chiefly from domestic rather than foreign competitors.

Protectionists will argue that Caterpillar, like the automobile makers, are naturally in favor of free trade because it helps their foreign sales. But the arguments which Mr. Brown advanced tie in logically with Mr. Percy's and help round out the picture of foreign trade.

Mr. Brown pointed out that because of its capital resources, the United States has a comparative advantage in the production of heavy equipment. Without its foreign markets, Caterpillar would have employed about 10,000 fewer persons with a pay roll decrease of about $45 million. He said: "The American farmer is able to buy our tractors at lower relative prices because our export business has permitted greater mass economies than would otherwise have been possible." The same, of course, could be said for the automobile industry.

Mr. Brown knows that in order for foreigners to buy his tractors, they must somehow get hold of dollars; and that means selling something to us. "Every time people of other countries are denied the opportunity to earn dollars, United States exporters are deprived of opportunity to export."

Mr. Brown said further: "Another suggestion which I would offer is that international trade be viewed first and foremost as a means of developing *our own* economic growth. By the example of one concern, I have attempted to show what export business can mean to the thousands of lives touched by its activities. Without exception we claim the results to have been good for all concerned — with harm to none.

"Competition to us is a *creative* force, not a destructive one, and if it truly is a *principle,* then it surely should be world-wide in its application. Let us not, therefore, defeat the good work of American precept by advocating our way of life as an example of what others should do, and then restrict their freedom to do it.

"If I were to try to leave one guiding thought, it would be that rather than devote our time to seeking and creating new plans, new rules, new laws, we set about wiping out the artificial restrictions which throughout the world are presently impeding trade. What is needed more than any one other single ingredient is more FREEDOM — and this country is in a good position to set an effective example."

The passing of H. R. 1 by the 84th Congress will by no means put an end to the debates on trade restrictions — tariffs, exchange controls, quotas, GATT, subsidies, licenses, and the like. As long as government has unlimited powers, thus making possible its response to group pressures, the debates and the tangles will continue. The solution lies in limiting government to the suppression of all fraud, all violence, all misrepresentation, and all predatory practices. Then and only then can the free, competitive market exist.

The Seen And The Unseen

Economics, as we have now seen again and again, is a science of recognizing secondary consequences. It is also a science of seeing general consequences. It is the science of tracing the effects of some proposed or existing policy not only on some special interest in the short run, but on the general interest in the long run.

Now few people recognize the necessary implications of the economic statements they are constantly making. When they say that the way to economic salvation is to increase "credit," it is just as if they said that the way to economic salvation is to increase debt: these are different names for the same thing seen from opposite sides. When they say that the way to prosperity is to increase farm prices, it is like saying that the way to prosperity is to make food dearer for the city worker. When they say that the way to national wealth is to pay out governmental subsidies, they are in effect saying that the way to national wealth is to increase taxes. When they make it a main objective to increase exports, most of them do not realize that they necessarily make it a main objective ultimately to increase imports. When they say, under nearly all conditions, that the way to recovery is to increase wage rates, they have found only another way of saying that the way to recovery is to increase costs of production.

I do not make all the things I consume but, perhaps, only one of them. With the income I derive from making this one commodity, or rendering this one service, I buy all the rest. I wish the price of everything I buy to be low, but it is in my interest for the price of the commodity or services that I have to sell to be high. Therefore, though I wish to see abundance in everything else, it is in my interest for scarcity to exist in the very thing that it is my business to supply.

But the solution is never to reduce supplies arbitrarily, to prevent further inventions or discoveries, or to support people for continuing to perform a service that has lost its value. Yet this is what the world has repeatedly sought to do by protective tariffs, by the destruction of machinery, by the burning of coffee, by a thousand restriction schemes. This is the insane doctrine of wealth through scarcity.

Extracted from HENRY HAZLITT'S "Economics in One Lesson"