prices for their products up by a certain minimum percentage higher than consumers would have to pay in the absence of such protection. These surveys would report, first, measures taken in that year by each industry to improve its productive efficiency and, second, the amount spent in each industry on research for new products and new methods of production, and how effective this research and development effort has been.[4]

Staley also observes that the gains from successful adaptation are often more widely shared than the costs involved, which may be concentrated on relatively few people. In many instances, particularly in a situation involving removal of trade restrictions, an adaptive change in a country's industrial structure would bring a substantial permanent net gain to the economy as a whole, but at the risk of large, albeit temporary, losses to particular individuals and groups. In cases of this sort—

> * * * it might be equitable and useful to compensate private interests for transition costs made necessary by industrial adjustment in the general social interest. If the people of the United States, for example, could * * * somehow arrange to "buy out" the beet-sugar interests at a price not exceeding, say, two or three times the annual amount which consumers would save by free imports of sugar, the bargain would be a good one. The "buying out" might consist partly of compensation in money, and partly in free vocational retraining, subsidization of developmental projects, and research directed to the discovery of new products which would lead to industrial expansion in the regions affected.[5]

A similar proposal was advanced some years later in the United States, in connection with the so-called Gray report.[6] The Gray report strongly emphasized the need of this country's accepting more imports, and of adopting measures to bring this about:

> There is a need to reduce import barriers not only to augment our already strained sources of supply, but [also] to limit Western European countries' requirements for economic assistance from the United States * * *. Present circumstances offer the possibility of moving toward reduction of import barriers with minimum disturbance and distress to American agriculture, business and labor. * * *[7]

The Gray report, in its published version, did not deal specifically with ways in which domestic industry could adapt itself to expanded imports. The reason for that omission may have been that it was feared that objections, primarily on grounds of alleged difficulty of administration to any plan of adjustment assistance following a tariff reduction would be as strong as "against reduction of the tariff if no compensation were proposed."[8]

---

[4] Staley, op. cit., p. 210.

[5] Op. cit., p. 196.

[6] "Report to the President on Foreign Economic Policies," Washington, D.C., Nov. 10, 1950.

[7] Loc. cit., p. 78.

[8] See Wilcox, Clair, "Relief for Victims of Tariff Cuts," American Economic Review, vol. XI, No. 5, pt. 1 (December 1950), p. 889. While Wilcox ruled out compensation, he saw no objection to a "policy of providing public assistance to facilitate conversion to more promising activities." This would include loans to enterprises, and temporary support and retraining for workers. Insofar as existing services of this nature were inadequate, they could be strengthened and amplified. In later discussions, the suggestion of granting "compensation for tariff injury" has been virtually eschewed. Compensation for tariff injury and compensation for eminent domain, when private property is taken for public use, have nothing in common, according to the Bell report (p. 67). In a free-enterprise economy, business is always confronted with risks, and the Government is not obliged to insure any enterprise against the risks of business. "Tariff rates have been raised and lowered in the United States for 150 years without the Government compensating any business, export or import-competing, for the effects of a tariff change. No compensation was undertaken at the time of passage of price control or the prohibition law." See also Lindeman, John and Salant, Walter S., "Assistance for Adjustment to Tariff Reductions," in Studies in Unemployment, prepared for the Special Committee on Unemployment Problems, U.S. Senate, pursuant to S. Res. 196, 86th Cong. (Washington, 1960), p. 271.