nations and ourselves—trade, tariffs, quantitative controls, dumping practices, cartels, patents, exchange rates, capital transfers and repatriation, tourism, and aid.

We must also recognize that theories do not operate in a vacuum; that the real world differs substantially from the idealized conditions visualized by the free trade theory. It is essential that our policies be based on the real situation, on reasonable expectations of the behavior of sovereign nations, and on enlightened self interest:

1. We should recognize that the system of trade controls that nations have developed through the years has, in fact, been a system. That tariffs, for example, are only one of the ways of "handicapping" in the world marketplace. In part, tariffs have been used to compensate for other restrictive practices. Further, we should realize that of all the various forms of government restrictions on trade, tariffs are much less objectionable than are quotas, licensing, and other quantitative restrictions. We should be extremely leery of moving in the direction of quotas and licensing in areas where tariffs have been reduced or eliminated, and as a consequence, industry and jobs jeopardized. Quantitative controls inject government policy decisions deeply into the economic process. It becomes difficult, even to the point of impossibility, for government regulations to avoid inequities as between individual enterprises. If we find that on the products of some industries our tariff rates have been reduced too much, it would be better to increase the tariffs than to get involved with licensing and quotas.

2. As a first step, we should recognize the basic cause of our difficulties and readjust the exchange ratios of the various currencies to reflect the average unit costs of each country. The simple way to discover the relative average costs would be to reinstitute a free market in foreign exchange. Those who claim that this would disrupt foreign trade because of uncertainties of foreign exchange rates apparently have never heard about "hedging" by buying exchange futures.

An important side effect of floating exchange rates, or at least a widening of the margins within which exchange may fluctuate, is that it would take care of the so-called international liquidity problem. Experience indicates that when free market forces can adjust the exchange between currencies, very little of the money commodity—gold—is required because there are few imbalances that have to be corrected by the shipment of gold. It is the present system of rigid exchange rates which makes almost any level of gold reserve inadequate to meet all of the imbalances that tend to pile up.

3. We need to put an end to our Federal deficits and monetary inflation in the United States in order that we do not further aggravate the problem of pricing ourselves out of world markets through the well-known inflation process.

4. We need to substantially revamp and improve our antidumping laws. In a world of sovereign nations, it is inevitable that producers with any idle capacity will seek to sell in foreign markets, at dumping prices if necessary. Such a producer can always justify his lower foreign price by incremental costing of