else was to come under control and regulation, trade was to be freed! All laissez-faire economics was condemned except as it applied to free trade.

This strangely contradictory phenomenon, born of the hatred and hostility arising from the Depression, has not yet fully run its course. Never in the course of our history have so many aspects of the American economy been brought under governmental control and regulation as during the past three decades. Yet our foreign trade, which was under a variable measure of control in the form of the tariff, a simple instrument compared with those employed by many other countries, was to be stripped of virtually all such controls. While the country was moving almost single-mindedly into a regime of highly regulated economy, we were bent on moving in the opposite direction in the field of trade.

Free Trade in a Nonexistent Free Market

This insistence, illogical as it was, reflected the mixture of high emotion with cerebration, a not uncommon phenomenon in the human species. It created a sequel that continues to bedevil thought on foreign trade and the policies that should guide it.

Somehow the blessings of Adam Smith's free market forces were to be enjoyed even though nearly all the assumptions on which he based his economic philosophy were swept away. In the reaction against laissez-faire economics, this country adopted numerous measures that made the free market of Adam Smith's devotion a relic of the past. We moved massively toward a managed economy, which is to say away from laissez faire. Among measures adopted during the Depression were the legalization and fostering of trade and labor unions, and the guaranty of obligatory collective bargaining; the establishment of minimum wages—a measure that no doubt spun the remains of British economist Ricardo around on its axis; the institution of social security, which, again, represented overt interference with free market forces; limitation of the work week, provision of unemployment compensation, and more recently, medical care. Other controls and regulations, extending to monetary matters, banking, stock market transactions, competition, and taxation as an instrument of national management, filled out the full array of interferences with the free market.

Yet, while Adam Smith's assumption of virtually uninhibited operation of free market forces has been swept away, the latter-day economists of the free-trade persuasion insist on judging the factors affecting and guilding foreign trade as if we were still in Adam Smith's world. While that world is far gone and beyond recall, not only in this country, but in all other parts of the world, it is resurrected and reinstated in all its glory when foreign trade theory is up for consideration and discussion.

We are asked to judge trade policy as if the policy would be applied not in the modern world but in a vanished world. The latter is invoked because on the stage of modern economic reality, the quaint costumes of buckled shoes and knee breeches that went with laissez faire would seem awkward and out of place.

The make-believe maneuver, for example, makes it possible to maintain that low wages do not confer an abiding competitive advantage in a country in which they prevail over other countries in which wages are higher. The modern free-trade crusader will insist that costs will find an international equilibrium after the manner of Adam Smith's prescription. Any competitive advantage taking its cue from lower wages in one country will soon vanish, according to this view, because of the interplay of the international market forces of competition. Therefore a high-wage country, such as the United States, will have no cause to worry about low-wage competition from abroad.

By the same token the law of comparative advantage, which of course is the holy water of free-trade theory, can continue to be treated as the dominant element in the real world.

These mental gymnastics are made possible by recourse, in addition to the maneuver just described, to the universal crutch upon which economic theory leans. This is the phrase that curls the economists' lips into a smile of untouchable triumph: "Other things being equal". By use of this ever-handy crutch they seek to vault themselves onto the solid ground of physical science; but stand on the quicksand of other things being equal even as they utter the magic phrase. Economics is not a science such as we know in the physical world. "Other things being equal" represents an effort to test the behavior of variables, as in the physical sciences, while a controlled element is held constant, i.e., nailed down *physically*, so to speak. By *mentally* holding other things to be equal it is thought that the economic behavior of the variable can be tested.