



Trade With China is the Richest (And Also They)

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The trade has enriched humanity offering even better products and cheaper while decreasing dramatically the overall poverty . The end of extreme poverty is now in sight . A recent Gallup poll reported that 58% of Americans they see trade as opportunity, not a threat; and this belief has increased.

However, we rarely hear about the amazing benefits of trade . US presidential elections 2016 have brought into vogue increased interest in business conducted between the US and China, with political figures like Donald Trump prominently focusing on the alleged "damage" caused by China to the US . Here I describe the three main arguments that trade skeptics use in relation to China, and the reasons are wrong.

1) Skeptics often complain that trade with China has "taken the jobs of Americans." However, in most cases, American and Chinese workers are not competing for the same jobs, as they exert different types of work.

Comparative advantages and expertise play an important role in all business relations. China has comparative advantage in the industry, while the US has advantage in areas that involve a high human capital development, such as technology, education and precision industry .

Fewer Americans work in grueling areas as traditional industrial parks and agriculture, both of which are still common in China. The fall in employment in traditional manufacturing and agriculture has been more than offset by an increase in healthcare professionals and the creative careers and knowledge-intensive, which are safer, more intellectually stimulating, and increase the quality of life of American citizens.

For example, the number of doctors per person has increased in the United States, and has increased the number of teachers per student . The chart below shows that while employment in manufacturing has declined, the total number of nonfarm jobs fired .

2) Many people are concerned with the so-called currency manipulation in China. This, they claim, is keeping the value of the yuan artificially low against the dollar . This means that

Americans pay less for Chinese goods. As Mark J. Perry, board member of Human Progress, puts:

The "handling" of the Chinese exchange rate is actually very advantageous for millions of American consumers (especially the low - income) and US companies that buy products and raw materials in China. These two groups certainly not complain about the low Chinese prices and indeed would be worse off if China were forced to revalue its currency and thereby make their products more expensive for Americans.

So if no American consumer or importer would benefit from the appreciation of the yuan and the reduction in 'foreign aid' from China to the US, who would benefit? The same group that always benefits from protectionism and mercantilist trade policies: domestic producers compete against foreign rivals in China and elsewhere.

Unfortunately, the cost of protectionism to consumers is greater than the benefit to producers, resulting in an economic loss to the country and a reduced standard of living.

In other words, while a few industries would benefit, the vast majority of Americans would be poorer due to the US imposition of protectionist policies, or penalties imposed on China.

3) Skeptics of trade with China often complain that trade leads to the exploitation of Chinese workers, and puts them in a worse situation. However, as written Johan Norberg of Cato :

Western activists rage against sweat factories, but between researchers and economists, left and right, there is a consensus that these jobs are the way out of poverty.

Lest we forget, the US and Europe had their own sweat factories during the Industrial Revolution. Work was, in some instances, dangerous and difficult - although not as painful as living agricultural subsistence. However, as a result of the Industrial Revolution, life expectancy and GDP per capita soared while poverty was quickly reduced.

Since the liberalization of the economy, the life expectancy in China soared , approaching the level in the US, and hundreds of millions of Chinese have escaped extreme poverty. This represents the largest reduction in poverty the world has ever seen.

While prosperity has increased, gender inequality has decreased , and a smaller portion of the population suffers from inadequate nutrition. If skeptics trade really care about the welfare of the poor Chinese, they should support the anti-poverty program most successful of all time: economic liberalism , including the freedom of international trade .

Chelsea Follett is the Managing Editor of HumanProgress.org, a project of the Cato Institute which seeks to educate the public on the global improvements in well-being by providing free empirical data on long-term developments.