More Markets, More Sales, More Wages

By C. O. STEELE

Opposition to the reciprocal trade agreements (or any tariff reductions) comes from two groups. One is made up of those who think we can live happily and prosperously in economic isolation; the other, of those who recognize our need of exports but believe it is possible to make foreign trade a one way process, possible to sell abroad without buying there, possible to collect payment for our own goods without taking other people's goods in fair exchange.

The first group is negligible. Not so the second, which takes the view that all exports are a blessing, all imports a curse. Theirs is the expression, "favorable balance of trade," the balance being favorable when and to the extent that exports exceed imports. The ideal situation, according to this school, would be a balance of 100% in our favor—all exports and no imports.

This explains their antagonism to the proposal to extend the authority under which Secretary Hull has concluded reciprocal trade agreements with twenty-two foreign nations since 1934. They do not deny that the agreements have encouraged the sale of American goods abroad. They cannot dispute the figures which show that our trade with the countries included in the agreements has increased twice as much as our trade with the other nations. But the figures leave them unmoved. They choose, rather, to dwell on the equally indisputable fact that the agreements have encouraged the sale of foreign goods in the United States. That is the unforgivable sin. That is the thing that spells disaster to the American workingman. As the president of the National Association of Wool Manufacturers so plaintively put it, "Mr. Hull will not admit that this country, because of its relatively higher standard of living, needs protection to a far greater degree than any other nation in the world."

When tariffs were first imposed in the United States, in the days of Alexander Hamilton, their purpose, so it was declared, was to protect our infant industries from foreign competition. Our industries, however, have long since attained such vigorous and lusty maturity, that to speak of them as "infants" needing protection is palpably absurd. So now it is the American workman who must be protected. The argument runs something like this: If a foreign manufacturer pays his workers $1 a day and the American manufacturer making the same product pays his workers $5 a day, the foreigner can undersell the American, and the latter can compete only if he reduces wages to the foreign level, or is protected by a tariff which measures the difference between the two wage scales.

This argument is based wholly on the simple comparison of money

TABLE I

	Equivalent ad valorem tariff	Average Hourly Wage
Boxes, paper, not elsewhere classified	35%	$0.54
Cast iron pipe	26	0.58
Clocks, watches and time-recording device	86	0.59
Corsets and allied garments	60-90	0.45
Collars, men's	32	0.40
Cotton small wares	35	0.48
Shirts	45-65	0.40
Silk and rayon manufactures	65	0.42
Woolen and worsted goods	76-117	0.52
Linen goods (fabrics)	41	0.46
Simple average wage per hour		$0.44

TABLE II

	Average Hourly Wage
Brass, bronze and copper products	$0.76
Iron and steel and their products, not including machinery	0.77
Agricultural implements	0.78
Cash registers, adding and calculating machines	0.82
Automobiles	0.92
Electrical machinery, apparatus and supplies	0.73
Machine tools	0.75
Smelting and refining, copper, lead and zinc	0.71
Rubber tires and tubes	0.96
Petroleum refinery products	0.97
Soap	0.70
Paints and varnishes	0.71
Simple average wage per hour	$0.80

wages. Such a comparison, as every economist knows, is not enough, since it ignores quality and quantity of output. We have only to consider the familiar fact that the United States regularly exports to foreign countries billions of dollars worth of American-made industrial products. This would not be possible if low-paid labor could always undersell high-paid labor. By the very fact that we are able to export so much we know that the United States manufacturers are not being undersold; on the contrary, it is the United States manufacturer who is doing the underselling.

But the fallacy of the argument can best be seen by an examination of prevailing wage scales. If high tariffs mean high wages, then wages should be highest in those industries that are given the greatest amount of protection. On the other hand wages should be lowest in those industries which do a large export business, since the products of such industries must not only absorb the burden of shipping charges but must be priced to compete with the products of cheap foreign labor.

But we find that **wages are higher in the export trades than in the protected industries.** The truth of this assertion is seen in the data set forth in the tables below, supplied by the Department of Commerce, and the Bureau of Labor Statistics of the Department of Labor. Table I includes representative industries that are not on an export basis. They produce primarily for the domestic market. They enjoy high tariff protection and even in prosperous times they pay relatively low wages.

In Table II are listed industries which do a large export business. Some of these, too, as it happens, are the beneficiaries of high protective tariffs, which proves only that protection is entirely unnecessary. Industries that can pay the cost of shipping abroad and still compete in foreign markets do not need tariff walls to protect them against foreign competition in the home market. The only effect of the tariff —the only effect any tariff can have—is to bestow upon them the privilege of exacting higher prices in the home market. It will be seen that wages in the second group are much higher than in the highly protected industries of the first group, catering mainly to the domestic market.

No more than a cursory examination of the figures in the foregoing tables is necessary to refute the argument that American industry must be protected if wages are to be maintained at the American standard, and its corollary, that if American industry is forced to compete with cheap foreign labor, American wages must drop to the foreign level. The loudly proclaimed argument that links high wages with high tariffs is seen to be more than merely ridiculous—it just isn't so.

On the other hand, it would seem that in those industries which enjoy a larger market, higher wages prevail. To put it in formula: The more sales, domestic or foreign, the more production; and, the more production the higher the scale of wages. It would seem, therefore, that the more we compete with "cheap" foreign labor, in their home markets, the more our "high priced" labor can earn. Since selling in these markets requires buying from them, lower tariffs would expand our market—and therefore raise our wage level.