

Free Trade Is Killing America.

Former General Motors executive warned us about free trade decades ago



FREE TRADE VIOLATES CONSTITUTION

By Gus Stelzer

“Laissez faire.” It is more than a coincidence that we are celebrating the 200th anniversary of the U.S. Constitution in the same year in which the concept of *laissez faire* “free trade” is meeting its most serious challenge.

Trade is acknowledged to be the most critical issue confronting the 111th Congress.

To many people, free trade and the U.S. Constitution are synonymous with the principles on which this country was founded. One observer said, “the principles of a *laissez*

faire free market economic system are enshrined in the Constitution.”

That, or something close to it, seems to be a popular conception.

But the Constitution says nothing whatsoever about *laissez faire* economics, “free markets” or free trade. In fact, it does just the opposite by charging Congress with specific powers and responsibilities to “regulate” commerce and currency, and to impose taxes “uniformly.”

In knee-jerk fashion, free traders automatically oppose tariffs on grounds that “they cause consumers to pay more,” as though domestic taxes do not. But the fact is that all domestic taxes and all tariffs on imports have one thing in common: They all wind up in consumer prices.

Everyone who pays a tax inevitably recovers it in the price of their labor or product, regardless of what kind of name or label you may attach to it.

Whereas federal, state and local taxes constitute 50 percent of the cost of average American-made goods and services, tariffs on imports of foreign production constitute less than 4 percent of their prices.

It is incongruous that we should penalize our own producers with tax burdens far higher than on foreign producers. Even worse, our political leaders resist calls for tariffs (taxes) on imports at the same time that they propose new taxes (tariffs) on ourselves, which will inevitably land in the cost of American-made goods and services.

Smoot-Hawley and the Big Lie

As the Camelot fantasy of one worldism mocks the Constitution en route to its pre-ordained self destruction, free traders are already blaming it on impending “protectionism,” by invoking the “big lie ploy,” to say that the Smoot-Hawley Tariff Act caused the Great Depression, even though it was not enacted until eight months after the crash of 1929, which was the indisputable result of terribly irresponsible *laissez faire* behavior among financial manipulators just as is going on at this very moment.

They ballooned money supplies far beyond the ability of the U.S. treasury to honor its

commitment to convert our currency to gold on demand, forcing us to declare the dollar bankrupt and depart from the gold standard.

Before Smoot-Hawley tariffs went into effect in July, 1930, two-thirds of the drop in import volume between 1929 and 1933 had already taken place, contrary to all natural tendencies to buy imports in advance of potential increased tariffs.

The new tariffs were applicable to only about one-third of all imports.

The records also show that, following enactment of Smoot-Hawley, the volume of dutiable imports declined by a smaller percentage than duty-free goods. The Bedell report, entered into the *Congressional Record* by Sen. John Heinz on September 17, 1985, states: “No basis exists for any claim that Smoot-Hawley had any effect on imports beyond and separate from the impact of the economic collapse of 1929,” which was precipitated by a financial scam that ultimately brought down its own paper house.

The truth is that the potential collapse of our economy, and that of the world, which has also been built on a paper foundation of unsustainable global debt, will not be the result of a call for moral trade policies (“protectionism” if you wish), but of a free trade hoax founded on immoral double standards.

It has been masquerading in the mythical garment of “free trade” majesty, in flagrant mockery of our Constitution. It is an ironic coincidence that the many crises confronting us finally allow us to see that the illustrious free trade emperor has no clothes in the same year that we celebrate the 200th anniversary (1987—Ed.) of the precious instrument on which our nation was founded.

