ECONOMICS, LABOR & BUSINESS

Reaching Equilibrium

"Trade Protection as an International Commodity: The Case of Steel" by Mary A. Yeager, in *The Journal of Economic History* (Mar. 1980), Eleutherian Mills Historical Library, P.O. Box 3630, Wilmington, Del. 19807.

Trade protection is commonly viewed as a crutch that governments occasionally hand to faltering domestic industries. Yeager, a UCLA historian, argues that tariffs and import quotas have supported the world's steel industries for so long that protection itself has become a key ingredient in steelmaking—as important as iron ore or coal.

American steel companies have relied heavily on protection since the 1870s. At first, the infant industry's leaders received tariff barriers from Republican Congresses in exchange for campaign contributions. Eventually, U.S. manufacturers grew strong enough to beat the foreign competition by dumping steel at cut-rate prices in Canadian and European markets. But during the 1920s, foreign challengers got their chance. Major new buyers (e.g., automobile manufacturers) sharply raised the "value" to steel producers of government-supplied protection, not just in the United States but throughout the industrialized world.

During the Depression of the 1930s, Western governments negotiated reciprocal tariff cuts designed to revitalize business. After World War II came the transformation of tariffs from aids to industry at home to crucial elements of foreign policy. To speed the free world's postwar economic recovery, the Truman administration gave the steelmakers of Western Europe and Japan easy entry into American steel markets in exchange for only modest tariff cuts abroad.

The flood of imports from revitalized foreign producers sent U.S. steelmakers reeling in the 1950s. During the last 20 years, the industry's management and labor have pressed Washington for a better deal in the world market. In Yeager's view, the U.S. import quotas forced on Japan and Western Europe in 1969, and the Trigger Mechanism introduced in 1977 (which sets a minimum price for foreign steel sold in the United States), have finally "standardized" protection worldwide.

Red Tape vs. Inflation

"The Inflation in Your Future" by Robert L. Heilbroner, in *The New York Review of Books* (May 1, 1980), Subscription Service Dept., P.O. Box 940, Farmingdale, N.Y. 11737.

The prime sources of inflation in the United States today are not OPEC oil prices, the burgeoning money supply, or slumping productivity, writes Heilbroner, an economist at the New School for Social Research. Instead, inflation stems from a century-long push by U.S. government officials, Big Business, and Big Labor for economic security.

A century ago, few Americans looked to government for protection