Appendix 2.1

The Protests of Economists Against the Smoot–Hawley Tariff

A letter, signed by 1,028 American economists, to the US Congress and President Herbert Hoover
Printed in the *Congressional Record* of May 5, 1930

Hoover's 1928 election campaign promises to farmers for a limited upward revision of the Smoot–Hawley Tariff led the farm industry's lobbyists to induce Congress, under the stress of the 1929 Great Depression, to pass the highest tariff law in American history. A group of 1,028 American economists asked Congress and President Hoover to withhold their approval of the Smoot–Hawley Tariff Act, sending the below letter warning about its dangers. The originators and first signers of this petition included Professors Paul Douglas of Chicago, Irving Fisher of Yale, Frank Graham of Princeton, and Frank W. Taussig of Harvard. But Congress and Hoover disregarded the economists' devastating, and correct, forecast. When Hoover signed the new law, he said that nothing would so delay business recovery as continued agitation against the tariff. International retaliation on a massive scale soon ensued, proving the folly of his position. —Ed Yardeni

The undersigned American economists and teachers of economics strongly urge that any measure which provides for a general upward revision of tariff rates be denied passage by Congress, or if passed, be vetoed by the President.

We are convinced that increased restrictive duties would be a mistake. They would operate, in general, to increase the prices which domestic consumers would have to pay. By raising prices they would encourage concerns with higher costs to undertake production, thus compelling the consumer to subsidize waste and inefficiency in industry.

At the same time they would force him to pay higher rates of profit to established firms which enjoyed lower production costs. A higher level of duties, such as is contemplated by the Smoot-Hawley bill, would therefore raise the cost of living and injure the great majority of our citizens.

Fewer people could hope to gain from such a change. Miners, construction, transportation, and public utility workers, professional people and those employed in banks, hotels, newspaper offices, in the wholesale and retail trades and scores of other occupations would clearly lose, since they produce no products which could be specifically favored by tariff barriers.

The vast majority of farmers would also lose. Their cotton, pork, lard and wheat are export crops and are sold in the world market. They have no important competition in the home market. They cannot benefit, therefore, from any tariff which is imposed upon the basic commodities which they produce.

They would lose through the increased duties on manufactured goods, however, and in a double fashion. First, as consumers they would have to pay still higher prices for the products, made of textiles, chemicals, iron and steel, which they buy. Second, as producers their ability to sell their products would be further restricted by the barriers placed in the way of foreigners who wished to sell manufactured goods to us.

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Our export trade, in general, would suffer. Countries cannot permanently buy from us unless they are permitted to sell to us, and the more we restrict the importation of goods from them by means of even higher tariffs, the more we reduce the possibility of our exporting to them.

This applies to such exporting industries as copper, automobiles, agricultural machinery, typewriters and the like fully as much as it does to farming. The difficulties of these industries are likely to be increased still further if we pass a higher tariff.

There are already many evidences that such action would inevitably provoke other countries to pay us back in kind by levying retaliatory duties against our goods. There are few more ironical spectacles than that of the American Government as it seeks, on the one hand, to promote exports through the activity of the Bureau of Foreign and Domestic Commerce, while, on the other hand, by increasing tariffs it makes exportation even more difficult.

We do not believe that American manufacturers, in general, need higher tariffs. The report of the President's Committee on Recent Economic Changes has shown that industrial efficiency has increased, that costs have fallen, that profits have grown with amazing rapidity since the end of the World War. Already our factories supply our people with over 96% of the manufactured goods which they consume, and our own producers look to foreign markets to absorb the increasing output of their machines.

Further barriers to trade will serve them not well, but ill.

Many of our citizens have invested their money in foreign enterprises. The Department of Commerce has estimated that such investments, entirely aside from the war debts, amounted to between $12,555,000,000 and $14,555,000,000 on January 1, 1929. These investors, too, would suffer if restrictive duties were to be increased, since such action would make it still more difficult for their foreign debtors to pay them the interest due them.

America is now facing the problem of unemployment. The proponents of higher tariffs claim that an increase in rates will give work to the idle. This is not true. We cannot increase employment by restrictive trade. American industry, in the present crisis, might well be spared the burden of adjusting itself to higher schedules of duties.

Finally, we would urge our government to consider the bitterness which a policy of higher tariffs would inevitably inject into our international relations. The United States was ably represented at the world economic conference which was held under the auspices of the League of Nations in 1927. This conference adopted a resolution announcing that "the time has come to put an end to the increase in tariffs and to move in the opposite direction."

The higher duties proposed in our pending legislation violate the spirit of this agreement and plainly invite other nations to compete with us in raising further barriers to trade. A tariff wall does not furnish good soil for the growth of world peace.

Source: The US Congress.