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New War Between the States

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Stealthily but surely, isolationism is permeating our entire national economy

AN out-of-state truckman bringing a load of merchandise into New York City will be required to turn over his charge to a member of the metropolitan union. No additional delivery service is involved, but the expense of an extra truckman is charged to the merchandise; the public pays.

This is but an example of the "protective" philosophy which permeates much of our national thinking. While the union's purpose is not to tax the local people, but only to make work for its members, the economic effect is exactly the same; the cost of living is increased. And the psychology behind it is that which finds expression in such slogans as "Buy Minnesota," "Trade at Home," "Patronize Your Neighborhood Store." The idea is that by isolating the community from outside competition the community is somehow enriched.

The extent to which we have gone in for this isolationism is so great as to come close to being an economic war

between the states of the Union. Since 1939 the trend has been measurably slowed down, but under special conditions which may be reversed again. However, there is, sadly enough, little indication that the forty-eight commonwealths will revert to that principle of the Constitution which declares that "no state shall, without the consent of Congress, lay any imposts or duties on exports or imports"; or that only Congress shall have the power "to regulate commerce with foreign nations, and among the several states." While the letter of the law has not been violated, its spirit has been denied to an alarming extent. So far have we deviated from the doctrine of free trade among the states, as laid down by the Founding Fathers, that we have, in emulation of the European system, ports-of-entry at the borders of ten states.

THERE ARE, of course, no so-called tariffs. But, by use of their independent police powers (ostensibly to protect the morals and health of their citizens) and their revenue-raising machinery, the states are just as

effectually interfering with the free flow of goods and services across their borders. Twenty-six states, for instance, require that persons on the public pay roll be "legal residents," variously defined; so that the services of a valuable engineer living just over the state line could not be engaged, nor a shortage of teachers be overcome by importation from "foreign" states. Likewise, twenty-eight states specify that their public institutions must be supplied with materials grown or manufactured within their several territories; this, of course, gives local suppliers a price advantage at the expense of the residents.

Many states make it mandatory that all public printing contracts be awarded to resident printers, and one goes so far as to give its printers a monopoly on the manufacturing of public school textbooks. Why not, then, give its textbook writers preference and, incidentally, dictate the ideas they may put into school books? In seven states no materials used in the construction or repair of public buildings may come from the "outside." Butter served in the hospitals and penal institutions of one state must be made within its confines, presumably from the milk of state-conscious cows. This policy of "protection" is followed in a number of states. These partial embargoes have the usual effect of increasing the load of taxation borne by the citizens; also, that of reducing sales to other states.

Quarantine laws are invoked ostensibly to protect citizens against insects and plant diseases, but in practice

they become the means of reducing competition from sound products or of collecting taxes. Under a canopy of such laws, twenty-one states impose an annual charge on outside nurserymen. How are local citizens protected against insect pests by the filing of surety bonds, special invoices and permit tags, or by the collection of peddlers' license fees from shippers of nursery stock?

New York breeders did not like the competition of western cattle. So they got the Commissioner of Agriculture to decree that all dairy cattle brought into the state not only had to be free from Bang's disease but also that the herds they came from had to show such certification for three consecutive inspections. The standards so fixed had only one purpose—protecting the profits of New York breeders. Texas fruit is marketed from September to April; therefore the Texas Commissioner of Agriculture, "to protect state farmers from plant diseases," issued an order barring during these months out-of-state (Florida and California) citrus fruits. If you live in California you may not eat oranges, lemons or grapefruit grown in the Gulf states; they are said to be "unsafe." In Rhode Island your eggs are fresher because they are branded "Rhode Island"; all others must bear the telltale label, "shipped eggs."

All of which is just plain fraud. These quarantine laws are primarily designed to reduce competition, to increase the prices on home-grown products, to benefit special interests within the states. "Safeguarding the

health of citizens" is merely a ruse.

The flow of goods between states is greatly hampered by a mass of conflicting and contradictory codes governing motor vehicles, as to gross

weight, load per tire, maximum height, width, and so on. A trucker operating in Rhode Island may haul a load of practically any weight, but he cannot enter Connecticut with a load weighing over 40,000 pounds; Kentucky truckers need not bother as to the weight of their loads when driving into adjoining states, but Illinois truckers must be sure their loads do not exceed 18,000 pounds before they cross the Kentucky state line. In Iowa you will be stopped if your truck is not illuminated with three green lights, but you will be stopped in Missouri and compelled to remove them. In Texas your net load may weigh 7,000 pounds, but if you prove that you are delivering to the nearest railroad station you may haul twice that weight; obviously this law favors the railroads at the expense of interstate trucking. If the length of your truck and trailer is more than thirty-two feet you will have to amputate the excess before you can enter Kentucky.

The right to determine how the roads they build and maintain shall be used gives the state legislators sufficient authority for initiating these motor vehicle laws. But the right and the intent are two different things, and



the result is still another. When you look into the regulations you find too often that they are designed to favor local truckers, to the disadvantage of all others. It is not an infrequent

occurrence for a trucker to be forced to transfer his load at the state line to a local carrier. In effect this discourages interstate trucking, and this result is so striking that one wonders whether the railroads, which profit thereby, are not an interested party to the regulations. When to these physical requirements are added the numerous taxes and license fees imposed on truckers—discriminatory to outsiders in that a year's fee, sometimes amounting to hundreds of dollars, may be collected for a short haul—the effect on interstate commerce is obvious.

