

# Pollard's Brilliant Free Trade Speech! (Unedited, Unfootnoted, (Unreadable?))

## I. Rice Cookies

The Gulf war isn't the only case of the United States demonstrating the awesome strength that belongs to a modern superpower. We flexed our muscles and stopped our citizens from eating Italian pasta. This aroused the European Common Market which promptly heightened its image by preventing its citizens from eating Californian fruit and nuts.

Meantime, Jamaica sold us the 970 gallons of icecream a year it is allowed to sell us, while Mexico sold our women the allowable 35,292 bras

This is your government at work and this is the trade war. We pay grown men and women large amounts to wage it against ourselves. If it seems funny I fear we must respond with hollow laughter.

In the whole of Indo-China, we have one friend. Not VietNam, nor Laos, nor Cambodia. Of course it is Thailand, whose major crop is rice and whose principal customer is the US. To ensure the rice growers of California would use all their heavily subsidized water and live well at the expense of the American consumer, we stopped the Thais from earning a living by closing our market.

On what grounds? - Our Commerce department, after exhaustive study, found that the Thai government price support

system gave the Thai farmer a subsidy of 0.004%; the cooperative assistance program provided a subsidy of 0.009%; a mortgage program was equivalent to a 0.02%; discounts to the millers provided a 0.01% subsidy, and on and on and on. Your taxes are not wasted, this is important work.

All in all, the Thais were subsidizing their rice farmers about \$100 a year. And while this potty analysis was going on, we were giving our own rice growers about \$200,000 a year to keep the wolf from the door. Not, that they needed help. Even before the gold was poured into their bank accounts, the average full-time grower was a millionaire.

And next time you hear of the vicious refusal of the Japanese to import American rice, remember that in 1986, for example, the U.S. government spent close to \$1 billion to flood world markets with American rice. This depressed world prices by half and probably bankrupted the Thai farmers whose rice scared us so much.

If you were Japanese, would you allow your basic food to be in the hands of these maniac Americans?

Anyway, now you see why we need to give subsidized water to the Californian rice growers who are growing rice in our deserts.

## II. The Situation

I should mention that most of the figures I use are from information provided by the Commerce Dpt. and the Federal Trade and International Trade Commissions.

First thing is to place international trade in perspective. About the same number of American workers face direct import competition as produce for export. So, every job 'saved' by tariffs, quotas, or other political intervention places another job in jeopardy.

And these 'jobs in jeopardy' represent efficient companies. When a competitive business is trashed to keep an inefficient operation alive, economic vitality is lost. An economy cannot provide a good standard of living when political policy deliberately reduces the general productivity of its workers. We are the largest exporter in the world. In the last half of the 80's we doubled our trade. As Peter Drucker said, for this to happen to a little country wouldn't attract attention, but when this 'doubling' happens to the foremost trading country in the world, this is astounding.

The problems we confront are not economic, but political. There are two directions for economic policy. We can choose the market, or we can choose privilege. 'Privilege' is a technical term used by Georgists to mean 'private law' (privi - lege). Privilege is legislation that benefits one person at the expense of another. Protec-

tion, without exception, is privilege.

## III. Phone Business

This is the way it works. When Motorola wanted its cellular phones in Japan, it put all its money, effort, and industrial know-how behind the project. It contacted Washington and gave \$100,000 to Republican candidates.

Carla Hills is President Bush's trade top gun. She handled the attack. The media bulged with stories about the Japanese refusal to allow our telecommunications products to be imported. For 'telecommunications products' read Motorola cellular phones'.

The plot thickens. Japan routinely alters its cellular phone frequencies for the American market. Motorola insisted Japan should install the Motorola frequency in the Tokyo corridor - the most important cellular market. This is like Ford insisting that, for the convenience of Ford, we buy 3 wheel cars.

Carla proceeded to use Super301 to threaten a 100% tariff on a list of Japanese products ranging from burglar alarms to sunscreen. This would mean that American burglars wouldn't feel threatened by the police, but they would be at risk from skin cancer.

Incidentally, Japan wasn't the only target. Carla snarled at India and Brazil at the same time. Brazil was ordered to buy

more of our goods, or else! Let me point out that Brazil was selling her goods to us to get dollars to meet the interest payments she owed us. If she bought our goods, she would have no money to pay the mortgage. A scenario we'll meet again and again is the unconcealed ignorance displayed by the clowns who claim to be our leaders. They think in linear fashion, completely unaware of consequences that ripple through the economy.

