

FEDERAL RESERVE BANK OF RICHMOND

MONTHLY REVIEW

The Fifth District, 1967
Fifth District Golf
Free Trade or Protection



JANUARY 1968

THE FIFTH DISTRICT ECONOMY

A Review

For both the United States and the five-state area comprising the Fifth Federal Reserve District, 1967 has gone on record as a year of considerably less ebullience than either of its two immediate predecessors. Over much of the year, the national economy grappled with the problem of inflation, with consumer prices rising at an average monthly rate of about .2%, or faster than in either 1965 or 1966. This acceleration in price increases began in a context of slackened growth in aggregate demand as a major inventory adjustment significantly dampened growth in the first half. Largely as a result of the inventory adjustment, considerable unused plant capacity emerged early in the year, and until late autumn, the unemployment rate edged upward.

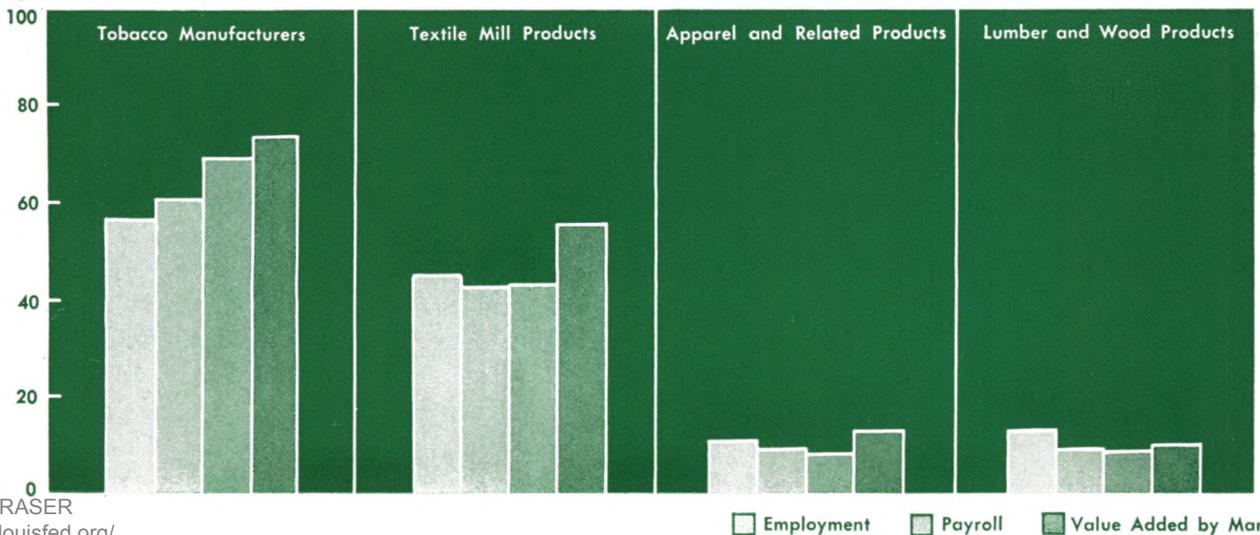
As the inventory adjustment proceeded, real growth in the economy slowed to a snail's pace. But heavy government outlays coupled with a smart recovery in residential construction at least kept the business advance alive in spite of the sharp turnaround in

inventory demand. The inventory adjustment was largely over by July, and business activity in the second half strengthened. Even this mid-year recovery, however, was not as great as many economists and businessmen had anticipated. Large-scale work stoppages in the fall of 1967 were responsible to some degree for the slower than expected pace. Moreover, the uncertainty surrounding the tax surcharge proposal in the latter months of the year apparently kept many businessmen and consumers from formulating expenditure plans clearly or from making expenditures.

The Fifth District shared these problems with the nation, but to a different degree. While no very precise measures are possible it appears that the economy of the Fifth District fared somewhat better on average through 1967 than did the nation at large. Major District industries, especially textiles and furniture, were affected by the inventory adjustments in the first half, but recovered by early fall.

