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Leland Yeager, "The Positive Case for Free Trade" (1954)

"The economic case for Free Trade is quite the same as the case for technological progress. Both increase the output of useful goods and services that a country can get from its labor and resources."

Leland Yeager (1924-)

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Editor's Introduction

Leland Yeager (1924-) is Ludwig von Mises Professor of Economics, Emeritus, at Auburn University. He gained an M.A. and PhD in economics from Columbia University in 1949 and has written on monetary policy and international trade issues. His most recent books include *The Fluttering Veil: Essays on Monetary Disequilibrium* (1997), *Ethics As Social Science: The Moral Philosophy of Social Cooperation* (2001), and *Is the Market a Test of Truth and Beauty? Essays in Political Economy* (2012).

Yeager wrote this small book on free trade during the Cold War and soon after the General Agreement on Tariffs and Trade was beginning the slow process of multilateral tariff reductions after 1947. He nicely summarizes the main arguments in favour of free trade, namely increased productivity, international comparative advantage, increased competition and innovation, less government regulation of the economy, and increased peaceful relations between nations. The discussion of the benefits of comparative advantage is especially noteworthy. He makes his case with a story of two imaginary countries "Inferia" and "Superia" by showing that both countries will gain from trade with each other even though "Superia" is better at producing everything and "Inferia" is worse. The proportion of goods that each county will produce depends on how much better one is compared to the other. Even the less efficient production of goods in "Inferia" frees up resources in "Superia" for its industry to produce even more. And both countries will gain from trade with each other.

Yeager concludes with a strong argument in favour of unilateral free trade, that a single country like the U.S. would benefit considerably even if it were the only free trade country in the world: "American trade would expand less if the United States alone adopted Free Trade than if the whole world did so, but the resulting expansion would still be worth while: as the Principle of Comparative Advantage explains, more trade would make our available labor and resources yield us greater amounts of useful goods and services."

"For trade to benefit both a particular country and the outside world, the country need not have an absolute advantage over the outside world in producing some goods and an absolute disadvantage in producing other goods. … As long as its degree of inferior efficiency (or superior efficiency) were greater for some goods than for others, the country would import the goods in which its efficiency was most inferior (or least superior) and export the goods in which its efficiency was least inferior (or most superior)."

"*The Positive Case for Free Trade*" (1954)[1]

TRADE AND PRODUCTIVITY

The economic case for Free Trade is quite the same as the case for technological progress. Both increase the output of useful goods and services that a country can get from its labor and resources. "The general case for freedom in international exchange is like the case against putting sand in the gears of a machine." [4] In particular, Free Trade, like improved transportation, promotes interregional specialization and increases through trade the results that a country gets from its productive powers.

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Iowa raises corn and hogs, Virginia grows tobacco, and Massachusetts makes shoes. Iowans get their tobacco and shoes from Virginia and Massachusetts, paying in part with money earned by selling corn and hogs outside the state. The people of Virginia and Massachusetts likewise import many products, paying in part with products they do make. Why does such trade take place? Why, instead, don't the people of each state make at home all the things they possibly could? Clearly, because that would be wasteful. Everybody understands the benefits of specialization and trade among regions of a single country.

The benefits of specialization and trade among countries are no different. International trade is a subject of special interest only because migration is more restricted between than within countries, because there are often better statistics on international than domestic trade, because special study is necessary to understand the use of different currencies in international trade, and because government interferences with international trade raise issues requiring special discussion. These minor differences do not change the fact that international trade merely extends the principles of interregional trade. A boundary line does not affect the basic principle: specialization and trade benefit the people who take part.

