September 7, 1787, I moved to except peace treaties from the two-thirds vote in the Senate. Peace treaties I considered should be made with all facility. I feared that a President would derive such power and importance from a state of war that he might be tempted to impede a treaty of peace. Pierce Butler of South Carolina backed me up in this, reciting the artifices by which the Duke of Marlborough sought to prolong a war of which he had the management.

But Nathaniel Gorham and Gouverneur Morris and Elbridge Gerry all took a contrary view, asserting that the power to continue a war abided in Congress, which holds the purse.

BRICKER: Isn't that odd! We've had a war on our hands recently in Korea. And (*whispering*) it's been the President who wanted to end it—by concessions verging on appeasement. And there was no way the Senate could keep the war going except—

MADISON: Except by reviling the

President and so advertising to the enemy the dissensions within your own nation. How distressing! Perhaps I was quite wrong to think the President would be disposed to perpetuate a war for the enhancement of his own place in history.

But I repeat, sir, treaties of peace should always be easy of accomplishment. And I repeat also, you are subverting the work of the Framers, for whom I speak, when you impair the treaty power. As I said in *The Federalist*—

BRICKER: (*With some irritation*) I've read *The Federalist!*

MADISON: Then pray read it again. And now I must bid you a good day, Senator.

BRICKER: (*Respectfully*) This has been an interesting visit. I hope to see you again, Mr. President.

MADISON: Not here. I shan't return, because my joy at witnessing your vast material progress is much outweighed by the sorrowful apprehension of man's innate incapacity to live amicably with his fellow men. But I doubt not you will be coming up to join us some day. However, I must give you just warning, my dear sir. Do not permit yourself undue illusions of what may be in store. Heaven may seem to you a poor place of meager satisfactions after an extended service in the United States Senate.

(*Exit Madison.*)

SECRETARY: (*Entering*) Who was it, Senator?

BRICKER: Just a nut, as I suspected. Knew a lot of early history, I must say. But no grasp of modern problems.

How Important Are Tariffs?

BRUNO FOA

ON JUNE 12, the Trade Agreements Act, conceived by the New Deal, stamped with the venerable name of Cordell Hull, and dedicated to the proposition that tariffs should be reduced as much as possible, expired after nineteen years. The Act will surely be revived for twelve months, but the current drive to build the tariff wall higher is only the first stage in a campaign that will probably become more energetic during the next few months. Why? When mythology is separated from reality, do tariffs really matter much any more? And to whom?

The tariff is a politically explosive issue, charged with emotions linked to distant memories, which, when brought into play, act upon the reflexes of Congressmen the way music affects a trained bear. The curious thing about this tariff controversy is that most of the conditions it symbolizes ceased to exist some time ago.

In the world economists are supposed to deal with, the world of production and distribution of real goods, the significance of the tariff is now ridiculously tiny. The existence of a tariff wall is probably not nearly as much of a restraint on trade as free traders say. But knocking it down would certainly not do the American economy the damage the high-tariff groups contend. Although the net effect on our economy would certainly be favorable, even here the effect would be small.

IN THE old days, the average American conceived the tariff to be a major safeguard for the maintenance of employment and of domestic industrial prosperity. This may have been true within limits in a distant past. It certainly ceased to be true when two wars, and the powerful dynamics of an unprecedented type of industrial development, thrust this country into a position where it normally sends abroad several billion dollars more in goods than it takes from abroad.

During the past ten or fifteen years, our industrial production has more than doubled, our farm production has increased by leaps and bounds, and real income per person has increased by approximately fifty per cent. We have reached what is now called overfull employment. All these accomplishments owe absolutely nothing to the tariff.

None of our key industrial or agricultural interests has anything important to gain from tariff protection. American production has full sway in its domestic market, besides having developed large export markets the size of which is now limited almost entirely by the ability of foreign countries to earn and pay dollars. Our basic farm products, such as wheat and cotton, depend in no small degree upon foreign outlets. Only a negligible fraction of what we consume is of foreign origin. Our imports of finished manufactured goods for consumption in 1951 totaled $1.9 billion—about one and a half per cent of our national expenditure ($140.6 billion) on consumer goods.

