years between this country's producers and their foreign competitors. In terms of policy formulation it is also of the highest consideration that the disadvantages of the type here described originate from sources over which the industry has little or no control. They are imposed disadvantages, possibly for justifiable ulterior reasons. This point will not be argued here. The fact of the presence of imposed disadvantages concerns us as does the persistence of these disadvantages despite economic theories that in any case have had their teeth drawn.

DETERIORATION OF U.S. COMPETITIVE POSITION IN WORLD TRADE

There is adequate evidence that American industry on the whole is de facto in a weak competitive position, both in foreign markets and in this country under the challenge of imports, the official trade statistics showing an export surplus, notwithstanding. The outlook, further, is that this position is facing specific deterioration not only because of the forthcoming drastic tariff reductions but because of a narrowing of the productivity gap, while the wage differential persists.

The evidence already presented is more than adequate to demonstrate the undoubted influence of the high level of American wages on our import and export capabilities. The clear trends, again, ratify the durability and persistence of disparate competitive levels between this country and other countries.

We can readily conclude that this persistence is the result of the many deeply entrenched rigidities that have been introduced into our economic activities by numerous and most likely ineradicable enactments and developments not only in this country but also abroad. Whatever we have done or whatever the developments, the effects have almost universally replaced and usurped the functions of the free marketplace, on the operation of which our national trade policy is nostalgically based.

To continue to insist on treating international trade as operating under the benign guidance of free market forces, even if all tariffs were stripped down to zero, could only be explained as an intellectual tour de force; or as reflecting a failure to distinguish free competition from fettered or controlled competition. The latter is characteristic of much American international competition. Competition continues but the factors have been so modified that it bears little relation to free market activity. American producers are far from free.

In imports and exports, whatever the competitive variations from industry to industry and from one country to another, the realities come out in the wash, so to speak, theory to the contrary notwithstanding. Even State trading, which is not determined by free market forces, represents competition, and its effects will make themselves felt.

If differentials in cost determine in great part the relative rise or fall in imports and exports in this or that direction, as they do as a result of competition, even if the competition is contrived or artificial, we should look at the unit wage contents of the traded goods if we wish to find an explanation of trade trends—for the simple reason that, as we have seen, the labor going into the making of a product, from raw material, farm or mine through the various stages of production account for some 75–80% of the total cost.

Manufactured products incorporate more steps of labor than do raw products. A manufactured product may go through a number of processes and fabrications in each of which additional labor is applied. A *raw* product goes through a minimum of steps, possibly only one or two exclusive of transportation. Semimanufactures fall into a halfway slot between raw products and finished manufactures.

From this recitation it would follow that a high-wage country would more easily dispose of its raw products in foreign markets than finished products because the raw material is not loaded with so many successive man-hours of high-cost labor. Finished goods would be less likely to enjoy a competitive advantage. Of course, they might still sell abroad if (1) foreign countries experienced shortages, (2) were not yet adequately equipped to produce particular goods competitively, or (3) especially if we should subsidize or give away these products. By that route we could continue to achieve handsome export surpluses without really trying—as indeed we have been doing.

On the other hand, the advantage would lie in the reverse direction with imports.

A high-cost country would find it more advantageous to buy finished products from lower-cost foreign countries precisely because these goods do incoporate