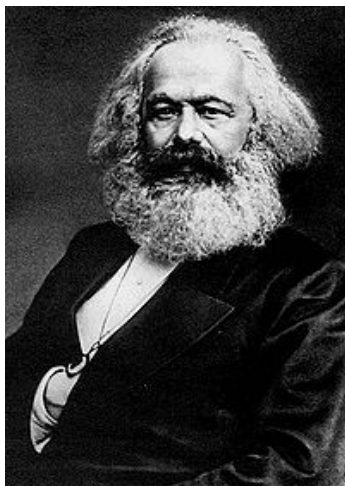
International Socialism

If Adam Smith could see how his contemporary disciples have distorted his teachings he would be the first to say: "This is not what I had in mind. You have taken my views out of context to create global socialism, wrapped in a one-world flag."

And Karl Marx might add: "That is why I advocated free trade in 1848. Free trade breaks down national boundaries and advances the cause of international socialism."

The global Socialist monster that has been created, under the aegis of the General Agreement on Tariffs and Trade, between over 90 nations, is totally contrary to the premise on which the U.S. Constitution was drafted.

There can be little doubt that not one of the signers of the Constitution, nor Adam Smith, would have entered into such an agreement.



Karl Marx
(05/05/1818 –03/14/1883)
Big free trade advocate

Purpose of Government

There is no reason to require any individual American to suffer the consequences of unjust and double standard global economic wars any

more than he should suffer from unjust or unwarranted military wars.

The primary, if not only, purpose of government is to protect its people, not just in macrostatistical terms as financial analysts are prone to do, but as individuals.

A factory worker in Detroit or Pittsburgh is no less entitled to protection against economic assault by foreign aggressors (especially when his own government coercively imposes heavier burdens on him than on his foreign counterparts) than is an American citizen who may be taken hostage because he voluntarily went to a foreign country.

When our government imposes tax and regulatory cost burdens on American firms, and their working people, it has a constitutional and moral responsibility to protect them against any producer, foreign or domestic, who is not required to abide by the same laws and their cost consequences.

The failure of U.S. federal officials to fulfill their oath to uphold these constitutional principles has caused unconscionable injury to millions of innocent individual men, women and children, and an immoral legacy of debt for our children and their children.

If tariffs to ensure uniform and equal application of our laws are deemed "protectionism" there need be no apologies. That's what the Constitution was all about in the first place.

A Case Study

U.S. companies who move their factories to other countries, so as to gain a discriminatory advantage over firms who abide by U.S. laws, are not role models to be emulated.

U.S. corporate managers who endeavor to maintain production operations under the

political and social mandates of the U.S. are not “bloated, inefficient” managers who do not deserve to remain in business.

Here’s one example of this deplorable behavior.

An editorial in the San Diego Union on Feb. 23, 1987 praised Donald Petersen, chief executive officer of Ford Motor Co., for having “transformed a bloated and complacent company into a lean and hungry competitor” while earning “a record profit of \$3.3 billion” in 1986.

The editorial commended Ford “for having closed seven plants in the United States and trimming its white-collar work force by 30 percent.”

The same editorial criticized General Motors Corp., “which has been squeezed by ballooning costs...and [is] spending billions of dollars on costly new plants.”

Storm Gathering

These comments should be view against a backdrop of ominous circumstances now haunting us; the weakest economy since World War II; horrendous trade deficits which are the primary cause of equally horrendous budget deficits; high unemployment; depressed wages; and the specter of an economic catastrophe in the offing, due to the collapse of the U.S. dollar, which is caused by outrageous trade deficits.

From this perspective it is nothing short of ghoulish for anyone to compliment an American company for closing plants, eliminating employees and undermining our vitally needed tax generating industrial base, while criticizing another company for endeavoring to contribute to America’s economic well-being by building seven new

plants in the United States, in the past 15 years, while modernizing others and investing more than \$5 billion in the high-technology Saturn project in Tennessee.

In contrast to GM’s noble efforts, Ford has not built a new plant in America in over 25 years. Instead, it has built plants in other countries and has contracted with foreign producers to manufacture component parts under conditions that circumvent virtually every American law, not the least of which are minimum wage and other labor laws, civil rights laws, environmental and safety regulations etc.

