



There's Still Work to Do

Free trade is again under assault. If there is one reason for the perennial attack it is likely the one Frédéric Bastiat made so much of: the failure to look for what is “unseen.” The costs of free trade (temporary job loss, closed firms) are easily traced to the free movement of goods, services, and capital. The benefits (lower-priced goods, new products, new job opportunities), though great and impossible to produce any other way, are not readily traceable to that movement.

Three things are overlooked in most discussions critical of free trade: We're not in the Garden of Eden; national boundaries, economically speaking, are unimportant; and the mixed economy creates problems that appear attributable to international trade.

Laments about job losses from foreign competition implicitly assume that we have all the goods and services we could possibly want and so there is no more work to do. The only question is who will do it. We might wish that were the case. Economists talk about the disutility of labor, meaning work is *work*. We do it because we want things. If those goods were superabundant and could be had without effort, we might spend our time other ways.

But those goods aren't superabundant. They're scarce. To get one thing we have to give up something else. We make shoes and swap them (indirectly) for hamburgers. This sheds a different light on the adjustments

that occur with free trade. When something can be had cheaper from abroad, labor, capital, and resources are freed up for other things. What other things? More of what we already have and things that people, except for a few perceptive entrepreneurs, have never even dreamed of. Thanks to free trade, we can now afford those things.

Bastiat illustrated the point with his tale about Crusoe and the plank that washes ashore. Crusoe had intended to make a plank. Should he destroy the free one in order to protect the plank-making job he anticipated? Or should he welcome the good fortune because now the hours earmarked for plank-making are free for coconut-gathering, hammock-weaving, or leisure? The answer is obvious.

This is not to ignore that the changes ignited by free trade can be painful to particular individuals. Losing a job and having to train for a new one, perhaps at lower pay, are unpleasant experiences, financially and psychologically. Unfortunately, the alternative to change and adjustment is government-enforced stagnation for all. This understates the case. Import restrictions intended to protect jobs inevitably reduce foreigners' export-buying power; that costs Americans well-paying jobs. The restrictions also tend to provoke protectionist retaliation, which harms still more Americans. Living standards just don't stagnate; they drop.

The blasts against free trade mistake world economic activity for the Olympics, in which only one nation can win the gold medal in each contest. But economic activity

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is not like a sporting event. People enter into exchanges because each person anticipates a gain. Why should it matter if one stands north of a national boundary and one stands south, rather than on the same side?

As Murray Rothbard wrote in *Power and Market*: “Economists have devoted a great deal of attention to the ‘theory of international trade’—attention far beyond its analytic importance. For, on the free market, there would be no separate theory of ‘international trade’ at all. . . . ‘Nations’ may be important politically and culturally, but economically they appear only as a consequence of government intervention, either in the form of tariffs or other barriers to geographic trade, or as some form of monetary intervention.”

Rothbard employed the *reductio ad absurdum* against the opponents of free trade. He asked, Why stop at national boundaries? If Buy American is well advised, why not Buy Pennsylvanian? Or Buy Scranton? Or Buy Elm Street? Indeed, the logic ought to apply to each household or person. Anyone who refused to “import” goods and services from others would surely never find himself unemployed. And his trade account won’t be in deficit either. But he’ll have a dismal standard of living.

People who appreciate that America is rich in part because its large land mass is a free-trade zone should also see that pushing the boundaries of that zone ever outward can only be a good thing.

Self-Inflicted Wound

Trade benefits the parties to it. It is true that if an American buys a good from a Pakistani, he’s not buying that good from another American. But with the money he saves by paying less for the Pakistani good he can buy other American-made goods or invest in new production. Moreover, the Pakistani now has dollars with which to buy American-made goods or to invest in American enterprises. So even people who want to continue to think about trade in national terms should see that restrictions cannot

help “America,” but rather only one group of Americans at the expense of all the rest.

The economist Paul Craig Roberts asserts that the case for free trade depends on immovable capital, which activates the law of comparative advantage, according to which more-efficient people profit from trading with less-efficient people. Since capital is highly mobile now, Roberts says, the conditions justifying free trade no longer apply. He fears that high-tech service jobs, such as computer programming and radiology, will be “outsourced” en masse to low-wage Asians at the expense of high-wage Americans.

Yet it’s hard to see why this would mean there will be no lucrative work for Americans. (We’re not in the Garden of Eden.) Foreigners will still find it in their interest to specialize in the things where they have a relative advantage and buy the rest elsewhere. In other words, the law of comparative advantage lives!

One thing is sure: they won’t sell to us if there’s nothing of value to buy from us. Nominal incomes in the United States may decline, but less-expensive products and services from abroad will make real incomes attractive. (I recall an old English political poster that said: “Incomes buy more under free trade.”)

Roberts may be right that political stability and increasing education in the developing world, as well as technological advances like the Internet, are producing new competition for high-paid Americans; but are those developments to be feared? What is apt to make us richer: a more elaborate division of labor using scarce capital more efficiently, or third-world chaos, repression, ignorance, and technological primitivism?

Finally, the doomsday scripts written by the free-trade skeptics confuse the effects of trade with those of pervasive government intervention in the economy. Yes, free trade requires people to make adjustments. Here’s how the government can help: cut spending, slash and repeal taxes, abolish regulations, and move to market-based money. There’s no better way to ease any harsh consequences from world trade. □