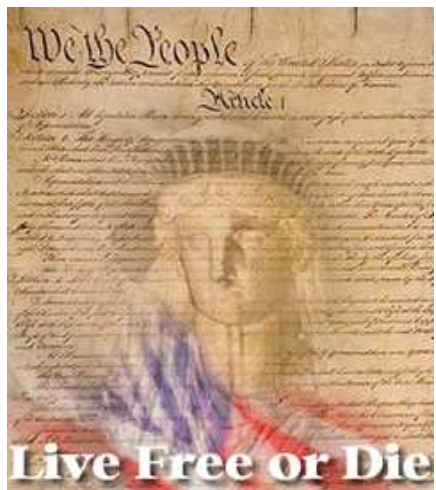


OUR VIEW: Obama is right about Indian trade (vote)

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President Barack Obama seems to get it. After support for trade tariffs and a spate of populist homilies decrying American companies that ship jobs overseas, Obama said from India Saturday that more free trade would cause new employment and prosperity for Americans. He is correct.

Wealth isn't a zero-sum game, in which one party does well only at the expense of another. Wealth is production and trade, and the more we produce and trade the better the human condition becomes.

Obama applauded 20 trade deals with India that will create jobs in the United States. India's growing, tax-reformed economy has already resulted in a doubling of American imports sold to India in the past four years.

Free trade has always been a hard sell in the United States, where the political appeal of protectionist tariffs and economic isolationism become almost irresistible when unemployment rises. American consumers see that most of their shoes and apparel are made in Asia, and they understandably blame hard times on cheap foreign labor.

But long-term data tell us the American dream improves as free trade expands. In his book "Mad About Trade," former Gazette editorial page editor Dan Griswold, who directs the Center for Trade and Policy Studies at the Cato Institute in Washington, points out that the U.S. labor market has shed 3.6 million manufacturing jobs since the early 1990s.

"But that loss has been overwhelmed by the creation of 18.9 million net new jobs in mostly service sectors where the average wage is higher than in manufacturing... To the extent that trade has affected the middle-class job market, it has tended to create better-paying jobs while eliminating lower-paying jobs," Griswold wrote.

It's not as if everything is rosy in the United States, but our problems aren't caused by trade. Fareed Zakaria, an Indian immigrant to the United States, wrote the cover article for the Nov. 1 edition of Time, titled "Restoring the American Dream." He told of immigrating to the United States in the 1980s and finding a country of optimism, compared with the "fatalism and socialist lethargy" of India back then.

"When I travel from America to India these days, as I did recently, it's as if the world has been turned upside down. Indians are brimming with hope and faith in their future... Meanwhile, in the U.S., the mood is sour. Americans are glum, dispirited and angry," Zakaria wrote.

(Vote in poll to the right in red type. Must vote to see results. Thanks)

When Zakaria left India, his country's marginal tax rate was 97.5 percent and corporate taxes were punitive. Not today, after sweeping tax reforms reduced rates and rate disparities that had created production barriers.

"The American tax code is a monstrosity, cumbersome and inefficient... Were I to move from New York City to Mumbai today, my personal tax rate would drop, as would every other rate, from corporate to capital-gains taxes," Zakaria wrote.

He describes how the political left and right in the United States “have conspired in feeding consumption spending” with fiat currency and debt in order to create illusions of prosperity beyond the country’s true means. He explains immigration policies that have the United States educating the world’s best and brightest and then sending them away.

Free trade is good. Unfair taxes and politically expedient easy-credit spending sprees, by government and consumers, are the real threat to the American dream.

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