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## Trump's 'Fair Trade' Rhetoric Hurts Republicans' White House Chances

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By Chuck Rog er



After a recent phone conversation with Donald Trump, syndicated columnist Charles Krauthammer [concluded](#) <sup>[2]</sup> that The Donald is "absolutely" serious about seeking the GOP Presidential nomination. That's unfortunate. The illiberal media will have a field day with Mr. Trump's flawed ideas on free trade.

In January, Trump [complained](#) <sup>[3]</sup> to talk radio's Michael Savage that Americans "no longer make things" and in March [told](#) <sup>[4]</sup> a CNN interviewer, "Nobody, other than OPEC, is ripping off the United States like China." In the CNN interview, Trump also said that China "is stealing all our jobs" and "making all our products." He advocated "a 25 percent tax on products that come into the United States."

The billionaire [professes](#) <sup>[5]</sup> a preference for "fair trade" over free trade and promises that as President, he would not raise taxes. But taxing previously untaxed products *does* constitute a tax increase. Perhaps Trump doesn't understand that prosperity and jacked-up prices are mutually exclusive conditions. Confusion is not what America needs in its next President. Already the current President exhibits enough wrong-headedness to stifle economic growth for decades.

Trump's foreign trade ideas are way off base. Cato Institute's Daniel Griswold examined America's economic performance over the last thirty years. In a new report, Griswold [finds](#) <sup>[6]</sup>

... no evidence that a rising level of imports or growing trade deficits have negatively affected the U.S. economy. In fact, since 1980, the U.S. economy has grown more than three times faster during periods when the trade deficit was expanding as a share of GDP compared to periods when it was contracting. Stock market appreciation, manufacturing output, and job growth were all significantly more robust during periods of expanding imports and trade deficits.

Higher economic growth correlates with *larger* trade deficits. The link makes economic sense to sound thinkers. When we Americans prosper so much that domestically-produced stuff is insufficient to meet our needs, we buy more and more stuff from other countries. This healthy economic condition causes a trade deficit. Protectionists like Trump seem oblivious to such basic facts.

The last time Washington reacted in a big way to calls for trade protectionism of the sort promoted by Mr. Trump, the resulting Smoot-Hawley Tariff of 1930 [raised](#) <sup>[7]</sup> import duties almost 60 percent on agricultural and manufactured goods. America's global trading partners enacted retaliatory tariffs. Exports and imports dropped by more than 50 percent and helped turn a recession into the Great Depression.

Trump's belief that Americans "no longer make things" is plainly false. Even during the current major downturn, American manufacturing output has been running near [record highs](#) <sup>[8]</sup>. Cato Institute's Alan Reynolds [observes](#) <sup>[9]</sup> that protectionists like Trump ignore the fact that "*the U.S. is by far the world's largest manufacturer* [his emphasis], with [China trailing](#) <sup>[10]</sup> by 22 percent" as of 2008. China is a [more distant](#) <sup>[11]</sup> second place in good economic times. But manufacturing output is not

even the biggest bugger-boo on most people's minds. University of Michigan economist Mark Perry [captures](#) <sup>[12]</sup> Americans' most distressing concern — jobs:

It's true that the U.S. has lost more than 5.5 million manufacturing jobs in the last ten years, from more than 17 million jobs in 2000 to fewer than 12 million jobs in 2010...

And yet during that same period, manufacturing output ([data here](#) <sup>[13]</sup>) actually increased by more than 5%, from \$3.1 trillion in 2000 to \$3.26 trillion (measured in 2005 dollars) this year... On a per employee basis, manufacturing output per worker increased by more than 50%, from \$182,000 in 2000 to \$278,000 [in 2010.]

George Mason University economist Don Boudreaux [adds](#) <sup>[14]</sup>:

It's true that manufacturing *jobs* are decreasing, but rather than blame the Chinese, [Trump's] anger would be better targeted... if [he] blamed American innovators and even American manufacturing workers.

Boudreaux's point makes protectionists on both left and right squirm. Neither China's nor any other country's workers pose the biggest threat to American manufacturing jobs. Productive workers and continuously improving technology keep America in first place output-wise and render domestic manufacturing job growth categorically unnecessary. That's reality.

Would President Trump have forced manufacturers to forgo productivity improvements and continue to pay 5.5 million unneeded employees? Such logic smacks of the utopian world that lives in the minds of progressives, a world in which citizens wearing saccharin smiles work the fields with horse-drawn plows while government and union "protectors" keep farm equipment manufacturers at bay. Government edicts that force companies to retain extra employees, or pay artificially high wages, or charge unnaturally inflated prices put companies out of business—just like FDR's interventionism did in the 1930s.