Benefits are possible because regions and countries differ in their advantages in producing various goods. Different advantages arise from differences in climate, soil conditions, and mineral resources, in human abilities and skills, in accumulated stocks of capital equipment, in the relative abundance of various human and natural resources, and in political and social climate. Even one of the most prominent American Protectionists understands this:

> The theory of free trade is extremely simple and attractive. Each country should expend its productive energies in those fields for which it is best suited by soil, climate, resources, manpower, skill, etc., and buy from other countries the goods in the production of which they, in turn, enjoy particular advantages. In this way presumably all productive energies everywhere would be employed to the highest advantage. A maximum of international trade would thus spring up, to the maximum advantage of all people.

But then the Protectionist shows that his understanding is sadly incomplete:

> It is perhaps unkind to ask just how countries or areas that enjoy no outstanding advantages, such as do exist in the world, would fare under such conditions of trade. To whom, for example, would they sell? How could their producers survive competition from those countries or areas that are economically favored and well developed?[5]

[1] Leland B. Yeager, *Free Trade: America's Opportunity* (New York: Robert Schalkenbach Foundation, 1954). Chapter: Three: The Positive Case for Free Trade. <http://oll.libertyfund.org/title/2038/145264>.

COMPARATIVE ADVANTAGE

The answer lies in the Principle of Comparative Advantage. For trade to benefit both a particular country and the outside world, the country need not have an absolute advantage over the outside world in producing some goods and an absolute disadvantage in producing other goods. Even in the extreme case where the country was absolutely less efficient than the outside world in producing all goods, mutually-beneficial trade could still take place. Conversely, even if the country were absolutely more efficient than the outside world in producing all goods, it could still benefit from trade. As long as its degree of inferior efficiency (or superior efficiency) were greater for some goods than for others, the country would import the goods in which its efficiency was most inferior (or least superior) and export the goods in which its efficiency was least inferior (or most superior).

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A simple example involving two countries and two goods will help make this principle clear. Suppose that one country, Superia, is more efficient (in some absolute sense) than another, Inferia, in producing both wheat and cloth. Superia's labor and resources can produce 600,000 bushels of wheat plus 500,000 yards of cloth per year, or more of either product at the cost of some of the other. Since more labor and resources go into producing a yard of cloth than a bushel of wheat, a shift of labor and resources between industries will yield 3 more bushels of wheat for each yard of cloth given up, or ⅓ yard more of cloth for each bushel of wheat given up. Superia's substitution cost ratio is thus 3 bushels of wheat for 1 yard of cloth (1 wheat for ⅓ cloth).

In Inferia, the available labor and resources can produce 400,000 bushels of wheat plus 300,000 yards of cloth per year. Because of the inefficiency and disadvantages besetting Inferia, wheat production and cloth production both take more labor and resources per bushel or yard than in Superia. However, Inferia's relative disadvantage is worse in wheat than in cloth: a shift of labor and resources between industries will yield more of one product and less of the other at a substitution cost ratio of 2 bushels of wheat for 1 yard of cloth (1 wheat for ½ cloth). Thus the substitution cost ratios differ in the two countries, setting the stage for mutually beneficial trade.

The following table summarizes the situation before trade takes place.

	WHEAT PRODN &CONSUMPT.	CLOTH PRODN &CONSUMPT.	SUBSTITUTION COST RATIO
Superia	600K b.	500K yards	3 wheat = 1 cloth
Inferia	400K b	300K yards	2 wheat = 1 cloth

Now international trade opens up. Since the substitution cost of cloth in terms of forgone wheat is greater in Superia than in Inferia, Superia imports cloth and pays with wheat. The *terms of trade* between wheat and cloth must be somewhere between the substitution cost ratios of the two countries; let us suppose that 2½ bushels of wheat exchange for 1 yard of cloth. These terms permit Superia to get cloth by giving up less wheat and Inferia to get wheat by giving up less cloth than before.

