4 The Failed Attempts of the Interwar Years

Though several attempts were made to advance trade cooperation in the interwar years, they met with almost unmitigated failure. In the years immediately after the end of the First World War, the prewar system of trade cooperation came under attack and did little more than survive. In the subsequent few years between 1926 and 1931, when most nations had returned to the gold standard, it appeared that the drift toward more nationalistic commercial policies might be arrested; but national differences proved too great to bridge. In the aftermath of the Great Depression in the early 1930s, the liberal trading order came close to disappearing altogether. In many countries, the state management of economic resources was superimposed on the operation of free markets. The principle of nondiscrimination, which limited political intervention in commercial relations, ceased to have a place in their trade policies. Still, trade policies in the interwar years saw incipient changes that were to assume importance in restoring trade cooperation after the Second World War: the first moves were made toward multilateral trade negotiations to supplement and even supersede the more traditional bilateral negotiations, and in the United States, a shift began toward support for a more open, nondiscriminatory trade regime.

Many specific reasons can be adduced for the signal failure to advance trade cooperation in the 1920s and for its near demise in the 1930s. The reasons fall into three sets. First, the war itself and the subsequent peace settlement had wrought drastic changes in both the political and the economic relations of the countries dominating the trading community. Politically, one legacy of the war was a spirit of vehement and often vengeful nationalism that permeated the states of continental Europe and bedeviled cooperation. Economically, it drastically altered the external relations of countries both as traders and as lenders and borrowers.

Second, within all the societies of Western countries, the shifting balance of political power brought about by the emergence of huge, urban working populations began to manifest itself, not only through the widespread organization of labor, but also in the more popularly responsive nature of governments. Prewar economic policies that had worked well enough in a world of self-regulating markets for goods, finance, and labor now encountered social resistance. One victim of these new circumstances was of particular importance for trade cooperation: the stability of exchange rates.

The third set of factors were the blows to trade cooperation that came from the onset of the worldwide depression of the early 1930s. The depression spread from the United States, where a recession was severely aggravated by the weakness of the banking system; by extensive household, farm, and corporate debt; and by mistaken policy responses. It engulfed the world economy, creating conditions that tore apart the fragile international economic order stitched together in the late 1920s.

THE 1920s: TRADE COOPERATION UNDER SIEGE

The political backdrop to trade cooperation in the 1920s was not hopeful. It is probably fair to comment that nationalist prejudices and short-term political calculations were particularly rife during this period (see Condliffe 1950).

When the First World War came to an end in 1918, the Allied leaders made sweeping changes in the political map of Europe. Borders were redrawn, and new nations arose in Central and Eastern Europe from the ashes of the Austro-Hungarian and Ottoman Empires. The leaders, however, failed to establish a stable, political equilibrium. Germany felt humiliated by the terms of the Treaty of Versailles. French policymakers, ever fearful of German revanchism, focused single-mindedly on national security and reparations. Britain, by contrast, urged disarmament and was reluctant to make security commitments. After the U.S. Senate rejected President Wilson's internationalist policy, the United

States eagerly sought to minimize its entanglement in European affairs. In Russia, the Bolsheviks supplanted the czarist regime, and the country withdrew into autarky.

From the war and the terms of peace came a greatly altered, worsened set of economic circumstances for trade relations.[1] Europe's recovery was slowed by shortages of foreign exchange to finance imports for reconstruction, and its limited supply capabilities impeded the restoration of exports. Markets lost during the war could not be recovered. Further, the war had much worsened Europe's external payments position. Such economists as John Maynard Keynes railed against the destructive consequences of the punitive reparations levied on Germany and against the shortsightedness of American insistence on full repayment of inter-Allied debts by a weakened Europe;[2] but the warnings fell on deaf ears. The debtor countries had no option but to strive to increase their exports to other countries in order to make their reparations or debt payments. However, industries in other countries resented the intensified competition from these exports, and their resentment stimulated protectionist demands. Moreover, among the newly created countries of Europe, protectionist policies were preferred; being politically insecure and imbued with nationalist hopes, they gave emphasis both to economic self-sufficiency and to catching up industrially with their neighbors.

