

The recent great outflow of our gold—not a loss but a sale—indicates that we are forcibly overvaluing the dollar abroad, in effect subsidizing imports of steel and other products in a “Reverse Tariff” process.

This underpricing of imports is increasing the demands for quotas against goods from overseas. To give in to these voices would bring retaliation. This would hurt some of our most profitable industries, those which have the advantage of capital rather than handwork-machine aided production at a low cost-per-unit and with high wages-per-hour. Tractor harvested wheat is an example of such output.

Karl Hobson of Washington State University spoke on the situation on December 12, 1967, before the annual meeting of the American Farm Bureau Federation. He said that foreign customers take more than half of our wheat, that we are in danger of losing most of this market and that this could spell financial ruin for most of our wheat farmers.

It would be unwise in the extreme for the United States to further obstruct trade, to enact a travel tax which might ruin the hotel business of our European hosts, to deflate segments of our own economy by high interest burdens—to risk causing world-wide unemployment—just to postpone a crisis of truth about the value of the dollar. The dollar represents the strength of American productivity. It is worth a great deal. We do not need to pretend that it can buy as much gold as it could thirty-four years ago.

## 2. *A new viewpoint for trade*

Foreign money is valueless to us if we do not use it. The benefit of exports is in the goods and services received in exchange for them. As Howard S. Piquet, Chief International Economist of the Library of Congress, pointed out on June 5, 1968 at a conference sponsored by the Committee for a National Trade Policy, every mature investing country will receive more merchandise than it sends away if it is to get returns from its overseas holdings. We mistake the benefit of trade if we reach for the yardsticks of foreign money while barring the yardage of tangible goods from abroad.

Let us adopt a fresh attitude—that of the Yankee traders. It would help us succeed if we changed the official designations “Unfavorable” and “Favorable” Balance of Trade to simply “Export” and “Import” Balance of Trade.

## 3. *Free trade for a free world*

Many thousands of Americans and countless Vietnamese have died in a war which is ostensibly being fought for freedom. Yet we will not accept things which the Vietnamese can make in free exchange for the American products which they need. We acquiesce in the economic defeat of curbing our wheat production. We are apathetic about our failure in world leadership to give undeveloped countries a chance to feed their starving peoples and work their way out of communism or dictatorship.

Let us increase the parity price of a bushel of United States wheat by lowering the tariff-increased cost of the things from overseas which our farmers could buy. Instead of taxing ourselves to limit crops let us aim to double the number of bushels which we harvest. Our industries could supply the road-making machinery and the water-works for a self sustaining world with free trade to phase out aid. We must break the deadlock of fear of an unlimited wealth of imports by removing our trade barriers unilaterally, confident that others will follow our demonstration of the success of free enterprise. First, however, we must end our pegging of the rates of exchange of dollars and foreign money. Otherwise we would not be allowing a shortage of foreign money exchange to dampen two-way trade with countries keeping up barriers against our goods. We would be paying a subsidy to force trade over these barriers.

As Henry C. Simons wrote, tariff legislation is politically the first step in the degeneration of popular government into the warfare of each group against all. Against the tariff, all other forms of “patronage” seem minor. American protectionism is *the* utterly unrealistic prescription for the future. If we try to maintain it, it will drive other nations into wholly different schemes of commercial policy which in turn will produce radical changes here. The collectivist trading of national monopolies is essentially a power contest, imperialist in the worst sense, and conducive to lower real income and militarism everywhere. If we, as the leading power, let the world go that way, we must organize for global economic war.