39. Trade

Throughout history nations have prospered by opening their borders so people could take advantage of the best the world had to offer. Nations that closed their borders have suffered stagnation, decline, and backwardness.

Although most U.S. presidents, including Ronald Reagan and Bill Clinton, affirm the value of free trade, the federal government does much to prevent Americans from buying what they wish with their own money. Tariffs, import quotas, anti-dumping duties, and myriad other restrictions force Americans to pay more for everyday items. Since thousands of restrictions apply to staples such as food and clothing, trade restrictions hit the poor especially hard. If Washington truly wishes to improve the living standards of millions of Americans, it will reduce U.S. trade barriers unilaterally. That is, it will not wait for other countries to remove self-damaging trade restrictions.

Accordingly, Congress should pass an Omnibus Consumers' Relief through Free Trade Act that would

- **repeal the Act for Registering and Clearing Vessels, Regulating the Coastal Trade and for Other Purposes (1789);**
- **repeal the Antidumping Act of 1916;**
- **repeal the Countervailing Duty Law of 1897;**
- **repeal the Jones Act;**
- **repeal the Smoot-Hawley Tariff Act of 1930;**
- **repeal the Agricultural Adjustment Act;**
- **repeal the Buy American Act;**
- **repeal the Export-Import Bank Act of 1945;**
- **repeal Public Law 480;**
- **repeal the Agricultural Act of 1956;**

- **repeal presidential proclamations 3822 and 4941;**
- **repeal the Meat Import Act of 1979.**

Act for Registering and Clearing Vessels, Regulating the Coasting Trade and for Other Purposes

Some provisions of this 1789 act survive, namely 46 U.S.C. 8103(A), 12102, and 12110, which specify that only U.S. citizens may operate fishing boats that are larger than five tons in U.S. coastal waters. Defended in the name of national security, that provision has protected U.S. shipping and fishing interests. The provisions are known to have been enforced mainly against Vietnamese residents of the United States.

Countervailing Duty Law of 1897

This law (19 U.S.C. 1303) still applies to countries that have not agreed to abide by the Subsidies Code of the General Agreement on Tariffs and Trade. A countervailing duty can be levied on imports that are alleged to benefit from subsidies, without determination of injury to the affected U.S. industry. The result is higher U.S. consumer prices.

Antidumping Act of 1916

The Antidumping Act (15 U.S.C. 71) gives U.S. firms a legal basis for suing foreigners in Federal District Court for criminal violations. Because the standards of proof for a criminal case are higher than they are for an administrative case, there have been few cases filed under this act.

Jones Act

The Jones Act (Section 27 of the 1920 Merchant Marine Act, 46 U.S.C. 883, 19 C.F.R. 4.80 and 4.80[B]) restricts U.S. intracoastal commerce to vessels made and registered in the United States and operated by U.S. citizens. The act has exacerbated critical shortages, such as that of heating oil during winter cold waves, by limiting the vessels that can make available what Americans need.

Tariff Act of 1930

Yes, the infamous Smoot-Hawley Act (19 U.S.C.4) is still with us, the foundation of American trade policy. Most subsequent major trade laws—

including the Reciprocal Trade Agreements Act (1934) and much of the Trade Expansion Act (1962), the Trade Act (1974), the Trade Agreements Act (1979), the Tariff and Trade Act (1984), and the Omnibus Trade and Competitiveness Act (1988)—have been amendments of Smoot-Hawley.

Repealing Smoot-Hawley would eliminate what remains of the original act:

- Section 201, which raises tariffs temporarily when domestic producers lobby hard enough, would be phased out over a five-year period.
- Section 232, which authorizes restrictions on imports found to imperil our national security. Such restrictions have seldom been granted—and only to the oil industry.
- Section 301, which authorizes steep tariffs on products many Americans want to buy, to punish the producers of completely different products who successfully restrict sales of U.S. goods in their country.
- U.S. tariffs, which are low in most cases but still more than 20 percent for many industries.
- Anti-dumping duties (19 U.S.C. 1673). A plaintiff need not prove criminal intent as he must under the 1916 anti-dumping law. Elaborate, often arbitrary, procedures are specified for determining whether an importer's selling price constitutes "dumping." The result is to prevent American consumers (often manufacturers of other goods) from gaining the advantages of price competition.
- Countervailing duties (19 U.S.C., 1671), which prevent foreign governments from subsidizing American consumers. Countervailing duty laws, too, involve arbitrary standards that are capriciously enforced.
- Legislative authorization of the Office of the U.S. Trade Representative and the International Trade Commission. The USTR talks about opening markets, but its major role has been to negotiate import restrictions that limit what American consumers (individuals as well as manufacturers) can buy. The International Trade Commission helps U.S. producers get restrictions on what consumers can buy.
- Adjustment assistance to firms or individuals that claim to be harmed when American consumers shop abroad for what they need. Firms do not deserve assistance. Individuals who lose their jobs because customers prefer overseas suppliers should not be treated differently than are individuals who lose their jobs because customers prefer other domestic

suppliers, or individuals who lose their jobs because of poor health or other reasons. People should be treated equally on the basis of their need and the willingness of taxpayers to provide support.