Chart I

Per Cent of U. S. Total



ECONOMY IN FOCUS

of 1967



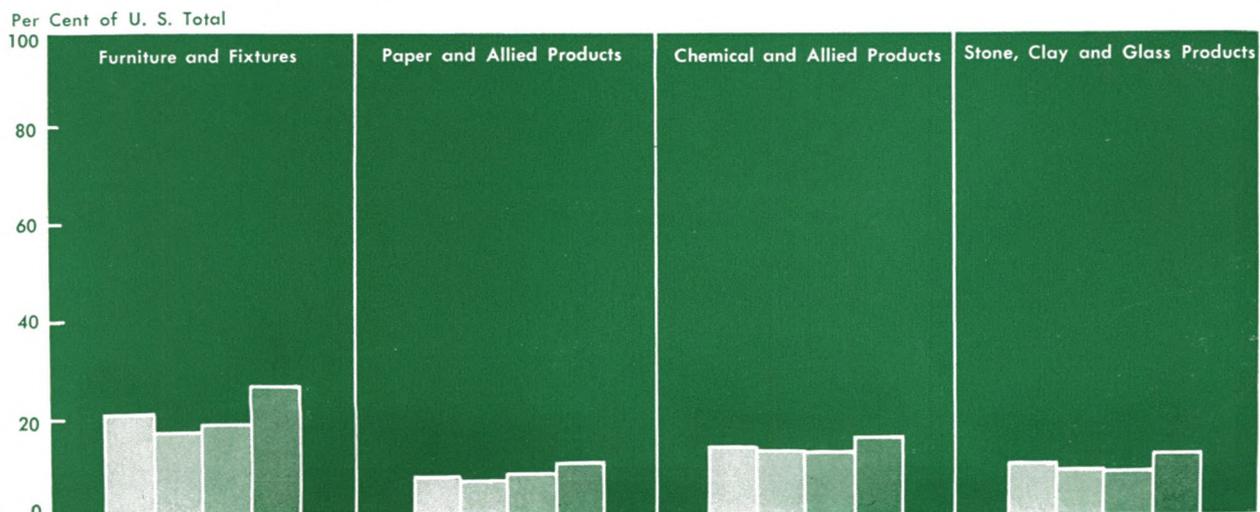
Work stoppages associated with labor disputes in the fall had less dampening effect in the District than in the nation. It was generally true in 1967 that changes of pace in economic activity in the Fifth District were less sharp and the consequences less severe than for the nation as a whole. To some extent, the more even pattern of economic activity in the Fifth District states is due to a different industrial mix than in the whole of the United States.

District Manufacturing Chart I gives a picture of the relative importance of selected manufacturing industries in the Fifth Federal Reserve District. The eight industry groups represented are those for which the Fifth District share of either employment, payrolls, value added, or new capital expenditures comprises more than 10% of the United States total for that industry. Tobacco manufactures, textile mill products, and furniture are the three industries most closely associated with the Fifth District. The Dis-

trict, for example, accounted for about 70% of the value added in the tobacco industry in the 1963 census year. In textile mill products for the same year, that fraction was 43%, and in furniture, 19%. The other industries are shown for comparison. All those shown are important in the Fifth District, and certain industries, such as chemicals, have increased in importance in the District economy since 1963.

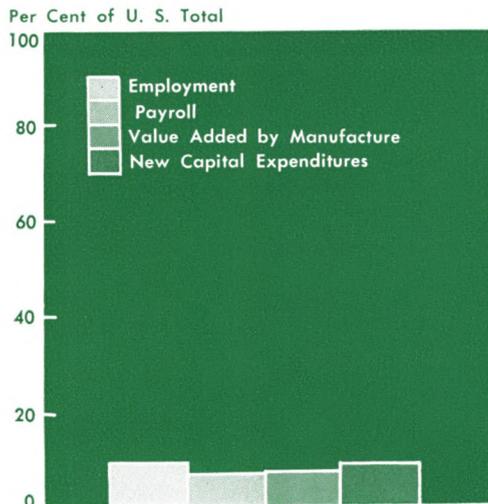
Chart II shows the relationship of all Fifth District manufacturing to all manufacturing in the United States in the 1963 census year. Value added in the Fifth District comprised 7.7% of the United States total. New capital expenditures in manufacturing in the District were 9.5% of the U. S. total; total manufacturing payrolls were 7.2%; and total manufacturing employment was 9.0%. Durable goods production in the District, as a percentage of the national total, remains relatively small. The largest share of manufacturing activity in the District is in the nondurable lines.

MANUFACTURING INDUSTRIES, 1963



Digitized for FRASER
<http://fraser.stlouisfed.org> Source: Census of Manufacturers.

Chart II
ALL DISTRICT MANUFACTURING INDUSTRIES, 1963



Source: Census of Manufacturers.

For those manufacturing industries important to the Fifth District, 1967 was a relatively prosperous year, despite the slowing of general economic activity. In the textile industry, manufacturing man-hours remained consistently under 1966 levels throughout 1967, by 3 to 5% on a month-to-month basis, and textile output for 1967 showed about the same performance. Prices of textile mill products did not increase on balance throughout 1967, and the same was true of 1966. Textile wages moved upward slightly during the year. In the textile industry there has been considerable discussion and a number of hearings concerning the impact of imports on the domestic industry. This was due in part to the fact that 1967 was the year in which the Long-Term Arrangement for trade in textiles, negotiated through the General Agreement on Tariffs and Trade in 1962 had to be renegotiated. The Long-Term Arrangement remained substantially unchanged as of year end. Concern over imports has intensified in recent weeks due to the British devaluation, and the simultaneous Hong Kong devaluation.

