign producers who in turn followed suit. Increased supply without markets caused a fall in prices. Nations dependent on foreign markets for agricultural and manufacturing surpluses found it necessary to cut down imports in order to provide for domestic consumption of

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5. "Tariff Act of 1922, Public Laws No. 318," ibid., part I, XLII, 858-990.

6. "Tariff Act of 1930, Public Laws No. 361," United States Statutes at Large, Washington, 1931, part I, XLVI, 590-763.

7. Francis B. Sayre, "The Foreign Trade of the United States," Commercial Policy Series, No. 18, Washington, 1935, pp. 5-6.

these surpluses. All nations began to use artificial stimuli to force their goods onto foreign markets. Among these measures are found export-subsidy provisions, "dumping," and currency depreciation. When a nation depreciates its currency, its home goods are cheaper abroad and its imports are more expensive.[8]

After 1929 the United States' foreign trade had fallen off sharply. Manufacturing exports dropped from $5,000,000,000 in 1929 to $1,600,000,000 in 1932.[9] At the same time, unemployment figures reached empyrean heights, variously estimated at 6,000,000 to 11,000,000 in 1932. Increases in imports did not decrease domestic employment, nor did decreased imports result in increased employment. The experience of the United States in the last ten years demonstrates the refutation. In the latter part of 1920 the United States was prosperous to a degree never before hoped for. Wages were high and jobs were easily obtainable. During the years 1920-1930, its imports were increasing until they reached the $4,400,000,000 mark in 1929. Imports dropped to $1,300,000,000 in 1932. Since 1932, imports have gradually risen, and a corresponding increase in employment is found.[10]

The indices of the Federal Reserve Board show that

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8. Ibid., pp. 6-7.

9. Goslin and Stone, op. cit., p. 28.

10. Sayre, op. cit., pp. 13-14.

for every yearly increase in imports, there is an increase in factory employment. Likewise, in every year of decreas- in imports, employment has decreased. A study of the rise and fall of farm employment and wages as compared to imports also shows a striking correlation.[11]

2. When Cordell Hull became Secretary of State of the United States in 1932, he was faced with a difficult choice: he had to revise the old tariff policies and accept foreign products and services in payment for her loans and exports, or adhere to her customary protectionist ideas and permit cancellation of debts, sacrifice of trade, loss of investments, and a rapidly descending scale of living.

B. The Policy of Economic Nationalism and Self-Sufficiency Repudiated by Cordell Hull.

1. There were five problems considered by Cordell Hull in studying the policy of economic nationalism. First, was the problem of unsalable surplus products. Second, came the material cost of economic self-sufficiency. Third, arose the collection of debts due the United States by other nations. Fourth, could Democracy completely survive under a program of economic self-sufficiency? Fifth, war might result from a world-wide policy of economic nationalism.

In studying the first problem, of unsalable surpluses,

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11. *Ibid*., p. 14.

Hull found that the United States produced normally more agricultural and industrial goods than could be sold profitably to domestic consumers. From America's earliest days, she had sold these surpluses to foreign consumers. Over half her cotton production was sold then, as today, to foreign consumers. Likewise, she exported in 1929 one-fifth of her wheat crop, nearly half her lard, two fifths of her tobacco-leaf, a third of her rice, and almost half her dried fruits. A similar situation existed in many of her great industries. In 1929 office appliance manufacturers sold to foreign markets thirty per cent of the total production, valued at $53,700,000. The automobile industry exported eighteen per cent of the total production, amounting to $345,700,000. These figures are illustrative of the United States' foreign sales which totalled $5,157,000,000 in 1929. Her exports in 1934 totalled $3,101,000,000.[12]

But the most significant consequence of economic self-sufficiency in relation to surpluses was found in its effect on domestic enterprise. Unsold surpluses created cheap prices in home markets and caused panic in the industry or occupation which produced the surplus, all of which led to unemployment and poverty.

If foreign markets in the field of agriculture were

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12. Francis B. Sayre, "American Commercial Policy--the Two Alternatives," Commercial Policy Series, No. 23, Washington, 1936, pp. 2-3.

eliminated, the United States, according to Secretary of Agriculture Wallace, would have to retire from 40,000,000 to 100,000,000 acres of agricultural land. This land supports millions of people who would be forced into the congested cities in order to survive, resulting in appalling effects.[13]

Ten million farmers depend upon the exports of their farms for subsistence. If economic self-sufficiency were pursued, Cordell Hull was faced with the problems entailing upon these people's dislocation--unemployment, disease, and famine followed with crime.[14] If cotton export were restricted, 2,700,000 cotton pickers, raisers, and merchandisers would be forced where? It would involve profound social readjustment and intense human misery.[15] This problem was clearly understood and recognized by Cordell Hull.

The second problem involves a consideration of the material cost of economic self-sufficiency. If the United States could not sell its surpluses to foreign markets, she would be forced to retire $3,000,000,000 worth of agricultural land and dispose of $9,000,000,000 worth of machinery and plant equipment used only in

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13. Samuel Everett, Democracy Faces the Future, New York City, 1935, p. 103.

14. Ibid., p. 4.

15. Ibid., p. 5.

production for sale abroad.[16]

When a tariff is placed upon a cheaper foreign product this tariff is paid by the consumers of the product. Many times the cost of producing the article at home so greatly greatly exceeds foreign production costs as to prohibit home production.[17] Hence, the United States must import certain commodities.

In studying the third problem, Hull found that the world owed the United States tremendous sums aside from war debts. Since other nations do not have sufficient gold to pay, she must accept goods and stimulate trade. But a program of self-sufficiency makes payment in goods impossible. To carry such a program through would sacrifice foreign investments totalling $12,350,000,000.[18]

Under a system of economic self-sufficiency, the only remedy for unsalable surpluses is an arbitrary restriction of production which would require enforcement by governmental control. The shifting and direction of great numbers of displaced people would require dictatorial powers by the government. American traditions and ideals would suffer in such a case.[19]

In consideration of the fifth and last problem rela-

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16. Ibid., p. 6.

17. Ibid.

18. Ibid., p. 8.

19. Ibid.

tive to espousing economic self-sufficiency and war between nations, this fundamental truth was brought into light:

> that the nations of the world are by geography endowed with such different natural resources and by history so developed that no nation on earth can, without incalculable cost and sacrifice, make itself economically self-sufficient. It is self-evident that some fifty nations of the world cannot attain even a tolerable degree of self-sufficiency. The peril in the present world situation is that the fortunes of all are inseparably linked together, and if, some great trading nations follow a policy of economic self-sufficiency, other nations will be forced even against their will to do the same. Unhappily the vast majority of nations are so lacking in natural resources that economic self-sufficiency is physically impossible. For them then there is no alternative but to attempt to appropriate by force other portions of the earth's surface. Economic nationalism thus reaches its culmination in imperialism.[20]

2. Cordell Hull, after due consideration of the economic self-sufficiency program and economic isolation policy which had been pursued by the United States and other nations after the World War, repudiated and condemned these policies.

He felt that, in pursuing these policies, the United States, in effect, announced to all the nations that they could not buy her surplus production of corn, wheat, cotton, oil, automobiles, and many other products which she normally produced in excess of domestic consumption of from ten to fifty per cent. If full production of these tremendously important commodities was continued, he stated that:

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20. *Ibid.*, p. 10.

> it would lead to stagnation and price slumps resulting from dammed-up surpluses. Depression in these branches of production would lead to stagnation and unemployment throughout the entire economic and financial structure of the Nation. Our national prosperity is directly and tremendously affected by the ability of these great industries to sell their surpluses in foreign markets.[21]

He believed that the economic self-sufficiency policy was responsible for a large portion of the decrease in world trade from $68,000,000,000 to $23,000,000,000 a year. Many nations in the past few years adopted this policy; as a consequence, there followed unemployment, business stagnation, rife and discord between labor and capital, governments tottering and unstable, and all the disrupted, chaotic social and economic conditions extant since 1929.[22]

The United States needs imports from other countries primarily for two reasons. She could not obtain certain products, except at prohibitive cost, any other way. In 1934 the United States imported $133,154,000 worth of coffee, rubber valued at $101,532,000, silk valued at $71,764,000, and tin worth $44,801,000. Not one is produced in the United States and these are only a few of the numerous commodities which must be imported. The other reason the United States needs imports arises from

21. Cordell Hull, "American Foreign Trade Policies," Commercial Policy Series, No. 24, Washington, May 22, 1936, p. 5.

22. Ibid., p. 6.

the necessity of protecting her loans and investments by accepting goods as payment.[23]

In condemning the policy of economic self-sufficiency, Hull cited the condition which existed when the United States attempted to reduce its $500,000,000 imports and at the same time to retain her $900,000,000 export trade with Canada. She raised her tariffs on every competitive commodity which she imported from Canada. Canada, bitterly resentful and aroused to vengeful retaliation, quickly raised her tariffs against United States products, and introduced a discriminatory valuation system and other severe measures intended to close her markets to United States' exports. The policy of economic self-sufficiency was directly responsible for the decrease of American exports to Canada from $9,000,000,000 to less than $3,000,000,000, and the decrease of American imports from Canada from $500,000,000 to $200,000,000 in the years from 1929 to 1932.[24]

Cordell Hull stated:

> it is a striking fact that international trade has been most stagnant and suffered the severest reverses during the past year in those very areas where the rigorous control devices have been most

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23. Francis B. Sayre, "Trade Policies and Peace," <u>Commercial Policy Series</u>, No. 21, Washington, January 20, 1936, pp. 6-7.

