

on a variety of products where imports have been increasing, especially steel, cheese, woolen textiles, et cetera. The reasoning behind my position may be characterized as the conventional wisdom of the international-trade economist, if you choose. While conventional, this wisdom is based upon a powerful analytical truth embodied in the law of comparative advantage, which states that with certain very limited exceptions, the country and the world as wholes are better off with freer than with more restricted trade, and that any valid social purpose which can be served by trade restriction can be accomplished more efficiently and more honestly in some other fashion.

The United States and the rest of the world have been reducing tariffs since the Reciprocal Trade Agreements Act of 1934. This is as it should be. In a world of small isolated regions, the imposition of tariffs makes some sense to protect an industry while it makes an adjustment to unexpected supplies of goods, which come in, as it were, from beyond the horizon, which a reasonable businessman may be expected to scan in looking for potential competition. Today that horizon is the world. Changes in production costs occur at home and abroad. These changes take place relatively slowly. They call for adjustment in trade patterns in order to minimize costs of producing given outputs, or to maximize yield of given inputs. When costs of transport fall to the point that Japanese steel producers can assemble iron ore, coal, and limestone from domestic and foreign sources and ship steel across oceans and lay it down cheaper than U.S. firms, it suggests either that U.S. firms have a comparative disadvantage in steelmaking and that our resources could be more advantageously employed in producing other commodities, or that U.S. producers have been slow to adopt cost-reducing innovations.

There are other complications: such as price discrimination and allegedly subsidies to capital costs. I would argue that these are not a sufficient basis for this country reversing its and the world's movement to freer trade which has been in progress for 30-plus years. Persistent price discrimination is a benefit to the consumers and a cost to the subsidizer. The notion that foreign countries can dump products in this market and then when they have driven out domestic producers, raise prices to monopoly levels, rests upon a strong assumption that there is an asymmetry in exit and entry, that is, that firms are easily pushed out of an industry by low prices but not reattracted into it by high prices. This assumption is very dubious. Most economists who have thought long about it are not moved by the plea that trade restrictions are needed to prevent dumping or that dumping—that is, price discrimination—is deleterious. We adjust to price discrimination in our daily life without much difficulty: the Filene's basements in which distress goods are sold, discount houses, free medical services for the poor, and higher prices for first run showings of movies. It is no different in international trade.

There will doubtless be much testimony that we should put tariffs or quotas on this and that product to protect the balance of payments of the country. I do not insist that patriotism is the last refuge of a scoundrel, but as an economist, I cannot intellectually concede that a general condition be put forward as an excuse for particular measures. I object to the so-called quasi-adjustments which the Govern-