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Trump doesn't get international trade

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Donald Trump is wrong about so many things that it's hard to choose just one thing at a time to examine. But let's start with Trump's take on protectionism - his poor understanding of trade imbalances, along with his ridiculous threats to start trade wars with China, Mexico and other trade partners.

Here's what he gets wrong. Competition from foreign manufacturers makes our own products better. Japanese cars didn't destroy the American automobile industry. They made it better.

And the Cato Institute's Chris Edwards, musing at a concert by The Who, pointed out recently that the same is true of guitars.

"Let's look at a bit of history," Edwards wrote. "American firms Fender and Gibson have long been the dominant electric guitar makers. But both firms were in decline in the 1970s, as quality fell and import competition increased."

A Japanese company, Ibanez, noted the decline and decided to get into the electric guitar market. It began producing products superior to the mediocre instruments that Fender and Gibson were making in the '70s and '80s, and selling them for a lower price.

"And like Honda and Toyota in automobiles, Ibanez focused on product innovation, while the American firms seemed to rest on their laurels," Edwards explained. "Ibanez has been a big success, and it is one of the top guitar firms today.

The American firms were hit hard.

"By the 1980s, Gibson was floundering and 'might well have gone under,' noted an article in *Guitar World*," Edwards noted. "And Fender was 'all but dead,' according to the company's official history."

What happened to turn this all around? Free markets.

"America's capital markets came to the rescue," Edwards wrote. "Fender was bought out in 1985, and Gibson in 1986, by teams of investors determined to revive the firms' traditions of quality. Today, Fender and Gibson are back on top of this competitive industry."

Imagine if Trump had been in power in the 1970s. Presumably, his solution to the problem would have been to slap tariffs on all Japanese guitars. That wouldn't have helped Fender and Gibson; it would have enabled them to continue to put out mediocre products.

Another thing Trump gets wrong about trade is the cost - to American families - of a trade war.

"I don't mind trade wars when we're losing \$58 billion a year," Trump said in a February debate. He was speaking of the trade imbalance with Mexico, but he doesn't know what he's talking about.

A trade imbalance isn't the same as "losing" money. We get products in exchange for our dollars. And the exchange is voluntary - we willingly give them our money, and they willingly give us iPhones and television sets and clothing and other manufactured items.

Putting tariffs on those products doesn't hurt China or Japan or Mexico, it hurts U.S. consumers. And it will hurt American manufacturers, because those countries will respond with retaliatory tariffs of their own, making our products unaffordable to their citizens.

Donald Trump's position on trade is just wrong. Free trade benefits all parties.