24. Cordell Hull and Robert L. O'Brien, "Reciprocal Trade Agreements and the Recovery Program," <u>Commercial Policy Series</u>, No. 7, Washington, March 23, 1935, p. 5.

extensively developed.[25]

A study made of thirty-six representative industries not aided by tariff and thirty-six other industries whose products are highly protected by tariff showed that in 1929 the average annual income of the worker in the unprotected industries was $1,704, and that of the worker in the protected industry was $1,109. This conclusively proved the fallacy of the belief that protection raises the standard of living.[26]

Cordell Hull answered his critics who contended that a prohibitive tariff was necessary by showing that according to the census of 1930, there were approximately 50,000,000 workers gainfully employed in the United States. More than half of these workers were not helped by tariff on their handiwork but were hurt as a result of their own consumption of protected products. Ten million farmers whose products were largely exported and sold at world market prices, were forced to buy protected products. Of the remainder, many were working for exporting industries which were hurt, not helped, bu tariffs; and many others were hurt who were engaged in work distinctly non-competitive.[27]

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25. Cordell Hull, "American Foreign Trade Policies," Commercial Policy Series, No. 24, Washington, May 22, 1936, p. 7.

26. Ibid.

27. Ibid., p. 6.

> For six years nations have vainly striven separately to restore prosperity. But I would emphasize as strongly as I can the fact that these efforts at national recovery have not all fully succeeded because of the destruction of international trade. It follows that a vigorous effort to rebuild that trade is essential if we do not wish the struggle back toward prosperity to be too long delayed.[28]

In 1929 over $33,000,000,000 in products was exchanged between the nations of the world. The United States participated in that exchange to the extent of $5,000,000,000, fifteen per cent of all international commerce.

By 1933 world exchange of goods amounted to one-third the total of 1929. The United States still handled fifteen per cent of the world's trade, but now it amounted to $1,647,000,000 as against $5,000,000,000 in 1929.

The United States should not be surprised to find that tariff has resulted in trade stagnation and in new millions of unemployed on relief. Tariff-making cannot be expected to increase foreign trade. It is fundamentally a measure devised to restrict imports; if imports are restricted beyond a certain stage, her foreign consumers cannot buy from American producers because they are literally starved for dollars--American dollars which they would receive in payment for their goods if tariffs were not extant.

Tariff making in the past has been a congres-

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28. Ibid.

> sional job. A session in which tariff revision was taking place was always a Roman holiday for lobbyists and petitioners. It was a time when every producer, every manufacturer, no matter how poor his claim, how high his costs, how wasteful his methods, or how small his industry, begged, cajoled, or demanded the added tariff which, he maintained, was necessary to keep his shop open. It mattered not if the process was ill-suited to American labor. It mattered not if the whole Nation was heavily taxed for the sake of a neighborhood.[29]

The solution, and the only solution, for the depression in the United States is mass production at a profit to workers and employers. To gain this, she must have markets, at home and abroad, extensive and intensive. The recapture of the old and creation of a new market is the goal toward which the United States must strive.[30]

The central characteristic of this age is international economic interdependence. A people's standard of living depends upon its ability to sell abroad. But if each nation attempts to be self-sufficient, the free exchange is hampered and restricted. Economic nationalism is fatal to a general standard of life because it destroys that interchange of goods and services which is the basis of world prosperity. In a capitalistic society, of which the United States is a member, the modern scale of production entails an ever-increasing expansion of markets; this expansion entails imperialism; and imperialism is

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29. *Ibid.*, pp. 9-10.

30. *Ibid.*

the inevitable progenitor of a new nationalism which immediately devises a protective system to protect its own industrialists from foreign invasion.[31]

A world of separate national states, which depend for existence upon markets, must arm themselves to maintain these markets and fight if they are challenged. World war and universal revolution results, destroying the civilization of modern society, leaving chaos and anarchy rampant.[32] To escape such a terrifying prospect, America must inevitably abrogate economic self-sufficiency and turn to the consideration of an international society based upon free trade and good-neighbor spirit, which is embraced and expanded in the trade policies of Cordell Hull.

C. Cordell Hull Proposes World Trade and Bilateral Trade Agreements Program.

The foreign-trade program proposed by Cordell Hull is quoted in his own statement:

> The foreign-trade program of the government is based upon what to us is an indisputable assumption, namely, that our domestic recovery can neither be complete nor durable unless our surplus, creating branches of production succeed in regaining at least a substantial portion of their lost foreign markets.
>
> Our needs are clear: we must induce foreign countries to mitigate the obstruction which they place in the way of our shipments to their markets,

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31. Harold J. Laski, <u>Democracy in Crisis</u>, Chapel Hill, North Carolina, 1935, pp. 26-28.

32. <u>Ibid</u>.

> and we must free our export trade from disruptive discrimination directed against it.[33]
>
> When we were formulating our basic policy, there were two ways open to us to make our vital contributions to the process of economic demobilization. We could undertake a downward revision of our tariff by unilateral and autonomous action, in the hope that other nations as a result would begin to move away from their present suicidal policies in the field of foreign trade. Or else we could, by the negotiation of bilateral trade agreements, attempt a mitigation of trade barriers on a reciprocal basis.
>
> We chose the second course as offering by far the better promise of trade improvement.[34]

He chose this course for the following reasons: (1) a voluntary reduction of American tariff would provide no assurance that other nations would follow suit, or if they did, tariff lowering might not be applied to commodities of importance to the United States; (2) the bilateral method presupposes simultaneous action by many countries throughout the world, generally; and (3) bilateral trade agreements afford an opportunity to secure tariff decreases upon American commodities most in need of them.[35]

It was in this manner and because of such reasons and considerations that Cordell Hull embarked the United States upon a program of reciprocal trade agreements.

D. Trade Policies as a Basis for World Peace.

1. It cannot be denied that nations and peoples will

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33. Cordell Hull, "American Foreign Trade Policies," Commercial Policy Series, No. 24, *op. cit.*, p. 6.

34. *Ibid.*, p. 8.

35. *Ibid.*

fight when political or economic conditions become intolerable. The French Revolution is a classic example which backs up this premise. All history with its innumerable conflicts bears it out.

If a world is to enjoy peace and prosperity, nations must pursue economic policies which will permit peace. Unless America abandons tariffs, trade restrictions, and economic nationalism, she is in imminent danger of being involved in another holocaust of war, universally prosecuted. America must shed economic nationalism before she can control the dogs of war.[36] The history of the twentieth century has strikingly shown that peace is not a result of merely wishing for it. Rulers and peoples alike have, in the main, ardently desired peace, but they have been caught in the tide of forces which are irresistible and have been swept nearer and nearer the precipice of total destruction.

> Peace cannot be built upon mere emotions. The stabilization of peace depends upon the slow and careful building of a solid substructure of sound political conditions and healthy economic relationships between class-conscious groups and race-concious nations.[37]

One reason that peace is being threatened again today is that economic policies are being pursued by most countries

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36. Francis B. Sayre, "Trade Policies and Peace," Commercial Policy Series, No. 21, op. cit., p. 2.

37. Francis B. Sayre, "World Peace and Foreign Trade," Commercial Policy Series, No. 31, Washington, October 23, 1935, pp. 1-2.

that are in direct conflict with this inescapable truth:

> No nation (industrial) in existence can maintain its standard of living without foreign trade.[38]

The nineteenth century world was largely agricultural. Nations were economically self-sufficient because people's needs were simple and there was little organized trade. The industrial revolution wrought startling transformations in economic conditions. Specialization came into national economic efforts and resulted in tremendously increased productive efficiency. New standards of living came about; the increase of production cause the wealth of a nation to depend upon foreign markets. Population grew by leaps and bounds as a result of industrial nations becoming able to support them by virtue of the exchange of industrial exports for imported foodstuffs. By 1930 Europe's population had increased from 180,000,000 in 1880 to 450,000,000. This brought an undeniable principle into light: once an industrialized nation's population increased beyond the numbers which its agriculture could support, a decrease or cessation of its foreign trade must obviously mean catastrophe for its social and economic existence.[39]

The inventions of the twentieth century accelerated this transformation. An automobile requires rubber from Malay, tin from Bolivia or the Far East, nickel from

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38. Ibid.

39. Ibid., pp. 2-3.

Canada, asbestos from Russia, and other raw materials from all sectors of the globe. Modern life requires materials and products from every country in the world. Electrical industries, drug compounds, medicines, radios, and many other pursuits would wither and disappear should they be deprived of foreign imports.