One such plant is in Hermosillo, Mexico, about 170 miles south of the U.S. border. Ford invested over \$500 million in this 1.4-million-square-foot plant to build the Mercury Tracer automobile, under an agreement with the Mexican government that at least 80 percent of its production would be exported to the United States.

Eighty-five percent of the component parts that go into the assembled cars come from Japan, Taiwan, South Korea and other foreign countries. The sheet metal and the entire power train, including engine and transmission, are made in Japan. Consequently, virtually none of that production accrues to the benefit of the American economic and social order.

Mandated Wages

This Ford plant employs about 1,300 Mexicans. Most of those who work on the assembly line earn around \$24 a week, or 60 cents an hour. Top pay on the line is about \$37 a week, or 90 cents an hour (plus unemployment compensation insurance etc.), and the average hourly wage in the U.S. auto industry is about \$15. In citing these figures, we should realize that the U.S. wages were

created by U.S. laws, under the supervision, and frequent coercive pressure, of the U.S. Department of Labor, the National Labor Relations Board, courts and other governmental bodies, over a period of more than 50 years. In other words, U.S. autoworkers' wages are a product of our own governmental mandates.

Even though Ford's pay scales at Hermosillo are not in accordance with U.S. labor laws, Ford is granted permission to sell its Hermosillo products in the United States against a company that abides by U.S. laws. Ford is not even paying its Hermosillo employees (60 cents an hour) as much as GM pays into the U.S. Social Security Fund per average hour worked (about \$1.15).

The Ford plant pays nothing into the U.S. Social Security fund and very little in taxes of any kind. Your own government is subsidizing Ford in Mexico, by granting it immunity from U.S. laws while permitting them to share in our domestic economy.

Ford's circumvention of U.S. labor laws is distressing even under Mexican standards. The pay scales are barely above the Mexican minimum wage of \$3.30 per day. Most of the employees are under 24 years of age. Eighty-two percent are unmarried and unable to raise families under such bare subsistence compensation.

Clearly, Ford is exploiting an impoverished citizenry plagued with high unemployment instead of taking the high road of providing decent employment.

It is no wonder, therefore, that the workers walked out in a strike less than a year after the plant opened. They sought an increase to only \$1 an hour, and Ford refused even that pittance.

Final Insult

The final insult is delivered by the *Union* editor, who characterizes Ford's behavior as worthy of praise and criticizes the management of GM. Ford is a hero for abandoning the U.S. economy, whereas GM is set up as an example of "bloated inefficiency" for trying to contribute to the U.S. economy by investing in America and operating within our laws.

The senior Henry Ford was a truly great American. He, and his friend Thomas Edison, were staunch opponents of foreign trade entanglements. He built all his cars in America and contributed 100 percent to elevating the American economy and social order, in exchange for the opportunity to market his products and earning a profit.

He valued the dignity of his employees and raised the wages of assembly line workers to a precedent setting rate of \$5 per day in the early 1900s so they could raise families and have the ability to buy his own products as well as being substantial taxpayers.

In contrast, the contemporary CEO of the company he founded prefers to exploit his employees at Hermosillo, as well as to exploit the American economy. Even though average wages in America have increased nearly 2,000 percent since 1920, Peterson doesn't even pay Hermosillo workers as much as Henry paid his workers over 70 years ago.

Contrary to the Union editor's observation that, "Henry would be pleased," there can be little doubt that Henry Ford would be the loudest voice to protest the "one-world" policies of our government that encourage his modern-day successor to pit his employees against the lowest common wage denominator in over populated, impoverished nations in the

world, while undermining production in America.

No, Henry would not be “pleased.” He would hang his head in shame and cry.



Henry Ford

(07/30/1863 – 04/07/1947)

Great American inventor, businessman and publisher Henry Ford would never have approved of his company shipping jobs meant for U.S. workers overseas just to save a buck.

Gus Stelzer was a high-ranking executive for General Motors Corp.