In cigarettes, that aspect of tobacco manufacturing most concentrated in Fifth District states, production as of October 1, 1967, was running ahead of 1966 by about 5%. Tobacco manufacturing man-hours have increased slightly on balance throughout the year. Furniture industry statistics likewise indicate a substantially increased volume of business in the latter part of 1967, and industry spokesmen are looking forward to a prosperous new year. The chemical

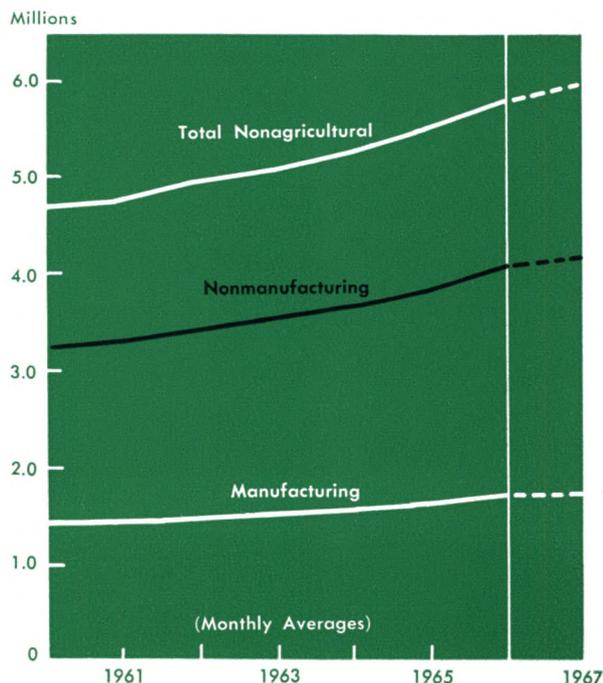
industry in the District made a considerable recovery after a slump early in the year.

Chart III compares District manufacturing employment in 1967 to previous years. The estimated figure for 1967 indicates an increase of only .2% over 1966, but 1966 posted a large gain of 5.8% over 1965. The estimated number of persons employed in manufacturing in the District in 1967, as an annual average, is 1,725,000, an increase of about five thousand over the 1966 average. Chart IV gives the picture for manufacturing man-hours in the District. Estimates indicate slight declines in man-hours in both durables and nondurables. Total man-hours declined from 1966 by an estimated 2.4%. In the nondurable category this decline was 2.0%, and in durables, the decline was 3.0%. These estimated declines followed rather sizable increases in 1966, of 3.5% in the total, 2.5% in nondurables, and 5.2% in durables.

The .2% increase in District manufacturing employment compares with a .6% estimated increase for the nation in 1967. The District decline in man-hours of 2.4% compares with an estimated national decline of 1.3% for 1967.

Total Employment and Income Chart III indicates that nonmanufacturing employment in the District in 1967 posted a more impressive gain than did that in the manufacturing sector. Nonmanufacturing employment, based on 1967 estimates, averaged 4.2 million, 71% of total nonagricultural employ-

Chart III NON AGRICULTURE
FIFTH DISTRICT



Note: 1967 figures partially estimated.

Source: State Departments of Labor.

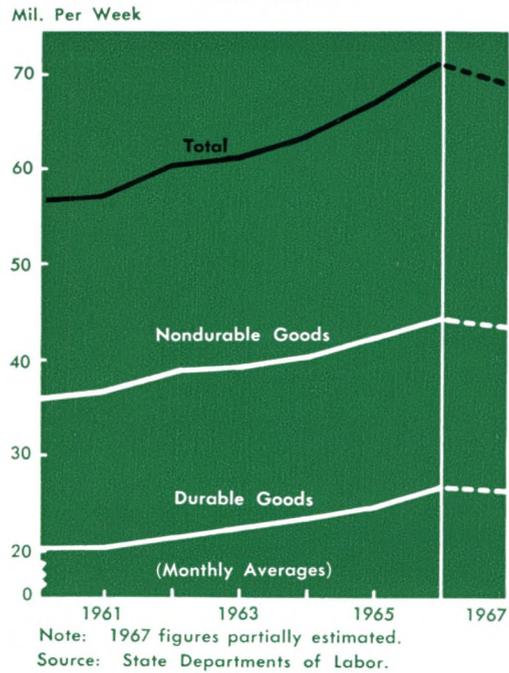
ment, and nearly 2½ times manufacturing employment. The estimated increase in the nonmanufacturing sector was 3.2% in 1967, while the estimated increase in total nonagricultural employment was 2.4%. By comparison, the national total of nonagricultural employment rose by an estimated 2.9% during 1967.

Of nonmanufacturing employment in the Fifth District, the largest increase during 1967 was in government employment, an estimated gain of 5.6%. Estimated average government employment in the District was 1.26 million in 1967, an increase of about 67,000 over 1966. The District gain compares to a nationwide increase in government employment in 1967 of an estimated 651,000, or 6.0%.

The services area has also accounted for large employment gains during the past year. In the Fifth District, this increase is estimated at 3.9%, or about 30,000. Nationally, the estimated 1967 increase was 5.1%, or about 490,000. Estimates for the District also show increases in employment of 2.4% in transportation and public utilities, and 3.8% in finance and insurance in 1967.