But what if our prosperity should come to a halt? What if we should see a depression coming on? The answer is that the tariff would not help us a bit. The tariff could not create purchasing power, could not stimulate demand for either investment or consumer goods. It could not effectively create jobs by substituting American for foreign products because it would act chiefly on luxury or semi-luxury goods, which people would buy in smaller quantities anyway. By reducing American demand for other nations' products, it would deprive other countries of earned dollars, hit our own exports, and generally intensify the world-wide slump that would follow any major American recession.

What is more important, we now have other, far more effective methods of resisting the downward slide of economic forces. Under the Employment Act of 1946, we as a nation are committed to national policies that will under all conditions stimulate high levels of employment and production. The tools required to implement such policies are by now familiar to all. An impressive array of them, from cheap money to public works, can be brought into use to increase public and private spending and investment, and to place a floor under the national income level. There is no room for the tariff among these full-employment measures. To use it would be to use a hand hose to put out a forest fire when there is far more powerful and up-to-date equipment available.

Can't Have It Both Ways

A tariff is supposed to protect the domestic producer against the threat of a "flood" of foreign imports that would destroy him. The catch is that for most commodities the flood exists only in the mind of the U.S. producer. It is not too much to say that, for most of the range of goods affected by tariffs, the problem is not with the import but with the producer himself. For the key question is how certain significant yet increasingly marginal segments of domestic agriculture and industry can adjust themselves to an environment of rapid economic growth at home.

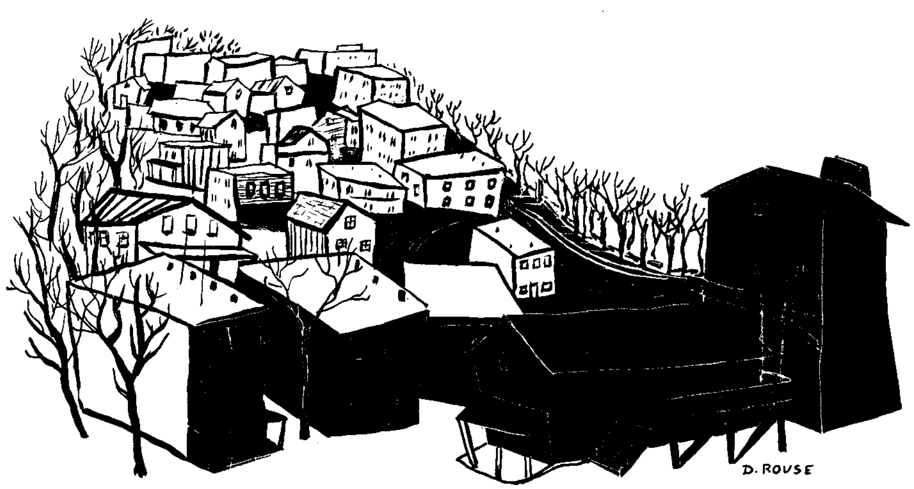
The case for free trade is clearest in agriculture. The nation and its organized farming people have to decide whether to continue to protect the dairy industries and an array of comparatively minor farm products, ranging from filberts to garlic, to the detriment of wheat, cotton, and tobacco exports. On the President's TV show in early June, Secretary of Agriculture Ezra Taft Benson went out of his way to underline the importance of exports:

"In order for agriculture to be prosperous it must not only have good markets at home but big markets abroad. And of course this is a two-way road, this foreign trade, so if we will sell abroad we must also permit them to sell here. That's why farmers are in favor of the extension of the reciprocal trade program.

"Now, usually we think of businessmen and manufacturers as being primarily interested in foreign trade. But I presume the individual who is most deeply concerned with this matter of foreign trade is this man we call the American farmer."

It is said that tariffs and quotas are needed because of domestic farm-price supports, since by keeping prices up they attract "abnormal" foreign imports into the United States. Price supports probably do have some effect in encouraging imports in a few items. But price supports are much worse for our foreign economic policy on the export side than on the import side. For by raising the prices of the staple exports that other countries have to buy from us, they make it necessary for those same countries to earn more dollars by selling us even more goods. The only alternatives to more imports are more out-and-out aid or a smaller volume of exports. People who grow and sell wheat and cotton know that currently the United States is paying both kinds of price. The lesson on imports is clear: We cannot have it both ways and hold onto our big outlets for staple farm products while shutting off the door against virtually all farm imports.