Suppose that the people of Superia cut their yearly cloth production by 100,000 yards from 500,000 to 400,000 yards and, in accordance with their substitution cost ratio of 1 cloth = 3 wheat, expand their wheat production by 300,000 bushels from 600,000 to 900,000 bushels. The people of Inferia cut their yearly wheat production by 240,000 bushels from 400,000 to 160,000 bushels and, in accordance with their substitution cost ratio of 1 cloth = 2 wheat, expand their cloth production by 120,000 yards from 300,000 to 420,000 yards. We further suppose that Superia trades 275,000 bushels of wheat a year to Inferia for 110,000 yards of cloth, in accordance with the terms of trade of 1 cloth = 2½ wheat. The following table summarizes the new situation.

WHEAT PRODUCTION, TRADE AND CONSUMPTION, BUSHELS

Superia		900,000	produced.
	Less	275,000	traded away.
		625,000	available for home consumption.
Inferia		160,000	produced.
	Plus	275,000	got by trade.
		435,000	available for home consumption.

CLOTH PRODUCTION, TRADE AND CONSUMPTION, YARDS

	400,000	produced.
Plus	110,000	got by trade.
	510,000	available for home consumption.
	420,000	produced.
Less	110,000	traded away.
	310,000	available for home consumption.

International trade thus lets Superia's people consume 25,000 more bushels of wheat and 10,000 more yards of cloth than before. Inferia's people can consume 35,000 more bushels of wheat and 10,000 more yards of cloth. Both countries clearly gain. That one country is absolutely less efficient than the other in producing both goods does not matter.

Some side points must now be mentioned: (1) Under the assumed conditions, international trade would expand even further than shown here; for as long as the substitution cost ratios remain different in the two countries and neither country is yet fully specialized on one product to the exclusion of the other, further specialization yields further gain. (In reality, changes in substitution cost ratios as specialization went on might well prevent *complete* specialization.) (2) A country's consumers might take the opportunity offered by international trade to have somewhat less of one product but much more of the other than before. Judged by consumer demand, this result would also be preferable to the situation before trade. (3) Both countries gain by trade, but how the gain is shared depends on just where between the substitution cost ratios of the two countries the terms-of-trade ratio falls, and this depends on demand as well as cost conditions. (4) Transportation costs would, just like tariffs, limit the opportunity for beneficial specialization and trade.

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Our illustration of the Principle of Comparative Advantage is admittedly very simplified: it considers only two countries and two commodities and postpones consideration of money prices and wages. The simplifications merely make for clarity and are in no way essential to the conclusion. We assume particular quantities and ratios, for instance, only because algebraic generalization would be harder to understand than definite numbers. It is easy to scoff at such demonstrations as "theoretical"; but, significantly, the scoffers are often precisely the people who most need enlightenment. Actually, the Principle of Comparative Advantage is beyond dispute. Countries where production is efficient and where it is inefficient can all gain by specialization and trade, just as all people gain in the following two examples: An expert surgeon who was also an expert instrument-washer would still gain by sticking to his greater specialty and hiring somebody to wash his instruments for him, even though the assistant might be slower than the surgeon himself. Similarly, a lawyer who was also an expert typist might gain by sticking to legal work and leaving the typing even to a typist slower than himself.

One point remains to be cleared up. Practical businessmen don't know or care anything about Comparative Advantage and don't need to: they want to buy where *money prices* are lowest and sell where *money prices* are highest. How, then, can Inferia, with its generally inefficient production, hope to attract any foreign customers and so take part in international trade? The answer lies in a generally low level of wages and other incomes ("low," that is, as translated through prevailing currency exchange rates and compared with wage levels in more efficient countries). Low wage levels—the famous "cheap labor"—permit Inferia's businessmen to price their goods low enough so that the goods in which their country has the least disadvantage can actually find foreign markets. Low wages are an inevitable result of Inferia's inefficient and disadvantaged production; but they are also what enables Inferia to export the products in which it has the least disadvantage and so earn the foreign exchange needed to import the products in which it has the greatest disadvantage. Low wages permit Inferia to share the benefits of international trade and so to have less poverty than otherwise.

