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VIDEO: Free Trade vs. Protectionism

Wed, 08/31/2011 - 1:29pm | posted by George Scoville

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The folks over at [Learn Liberty](#) bring a [new lesson](#) from George Mason University economist Donald J. Boudreaux (who blogs at [Cafe Hayek](#)) on free trade and protectionism as matters of policy, and their impacts on wealth creation:

Protectionism today comes in the form of [Buy American restrictions](#) (which were [reinforced](#) in the so-called stimulus bill), whose proponents argue that forcing manufacturers to produce goods using inputs created by American firms, or that the government buy/contract goods and services solely from American firms through its procurement process, will help preserve and create jobs at home.

Of course, this couldn't be further from the truth. See "[Trading Up: How Expanding Trade Has Delivered Better Jobs and Higher Living Standards for American Workers](#)" by Daniel Griswold, director of the Herbert A. Stiefel Center for Trade Policy Studies at the Cato Institute, for more analysis. The basic thrust of the free trade argument is that, under a free trade regime, foreign firms accumulate more wealth. As the standard of living rises abroad, and workers' incomes rise (see "[Two Trends in Global Poverty](#)" by Laurence Chandy and Geoffrey Gertz at the Brookings Institution for empirical data), they in turn spend their incomes on American goods, providing incentives for American firms to hire to meet the new global demand.

I'm glad to see Professor Boudreaux mention Hong Kong in his video — that was a key focal point of Nobel laureate Milton Friedman's 1980 multi-part documentary, "[Free to Choose](#)," an incisive look at microeconomics and trade policy that arguably spurred some of the fastest global changes in policy (which resulted in wealth creation, particularly in Asia and Eastern Europe) that the world has ever seen.

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Recently, Cato Institute senior fellow and economic historian Johan Norberg retraced Friedman's footsteps in Hong Kong in the documentary "Free or Equal," to see if the tenets of economic liberalization held true to this day. Unremarkably, they have:

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Free or Equal recently aired on PBS — I watched it the other night, and was a well-spent hour of my time. If you haven't seen it yet, click [here](#) for upcoming listings, or you can purchase the DVD edition [here](#).

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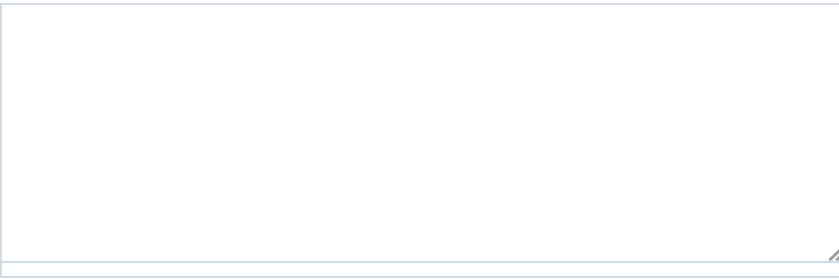
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