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Confederacy was based on free trade

The Constitution of the Confederate States of America, which was adopted March 11, 1861, contained free trade articles. Its Congress had no power to impose tariffs, nor did it have power to appropriate money for internal improvements intended to help commerce. Its Constitution was written with the intent of establishing an empire based on a slave economy, and free trade was at the centerpiece of the confederacy. Excerpts follow:

Sec 8: The Congress shall have power—

1) To lay and collect taxes, duties, imposts, and excises, for revenue necessary to pay the debts, provide for the common defense, and carry on the government of the Confederate States; but no bounties shall be granted from the treasury; nor shall any duties or taxes on importations from foreign nations be laid to promote or foster any branch of industry; and all duties imposed and excises shall be uniform throughout the Confederate States.

2) To borrow money on the credit of the Confederate States.

3) To regulate commerce with foreign nations, and among the several States, and with the Indian tribes; but neither this, nor any other clause contained in the Constitution shall be construed to delegate the power to Congress to appropriate money for any internal improvement intended to facilitate commerce; except for the purpose of furnishing lights, beacons, and buoys, and other aids to navigation upon the coasts and the improvement of harbors, and removing of obstructions in river navigation, and in all which cases, such duties shall be laid on the navigation facilitated thereby, as may be necessary to pay the costs and expenses thereof. . . .

Overall U.S. capital investment is in the range of $200 billion per annum. Of this it can be assumed that about half is actually for investment in plant and equipment. The proponents of the Free Trade Agreement start from the assumption that under the first year of an agreement going into effect, 10%, or up to $10 billion could be pulled out of the U.S., and in the name of investing in Mexico, be diverted to the account of bankrupt U.S. banks. One such advocate put it this way: "Let's say we now make about $100 billion in real capital investment in the U.S., in plant and equipment annually. Mexico, under NAFTA, could easily get 10% of that. That's $10 billion the first year; if it looks successful, say even $15 billion the second year. Then who knows, the third year. . . ."

The sectors which would be affected by such runaway shops are known. Top on the list is the automobile industry, second is the textile and apparel industry, and third, what comes under the heading of electronics and household appliances. Then, fourth, in a slightly different way, the domestic U.S. construction industry.

As so often in the postwar period, the auto industry is the pace-setter. About to announce, at this writing, net losses of $3 billion worldwide for the first quarter of 1991, General Motors (GM), Chrysler, and Ford, working with the banks, were in the initial steps of reopening their new three-year contract with the United Auto Workers (UAW) union. The threat is clear. The unions are to give up the income security and health insurance components of the contract, and accept wage cuts, or face the flight of investment and employment to Mexico. The textile and apparel industry is next for the firing line. This is what happened during 1981 and 1982, at the height of the Federal Reserve Chairman Volcker high interest rate atrocity. Then, the industry reopened contracts in order to lay off workers and cut back its wage bill.

Reopening wage contracts

GM's president, Lloyd Reuss, alluded to this in a press conference April 15 in Detroit, when in response to press prompting, he let slip that GM may reopen its contract with the UAW. GM spokesmen off the record are less bashful. With $5 billion in losses over the last nine months, the company cannot, it is said, afford the more than $4 billion per annum job security and health package it is committed to. They point to the following: GM production worker wages run at $31.30 per hour. After the government and insurance companies take their cut, the workers are left with $16.50 per hour. GM has 42,000 workers employed in Mexican *maquiladoras*. They average $1.10 per hour. As they say: "The discrepancies are huge. Even with this subsidy from Mexico, if auto sales in the U.S. keep collapsing, we will not be able to produce cars in the United States."

Chrysler is perhaps in worse financial shape. Now, the company is under pressure from the government's Pension Benefit Guaranty Corp. Chrysler has $3.62 billion in unfunded pension liabilities, which are due, but cannot be paid. Chrysler, like GM, is beginning the process of reopening its contract.

The textile industry, for its part, fears that with the elimination of remaining import tariffs on certain classes of goods produced in Mexico, the industry in the U.S. will be wiped out, perhaps in its entirety.

Auto and textiles, along with electronics, are threatened

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