



INDIVISIBLE

Social and Economic Foundations of American Liberty

Leading Conservatives
Exchange Policy Perspectives

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INTRODUCTION BY JAY W. RICHARDS

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INTERNATIONAL TRADE

Why Trade Works for Family, Community, and Sovereignty

BY RAMESH PONNURU



Ramesh Ponnuru

NEARLY ALL ECONOMISTS FAVOR FREE TRADE.³⁶ THEY believe that national governments should let products flow in and out of their borders without subjecting to them to special taxes or imposing other kinds of barriers. They believe this for the same reasons they believe that Kansas and Missouri ought to let commerce flow freely between them.

Those reasons are both theoretical and practical. Economic theory suggests that free trade allows different countries to specialize in such a way that everyone is better off, just as it allows different states and different households to specialize. The practical benefits of trade are also well established: Study after study has shown that trade raises living standards, and freeing trade raises them more.

The public at large is more divided than economists on this issue. Many people believe that Americans have “lost jobs” to overseas trade. In recent years, they have worried particularly about “outsourcing.” Economists know that trade is a minor factor in job losses, that trade creates at least as many jobs as it destroys, and that more Americans have gotten jobs from “insourcing” than have lost employment from its opposite.

Much of the public blames the decline of American manufacturing on trade. The flaw in this popular view is that American manufacturing has not actually declined. The share of the population that works in manufacturing has been dropping for decades because productivity has increased: Each remaining worker can produce a lot more than his predecessors. The number of Americans involved in farming has been dropping for even longer for the same reason: We can use fewer people to produce more food. That isn’t a crisis of agricultural decline. That’s economic progress. That progress can be wrenching for particular people and communities—but it leaves the vast majority

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36 “A 2006 poll of Ph.D. members of the American Economic Association found that 87.5 percent agreed that ‘the U.S. should eliminate remaining tariffs and other barriers to trade.’” N. Gregory Mankiw, “Beyond the Noise on Free Trade,” *The New York Times*, March 16, 2008, at <http://www.nytimes.com/2008/03/16/business/16view.html> (accessed August 18, 2009).

of people better off.

Many social conservatives distrust free trade for additional reasons of their own. They are not generally moved by economic studies that show that trade expands the gross domestic product. Their concerns about trade center on family, community, and sovereignty. They fear that it undermines all three. Their fears are, thankfully, also unfounded. Let's take them one at a time.

PROTECTIONIST MYTHS

Critics of trade believe that international competition brings wages down and thus makes it harder for people to support their families. Trade can, indeed, have this effect on individuals and even on entire industries. So can other economic trends, such as technological development. But just as new technologies benefit most families, so too does trade.

By reducing prices for consumer goods, trade makes family budgets go farther. (How many families shop and save at WalMart? Free trade makes many of those savings possible.) When governments try to protect industries from trade by imposing taxes on imports or sending tax dollars to domestic producers, they make it more expensive for people to buy clothes and food for their children. Higher taxes on these staples fall particularly heavily on poor families.

Protecting some industries also hurts others. For example, whatever benefits protection for the steel industry might yield for its workers must be set against the costs imposed on the larger group of people who work for steel-using industries. When those companies have to pay more for supplies, they may have to reduce wages or even close plants.

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Using protectionism to prevent the decay of communities has a surface appeal because free trade, like free markets generally, promotes an economic dynamism that can undermine settled ways of life. Trade is often blamed for the decline of Rust Belt towns and even large cities such as Detroit.

But we should keep in mind that economic change is often desirable. The shift away from an agriculture-based society was enormously disruptive to society. But how many people really want to go back to the farm? Preventing economic disruption would require a lot more than trade restrictions and would come at an extremely high cost.

If trade protection bought time to soften the blow of economic change for the affected communities, and did so without imposing great costs on everyone else, it might be worth considering. But allegedly "temporary" protection imposes changes of its own: It tends to turn once-thriving industries into permanent wards of the state. (We may be seeing this tendency in Detroit today.) This arrangement typically involves a cozy relationship among big government, big business, and big labor at the expense of taxpayers and consumers. In the long run, this system is bad for nearly everyone.

Nor need trade undermine national sovereignty, either in theory or in practice. Thinking clearly about this question requires getting a handle on what sovereignty is. The phrase “economic sovereignty” has been especially misleading.

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Free trade, particularly the free movement of capital, tends to reduce the power of national governments: If they get too ambitious, economic activity moves outside their jurisdiction. The threat of that

movement is thus a constraint on governmental ambition. But a reduction in government power is not a reduction in national sovereignty. The fact that the federal government cannot control the weather does not mean that we should lament our inability to exercise “meteorological sovereignty.”

FREE TRADE AND THE POOR

For decades, the chief method by which governments have brought down barriers to international trade has been through multilateral agreements. So free trade has come to carry a whiff of “globalism.” Conservatives, and particularly social conservatives, have long been suspicious of global government and other attempts to subordinate U.S. law to supranational organizations.

But it is important to distinguish between supranational organizations that threaten sovereignty and international organizations that facilitate its exercise. NATO is an example of the latter. So is the World Trade Organization. The WTO has no power to keep us from imposing tariffs against the exports of other countries. It merely warns us that if we do, it will give its blessing to the retaliatory moves of those countries—moves that they could have taken even if the WTO did not exist. Nations generally accept the organization’s judgments because doing so is useful to them.

For a contrasting example of an international treaty that threatens sovereignty, look no further than the proposed Kyoto Protocol on global warming. If the U.S. ratified that protocol, it would be committing itself to be bound, in advance and as a matter of law, by the decisions of new international bureaucracies. Free trade constrains governmental power by making governments accountable for bad decisions. Supranational bodies, on the other hand, often expand governmental power and reduce accountability. (Think of them as a cartel of governments.)

One more consideration that weighs in favor of free trade deserves mention. Conservatives are, rightly, quick to reject any claim that the moral imperative to help the poor necessarily means that we should support welfare or foreign-aid programs. But the imperative is, nonetheless, relevant to political debates. As mentioned above, our trade barriers fall most heavily on products that poor Americans disproportionately consume. They also fall most heavily on products that the Third World poor disproportionately produce.

Reducing those barriers would thus aid the poor both at home and abroad—without enmeshing them in dependency, without taking money from taxpayers,

and without harming our own economy. To borrow a phrase from Pope John Paul II, it would allow the needy “to enter the circle of exchange.”³⁷

Trade enriches Americans and foreigners, especially the poor. It poses no threat to sovereignty. Governments should not discourage it—and social conservatives should oppose them when they do.

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37 Pope John Paul II, *Centesimus Annus* Papal Encyclical, Chapter IV, para. 34, May 1, 1991 at http://www.vatican.va/holy_father/john_paul_ii/encyclicals/documents/hf_jp-ii_enc_01051991_centesimus-annus_en.html (accessed August 31, 2009).

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