

# The Washington Times

[www.washingtontimes.com](http://www.washingtontimes.com)

---

## Trading up with neighborhoods

By Richard W. Rahn

Published December 16, 2003

---

Most people prefer to live in rich neighborhoods rather than poor ones -- why is that? Perhaps they notice rich neighbors tend to keep the environment cleaner, respect property rights of others and do not engage in criminal activities threatening lives of their neighbors.

The same is true of countries. We don't fear rich countries -- such as Japan, Germany, the U.K. and Switzerland -- because they do not threaten us. In fact, because they are rich, they are able to buy a lot of goods and services we produce. The old adage that the man to fear is the man who has nothing to lose is also true of failed states. Do you think that if North Korea and Iran had the same per capita income as the Dutch, they would behave in the aggressive manner they do? Most unlikely.

America has more problems with Mexico than Canada, largely because Mexico is poor. If Canada was poor and Mexico rich, most Mexicans would chose to live in Mexico rather than try to move to the U.S., and many Canadians would be sneaking across our border.

Even though the above is obvious, many seem to forget this when it comes to discussions of foreign trade and outsourcing. The reason we trade -- domestically or internationally -- is that through trade we can obtain something for less money than it would cost us to do it ourselves, thus freeing us to do something we are better at or enjoy more.

When I was a kid, I would mow neighbors' lawns because I found that was the best way to earn money, given my limited skills at the time. Now I hire others to mow my lawn so I can do things I am better at.

Trade, domestic or foreign, is a win-win situation. When we buy Chinese T-shirts, we get a less expensive T-shirt than one made in the U.S.; hence, our real incomes are in effect higher. It is true a few T-shirt makers in the U.S. may lose their jobs, but the benefits to the rest of us from lower T-shirt prices greatly outweigh the costs of a few textile workers being forced to find other employment.

If you are not sure about the above assertion, think about the following. If the Chinese offered to give us all the textiles and toys we wanted for free, would we as a nation be

better or worse off? The answer clearly is better off, even though the American textile and toy workers would need to seek alternative employment.

Some argue it is unfair for foreigners to sell goods or services to us at very low prices and in some cases below their own costs. But as Ben Franklin is reported to have said, sunshine is unfair to candlemakers.

It makes no sense to try to prevent unfairness to a few workers through tariffs or quotas by making everyone else suffer the unfairness of having to pay higher prices for things. This is why the administration was correct to remove the steel tariffs despite the self-serving whining of a few steelworkers and steel executives and, of course, some of the Democratic presidential candidates who would prefer to punish hundreds of millions of steel consumers rather than cause a problem for a few thousand steelmakers.

Recently, many have complained about "outsourcing," whereby U.S. companies contract with foreign companies to provide such things as computer software or call centers. India is major "outsourcing" center. India now is growing rapidly, in part, because advances in telecommunications allow Indians to compete for software and call centers. The Indians who get these jobs live better, and the Americans who lose these jobs may or may not get better jobs. But all Americans benefit from lower software prices, because it gives them more money to spend on other things. And when they spend money on other things, they create many more American jobs than were lost among software workers.

We should want India, China and every other country to get rich for three reasons. The first reason is that if they are rich, they are going to buy many more American goods and services. The second reason is if they are rich, they most likely will not be a problem to us or threaten war against us. The third and most important reason is that most people have better lives if they are richer rather than poorer -- whether they be Chinese, Indian, Mexican or American.

We also know that when people reach middle-income levels they start pushing for more liberty and democracy. Once South Korea and Taiwan reached reasonable levels of prosperity, they drove out the authoritarian regimes they had lived under and established democratic governments that respected individual liberties. The same thing is likely to happen to China.

As we enter this holiday season, let us wish all of our neighbors around the globe well, and remember that trade helps all countries become richer. It is true for America, it is true for China, and it is true for Mexico, and that is good.

*Richard W. Rahn is a senior fellow of the Discovery Institute and an adjunct scholar of the Cato Institute.*