

# Free Trade Has Enriched the World With More than Diverse Goods

## The populists attacking globalization get it wrong again

By Daniel Griswold

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**OFFSHORING:** Bangladeshi Garment workers sew T-shirts at a factory in Dhaka on March 18, 2009. Bangladesh is the world's second largest clothing exporter after China, according to the International Monetary Fund (IMF). (Munir Uz Zaman/AFP/Getty Images)

Tune in to cable TV, talk radio, or the blogosphere and you will soon be hit over the head with the message that free trade is destroying America. According to the economic populists on the left and right, the wages, jobs, and futures of Main Street Americans are being sacrificed daily to the gods of globalization.

On trade, as on so much else, the populists have it wrong again. Free trade and globalization are great blessings to American families. Trade is delivering lower prices and more variety to consumers, especially the poor, while creating better paying jobs for the middle class. Beyond U.S. shores, the spread of economic openness is building a more peaceful, democratic and humane world for our children.

Now may seem an odd moment to tout the benefits of trade for Main Street America. After all, unemployment is nearing 10 percent, manufacturing is in a slump, and global poverty is rising. But those are all the result of the current recession, a downturn that was not caused by trade but by misguided monetary and housing policies that were “Made in the USA.”

During difficult economic times, import competition allows American families to keep their heads above water by delivering lower prices on staples such as food, clothing, and shoes. The prices we pay for goods exposed to global trade tend to rise more slowly than inflation or even fall. The expansion of product variety alone from trade delivers an estimated \$400 billion a year in benefits to American families because of increased consumer satisfaction, according to a 2004 study by Christian Broda and David E. Weinstein for the National Bureau of Economic Research.

No consumers benefit proportionally more from trade than the poor, and nobody suffers more from existing trade barriers. The imported fresh fruit and vegetables, T-shirts and discounted

sneakers sold at big-box retailers loom especially large in the budgets of poor and middle-class families.

Perversely, the highest remaining U.S. trade barriers are aimed at products that are disproportionately made by poor people abroad and consumed by poor people at home. The \$25 billion the U.S. government collects each year through import tariffs is the most regressive tax in the federal arsenal. According to a study by the Progressive Policy Institute, a single mother earning \$20,000 a year pays a much higher share of her income for import duties than a manager earning \$100,000 a year. Labor unions and other groups that oppose tariff-lowering trade agreements are unwittingly serving a status quo that is punishing the poor.

Despite what the populists tell us, the consumer benefits of trade have not come at the expense of jobs or wages. As a candidate for president in 2007, Barack Obama was echoing CNN's Lou Dobbs when he told a cheering union crowd in Chicago that importing lower-priced T-shirts from developing countries was not worth the loss of jobs. "People don't want a cheaper T-shirt if they're losing a job in the process," he said. "They would rather have a job and pay a little bit more for a T-shirt."

Like most politicians, candidate Obama chose to represent a small but noisy special interest at the expense of the large majority of Americans. Only one-third of one percent of American workers are engaged in making clothing and textiles of any kind. That compares to the virtually 100 percent of Americans who buy and wear T-shirts and other clothing. If Americans are forced to pay higher prices because of import restrictions, a small number of jobs would be "saved" but at a huge cost to working families.

## **Reasons for Job Loss**

Across the entire U.S. economy, trade accounts for a small share of job displacement. For every worker displaced by trade or outsourcing, 30 American workers typically lose their jobs because of other factors—most commonly technological change, but also domestic competition and changing consumer tastes. Think of the 30,000 workers at Kodak that have been laid off in the past five years, not because of imports, but because of the popularity of digital cameras and plunging film sales. My former calling, the newspaper business, has been hemorrhaging jobs since 2001, not because of unfair trade, but because of Craigslist and changing reader habits. "Job churn" is a fact of life in a dynamic, open economy.

A Big Lie of the trade debate is that we have been surrendering middle-class manufacturing jobs for low-paying service jobs. Since the early 1990s, the U.S. economy has lost more than 3 million manufacturing jobs, but during that same period the economy has added 18 million service-sector jobs that are typically better paying. In fact, since 1991, two-thirds of the net new jobs created in U.S. economy are in sectors such as health care, education, and business and professional service where the average pay is higher than in manufacturing.

The American middle class today earns its keep from better-paying service sector jobs. Knock on doors in a typical middle-class American neighborhood and you will meet teachers, managers, carpenters, architects, engineers, computer specialists, truck drivers, accountants and auditors, police officers and fire fighters, insurance and real estate agents, registered nurses and other health care professionals, and self-employed business owners.

America and the world face daunting tasks today, as in generations past, but expanding trade is part of the solution, not part of the problem. Americans should have the same warm feelings

toward free trade and globalization as they do toward iPods, email, online shopping, a well-fed child going off to school, and peace on earth.

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