THE STATES have not limited themselves to "protective" restrictions; they have gone in for actual tariffs, although not so called, by use of their local taxing powers. What else would you call special levies laid on "foreign" corporations doing business within the state? Or punitive taxes against chain stores? Or extra taxes put on outside insurance companies? Or the license fees which "non-resident" automobiles and trucks are forced to pay or keep out? Just as our federal tariffs have kept English woollens, Argentine beef and French wines out of American markets, so have the

various states used their taxing power to limit or exclude the importation from their sister states of wine, spirits, margarine, eggs, beer, raw materials and manufactured products of many kinds.

Nor should we overlook the "use" taxes levied on citizens who seek to evade local levies by buying from out-of-state retailers. There is also the excise tax, the use of which in the case of margarine is most notorious. Nine states apply it to protect butter products; fifteen to protect cottonseed oil against competition from coconut and other imported oils used in margarine containing such foreign ingredients; six levy license fees; nine not only levy excise taxes but also collect license fees from manufacturers and distributors of margarine. It is tariff-war to the hilt.

When the Federal prohibition amendment was repealed in 1934, the new amendment protected "dry" states by prohibiting the shipment into them of alcoholic beverages. That provision gave the legislators the opportunity to "go to town." Just a few examples: Maine collects a license fee of \$3,000 from distillers, brewers and wineries which use only out-of-state products, only \$100 from the user of exclusively Maine products, and a proportionate fee from those who use both. Rhode Island has a retaliatory liquor law directed against states which discriminate against its beverages. Michigan taxes out-of-state wines fifty cents a gallon except when used for blending with native wines, in which case the tax is only ten cents.

California threatened to refuse to buy Michigan cars if this law was not repealed. Twenty-seven states have laws favoring their own grape-growers against the rest of the country; twenty-four are solicitous for their brewers; sixteen come to the rescue of their "hard" liquor distillers. All this for the protection of "dry" states.

A PREVIOUS statement will bear repeating—that all of these interstate trade barriers have the effect of raising prices, increasing the cost of government, lowering the economy of the country as a whole. There is also the related effect of causing friction between the states, different only in degree from that between tariff-warring nations. Taking cognizance of the dangers involved, and in preparing for a war economy, President Roosevelt, in 1939, appealed to the states to come to their senses. A Council of State Governments was held, and as a result of its recommendations and a widespread publicity campaign many of the trade barrier proposals then under consideration were shelved. Bills before the legislatures of New York, Texas, Minnesota and Ohio to extend preferences to local products were pigeon-holed. California dropped its threat to buy its public vehicles outside of Michigan in retaliation for the latter state's discrimination against California grapes. Florida refused to levy an inspection tax on imported dressed poultry. Oklahoma promised to repeal its port-of-entry law and Texas dropped its bill of retaliation. For this

general easing up of interstate economic warfare, the National Conference on Interstate Trade Barriers must be given considerable credit.

This reversal of policy did not, however, result in abolishing any of the old-time evils; it simply stemmed the tide toward new restrictive regulations. Around the existing laws vested interests had grown up, and at the present time there is no evidence of an enlightened and determined movement to pry them loose of their advantages.

The historic excuse for trade barriers is that poverty is caused by foreign competition; so when economic conditions are bad and people in their desperation will listen to any plausible promise, this excuse will be trotted out by those who profit by state-tariffs and restrictions. Since 1939, thanks to the war, the condition of the country has not been auspicious for an extension of interstate trade barriers. What will happen when the next depression befalls the country?

Pertinent to this theme is an excerpt from "A Continental World," an article in the February, 1944, issue of MARCH OF PROGRESS: "What are the real advantages of this Union of ours? Are they not summed up in the absolute freedom of trade which it guarantees, and in the community of interests that grows out of this freedom?" A duty imposed by one state against another would result in counter duties, monopolies, secret arrangements, smuggling, disputes, hatred, complicated political agree-

ments, blocs of states against other blocs, and finally interstate wars.

SINCE we always get the kind of government we deserve, the solution of this problem of interstate barriers lies with each of us. Our knowledge and intelligence—and our will—are the guideposts for legislation. We alone can stop this dangerous tendency to erect Chinese walls between the forty-eight units of our country. To stop it we must understand what it is, so that we can intelligently make our voices heard.

On the agenda of every local civic organization, every social club, every parent-teacher group, every women's society, every assembly of socially-minded people, there should be plans for the study of the laws of the commonwealth dealing with this problem. Local lawyers should be invited to explain these laws and their effects; teachers of economics should make clear the unsound results of this legislation; editors should be asked to contribute space to the pros and cons of the subject.

The job must be done locally. The interstate barriers are created by the various states, not by the national government; therefore, the rescinding of these laws is necessarily a state matter. Each state must decide for itself whether it intends to do business with the other forty-seven on a free trade basis, or prefers to lend itself to a Balkanization of the country, with the consequent bickerings and retaliations—and the lowering of the American standard of living.