Well, instead of telling Carla to 'Get Lost!', Japan caved in, gave Motorola its special frequency, and the company sold its American cellular phones. Well, not exactly. The phones Motorola sold to Japan were actually made in Malaysia.

#### IV. The Contestants

In trade, as you might imagine, we have the edge in some areas of production and they have the edge in others. Their advantage rests in things like footwear; apparel and textiles; some electronic goods; basic iron and steel; and motor vehicles. We beat the pants off them in agriculture, chemicals, office and computing machines, and engines. We're not far behind in electrical machinery, plastics and legal drugs. We also sell services. We sell our brains.

In the 20 years up to 1980 our exports of services increased from about \$350 million in 1958 to \$26 billion. It is still rising. It seems we choose to earn our wages, not at the coal-face, but in air-conditioned offices. One of the Bells recently installed a

telephone system - for the whole of New Zealand. General Electric shows us a commercial, with subtitles. We need the subtitles, because the commercial is seen on Tokyo television, where GE recently installed a power system they say is the largest export order they have ever had. I don't know what hardware power was involved, but I know the Japanese bought American brain-power.

#### V. Smokestack Scaremongers\*

Now, we are told that providing services is a pretty bad thing. We are likely to lose interest in our basic industries. These are the dirty, often dangerous, jobs. Our 'smokestack industries' are declining we are told which spells doom for the U.S.

I've noticed that most of the people who deplore our loss of smokestacks haven't got their hands dirty in years - except in a figurative sense. They may have dabbled in some dirt to get pocket money during college, but to go everyday, every week, all year, to a place where molten steel can burn you, or jagged metal can cut you, or the roof can collapse and bury you in coal dust, is not what they want to get used to. They feel others should do it. It's good for the country.

They aren't keen for their own kids to take honest work at the bottom of the pit-shaft. They send 'em to college, there to learn how to wear a white coat in the laboratory, or a pressed suit in the executive suite. Honest toil at the coal-face is some-

thing other patriotic kids should do.

The farmers of free trade England, in all weathers worked long underpaid hours to produce half the food the English ate. The other half was produced in one square mile called the City of London by well-dressed and well-paid businessmen working from 9 to 3. You can judge which is better. I've already made up my mind.

Incidentally our proportion of industrial workers, about 25%, hasn't changed much in the last 30, or 40 years. About 40% of their production exported and their business depends on imports, for most of our imports supply our factories and not directly the retail market. Raise the price of imports and you'll make it harder for industrial workers to make a living,

## **VI. Japanese Computer Dominance**

But back to brains. We are in the business of brains.

Chips & Technologies is one of our major chip manufacturers, except they don't actually make any. They conceive the chips, they plan the chips, they design the chips. Then, they send them to Taiwan, or somewhere (it doesn't matter) to be made. They even send people to train and oversee production. In due course they get the chips back. Now, where is the profit in these chips? Not in the semi-skilled workers of the production line, but in the work done by Chips & Tech in the U.S.

We sell our brains.

About 95% of all the software in the world is American.

Between 80-90% of the computer operating systems in the world are American. Bill Gates didn't become a multi-billionaire just selling to us.

To use this software, you need the right hardware. Some 80-90% of the CPU's in the world are American. These are the processing units in every computer that make it go. Intel has such a lock on CPUs that other American companies are desperately seeking alternatives to the Intel monopoly.

All those Japanese computers that are taking over the world have little Intels in them. Or, little Motorolas. And also Bill Gates little MSDOS's to run them.

## **Japanese Computer Industry**

The monolithic Japanese computer industry, which scares the wits out of dangerous people like Gephard is 40% American - and climbing.

Hewlett-Packard has been there since the 60's. They joined a Japanese computer company to learn the ropes and are still partners, except their share of the firm has gone from 25% to 75%.

Apple was almost unknown in Japan four years ago says Scully, their CEO. He

didn't say why, but it was probably because their software was written in English which few people could read. Lotus software was in Japanese. They are now the #1 software firm in Japan. Apple must have learned. In 4 years their sales are now up to \$400 million a year

IBM in Japan have just had a bad year. Sales down 21% in recession times. This cut their profit to \$1.1 billion. This is on sales of less than \$11 billion.

They hope things will improve.

Perhaps we should deal with the Japan thing right away.

