

POLITICO

Trump Makes Protectionism Great Again

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June 30, 2016

Donald Trump is an optimist. He believes there is nothing wrong with America that autarky can't fix.

Trump's economic speech this week was a high-octane assault on the American free-trade regime that has been a matter of a bipartisan consensus for decades and a bulwark of the post-World War II international order — not to mention an article of GOP economic orthodoxy.

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It's not necessarily a problem that the Republican presidential nominee is crosswise with the U.S. Chamber of Commerce, or is speaking in a more populist voice, or is mindful of the human costs that are often neglected in the elite consensus in favor of open trade.

One can imagine a Republican candidate doing all those things without lurching into cut-rate AFL-CIO economics. Trump thinks he can appeal to Bernie Sanders voters. He'd be right if all the Sanders cadres cared about was the simplistic, conspiracy-tinged belief that the American economy is "rigged" and can be righted only by government intervention — a view shared by their socialist champion and the Republican business mogul.

If policy on this issue is all that mattered, the protectionist Ohio Democrat Sherrod Brown should be on Trump's VP short list as well as Hillary's.

Of course, Trump is more robustly nationalistic than his left-wing counterparts. In his speech, he wrapped his case in the great nationalist cause of the hour, Brexit. But now that it has won the referendum to exit the European Union, the Brexit leadership is seeking exactly what Trump inveighs against — free and open trade wherever it can be had.

Trump never says he opposes free trade as such. Few protectionists will ever avow, "Yes, dammit, I'm a protectionist — come and get me, copper." They couch their protectionism in opposition to existing free-trade agreements and in the promise of somehow reaching wondrously different and better agreements — once all the existing ones are ripped up.

This is the Trump tack. He argues that every trade deal is deeply flawed, but not because there's an inherent problem with free trade, nor because any negotiation always involves trade-offs, but because in roughly 70 years we have never once produced a competent negotiating team. What are the odds?

The Trump/Sanders story is that the middle class has been devastated by these trade deals, especially in the manufacturing sector. To make this case requires ignoring much of the evidence, in favor of a stilted morality tale.

The truth is, if the metric is employment, U.S. manufacturing was sliding before anyone thought of the North American Free Trade Agreement or the WTO. As the indispensable Scott Lincicome of the Cato Institute points out, manufacturing began to decline as a share of the U.S. workforce in the 1940s, and the absolute number of manufacturing workers has been dropping since 1979.

The main cause is technology-driven productivity gains that make it possible to do more with fewer workers. The American manufacturing sector is more productive than ever. If Trump really wants to relieve the glory days of the old American factory, he'll have to make America less technologically proficient again.

There is no doubt that trade has downsides, and harms specific sectors and geographic areas. But Trump won't acknowledge the significant benefits; he seems to regard imports as about as welcome as the Spanish flu. Cheap goods are a boon to consumers. Domestic manufacturers use imports as inputs in their own products. And, as the U.S. loses less sophisticated operations, it focuses on higher-skilled, more productive manufacturing.

This is the future of a first-world economy where the tide of innovation won't be stopped. Protectionists love to invoke Harley-Davidson in the 1980s as an example of tariffs saving a storied American brand. The motorcycle company did get a temporary respite from competition, but it was fundamentally saved by a retooling of its business.

We hear less often of all those troubled companies that have successfully lobbied for trade protection over the years, only to go out of business anyway. Trump's punitive tariffs would be a festival of special-interest lobbying, with businesses clamoring for government protection at the expense of everyone else. Whatever jobs were saved by Obama's tariffs on Chinese tires in 2009 came at an inordinate cost to the rest of the economy.

At the end of the day, protectionism is like gun control. Even if you accept its premises, facts on the ground make it impossible to implement realistically. In the case of gun control, it's the tens of millions of guns already in circulation that are the obstacle; in the case of trade, it's a highly integrated global supply chain.

“U.S. manufacturers,” Lincicome writes, “have evolved over decades to become integral links in a breathtakingly complex global value chain — whereby producers across continents cooperate to produce a single product based on their respective comparative advantages.” It is often hard to disentangle what is American and what is foreign in such recognizably “all-American” products as cars manufactured by the Big Three.

Even researchers who have found a negative impact on U.S. wages and jobs from the initial “shock” after China entered the global economy don’t believe the problem was free trade per se. Rather, it was the slow adjustment of the U.S. labor market to new conditions. There are ways to try to address this, but none of them make for compelling demagoguery.

The Trump/Sanders story is too gratifyingly emotive to let facts or logic intrude.