As we have already seen, Superia also gains from international trade, even when trading with an inefficient, "cheap-labor" country. If Superia's government shut out imports because they were made by "cheap labor," it would harm its own people as well as the Inferians. It would be equally foolish for Superia to restrict trade because Inferia had an "unfairly depreciated currency." The difference in wage levels between Superia and Inferia—wages being translated through the exchange rate into a common currency—is necessary to allow the product price relationships that lead profit-seeking businessmen to import and export and so secure for the people of all countries involved the benefits explained by the Principle of Comparative Advantage. Superia's government would also be foolish to take a shrinkage of particular home industries as evidence of need for tariff Protection. As our numerical example showed, such a shift of labor and resources out of the industries in which Superia has the least superior advantage is an essential part of the process of benefiting from international specialization and trade.

OTHER ECONOMIC GAINS

"Free Trade links markets together. A market broadened by trade will often encourage low-cost production of particular goods. Furthermore, Free Trade makes large-scale production possible with much less danger of monopoly than under Protection."

Free Trade yields still other benefits besides those explained by the Principle of Comparative Advantage. While Protectionism splits the world into many little national markets, Free Trade links markets together. A market broadened by trade will often encourage low-cost production of particular goods. Furthermore, Free Trade makes large-scale production possible with much less danger of monopoly than under Protection. Even if a country had only one or a very few companies in a particular industry, their fewness would not matter much under Free Trade: competition from imports would block monopolistic pricing. Protectionism, by contrast, holds an umbrella over at least tacit monopolistic price agreements. Even arrangements with foreign competitors become more practical when tariffs guard monopoly in the home market. Restriction of competition by a Protectionist government also gives some respectability to concerted action by erstwhile competitors—concerted action not only in the market but in the realm of political pressures. There is some truth in the maxim, variously attributed to President Cleveland and to the sugar magnate Havemeyer, that "The tariff is the Mother of Trusts." In a Free-Trade country, though, actual or potential competition from abroad would teach home producers to rely on improvements in their own efficiency rather than on monopolistic activities. People who worry about business monopoly in the United States would do well to fight against such governmental restrictions on competition as the tariff.

"As far as Ford Motor Company is concerned," said Henry Ford II in his famous Free-Trade speech of February 1953, "we intend to meet foreign competition in the marketplace and not in the halls of the Tariff Commission." Mr. Ford also quoted a statement made by his grandfather, Henry Ford, in 1930 and still highly relevant today:

> Business thrives on competition. Nobody does his best if he knows no one is competing with him. Comfortably tucked away behind a tariff wall which shuts out all competition and gives industry an undue profit which it has not earned, the business of our country would grow soft and neglectful. . . . We need competition the world over to keep us on our toes and sharpen our wits. The keener the competition, the better it will be for us . . . Instead of building up barriers to hinder the free flow of world trade, we should be seeking to tear existing barriers down. People cannot keep on buying from us unless we buy from them. . . . As for a tariff wall to shut out foreign goods, I feel certain we could hold our own without any wall at all. . . . Why not let those countries which can produce these things better than we, do so, while we turn our attention to the production of things in which we excel. That would provide work for everybody to do the world over, and in exchange of these products world trade would thrive, bringing busy times and prosperity for us all.

Still another benefit of Free Trade is greater opportunity for random economic disturbances in various parts of the world largely to cancel each other out. Disturbances like a local crop failure or a local temporary glut of a particular product are much less serious in a world united by trade than in a local market largely isolated by Protectionism. The case for Free Trade is in this respect akin to the case for insurance. A loss spread over many policyholders through insurance premiums is less damaging than the loss that each person would otherwise risk bearing alone in full. Similarly, dilution of local economic disturbances is a real advantage of Free Trade.

