

# ECONOMIC DISARMAMENT

By JOHN CARTER

TEN years after the treaty of Versailles the world is gradually arriving at the conviction that ultimate disarmament can be made complete only by action in the economic sphere. Progress has been made in military and naval reduction and in political rapprochement. The Washington treaties and the present Anglo-American negotiations have brought about a notable abatement in the formerly inflammable field of naval competition. Navies now can be and are limited by international agreement. The League of Nations is slowly grinding out a general land, sea and air disarmament conference which is to extend the same principle to all branches of national defense. The Dawes plan, the Locarno treaties and the Young plan have modified the rigors of the Versailles settlement as they affect Germany. The cause of Austria, Hungary and Bulgaria has received sympathetic international attention. Turkey escaped completely from the treaty of Sèvres. Reparations and war debts have been settled on the basis of agreements freely entered into by the nations concerned.

Now it is becoming possible to approach the subject of economic disarmament. It is a great subject and one which will not easily lend itself to diplomatic solution. The forces of economic competition—unlike armaments and treaties—are not fully within the control of national governments. In some cases they actually do control those governments. Economic demobilization is not yet assured, though the Geneva convention abolishing import and export prohibitions is a step in that direction. The recommendations of the Economic Conference of 1927 for the reduction of tariffs have not yet been given any practical effect, although M. Briand's advocacy of a European economic union is in harmony with them. Nevertheless, the change which is coming over the spirit of the world's economic dream is casting a brighter light on the dark corners of economic competition. It is already apparent that economic nationalism is not enough for the world; economic imperialism is better, but still lacks the definition which could render it acceptable as an international formula; economic coöperation is timid, suspicious and partial, limiting itself to monopolistic price-fixing and marketing agreements between a few groups of industrial producers.

Even the approach to economic disarmament is clouded by political misapprehension. To most Europeans it would appear to mean tariff reduction by some other nation, especially by the United States. The

*Recent conversations between President Hoover and Prime Minister MacDonald have emphasized one set of solutions for the problem of war. Quite apart from these more political avenues to peace, the world is seeking a route through economic hostilities of varied kinds. Mr. Carter points out, in the following paper, that the tariff is the least important of these. His analysis of existing "economic discriminations" sets before the reader a number of difficulties with which modern statesmanship must reckon. Though the point of view taken is definitely American, we believe that it is also fair.—The Editors.*

very idea of European union is popularly entertained largely because it has been erroneously advertised as an answer to the "American invasion" or as a counter-attack upon American trade. Clearly, there is need for a more scientific approach to the subject, a technique of discussion which will disin-

fect it from the taint of economic particularism or political prejudice.

The most urgent economic need today, contrary to most appearances, is not in the field of practice but in that of theory. The psychological obstacles to economic coöperation are far higher than any tariffs; the political practices resulting from this psychology are far less significant than what produces them.

This is not to state that there is no need for reform in economic practice. There is. And this reform must be far wider than any tariff reduction ever proposed. The tariff in this country is, actually, the least important element in the situation. Being *sui generis*, covering a great unified continental market which produces both raw materials and manufactures in abundance, the American tariff has very little bearing in the field of European economy, where tariffs have split a continent into a couple of dozen water-tight compartments, in Asia where industrialism has just begun to transform economic life, or in Latin America where the tariff on exports is maintained as the best means of conserving raw materials and preventing absentee exploitation. Preoccupation with the American tariff has impeded the solution of entirely dissimilar tariff problems elsewhere.

There are other fields, less well advertised than tariffs, where national exclusiveness needs to be checked decisively if the world is to reach economic peace. Examples of this exclusiveness have been rife in the past decade, including the denial of voting rights to American stockholders in foreign corporations, the refusal to admit American companies to mineral rights in European possessions, the cancellation of existing rights and concessions by political action, the imposition of new legal systems subverting existing rights of ownership and development, the attempts to raise and control prices of essential raw materials, such as the now defunct British rubber restriction, the various camphor, coffee, sisal, potash, nitrate and silk controls, and the persistent tendency toward favoritism in respect to national shipping evinced by every maritime power. There is finally the great poser in the form of the Soviet monopoly of foreign trade.

Another highly significant matter of economic discrimination is the matter of double taxation. In at least one powerful industrial nation, the fiscal system supports a practice under which foreign corporations are taxed not only upon their business in that country but on their business throughout the world.