> Modern industrialism and all that depends on it cannot possibly exist without a high degree of national specialism.[40]

2. Cordell Hull's Policy of Trade Agreements, a Direct Contribution to World Peace.

Apart from the vital necessity of imports, the United States is utterly dependent upon foreign markets. Her national economy has been geared to support millions of workers in industries largely dependent upon foreign markets, a fact which demonstrates the conclusion that the nations of the world are vitally interdependent. The next premise establishes itself in turn:

> Stable and lasting peace can be built only upon a world trade unhampered by excessive barriers and restrictions.[41]

Thus America's part in the liberalization of world trade, under the guiding hand of Cordell Hull and his Trade Agreements Program, is a vital contribution to the cause of world peace. A part of the following chapter is devoted to the analysis of this contribution.

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40. _Ibid._, pp. 3-4.

41. _Ibid._, p. 7.

CHAPTER II

CORDELL HULL'S RECIPROCAL TRADE AGREEMENT GOES INTO EFFECT

The world's policy of economic nationalism had become intolerable in its effects by 1932. Frantic relief-seekers in the most responsible departments of the United States government had searched into the causes of the depression which had been existent since 1929, and had denounced economic nationalism as one of the fundamental irritations in the malignant disease of depression. Cordell Hull, as Secretary of State under President Roosevelt, was the man who took into his hands the problem of trade recovery and shaped it in the mold of his humanitarian spirit and practical ideals.

A. Cordell Hull was made Secretary of State in 1933 by President Roosevelt.

Franklin Delano Roosevelt was swept into office as President of the United States of America in 1932. The people, desperate in their plight, changed leaders in the midst of the depression which struck a world enjoying the the greatest period of prosperity in its history. President Roosevelt promised a New Deal in which the principle of government for all the people was the keynote. He promised to lead them out of the darkness of fear, insecurity, and bewilderment. Cordell Hull was the man he chose to formulate a policy of trade which could be compatible with his recovery program.

1. From his early logging experiences in Tennessee,[1] Cordell Hull drew his philosophy of trading. He knew that a log jam would cease to exist when the key-log was extricated, and he compared the world trade situation to a log jam and proposed to break the jam by extricating the key-log in the form of embarking the United States upon a program of Reciprocal Trade Agreements. He cautiously chose the course by which to initiate the trade agreements program into a world filled with economic nationalism, and from the United States which had embraced high tariffs since its inception.

Cordell Hull placed a map of the world before him and studied it as a blue-print of opportunities for statesmanship and world prosperity. He carefully considered the world situation and finally chose the New World for his initial step in bringing about more trade for the world and for the United States.[2] In 1933, he chose Montevideo, the meeting place of the Seventh International Conference of American States, as the strategic spot for his next move. Here he expressed his views on the speeding up of human misery and the slowing down of international trade. The twenty-one governments of the new world embraced his program with ardent enthusiasm.[3]

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1. Beverly Smith, "Trader Hull," <u>American Magazine</u>, Springfield, Ohio, February, 1937, p. 23.
2. Charles Hodges, "Mr. Hull Sees It Through," <u>Current History</u>, New York, July, 1936, p. 44.
3. <u>Ibid</u>.

He then returned to the United States, in December, 1933, and started the governmental machinery to working at carrying out his policy. To consummate his statesmanship, he needed more power from Congress than was available under the awkward Tariff Commission process, so as a result of his diplomacy Congress passed the Trade Agreements Act. This act gave President Roosevelt the power of independently making trade agreements with other nations without calling for Congressional approval. President Roosevelt promptly delegated this commission to Cordell Hull.[4] The act was so important in the progress of Cordell Hull's trade program that the author has quoted it below:

3. An Act
To Amend the Tariff Act of 1930[5]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that the Tariff Act of 1930 is amended by adding at the end of title III the following:

Part III--Promotion of Foreign Trade
Section 350. (a) For the purpose of expanding foreign markets as a means of assisting in the present emergency in restoring the American standard of living, in overcoming domestic unemployment and the present economic depression, in increasing the purchasing power of the American public, and in establishing and maintaining a better relationship among various branches of American agriculture, industry, mining, and commerce by regulating the admission of foreign goods into the United States in accordance with the characteristics and needs of various branches of American production which require and are capable of developing such outlets

4. Smith, <u>op</u>. <u>cit</u>., p. 70.

5. "An Act to Amend the Tariff Act of 1930, Public Laws No. 316," <u>United States Statutes At Large</u>, Washington, 1931, part I, XLVIII, 943-944.

> by affording corresponding market opportunities for foreign products in the United States, the President, whenever he finds as a fact that any existing duties or other import restrictions of the United States or any foreign country are unduly burdening and restricting the foreign trade of the United States and that the purpose above declared is authorized from time to time
>
> (1) To enter into foreign trade agreements with foreign governments or instrumentalities thereof; and
>
> (2) To proclaim such modifications of existing duties and other import restrictions, or such additional import restrictions, or such continuance, and for such minimum periods, of existing customs or excise treatment of any article covered by foreign trade agreement that the President has entered into hereunder. No proclamations shall be made increasing or decreasing by more than fifty per centum any existing rate of duty or transferring any article between the dutiable and free lists. The proclaimed duties and other import restrictions shall apply to articles the growth, produce, or manufacture of all foreign countries, whether imported directly, or indirectly: Provided, that the President may suspend the application to article the growth, produce, or manufacture of any country because of its discriminatory treatment of American commerce or because of other acts or policies which, in his opinion, tend to defeat the purposes set forth in this section; and the proclaimed duties and other import restrictions shall be in effect from and after such time as is specified in the proclamation in whole or in part.[6]

By this act Cordell Hull was provided a means of putting his reciprocal trade agreements program into effect. Although Congress had given the President the authority to enact the trade agreements, actually Hull made the treaties, by and subject to the will of the President. Realizing the magnitude of his task, Hull felt that all available and relevant information and data

6. Ibid., p. 944.

were necessary for the successful culmination of the program, so he requested and received the aid and advice of other governmental agencies.

B. To carry out Cordell Hull's program it was found necessary to provide a Trade Agreements Committee for the purpose of consultation with the Secretary of State, the real negotiation of the trade agreements, and all the difficulties involved in bringing about such agreements. This committee was an inter-departmental organization which by its composition was enabled to construct and negotiate trade agreements quickly and efficiently.[7]

1. The making of the reciprocal trade agreements was a definite and methodical process which progressed through a series of steps designed to render them satisfactory.[8] First, Cordell Hull decided to investigate the desirability of entering negotiations with a foreign nation. The new Committee for Reciprocity Information was organized by executive order,[9] and was composed of members of the Departments of State, Agriculture, Commerce, and Treasury. Also, an office was created to render its aid to the negotiation of the agreements, entitled Special Adviser

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7. Cordell Hull and Robert L. O'Brien, "Reciprocal Trade Agreements and the Recovery Program," Commercial Policy Series, No. 7, op. cit., p. 11.

8. Ibid.

9. Abraham Berglund, "Reciprocal Trade Agreements," American Economic Review, Menasha, Wisconsin, 1935, XXV, 416.

the President on Foreign Trade.[10] Another source of assistance was the United States Tariff Commission which was organized by Congressional act. This commission had for its purpose fact-finding and data-amassing for the use of Congress in making tariff changes. Six members serving overlapping terms of twelve years each sat on this committee; they determined the validity of requests for tariff reconstructions by individuals or groups affected by the tariffs. This body prepared an exhaustive report containing pertinent data and information upon all the commodities which the United States exported and imported, and published the "Tariff Information Catalogue," which contained more than 3,300 items.[11]

Next in the process of negotiating trade agreements was an analysis of the United States' exports to the country with which a trade agreement was being considered for negotiation. This step was taken by the Department of Commerce, the Department of Agriculture, and the Tariff Commission. These bodies studied how the United States' most important exports had been handicapped by trade restrictions of the country under observation and consideration.

Meanwhile, the Tariff Commission had been subjecting

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10. Cordell Hull and Robert L. O'Brien, "Reciprocal Trade Agreements and the Recovery Program," Commercial Policy Series, No. 7, op. cit., p. 11.

11. William H. Kiekhofer, Economic Principles, Problems, and Policies, New York, 1936, pp. 811-813.

the imports from the country under consideration to a rigorous scrutiny. Several figures had to be determined: volume of imports from both countries in proportion to the domestic production; amount of protection necessary to American industry and agriculture; value of certain industries in regard to national welfare; and the value of the foreign country's imports from the United States.[12]

After studying the findings and recommendations of these agencies, the Trade Agreements Committee considered a comprehensive report made by experts upon every American industry of any importance. By the use of this imposing bulwark of information, the Committee was able to determine which rates could be reduced to afford the clearest margin of gain to American industries, to American workers, and to American consumers, in return for reduction of duties by the country under consideration.[13]

At this point in the negotiation of trade agreements, it was publicized and announced widely that preparations were in process to begin negotiations with the country in question so that all interested groups and individuals could present their petitions of approval or disapproval at public hearings.[14] There were always two groups who presented their oral and written testimony. One of these

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12. Ibid., p. 11.

