

THE FREE TRADE ISSUE IN THE U.S.A.

BY GLENN E. HOOVER

I. THE ROLE OF THE POLITICAL PARTIES

A REPORT ON THE FREE TRADE MOVEMENT IN ANY COUNTRY may well begin with the commercial policies advocated by its major political parties. To assure the reader that I do not write as a political partisan, permit me to say that I have no connection with any political party whatever. Before retiring from Mills College in 1953, I was elected to the Oakland City Council. A California law provides—wisely as I see it—that all local government officials shall be chosen in non-partisan elections, and I have continued to respect both the letter and the spirit of that law.

Free Trade is no longer an issue on which our major political parties are divided. Formerly the Democratic Party favoured “tariffs for revenue only” while the Republicans advocated protective tariffs. This was true for so long as the strength of the Democratic Party was largely confined to the agricultural South and the Republicans were concentrated in the industrial North. Their conflicting views on the issue of Free Trade can be easily explained. The Southern cotton growers could not use the tariff device to increase the price of their cotton because they had a surplus of cotton that they had to sell abroad at world prices. The Northern industrialists, however, could benefit by restricting the importation of industrial products, which, in the absence of a tariff, would be imported from Europe.

In recent decades this situation has changed. The South has become increasingly industrialised, and the Southern industrialists are as eager to exclude competing industrial products—textiles for example—as are their Northern counterparts. As an offset to this growth of protectionist opinion in the South, those Northern industrialists who are now on an export basis (automobiles, business machines, farm implements, etc.), are urging a reduction in our tariff wall. They know they can not sell more abroad unless foreigners can sell more here. They may not have become Free Traders from the most admirable of motives, but still it is a comfort to have them on our side.

Although Free Trade is no longer an issue that divides the North from the South and formally arrays the two party organisations against each other, it is an issue on which the Democrats in the Congress—and President Eisenhower—have made a much better record than have the Republican members of Congress. For instance, the Reciprocal Trade Agreement Act would not have been renewed but for the Democrats. However, it should be recalled that this law was the brain-child of the late Secretary of State, Cordell Hull, a veteran

Democrat, and the support of this law is almost *de rigueur* for all who wish to carry the Democratic label.

How nearly the Republican and the Democratic party organisations agree on foreign trade policies is abundantly clear from declarations in their national party platforms of recent years. Both parties profess to favour such tariff rates as "will equalise the cost of production at home and abroad." This formula contains the appealing catch-word "equalise" which emits an aura of fairness. It also suggests that "scientific" rates of duty can be determined by a simple mathematical operation, to wit, subtracting one number from another.

This formula is, of course, both ridiculous and impossible of application. For example, wheat is grown in the United States by tens of thousands of independent farmers, many of whom grow other crops along with their wheat, and possibly keep some farm animals as well. When a farmer is growing wheat and three or four other market crops, how can he or anybody else—except by applying most arbitrary rules—determine his costs per bushel of wheat? If the farmers cannot compute their costs, how can the Congress get the information which the formula requires? The answer is that it can't and it doesn't.

What we do know is that it costs some farmers three or four times as much to produce wheat as it costs the more efficient or more lucky farmers. There is no *single* cost of production for either domestic wheat or foreign wheat. Some bright young men in the Agricultural Department at Washington would undoubtedly, if requested, come up with a statistical monstrosity known as a "national average", but who would determine the "average" cost of producing wheat throughout that un-American world our law makers describe as "foreign"? The same impossible problems are presented by all the major products which enter into international trade, such as lumber, coal, metals, textiles, most types of machinery and all farm crops.

Even if the formula could be applied, the results would be calamitous. Goods are imported only when some foreign producers have lower costs than some domestic producers, and if our tariff rates did in fact "equalise" those costs, we would import little but tea, coffee, a few minerals and tropical fruits. Presumably we would import nothing from Europe but Scotch whisky and French perfume. And to think that our major party organisations are agreed on a formula which would logically lead to such absurd results!

2. THE INTEREST GROUPS AND PROTECTIVE TARIFFS

FEW OF OUR VOTERS KNOW—or care—what the party "platforms" say about international trade, and even fewer ever listen to the petty partisans, office-holders and office-seekers

who dominate the national and state committees of our major parties. Nor do the members of Congress pay much heed to the organisation of the party whose label they bear. They were not nominated by it, financed by it nor elected by it, and they will take no orders from it. As a result the "pressure" groups waste little time on party "platforms" or party organisations, but go directly to the Congress with their demands, including those for increased duties on imports.