Unstable Exchange Rates and Tariffs

The war likewise swept away the stable exchange rate system that had operated so securely before 1914. Having resorted to inflationary financing of the war effort, most of the belligerents had been compelled to suspend gold convertibility and to impose exchange controls as the war progressed. Still, after the war, the guiding aim of economic policymakers was to restore the prewar order of self-regulating markets. There was general agreement among countries on the desirability of returning to the gold standard as soon as possible. In the interim, pending the stabilization of currencies, countries allowed their exchange rates to float. The subsequent period of freely floating exchange rates, in which governments did not intervene at all in foreign exchange markets, was notable for volatility of rates. Some blamed speculative capital movements for perversely exaggerating the fluctuations. Others traced the instability to recurrent laxity in domestic monetary and fiscal policies.[3] Whatever the relative importance of these particular causes, the uncertainty about exchange rates sullied the prospects for trade cooperation. Tariffs became a second line of defense against "exchange dumping" (the fall in price of imported goods that was occasioned by the sudden depreciation of a trading partner's currency), and some countries were quick to impose surtaxes on imports from trading partners who let their currencies depreciate.

Nondiscrimination under Attack

Though the early 1920s saw no evidence of trade cooperation in the form of reciprocal reductions in trade barriers, the increases in tariffs were at least generally moderate (see Condliffe 1950, 480). Constituting a more serious threat to trade cooperation during the period were attacks made on the idea of nondiscrimination, attacks motivated by vehement nationalist sentiment. By the terms of the peace treaty, Germany was obliged to accord most-favored-nation treatment to all the Allied countries, but no reciprocity was required of the latter. The Allied countries could withhold most-favored-nation treatment from Germany or even impose prohibitions on imports of its goods. France, in particular, was very reluctant to practice nondiscrimination. Apart from the narrow motive of wanting to see each and every tariff concession strictly reciprocated, France also wanted to be able to use commercial policy as a diplomatic instrument in bolstering its national security.[4] Despite foreign protests, the French Parliament of the early 1920s prohibited the government from entering into agreements that accorded other countries unconditional most-favored-nation treatment. To avoid retaliatory action by other countries, which would have harmed French exports, the French government assured them that it would, in practice, evade the prohibition laid down by its own Parliament (see Haight 1941, 128–31).

In a potentially somewhat more positive development from the point of view of multilateral trade cooperation in the long term, the United States was concurrently shifting to the adoption of unconditional most-favored-nation treatment. This change, introduced by the Harding administration on the basis of its interpretation of the Fordney-McCumber Tariff Act of 1922, was clearly of importance in the evolution of U.S. trade policy and, as a consequence, of multilateral trade cooperation. The main, immediate reason for the adoption of the clause was the recognition that European trading partners were reluctant to continue to grant the United States most-favored-nation treatment if it persisted in failing to reciprocate.[5] The change in policy was, however, of quite limited significance at the time, since the United States was still committed to high tariffs and was not ready to pursue an open trading policy. In fact, the Fordney-McCumber Tariff Act raised tariffs in advance of any new trade agreements that might be entered into, and it authorized the president to impose punitive tariffs on any nation that refused to extend most-favored-nation treatment to the United States. The act served as a way of gaining easier access to the markets of other, weaker trading partners without making any reciprocal concessions in domestic tariffs (see Eckes 1995, 90–93).

In the Franco-American negotiations of 1927, for instance, France sought tariff concessions from the United States as a condition of applying its lower, most-favored-nation tariffs to imports from the United States. But the American position was that most-favored-nation treatment should be accorded by both sides regardless of tariff levels. The incongruity of this position was recognized by some spokesmen for large corporations with an interest in access to foreign markets. Eugene P. Thomas of United States Steel Corporation said flatly that "foreign trade is necessarily reciprocal." He spoke of "a deplorable confusion of ideas with regard to the true conception of commerce among nations, which is mutual exchange to mutual benefit" (quoted in Becker 1982, 174). But this view of trade relations based on reciprocity had little or no influence in congressional circles at that time.

Attempts at Multilateral Trade Cooperation

By the mid-1920s, more normal economic conditions were seemingly returning. The United States was enjoying a booming prosperity, and the economies of most European countries—with the major exception of Britain—were expanding at a fair pace. Between 1925 and 1927, most countries returned to the gold standard, with its advantageous regime of stable exchange rates. German reparations had been scaled down by the Dawes Plan of 1924, and international capital markets were again functioning freely. Since the trade conditions imposed by the Treaty of Versailles had expired, France was faced with an urgent need to make new trade arrangements with Germany. The convention signed in 1927 marked a new direction in French trade policy. France and Germany accorded each other most-favored-nation treatment, and France veered away from its dalliance with a discriminatory commercial policy. As the French Parliament, moreover, yielded to the government the authority regarding the control of tariffs, the tariff regime was marked by a new stability. By 1928, three-quarters of the duties inscribed in the French tariff schedule were fixed by international agreements and could not be increased unless these agreements were violated (see Haight 1941, 124–40).