13. Ibid., p. 12.

14. Ibid., p. 12.

groups was composed of those producers who, having lost foreign sales, petitioned the negotiators to regain the concessions from the other country, which concessions would enable them to increase their foreign sales. The other group was composed of those individuals who feared that the concessions made by the United States would have an adverse effect upon the sale of their products. The Tariff Commission attempted to reconcile these points of view in relation to the general welfare of the people.[15]

As a concluding step in the process of preparing for a trade agreement, the United States government selected two groups of items. One of these groups dealt with the concessions of the other country which would be most beneficial to American exporters. The other group of items dealt with the concessions of the United States which would not affect adversely domestic producers.[16]

An outline of the process through which the negotiation of Reciprocal Trade Agreements goes before becoming effective has been presented in order that the agreements between the United States and other nations will be more easily understood by the reader. The remainder of the chapter deals with the trade agreements which the United States has concluded with the nations of the world, under the critical, far-seeing eye and the firm guiding hand of

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15. *Ibid.*

16. Berglund, *op. cit.*, p. 417.

Cordell Hull.

C. Reciprocal Trade Agreements Negotiated.

1. With Cuba.[17]

On August 24, 1934, the first reciprocal trade agreement under the direction of Cordell Hull's trade program was concluded. It contained seventeen articles in the general provisions of the treaty and two schedules. Schedule II listed the concessions made by the United States on imports from Cuba.[18] Some of the most significant articles contained in the agreement, in relation to bearing the stamp of Cordell Hull's avowed economic internationalism, are as follows:

Article I, providing for the continuance of free entry for all commodities produced in both countries, which were free of duty at the time of the signing of the treaty.

Article VI, lowering consular charges on documentation of shipments from five per cent of invoice value of shipment to two per cent.

Article VIII, providing for the most-favored-nation treatment and prohibiting internal taxes over and above the fixed maximum duty rates.

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17. "Reciprocal Trade Agreement Between the United States of America and Cuba," Executive Agreement Series, No. 67, Washington, 1934, pp. 1-99.

18. "Reciprocal Trade Agreement Between the United States and the Republic of Cuba," Treaty Information, Bulletin No. 59, Washington, 1934, p. 8.

Article X, prohibiting the increasing of specific rates of duties as a result of currency depreciation.

The agreement was to be effective for three years and thereafter unless abrogated by either country upon six months notice.[19]

Cuba's exports of sugar, tobacco, rum, and off season fruits and vegetables, comprising ninety per cent of her exports to the United States, were given valuable concessions. In return, Cuba granted tariff reductions at a corresponding rate to the United States. The most important exports of the United States to Cuba on which tariffs were reduced were lard, salt and smoked meats, vegetable oils, wheat flour, rice, potatoes and onions, feedstuffs, and lumber; all agricultural products. In the field of manufactured products, Cuba granted important concessions and reductions on iron and steel products, hardware, textiles, automobiles, machinery in general, and hundreds of other products.[20]

American products which entered Cuba were accorded reductions varying from twenty to sixty per cent below those established for the same products of other countries. The United States likewise granted certain preferential percentages to Cuban products.[21] Cuba's greatest exports

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19. _Ibid._, p. 9.

20. _Ibid._, p. 8.

21. Berglund, _op. cit._, p. 420.

to the United States were sugar and sugar products, and the United States reduced the duty on sugar imports from Cuba to nine-tenths cents per pound from the former rate of one and one-half cents per pound.[22]

2. With Brazil.[23]

The agreement with Brazil was the second agreement concluded under the program of reciprocal trade agreements. It was based upon the principle of unconditional most-favored-nation treatment. The agreement was composed of two schedules and the general provisions. Schedule I contained the concessions of Brazil to the United States and Schedule II listed the concessions granted Brazil by the United States.[24]

Coffee composed eighty-five per cent of Brazil's exports to the United States. The United States guaranteed that coffee and other commodities, totalling ninety per cent of Brazil's exports to the United States, would remain duty free; other duties were also reduced to a certain extent.[25]

Brazil reduced her tariffs on a broad scale of

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22. Ibid., p. 421.

23. "Reciprocal Trade Agreement and Supplementary Agreement Between the United States of America and Brazil," Executive Agreement Series, No. 87, Washington, 1936, pp. 1-36.

24. "Reciprocal Trade Agreement Between the United States and Brazil," Treaty Information, Bulletin No. 65, Washington, 1934, p. 11.

25. Berglund, op. cit., p. 421.

American exports, including sixty-seven tariff classifications, and guaranteed that tariff rates on thirty-nine other classifications would not be raised. The reductions extended from twenty to sixty seven per cent of the rates in effect at the date the treaty was signed. The reductions covered thirty-two and one-half per cent and twenty-three and eight-tenths per cent of Brazil's imports from the United States in the years 1929 and 1934.[26]

The agreement with the Belgo-Luxemburg Economic Union[27] was signed February 27, 1935, and was the third agreement concluded under Cordell Hull's trade program. The agreement was affected by an exchange of notes between the two parties. It contained two schedules. Schedule I contained Belgium's tariff reductions on the United States' exports, and Schedule II contained the United States' reciprocal reductions on Belgium's exports.

The United States made important tariff reductions to Belgium on four major types of products: (1) building materials--cement (six cents to four and one-half cents per 100 pounds), plate glass (fifty per cent reductions), iron and steel products (fifty per cent), and asbestos shingles; (2) manufactured items--shotguns and parts, linens, films, lace, waterproof cloth, and vegetable

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26. Ibid.

27. "Reciprocal Trade Agreement Between the United States and the Belgo-Luxemburg Union," Executive Agreement Series, No. 67, Washington, 1935, pp. 1-42.

parchment; (3) paints and chemicals--chalk, lead pigments, sodium phosphate, and aluminum sulphate; (4) food products--grapes, endives, peas, and chicory.[28]

Belgium made duty reductions on twenty-two import commodities from the United States, ranging from fifteen per cent to eighty per cent on manufactured articles, including automobile parts; and from twenty per cent to fifty per cent on agricultural products such as oatmeal, lard, fruits, and linseed oil-cake. In all, Belgium granted concessions which affected export products of the United States valued at $16,000,000 in 1933. Belgian products which benefitted by American tariff concessions were valued at $6,500,000 in 1934.

4. With Haiti.[29]

The reciprocal trade agreement between Haiti and the United States was the fifth concluded under the Trade Agreements Act of June 12, 1934. It was signed at Washington on March 26, 1935.[30] The agreement provided for reciprocal rate reductions on important products of both

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28. "Reciprocal Trade Agreement Between the United States of America and the Belgo-Luxemburg Economic Union," Treaty Information, Bulletin No. 65, Washington, 1935, p. 14.

29. "Reciprocal Trade Agreement Between the United States of America and Haiti," Executive Agreement Series, No. 78, Washington, 1935, pp. 1-20.

30. "Reciprocal Trade Agreement Between Haiti and the United States," Bulletin of the Pan-American Union, No. 7, Washington, 1935, p. 751.

countries, and for reciprocal assurance of unconditional most-favored-nation treatment of each other's commerce in all respects, and guaranteed that no import quotas, internal taxes or other restrictions would impair the benefits of the agreement.[31]

Coffee, cocoa beans, sisal fiber, logwood, bananas, and ginger root--all produced by Haiti and exported to the United States--remained duty-free while reduction of American duties on rum, fresh pineapples, mangoes, and guava was stipulated.[32] Haiti reduced duties on tanned skins, sewing machines, fresh and refrigerated beef, mutton, fresh and dried pork, canned fruits, cheese, butter, preserved and malted milk, and seed potatoes. Haiti also reduced her duties on lard, radios, automobile tires and tubes. These reductions were to be effective during those years when Haiti's budget was promulgated to the amount of 40,000,000 gourdes or more.[33] Haiti guaranteed not to increase her duties, during life of the agreement, on glass, iron and steel pipes and fittings, a wide range of electrical machinery, automobiles, trucks, busses, automotive accessories, meat products, and ciga-

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31. Ibid., p. 571.

32. Ibid., p. 571.

33. "Reciprocal Trade Agreement Between the United States and Haiti," Commerce Reports, No. 14, Washington, April 6, 1935, p. 32.

rettes.[34]

Haiti reduced her duties from one-fourth to two-thirds of the duties of that time. The products which were affected by the reduction had a total value of $623,000 in 1933.[35] The principal concession of the United States guaranteed the continued free entry of the Haitian products, which amounted to $477,000, or fifty-nine per cent of Haiti's total exports in 1935.[36]

5. With Sweden.[37]

The trade agreement between the United States and Sweden was signed on May 25, 1935, and was the fifth to be consummated under Cordell Hull's reciprocal trade agreements program. American agricultural products which benefited by Swedish tariff reductions were apples, pears, grapefruit, and raisins, the latter two becoming duty free. American manufacturing products which benefited by Swedish tariff reductions were farm machinery, tractors, gasoline, automobiles, and canned items.[38] American exports to Sweden worth $16,000,000 received tariff

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34. "Reciprocal Trade Agreement Between Haiti and the United States," Bulletin of the Pan-American Union, No. 7, op. cit., p. 572.

35. "Reciprocal Trade Agreement Between the United States and Haiti," Commerce Reports, No. 14, op. cit., p. 232.