Imagine an extreme case of Protectionism. If a country benefits from Protection against cheap foreign goods, why shouldn't each state also protect home markets for home producers? Suppose that high tariffs forced New Yorkers to grow their own cotton. Suppose that high tariffs kept the Michigan automobile industry from selling in all states, and that most states had to have little automobile industries of their own. Think how much more automobiles would cost because of lesser opportunities for economical mass production. Think of the local monopolies that would prey on consumers if producers in each state enjoyed Protection against out-of-state competition. Think of how much more serious local crop failures and the like would be if trade among the states were restricted. Well, the benefits that the United States would get from free world trade are of the same sort as those that each state now gets from Free Trade within the country.

> It is the consensus of opinion among American economists that the phenomenal growth of our industries has been due not so much to our protective tariffs as to free trade among our states, which has created a continent-wide market and made mass production possible. Europe, cut up into a number of relatively small areas surrounded by tariff walls, has limited markets unable to absorb the large volume of mass production industries. As a result, the United States has the world's lowest production costs in the face of the highest wage scales.[6]

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FREE TRADE AND GOOD GOVERNMENT

Considerations of political philosophy as well as of economics tell in favor of Free Trade. If Jones and Smith voluntarily exchange goods, both must expect to gain; and outside interference with their deal is hard to justify except for some special reason. If Brown now asks the government to interfere so that Jones will have to trade with him instead of with Smith, most people would probably agree that the government should not comply. What difference is there when exchanges get more complicated—when money is used and when many people, some of them foreigners, trade with one another? Why doesn't an American have just as much right to buy English pottery as, say, to trade his wheat for another American's cow? Maybe the principle is different, but the burden falls on the Protectionist of justifying one kind of interference and not the other.

Most people do not consider importing wrong. Even some quite respectable Americans returning from foreign travel apparently do not consider it immoral (though illegal) to smuggle some purchases past the customs officers. Should a government prohibit or limit or penalize something not morally wrong, especially when, as is true of import barriers, an intelligent person can see that such action favors special interests at the expense of the general public? As Henry George wrote,

> To make that a crime by statute which is no crime in morals, is inevitably to destroy respect for law; to resort to oaths to prevent men from doing what they feel injures no one, is to weaken the sanctity of oaths. Corruption, evasion and false swearing are inseparable from tariffs. Can that be good of which these are the fruits? A system which requires such spying and searching, such invoking of the Almighty to witness the contents of every box, bundle and package—a system which always has provoked, and in the nature of man always must provoke, corruption and fraud—can it be necessary to the prosperity and progress of mankind?[7]

Fearing free competition as they do, Protectionists share to some extent the main attitude of socialists and other planners. Senator Malone of Nevada had things just backwards when, in his testimony before the House Ways and Means Committee on September 17, 1951, he labeled even advocates of mere customs simplification and timid tariff reduction as "Socialist plotters." On the contrary, it is the Protectionists themselves who, like socialists, distrust free markets. The typical Congressman is inconsistent in praising free enterprise in the abstract while using tariffs as a tool of government economic planning.

Always in a progressive economy some industries are growing and some are shrinking. In a free economy, the impersonal forces of the market guide these necessary and beneficial adjustments in the pattern of production in response to changes in technology and consumer demands. Protectionism partially replaces market forces by shifting competition into the political arena. Control over government policy becomes important to various economic interest groups.

"Political struggle for special economic advantage makes for corruption—not mere petty bribery and graft, but the sort of thing that, because it is so familiar and is done openly on such a giant scale, is not commonly recognized as corruption at all. After all, to buy votes by dispensing special privilege to economic pressure groups really is corrupt"

Political struggle for special economic advantage makes for corruption—not mere petty bribery and graft, but the sort of thing that, because it is so familiar and is done openly on such a giant scale, is not commonly recognized as corruption at all. After all, to buy votes by dispensing special privilege to economic pressure groups really is corrupt, although people are not accustomed to think of it as scandalous. As Professor Henry Simons remarked, the kind of corruption that "stinks" has much to recommend it, relatively. Curiously, most people do not consider it morally wrong to do through law what they would consider it wrong to do personally. Yet why is it morally wrong to commit robbery with naked force, while all right to harm other people for one's own benefit through tariff agitation?

