TRADE ADJUSTMENT IN THEORY AND PRACTICE

CHAPTER I

INTRODUCTION: THE SIGNIFICANCE OF READJUSTING TO INCREASED COMPETITIVE IMPORTS

This study examines various methods designed to minimize economic dislocations caused by increased competitive imports; the desirability of greater freedom of trade is taken for granted.

Withdrawal of tariff protection from an industry often entails severe losses to groups or individuals. Such losses are open to objection on social grounds, even though they result from a decision of the Government taken in the national interest. But these losses may also give rise to political opposition which can prevent or delay trade liberalization. Much could be gained, therefore, if it were possible to remove these objections to a policy shift from protection to adaptation by providing adjustment assistance to producers who, despite efficient operations, have suffered, or are being threatened with, serious injury from competitive imports.

Attrition of an industry due to general technological progress is not the same as damage inflicted on that industry by intensified import competition resulting from lowered trade barriers. In the latter case the damage results from a policy decision of the Government taken in the national interest—national in the sense that matters of trade and tariff policy are of a nationwide rather than regional, sectional, or local character. In following through this policy decision, the Federal Government may be expected to assume responsibility for mitigating some of these immediately adverse consequences of freer trade.

In the domestic economy of a free society like our own, where market forces are given reasonable play, technical progress tends to be equated with the "law of the market"—the operation of impersonal economic forces to which producers have to submit or perish. The Government is charged with keeping these forces operating at home and fosters them through antitrust and antimonopoly legislation and controls. The Government also is obliged to desist from directly influencing technical progress except in an upward direction. It assists such progress by issuing patents and undertaking research activities, public works and other forms of assistance.

In the area of foreign trade, however, the "law of the market" only rarely has been given free rein. Here market forces still are hemmed in by many restrictive devices dating back to a period when such restrictions were in fact beneficial on a nationwide basis, and when stable markets had to be secured for many of this country's infant