

Forty-eight Balkan States?

By JULIA HARMON

One of the primary benefits expected from the union of the thirteen colonies was the abolition of interstate tariffs. The constitution provides that "the Congress shall have the power...to regulate commerce with foreign nations and among the several States and with the Indian tribes." And that "No State shall, without the consent of Congress, lay any duties on exports or imports, except what may be absolutely necessary for its inspection laws."

The danger of State protectionism had been pretty well demonstrated in the colonies. Free trade among the States, i. e., unrestricted exchange of goods throughout the country, has been responsible in a large measure for the prosperity of American agriculture and industry. In the light of this historical fact it would seem that Americans should be eager to guard our interstate free exchange of goods; and yet such exchange has been in recent years greatly hampered by restrictions which go far beyond those "absolutely necessary for inspection laws."

The statute books of many States are already heavily burdened with legislation restricting interstate com-

merce. Indeed, the menace of such legislation has become so obvious that the Federal Government saw fit to make a detailed study of the situation with respect to food products. The results of this study set forth in a recent publication of the Department of Agriculture, "Barriers to Internal Trade in Farm Products," reveal an alarming fact, namely, that the United States has been drifting, perhaps by almost perceptible degrees, toward "Balkanization," the breaking up of a large area of free trade into small politically self-contained units exercising the right of internal economic control in order to wage virtual economic warfare among themselves. No less an authority than Henry A. Wallace, Secretary of Agriculture, comes to this same conclusion. In a vigorous foreword to this report issued by his department, the Secretary declares, that "the following pages describe a situation which is becoming of critical importance to every economic group in the United States. . . .

Today we cannot say that we have free trade between the States."

Some of the legitimate purposes of restrictive legislation have been to provide the consumer with sanitary, unadulterated food, properly labeled

and graded, to prevent dishonest business practices, and to restrict the spread of plant pests and diseases. Recent marketing legislation, however, has at times resulted in keeping certain markets for local farmers, has stressed the "buy local products" theme, has made it impossible for some producers to enter a certain market and has even been frankly retaliatory, putting reciprocal restrictions on products of other States.

Milk inspection, ostensibly for guarding the public health, has resulted in much economic restriction. One State limits the inspection it will make of out-of-state milk, or may charge a fee for such inspection, and in this way has succeeded in keeping importation of milk to a minimum and in forcing relatively high prices for the benefit of its own producers. The City of New York inspects the farm source of its milk and cream and since 1926 has definitely limited this inspection area. The net result has been to bar western cream and to raise cream prices in New York City. Many milk inspection laws have raised standards so high that the resultant health benefits are of doubtful value. Such ridiculous requirements as that a milk

distributor must have a processing plant within the city limits or that milk cannot be sold if brought from a greater distance than fifty miles have tended to isolate local farmers from competition and to raise prices.

Really restrictive legislation against the sale of margarine has been in existence for about ten years. A revealing fact is that all such legislation is strongly sponsored by dairy interests. Seventeen States require license fees from margarine manufacturers, ranging from \$1 to \$1,000 annually. The latter fee is the requirement in Wisconsin, where \$500 is also assessed against wholesalers of margarine. About half the States have excise taxes on margarine, ranging from 5c to 15c per pound. The results of such taxes have been largely restriction of the sale of the product, no great amount of revenue having been collected by any State except Iowa and Pennsylvania.

In the liquor field, sales taxes are a favorite means for the control of "imported" alcoholic drinks, while "domestic" products are favored. Retaliatory legislation is quite common, as for instance, in Missouri where alcoholic liquors from any State that has discriminatory liquor legislation of any kind are completely barred.

Restrictive legislation is quite common in the field of interstate motor truck transportation and in the sale of gasoline. The State that does little business but is a highway for interstate traffic is in a difficult position. The claim is that "foreign" trucks wear out its roads without paying toward their up-keep. Most legislation, however, goes far beyond trying to remedy this situation. The requirement that trucks take out additional licenses in one or more States is often a hindrance to interstate traffic. Some States do not make such a requirement if the truck does not engage in intrastate business thus giving some "protection" to local enterprise. Farmers have often protested against their own State's laws and have even been known to pay the tax themselves in order to get out-of-state truckers to move their crops. Other restrictions include county registration of "foreign"

trucks, insurance requirements, posting of bonds, and increased fees for going more than ten miles into a State.

Ports-of-entry, where a State requires incoming traffic to halt for inspection, regulation and taxes, were set up in Kansas in 1934 and the system has since been copied by eight other western States. Kansas has 66 such ports, Oklahoma 58. When a truck passing such a "port" has to fill out an elaborate form describing its load and proposed route and pay the assessed fees, a distinct deterrent to interstate commerce has been established. It is significant that three railroad presidents recently advocated a ports-of-entry system for New England.

Grain and cotton were the first farm products to be traded in large volume and across long distances. Formerly the various States and exchanges established their individual standards as to grading and labeling, and growers were systematically defrauded by short-weighting and undergrading. Since 1916, however, Federal standards have remedied the situation for grain and cotton. In the case of fruits and vegetables, private and local grades have now been abandoned but there is still considerable friction resulting from lack of uniformity in State and Federal laws. Great interference with trade is found in Montana, where fruits and vegetables entering the State must be graded according to Montana's laws, which are based on the Federal laws. Incoming trucks are stopped and charged a fee for inspection even though they may carry a Federal inspection certificate that the produce is graded according to U. S. standards. California also stops trucks at the border for inspection. Producers often have to mark their products according to several different State standards if they plan to sell in more than one State. The requirement that goods be marked with the name of the State of origin also creates a certain hindrance to interstate trade if it encourages buying at home, regardless of quality. Another trick is to prohibit the importation of inferior grades of goods, while home-

grown goods of the same grade can be sold.

Quarantine laws, whose legitimate purpose is to prevent the spread of animal and plant diseases and pests, have often brought nothing but red tape, annoyance, delay and expense. Laws against hoof and mouth disease have been characterized as unnecessarily severe without effecting any increased protection to the live stock interests. Non-uniformity of State laws has been the chief cause of complaint, sometimes resulting in complete stoppage of necessary shipments. New York at one time required severe tests for Bangs disease in all cattle brought into the State, although the disease was widespread in the State at that time and the incoming cattle were not isolated after arrival. The regulation reduced the movement of cattle from Wisconsin to New York from 5% to 10%. Retaliatory legislation is quite common in the field of quarantines.

State-financed advertising of farm products is of recent origin, having been started by New York in 1934 with an appropriation of \$500,000 for advertising milk. To pay for this advertising a tax of one cent per 100 pounds of milk sold was levied. Florida and Wisconsin followed with advertising campaigns and seven other States took it up in 1937. In most cases an excise tax is levied or funds are appropriated from general taxation. Six of the States have cultivated markets outside of their own States. Some of this advertising is advantageous but where a State advises its citizens to buy products of their own State only, it is in the nature of an import duty and tends to raise prices.

And so, our forty-eight political units are gradually adopting protectionist methods, in violation of the spirit of the Union, which, if continued, must result in interstate economic warfare, jealousies, rivalries, and that trend toward isolationism which is the plague of Europe. The cause for this tendency lies in the economic maladjustment of our nation. In the attempt to solve the problem of poverty, the States, like the nation as a whole, like all nations, resort to the fallacy of self-sufficiency.