Table 1 presents estimated personal income statistics for the Fifth District states for 1967 and percentage changes from the previous year. Estimates for 1967 are second quarter figures at seasonally adjusted annual rates. Of interest in Table 1 is the comparison of the Fifth District with the United States. District states grew relatively more in terms of both total and per capita personal income

Chart IV FACTORY MAN-HOURS
FIFTH DISTRICT



during the year than the nation. Per capita personal income in the District, however, remains below the national average in all states except Maryland and the District of Columbia. Some of the explanation for the relatively high rates of growth in both total and per capita income in Maryland, D. C., and

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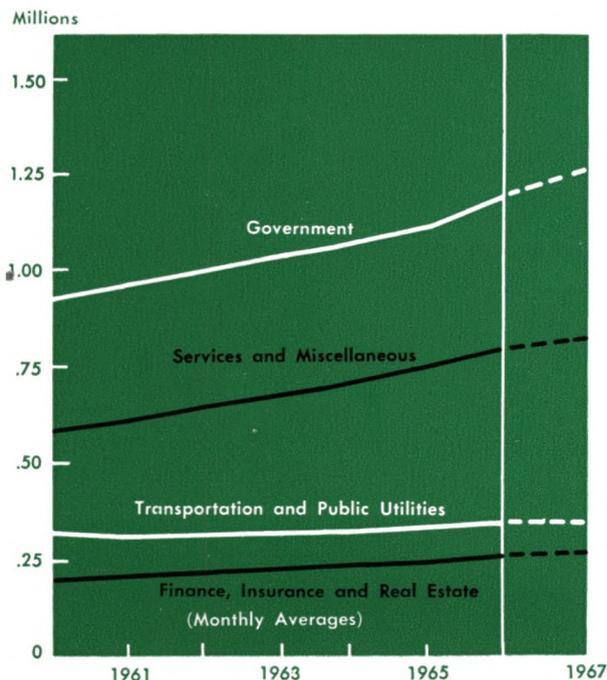


Table 1 FIFTH DISTRICT PERSONAL INCOME—1967*

	Total		Per Capita	
	Amount (\$ Billions)	Change 66-67 %	Amount (Dollars)	Change 66-67 %
Md.	12.5	7.9	3,390	5.8
D. C.	3.4	6.9	4,203	6.5
Va.	12.5	7.0	2,748	5.5
W. Va.†	4.1	4.6	2,290	5.2
N. C.	11.8	4.1	2,345	3.0
S. C.	5.5	4.3	2,128	3.7
5th District	49.8	6.0	2,698	4.8
U. S.	613.3	5.7	3,099	4.6

*Estimated † Includes entire state.
Source: U. S. Department of Commerce.

Virginia is the influence of the boom-type expansion of the nation's capital.

Retail Trade There is some evidence that retail trade on a nationwide basis was somewhat under that which businessmen expected in 1967, par-

(Continued on page 8)



Fifth District Gold

○ Verdant, sun-drenched fairways and greens, brightly attired golfers, and buzzing galleries prompting the call of "fore" from dutiful marshals: these are sights and sounds familiar to Fifth District golfers. From South Carolina's Grand Strand to the mountains of West Virginia, the game of golf is a year-round recreation. Fine golfers and golf courses alike abound in the five-state area, and golfers from many regions of the country are attracted annually to the District's popular resort courses. Twenty-one of the 200 courses recently described as the "toughest" in the United States are in this District. ○ Pinehurst, North Carolina is considered by many to be the golf capital of the world. It is only one of a number of well-known golf resorts in the sandhills of North Carolina. This area and the eastern part of South Carolina are especially popular as mid-winter resorts, due in large part to the warm, southeasterly air currents which blow in from the Gulfstream. Contributing further to the popularity of this area in the last thirty to forty years has been the development of various hybrid grasses which can withstand the heat of summer. These grasses, now used on many District courses, have permitted sand greens to be replaced by smooth, grass greens and have greatly improved the quality of fairways. ○ Many well-known amateur and professional golfers have been developed in the District. The United States Walker Cup Team, which competes annually against Britain's best amateurs, invariably includes several District golfers. Alternating each year between Britain and the United States, these matches were last played in this country in 1966 in Baltimore. More recently the U. S. Women's Open was played in Hot Springs, Virginia, not far from another well-known golf resort at White Sulphur Springs, West Virginia.