36. Ibid.

37. "Reciprocal Trade Agreement Between the United States of America and Sweden," Executive Agreement Series, No. 79, Washington, 1935, p. 1.

38. "50-50 With Sweden," Business Week, New York, June 1, 1935, p. 34.

concessions in this agreement.[39] Sweden received a guarantee from the United States that rates would be reduced on wood-pulp, which constituted two-thirds of Sweden's exports to the United States.[40]

6. With Colombia.[41]

The agreement between the United States and Colombia was signed on September 13, 1935. By this agreement, the United States was assured tariff reductions ranging from sixteen to ninety per cent on one hundred fifty classifications. These reductions covered commodities composing fifty-eight per cent of the United States'exports to Colombia in 1933. Colombia reduced her tariff on lard by fifty per cent. Other commodities of the United States which received reductions, ranging from twenty to seventy per cent, were processed meats, fruits, vegetables, and milk, leather, tobacco and cigarettes.[42] Passenger car duties were reduced twenty to twenty-five per cent. Truck and bus duties were reduced fifty per cent. The duties on typewriters, cash registers, and adding machines, were reduced sixty-six and two-thirds per cent.[43]

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39. Ibid., p. 34.

40. Ibid., p. 34.

41. "Reciprocal Trade Agreement Between the United States of America and Colombia," Executive Agreement Series, Washington, 1935, p. 1.

42. Herring, "Colombia Trade Agreement," Current History, New York, December, 1935, XLIII, p. 305.

43. Ibid.

Coffee and crude petroleum constituted about ninety per cent of Colombia's exports to the United States.[44] Colombia was the world's second largest coffee producer, and the second largest source of coffee imports of the United States.[45] The United States guaranteed that these two products, along with bananas, ipecac platinum, emeralds, tolu balsam, and other secondary products would remain duty-free.[46]

Eighty per cent of Colombia's imports from the United States were dutiable at the time the agreement was signed, while ninety-four per cent of Colombia's exports to the United States remained on the free list.[47] Secretary Cordell Hull hoped the agreement would restore to the United States her export trade with Colombia, which dwindled from $58,596,000 in 1928 down to $10,670,000 in 1932, and rose to $21,943,000 in 1934.[48]

7. With Canada.[49]

An important forward step in the trade agreements

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44. "Reciprocal Trade Agreement Between the United States and Colombia," Bulletin of the Pan-American Union, Washington, November, 1935, p. 860.

45. Ibid.

46. Ibid.

47. Ibid., p. 306.

48. Ibid., p. 306.

49. "Reciprocal Trade Agreement Between the United States of America and the Dominion of Canada," Executive Agreement Series, No. 91, Washington, 1936, pp. 1-30.

program of the United States, under the supervision of Cordell Hull, was reached when the trade agreement with Canada was signed on November 15, 1935. The agreement was important for two reasons, one of which was that heretofore the agreements had been signed only with minor countries. This step marked the entrance of the reciprocal trade agreements program into the major nations of the world. The other reason for the importance of the agreement was that Canada is the United States' second largest consumer. Trade between the two countries amounted to $5,000,000,000 in 1934. The agreement affected commodities which comprised over three-fourths the total dutiable exports from the United States to Canada, and two-thirds of the total imports of the United States from Canada.[50]

American manufacturing products received impressive tariff reductions. Among these were: automobiles and parts, duty cuts of eight per cent to twenty-five per cent; iron and steel products, eight per cent to twenty per cent; railway cars and parts, twelve and one-half per cent; agricultural implements, fifty per cent; electrical apparatus, fifteen to twenty-five per cent; mining machinery, nine per cent to fifty per cent; textiles, twenty per cent; glass products, six per cent to thirty

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50. E. L. Bacher, "Significance of the Trade Agreement Between the United States and Canada," World Trade, Paris, January, 1936, p. 3.

per cent; and office equipment, ten to twenty per cent.[51]

Canada granted tariff reductions on seven hundred sixty-seven items in all, including wheat, fruit, meats, and eggs. One hundred eighty were guaranteed against increase, and the remainder were granted most-favored-nation treatment, whereas before the agreement, they received only the benefit of the intermediate rates. The significance of the concessions granted by Canada on seven hundred sixty-seven United States items was the fact that one hundred fourteen of the items represented an export value of $500,000,000 in 1929-30.[52]

The United States guaranteed that news-print, pulpwood, and wood pulp were to remain free of duty. These products represented ordinarily one-half of Canada's exports to the United States. The whiskey tariff was reduced fifty per cent. Whiskey imports from Canada to the United States totalled $16,000,000 in 1934. Canadian dairy and lumber products were benefited by tariff reductions but specific quotas were stipulated in this case.[53]

America was guaranteed most-favored-nation treatment except insofar as the British Empire was concerned. Canada was guaranteed most-favored-nation treatment unconditionally

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51. "Trade on a New Basis," Business Week, New York, November 23, 1935, p. 8.

52. Bacher, op. cit., p. 4.

53. "Trade on a New Basis," op. cit., p. 8.

by the United States.[54]

8. With Honduras.[55]

The Agreement between Honduras and the United States was signed December 18, 1935. The agreement contained the unconditional most-favored-nation clause and provided for no increase in tariff rates which would annul the benefits of the reciprocal tariff advantages which the agreement had guaranteed.[56]

American agricultural products which benefited by Honduran reduction of import duties were: hams, shoulder, bacon, sausages, canned meats (except salt and corned beef), dried fruits, rolled oats, canned fruits, canned vegetables, sardines, canned salmon, butter, condensed and evaporated milk.[57] Manufactured articles upon which the Honduran import duties were lowered were: cotton shirts, denim, soap, and medicinal preparations. Honduran reductions on import duties of United States products, ranged from thirty-two per cent to seventy-five per cent

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54. J. Bartlet Brebner, "The Canadian Reciprocity Treaty," Current History, New York, January, 1936, XLIII, 408-409.

55. "Reciprocal Trade Agreement Between the United States of America and Honduras," Executive Agreement Series, No. 86, Washington, 1936, pp. 1-20.

56. "Honduras", Bulletin of the Pan-American Union, Washington, February, 1936, pp. 207-208.

57. "Honduras and the United States Exchange Customs and Assurances," Commerce Reports, No. 52, Washington, 1935, p. 464.

of the duties effective prior to the agreement. The commodities which received the reduction were valued at $411,000 to United States export trade in 1933.[58]

United States agricultural and industrial products which were bound against increased import duties by Honduras were: wheat flour, fresh fruits, dried whole milk, prepared breakfast foods, upper leathers, sweet crackers, and biscuits. Passenger automobiles, trucks, and bananas remained duty free; cotton hose, hand tools for artisans, jute, hemp, cotton bags, automobile tires and tubes, sawed timber, planks, boards, and many medicinal preparations remained free as well.[59]

The principal concession of the United States to Honduras was the promise of the continued unrestricted and duty-free entry of bananas, which represented ninety-five per cent of Honduran exports to the United States. Other Honduran products which were to continue duty-free were: coffee, plantains, cocoa beans, sarsaparilla root, and deerskins. Honduran products upon which the United States lowered the tariff were: balsams, pineapples, guava, and mangoes. These Honduran exports to the United States were valued at $7,505,000 in 1934. Ninety-nine per cent of the imports from Honduras entered duty-free

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58. Ibid., p. 464.

59. Ibid., p. 464.

after the agreement was signed.[60]

9. With Netherlands.

This agreement was concluded and signed at Washington on December 20, 1935. It provided for unconditional most-favored-nation treatment in regard to custom duties, charges, and other regulations, while national treatment was provided for internal taxes.[61]

American products placed on the free list of Netherlands included: cotton, rosin, turpentine, borax, sulphur, rice, rolled oats and cereal breakfast foods, pine and fir, lubricating oil in bulk, lard, and stearine. American products which were bound against increase in duties were: apples, raisins, grapefruit, pears, prunes, canned goods, salted horse meat, refrigerators and parts, office appliances, automobiles, automotive accessories, trucks, tractors, and various parts of these. The Netherlands reduced its "monopoly fees" one-half on American fruits and various canned goods. The Netherlands also gave important quota concessions on many types of steel and textile products.[62] The Netherlands agreed to buy wheat and wheat flour in annual quantities, subject to price conditions and consumption requirements, from the

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60. Ibid., p. 464.

61. "Reciprocal Trade Agreement Between Netherlands Signed," Commerce Reports, Washington, December 28, 1935, p. 464.

62. Ibid.

United States.[63]

In return for the above concessions, the United States placed on its free list twenty-two major export products of the Netherlands, and reduced rates on forty-one other items which were not seriously competitive to American domestic production.[64]

10. With Switzerland.[65]

The agreement between the United States and Switzerland was signed at Washington on January 9, 1936. In addition to the general provisions of unconditional most-favored-nation treatment by both countries, it contained provisions for reciprocal duty reductions and more liberal quota concessions for the United States.[66]

Switzerland reduced her duty rates on many American products, including: lard, chewing gum, sardines, fruits (canned), apricots, prunes, dried plums, wallboard of vegetable material, typewriters, cash registers, accounting machines, calculating machines, and oil-burners weighing under 500 kilos each.[67] Switzerland guaranteed no

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63. <u>Ibid.</u>, p. 464.

