CHAPTER IV

PREVIOUS CONTRIBUTIONS TO THE DISCUSSION OF TRADE ADJUSTMENT

This chapter will review a number of proposals advanced in the last 10 or 15 years on how to expedite readaptation to increased competitive imports resulting from freer trade. No attempt will be made to evaluate these proposals systematically except for a brief summary which also introduces the more detailed discussion of organizational and administrative aspects of a Federal trade adjustment program in chapter V.[1]

STALEY AND THE PROBLEM OF COMPENSATION

Staley's discussion of the problem of industrial adaptation,[2] although set in the broad framework of general economic development rather than that of impact of increased imports on one country, touches many points useful to our discussion. According to Staley, the problem of assisted readaptation is to protect people, not industries, as such. When economic change takes place, it may, therefore be desirable to liquidate a particular industry in a particular locality. Transfers into other industries must then be made easier and the burden of transition not be allowed to fall unfairly upon particular groups.

The first adaptive possibility would lie in the industry's own technical and managerial efficiency. New methods and improvement in management may be all it takes to put the industry on its feet. But changes in demand and supply may make it advisable to curtail, if not completely abandon, a particular line of production or, alternatively, to increase productive capacity of the more efficient plants in the industry. To link vocational retraining with the existing system of unemployment benefits would then become an important step in the direction of assisted adaptation.

Unwillingness by management to write off obsolete equipment sometimes makes for hesitancy in the face of technological advance. Staley suggests exploration of the feasibility of encouraging adaptation by allowing shorter terms of amortization for tax purposes in certain industries, on condition that funds accumulated in this way be put periodically into complete plant modernization or into launching new products.[3] He also suggests that the Government make annual surveys of all industries receiving either direct subsidies from the Government or import protection which enables them to keep

[1] For further details on some aspects of the programs here discussed see Clubb, B. E., and Reischer, O. R., "The Trade Adjustment Bills: Their Purpose and Efficacy," Columbia Law Review, March 1961, pp. 490–503.

[2] See Staley, Eugene, "World Economic Development," Montreal, 1945, ch. 9.

[3] Staley, op. cit., p. 205. The problem of accelerated amortization is discussed more fully in ch. V, below.