There are about 1,300 American businesses in Japan. If you added, though why you should want to I can't imagine, if you were to add the American business done in Japan to our exports to Japan, then compare them to Japanese exports to us, plus Japanese business here - it would be about equal. If anyone cares.

Actually the only organization that does care is the government. Numbers like Gross National Product, Consumer Price Index, and Trade Deficits mean nothing to most people, including manufacturers and other businessmen. They are for governments - and they are mostly wrong.

One other point about how we buy. The Japanese, on a per capita basis, buy more from us than we buy from them. They buy \$394 per capita from us, we buy \$360

from them.

Japan is one of the largest importers in the world. Next to Canada, they are our best customer. If you listen to the clowns in Washington, you'd believe they only export, never import.

### **X. Ho, Ho, Ho, - The Trade Deficit.**

Nevertheless, the biggie in trade statistics is the merchandise trade deficit. Overall, we get more goods from Japan than we send them. Now I happen to think that's good. Politicians don't. What we do is to send them dollars to pay for the extra they send us.

Senator Riegle, I think of Michigan, trumpeted that we've exported hundreds of billions of dollars worth of jobs to Japan. Instead of spending them here where they would create jobs, we sent our dollars and jobs to Japan. I suppose we have to expect this kind of nonsense from people who are doing the job they are paid to do - by lobbyists, but let's look at those dollars in the hands of the Japanese.

I wonder what they do with them?

Put them under a mattress for a rainy day? Use them for monopoly money? What they do with them is to use them to buy oil from the Arabs. The Arabs use them to buy machinery from Germany, which uses them to buy insurance from Britain, which spends them in the U.S.

We forget that dollars can only be spent here. Sooner, or later, they come back here. This is the only place they can be spent.

Trade statistics are obviously put together by the people who run the House bank. Exports are poorly counted, for who cares, and they are much under-estimated. Imports are carefully counted by the customs guardians at the gates - all 17,000 of them

But, there are built-in inaccuracies. Look at the paper I handed out. Does their trade balance?

#### **V. Protection is Expensive**

Make no mistake about it. Protection costs us an arm and a leg. But, it does it invisibly by raising prices. Many economists are now suggesting that if we feel that industries must have help, they should not receive it with under the counter tariffs, but with direct subsidies, direct grants of money. At least, these would appear in the accounts and be visible.

Henry George made that suggestion 100 years ago in what is probably the best argument ever written for free trade - his "Protection or Free Trade". I am not sure he would echo the sentiment today. When he made it, the budget was considerably smaller and a subsidy would loom large in the books. In modern budgets it would disappear among the other billions.

#### **VI. Costs**

The tariff operates invisibly and harmfully to depress the wages of the American worker. A study in 1986 by the Federal Reserve Bank of New York reported that higher prices in protected industries were an effective income tax surcharge ranging from 5% on the wealthy to a whopping 65% on the poor.

Just the protection of textiles lays heavy on the American worker to the extent of some \$20 billion each year. That's \$80 each for every man, woman, and child in the country. This burden is heavily carried by the poor. Tariffs hit cheaper clothes harder than luxury items - which often have lower rates. Congressman Tom DeLay estimates that protection cuts the purchasing power of those near, or at, the poverty line by 32%.

#### **VII. Buying Jobs the Hard Way**

We should talk about steel. Here's what our free market friend, President Reagan says.

"In responding to this pressing import problem, we must do all we can to avoid protectionism, to keep our market open to free and fair competition . . . This administration has repeatedly . . . committed itself to resist . . . protectionist pressure . . . . reduce barriers to trade . . . ."

"However, I have decided to establish a government policy for the steel industry . . . . which would enable (the steel indus-

try) to return to a level playing field, one in which steel is traded on a basis of market forces . . . ".

He promptly defined market forces as imports of 18~%. The job description for President includes knowing what market forces will allocate.

Government policy for steel pushed up the cost of living to little purpose. We saved the jobs of the steel workers with tariffs and quotas. To save about 21,000 jobs cost us \$113,000 per job per year. Trouble was that it also lost 54,000 jobs in other industries, jobs that were lost because steel prices were higher.

When a basic industry suffers a cost increase, everyone else pays - and often demands protection. Protected steel is expensive, which raises the price of cars and trucks. So, they need protection from imports made with cheaper steel. This raises costs for everyone who uses cars and trucks - which is everybody. Soon, there are more demands for protection.