64. <u>Ibid.</u>, p. 464.

65. "Reciprocal Trade Agreement Between the United States of America and Switzerland," <u>Executive Agreement Series</u>, No. 90, Washington, 1936, p. 1.

66. "Reciprocal Trade Agreement Between the United States and Switzerland," <u>Commerce Reports</u>, Washington, January 18, 1936, p. 55.

67. <u>Ibid.</u>

increase of duty rates would be made on the following articles: rice, raisins, kid leather, Douglas fir lumber, raw cotton, tires and tubes, silk hosiery, emery powder, carborundum, sausage casings, canned asparagus, electric refrigerators, automobiles, coal tar, bookbinding machinery, type-setting machines, aniline dyes, paraffin and ceresin, petrolatum and lubricating greases.[68]

Switzerland also raised her import quotas on American products which included wheat, rice, dried and fresh fruits, canned vegetables, lumber, wallboards of vegetable fiber, silk hosiery, petroleum products, gasoline, kerosene, automobiles, tires and tubes, and electric refrigerators.[69] These duty concessions by Switzerland affected products which represented about sixty per cent of her imports from the United States. The Swiss government depended upon custom receipts for about seventy per cent of its revenue.[70]

The United States reduced its import duties on Switzerland's products which included certain chemicals, coal-tar dyes, watch movements, Emmenthaler and Gruyere cheeses, cotton cloths, silks, machine-embroidered fabrics, knit underwear, testing machines, straw hats, music boxes, and aluminum foil. These commodities represented $10,800,000

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68. *Ibid.*, p. 55.

69. *Ibid.*, p. 55.

70. *Ibid.*, p. 55.

in American imports from Switzerland in 1934, and seventy-one per cent of the total American imports from Switzerland.[71]

11. With Nicaragua.[72]

The Trade Agreement between the United States and Nicaragua was signed in Washington on September 1, 1936.[73] It provided for unconditional most-favored-nation treatment of commerce between the two nations. It prohibited any new increase of import tax or charge on the products listed in the schedules, with the exception of dumping duties and special charges whose imposition was by laws extant at the time of signing the agreement.

Nicaragua granted tariff reductions on nine tariff items, and assurance was given against increase of duty on fifteen. The products on which the tariff was reduced by Nicaragua were: lard, dried whole and dried skimmed milk, canned and dried fruits, rubber heels, canned vegetables, medical preparations, varnishes, and mixed paints. The products on which Nicaragua promised no rate increase were: wheat flour, industrial machinery, electrical

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71. Ibid., p. 55.

72. "Reciprocal Trade Agreement Between the United States and Nicaragua," Executive Agreement Series, No. 95, Washington, 1936, pp. 1-24.

73. "Reciprocal Trade Agreement Between Nicaragua and the United States Promulgated," Bulletin of the Pan-American Union, Washington, October, 1936, p. 809.

electrical equipment, automobiles, tires and tubes, upper leather, dried beans, cotton hosiery, and specified medicinal preparations and proprietary medicines.[74]

The United States granted to Nicaragua tariff reductions of fifty per cent on Peru balsam and promised that the following products would continue on the free list during the course of the agreement: coffee, cocoa beans, bananas, crude ipecac, snakes and other reptile skins, logwood, deerskins, and turtles. These products represented over ninety per cent of Nicaraguan exports to the United States during the years 1932, 1933, and 1934.[75]

12. With Guatemala.[76]

This trade agreement was signed in Guatemala City on April 24, 1936, by representatives of Guatemala and the United States. It was the seventh agreement which the United States had concluded with Latin American States.[77]

Guatemala's most important imports from the United States had been wheat flour, lard, raw cotton, cotton yarn, cotton cloth, leather, automobiles, tires, tubes,

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74. Ibid., p. 809.

75. Ibid., p. 809.

76. "Reciprocal Trade Agreement Between the United States of America and Guatemala," Executive Agreement Series, No. 92, Washington, 1936, pp. 1-25.

77. "Tariff Agreement Between the United States and Guatemala," Bulletin of the Pan-American Union, Washington, July, 1936, p. 586.

pariffin, petroleum products, machinery, iron and steel products, radios, paint and varnishes, and medicinal preparations.[78] She reduced her tariffs from twenty-five to fifty per cent of the duties in effect. Guatemala also provided that no duties would be increased on many other American products. The United States had in the past bought about one-third of Guatemalan exports and supplied about one-half of its imports.[79]

Both countries further agreed not to impair the benefits of the agreement through import quotas, increase of internal taxes, and exchange control discriminations. Likewise, the agreement contained a reciprocal general assurance of unconditional most-favored-nation treatment of each other's commerce.[80]

13. With France.

The agreement between the United States and France was different from the rest of the trade agreements under the program of Cordell Hull because it was signed in Washington, May 6, 1936, and was to be effective until July 1, 1937, and thereafter indefinitely until either country gave six months notice of desire to withdraw from the agreement. It was the thirteenth agreement concluded

78. Ibid., p. 587.

79. Ibid., p. 586.

80. Ibid., p. 586.

by the United States. It contained the guarantee of unconditional most-favored-nation clause, with certain exceptions.[81]

American products which were placed on the minimum rates of duty by France were: rice, refrigerating apparatus, numerous other types of machinery, leather footwear, tires and tubes, other rubber manufactures, certain kinds of paper, insulating board and wallboard, many chemicals and textiles, and pharmaceutical specialties. Certain products which received minimum rates and a quota were: sardines, borax, sodium, potassium chromates, and bichromates.[82] France reduced her rates on automobiles, grapefruit, dried prunes, raisins, canned asparagus and pineapple, sewing machines, cash registers, spark plugs, fountain pens, and automatic pencils.[83] France gave quota concessions to the United States which included fresh apples and pears, oranges, canned salmon, logs and lumber, electric refrigerators, radios and radio tubes, typewriters and parts, patent leather, passenger automobiles, tires, tubes, and certain abrasives, and silk hosiery.[84]

The United States reduced duties on fifty tariff

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81. "Reciprocal Trade Agreement Between France and the United States," Commerce Reports, Washington, May 23, 1936, pp. 403-411.

82. Ibid., p. 403.

83. Ibid., p. 403.

84. Ibid., p. 410.

paragraphs. The French products which benefited by these reductions included: perfumes and essential oils, broad silks, woven fabrics of rayon, tinsel products, cotton lace corsets, gloves, cigarette papers, brandy, cordials, and liquors, champagnes and other wines, still wines up to fourteen per cent alcohol, cheese, canned mushrooms, and maraschino cherries.[85]

14. With Finland.[86]

The United States and Finland signed a reciprocal trade agreement at Washington on May 18, 1936. Reciprocal concessions and assurances on selected articles of particular importance in the trade of the two countries were provided for in the agreement. As a previous treaty between the two countries guaranteeing most-favored-nation treatment was already in effect, this agreement did not specifically outline that stipulation.

Finland reduced her duties on American raisins fifty per cent; on apples, about seventy per cent; on lard, sixty per cent; on grapefruit, fifty per cent; on dried pears, apricots, peaches, and mixed fruit for salad, fifty per cent; on canned fruits, thirty per cent.[87] Finland

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85. Ibid., p. 411.

86. "Reciprocal Trade Agreement Between the United States of America and Finland," Executive Agreement Series, No. 97, Washington, 1936, p. 1.

87. "Reciprocal Trade Agreement Between the United States and Finland Signed," Commerce Reports, Washington, May 30, 1936, p. 433.

reduced her duties on automobile tires and tubes by ten per cent; on steel desks and chairs for office use, thirty per cent. She bound against increase the following articles of importance: cornstarch, patent leather, jute sacks, gasoline, copper rods, rubber belts, motion-picture machines, office machines, and most automobiles and their parts.[88] The tariff concessions made by Finland applied to articles which in 1934 were imported from the United States and had a total value of $5,546,647.[89]

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88. *Ibid.*, p. 433.

89. *Ibid.*, p. 433.

CHAPTER III

RESULTS OF CORDELL HULL'S RECIPROCAL TRADE AGREEMENTS PROGRAM

By March, 1937, the trade agreements program had been in effect a sufficient length of time to determine its relative value to the trade recovery of the United States. The evidence of the stimulus which the agreements afforded to foreign trade was provided by the official returns of the United States' foreign trade during 1936. By comparing the figures of foreign trade during 1934 and 1935 with those of 1936, the conclusion was reached that the trade of the United States with each country with which an agreement had been concluded showed a greater increase than the trade of the United States with countries which had not negotiated such agreements.[1]

United States exports to trade-agreements countries showed an increase of fourteen per cent, while exports to non-agreement countries showed an increase of only four per cent in 1936. Likewise, the United States imported twenty-two per cent more from trade-agreements countries in 1936 than in 1935, while imports from non-agreements countries showed an increase of only sixteen per cent over 1935.[2] The agreements with Cuba, Belgium, Canada,

1. "Summary of the United States Trade with World, 1936," _Trade Information Bulletin_, No. 837, Washington, 1937, p. 3.

