inherent individual skills or advantages in natural resources and climate. Although the statement of the theory does not say so, it is inherent in its major premise that other factors, let us call them unnatural advantages, are all equal. It means that all the ways other than tariffs by which governments may interfere with or structure the international marketplace must be eliminated or equalized. In other words, it assumes that all of the international economic relations of the peoples of nations are on a completely free market basis. When the economic engineer seeks to apply the free trade theory, he finds that, as a minimum, the following conditions would have to be met in order for the proposed results to be obtained:

1. No government enterprises.
2. No government subsidies.
3. No major variation in taxes on business.
4. Uniform business laws, uniformly enforced.
5. No immigration restrictions.
6. Complete free markets in exchange rates and movement of capital.
7. No overriding defense requirements.
8. No cartels.

When government enters production or engages in state trading, prices are based on political considerations and not economic costs. As a consequence, international trade which involves government enterprise will not generally lead to an international division of labor based purely on economic efficiency. Trade and economic programs that are tailored to political objectives have shown a history of low economic efficiency. This is not surprising because the political rewards system penalizes mistakes so much more severely than it rewards success.

In similar manner, international trade based on government subsidies—whether it be tax forgiveness, whether it be government guaranties of loans, whether it be sales of subsidized products below home prices, or by whatever means—all subvert the price mechanism in the economic allocation process. In fact, the whole object of a subsidy is to negate the consequences of the decision of the marketplace. Thus, subsidies thwart the objective of free trade.

If there are major variations between countries in the taxation of businesses, then government-imposed taxes will be a major factor in determining the economic division of labor. This will thwart the allocation based on true economic costs.

In similar manner, laws governing business activity, man-hours, overtime payments, minimum wage rates, safety standards, and vacation and holiday practices, influence production costs. However socially valuable such regulations may be, when there are wide differences between different countries this may influence the allocation of production more than does true economic efficiency.

Human energy—labor—is one of the key factors of production. If maximum efficiency is desired, then workers must be free to move so that the most effective combination of natural resources, workers, capital, and ideas may be combined.

In a capitalistic, industrialized society, capital is a very important factor of production. Accordingly, there should be no restrictions on the movement of capital across national borders nor on the earnings