Sadly, Mr. Trump doesn't restrict his flawed thinking to tariff nonsense. In a [CPAC address](#) <sup>[5]</sup>, he claimed, "We are rebuilding China because we buy their products." Don Boudreaux [asks](#) <sup>[15]</sup>:

What do the Chinese do with the dollars that we use to buy their products? Do they burn these dollars or otherwise not use them commercially? ... If the Chinese do not burn their dollars, then they (or other foreigners with whom the Chinese deal) must use these dollars either to buy American products or to invest in the U.S. economy (or both). To the extent that foreigners buy our products, by [Trump's] reckoning they must be "rebuilding" America. ... Do such investments *harm* America? Does foreign investment in America *not* help to "rebuild" America? If not, why not?

Inconvenient questions. Boudreaux's line of reasoning highlights a stark realization: China's businesses and economy would be mortally wounded by any strategy that weakens their best customer's prosperity. Why indeed would the Chinese government intentionally decimate an American economy on whose health Chinese people depend?

America is a nation most threatened by the economic dunderheadedness of its own politicians, progressive and conservative alike. Today's voters have no business putting faith in someone who pushes one of the most jobs-destroying farces of all: trade protectionism. Mr. Trump's protectionist ideas certainly stir popular support, but acting on those ideas would reincarnate the 1930s on steroids.

Nevertheless, Trump will probably continue to preach "fair trade." He will advance seductive fallacies that boost his popularity among easily seduced voters. Between The Donald's foreign trade rhetoric and his scrutiny on the circumstances surrounding Obama's birth, the most significant effect of a Trump presidential campaign would be to make a mess out of the Republican nomination process.

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[1] American Thinker: <http://www.americanthinker.com/2011/04>

**/trumps\_fair\_trade\_rhetoric\_hur.html**

[2] concluded: **[http://www.realclearpolitics.com/video/2011/04](http://www.realclearpolitics.com/video/2011/04/21/krauthammer_on_surprise_call_from_trump_hes_running.html)**

**[/21/krauthammer\\_on\\_surprise\\_call\\_from\\_trump\\_hes\\_running.html](http://www.realclearpolitics.com/video/2011/04/21/krauthammer_on_surprise_call_from_trump_hes_running.html)**

[3] complained: **[http://www.trn1.com/uploads/automp3/savagesegments](http://www.trn1.com/uploads/automp3/savagesegments/Savage_01-10-2011_HR1.mp3)**

**[/Savage\\_01-10-2011\\_HR1.mp3](http://www.trn1.com/uploads/automp3/savagesegments/Savage_01-10-2011_HR1.mp3)**

[4] told: **[http://money.cnn.com/video/news/2011/03/21/n\\_trump\\_china\\_tax.cnnmoney](http://money.cnn.com/video/news/2011/03/21/n_trump_china_tax.cnnmoney/?iid=EL)**  
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[5] professes: **<http://www.humanevents.com/article.php?id=41717>**

[6] finds: **<http://www.cato.org/pubs/tpa/tpa-045.pdf>**

[7] raised: **[http://www.washingtontimes.com/news/2010/oct/22/the-tempting-path-of-](http://www.washingtontimes.com/news/2010/oct/22/the-tempting-path-of-protectionism/)**  
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**[has.html](http://mjperry.blogspot.com/2010/07/increased-worker-productivity-has.html)**

[9] observes: **[http://www.cato-at-liberty.org/a-wall-street-journal-column-understates-](http://www.cato-at-liberty.org/a-wall-street-journal-column-understates-the-size-of-u-s-manufacturing/)**  
**[the-size-of-u-s-manufacturing/](http://www.cato-at-liberty.org/a-wall-street-journal-column-understates-the-size-of-u-s-manufacturing/)**

[10] China trailing: **<http://helenhwang.net/2010/03/myth-of-manufacturing/>**

[11] more distant: **[http://www.scdigest.com/assets/On\\_Target/08-08-19-3.php?](http://www.scdigest.com/assets/On_Target/08-08-19-3.php?)**

[12] captures: **[http://www.dailymarkets.com/economy/2010/10/03/increases-in-u-s-](http://www.dailymarkets.com/economy/2010/10/03/increases-in-u-s-worker-productivity-more-than-chinas-currency-responsible-for-loss-of-u-s-jobs/)**  
**[worker-productivity-more-than-chinas-currency-responsible-for-loss-of-u-s-jobs/](http://www.dailymarkets.com/economy/2010/10/03/increases-in-u-s-worker-productivity-more-than-chinas-currency-responsible-for-loss-of-u-s-jobs/)**

[13] data here: **<http://www.federalreserve.gov/releases/g17/gvp.htm>**

[14] adds: **<http://cafehayek.com/2011/01/open-letter-to-donald-trump.html>**

[15] asks: **<http://cafehayek.com/2011/02/open-letter-to-donald-trump-2.html>**

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