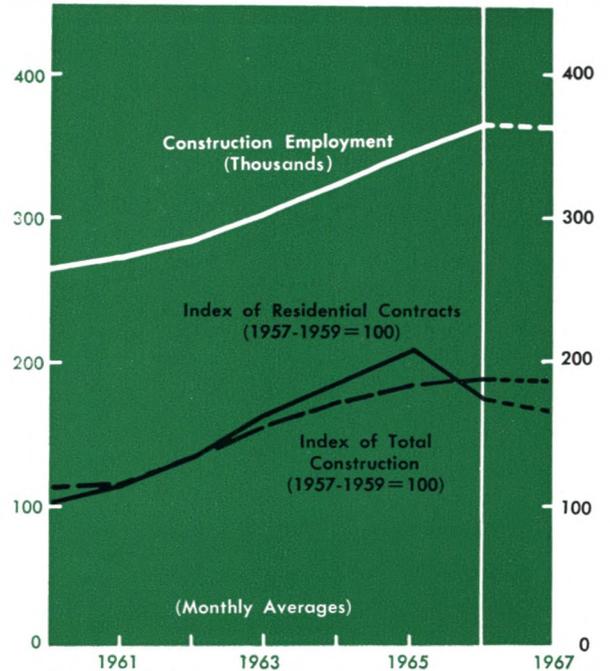
THE FIFTH DISTRICT ECONOMY IN FOCUS

(Continued from page 5)

ticularly during fall and winter months. This probably can be attributed in part to consumer uncertainty about future tax increases. Fifth District retail trade held up relatively better than in the nation. Chart V presents a comparison of estimated 1967 retail sales and trade employment with earlier years. Retail sales for the year were under the 1966 figure by an estimated .9%. Estimated trade employment for 1967, on the other hand, increased by 1.6% over the previous year.

Construction While the index of value of construction contracts issued in the Fifth District in 1967 ran consistently above the nation at large, it failed to regain the peak it reached in July, 1966. In late 1967, beginning approximately in October, a further tapering off was evident in the District index. This was probably attributable to rapidly rising interest rates, rising building costs, and uncertainty over the future course of economic policy. Chart VI plots the progress of the construction industry. On an estimated basis, the 1967 gain in total construction contracts was about 1.6% over 1966. In residential construction, there was an estimated decline of 4.0% from 1966, and a decline of about 20.0%

Chart VI CONSTRUCTION
Thousands 1957-1959=100



Note: 1967 figures partially estimated.

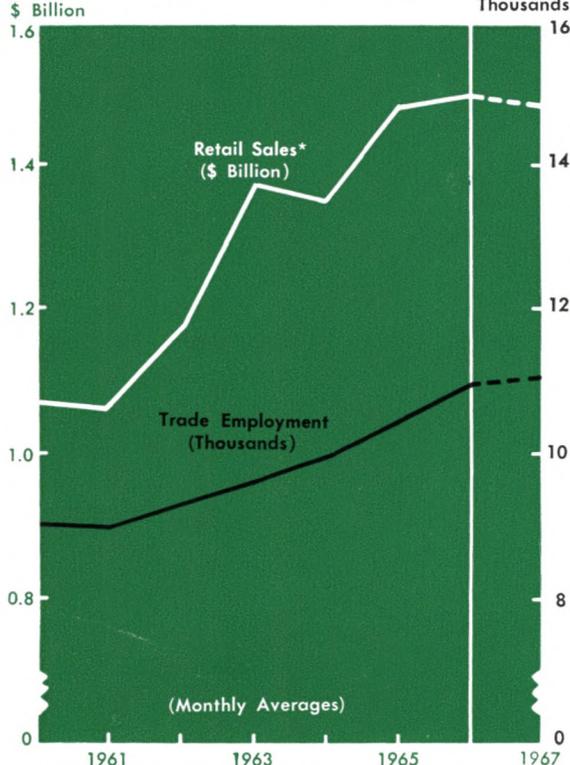
Source: The Dodge Co. and State Departments of Labor.

from the 1965 peak. Industrial contracts were off in the District in 1967 also, and it was other commercial contracts which filled the gap to produce the slight gain in the total. Estimated construction employment declined by a very slight .5% during 1967.

Banking Chart VII indicates the progress of banking in the Fifth District in 1967, in relation to earlier years of the sixties. On an estimated basis for the year, time deposits in District banks made the most spectacular gain of four series plotted. Time deposits increased 15.5% during the year, as compared to a 2.5% increase in demand deposits. The estimated increase in average time deposits was \$862 million, compared to an increase of an estimated \$192 million in demand deposits for Fifth District banks. Investments increased during 1967 by an estimated \$462 million, or 11.7%, while gross loans increased an estimated \$551 million, or 6.5%.

Developments in banking roughly paralleled the national pattern. The slower growth of loans was due in part to weaker loan demand associated with the slower pace of economic activity, to much slower inventory accumulation and to repayment of bank loans out of the proceeds of record corporate bond sales. At the same time banks have added heavily to investments, putting to work the reserves which

Chart V FIFTH DISTRICT TRADE



*Based on firms operating 1-10 establishments.

Note: 1967 figures partially estimated.

Source: Bureau of the Census and the State Department of Labor.

have been injected in record amounts by Federal Open Market operations.

