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BOOK REVIEW: World peace through world trade

William H. Peterson

MAD ABOUT TRADE: WHY MAIN STREET AMERICA SHOULD EMBRACE GLOBALIZATION

By Daniel Griswold

Cato Institute. \$24.95, 205 pages

Reviewed by William H. Peterson

Advised Ludwig von Mises in 1922: "The slogan 'Away With Foreign Goods!' would lead us, if we accepted all its implications, to abolish the division of labor altogether. For the principle that makes 'international' division of labor seem advantageous is precisely the principle which recommends division of labor in any case."

Rising trade, division of labor and globalization are advancing Main Street America, writes Daniel Griswold of the libertarian Cato Institute in Washington. He hails the advance and presses for still more growth-oriented, peaceful trade via competitive imports. This despite some persistent American push for protectionism, including demands to "Buy American."

Case in point of the latter is the Lou Dobbs 2004 book "Exporting America," in which CNN-TV host Mr. Dobbs dismisses worries for consumers, saying, "I don't think helping consumers save a few cents on trinkets and T-shirts is worth the loss of American jobs." Too, then-Sen. Barack Obama in 2007 echoed this very fear before a cheering union audience that people "don't want a cheaper T-shirt if they're losing a job in the process."

Mr. Griswold writes: "Like many other politicians, Barack Obama favors 'the noisy producer interests over the silent, suffering consumer.'" But why hit consumption at all?

The author reminds us that consumption is life itself, that without it, we perish, fast, and that "production divorced from consumption is akin to slavery." He invokes Adam Smith's classic 1776 book, "The Wealth of Nations," to pose our dilemma, as true now as it was then:

"Consumption is the sole end and purpose of all production; and the interest of the producer ought to be attended to, only so far as it may be necessary for promotion of the consumer. The maxim is so perfectly self-evident, that it would be absurd to prove it. But in the mercantile system [analogous to U.S. protectionism today] the interest of the consumer is almost constantly sacrificed to that of the producer; and it seems to consider production and not consumption, as the ultimate end and object of all industry and commerce."

Touche, Adam Smith.

So Daniel Griswold's tour de force explores, reasons and documents how import competition benefits the American consumer, seeing him move ahead toward greater peace incentives, lower real prices, more choices, better quality. Mr. Griswold also tracks how the big-box retailers such as Wal-Mart, Home Depot and Best Buy deliver the world's goods mostly by sea via millions of big, truckload-size containers. Rising lower- and middle-class spending at the big-box retailers tells why Wal-Mart sales grew despite the 2008 recession year per a Wall Street Journal news headline reading: "Wal-Mart Flourishes As Economy Turns Sour."

There's double-sour news for the big United Food and Commercial Workers International Union, besides other unions, feeling competition at the big boxes - from nonunion workers and from low-priced goods they sell produced by foreign workers and farmers. Foreign? For shame. We organized workers demand a "level playing field" -- a clever euphemism for protectionism.

Mr. Griswold begs to differ. He reminds us of classical economist David Ricardo's 1817 insight of comparative advantage, that a nation strongly tends to export that which optimizes its resources over other comparative possibilities. So Mr. Griswold would have the United States adopt or maintain trade policies best for most Americans, especially the poor and middle class, no matter what other nations do. Says the author: Let's drop the remaining barriers separating us from ongoing growth and peace policies enhancing the global marketplace. Bully for him.

Meanwhile, a not-uncommon media notion spreads the idea that America is "deindustrializing." Pat Buchanan, for example, published a 2003 column titled "The Death of Manufacturing." Sen. Byron L. Dorgan, North Dakota Democrat, in his 2006 book "Take This Job and Ship It," asserts: "America's manufacturing base is being dismantled."

In his 2008 presidential nomination acceptance speech in Denver, Mr. Obama also reflected such thinking, pledging: "Unlike John McCain, I will stop giving tax breaks to corporations that ship jobs overseas, and I will start giving them to companies that create good jobs right here in America." This is free trade?

Mr. Griswold rebuts: Free trade is not about more jobs or fewer jobs, but better jobs. He sees that over the past century, U.S. manufacturing in an increasingly global economy has gained rising national productivity, raising living standards overall.

But that America is hardly a free-trade nation is seen in our official Harmonized Tariff Schedule, which rivals our U.S. income-tax code for random complexity. The schedule fills 2,959 pages, covers 99 chapters, has 10,523 separate tariff lines, all of a special-interest and arbitrary, if not of a corruptive, nature.

One strongly protected commodity is sugar; Americans pay two to three times the world price for sugar. Hence we pay more for candy, soft drinks, bakery items and other sugar-containing products, driving firms such as Hershey and Kraft's Life Savers to relocate much production (and jobs) to neighboring Canada and Mexico.

Mr. Griswold closes thusly: "Free trade unites us with other people in an ever-widening 'community of work' that provides a powerful alternative to conflict and war." Great. Interestingly, Thomas J. Watson, founder and chief executive officer of IBM Corp. and head of the International Chamber of Commerce, pushed this very idea hard in the 1930s -- as world peace through world trade.

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