2. _Ibid._

and Sweden had been concluded a sufficient period of time to afford well-nigh incontestable evidence of the success of the Trade Agreements Program which Cordell Hull had steadily maintained would bring about a rejuvenation of the United States' foreign trade.

The objective of the trade agreements program was the promotion of foreign trade, which meant an increase of imports as well as exports, and it was based upon the principle that trade is a two-way process.[3] Since that was the goal toward which the reciprocal trade agreements program was directed, a survey of the results of the agreements with Cuba, Belgium, Canada, and Sweden, Haiti, and Brazil, all of which went into effect before or by January 1, 1936, would provide undeniable evidence that the program had been definitely successful.

In studying the results of the reciprocal trade agreements between the United States and Cuba, the following figures were disclosed: (1) In 1934, the United States exported to Cuba products valued at $45,323,000; in 1935, one year after the agreement was concluded, the United States exported to Cuba products valued at $60,139,000; and in 1936, the United States exported to Cuba commodities valued at $67,432,000, an increase of forty-eight and eight-tenths per cent over 1935. (2) In

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3. Francis B. Sayre and George N. Peek, "Are the Trade Agreements Beneficial?", Christian Science Monitor, Boston, October 28, 1936, p. 1.

1934, Cuba exported to the United States products valued at $78,929,000; in 1935, she exported to the United States products valued at $104,303,000; and in 1936, Cuba exported to the United States products valued at $127,487,000, an increase of sixty-one and one-half per cent over 1934, and twenty-two and one-half per cent over 1935.[4] A substantial part of the rise in value of the United States imports from Cuba was due to the advance in sugar prices.[5] (3) Francis B. Sayre, assistant Secretary of State, stated that almost the entire quota for Cuban sugar cane came into the United States during the first four months of the trade agreement and that all the quota for 1935 came in during the first eight months of 1935. This fact accounted for Cuba's exports of sugar valued at $96,000,000 in the first year of the agreement (September, 1934, to September, 1935).[6] Sayre further pointed out that the American farmer did not suffer as a result of the Cuban export advantage, because American agricultural imports from Cuba other than sugar increased only $1,600,000 during the first year of the agreement, and American agricultural exports to Cuba during the same period increased

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4. "Summary of the United States Trade with World," _Trade Information Bulletin_, _op_. _cit_., p. 38.

5. _Ibid_., p. 17.

6. Sayre and Peek, _op_. _cit_., p. 3.

from $6,800,000 to $14,900,000 in 1935.[7] In conclusion of the agreement with Cuba, trade was stimulated appreciably both in exports and imports.

A survey of the results of the trade agreement with Belgium showed the following figures: (1) in 1935, the United States exported to Belgium products valued at $58,304,000; in 1936, the United States exported to Belgium products valued at $58,787,000, an increase of eight-tenths of one per cent. (2) In 1935, Belgium exported products valued at $39,805,000 to the United States; in 1936, one year after the agreement was concluded, Belgium exported to the United States products valued at $58,882,000, an increase of forty-seven and nine-tenths per cent.[8] Shipments of lumber, fuel oil, and steel manufactures of the United States to Belgium increased in 1936, while shipments of raw cotton, foodstuffs, and automobiles were decreased.[9] Sayre stated, in October, 1935, that American exports to Belgium increased twenty-three and five-tenths per cent in the first year of the agreement, and that Belgium's exports to the United States increased fifty-eight per cent during the same period, but that $4,372,000 of the increase of imports from Belgium

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7. Ibid., p. 3.

8. "Summary of the United States Trade with World," Trade Information Bulletin, op. cit., p. 3.

9. Ibid., p. 13.

was in non-competitive articles such as diamonds and other articles used in American industries.[10] Cordell Hull said that domestic prosperity depended upon increased imports as well as increased exports,[11] a fact which was a justification of the agreement with Belgium wherein the United States increased its exports to Belgium only eight-tenths of one per cent in 1936 over that of 1935, whereas Belgium increased her exports to the United States forty-seven and nine-tenths per cent during the same period.

George N. Peek severely criticized the trade agreements because he thought that the United States was giving away her rich American markets in return for a promise of world peace. He pointed out agreements like that with Belgium as examples to support his statements.[12]

The reciprocal trade agreement with Canada probably gave an insight into the results of the trade agreements better than the others because it was the United States' second largest costomer. In 1936, the first year of the trade under the terms of the agreement with Canada, the United States exports to that country increased nineteen per cent in value. The total value of the United States export products equalled $383,953,000 in 1936, as

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10. Sayre and Peek, _op. cit._, p. 3.

11. Francis B. Sayre, "Increased Exports with a Diminishing Export Balance an Omen of Sound Recovery," _Commercial Policy Series_, No. 19, Washington, 1935, p. 3.

12. Sayre and Peek, _op. cit._, p. 3.

compared to a total value of $323,194,190 in 1935.[13] Exports increased in all classes of commodities: finished manufactures increased twenty-eight per cent; semi-manufactures increased thirteen per cent; food-stuffs increased twenty-four per cent; and crude materials increased ten per cent, as compared with 1935.[14]

The United States' imports from Canada increased thirty-one per cent over that of 1935. More wheat was imported because of the drought in 1936. The various classes of imports increased from twelve to sixty per cent, also. Among these classes were meat products, whiskey, asbestos, lumber, newsprint, and cheese.[15]

The trade agreements discussed above have indicated sufficiently the effectiveness of the Cordell Hull Trade Program in increasing the foreign trade of the United States. The agreements may or may not have had an appreciable influence in increasing the trade of the United States with both agreement and non-agreement countries. It was an official fact, nevertheless, that the trade of the United States did show an increase in 1936 over that of 1934, the year in which the trade agreements program moved into action.

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13. "Summary of the United States Trade with World," Trade Information Bulletin, op. cit., p. 38.

14. Ibid., p. 14.

15. Ibid., p. 17.

The extent to which the United States foreign trade increased in 1936 was officially designated as follows: the value of the United States total exports was eight per cent larger than in 1935; and the value of the United States total imports was eighteen per cent larger than in 1935.[16] The trade in dollars was as follows: exports, $2,453,000,000; imports, $2,419,000,000; with a net balance of merchandise exports of $34,258,000.[17]

The net balance of merchandise exports was smaller than was considered satisfactory by some interested parties, but Sayre made a very significant and informative statement in regard to that consideration in which he said that

> Whether a country's foreign trade should show an excess of imports or exports, and the appropriate amount of the excess, should be governed in the long run by the state of the nation's long-term indebtedness or credits and by the services which it renders to other nations . . . generally speaking, a creditor nation should show an excess of imports."[18]

Debtor nations to the United States could pay their debts only in goods and services, so the increased imports represented a partial payment of debts to the United States. Furthermore, most of the imports were of such commodities as coffee, rubber, and silk, which were not

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16. Ibid., p. 17.

17. Ibid., p. 1.

18. Francis B. Sayre, "Increased Exports with a Diminishing Export Balance," Commercial Policy Series, No. 19, op. cit., p. 3.

competitive with domestic production; over half the normal agricultural imports of the United States were not directly competitive.[19]

Peek contended that the increased imports of wheat, grains, food-stuffs, and cattle, and the decreased exports of cotton, wheat, and pork products, principal export crops of the United States, meant that the United States was no longer feeding or clothing itself but, by the lowering of tariffs in the reciprocal trade agreements, was taking the American farmers out of foreign markets and putting foreign farmers in American markets.[20]

Cordell Hull commented upon the increased imports as being due chiefly to enlarged American demand for raw materials as a result of improved productive activity and increased purchasing power of the United States.[21]

Ernest M. Patterson stated that the general rise in business activity offset the losses due to the increased imports of competitive goods.[22]

A conclusive statement as to the results of Cordell Hull's Reciprocal Trade Agreements Program is that it was

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19. Sayre and Peek, op. cit., p. 5.

20. Ibid., p. 3.

21. Cordell Hull, "Our Foreign Relations and Our Foreign Policy," Commercial Policy Series, Washington, 1936, p. 5.

22. Ernest Minor Patterson, "Roosevelt: An American View," The Contemporary Review, London, January, 1937.

successful in increasing the foreign trade of the United States. Authority for such a conclusion was contained in the report of the Department of Commerce for 1936, which showed that the foreign trade of the United States in 1935 was eight per cent less in exports and eighteen per cent less in imports than in 1936.

The report likewise showed that exports and imports trade with trade agreement countries increased fourteen and twenty-two per cent, respectively, while the exports and imports trade with non-agreement countries increased four and sixteen per cent, respectively. The increases were for the year from 1935 to 1936. The data shown here has been previously used in showing the results, and is re-presented for summary purposes.

George N. Peek, former Special Adviser to the President on Foreign Trade, was the most caustic and inveterate critic of Cordell Hull's trade program. He may have been slightly prejudiced against the program because of his defeat in a political battle with Cordell Hull for the leadership of the reciprocal trade agreements program. Nevertheless, his criticisms were vital and based upon careful study and brilliant logic.

