



## Free Trade: A Threat to America's Future?

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Protectionists claim that free trade is bad for America—that increasing imports of goods means increasing exports of jobs, thereby gutting our economy. This notion could only be valid in a zero-sum world with a fixed number of jobs, where one country's gain would be another's loss; in fact, though, the number of jobs, both at home and abroad, is locked into a clear uptrend. New businesses and industries continually emerge in the never-ending attempt to satisfy humankind's insatiable wants. We can never run out of jobs.

Free trade doesn't reduce employment, but rearranges it to more efficient applications, just as economic competition across town, across the state, or across the country causes some jobs to supplant others. This process is natural and healthy, not sinister or harmful. Yes, as counter-intuitive or perverse as it may seem,

a healthy economy is one that destroys jobs—by replacing them with new jobs. Just as a healthy human body undergoes a constant process of renewal by shedding dead cells and replacing them with living cells, so a healthy economy is one in which more efficient providers of goods and services displace less efficient providers.

If that sounds cold and clinical to you, then ask yourself if you would rather be part of the U.S. economy or to have been a worker in the Soviet economy. The Soviet Union had the most protectionist system possible—the government guaranteed everyone's job so that there was never any unemployment. The price for guaranteed employment was an economy without flexibility or adaptability. With employment and the economy frozen in place, the Soviet planners in effect outlawed economic progress, resulting in de-

vastating stagnation and impoverishment in the so-called “worker’s paradise.”

By contrast, the dynamic U.S. economy has always pushed people out of old jobs and into new jobs. While challenging for the individuals affected, these are the inevitable growing pains associated with progress for us all. Look at American agriculture, for example. Over the past 250 years, farm employment has shrunk from over 80 percent of our population to less than 2 percent. We may sympathize with the anguish of millions of Americans who have had to abandon farming as their source of income, but our society is much richer today as a result of this shift. Because so few people are needed to produce agricultural commodities, tens of millions of other Americans are now free to provide countless other goods and services that wouldn’t even exist if their providers were still back on the farm.

The slogan “Buy American” resonates within and appeals to our patriotism, but insofar as it means to shop for American-made products instead of the lowest-price, highest-quality products, it is a rejection of economic rationality. Economists going back to Adam Smith understand that the true measure of “the wealth of nations” is how affordable is John Q. Public’s cost of living. If the United States had been closed to foreign trade over the past fifty years, we might be paying \$40,000 for a Ford Pinto IV, \$15.00 for a gallon of gasoline, \$5.00 for a quart of

orange juice, etc. We would all be a lot poorer.

What actually has happened over the past fifty years is that protectionist barriers have been lowered. It is estimated that the average American household’s income is \$10,000 per year higher as a result of tariff reductions in the past half-century.

In 1992, Reform Party presidential candidate Ross Perot, warned of “a giant sucking sound” of jobs moving from the United States to Mexico if the North American Free Trade Agreement (NAFTA) were adopted. Since NAFTA took effect in 1994, the United States has enjoyed a net increase of nearly two million jobs per year, with compensation in three-fourths of the new jobs above the national median.

What, then, in the face of all the evidence to the contrary, explains the persistent warnings about trade’s alleged threat to the country? These cries are protests from those Americans whose jobs are most threatened by foreign competitors with greater productivity. Those workers will need to reinvent their careers as American production continues to evolve in the direction of higher value-added, digital- and knowledge-based goods and services, and away from low-tech or semi-skilled physical labor. Who can blame these Americans for being unhappy? But like generations of bankrupt farmers before them, the individual travail of certain individuals is essential to the progress of the nation. As one who has suffered unemployment, I

sympathize with those who are forced to change their job, but the overarching fact is that as long as our economy keeps generating new jobs, the country's economic future is bright.

There are two major risks to this bright future. One would be if Americans have lost the will, energy, and can-do spirit that enabled earlier generations to surmount prodigious challenges. The other is the "government disease" – the myriad government interventions, like excessive taxation, hyper-regulation (Sarbox!), unfair labor laws, etc. – which are so many like Lilliputian strings, threatening to tie down the American Gulliver. We need free trade if we are not to become global laggards, but we also need government to allow us to compete with the rest of the world without one arm tied behind our back. There is only one country capable of knocking the United States out of its place of global economic primacy, and that is the United States of America. Great economic success awaits America's great businesses and entrepreneurs unless Uncle Sam, through excessive meddling in the economy, snatches defeat from the jaws of victory.

Perhaps the most prominent American voice raised against free trade has been that of Pat Buchanan. In speeches and books, Buchanan argues that free trade led to the decline of the British Empire and now threatens to bring down the United States. Buchanan – a brilliant writer and clear thinker – is right about so many issues, but mistaken about

this one.

Relying on history instead of economic analysis, he commits a fundamental mistake – that of taking two events that happened concurrently, and then drawing a cause-effect relation between them. The fact that Great Britain practiced free trade during its period of decline does not mean that free trade contributed to the decline. That is no more valid than for me to say that chronic federal deficits in the United States began around 1960; Alaska and Hawaii were admitted to the union in 1959 and 1960, respectively; therefore, Alaska and Hawaii are to blame for our mounting national debt. Many empires collapsed before there ever was such a thing as free trade.

And if free trade causes economic decline, then how can one explain the phenomenal economic growth and prosperity that followed the establishment of the world's first free trade area – the United States? If free trade were the kiss of death, the colonies should have stagnated rather than boomed.

Finally, since expanded trade leads to increased efficiencies and a concomitant increase in wealth, Buchanan's argument boils down to "wealth causes decline." This is a dubious proposition at best, but even if it were so, I doubt the people would say, "Let's adopt policies that keep us from being wealthy, since wealth leads to decline." It would never fly.

Buchanan cites many valid concerns that our country needs to address, such as cultural and moral decay

and the stifling deadweight of Big Government, and I am with him 100 percent on those points.