"The American housewife would also pay a price—in the stores where she buys. American industry would pay more for raw materials and intermediate products. The vicious cycle would be completed—as American industries without quota protection would find that higher costs had made them less able to compete for export markets.

"We would all pay the price of government intervention. Quotas would involve the government more deeply in business decisions. Licensing officials would be added to the Washington bureaucracy. Trade cartels simply can't exist without someone to administer them.

"We would pay the price by the absence of competition. There would be fewer incentives to efficiency—less stimulus to innovation—less likelihood that 'Yankee ingenuity' would be the standard of business excellence. Growing productivity—the only real guarantee of higher wages and profits—would be sacrificed.

"Finally, in our relations with other nations, we would pay the price—and it is a heavy price—of loss of confidence in our leadership. The United States would have turned its back on economic cooperation between nations.

"I don't believe that industries seeking quotas are just trying to feather their own nests at the expense of others. They have a sincere concern that higher pay and better working conditions put them at a permanent disadvantage. Moreover, they resent—and properly so—the erection of barriers to free competition in other nations.

"But the establishment of quotas is simply too high a price to pay. This nation —of all nations—cannot set these forces of restriction in motion. I do not believe that we will. We simply will not permit the gains of the past 35 years to be swept aside—not when a better course is available to us."

Threatens national economy

Textile import quotas threaten the national economic wellbeing.

Not only do they increase the possibilities of inflation at a time when we can least afford it, when inflation endangers the very economic foundations of our industrial system, but they provide a protective umbrella under which the inefficient, the uneconomic, and the obsolescent segments of the textile industry are encouraged to continue operation even at the detriment of economic growth and progress.

At the same time, and perhaps paradoxically, the bigger companies, through consolidations and mergers, capture more and more of both production and sales, thereby putting into practice the economies of monopoly and concentrated power.

Moreover, as the Special Trade Representative so succinctly explained the crucial problem, ". . . quotas imposed by us are certain to lead to quotas imposed by others on our exports to them—and, in choosing their targets, they are likely to select the industries whose prospects for export growth are strongest. This in turn will affect the purchasing power of many of our workers and farmers."

This question of retaliation on the part of our trading partners is not hypothetical or theoretical, for we need only recall the tragic consequences of the 1930 Smoot-Hawley Tariff Act. By 1933, in three short years, our exports had declined 48% in volume and 68% in value.

In other words, by imposing an import quota on textiles, it is quite possible that in the long run the United States will suffer far more in the loss of exports than any benefit we might gain temporarily from limiting textile imports.

Take the case of Japan, for instance. In 1966, Japanese textile imports, including $115 million in cotton items, amounted to $470 million. That same year, American exports to Japan totalled $2,311 million, of which some $600 million was in agricultural products alone. Unfortunately for the United States, the $207 million in soybeans, $138 million in wheat, the $133 in raw cotton, and the $122 in corn, all purchased from us, are available to Japan from other countries, some of which offer these same products for less than we do.

We understand that Japan is willing and able to purchase so much from us because we enable her to earn the dollars with which to buy our goods and services by permitting entry to her exports. If we foreclose entry of her export items, we also force her—even against her will—to look elsewhere for her purchases. Though Japan may not intend to retaliate against our action, she may not have any alternative to buying and selling where her exports are welcome.

And, once an import quota is imposed on textiles, the demand from other industries for similar privileges will become harder to frustrate. And, in this way, an international trade war could easily be provoked, escalating with each