State Finance Tax revenues grew substantially in all Fifth District states in 1967. Table 2 shows this information on a total and per capita basis. Of interest again is the comparison in Table 2 of the

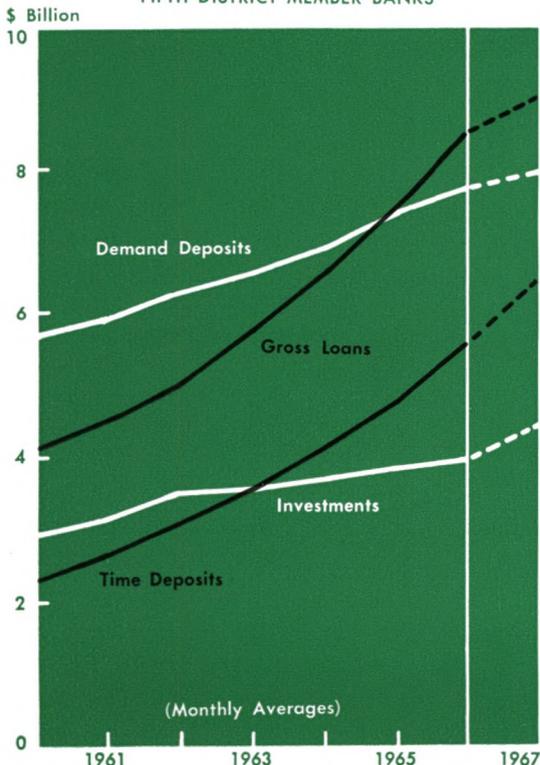
Table 2 STATE TAX REVENUES
Fifth District States

	Total			Per Capita		
	1967*	1966	Change %	1967*	1966	Change %
	(\$ millions)			(dollars)		
Md.	641	588	9.1	174	163	6.9
Va.	635	529	20.0	140	118	18.3
W. Va.†	282	264	6.6	157	146	7.3
N. C.	841	777	8.2	167	156	7.0
S. C.	396	359	10.2	152	139	9.5
5th District	2,795	2,517	11.0	158	144	9.8
U. S.	31,910	29,388	8.6	162	151	7.5

*Estimated †Includes entire state.
Source: U. S. Department of Commerce.

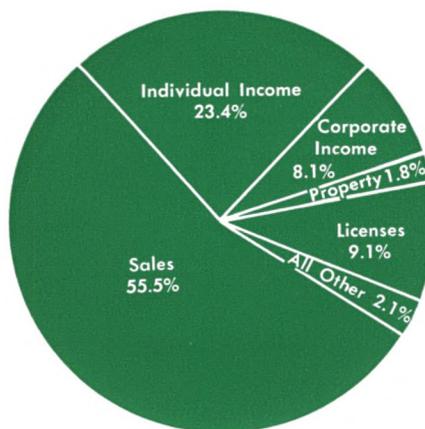
District with all states of the nation. Increases in the Fifth District were somewhat larger in total and per capita. Virginia experienced the largest increase in total and per capita of the five states, followed by South Carolina. Per capita tax revenue is higher than that throughout the nation in both Maryland and North Carolina, for both years shown.

Chart VII BANKING TRENDS
FIFTH DISTRICT MEMBER BANKS



Note: FRASER figures partially estimated.

Chart VIII
DISTRIBUTION OF STATE TAX REVENUES BY TYPE
FIFTH DISTRICT*—1967



*Excludes D. C. and includes all of West Virginia.
Source: U. S. Department of Commerce.

The estimated District population increase in 1967 was about 200,000, or 1.1%. By states, the estimated per cent increases in 1967 were: Maryland, 2.0%; D. C., .4%; Virginia, 1.5%; North Carolina, 1.1%; South Carolina, .6%. West Virginia, on the other hand, declined in population by an estimated .6%, or about 11,000 people. Thus, both state tax revenues and income (Table 1) increased at faster rates than did the population throughout the District.

Chart VIII shows the sources of state tax revenues in percentage terms by type for the Fifth District as a whole in 1967.

Agriculture Tobacco farmers in the District brought in higher yields, but experienced lower prices and a lower-than-expected quality during the 1967 marketing season. Gross returns increased over the previous year, but a shift in demand on the part of buying firms from previously preferred mid-stalk leaves to lower-stalk varieties, as well as the quality problem, were largely responsible for the price decline. The result is that the percentage of the crop placed under government loan increased significantly.

The year's cotton crop in the District and in the nation set record lows. The 1967 crop was the smallest for the District states on record, due to damp and cold weather during growing season and high bug infestation. Nationally, cotton produced was the lowest since 1895. A large increase in cotton prices has resulted, and serious concern has developed among textile producers about possible shortages in the supply of cotton during the coming year.

William H. Wallace

FREE TRADE OR PROTECTION

An Old Controversy Renewed

The Kennedy Round negotiations have once again focused attention on various problems concerning international trade. According to many economists, a free flow of goods and services over the world is in the interest of all countries. Yet arguments to justify protection have always been readily found, and today both tariff and non-tariff barriers to trade are widely used as a matter of policy. In an effort to reduce such barriers, delegations from some 50 countries have met in Geneva during the past four years to discuss such problems as the lowering of duties, the widening of quotas, and the use of "escape clauses" in trade agreements.

