lated to our gross national product was greater (from 9.2 percent to 9.9 percent) than it has been under our present foreign trade policy, notwithstanding our generous foreign aid following World War II in the form of exports paid for by the taxpayers. During the 20's, moreover, we enjoyed a trade surplus even though our tariffs were considerably higher than in the 50's and 60's. The data also cast doubt on the claim that the Smoot-Hawley tariffs during the early 30's caused a worldwide immobilization of trade and the great depression. In view of the comparative consistency of the relatively small ratio of our foreign trade to our gross national product, it seems a good deal more reasonable to conclude that what happened to our foreign trade than was due primarily not to our high tariffs at the time but to a worldwide collapse due to financial and credit overexpansion. As a matter of fact, it is quite likely, at least for some of our industries, that the high tariffs prevented disaster from the impact of dumped imports during those critical years.

Unfortunately certain government statistics as presented to support our foreign trade policy, are of doubtful validity. The purported substantial surpluses in our international trade since our trade agreements have been in effect, have been offered as an important reason for the extended development of our trade agreements program, including the further reduction of our tariffs. These large surpluses, it has been claimed, contribute favorably and substantially to our international balance of payments. But if the statistics are correctly used, there are no large surpluses.

What is really important in an evaluation of the economic results of our foreign trade are statistics which show whether our foreign trade has been favorable on a business-like basis and whether it shows a tenable competitive position for us. Here we should know to what extent the landed cost of our imports has balanced the payment which our industries received for their exports. But the cost of imports as given in the commonly published government statistics, probably because of the simplicity of determination, is not the landed cost on our shores but the value in the principal markets abroad. Thus it does not include the cost of freight and insurance and whatever additional cost may be involved in bringing the imports from the markets in which the prices have been derived, to our ports of entry.

Further overstatement of our merchandise trade surplus results from the fact that our export figures, as given in the ordinary public press releases, include exports resulting from government grants. These, of course, are financed by the taxpayers. They are not correctly included in our commercial transactions. The significance of this should be clear if we realize that under our present system of publicizing our export volume, we could readily increase our ostensible merchandise trade surplus by raising another billion dollars or two in taxes and using the proceeds to buy goods to be exported to our friends abroad as gifts.

Exhibit I adjusts the commonly publicized United States exports to allow for those financed under the Foreign Assistance Act and Public Law 480 and adjusts imports to a C.I.F. basis. This tabulation, based on figures published by the Department of Commerce for the years 1955 to 1967, inclusive, shows that the balance of our commercial trade properly adjusted gives surpluses much lower than those commonly reported and in fact indicates a deficit in the last two years. This table indicates that we do not have the competitive superiority which is implied in the large surpluses commonly publicized and that our foreign commercial trade as such does not furnish the purported large surpluses to help in our international balance of payments. Furthermore, the contribution of our foreign trade to our gross national product, which consists merely of the balance between our exports and imports, even as reported over the same period has amounted to only from one-half of one percent to one and three-fourths percent of the gross national product. If the balance of merchandise trade is adjusted to a commercial basis, this surplus is reduced by about three-fourths, and its contribution to our gross national product becomes insignificant and in the last two years actually negative.

There are further aspects of our foreign trade which warrant consideration. Exhibit G shows merchandise imports and exports and total trade on a large scale. It indicates the relatively steady growth in imports, as against the irregular growth of exports due certainly in part to our foreign aid and grants. The declining trend in the apparent surplus of imports over exports in the last decade