Yet, as big steel falters, so does little steel do well. Around the country, 'mini-mills' are proliferating and they offer some interesting comparisons. The average American steelworker produces 350 tons each year. His Japanese counterpart knocks off some 750 tons each 12 months.

The American mini-mill worker churns out more than 1,200 tons per capita. Now the problem is that the workers in the

mini-mill are often not unionized and they tend to be enthusiastic. Workers aren't paid the union contract's \$22.50 per hour in wages and benefits. They must make do with a measly \$17. But the plants are modern, efficient, and have already captured 20% of the market.

They are efficient, so we should support them, right? Well, they are converters and rely on imports of scrap and basic steel, so the protectionists are in full cry for more quotas on imported semi-finished steel and scrap. This led West Coast steelmen to threaten closing, or a move to Canada, if such restrictions are enforced.

Again, the battle is between the efficient and the inefficient, with the political privileges using going to the latter.

## **X. Servicing the Auto Industry**

The automobile industry uses a lot of steel. We all know the American love of the automobile. In recent years, however, this affection has turned from the respectable union with a Detroit debutante to a rather more satisfactory relationship with a Japanese geisha.

To battle this problem came voluntary restraints on Japanese imported cars. Just as an unfavorable balance of trade means a favorable balance, and a progressive income tax means that it's regressive, so does a voluntary restraint mean it's involuntary. This is political doublespeak. Watch for it, just as you found it in the

other "1984"..

Those voluntary restraints hurt us. As the Wall St. Journal put it, buying a car became a "war zone" for buyers and a "gold rush" for the dealers. Yet, what American is not willing to sacrifice for the good of the country?

The car companies were certainly prepared to sacrifice. To show their gratitude, they raised their prices. In September '84, General Motors quietly raised its prices 2.3%. The idea appealed to them so, four months later, they raised them another 2.3%. Doesn't seem much - 2.3% - but each increase was worth about \$1 billion more to GM.

Ford might be #2, but it knew a good thing when it saw it. It also announced a 2.3% increase. All these auto executives must have gone to the same business school. However, Ford had a better idea. It announced a 2.3% increase, then actually raised prices by 5%.

Chrysler, under Iacocca, is of course a class act. So, they announced a 5.7% decrease, then added \$462 to the price. Now, that's class!

It turned out well for Ford. I remember the LA Times business news reporting that Ford had \$7.1 billion in its hot little hand and was looking for something to buy.

None of the companies were interested in the consumer, only in spending their ill-

gotten gains. The politicians optimistically figured that the car companies would use our money to upgrade their factories. That is, of course, a laugh - another hollow laugh! GM bought a piece of Japanese Suzuki, Ford built two factories in Europe, Chrysler bought aerospace companies.

But, at least the political dealing saved jobs. The US International Trade Commission figures the quotas saved some 44,000 auto jobs. They also figured the four year cost to American consumers was \$15.7 billion which works out at \$357,000 a job saved.

Only problem was that higher prices led to lower sales by about a million cars - which lost about 50,000 jobs.

## **XI. The Profits of Protection**

How much more per car did the restraints cost the American buyer? Even the Los Angeles Times did a survey. They asked the dealers. The IMF saw a \$1,650 rise in 1984 alone. I prefer more basic figures.

Asahi, the Japanese newspaper, reported that f.o.b. dockside prices of Japanese autos had increased from \$4,300 in 1980 (before the restraints) to \$6,800 in 1984. That's \$2,500 extra per car. This doesn't mean that the 'average' selling price in the US went up \$2,500. What, without doubt, it meant was that the Japanese were sending bigger and more expensive cars within the quota restrictions. So, the



price of the Honda Civic went up, say \$1,500, but there weren't any to buy. You had to spend a lot more money for an Accord.

Needless to say, Japanese auto manufacturers loved this American nonsense. They made 45% more on a car sold in the U.S. than the fiercely competitive Japanese market. We actually taught the Japanese to screw us! That's an economic term related to protection.

I must warn you we are entering another period of forced voluntary restraints with Japan. I wonder what our money will buy this time for GM, Ford and Chrysler.

### **XIII. Microfiche and Chips**

But, in one area, there is little disagreement. Everyone knows the Japanese destroyed our computer chip industry by flooding our markets with cheap chips. People who don't even know what a chip is know that. Unfortunately, it's not exactly true. The chips are Drams - simple little memory chips which fill every computer. Probably, they should all be made in Korea or Taiwan.