- Balance-of-payments authority (19 U.S.C. 2132), which gives the president power to restrict imports by tariffs or quotas as a way of dealing with alleged balance-of-payments problems. There has been no reason to worry about the balance of payments since Adam Smith published *The Wealth of Nations* in 1776.
- The Exon-Florio amendment (1988), which gives the president the power to prevent Americans from getting capital they need overseas.
- Machine tool "voluntary" restraint agreement enforcement authority (section 1501 [c] of the Omnibus Trade and Competitiveness Act of 1988).

Agricultural Adjustment Act

This New Deal dinosaur (7 U.S.C. 624, section 22) makes food more expensive for all Americans by authorizing costly agricultural import quotas. At one time or another, section 22 has forced Americans to pay needlessly high prices for wheat, wheat flour, rye, rye flour, rye meal, barley, oats, cotton, dairy products, shelled almonds, shelled filberts, peanuts, peanut oil, flaxseed oil, linseed oil, and sugar. Section 8e bans imports that fail to meet certain grade, size, maturity, or other requirements, and those requirements are applied to more than a dozen major categories of food that Americans need every day.

Buy American Act

By making a cynical, greedy appeal to patriotism, this act (41 U.S.C. 10[A]-10[D]) hits American taxpayers and requires the federal government to buy from higher priced domestic suppliers, rather than shop abroad.

Export-Import Bank Act of 1945

This act (12 U.S.C. 635) authorizes export subsidies that exploit American taxpayers to enrich politically connected corporate interests.

Public Law 480

P.L. 480 (7 U.S.C. 1701-1736d) created the Agricultural Trade Development and Assistance Act of 1974. As amended, that act authorizes the

U.S. government to dump American taxpayer-subsidized food around the world, impoverishing Third World farmers who must sell their own crops to survive. The agency doing all that harm is the Commodity Credit Corporation.

Agricultural Act of 1956

This act (7 U.S.C. 1854) authorizes collusion between the U.S. government and foreign governments to force Americans to pay much more for thousands of textile products. The most egregious outcome has been the Multifiber Arrangement, which is to be phased out under the new GATT agreement.

Presidential Proclamations

With Presidential Proclamation 3822 (82 Stat. 1455) of December 16, 1967, Lyndon Johnson created, among other things, authority for annual quotas on sugar, syrups, and molasses. Ronald Reagan authorized country-by-country sugar quotas with his Presidential Proclamation 4941 of May 5, 1982 (47 *Fed. Reg.* 34777), which also specifies that sugar can enter the United States only with bureaucratic "certificates of eligibility."

Meat Import Act of 1979

This act (19 U.S.C. 1202) authorizes limits on the amount of meat Americans can buy from overseas suppliers. The act has been invoked only once, so the main effect of repeal would be to eliminate future temptation to harm American consumers.

Other Provisions of the Proposed Omnibus Consumers' Relief through Free Trade Act

The proposed act would also have other beneficial provisions:

- It would prohibit further U.S. contributions to the International Monetary Fund and the World Bank, since those institutions give American taxpayers' money to governments that are often headed by dictators. What we need are fewer government-to-government relations and more voluntary relations among private individuals, companies, and organizations.

- It would require us to notify our trading partners that we do not wish them to renew their "voluntary" export restraint practices. The United

States has pressured foreign nations to impose such restraints. While that has generated higher prices and profits for both U.S. and foreign firms, U.S. consumers have been stuck with higher costs.

- It would allow U.S.-government-sanctioned cartel agreements, such as have been reached for coffee and tin, to expire.
- It would end U.S. participation in the UN-sponsored Integrated Program for Commodities, which promotes cartels.
- It would terminate the trade-related activities of the Departments of Agriculture, Labor, Commerce, Energy, and Transportation (assuming it will take longer to terminate the departments themselves) because they generally help special interests restrict what American consumers can buy.

Conclusion

With closed economies collapsing everywhere, people around the world are probably more receptive to free-market ideas than they have been at any time in more than 100 years. Americans have a historic opportunity.

We can show the world how markets are opened by opening our own. Instead of badgering foreign governments thousands of miles away, we can pressure our own federal, state, and local governments to get rid of restrictions that, after all, mainly raise consumer prices for our own people and undermine our own manufacturers by making needed materials harder to get.

If America is to be a pacesetter, we can no longer tolerate outrageous backroom deals that enable the auto lobby, the steel lobby, the textile lobby, the apparel lobby, the semiconductor lobby, the sugar lobby, the dairy lobby, the shipping lobby, and myriad other vested interests to exact tribute from ordinary Americans. We must let people be completely free to buy what they choose with their hard-earned money.

By repealing our restrictions, we would affirm that, along with freedom of religion, freedom of assembly, and freedom of the press, Americans deserve full economic freedom regardless of what other countries do. Continuing restrictions elsewhere are not a valid reason to deny freedom in America.

We would affirm that the greatest benefits go to those who open their own markets. Repealing restrictions would liberate Americans to shop for the best the world has to offer and in the process enjoy an even higher standard of living. Since most commodities that are traded internationally are industrial raw materials and components, repealing our restrictions would also give a boost to American manufacturers, including a lot of exporters. In economic affairs, that will amount to nothing less than a new American Revolution.

Suggested Readings

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—Prepared by Jim Powell