Yet another field of discrimination, actual and potential, exists in the sphere of contingents, quotas and cartels—the numerical restriction of imports from any particular country without reference to existing supply and demand; the importation of articles for which there is a demand on condition that the importer buy or export a specified number of like articles, for which there is no corresponding demand, to the other country; the attempt to trustify and monopolize certain profitable fields of economic endeavor by international agreements arrived at through a process of political bargaining and motivated by political rather than economic considerations.

All these practices are, it may be freely admitted, essentially hang-overs from the war. The world has never known such economic exclusiveness as the war called forth in every belligerent nation. Blanket prohibitions of import and export, followed by relaxation to favor war policies, rationing, the pooling and apportionment of raw materials and shipping, blacklisting and blockade—there has never been anything like it. The machinery devised to impose these egotistical economics has been slow to disappear. Even more important, there is the persistence of the economic psychology engendered by the war.

This is the real barrier to world peace. Every nation has been schooled by the urgencies of warfare to regard its own resources as its exclusive weapons and to regard those of other nations with envy if they were allies, with fear if they were enemies. The economic history of the war is a record of envy, hatred, malice and all uncharitableness, as depressing to the theologian as it is numbing to the economist. And nations which got in the habit of considering economics in terms of survival will be slow to return to a view of economics in terms of mutual prosperity.

No nation, not even the most practical and most experienced, is immune from this vice. British trade with the Argentine has increased greatly since pre-war days; ours has increased still more. And there is great concern in British circles over this "set-back" to British trade, and an economic mission, headed by a distinguished diplomat, is dispatched to Buenos Aires to see what can be done about it. We ourselves are not guiltless of this psychological vice. When we read how the Japanese are developing Manchuria or how the Europeans are trying to undersell us in Latin America, our editorial pages go pit-a-pat. When we learn that foreign films and foreign automobiles are competing with ours in foreign markets, we become worried, instead of taking pleasure in Europe's economic revival. When we read of Europe's economic union we are apt to wonder whether it is aimed at us, in defiance of the

clearly established economic principle that the prosperity of one part of the world means greater prosperity in the rest of the world.

The envy of another nation's prosperity is, perhaps, the worst of all the morbid symptoms in current economic thought. Being the most prosperous nation in the world—on paper, at least—we are more or less immune from this disease, but are apt to fall into the contrary vice of glorifying ourselves on that account. If, however, Japan had emerged from the world war as the great financial and industrial nation, even if we maintained our present prosperity, would we not, somehow, have felt that the Japanese had taken something that belonged to us?

It is difficult to see how Europe could have been restored to economic order and productive activity, without the aid of American prosperity. Yet we see France, which today has the largest coal and iron supplies in Europe, where there is virtually no unemployment and where the tenacious industry of a great peasant race has repaired the agricultural damages of the war, constantly perturbed by the spectre of American wealth. Germany, defeated in the greatest war of modern times, finds herself ten years later with the finest industrial plant in Europe, with unimpaired credit, building the world's best airships and steamers, with a small national debt and a relatively small reparations debt; yet she considers herself very harshly used. Great Britain, with a quarter of the world in fee, gets wrought up over American foreign investments much smaller than her own pre-war stake in the world, fights the American oil companies which helped her win the war, and originates the term of "Uncle Shylock" at the very time the Federal Reserve is helping the Bank of England resume gold payments. It would be possible to go over every country in the world—including our own—and disclose examples of this primitive inconsistency which regards the welfare of the others as a personal injury and another's profit as a personal loss.

This—the moral obstacle to economic peace—is the enemy which must be destroyed before the world can recover its health and before international society can recover its sanity on the basis of a few simple, wholesome economic ideas. These ideas can be boiled down to the principle that what is for the good of one is for the good of all, where now one nation's meat is frankly regarded as another nation's poison. In moral terms, the matter resolves itself into a practical admission of Christian principles in the business field. To reëducate the nations along these lines, however, will require more than a mere decade of a peace which—to quote the gibe of 1919—passed understanding even at the time it was signed. But that a real peace can come is the conviction of statesmen as well as of moralists, of politicians as well as economists, if the people will let them bring it to pass in the sphere where wars are bred—in the unrestrained and irresponsible clashes of competitive economic groups.