For the industries that form the backbone of American production,



the tariff is an unimportant subject. The people who are interested, and whose views are loudly echoed on Capitol Hill, represent those types of production which, for one reason or another, have not shared proportionately in the steady growth of our industry. They include, among others, the manufacture of special types of textile fabrics, straw articles, felt hats, wallpaper, smoking pipes, matches, certain kinds of glassware and pottery, and some precision instruments such as watches.

There have been a few recent cases in which protection (chiefly under authority of the indefensible Buy-American Act, enacted at the very bottom of the great depression) has been invoked against foreign competition in machine tools and in heavy equipment. The manufacturers of heavy electrical equipment, for example, seem to need a boost from the government to stay even with their British and Swiss competitors. On the whole, however, the problem does not involve the heavyweights of American industry, but rather certain smaller businesses which show a long-term trend of weakness.

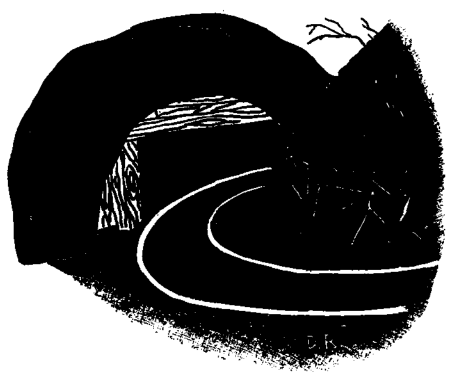
Such industries are not in trouble because they are small, or because they turn out unglamorous things like pretzels and cherry pipes rather than nylons, automobiles, and radar components. In some cases their dimensions are large and their corporate structure impressive. Moreover, countless small enterprises flourish in the climate of growth that is so characteristic of American industry. The trouble lies not in inadequate size but in an inability to keep up with the rest of the American economy.

More precisely, what seems to be happening is this: The "growth industries" (whether large or small) are typically those which can place behind the worker the most machinery and distribute the largest number of units per dollar of labor cost—in other words, those industries in which labor has the highest output per man-hour. Because productivity in these industries keeps on growing, labor can command a higher and higher return. These industries set the pace for the whole economy and establish the wage standard for workers in every line of business.

It follows that industries in which workers can add less value per man-hour of work are going to suffer. What the hatmakers have to pay for labor will go up, not according to the increase in productivity of hat workers, but according to the general increase in wages achieved by workers in automobile plants and steel mills.

Protecting the Unprotectable

This is the predicament of many segments of the textile, shoe, apparel, men's-wear, and women's accessories industries. The demand for their products is not increasing proportionately to rising income. The same trouble faces several producers of useful but qualitatively undistinguished light goods or semi-handicrafts. There are exceptions, as in certain segments of the glassware industry, where new lines are developed or, in general, where distinctive workmanship and high quality offset high cost per unit. In turn, these exceptions appear to confirm the suspicion that the common denominator of the difficulties in question is not so much *technical obsolescence* (though there is a good deal of that too) as *product obsolescence,* suffered in a highly dynamic econ-



omy by industries that embody earlier stages of technical or market development, and that cannot or will not change.

It is not a coincidence that the industries that are "vulnerable" to foreign competition are often located in communities or areas, for instance certain parts of New England, that have in recent decades lost much ground to the areas blessed (or cursed) by the flowering of the later phases of American industrialization.

Obviously, the remedy is not to build a high fence around some industries or communities so that for a few years more they can eke out a precarious living by sticking to types of production that have little or no future. They are bound to become increasingly squeezed in the vise between higher costs and stagnant markets, whatever temporary help they may receive from tariff protection. There is no effective way to protect them against high costs and low productivity in an economy where productivity generally is going up and costs are going down.

THE PROBLEM of weak spots and depressed industries or areas within the context of a rapidly expanding economy may call for reorganization into more efficient—smaller or larger—units, or for product development and diversification. In other cases, a partial or total shift to new lines of production may become imperative. In a national economy of full employment, this could and should be accomplished without entailing serious casualties. Ultimately, the solution will be the replacement by stages, over time, of the "obsolescent" industries with new ones, so as to bring the community or area into line with the general trend of growth of the national economy.

