

Extent of injury and appropriate assistance

Firms that are being, or are about to be, injured by increased imports may be assumed to need financial assistance in making necessary adjustments to escape injury. The determination of amount and type of assistance will depend on the extent of the loss, as well as on the program of readaptation suitable for the given firm.

The absolute decline in the firm's domestic sales during a given period, and the extent to which this decline was accompanied by an increase in imports after trade barriers had been lowered, may serve as measurement of loss incurred. For 1 year, factors which bear on the firm's operations other than competitive imports could be assumed as unchanging. More realistically, however, the firm's loss is likely to be incurred in a transition period in which it would adjust operations so as to gain at least partial immunity to adverse effects of increased import competition. The initial estimate of the firm's loss may therefore prove to exceed the one actually incurred.

Since the size of the loss sustained would depend on how successfully the enterprise reacted to the change in its competitive situation, assistance must be provided in a manner not to blunt managerial initiative.

Administrative considerations

Suitable administrative safeguards must insure that readjustment assistance not degenerate into a series of economically unjustifiable handouts. At least three requirements are essential.

In contrast to an "infant industry," a "senescent industry," one that has no place in a growing economy and that ekes out a meager return even with benefit of tariff protection, must not be rejuvenated at public expense without giving certain guarantees that it will modernize operations or diversify production.

The program would have to be designed so as to forestall legal or constitutional difficulties that might arise in its operation. What has to be avoided, for instance, is a situation where the administering authority would be open to charges of setting conditions in any particular readjustment project that would conflict with existing obligations of enterprises participating in the program.⁵

Finally, business enterprises must have firm advance assurance of prompt benefits from an adjustment program in the event that the damages they fear would result from a lowering of trade barriers do in fact occur. In the absence of such assurance, business' unwillingness to accept the idea of trade adjustment would be difficult to overcome.

The case for a program centered on the individual firm

The central figure in the readjustment picture is the producer himself. If the individual enterprise can adjust, and if adjustment assistance to freer trade can be given at the enterprise level, no new machinery other than existing Federal and State facilities will be needed to help workers and communities bear the burden of increased competitive imports. Successful readjustment of business enterprises would

⁵ Some time ago, the Small Business Administration was accused of having offered a loan to a New York leather goods concern on condition that the plant be removed to another State. The company, however, was bound by a "no removal" clause in its contract with the union. (See New York Times, Oct. 31, 1955.)