

comes is a practical way of dealing with the imperfections in the international marketplace when the world is divided into sovereign nations.

It is interesting to note that when six countries of Europe sought to establish a Common Market, they had to wrestle with these very problems. As they have eliminated, step by step, the tariffs between each other, they have had to try to harmonize the other factors that impinge upon economic efficiency. They have permitted the freedom for workers to move from country to country. They are seeking to harmonize their fringe benefit programs. They are moving in the direction of harmonizing business laws—antitrust and patent laws, etc. They are making progress toward harmonization of business taxes, and they are looking forward to the day of a common currency, which would eliminate the exchange problems.

This is not surprising, because in the great free trade area between the 50 States of the United States, we have met or approached all of these requirements in the premises of the free trade theory.

Theoreticians have steadily set their face toward the ideal of free trade and the maximum division of labor. There is reason to doubt that a maximum division of labor for maximum efficiency on a worldwide basis would, in fact, be a desirable situation. Maximum division of labor would carry with it the risk of maximum instability. Communities, companies, even individuals, find it desirable to spread the risk—to diversify, to apply the insurance principle. Even the Detroit auto industry has seen fit to spread its production units into every corner in the United States and to expand into many other products in addition to automobile production.

Stability is becoming an increasingly prominent objective of industrial systems. It is doubtful that, given a free choice, workers would choose the small increments of productivity increase over the risks of maximum specialization. Countries that are essentially "one industry" countries—coffee dominance in Brazil, copper in Chile, and tin in Bolivia—are in frequent trouble due to instability in fluctuating markets. The ideal would surely be some appropriate accommodation between diversification and maximum specialization.

In the economic reasons for foreign trade, we noted the need for a mass market. The economics of total cost, including distribution to the consumer, indicates that there is a practical limit to the advantages from specialization as between industrial countries. For example, it would not be economically desirable to have the United States make all of the automobiles and Europe make all of the steel. Both Europe and the United States have ample requirements to permit maximum savings from large-scale production in both of these products. To ship half of the cars to Europe and half of the steel to the United States would add unnecessary shipping costs.

The free trade theory presupposes a world marketplace that is unhampered by government restrictions and interferences of any sort. It assumes a worldwide dissemination of pertinent product information. It assumes freedom to advertise and transmit knowledge about products. And, in a sense, it also assumes an openmindedness about foreigners and foreign products—no nationalistic bias.

To what extent are these conditions met in actual practice? What are the conditions and special hazards that the businessman meets and must adjust to in international commerce? To what extent do governments place special hurdles that impede international trade?