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This Reagan Adviser's Wisdom on Free Trade Is Much Needed Today

Bryan Riley

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Ana Swanson at The Washington Post recently reported on a letter from former chairs of the Council of Economic Advisers, warning against raising new tariffs—something President Donald Trump has mentioned as a possibility

Swanson later tweeted, "It would be more convincing if [Council of Economic Advisers] chairs came back from the grave to warn Trump on tariffs, but I guess this will do."

President Ronald Reagan's first chair of the Council of Economic Advisers was Murray Weidenbaum. He passed away in 2014.

Two of Weidenbaum's noteworthy speeches—one at Hillsdale College in 1983and one at the Cato Institute in 2000—are particularly apt to our moment when it comes to trade and tarrifs.

From 1983:

The sad fact is that the open trading system of the free world is under attack at home and abroad. It is especially important, therefore, that we reinforce our intellectual defense of the free market, especially its international dimensions. …

A strong trade position requires both a high volume of imports and a high volume of exports. In fact, the only way, in the long run, to increase a country's exports is to increase its imports. U.S. exporters need to find foreign buyers with the dollars necessary to buy their goods and services. …

Any form of trade restraint to help a specific industry affected by imports really is an internal transfer of income and wealth to that industry from U.S. consumers. That transfer takes the form of shifts of income and wealth away from American workers and owners of our export industries, who bear the brunt of retaliatory trade restrictions in the form of lower wages and lower profits. …

Let us remind ourselves of our many departures from free trade. For example, "Buy American" statutes give preference to domestic producers in government procurement. Also, American flag vessels must be used to transport at least 50 percent of the gross tonnage of all commodities financed with U.S. foreign aid funds. …

Let us not forget the Jones Act. That piece of special-interest legislation prohibits foreign ships from engaging in commerce between American ports. This law, of course, effectively bars all competition in U.S. domestic marine transport. …

The question is frequently asked, "Other nations do not have a policy of freer trade, so why should we?" But rather than talking in absolutes, the more appropriate question to ask is, "Are the trade policies of other nations more open today than they would be without the continued pressure of agreed international 'rules of the game'—rules developed under the persistent and patient influence of the United States?" The answer is a resounding "yes." …

The credibility of this country's commitment to open and freer trade is not enhanced by companies sending their lawyers to Washington on Monday to seek the removal of import barriers overseas; and then turning around on Wednesday to send the same attorneys back to Washington to advocate import restrictions on the products of their foreign competitors.

And from his 2000 speech:

The large trade and current account deficits are the consequence of much stronger economic performance in the United States than in our trading partners. The current account deficit is also as high as it is because so many foreign investors find the United States the most attractive place to put their money to work. …

The concern over large trade deficits with China and Japan is overdrawn. There is no reason for any two countries to have balanced trade between them. Bilateral trade imbalances may exist for many benign reasons—differences in per capita incomes and in the relative size of the two economies. For example, Japan's per capita imports from the United States are larger than per capita U.S. imports from Japan—but we have more "capita." …

Adding labor, environmental, and human rights standards to trade agreements is misguided. We know disguised protectionism when we see it. The most effective way to help developing countries improve their working conditions and environmental protection is to trade with and invest in them. …

The alleged erosion of the U.S. manufacturing base is not supported by the facts. In recent years, manufacturing output has reached new all-time highs almost every month. Rising productivity does mean fewer blue-collar jobs—and makes available expansions in high-tech and service employment. If not for the long-term rise in productivity, we would all still be farmers.

The most significant change since Weidenbaum's 1983 comments is that trade now represents 28 percent of the U.S. economy, up from just 17 percent at the time. As a result, his initial comment is even more important now: "The sad fact is that the open trading system of the free world is under attack."

It is especially important, therefore, that we reinforce our defense of the free market.