



Why Most Conservative Free-Traders Have Thrown in the Towel

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It would have seemed astonishing a year ago, but inside the conservative movement and the GOP, Trump has won on trade, leaving the free-traders to rationalize away.

When news broke last year that conservative economist Stephen Moore had acquiesced to Donald Trump's protectionist policies, political observers were stunned. After all, as the founder of the Club for Growth, Moore had worked to defeat Republican politicians who didn't pass his purity litmus test on issues like free trade; now he was championing one... for president!

"I used to be unilateral free trader," Moore said in November. "But the political reality... is there's a backlash against trade. Whether we like it or not we better adapt the rules in ways that benefit American workers more, or free trade is not going to flourish."

His comments went over like a lead balloon. One friend told him he "must have been drunk" when he made them. Economics professor Don Boudreaux fired off a sharp-elbowed open letter to Moore. "Moore is the definition of a 'high-falutin' intellectual, except that now he's embraced some FDR-style down-home populism because it's politically convenient," scolded Ben Shapiro at Conservative Review. And for every person who spoke out publicly, dozens were murmuring at conservative conclaves and cocktail parties. Moore had become the Ted Olson of trade.

Moore isn't cowed by the critics. "These guys can sit in ivory towers," he said when we spoke over the phone last Friday, "but if you're not convincing people in Grand Rapids, Michigan, and Flint, it's not going to get you very far."

To be fair, his comments were generally misinterpreted as his having switched sides, but a better criticism would be that he accepted defeat. "I'm a free trade guy. I'm with Richard Rahn. I'm with Art Laffer, and all the rest of them," Moore assured me. "But we as free-market people better do a better job of figuring out how to sell free trade. To go around saying, 'Adam Smith did this or that' doesn't go a long way," he lamented.

Until recently, though, it *did* go a long way. So much so that wearing an Adam Smith necktie (still available) was how the fashion-conscience free marketer could signal his devotion to the pioneering father of capitalism. Once worn in the Reagan White House, this necktie is still the *de rigueur* "uniform" in some circles, worn smartly with khakis and a blue blazer (which are assigned during your first internship in the conservative movement).

It's an outward sign of how, in modern times, Republican philosophy has been decidedly free trade. To the extent that protectionism existed in modern American political thought, it had mostly lain dormant—occasionally trotted out in campaigns by failed populists hoping to pander to the Rust Belt workers or labor unions.

It was widely understood that David Ricardo had it right; by specializing in what each country did best, free trade was more efficient. It was also a win-win; specializing in what you do best (and trading for what you don't) made everybody more prosperous. It was accepted—going back to the Smoot Hawley Tariff Act—that protectionist trade policies were not a panacea and might even be disastrous.

Multilateral deals were accepted as more efficient than dozens of bilateral deals, because importers and exporters could deal with one set of rules and thereby reduce compliance costs. It was accepted that consumers benefitted from free trade; cheap products at Wal-Mart—and the fact that an iPhone is affordable—are thanks to free trade. And it was a given that having mutually beneficial trade relationships with other nations would also have national security implications. (In the case of the Trans-Pacific Partnership (TPP), America's abandonment of the deal only opens the door for China to fill the vacuum).

But in record time, Donald Trump changed all of that by cancelling TPP, promising to renegotiate NAFTA, threatening to impose tariffs, and generally favoring bilateral deals over multilateral ones.

Nobody has ever accused President Donald Trump of being an orthodox conservative. But it is his penchant for protectionist trade policies where his apostasy is most stark.

In an attempt to remain onboard with this new Republican president, free traders have had to concoct self-soothing theories and coping mechanisms.

Some fiscal conservatives, like Steve Moore, simply point out the political realities. Not only have the American people spoken, but also the Republican primary base has spoken. This is Trump's party now.

To stomach this concession, it helps to be reminded that so many of Trump's other positions are quite good—maybe even good enough to make up for his trade protectionism.