When pressure groups wield influence to get governmental grants of economic privilege, even upright statesmen may feel they must pander to group pressures to get re-elected. Intelligent discussion of issues and appraisal of candidates are sidetracked in the interplay of pressures and promises.

Henry Simons has truly written:

> A nation which wishes to preserve democratic institutions cannot afford to allow its legislatures to become engaged on a large scale

> in the promiscuous distribution of special subsidies and special favors. Once this occurs, there is no protecting the interests of the community at large, and, what is more important, there is no protecting the political institutions themselves. Tariff legislation is politically the first step in the degeneration of popular government into the warfare of each group against all. Its significance for political morality is, moreover, quite patent. Against the tariff, all other forms of "patronage" and "pork-barrel legislation" seem of minor importance. [8]

"the free market decentralizes and keeps out of politics a far-reaching and important kind of decision-making. It is a shame, in my opinion, to sabotage by Protectionist measures such a great bulwark of democratic government and human freedom as the free market."

Democracy, which is essentially a method of popular control over rulers by discussion and elections, is always in danger of being overburdened. To load government with more and more functions may complicate public issues beyond the understanding or patience of the typical voter and so make democratic control over government less and less workable. This is one reason why government should not bear the immense burden of regulating the myriad aspects of people's lives and businesses. Wherever decentralized or "automatic" decision-making can work, arrangements requiring continual positive government intervention should be avoided. Government should not have to manufacture agreement on matters whose very nature makes a genuine consensus unlikely. Government should confine itself, as far as possible, to policies that the citizens can discuss intelligently. Now, the free market decentralizes and keeps out of politics a far-reaching and important kind of decision-making. It is a shame, in my opinion, to sabotage by Protectionist measures such a great bulwark of democratic government and human freedom as the free market.

FREE TRADE AND PEACE

"Protectionism injects government decisions into trade, makes business into diplomacy, widens the range of possible international frictions, and raises private frictions into intergovernmental frictions. Free Trade decentralizes decision-making in the field of international trade and cuts down the number of issues that could arise among governments. "

Free Trade would contribute not only to the health of democratic government but also to world peace. Protectionism injects government decisions into trade, makes business into diplomacy, widens the range of possible international frictions, and raises private frictions into intergovernmental frictions. Free Trade decentralizes decision-making in the field of international trade and cuts down the number of issues that could arise among governments. For example, world-wide Free Trade would end the problem of "have" and "have-not" nations. No nation would be cut off from raw materials or advantageous trade opportunities by lack of extensive territories. The real grievance of a "have-not" nation is not a lack of colonies, but rather that the "have" nations restrict trade with territories under their control. World-wide Free Trade and open-door policies would give people of all countries access to sources of supply and to markets on equal terms. Of course, there would still be "have" and "have-not" people—some men would own nickel mines and some would not—but possible tensions among governments would be fewer.

Free Trade is not, of course, *the* key to peace. Many experts feel that the existence of many separate national sovereignties is a standing invitation to war, and that drastic curtailment of national sovereignty must figure in any long-range program for peace.

Curtailment of national sovereignty need not, however, only mean transfer of sovereignty to some world superstate. Some national power over individuals might be destroyed outright. An ideal worth striving for, or at least considering, is a world in which no nation has the power to impose compulsory military training or service, to impose public schooling provided the parent substitutes private schooling for his child, to stop emigration, or to limit freedom of speech, press, and religion. As a further check to government power, some limit to tax collections might also be considered. Such rules might be enforced by a limited world government with no other powers. The idea behind this suggestion is that wars are quarrels among governments as such. Limits to the functions and powers of governments would help keep quarrels small and on the interpersonal level.