Under these circumstances, the League of Nations convoked an ambitious world economic conference in 1927 to address trade issues. Several international conferences had been held in the early 1920s to reach agreement on outstanding political and economic issues. While the conferences had recommended standstills or reductions in tariffs, these efforts had found no support in national capitals.[6] Like their predecessors, the parties at the 1927 conference, which included an impressive array of experts from the official, business, and academic worlds, wholeheartedly recommended that governments lower trade barriers. They urged governments to reduce their tariffs through all possible channels—unilateral, bilateral, and multilateral (see Salter 1936, 43).

As a result of these recommendations, some sporadic steps were taken by governments to reduce their tariffs unilaterally or through bilateral negotiations. The main hope, however, lay in the possibility of multilateral negotiations. But unfortunately, countries could not agree on a common formula for tariff cuts. Countries tended to divide between newer, high-tariff countries and older trading nations that retained relatively low tariffs. The low-tariff countries felt that equal percentage cuts in tariffs would be unfair to them, while the high-tariff countries maintained that greater cuts by them would place a disproportionate burden of adjustment on their economies. The low-tariff countries were, moreover, inhibited from making tariff cuts among themselves, since such cuts would benefit the high-tariff countries through the most-favored-nation clause. Put in more general terms, the low-tariff countries felt caught in the inherent contradiction between the unconditional most-favored-nation clause and the demand for reciprocity, and they viewed the newer participants as free riders (see Salter 1936, 47). The parties at the 1927 conference at least reached an agreement on a tariff truce pending a positive outcome of the search for a tariff-cutting formula, and they also encouraged countries to simplify their customs procedures and to move toward more uniform customs nomenclatures. However, the tariff truce eroded rapidly as the world economy slid into depression.

The best that can be said for trade cooperation in the 1920s is that if it did not advance, it at least survived. The principle of nondiscrimination suffered some assaults but remained largely intact, and though tariffs rose, the increases were generally moderate. Britain, still virtually a free trade country, struggled to play the role of economic leader; though both its economic power and its political power had waned, it remained a major market for many countries. As some have suggested, if Britain had been willing to threaten other countries with raising its own tariffs, it might have been successful in persuading them to participate in effective multilateral negotiations. But it was not willing to do so, and other countries remained secure in the knowledge that their access to the British market would continue even though they themselves made no concessions in their own high tariffs (see Salter 1936, 48).[7]

THE 1930s: THE NEAR DEMISE OF TRADE COOPERATION

For many years, accounts of the interwar years singled out the passage of the Smoot-Hawley Tariff Act in 1930 as a major event that affected international trade relations and contributed to the onset of the Great Depression. It raised tariffs substantially, and when President Hoover failed to veto the bill, it certainly did harm to trade cooperation. Some countries raised their tariffs as the bill was being debated. When it passed into law, numerous other nations introduced retaliatory increases. From the point of view of long-term trade cooperation, the most discouraging feature of the event was the ease with which countries could persuade themselves to participate in a downward spiral of shortsighted, unilateral actions and reactions.

The Gold Standard Implosion and Its Effects on Trade Policies

Far more important for international trade cooperation than the passage of the Smoot-Hawley Tariff Act was the effect that the Great Depression had in shattering the stability of the exchange rate system.[8] The shaky currency stability that had been achieved through restoration of the gold standard collapsed. Even in the five years or so in which the gold standard had again worked, its fragility had been evident. Britain was no longer strong enough to underpin the regime with sterling, and the dollar had become the principal gold-backed currency (with the franc being a third reserve currency). However, the United States (and France as well) was, with reason, not willing to follow the old gold standard rules of inflating domestic money supply when foreign exchange flowed in and of deflating when the opposite happened. As a country in which foreign trade then played only a minor role, it preferred to gear its monetary policy to the state of its domestic economy, not to its balance of payments. The automatic mechanism that brought about adjustment in the trade balance was thus suspended. Adding to the stresses in the gold standard system, parities set for sterling and the franc proved to have overvalued the former and undervalued the latter. When the depression swept through the world, the strain on Britain proved too much. It began losing gold and foreign exchange heavily, and rather than raise interest rates and retrench still more at home, it went off the gold standard. Several other countries linked to sterling, including most Commonwealth and Scandinavian countries, followed suit. Japan also devalued at the end of 1931. In allowing their currencies to depreciate, these countries gained a competitive advantage over countries remaining on the gold standard.