This article reviews briefly some of the theoretical aspects of the controversy between free-traders and protectionists and considers certain features of some of the trade barriers currently employed by the trading nations of the world.

The "Classical" Theory of Free Trade One of the most persuasive advocates of free trade was "the father of economics," Adam Smith. Published in 1776, *Wealth of Nations* eloquently sets forth why and when countries will benefit from international trade. Although other economists of the so-called "Classical School" later elaborated his theories, Smith's ideas have had a lasting influence on economic thought.

"It is the maxim of every prudent master of a family, never to attempt to make at home, what it will cost him more to make than to buy," said Smith. "The tailor does not attempt to make his own shoes, but buys them of the shoemaker. . . ."

"What is prudence in the conduct of every private family, can scarce be folly in that of a great kingdom. If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it

of them with some part of the produce of our own industry employed in a way in which we have some advantage."

Smith believed firmly in the benefits to be gained from an international division of labor. Like persons, countries should specialize in the production of those goods which they could produce most efficiently. An individual nation's relative advantage over other nations could be based on the relative abundance of a certain factor of production in the country, on peculiarities of climate, on some unique characteristic of its population, or on any of a variety of other factors.

World-wide specialization would be significant, according to Smith, only if the resulting products could be exchanged freely against each other. As he saw it, prolonged state intervention in international trade would be harmful except in two specific cases. First, he recognized that it might be expedient to protect an industry that is of vital importance for the national security. Second, he agreed to a tariff on imported products if the same goods made inside the country are exposed to excises. Temporary duties could be levied as an instrument of retaliation.

These ideas clashed with the mercantilistic maxims that had prevailed in varying degrees of sophistication for some time. The supporters of mercantilism in its cruder forms held that a country's wealth depended predominantly on its stock of precious metals. A nation possessing no gold and silver mines could enlarge its riches only through the creation of a balance of trade surplus, as this would result in an inflow of precious metals. To attain such a positive position, a policy of restriction of imports and stimulation of exports was advocated.

The basis of mercantilism had been attacked in

England as early as 1752 when David Hume showed the futility of building up stocks of gold and silver as an end in itself. Smith now demonstrated that nations would in fact benefit from unhampered international trade. He reasoned that whenever two countries, A and B could produce two products, X and Y, and A had an advantage in the production of X, whereas B could produce Y at a lower cost, it would be in both parties' interest to establish trade connections. This is the basis of the free trade doctrine; later authors like David Ricardo and John Stuart Mill refined and extended it considerably.

Arguments in Favor of Protection One of the earliest attacks on Smith's free trade doctrine came in Alexander Hamilton's "Report on Manufactures." This document, drafted in 1791, contained a survey of the contemporary situation of U. S. industries and urged a protectionist policy to stimulate industrial growth.

Hamilton first explained why establishment of industries in the young, still predominantly agricultural, republic was desirable. He pointed out that reasons of military security and of national development spoke strongly for it. The mere fact that an industry did not exist in a country, he said, did not imply that it was obviously not advantageous to establish it. It could well be that a private entrepreneur might hesitate to enter upon production, as full exposure to competition of imported products during the industry's infancy could result in heavy initial losses. In those cases where it would be in the interest of the country if the particular industry were to be established, but where private initiative alone would not bring it forth, temporary governmental protection could prove beneficial. On its maturity, according to this argument, the new industry could then safely be exposed to foreign competition. In short, Hamilton advocated a government-directed commercial policy aimed at promoting industrialization, as opposed to a "laissez-faire" policy. He felt that import duties, export premiums, bounties, and other forms of government intervention could be employed judiciously to achieve this end.

The so-called "infant industry" argument for protection reflects the diverging interests of countries with unequal levels of development. In the United States of Hamilton's day, newly established industries had to compete with experienced European firms. If left without help, many would likely have died a premature death.

While admitting the general plausibility of this argument, free trade advocates immediately indicated its weak points. They pointed out that it is very

difficult to judge in advance whether an infant industry should be eligible for support in terms of long-run benefits. They were also concerned that protective devices, though meant to be temporary, might become permanent.

Most other arguments in favor of protection have received little support from economists. Many are applicable only in special circumstances. It is, for instance, frequently heard that countries should protect themselves against imports from nations where labor is relatively cheap, on grounds that these imports might jeopardize the high level of wages and employment in the importing country. It frequently has been pointed out that this argument confuses wage rates and unit labor costs. Because of superior training, health, and capital equipment, unit labor costs in "high-wage" countries may actually be equal to or lower than unit labor costs in "low-wage" countries. In such a case, there would be little danger that low-wage countries could capture the markets of high-wage countries.

