GENERAL PROBLEMS OF IMPORT QUOTAS

The inherent vice of all quotas, of course, is that they distort the normal patterns of trade and do not permit market forces to operate freely. In his respect, they are worse than customs duties. A limit on the quantiy of any particular commodity that may come in either creates a chaotic struggle for priority—distorting normal business decisions in the interest of participation in the limited supply—or, like a cartel, involves some mechanism for allocation of the quota among exporters or importers or both. The disturbance to trade resulting from such restrictions can hardly be exaggerated. Because of them, importers have been unable to gain access to a source of supply, have had to pay premiums for quotas assigned to others, or have made their purchases when they were able to get the goods at the additional cost of higher prices or storage charges to keep them until needed. These handicaps to importers have been reflected in damage to consumers, in terms of higher prices and limited supply.

It is hardly necessary to point out that the principle of governmentally fixed limitations on imports for a wide range of goods is altogether opposed to the principles of economic freedom on which this nation has grown great and is much closer to the cartel philosophy that the U.S. deplores when practiced by other nations. One of the reasons for the vigorous growth of the U.S. economy is that the society has resisted the notion that any producer has a fixed right to a share of the market, whether it be threatened by technological or managerial innovation, a shift to lower wage areas within the United States, improved transportation, or competition from abroad.

In the case of quotas, the distinguished Harvard Professor of Economics, Gottfried Haberler, said:

". . . importing . . . ceases to be a business where entrepreneurial ability and sound business judgment determine who wins. Under the quota system the Government has to decide who is going to do the importing and the allotment of an import license become equivalent to a Government handout.

"Anyone who asks for quotas in effect asks for Government handouts and, whether he knows it or not, demands the replacement of the businessman and market forces by public officials and Government fiat.

"It is for this reason that I said before that quantitative restrictions on trade and payments are poison to the Free Enterprise System."

Americans have bitterly resisted internal controls over the economy, and when they came in World War II, got rid of them as soon as possible. The proposed legislation, nevertheless, proposes to install similar odious controls over the import trade of the United States, involving not only the limiting of imports but a vast and complex bureaucratic machinery. To illustrate, we suggest that this Committee ask the Department of Commerce and the Department of Treasury how many people are employed in the administration of the controls on cotton textiles, how many man-hours are spent, how many pages of publications are spewed forth, and what the administration of this program costs the taxpayers of the United States. Then ask for an estimate for the administration of the proposed quotas.

Some members of the Ways and Means Committee have been arguing, not without reason, that the tariff reductions achieved under the Kennedy Round are being subverted by quantitative and other nontariff barriers to U.S. exports. But in all candor, gentlemen, the United States cannot overlook the bad example of the quantitative restrictions that it continues to maintain. Permit me to quote an exchange between Undersecretary of State George Ball and Congressman Curtis during the hearings of the subcommittee of foreign economic policy of the Joint Economic Committee on July 20, 1967.

Representative Curtis: ". . . I have been deeply concerned with whether we haven't in many, many instances been replacing the tariff techniques for regulating trade with something that I would regard as much more regressive. I refer to the license and quota approach. And I think the long-term cotton textile agreement would give grounds for this concern.

"Of course, we have had the sugar license and quota setup for some time. And we now have an international coffee agreement. We are talking about an international cocoa agreement. And they are talking about extending the cotton textile agreement to include wool and man-made fibers. We have got the oil import quota agreement. Do you see a danger of moving forward to what we call mercantilism, at the same time we have been taking down the tariff barriers, so that we will end up with not having keyed up trade, but having restricted it by the use of the other techniques."