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The candidates' public disservice on trade

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Almost three-fifths of Americans recognize that international trade offers the country an opportunity to expand the economy; only 34 percent see it as a threat. Unfortunately, the leading presidential contenders are doing their best to change that.

Bernie Sanders, Hillary Clinton and Donald Trump have been spouting a stream of nonsense remarkable even by campaign-season standards. Sanders, for instance, blames the decline of Detroit and Flint, Mich., on "Hillary Clinton's free-trade policies." But as Steve Chapman of The Chicago Tribune points out, GM shut down its Flint plant six years before NAFTA took effect. Other factors — such as automation — have done most of the damage to auto-industry employment.

Anyway, the decline of U.S. manufacturing is wildly overstated. Manufacturing in the U.S. now produces six times the value in real terms of what it did half a century ago. In fact, as former deputy U.S. trade representative Miriam Sapiro noted recently in The New York Times, "excluding oil, the United States actually has a trade surplus in manufactured goods (you read that right) with the 20 countries with which it has trade agreements (although that does not include China). . . . The Department of Commerce estimates that every increase of $1 billion in exports sustains nearly 6,000 jobs."

But didn't the U.S. lose millions of jobs in the years after NAFTA? Of course. The U.S. would have lost millions of jobs anyway, because the labor market is in a state of constant churn. In the second quarter of last year, for instance, the economy enjoyed a net job increase of 800,000 positions. But that obscures the broader picture, which shows that while 7.5 million jobs were added, 6.7 million jobs were lost.

Overall, Sapiro notes, in the seven years after NAFTA passed "nearly 17 million jobs were added in this country and unemployment fell to 4.0 percent." Figures like that help explain why 93 percent of the nation's leading economists agree that trade pacts benefit the U.S. — and the other 7 percent just aren't sure.

But isn't the U.S., as Trump says, getting "crushed" by other countries because of the trade deficit? Nope. As a Cato Institute paper some years ago explained, the notion is based on an outdated fallacy: "The mercantilist approach to trade that dominated thinking in the 17th and

18th centuries stressed the need for nations to accumulate gold. By exporting more than they imported, nations could hoard the excess money . . . generated by the trade surplus. . . . The more metallic money a state possessed, the more able it would be to wage war if necessary."

That might be swell for kings who want to expand empires, but it isn't so great for the public. The goal of economic activity is not production, but consumption: to improve your standard of living. A country that exported everything it produced would have a giant trade surplus, but its people would starve to death. The U.S. trade deficit reflects the fact that Americans are rich enough not only to provide for themselves but also to buy products they want from other countries.

And other states. If workers actually gained when trade between nations is restricted, then they would gain even more if trade between states and cities were restricted. Imagine how much employment in Detroit would rise if the residents could not buy anything made outside of Michigan, or Detroit itself. But nobody measures the trade deficits among U.S. states, because it bears no relation to how well people actually live.

If free trade is bad, then the ideal situation is no trade at all — with each person growing his own food, making his own clothes, and so on. That would lead to full employment. But it would make everyone vastly worse off. Why? Milton Friedman explained why in a single sentence: "The most important single central fact about a free market is that no exchange takes place unless both parties benefit."

Granted, if Smith buys widgets from Jones, that's not so good for Jones' competitor Brown. This brings up a moral issue. If Smith and Jones agree to trade with each other, what right does Brown have to stop them?

And what right does a fourth party — say, the federal government — have to step in on Brown's behalf, prohibiting Smith from trading with Jones? None whatsoever.

Questions like that get muddied by discussions about "international trade," because the truth is that nations do not trade with one another. People and companies do.

Yet in a recent interview, Trump griped that "our companies are moving into Mexico more than almost any other place right now. We are losing our industry. We're losing our business to Mexico."

"Our"? Unless Trump owns one of those companies, then it isn't his. It belongs to the proprietor or the stockholders — not to politicians, or to the country as a whole. Which is why companies have every right to exchange goods and services across political boundaries, or even move across them — despite what the candidates say.