Let's go back to 1984. This is a US Semiconductor Industry Association statement about their failure to sell chips in Japan. "In all markets except Japan," it says, "the US semiconductor industry outperforms its Japanese counterparts by a wide margin: In Europe, by nearly five to one; in the US and Canada, by six to one; and

in the rest of the world, by three to two in 1984."

Now, this statement from the official body hardly sounds like the croak of a dying industry.

In 1984, PCs were selling like crazy and the D-Ram chip industry was doing so well, investors rushed to board the chip express. Capacity increased by 43% and the industry made \$1.3 billion profit. But already the market was being saturated by ever cheaper and better chips. This was a volatile situation.

In 1985, the PC stopped selling, chip demand dropped, and 64k chips dropped from \$3.50 to 50 cents as orders dropped by 50%. The chip plants looked out at a declining market. All the plants, for the Japanese found themselves sitting on enough inventory (93 million chips) to supply US industry for 3 months.

Apple alone had bought heavily and was caught with millions of dollars of chips as the bottom dropped out of the market.

Chip producers, such as those old American stalwarts like Fujitsu, Hitachi and Toshiba, suffered horrendous losses. Hitachi, by the way, had aggressively told its salesmen to underbid any opposition quote by 10%. As it courted bankruptcy, no doubt it changed that policy.

As did the top five American firms, who saw their \$1.3 billion profit of 1984 drop

to a \$343 million loss in '85. Smaller firms suffered too. Advanced Micro Devices not only cut back on hours and wages, it really sacrificed. It cancelled its Christmas party, which in 1984 had cost them about \$1 million. They knew how to cut back.

So, we got the Semiconductor Arrangement which was a cartel put together by the U.S. and Japanese governments to fix world prices. This gave American chip makers the opportunity to sell their chips in Japan where 93 million chips were sitting on the shelves.

One month after the 'Arrangement', a deputation of chip users went to Washington to try to reverse the arrangement, but they couldn't get the time of day. The legislators wouldn't budge. They had the courage of their convictions, which nowadays are mostly in minimum security prisons.

Thousands of chip users lost their jobs because of price fixing, which however did create new jobs. Chip smugglers with suitcases full of chips flew across the world satisfying the market.

It also helped to ruin a large sector of the PC world, already hammered by the '85 recession. I personally, last bought chips for \$2.70. I went without when they soared to \$12-13. As I recall, this could make 4 megabytes of memory cost close to \$2,000. Memory board vendors were selling their boards empty of chips. With them, they wouldn't sell the boards.

Time goes by and the Japanese market is crying out for U.S. CPUs. A Nippon Electric spokesman pointed out the Pact is worthless as the U.S. can't even meet present demand. Nevertheless, the clowns are working to extend the Arrangement for 5 more years and are demanding a still larger share of the Japanese market. The Financial Times of London compared the U.S. actions to Mafiosa racketeers.

#### **XIV. American Free Trade**

Americans pride ourselves as Free Traders, yet about one fifth of our manufactures are protected and the trend is up. The annual cost to Americans has been estimated as about \$450 for every working man and woman in the country.

The list of protected goods ranges from sugar and dairy products, to chemicals, canned tuna and peanuts. Let's look at some examples.

Want to re-tile the bathroom? Tiles carry a 25% tariff, which costs the American consumer more than \$100 million a year.

To get US copyright protection, books must be printed and published here. That little regulation raises your reading costs by one half billion dollars every year.

Kids wear sneakers and when they do, you'll pay. Protected rubber footwear costs us \$230 million a year, I suppose most of it falling on the poor.

When your kid in his expensive sneakers gets home from school, you'll probably give him a glass of milk. The dairy industry spends a lot of money keeping the price of milk high. Prices are fixed by accommodating politicians, and competing dairy imports are kept out.

By the time your kid has added a peanut butter and jelly sandwich to his glass of milk, you are into big money. Protected peanuts cost us an extra \$170 million each year. Not all peanuts are kept out. Every man, woman and child in America is allowed to consume 2 imported peanuts each year. Our government has heart. A peanut butter sandwich includes jam. The sugar that makes up half the jam is so heavily protected, it costs twice as much here as it does in Canada. Figure everything made with sugar costs a bundle because of protection.

