

industries. Behind the shield of tariffs, industries have grown up over the years, investments have been sunk in plant and equipment, and prosperous businesses have been built up.¹

Though firms within an industry differ in their ability to cope with new developments and new types of competition, domestic competition has had to be accepted as the law of the land, with a tradition going back many generations. But foreign competition has not had to be accepted, at least not until fairly recently. Foreign manufacturers are not covered by our legislation on labor standards and restraint of trade. Against their competition the tariff and other trade restrictions have been an effective shelter, not available against an industry's domestic competitors.²

Economic progress in a free society cannot be dissociated from competition, and no cushioning is needed or desirable. In the foreign trade field, however, equity requires that the impact of a Government policy decision leading to increased import competition be accompanied by a policy to facilitate adjustments and minimize injury suffered by industries deprived of their accustomed shield against competitive imports.

The Government's objective in safeguarding competition on the domestic scene is to increase the general welfare; the same objective underlies the decision to increase competition in foreign trade. The objective would be realized in the long run (total adaptation) through the benefits from specialization according to the doctrine of comparative advantage. In the short run (partial adaptation) it would be achieved as a result of the stimulus of competition and of concessions obtained from our trading partners. In both instances, it may be noted, American exports are increased.

Withdrawal of protection from an industry accustomed to rely on it may contribute to the demise of a certain number of firms in that industry. Their number will vary in proportion to the measures they themselves take and the opportunity the Government gives them to make a satisfactory adjustment to the new competitive situation.³

No firm or industry is entitled to a blanket dispensation from having to adjust its operations to changes in its economic environment. But the Government, by removing safeguards against injury from foreign competition which it had provided initially, incurs, as a matter of equity, an obligation to provide some form of assistance to these firms and industries now unable to make a satisfactory adaptation on their own. Increased competition from abroad is a relatively small matter compared with disturbances in the home market due to technological and other changes. The burden of that new obligation should therefore be rather small.⁴

¹ As Don D. Humphrey has said, "A case for assistance to those who are seriously injured by imports can be made on economic grounds alone; the injury results from a basic change in America's historic policy of protectionism." *American Imports*, New York, 1955, p. 482.

² See also Bidwell, Percy W., "What the Tariff Means to American Industries," New York, 1956, p. 264.

³ If the Government were to relax, or abolish provisions of its antitrust and anti-monopoly structure on the domestic side, it would similarly have to assume responsibility for helping smaller business units to survive by other means, either by finding ways of supporting them directly, or by making it possible for them to merge into larger and more viable units.

⁴ For a fuller discussion of this point see Salant, Walter S., and Vaccara, Beatrice N., "Import Liberalization and Employment: The Effects of Unilateral Reductions in United States Import Barriers." Washington, D.C., 1961.