Other countries initially reacted differently. Most of the continental European countries had experienced bouts of severe inflation in the first half of the 1920s as a consequence of the underlying distributional conflicts permeating societies. In reaction, those in power in the late 1920s and early 1930s gave great weight to preservation of the stable gold value of their currencies. Germany, which had known hyperinflation, was among these countries. It resisted going off the gold standard. However, after an initial attempt to deflate its economy, it broke with free market mechanisms and introduced an array of exchange and import controls that protected the external value of its currency while permitting an expansion of domestic economic activity. It was followed by other countries, particularly in Central Europe and Latin America. In these new circumstances of extensive exchange controls and import controls, both Germany and the other countries developed a network of bilateral clearing arrangements to manage their trade and payments. Such state-managed arrangements were the antithesis of the open, nondiscriminatory system of trade; they set aside the whole idea of an international system of trade based on the operation of free markets.

The "gold bloc" countries (primarily Belgium, France, Holland, Italy, and Poland) likewise sought to retain the gold value of their currencies, but without introducing an extensive array of exchange and other controls. Due to falling prices worldwide and depreciating currencies in the sterling area, however, producers in the "gold bloc" countries faced a surge of lower-priced imports, and as a protective measure, these countries introduced import quotas. These quotas were initially seen as a temporary measure, to be abandoned when the financial crisis passed; but they were to become a fixture of commercial policy. In France, for example, it was not long before quotas introduced to protect farmers from the fall in prices of food imports were extended to manufactures.

While the state-managed system introduced by Germany and others clearly eliminated nondiscrimination as a principle guiding their external trading relations, the "gold bloc" countries sought at least formally to continue to respect it in order not to lose most-favored-nation status in their export markets. They did so by taking import volumes in a recent year as a guide in the allocation of quotas. However, in France, it also became the aim of commercial policy in the early 1930s, as it had been in the early 1920s and 1890s, to withdraw unconditional most-favored-nation treatment and to seek an exact reciprocity from each and every trading partner. Moreover, France reasserted its tariff autonomy and stopped entering into trade conventions that tied its hands in changing tariffs at will.

Even Britain finally broke decisively with its free trade tradition. Though two of Britain's three political parties and most economic opinion in the country had remained firmly attached to free trade policies in the 1920s, the depression eroded British intellectual and popular support for free trade. Faced with an apparently unshakable determination on the part of the government to remain on the gold standard, John Maynard Keynes publicly proposed a tariff in March 1931.[9] His argument was that since a public works program to raise employment encountered the objection that it would increase imports and thus worsen the trade balance (thereby undermining business confidence), an across-the-board tariff should be introduced; such a tariff would offset a deterioration in the trade balance and allow foreign lending to continue unabated, and by switching expenditure to home goods, it would also contribute to higher employment. To counter the objections of the free traders, Keynes also argued that the measure should be seen as a temporary one that would buy time for the organizing of an international program to reinflate economies. The government did not act on his proposal. However, within the year, a new government came to power, and although Britain had gone off the gold standard by that time (thereby undermining Keynes's intellectual case), it passed into law the Import Duties Act of 1932 (see Skidelsky 1994, 386). Britain imposed a general tariff of 10 percent and subsequently introduced a new tariff scale in which duties ranged from zero to over 20 percent (see Foreman-Peck 1995, 200).

Britain also joined the ranks of those delivering blows to the principle of nondiscrimination. Along with the Commonwealth countries, it established a preferential trading area at the Ottawa Imperial Conference in 1932. France and the Netherlands, other major colonial powers, likewise tightened their trade links with their colonies; when France introduced import quotas, for example, trade between the metropolitan power and the colonies remained free, while imports from other countries into the colonies (as into France) were subject to quotas (see Haight 1941, 246–47).