The most influential advocates of trade restrictions are, quite naturally, those firms and their employees who are already protected in some measure from foreign competition. For instance, domestic producers of light-weight bicycles, resenting the fact that nearly 40% of such bicycles sold here were imported, were recently granted an increase in tariff rates from 7½% to 11½% *ad valorem*. It would be naïve to expect that they will ever renounce the protection they now enjoy. Free Traders should face it; domestic producers who benefit from restrictions on imports will always be on the other side of the barricades.

The employees of the protected industrial firms are in a different position from that of their employers. Most of our manufacturers have traditionally supported the Republican Party and its protectionist doctrine, but the unionised industrial workers, so far as their leaders can commit them, are now in the Democratic camp. Free—or rather freer—trade was for long a prime objective of Democratic policy. Moreover, the leaders in the two big federations of unions, the A.F. of L. and the C.I.O. have endorsed the continuance of the Trade Agreement Act which has enabled recent Presidents to lower somewhat the high tariff rates fixed by the Smoot-Hawley Act of 1930.

The trade unionists in our tariff-protected industries would find it awkward to side with their protectionist, Republican bosses were it not for the fact that our federations of unions are as loosely organised as are our political parties. Each union within the A.F.L. or the C.I.O. has almost complete autonomy, and looks after its own interests, no matter what the federation leaders may say.

Moreover, most of them associate Free Trade with professors and other "egg heads", and our craft unions have never recovered from the anti-intellectual tendency fostered by Samuel Gompers who federated and dominated them for so long. For instance they are inclined to pity such European unions as are encumbered with revolutionary ideals—or ideals of any sort. They pride themselves on their "business unionism" and their chief concern is to get more and more for their members. If higher tariff rates on any product will enable a particular union to get some of that "more" it will

not forgo the higher rate out of deference to any Free Trade "theories".

The trade unionist worker and his protectionist boss have this in common: both have rejected the free market system. The unionist insists that the price of his services be fixed by "collective bargaining" or by minimum wage laws, and his boss demands that his government "protect" him from foreign competition. The goal of our unionists is Power rather than Freedom, and Power, whether economic or political, is incompatible with a free market, free trading society.

3. THE IDEOLOGICAL FRONT

ON THE IDEOLOGICAL FRONT, where principles rather than interests confront each other, Free Trade is making slow but steady progress. In recent years leading industrialists such as Ford (autos) and Randall (steel) have done much to persuade business leaders that greater commercial freedom would make for greater prosperity. Influential publications, including such giants as the *New York Times* and the Luce Publications (*Time*, *Life* and *Fortune*), although they may not profess the "full gospel", are nevertheless continually exposing protectionist fallacies.

It is, however, in our schools and colleges that progress is being made, which, sooner or later, should turn the tide. With few exceptions, teachers at all levels who have any opinions at all on commercial policies, are Free Traders rather than protectionists. Some of them may have only a limited understanding of the issues involved, but even those with little or no training in economics are aware that Free Trade is endorsed by those whose opinions they respect, and for them that is enough.

It is probable that in Europe, too, nearly all professors are Free Traders, but they reach a much smaller percentage of the population than do the professors on this side of the Atlantic. In 1900 only 4% of our college-age population was in college, while now the percentage is about 34%, and is still rising. The fantastic increase in college attendance here—not only in numbers, but as a percentage of the total population—is a revolutionary development of which many Europeans are still unaware. As for its impact on the Free Trade controversy, one can say that it is a rare student who leaves an American college without either learning for himself that Free Trade is a desirable goal, or learning that qualified people think it so. In the long run higher education will bury protectionism—and any political party that supports it.

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- (4) To resist the policy of Protection as certain to complicate our relations with the Commonwealth and Empire States.

FREE TRADE UNION
116 VICTORIA STREET, LONDON, S.W.1

Telephone: VICToria 3522



[P.T.O.]

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(Founded in 1903)

116, VICTORIA STREET, S.W.1 (Telephone: VICToria 3522)

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