Product diversification can accomplish much, and bring about great changes over a period of years. After President Truman rejected the higher rates recommended by the Tariff Commission on watches and watch movements, the Elgin National Watch Company adopted a policy of hedging against foreign competition by branching out into the production of new lines such as men's jewelry.

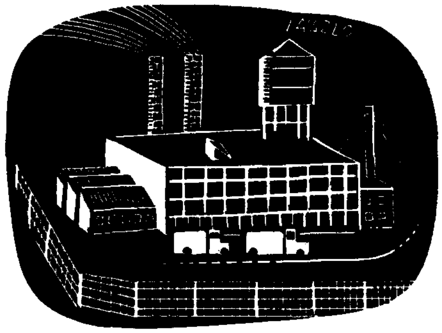
Research and product development are performing miracles every day, bringing about a new industrial revolution. The defense effort itself can help to lift the face of depressed areas or communities, particularly through the establishment of "dual-purpose" (civilian and defense) plants. Furthermore, many new civilian products can be expected to take up the slack as the defense effort begins to taper off. The main thing is to put management on its mettle to find effective uses for the facilities and manpower of the "vulnerable" industries.

The Question of Subsidies

The problem of transition calls not only for isolated "shot-in-the-arm" measures but for some permanent kind of program, since we must face the fact that in a dynamic economy new weak spots are bound to develop from time to time. This is why so many business organizations have been coming out for a gradual reduction of tariffs, looking toward their elimination over a period of ten years or so.

A system of subsidies should be worked out to go into effect along with tariff reductions. Such subsidies ought to be temporary, for the industries that are earmarked for total or near total conversion. For industries that have some military importance, even a permanent though moderate subsidy might be justified for the purpose of maintaining a core of skilled manpower.

This idea of subsidies seemed revolutionary before Paul G. Hoffman first gave it respectability early in 1950. It has now gained the support of the New York *Times* as well as of influential business groups including the U.S. Chamber of Commerce.



More important than subsidies to the industries themselves will be special unemployment benefits for workers who may have to move into other lines of production, to cover the period of their retraining and reabsorption elsewhere.

If only one-tenth of the time and effort currently being spent by the protectionist lobby in fighting the battle for high tariffs were turned to a serious technical study of a working system of subsidies, it would be a great blessing. Moreover, if the protectionists were to adopt such an attitude, the advocates of free trade would have a real incentive to think up ways of safeguarding the interests of the domestic industries affected by the shift.

Good Business, Good Politics

The repeal of the Corn Laws in England in 1846 was a gripping political drama of the nineteenth century. A parallel change in American tariff policies in our day would be a much simpler and less painful process in its substantive effects. However, it still faces formidable political difficulties.

History might repeat itself to the extent that President Eisenhower, like Sir Robert Peel, would have to split his own party and enlist from the Opposition the votes required to put the reform through. But the President got more votes than his party did last November, and, should he decide to affirm his leadership, he might have the support of a bipartisan majority within the halls of Congress and in the country. There is reason to believe that it would be not only good business but also good politics.

D.P.s in D.C.: The Riffed and the Miffed

HELEN HILL MILLER

THE HOLDERS of top political appointments in the new Administration and the permanent civil servants stare at each other across a gulf of deep mistrust.

The incoming Republicans arrived with the expectation that the bureaucrats below them would be a mediocre but abundant residue, spawned by the New Deal in numbers credible only among guppies, some of them actual carriers of corruption and Communism, *all* of them badly in need of admonitions to cut short the coffee hour and pull up their socks.

In turn, since the inauguration, equally uncivil servants have spent much time regaling each other at lunch with details of the newcomers' ignorance, their slips in testimony on Capitol Hill, and their failure to consult those who know. As they walk back to their desks, they wonder how much of the career service will survive the change in Administration.

The RIF Song

The down curve of employment has brought a new verb into Washington vocabulary, used mostly in the passive—"I've been riffed, you're being riffed tomorrow, they will be riffed on the next round." It is derived from a new group of Washington initials, signifying the most formidable fact of life in the Executive Departments: Reduction in Force.

The Republicans came to town committed to putting large numbers of government functions on ice—presumably in Mr. Truman's deep freeze—and with them large numbers of government employees. Candidate Eisenhower might say, "Those who—using the tactics of