

## Handout 2.3: Letters in Time

### Letter #1

May 1930

Dear President Hoover,

I am writing to you on behalf of economists everywhere. There is considerable concern that the Smoot-Hawley Act of 1930 might cause more harm to our weakened economy. President Wilson said this when he vetoed stiff tariffs before his presidency ended: “If ever there was a time when Americans had anything to fear from foreign competition, that time has passed. If we wish to have Europe settle her debts, governmental or commercial, we must be prepared to buy from her.” Tariffs will make the prices of imported goods higher. People will be less likely to buy higher-priced items. With the huge war debts from abroad, how can we expect payment if we refuse to buy European goods? We must be able to purchase goods from abroad if we are to enable them to repay the debt owed to us. Smoot-Hawley can only make things worse for our debt collection from abroad.

Smoot-Hawley was discussed in Congress before Oct. 29, 1929. It had a negative impact on the stock market. We understand that you have a desire to see higher duties on certain agricultural products. The value of a Tariff Commission that can adjust import duties might be beneficial to other business sectors by taking out “excessive and privileged protection” for certain manufactured goods. These tariffs should be revised upward only where “there has been a substantial slackening of activity in an industry during the past few years and a consequent decrease of employment due to insurmountable competition.”

Again, I urge you to veto this bill as 1,028 economists earlier requested. This tariff will raise prices to consumers, damage export trade, hurt farmers, promote inefficiency and promote foreign reprisals. I can only see serious damage in the future if this Act passes and you sign it.

I think that the Federal Reserve should increase the money supply so that consumers who need loans to help them weather this economic slowdown can get them.

Sincerely,  
Daniel K. Pakko