### **Let's Look At Sugar**

Perhaps we should look at sugar. On television, you may have seen the commercial telling us what a great bargain sugar is. Only two cents worth of sugar goes into a chocolate bar. What better bargain can any of us get than sugar. However, we have to take another look at this bit of propaganda. First, our minds tell us to compare the 2 cents with a 60 cent bar. We should actually compare it with the basic cost of ingredients back at the chocolate factory. Then compared with a couple of cents worth of chocolate, milk powder,

etc., it looms as a large part of the basic cost. However, the best is yet to come. The commercial was not paid for by the sugar people, but by the corn syrup producers. Now, why did they help the sugar industry. Maybe, out of the goodness of their hearts they decided to praise sugar. Well, not entirely. They have a great interest in maintaining the high price of sugar, because that makes the higher priced corn syrup a logical alternative. If sugar went to its real market price, a lot less corn syrup would be used. Sorry, it wasn't brotherly love after all.

The price of sugar is important. Each cent increase in the price of sugar raises food bills by \$250 to \$300 million.

According to a Commerce Dept. study in 1988, the sugar program was costing us \$3 billion a year.

The sugar lobby gets this bonanza for only a few hundred thousand dollars a year into the congressional feeding trough.

High priced sugar produces side effects. It becomes worthwhile to import goods with a high sugar content. Some entrepreneurs began importing such things as iced-tea mix heavily larded with sugar (or, perhaps heavily sugared with sugar). They would then sift out the low world-priced sugar and sell it at the high U.S. price. The Reagan free traders were up to this problem.

They brought in an enforcer, probably

Chuck Norris, and kept out imports containing sugar, such as croissants, frozen TV dinners, Korean noodles, kosher pizzas, and chocolate covered ants. The Korean noodles were black-balled because they contained a soup base with 0.02% of sugar in it. The Israeli kosher pizzas had 0.005% of sugar. That was enough.

In a moment of weakness, Reagan relented. He specifically exempted cake decorations, imitation seafood, and Pina Colada mix. Again, this is your government at work.

Another side effect was straight smuggling of sugar. One group of 30 companies were caught and fined \$16 million for daring to supply Americans with cheap food.

Of course third world peasants who became unemployed because we wouldn't buy their sugar were a problem. They join communist parties. Well, governments always know what to do. We came up with the 'Quota Offset Program'. This gave free food to countries suffering from our quotas. We dropped some \$200 million worth of free food on to their plates. Of course, this wiped out food prices and stopped farmers seeking alternative crops dead in their tracks. You wonder why I call congress clowns?

Also there was retaliation from sugar exporters against our quotas. Brazil cut back its purchases of American grain, the Dominican Republic replaced its sugar fields with corn and wheat fields - more

competition in America's world market.

In places like Minnesota, high priced sugar has driven up farm land costs to a point where unsubsidized soya bean growers can't afford the fields to grow our major export crop.

Of course, anything is worthwhile to make sure that people have jobs. Third world farmers kicked out of the sugar business, unable to grow food because of the free food dumped on them by the Quota Offset Program, turned to other crops. This might be called a full employment program for the Drug Enforcement Agency.

There are about 10,500 sugar farmers enjoying this import protection. The Commerce Dept. calculates that almost 9,000 jobs in food manufacturing have been destroyed by high sugar prices. Brach is transferring its 3,000 worker candy factory to Canada where sugar is cheaper. (I wonder why, when sugar is only 2 cents in a candy bar?)

Meantime, 10 sugar refineries with 7,000 jobs have closed in recent years.

When GATT (General Agreement on Trade and Tariffs) cited the U.S. sugar program, Congress knew what to do. It imposed mandatory production controls on each sugar farmer and quota'd corn syrup.

I hope you don't have a sweet tooth.

## **XVII. Competitive Terror - Japanese Production**

A final vexing question. How can we possibly compete with Japan? They can make practically everything cheaper and better than we can. Or, almost everything. Yet, in Japan, if you buy a soft drink, it is likely to be a Coke. Coca-Cola owns about 60% of the soft drink market.

And if, in Tokyo, you get a burger with your Coke, it is likely to be a Big Mac. In fast-food in Japan, MacDonald is #2.

For more than quarter century, Polaroid has been in Japan. Every year has been a new sales record.

If you shave in Japan, it will probably be with a Schick razor. Schick has 70% of the Japanese safety razor market.

Braun - or Brown - is tops in electric razors in Japan, Braun is, of course, a German firm - owned by American Gillette.

Fifty percent of all the disposable diapers used by Japanese mothers come from that famous Japanese firm, Procter & Gamble.