Limitation of government interference with trade, travel, capital transfers, and currency exchanges is an essential part of any program to avoid quarrels among nations as such. Here Free Trade fits into a peace program. A further connection between Free Trade and peace is that international friendship will prosper when economic contacts are peaceful, mutually-beneficial private transactions rather than intergovernmental issues. Of course, permanent peace is at present a Utopian ideal; but that is no argument against working to make it practical some day. That ultimate goal is more likely to be reached when public opinion has become favorable to Free Trade beforehand.

UNILATERAL FREE TRADE

While the United States would gain less by adopting Free Trade alone than as one Free-Trade country among many, it would still definitely gain. As Henry Ford II said in the speech already quoted,

> I want to make myself perfectly clear on the point. I am not urging a course of action which I feel would benefit others at our expense. On the contrary, that's just what I'd like to see us get away from. I am convinced that a considerable growth in our foreign trade—imports as well as exports—would be a continuing shot in the arm to our whole economy.

President Eisenhower spoke similarly on May 7, 1953 in favor of a more liberal American trade policy:

> As we help other nations to be prosperous, to trade with us, we are not doing this purely from the standpoint of altruism.
>
> We are working from the position of enlightened self-interest, while knowing that we, the greatest industrial power on earth, could not succeed unless we have trade with other nations.

American trade would expand less if the United States alone adopted Free Trade than if the whole world did so, but the resulting expansion would still be worth while: as the Principle of Comparative Advantage explains, more trade would make our available labor and resources yield us greater amounts of useful goods and services.

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Free Trade would also yield the United States the benefits expressed in the current slogan "Trade, not Aid." The amount of aid that the United States had "loaned" or granted to all foreign countries since World War II was by mid-1953 approaching a total of $40 billion, of which by far the largest part had been "economic" rather than "military" aid. Significantly, the amount of aid is roughly equal to the excess of American goods-and-services exports over imports during the same period. Foreigners have apparently been unable to sell us enough goods and services to pay for their purchases from us. This condition—the famous "dollar shortage"—has been a leading (though by no means the only) reason for America's foreign-aid programs. We Americans are inconsistent in keeping foreign goods out of the United States by tariffs and quotas and then making gifts to the foreigners because they cannot pay their own way in the American market. Free Trade, by contrast, would help foreigners earn what they buy from us. Savings on foreign aid would be an important benefit to the American taxpayer even if the United States alone adopted Free Trade.

> The conviction is spreading, moreover, that dollars received via the gift route are psychologically dangerous dollars. Unilateral grants, regardless of the motive of the giver and the form in which they are given, tend to arouse resentment on the part of both the donor and the recipient.[9]

AMERICA'S OPPORTUNITY

American Free Trade would gain genuine good will for the United States in a way that continued aid could not do. As a Paris newspaper said, "Europe would prefer to 'earn' its dollars by exporting to the United States instead of continuing to receive them" as a gift.

"Free Trade would show that Americans practice as well as preach their belief in free private enterprise. … The importance of Free Trade as a proof of American consistency and sincerity can hardly be overrated. Free Trade is an important aspect of a free economy in general. Foreign countries might in time copy a dramatic American example, to their own advantage as well as to ours."

The present American trade policy gives foreign countries good cause for dismay. Examples during just the last few years are many. The governments of Denmark, Canada, the Netherlands, Australia, and New Zealand formally protested against new or continued controls on United States imports of fats, oils, and dairy products. Peru protested a bill pending in Congress that threatened to raise the duty on tuna fish, and Secretary of State Acheson disclosed that the situation was menacing American relations with Japan also. The Uruguayan ambassador complained about an increased duty on wool tops from his country. Venezuela is worried about threatened new curbs on oil imports. In a speech in May 1953, the Chilean ambassador bitterly denounced Protectionist tendencies in the United States as creating "confusion and disorder" in South America. The Canadian government has been concerned about efforts in Congress to adopt a sliding-scale scheme of high duties on lead and zinc. The foreign countries hurt worst by recent tightening of several American import barriers have retaliated against American exports. Turkey raised her duties on typewriters, washing machines, refrigerators, and many other goods when we restricted imports of figs. Belgium withdrew her concession on American industrial wax in protest against a higher United States duty on fur used in trimming hats. The Netherlands countered our "cheese amendment" by cutting imports of American flour (thus the American wheat farmer suffers for the sake of the American dairy farmer).