Last Efforts at Restoring Multilateral Cooperation

Many sensible people recoiled from the desperate, every-man-for-himself policies that governments fell back on in the worst months of 1931–32. As an outcome of the contraction in domestic demand everywhere and the resort to nationalistic policies, trade declined dramatically; between 1929 and 1932, the trade volume of the North American and European countries fell by a quarter. Some were convinced that the cause of the Great Depression lay in the breakdown of the international economic system. Many more at least agreed that the depth and duration of the depression were worsened by the breakdown. They believed that the path toward economic recovery lay in restoring stable exchange rates, international financial flows, and open trade.

Toward this end, work began on preparation for another world economic conference, to be held in 1933 (see Salter 1936, 64). However, underlying differences in views about the causes of the depression and consequent disagreements in prescription doomed the conference to failure. The new Roosevelt administration, in particular, saw the way forward quite differently than did the defenders of the old, liberal, free market international order. For the administration, the first task was to bring about the recovery of economic activity at home, unimpeded by a policy focused on maintaining a stable exchange rate. Thus, even as world leaders were conferring with each other in preparation for the conference, the United States announced a depreciation of the dollar against gold. The administration was acting on its belief that the depression had to be fought through measures that would reverse falling domestic prices (and therefore falling incomes). Such a reversal would lessen the real burden of the debt carried by farms, corporations, and households, which was dragging down economic activity. Important among the U.S. measures were agricultural price supports, minimum wage legislation, and gold revaluation. In denouncing a fixed value for the dollar, President Roosevelt spoke of "fetishes of central bankers" that should not be allowed to stand in the way of domestic policies intended to overcome the depression.[10]

For European countries and especially for Britain, the action of the United States rang the death knell of the conference. In a world where the gold value of even the strongest currency could not be regarded as stable, any slim hope of reaching agreement on an exchange rate regime was gone. If countries would not bind themselves to maintaining an orderly exchange rate regime, there was little point in negotiating restraints or reductions in tariffs, since these could be easily undermined by competitive depreciations.

At the time, the protagonists of the old liberal order were right in stressing the importance of currency stability for trade cooperation. But they had no solution to the even more fundamental precondition of adequate levels of domestic demand. There was neither intellectual agreement on nor political acceptance of the action that was needed to meet this precondition: a coordinated reinflation of the major economies and the provision of international credits to finance short-term balance-of-payments disequilibria.[11]

After the conference, there was little notable improvement in international economic relations. The United States reestablished the gold value of the dollar at a fixed rate in 1934, and Britain, France, and the United States drew up a tripartite monetary agreement in 1936. The agreement, however, was not much more than an expression of intent to refrain from competitive depreciations and to eschew import quotas; no real progress was made toward restoring a more orderly exchange rate system.

A Quiet but Large Shift in U.S. Trade Policy

Trade policy in the 1930s did see one development that assumed considerable importance in the establishment of the new multilateral trading system after the Second World War: the passage of the Reciprocal Trade Agreements Act by the U.S. Congress in 1934. This act marked a break in the long-standing approach of the United States toward its trade policy. The country had long acted on the belief that it could increase its exports without liberalizing access to its own markets—using, if necessary, the threat of negative reciprocity. In essence, the act recognized reciprocal reductions in trade barriers as the way to gain easier access to foreign markets. It thus denoted a shift to a more open trade policy. To this end, Congress yielded up its exclusive authority to set tariffs and granted the president the power to negotiate tariff reductions with other countries. Along with the unconditional most-favored-nation clause that had been incorporated into policy after passage of the Fordney-McCumber Tariff Act of 1922, this change finally set the United States on the same path toward multilateral trade cooperation that the European nations had begun to tread uncertainly in the 1860s.

It may seem strange that a shift toward a more open trade policy took place in the United States at this time; both nationally and internationally, the recovery in business conditions was still weak, and there was mass unemployment. An underlying reason for the shift was undoubtedly a long-term, upward trend in American exports of manufactures (mostly of large corporations), which had been taking place over the decades. This factor does not, however, explain the curious timing of the shift. One political and parochial reason for the timing was the recognition by the Democratic Party that its traditional support from the export interests of southern agriculture could be successfully augmented by that of the large corporations if a more open trade policy were part of the Democratic platform (see Eckes 1995, 95). Also, there was concern among farmers and manufacturers that they might lose markets or that American firms might migrate to Canada, as a consequence of the preferences introduced by the Ottawa Imperial Conference. Further, passage of the Reciprocal Trade Agreements Act was eased by the popular disenchantment with policies pursued under the preceding Hoover administration, including the highly protectionist policy embodied in the Smoot-Hawley Act (see Goldstein 1993, 144).

