

Despite the pressures against the use of tariffs for balance-of-payments reasons, there have been a few occasions on which they have been used. Germany in 1957 reduced its tariffs very substantially in order to help stabilize the domestic economy and reduce a payments surplus; and France made modest reductions in tariffs in 1963 for similar reasons. On the other side, Canada imposed tariff surcharges in 1962, and Britain did so in 1964, although both moves came under extreme criticism and the surcharges were short lived.

Restrictions on imports are obviously suitable only if the balance-of-payments deficit is not expected to last. If it is, the currency should be devalued. But if the deficit is expected to be temporary, it would be preferable to finance it, and this is where the link comes between trade policy and international monetary reform. In the absence, of effective monetary reform, countries may not have adequate financing at their disposal to cover temporary payments deficits, and there will be occasions when temporary restrictions on imports are preferable to alternative courses of action, including the quantitative restrictions now permitted under the GATT.

Rules would have to be developed to prevent abuse of the privilege to impose surcharges for balance-of-payments reasons. Widespread coverage and uniform rates would be necessary to avoid charges of protecting particular industries. It is the currency here which the surcharges are designed to protect and not particular industries.

One way to overcome the feared loss of bargaining power would be to permit countries to time multilateral tariff reductions to correspond to balance-of-payments requirements. Thus, countries in surplus could be asked to reduce their tariffs more rapidly than countries in deficit, although all countries would be committed to ultimate reduction. This is how trade liberalization proceeded in Europe during the 1950's.

I raise these relationships between trade policy and balance-of-payments policy not with any firm view as to what is the best course of action, but with the hope of generating some discussion of two issues which, for the most part, have been kept quite separate.

Thank you, Mr. Chairman.

Chairman Boggs. Thank you very much, Mr. Cooper.

(The article referred to by Mr. Cooper on p. 227, follows:)

NATIONAL ECONOMIC POLICY IN AN INTERDEPENDENT WORLD ECONOMY *

By RICHARD N. COOPER †

During the past decade there has been a strong trend toward economic interdependence among the industrial countries. This growing interdependence makes the successful pursuit of national economic objectives much more difficult. Broadly speaking, increasing interdependence complicates the successful pursuit of national economic objectives in three ways. First, it increases the number and magnitude of the disturbances to which each country's balance of pay-

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A more complete exposition of the argument of this article is to be published in a book tentatively titled "The Economics of Interdependence: National Economic Policy in the Atlantic Community," by McGraw-Hill Co. for the Council on Foreign Relations. "Several paragraphs of this paper were included in a talk given at the University of Michigan and subsequently published in *The Economic Outlook* for 1965. I am grateful for permission to reprint them here."

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