And if you answer your Tokyo doorbell to a pretty lady, she will probably tell you in Japanese that 'Avon' is calling. There are some 160,000 Avon ladies ringing doorbells in Japan.

## **XVIII. Competitive Terror - American Production**

We don't have to worry about Japan. Americans should tell their inferiority complexes to get lost. American workers are among the most productive in the world. We should remember that the country which excites most fear in the hearts of foreign anti-market capitalists is the United States. People overseas love American goods, because they are good and they are cheap.

Yes, they are cheap. Why do you think the foreign idiots try to keep out American goods? Because they are too shoddy and expensive for people to buy? No, it's because we are too competitive for their monopolies to handle.

There's danger ahead. Perhaps a repeat of the thirties. Back then, both the U.S. and the British Empire used protective tariffs against the Axis countries. The 1930 Smoot-Hawley Tariff and the 1932 Ottawa Agreements successfully prevented Germany, Italy and Japan from earning their keep. The situation was ripe for the maniacs to take over and propel us all into the blood bath of the second world war.

The US lost some 320,000 dead to protect her textile industry from competition. It took 380,000 British dead and another 100,000 from the Empire to protect the aging Lancashire cotton mills from Japanese tee-shirts.

In economic terms, was it worth it? Did

Smoot-Hawley help our trade position? Well, within two years of Smoot-Hawley, 25 of our trading partners had retaliated against us. Within 3 years, our exports had dropped 60%. These children in Washington, who never read history, are now trying to take us down the same path - not for philosophical reasons but as quid pro quo for the bribes they get.

And for Britain, the Ottawa Agreements began a course that reduced a mighty free trade alliance covering a quarter of the earth's surface to a tiny socialist island off the coast of Europe. The Germans, Italians and Japanese weren't responsible. It was the protectionists, the 'Buy British' advocates, who brought the country to ruin.

Maybe war is far away, but even as we speak, competing trading blocks are forming. The European Community is full of protectionists. We are gathering North America together. Can the Asians be far behind?

The only course for us is to be radical. To declare ourselves a free-trade zone. To get rid of this web of restriction that ties our hands and feet and strangles our production. We should become unilateral free traders.

Maybe war is still an unlikely event, but remember the dictum of the 19th century free traders : "If goods don't cross the frontiers, armies will".

## **XIX. Postscript**

The young United States had two things going for it. Free, or very cheap, land - and a free market. Both these advantages are disappearing.

Can you imagine what conditions would be like if individual states had been given power to impose tariffs? I suggest that now we'd be a bunch of city-states quarelling with one another.

In fact, if the States were able to protect themselves from each other, I suspect none of you would be here listening to me. You'd be out serving the consumer. You'd be at the Arizona border smuggling goods into California.

The protectionists and their puppets, the politicians, are plenty active in those unenlightened foreign places. If we want to maintain our standard of living in the US we'd better not be seduced into mimicking their stupidities.

Be a free trader, cherish and support the American economic system, which is successful not because of protection and restriction, but because it is trying to be free.

**Harry Pollard (May, 1992)**

### Some unused extras!

There's a better way. Black and Decker held 20% of the world market in small tools. Let me repeat that. Every fifth small tool in the world was made by Black & Decker. That's not bad for one American firm. The Japanese firm - Makita Electric Works - launched a determined effort to grab their market. Black & Decker's world share dropped to 15%, which still isn't bad. So, they overhauled, consolidated, slimmed down, and came out selling. They got back their 20% share.

Do you think they would have bothered if the the cold wind of competition hadn't licked around their ankles? If they had been featherbedded with tariff protection, they would probably have been content to live on their fat. Or, rather, on our fat.

We can't rely on these privileged people to help. The chairman and Chief Executive of Bethlehem Steel Donald H. Trautlein explained that domestic steel producers lost \$6 billion over two years.

My immediate thought was if the business is so bad, he should do what we have to do - get out of it.

However, Donald had different ideas. In the same speech he reminded us that the major steel companies in the European Economic Community over ten years had managed to lose somewhat more than \$25

billion. But! - that during that 10 years European governments generously gave \$25 billion in capital gifts to their steel producers and are ready to give \$10 billion more. They lost 25 and they got back 25 - with more billions to come. I may be overly suspicious, but do you think Donald is trying to tell us something?

One can almost see him licking his lips in anticipation of an American slushfund of similar proportions. Yet, it seems to me that if steel is such a chancy business, he ought to get out of it - or start up some mini-mills and make some real money.