Something of the U.S. shift in policy is also owed to the appointment of Cordell Hull as secretary of state under President Roosevelt. Though not widely acclaimed as a great secretary of state, he was notable for his single-minded determination in seeking to reform American trade policy. He brought into the Roosevelt administration liberal ideas about trade policy that he had carried with him since the years before the First World War. In his *Memoirs,* Hull expressed his debt to E. J. Hill, a fellow congressman from Connecticut with whom he had innumerable discussions after his election to Congress in 1906 (Hull 1948, 83).[12] Hill was reputed to be the best informed man in Congress on tariffs and trade; he had traveled extensively to study the commercial policies of other countries. Hull was thus well aware of the more liberal trade practices that had evolved in Europe during the latter part of the nineteenth century. He records that he had initially opposed high tariffs because they raised the cost of living, sheltered monopolies and trusts, and reduced purchases of American products by foreigners. He said that by 1916, however, he had broadened his understanding of the relation between trade policy and foreign policy, believing that unfair trade practices had contributed to the outbreak of war. He was convinced that "unhampered trade dovetailed with peace" (Hull 1948, 81).[13]

The immediate practical significance of the Reciprocal Trade Agreements Act in the 1930s was modest. Although Congress had authorized the president to reduce tariffs on a reciprocal basis by up to 50 percent, Cordell Hull moved cautiously for fear of activating the protectionist lobbies. He had to bear in mind, too, that renewal of the presidential authority would have to be sought in three years' time. Many of the early agreements were with Latin American countries whose main exports to the United States consisted of duty-free tropical products or raw materials. Other agreements were with countries whose specialized manufactures did not compete directly with American products. Still more important reciprocal agreements were also negotiated with Canada and, later, with Britain (see Kindleberger 1973, 237–38). The agreements usually contained a clause stating that in the event of an exchange depreciation by one of the signatories, the agreement would be suspended.

Despite the limited practical results of the Reciprocal Trade Agreements Act, it was nonetheless the signal of a new direction in American trade policy; it became the starting point of America's postwar approach to the founding of the multilateral trade regime. Though Cordell Hull resigned in 1944 for reasons of ill health and thus was not a participant in the formation of the postwar regime, he carried the liberal pre-1914 ideas about trade relations into the post-1945 world.

The shift in American trade policy would not have been enough to usher in the new postwar regime if the larger lessons of the interwar years had not been learned. It had proved virtually impossible to advance or even maintain trade cooperation without a fairly orderly exchange rate regime and (as a still more proximate condition) without tolerable levels of domestic demand and employment. These conditions were necessary to prevent resort to trade policy as an instrument of national exchange rate policy or of macroeconomic employment policy.

MULTILATERAL COOPERATION IN THE INTERWAR YEARS: WHY WAS IT SO INEFFECTIVE?

In the interwar years, countries generally were not unaware of their economic interdependence. Most policymakers understood well that they relied on access to each others' markets for the sale of their exports and for supplies; they knew that they had extensive relations with each other as creditors and debtors; and they appreciated that the value of their currencies depended on foreigners' willingness to hold them. Were this not so, it would be difficult to explain the numerous international conferences that were convened in the 1920s and early 1930s to address monetary, financial, and trade problems. But the attempts at cooperation failed repeatedly. Some writers have blamed the failure on the lack of a hegemonic power. The United States declined to assume the mantle of leadership that Britain no longer had the strength to bear. It is certainly true that a leader with authority, willing to propose new measures, is a condition of effective cooperation. But a more fundamental condition is broad agreement among countries on a course of action that is mutually supportive and that each country is willing to pursue because it is convinced that the action will further its national interest. Such agreement was lacking in the interwar years. There was agreement about the broad aims that the conferences were supposed to achieve, but there was neither intellectual agreement on solutions that were economically effective nor political acceptance of workable solutions at home. Countries took decisions on exchange rate policy and trade policy independently of each other because they felt they had no other option. Charles Kindleberger observed that in the 1930s, the British economics profession "almost drew the lesson that each country should take care of itself without regard to external effects," though only a few years earlier, almost all of Britain's economists and most of its politicians, including those in the ruling Labor Party, had vigorously upheld both free trade and the international regime of the gold standard (Kindleberger 1973, 304–5).