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## Milton Friedman's Favorite Book on Trade

Henry George's 'Protection or Free Trade' in 1886 decisively showed the value of opening markets.

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Adam Smith wrote the most influential case for economic liberty, "The Wealth of Nations" (1776), but the best book on free trade probably came from our side of the Atlantic.

Though fewer people remember the American economist Henry George (1839-97), Milton Friedman once told me that George's book "Protection or Free Trade" (1886) was, in his opinion, the most rhetorically brilliant work ever written on the subject. In it George demonstrated how free trade benefits a nation that opens its markets, even if other nations close theirs. "If foreigners will bring us goods cheaper than we can make them ourselves," he declared, "we shall be the gainers."

As George pointed out, trade is voluntary, driven by individual buyers and sellers. "Trade is not invasion," he wrote. "It does not involve aggression on one side and resistance on the other, but mutual consent and gratification. There cannot be a trade unless the parties to it agree."

He posed a thought experiment to challenge the common view that exports are good, and imports are bad: "To have all the ships that left each country sunk before they could reach any other country would, upon protectionist principles, be the quickest means of enriching the whole world, since all countries could then enjoy the maximum of exports with the minimum of imports."

What about the argument that tariffs are needed to support vital domestic industries? George observed that these political favors will inevitably go not to the deserving but to the strong and unscrupulous. See if this sounds like Washington today: "infant industries have no more chance in the struggle for governmental encouragement than infant pigs with full-grown swine about a meal-tub. Not merely is the encouragement likely to go to industries that do not need it, but is likely to go to industries that can be maintained only in this way, and thus to cause absolute loss to the community by diverting labor and capital from remunerative industries."

Using tariffs to protect domestic producers from lower-cost foreign competition also harms businesses further down the supply chain. For instance, a tariff that raises the price of steel increases the cost of everything made from steel. And there are more jobs at stake in steel-using industries (commercial construction, transportation, machinery) than in steel-producing industries.

George invoked history, too. The first civilizations, he wrote, did not rise in isolated places, shielded “by rugged mountain-chains, by burning deserts, or by seas too wide and tempestuous for the frail bark of the early mariner.” Why? Because they depended on trade. “It is on accessible harbors, by navigable rivers and much-traveled highways that we find cities arising and the arts and sciences developing.”

War was the analogy in what are perhaps George’s most famous lines: “Blockading squadrons are a means whereby nations seek to prevent their enemies from trading; protective tariffs are a means whereby nations attempt to prevent their own people from trading. What protection teaches us, is to do to ourselves in time of peace what enemies seek to do to us in time of war.”

Something to ponder as 21st-century politicians threaten retaliatory tariffs against foreign competitors—which would simply force Americans to pay more for many things. “No other nation,” George reminded us, “can thus injure us so much as we shall injure ourselves.”

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