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Protectionism and trade barriers aren't just bad economics – they're also immoral

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There is near consensus among economists that free trade generates more wealth than any system that restricts cross-border exchange. Even more compelling is the morality of free trade: free people should be entitled to the fruits of their labour, and those fruits include the right to exchange with whomever and on whatever terms they choose.

To oppose free trade is to favour not only suboptimal economic outcomes, but coercive, aggressive, and immoral actions by governments.

However, the case for free trade is not immediately obvious to many, and where truth is difficult to observe, politics and demagoguery tend to thrive. Unfortunately, politics holds more sway over trade policy than do the principles of economics and moral philosophy.

That's because the benefits of trade are obscured by being dispersed and accruing over time, while the adjustment costs are concentrated and immediate. We observe the clothing factory that shuts because it couldn't compete with lower-priced imports. The lost factory jobs, the nearby businesses that fail, and the blighted landscape are all obvious.

What is less discernible is the increased spending power of the divorced mother who has to feed and clothe her children. Not only can she buy cheaper clothing now, but she has more resources to save or spend on food, healthcare, and computers, which underpins growth elsewhere in the economy.

Consider Apple, which avails itself of low-wage labour in China to assemble its devices. Apple may be depriving some US workers of the opportunity to perform those low-end functions in the supply chain.

But at the same time, that decision enabled iPods, then iPhones, then iPads to be priced within the budgets of a large swath of consumers.

If protectionist laws required all of the components to be produced and all of the assembly to be performed in the US, the necessarily higher prices would have prevented those devices from becoming quite so ubiquitous, and the emergence of spin-off industries, such as those producing apps and accessories, would have been muted or absent.

People tend not to connect their Uber jobs – or the value created by Uber, AirBnb, and the countless modern conveniences that make life easier to manage – to the ubiquity of affordable smartphones made possible through trade.

It is this asymmetry that explains much of the popular scepticism about trade. But we must remember that the real benefits are measured by the value of imports that can be purchased with a unit of exports – our purchasing power.

Trade barriers at home raise the costs and reduce the amount of imports that can be purchased. Free trade reduces those costs and increases purchasing power at home.

Protectionism benefits producers over consumers, favours big business over small, hurts lower-income more than higher-income consumers. Trade barriers – the handmaiden of protectionism – are simply taxes on consumers and businesses that impede the global division of labour and the creation of wealth.

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