Any protectionist policy has the drawback that it may provoke retaliation. Experience suggests that when one country starts imposing duties upon imports, others will soon follow. This tends to shrink the volume of multilateral trade, thus detracting from the world-wide division of labor.

Instruments of Protection Generally students of foreign trade make a distinction between tariff and non-tariff barriers. The former group consists of import and export duties, the latter of quantitative restrictions, embargoes and various kinds of administrative protection.

Export duties, which are used by many countries, are unconstitutional in the U. S., but import duties are used here as well as abroad. Import duties can be levied in several ways and for various purposes. Ad valorem duties for instance, are expressed as a percentage of the value of the imported goods, whereas specific duties consist of a fixed fee per physical unit of imports. Since this last method does not consider price differences of goods within the same category, it in fact lays a heavier burden upon products with lower unit prices, and its effectiveness is reduced when prices rise. When applying ad valorem duties, the question arises how to determine the value of the imported good. Should duties be based on the value of the good in the country of origin or on values in the receiving country? Should the value be measured by wholesale or retail prices? Should f.o.b. quotations or c.i.f. prices be decisive?

The U. S. Bureau of Customs uses various methods of valuation. The dutiable value is generally based

on the "foreign value" and less frequently on the "export value." There are, however, exceptions to this practice. In some instances, dutiable value is based on the wholesale price in the United States of the competitive domestic product. In other cases, dutiable value is based on the wholesale price in the United States of the imported product, less most of the expenses incurred in bringing the product to this country and marketing it.

Tariffs can also be used as an instrument of commercial discrimination. Sometimes the same duty applies to all nations; often, however, some countries get preferential treatment. The British Commonwealth members, for instance, have for over thirty years granted lower duties to each other than to outside countries. Generally, the United States follows the "Most Favored Nation" principle and concedes to all trading parties, with certain specified exceptions, any favorable treatment accorded to any other trading partner.

Import duties are frequently referred to either as "protective tariffs" or as "revenue tariffs." The distinction between protective and revenue tariffs refers to the purpose of the duty. Generally, though not always, both elements are present. If the duty is so high that it becomes in fact prohibitive, protectionist motives are clear. If on the other hand a tariff is not so high as to exclude an import, and is levied on goods that the country itself does not produce, revenue purposes are usually paramount.

Quantitative Restrictions Between the simple tariff and a quantitative restriction stands the tariff quota which combines features of both. It is a regulation by which a limited quantity of a certain product can be imported at a special low duty. Any additional amount, however, is subject to a higher duty. Quotas of this kind are generally used when domestic output of the good is low, either for seasonal or other reasons. This system may have troublesome side effects, however. Unless provisions to the contrary are made, every time a new tariff quota period is opened, a large influx will occur until the quota has been reached. This practice may disturb the national market, causing prices to fall, to the disadvantage of both local companies and importers.

Similar objections can be made to the use of the "global fixed quota." In this case, an absolute limit is set to the quantity of a good that can be imported during a period. A variant of this is the so-called "allocated quota," under which allocations may be based on the percentage share that a foreign supplier holds in total imports during a certain "base" year. Some observers object to allocated quotas on grounds

that they tend to make trade relations rigid, as they do not allow new suppliers to enter. A major attraction of this method to some countries lies in the fact that allocation of quotas will prove a powerful bargaining weapon in trade discussions. They cannot, however, be employed as such by countries which adhere to the Most Favored Nation principle.

The extreme of quantitative restrictions is, of course, the embargo. Many countries prohibit the export of such goods as strategic minerals. Import embargoes often exist for drugs and for books or films that might be deemed a threat to health or morals.

"Administrative" Protection Since trade barriers are gradually being reduced as a result of international cooperation, more attention is nowadays given to "administrative" protectionist methods. Many of these hamper trade by creating an atmosphere of uncertainty as to what treatment the importer can expect for his products. Tariff classification forms a good example. Since custom laws usually are very complex, importers may be in doubt as to which category and which tariff applies to their goods. Importation may also be discouraged by meticulous prescriptions for indicating the country of origin of a good, and by unnecessary delay at customs clearance.

"Escape clauses" in trade agreements form another powerful weapon in a protectionist policy. They enable a country to withdraw all concessions made, if increased imports resulting from the concessions cause or threaten a serious injury to a domestic industry. During the examination upon complaint thereof, the goods cannot be cleared from customs, thus causing delay, uncertainty and loss.

Tariffs Versus Quantitative Restrictions Both instruments have their advantages and their disadvantages. Quotas, for instance, by fixing the quantity that can be imported, give much more certainty about protection than do duties. Moreover as employed in some countries they can be made more flexible than tariffs, as they may require less legislative procedure at installation, renewal, or change. On the other hand, some types of quotas have the disadvantage that they may make entry of new suppliers into the market impossible. Both tariffs and quantitative restrictions tend to cause prices in the importing country to be higher than they otherwise would be, but quotas usually have a greater impact on the working of the price mechanism since the quantity of imports cannot always adapt freely.

Jan H. W. Beunderman