



ECONLOG PERMANENT LINK | OCTOBER 4, 2009

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Mad About Trade

David Henderson

FAQ: Print Hints

I've been enjoying Daniel Griswold's new book, *Mad About Trade*. It's the best of all the popular books on trade that I've read in the last few years. It's heavy with facts, many of which I "kind of" knew. But the magnitude of some of the numbers I thought I knew surprised even me. As I read it to draw material for my economics class that **I posted on last week**, I'll share some of the most striking ones with you. Here are a few:

- . The value of U.S. exports going outside of North America via air has jumped from 12 percent of total exports in 1965 to 53 percent by 2004. Almost a third of the value of U.S. imports from outside North America now arrives by air. (p. 6)

- . "We should think of trade as the market's trust buster." (p. 11) Not a new idea; just a nice formulation. (Reminds me of the old complementary line from over 100 years ago: "The tariff is the mother of the trust.")

- . At a Democratic primary debate in Chicago, moderator Keith Olbermann asked, "If buying American costs more, and in many cases it does, how do you convince a working family that's struggling to get by on a tight budget and in part makes ends meet using \$10 T-shirts for their kids, that buying American is still best for them no matter what the price is?"

Not a surprising question--actually a good question. Just surprising that Olbermann, who almost never asks tough questions of those he likes, asked it. (p. 13) Read Obama's answer and see how impressed you are or aren't.

- . Christian Broda and David Weinstein, in **an NBER study**, found that simply the increased variety brought about by imports (call it the "Krugman effect" because it was Paul Krugman's Ph.D. dissertation that first addressed this) raises U.S. real incomes by about 3%. This translates to about \$1,300 per person.

- . The aforementioned Broda and John Romalis found that trade with China narrows income inequality in the United States. (p. 21) The reason: increased trade with China has brought down the prices of the goods low-income people buy more than the prices of goods that high-income people buy. **Broda claims** the China effect and the Wal-Mart effect are so strong that there has been NO change in inequality, but Griswold makes a weaker claim.

- . Along the same lines as the above bullet, MIT economist Jerry Hausman and USDA's Ephraim Leibtag **found** that buying groceries at supercenters allows upper-income families to save 20% on their food expenditures, but allows low-income families to save almost 30%. (p. 23)

COMMENTS (2 to date)

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Yancey Ward writes:

I remember that debate, and I thought Obama's answer was completely planned to answer exactly that question.

I also thought the answer was ridiculous- it sells out the masses for the benefit of the few, but that is the always the intent of trade restrictions.

Posted October 5, 2009 12:05 AM

Tiffany Gudger writes:

I also think Obama's response was ludacris. Obviously he is only concerned with some of the people in America and the people who are make up most of the nation, the middle class, are left to fend for themselves.

While the statistics on US imports being flown in are very high, I do not feel that it is very surprising considering how far we've come technologically. It was only a matter of time.

As far as the China effect goes, I would've never thought of that, but it makes perfect sense. Lowering the prices of goods bought by people with lower income is much more important than having lower cost goods bought by people with a greater income. People with a higher income will buy a lot of things regardless, but people with less money will buy more if the prices are lower. Thus stimulating the economy and allowing more money to be circulated.

Posted October 13, 2009 3:33 PM

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