

geared their operations to the existence of certain types of protection—to sustaining intervention by Government.

Continuance of such protection would mean, of course, that these industries would go on receiving indirect Government subsidies. The number of producers of those industries' products would be limited by virtue of a partial or total exclusion of foreign goods. And the price of the goods produced domestically would be kept substantially higher than if producers were subjected to competitive pressure from more freely admitted foreign goods.

The Government faces a dilemma in having to deal simultaneously with relatively inadequate competition at home (in the absence of advantageously priced imports), and excessive competition from abroad (from the viewpoint of national interest, that is). The dilemma cannot be resolved so long as the Government has to rely on trade restrictions, or sustaining intervention, as the only technique available for ordering these two conflicting tendencies. Whenever it now wishes to stop excessive foreign competition, the Government is forced, as it were, to pour out the baby with the bathwater: it can indeed curtail foreign competition, yet at the same time domestic competition is also weakened. If the Government adopted the technique of adaptive intervention, in conjunction with a tariff reduction, the baby would be lifted out of the bath before the tub is emptied, and the result would be greater precision in policy implementation: policy makers could then achieve the objectives of liberal trade policy without any paralyzing concern for protected home industries. Obligated for once to make adjustments to freer trade and increased competitive imports, these industries could then be granted assistance on a temporary basis during a transition period.

A trade adjustment program thus provides the Government with a tool for separating decisionmaking in the domestic economic sphere from decisionmaking in the foreign economic sphere. Once the concept of readjustment assistance is accepted, the Government can deal with requirements of protection for domestic industries in isolation from requirements of foreign economic policy. And consideration of the one need not be distorted by consideration of the other, and vice versa.

A Federal program of assisted adaptation would also have considerable political usefulness. If the appropriate legislation were passed, it would be easier for many Congressmen who, although convinced that freer trade is in the national interest, nevertheless have protected industries in their districts, to vote for tariff reduction. They would then better be able to face their protection-minded constituents by pointing to the existence of and the advantages offered by the trade adjustment programs.

THE GAIN FROM TRADE ADJUSTMENT

Increased adaptability

Assisted readjustment to increased competitive imports basically aims at increasing the adaptability of this country's industrial structure to changed world trade conditions.

Implicit in greater adaptability is a better allocation of domestic resources. Spurred by a lowering of trade barriers, the domestic