

## Delivering the goods

Free trade has brought net benefits worldwide, especially for the poor and middle class

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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 globalisation.

On trade, as on so much else, the populists have it wrong again. Free trade and globalisation 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 US 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, US unemployment is nearing 10 per cent, 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 "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 US\$400 billion a year in benefits to American families because of higher 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 trainers sold at big retailers loom especially large for poor and middle-class families.

Perversely, the highest remaining US trade barriers are aimed at products that are disproportionately made by poor people abroad and consumed by poor people at home. The US\$25 billion the US 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 US\$20,000 a year pays a much higher share of her income for import duties than a manager earning US\$100,000 a year. Labour 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 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, Obama chose to represent a small but noisy special interest at the expense of the large majority of Americans. Only one-third of 1 per cent of American workers are engaged in making clothing and textiles of any kind. That compares to the virtually 100 per cent 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.

Across the US economy, trade accounts for a small share of job displacement. For every



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