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

from economic hardship. Far from expecting ever higher living standards, most 19th-century Americans worried about recurrent economic depressions. Since the Great Depression of the 1930s, however, federal social programs and fiscal policy have put "floors" under most economic activity. Social Security, unemployment compensation, parity payments to farmers, federally insured bank deposits, and public works programs provide "a degree of economic safety totally unknown in the era of pregovernmental capitalism," contends Heilbroner.

Just as important, the growth of Big Labor and modern corporations has neutralized much of the competitiveness that restrains prices. These institutions have turned into monolithic "bargaining blocs" able to keep both wages and prices artificially high.

Heilbroner rules out a return to the world of 1880—Americans will no longer tolerate the periodic blights of unemployment and business failures that previously checked inflationary pressures. He urges instead the matching of today's economic "floors" with inflation "ceilings." For example, all 1980 earnings that exceed 1979 earnings might be taxed away. This would reduce the demand for "cost of living" pay raises. Government agencies could be set up to determine exceptions—e.g., individual raises stemming from promotions or higher profits. Even acceptable salary gains, however, would escape taxation only if deposited into savings accounts or productively reinvested. Prices will stabilize, says Heilbroner, once incomes are limited.

Such a program, heavy with red tape, will never be enacted if inflation remains tolerable, Heilbroner concedes. But, he predicts, 50 percent inflation will make a new layer of bureaucracy seem a godsend.

SOCIETY

Ethnicity in America, 1790

"The Ethnic Origins of the American People, 1790" by Forrest McDonald and Ellen Shapiro McDonald, in *William and Mary Quarterly* (Apr. 1980), P.O. Box 220, Williamsburg, Va. 23185.

What was white America's ethnic makeup in 1790 when the first U.S. census was taken? A widely accepted 50-year-old study estimates that 60 percent of the white population of 3 million was of Anglo-Saxon (English) descent, 17.6 percent of Celtic (Scottish, Welsh, and Irish) stock, the rest being Germans, Dutch, French and Swedes.

But the McDonalds, historians at the University of Alabama, claim that genealogist Howard F. Baker and historian Marcus L. Hansen vastly undercounted America's Celtic population, particularly south of New York, in their famous 1931 study. Barker and Hansen, they find, ignored the centuries of wars, conquests, and intermarriages that in-