“[Trump's] broad policy goals are pro-growth,” CNBC Senior Contributor Larry Kudlow told me last November. “And I understand there are glitches,” Kudlow continued. “I understand trade is a glitch. But... on the main, you've got tax reform, regulatory reform, big healthcare changes—Obamacare and so forth. Unshackle energy. He's got the basic building blocks right.”

This is not an absurd argument. “It is reasonable to recognize that no candidate and no administration is going to fully reflect your exact set of policy preferences and priorities,” says Michael Strain, director of economic policy studies at the American Enterprise Institute (AEI). “I don't think we should be disparaging people who say... in my judgment the good of x, y, and z outweighs the bad of a, b, and c.”

Others hope that his talk of tariffs is really just an opening gambit in a game designed to cut better trade deals in the future. “Since he prides himself on being a negotiator, this could just be his opening bid,” postulates the aforementioned Richard Rahn, a free-market conservative who advised presidents Reagan and George H.W. Bush on economic matters.

Trump's argument that he isn't against free trade—but that he just wants “fair trade”—might be sophistry, but it's still a great line. While there is truth in saying that Trump's statements are usually negotiations, Trump's abandonment of TPP suggests that he's not merely negotiating.

One of the most optimistic theories comes from Grover Norquist, president of Americans for Tax Reform, who suggests Trump's pro-growth positions might render his trade policies moot (instead of merely making them tolerable). In Norquist's world, trade isn't the problem—the real culprits are taxes, onerous regulations, and labor unions that drive up the cost of hiring American workers. “Where's [America] hollowed out?” he asks rhetorically. “I don't know. Look at labor union concentration.”

Norquist scoffs at the notion that globalism is the real problem with the economy. “The Chinese people don't write EPA regulations,” he says. “China doesn't create union labor laws that damage workers as long as they get more union dues.”

Ultimately, Norquist believes that Trump will turn around the economy, and then Americans will be more open to free-trade agreements. “It's sort of like Nixon going to China,” he says. “I think Trump can pass more and better trade deals with a growing economy than Hillary Clinton—or even another Republican—could.”

To be sure, not everyone is so optimistic. The aforementioned George Mason University Professor Don Boudreaux rejects the notion that there a tradeoff. “Cut taxes? Bunk,” Boudreaux barked in a letter to *The Wall Street Journal* last October. “Trump famously promises to raise taxes on Americans who buy imports. Reduce regulation? Rubbish. Trump promises more government intrusions into Americans' commerce with foreigners.”

Others worry that Trump's protectionism is tantamount to crony capitalism. “It's true that if you have a totally free market, there will still be winners and losers,” concedes Andy Roth, Vice President for the Club for Growth (a group I have spoken to in the past), but “that's called competition and it's what drives our economy.” Protectionism amounts to swapping Trump's

hands for Adam Smith's invisible hand. "When the government protects the sugar industry," Roth explains, "the sugar companies and workers win, but the candy companies and their workers lose. So do consumers."

The truth is that almost every conservative economist concedes that free trade is a better economic policy that brings the most prosperity to the most people. But free-trade purists have their work cut out for them. For one thing, the benefits to consumers are dispersed, while the alleged benefits of protectionism (for example, saving a factory) are concentrated. This makes free trade seem esoteric and theoretical, while protectionism seems simple and tangible.

For this reason, support for free trade has always been an inch deep and a mile wide. Unlike one of the key issues (like life or taxes), free trade hasn't been a *moral* issue for most conservatives. Aside from a handful of committed free traders, it was always a box you checked on a list of policy preferences—but not a hill anyone wanted to die on.

"I think Steve Moore, Grover Norquist, [and Larry] Kudlow, they're all sort of supply-side, low-tax guys," said Daniel Ikenson, a free-trade advocate who works at the libertarian Cato Institute. "So that's their primary issue, I think. I think they're rationalizing to a certain extent."

The real story here isn't whether free trade is good or bad—or whether it's a deal-breaker—but that so many prominent free-traders have given up so easily.

This is the way free trade ends. Not with a bang but with a whimper.