American Protectionism plays into the hands of Communist propaganda. The delegate of Communist Poland to the United Nations Economic Commission for Europe argued in March 1953 that Western Europe could expect no economic help from the United States in the form of "Trade, not Aid." With Communist information services eagerly seizing on all evidence of American Protectionism, the Polish delegate was able to make a plausible thesis that there is no hope of expanded trade within the Western world. The Soviet delegation to the United Nations Economic and Social Council has made similar propaganda about the Protectionism allegedly dictated by American monopolists. Eugene Varga, the Soviet economist, has predicted quarrels among capitalist countries as a result of intensified American Protectionism. Stalin predicted

> that the sphere of application of the forces of the chief capitalist countries to the world resources will not expand but will contract, that conditions of the world market of sale for these countries will grow worse, and idleness of enterprises in these countries will increase. In this, properly speaking, there consists a deepening of the general crisis of the world capitalist system in connection with the disintegration of the world market.[10]

American Free Trade would give the lie to such charges and gleeful predictions by the Communists. It would be not only a solid contribution to the strength of the free world but also a dramatic gesture of unity and hope.

Free Trade would show that Americans practice as well as preach their belief in free private enterprise. But as things now stand, the *Manchester Guardian* can justifiably print: "The next [American] business man who comes here to tell us that we must be more willing to compete will be making himself a laughing stock. Willing to compete indeed!"

According to a *New York Times* correspondent, American trade experts on the scene trace some of the most influential pessimism about American trade policy to European officials with an intellectual vested interest. Such officials would really be delighted if the United States clung to high tariffs: this would apparently justify European governments in following socialistic policies.

The importance of Free Trade as a proof of American consistency and sincerity can hardly be overrated. Free Trade is an important aspect of a free economy in general. Foreign countries might in time copy a dramatic American example, to their own advantage as well as to ours.

Notes

[4] C. Lowell Harriss, *The American Economy* (Homewood: Richard D. Irwin, Inc., 1953), p. 826.

[5] O. R. Strackbein, *The Tariff Issue Reviewed and Restated* (Washington: The National Labor-Management Council on Foreign Trade Policy, 1951), p. 2.

[6] N. I. Stone in the *Freeman*, June 15, 1953, p. 671.

[7] *Protection or Free Trade,* p. 37.

[8] *Economic Policy for a Free Society* (Chicago: The University of Chicago Press, 1948), p. 70.

[9] Howard S. Piquet, *Aid, Trade, and the Tariff* (New York: Thomas Y. Crowell Company, 1953), p. 8.

[10] Quoted in [Harry C. Hawkins and others], *International Trade Policy Issues* (Washington: Chamber of Commerce of the United States, 1953), p. 27.

Further Information

Source

The edition used for this extract: Leland B. Yeager, *Free Trade: America's Opportunity* (New York: Robert Schalkenbach Foundation, 1954). Chapter: Three: The Positive Case for Free Trade. <oll.libertyfund.org/title/2038/145264>.

Further Reading

Other works by Leland Yeager (1924-) <oll.libertyfund.org/person/4157>.

Topic: Free Trade <oll.libertyfund.org/collection/138>.

"The distinctive principle of Western social philosophy is individualism. It aims at the creation of a sphere in which the individual is free to think, to choose, and to act without being restrained by the interference of the social apparatus of coercion and oppression, the State."
[Ludwig von Mises, "Liberty and Property" (1958)]

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