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Review: An Elegant Argument for the Benefits of Globalization

MASON RAYNER BOOK REVIEW

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With the foes of capitalism out in full force, there is an urgent need for clear-headed, convincing defenses of global free markets. It is with great relief, then, that I recommend The Cato Institute's new book, *Mad About Trade: Why Main Street America Should Embrace Globalization*.

This concise treatise, written by Daniel Griswold, head of Cato's Center for Trade Studies, makes a convincing case for free trade as not only the economically superior path, but also the morally superior one.

Griswold uses a variety of pithy data points to demolish the myriad myths perpetuated by protectionists -- dismantling common claims about the destruction of middle-class America, the collapse of real income for American workers, the pernicious nature of the trade deficit, the death of American manufacturing might, and the "race to the bottom" theory.

Using a minimum of economic jargon, Griswold refutes these shibboleths, noting that any decrease in the middle class has been the result of Americans getting wealthier -- not poorer. He describes how real household income has risen steadily over the past quarter century, explains that U.S. manufacturing output is higher than it has ever been, and demonstrates that the trade deficit is offset by capital inflows from our trading partners.

In addition to exposing many myths for what they are, Griswold also offers an eloquent defense of globalization, touching on its ability to lift hundreds of millions out of poverty while simultaneously strengthening democracy abroad.

He pays particular attention to what trade liberalization has to offer to the working poor of America, detailing how lower prices resulting from import competition have led not only to greater purchasing

power for people of modest income, but also to a greater variety of choice and to better products.

Griswold also mentions the frequent -- and frequently denied -- phenomenon of trade barriers protecting some domestic jobs at the expense of others. Particularly illuminating is the example of sugar in the United States.

The author details how artificially high sugar prices resulting from import quotas have led many American sugar-using industries, such as candy companies, to relocate their factories to Canada. Not only does protectionism hurt consumers through higher prices and fewer choices, it also hamstring producers by raising input costs, which stunts domestic job growth.

Scattered throughout the book are various tables, charts, and graphs that Griswold uses to back up his assertions. The wealth of evidence that he presents lends credibility to his case.

When Griswold argues, for example, on page 80, that "the actual experience of the U.S. economy provides a powerful rebuttal to the elaborate computer models that supposedly show that trade deficits destroy jobs," a table on page 81 specifically compares the relationship between unemployment rates and trade deficits over the past 25 years -- showing how low unemployment has generally correlated with high trade deficits.

Griswold's ability to use hard data to complement his claims makes the book so successful in supporting its thesis.

He also displays a skill for clever demonstrations of the benefits of trade.

Griswold starts the first chapter with a tour of his house, moving from the closet to the kitchen -- a domestic global tour -- telling the reader where all of his possessions were made, whether it be his dress shirt from Nicaragua, his necktie from Italy, his laptop from China, or his coffee machine from Mexico. This exercise is worth repeating for anyone who is dubious about the pleasures we all gain from global trade.

Perhaps most impressive of all, Griswold manages to address all the fears and concerns about globalization -- ranging from sweatshop labor to national sovereignty to national defense -- with aplomb and intellectual force.

It is hard to imagine anyone reading this book and remaining obdurately unconvinced of the benefits of free trade. The Cato Institute has a long and distinguished legacy as a defender of liberty and freedom, and *Mad About Trade* does that legacy proud.

Mason Rayner is a freshman at the University of Mary Washington. Contact him at mrayner@mail.umw.edu. His father is editor of the Commentary section.

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