He said that the outstanding cause of the depression was due to the disparity between the agricultural income and industrial income of the United States, which was characterized by the decline of farm purchasing power in the nineteen-twenties and its final collapse; that when the farm purchasing power collapsed, the national prosperity collapsed with it.[23] The foreign trade policy should have been directed wholly toward rectifying that disparity between farm and industrial income, but it was not, he said. The reciprocal trade agreements program had increased that disparity, and for this reason it was a failure, he felt.[24]

He did not believe that the world trade barriers so prevalent after the depression were due to the enactment of the Smoot-Hawley act, as Cordell Hull did, but that they were a result of changed normal channels of trade, defunct national money system used in international trade, and of the increased participation of governments in determining trade policies. The effect of Cordell Hull's program would be the re-opening of the United States and the Americas to economic, and perhaps political, colonization by other nations. Such a result would occur from Cordell Hull's practice of giving America's markets to belligerent foreign nations, as a bribe for world peace.[25]

He further contended that Congress was duped into thinking they were passing an act delegating the power to make trade, whereas they were delegating power to revise

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23. Sayre and Peek, _op. cit._, p. 3.

24. _Ibid._, p. 3.

25. _Ibid._, p. 3.

tariff rates downward fifty per cent; and that the act was passed primarily to dispose of agricultural surpluses and to help domestic unemployment, but that the State Department fastened the act to a program of world peace, and in seeking to strike down the tariff barriers of the world, only succeeded in striking down those of the United States.[26] He indicted the State Department, under Cordell Hull, for taking control of the trade agreement negotiations and for discarding the other machinery provided for such purpose, which included the Committee for Reciprocity Information, and the Executive Committee on Commercial Policy. The hearings were a farce; no interested parties, except the officials, knew what was being done, had been done, or what was intended to be done by the government. The briefs of individuals who were highly concerned with a proposed agreement received little attention, and in the case of Cuba, the agreement was practically concluded when it was held up so that a gesture of a hearing could be concluded.[27]

He branded the officials in charge of negotiating the agreements as a whole, as impractical professors, and stated that in revising the tariff rates, the experts simply picked out the imports which amounted to less than

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26. Samuel Crowther and George N. Peek, "In and Out Trade Agreements and Disagreements," Saturday Evening Post, Philadelphia, June 13, 1936, p. 23.

27. Ibid., p. 80-81.

ten per cent of the domestic consumption, and lowered the tariff. The textbook they employed was the Economic Analysis of the Foreign Trade of the United States in Relation to the Tariff, which was submitted by the Tariff Commission in 1933.[28]

In reference to the unconditional most-favored-nation treatment employed in a majority of the agreements, he felt that it was wrong, because although they were conceded only to the "principal-suppliers," other nations could become "principal-suppliers" also and enjoy the tariff concessions of the United States. Furthermore, the unconditional most-favored-nation treatment was not a traditional policy of the United States, but had been adopted as late as 1922.[29] In support of this denunciation, he cited among others, the concessions made to Brazil on manganese, of which material the Russian nation is also as great a producer as Brazil.[30] Finally, he stated that, not United States was triangular but that payments were triangular; that "binding on the free list" was fatal to good trading.[31]

Frank A. Southard, Jr. was one of the most ardent supporters of the reciprocal trade agreements program.

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28. Ibid., p. 82.

29. Ibid., p. 82.

30. Ibid., p. 83.

31. Ibid., p. 82.

He wrote many articles praising and defending the program. He answered many of those criticisms of the program which he felt most destructive to the program.

In answer to criticisms that the hearings had been "perfunctory"; that there was "no reason to believe that the officials even looked at the testimony"; that "none of the agreements disclosed the slightest interest in the welfare of the United States"; and that the officials responsible for the program were inexperienced and unrepresentative; he replied that to his personal knowledge, all data, letters, and considerations pertaining to the trade agreements hearings were given thorough study and consideration by the officials. He stated that the interdepartmental committee members were widely experienced economists, thirty of whom had studied as graduates in foreign and native universities, taught in colleges and universities, served on staffs of private and public research organizations, and had had practical experience in thirty separate fields of commerce, industry, and finance. He cited a tremendous list of their qualifications and accomplishments to prove the capabilities of the officials responsible for the trade agreement negotiations.[32] He did not show the effects of the reciprocal trade agreements program, but did point out that in the year follow-

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32. Frank A. Southard, Jr., "America Self-Contained?", Forum, Concord, New Hampshire, August, 1936, XCVI, 78-79.

ing the agreement with Cuba, the United States exports to Cuba increased fifty per cent in quantity.[33]

A criticism which was widely prevalent was voiced by George Soule, when he said that the foreign trade was a small factor in the United States' total business.[34] Southard answered that criticism when he said that approximately 5,000,000 people normally depended upon foreign trade for their employment, and he asked if any business in the United States was so prosperous that a ten per cent increase in business was so trivial as to be ignored. Ten per cent represented the amount which foreign trade composed of the total domestic production of the United States.[35]

Francis B. Sayre, as Assistant Secretary of State, was probably the man in the government charged with the defense of the reciprocal trade agreements program. He wrote many articles and made speeches supporting the program and defending it against its critics.

First, he felt that the objective of the program was the promotion of foreign trade, which meant the increase of both exports and imports, and that trade is a two-way process. For that reason, he said, the Administration's efforts were directed toward a liberalization of trade on

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33. Ibid., p. 79.

34. George Soule, "This Recovery," Harpers, New York, March, 1937, p. 341.

35. Southard, op. cit., p. 75.

a broad and reciprocal basis rather than stimulation of exports by artificial means. Although trade might be stimulated by shrewd "horse trades," the results of such a program would be the breakdown of co-operative effort, increased hostility and retaliation, and heightened barriers with a further strangulation of international commerce.[36]

America could fully recover only through world recovery, he said, and that was the reason the United States must throw its influence against the network of trade barriers the world over.[37] That ideal found expression, he thought, in the unconditional most-favored-nation treatment which was stipulated in most of the reciprocal trade agreements. Such treatment was a traditional American policy and had been woven into treaties and agreements since the time of George Washington.[38]

As preferential bargaining led to conflict, so the system of equal treatment, based upon justness and fairness, would make for stable economic relations and world peace, he said. The United States would profit through that policy because her trade was strikingly triangular. As a final contention, he stated that the program was helping to restore to American agriculture and industry the foreign markets which they had lost after 1930; that

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36. Sayre and Peek, op. cit., pp. 1-2.

37. Ibid., p. 2.

38. Ibid., pp. 2-3.

the increased imports were cause for rejoicing, because the United States was enjoying its position as a creditor nation by letting debtor nations pay their debts in goods and services;[39] and that the increasing imports showed the increasing purchasing power of the American people who searched world markets for the supplies which they needed and desired.[40]

Further support of the reciprocal trade agreements was offered by Arthur Feiler, who showed that the nations of the world as a whole realized the necessity for adopting policies similar to that of the United States, because the United States was probably pre-eminent in world trade and was leading the world forward on a commercial policy of freer trade and greater exchange of goods. In support of his theory, he pointed to the agreement between the United States, Great Britain, and France, which was the first step toward a more stable monetary condition in the world.[41]

A statement as to the influence of Cordell Hull's trade program was provided in a statement by W. Walter Crotch, who said that a close associate of the Foreign Minister of Finland pointed to the currency agreement just

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39. *Ibid.*, p. 2.

40. *Ibid.*, p. 5.

41. Arthur Feiler, "Current Tendencies in Commercial Policy," *American Economic Review*, Supplement, Menasha, Wisconsin, March, 1937, pp. 29-43.

cited as being the germ of a mighty economic block around which the minor European states were grouping, and which by 1938 would be powerful enough to force peace upon the continent of Europe.[42]

As a final criticism and statement in regard to Cordell Hull's reciprocal trade agreements program, Maxwell S. Stewart thought that the trade agreements eliminated uneconomic restrictions and thus cleared the way for a renewed expansion of foreign trade.[43] In regard to the future of the reciprocal trade agreements program, both Houses of Congress passed the bill extending for a second period of three years the power of the President to negotiate reciprocal trade, through the Secretary of State.[44]

The author's conclusions are as follows: that the reciprocal trade agreements are a step forward in stabilizing the economic relations of the world; that they are undoubtedly constructed so as to exert an appreciable influence on world peace; that they have increased the foreign trade of the United States to a certain extent, and as time passes, they probably will increase the trade to a greater extent; that they comprise the first step

42. W. Walter Crotch, "The Reversal in Finland's Foreign Policy," The Contemporary Review, London, February, 1937, p. 190.

43. Maxwell S. Stewart, "Readjustments Required for Recovery," Public Affairs, No. 11, Washington, 1937, pp. 27-28.

44. Albert Shaw, "Congress," Review of Reviews, New York, April, 1937, p. 13.

of the United States in assuming pre-eminence in influence on the trade policies of the world; that a trade policy of that sort is urgently necessary to preserve amicable relations between the peoples of the world; and that a return to the policy of economic nationalism on the part of the United States is unthinkable because it leads to disaster.

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