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Trading in Recklessness

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What would you think of politicians who ignore centuries of economic evidence and theory about trade policy, who would put the U.S. economy in dire straights by reneging on our most important trading relationships and who would give aid and comfort to Latin America's most prominent new authoritarian leader and the Marxist terrorist group he supports by denying a free trade agreement with a democratic, free market, anti terrorist state?

Unfortunately, I am not referring to some fringe nut cases running for some city council, but the two Democratic presidential candidates and the Democratic Speaker of the House, Nancy Pelosi. In case you think I overstate the case, the evidence follows.

Perhaps more economists have been united over the last two centuries on the merits of free trade than any other issue. The reason is simple. Both the theory and the empirical evidence have been demonstrated time and time again that free trade makes life better for the greatest number.

The Europeans after World War II looked at the economic success of the U.S., which was at the time the world's largest free-trade area — the U.S. Constitution mandated free trade among the states — and decided it was necessary for their own future peace and prosperity to build a free trade Europe, which became the very successful European Union (EU).

The father of modern economics, Adam Smith, in 1776 argued free trade benefits everyone by lowering the cost of production by increasing the extent of the market. That is, a bigger market allows for larger and more efficient production of goods and services, which, in turn, lowers prices for all consumers within the free-trade area.

In 1817, David Ricardo set forth the theory of "comparative advantage" which still is the basis for modern trade theory. In sum, the theory of comparative advantage merely observes that any state, because of its unique stock of worker skills, capital markets, natural resources, environment, etc., can produce some goods and services more efficiently than other goods and services.

Thus, most people will be better off when there is trade between states with differing comparative advantages, even though one state may have an absolute advantage in all goods and services. For instance, Florida has a comparative advantage in growing oranges, and Virginia has a comparative advantage in growing apples, so the citizens of both states are better off when Virginians sell apples to Floridians and Floridians sell oranges to Virginians.

In the same way, China has a comparative advantage in clothing production, and the United States has a comparative advantage in aircraft production, so citizens of the United States are better off buying Chinese-made shirts and the Chinese are better off buying U.S.-made Boeing 747s.

In 1994 (under President Clinton), the United States, Mexico and Canada created the world's largest free-trade zone (NAFTA). This has greatly benefited all three nations. In the United States, 26 million new jobs have been created, average real (inflation adjusted) hourly compensation of workers climbed 23 percent, and real household net worth increased by a third since NAFTA. Yet, both Sens. Hillary Clinton and Barack Obama have said they will insist Canada and Mexico renegotiate NAFTA or else will have the U.S. unilaterally withdraw from the treaty.

NAFTA guarantees the United States the right to at least half of Canada's oil exports, and Canada is now the single largest provider of oil to the U.S. If NAFTA were abolished, hundreds of thousands, if not millions, of U.S. citizens would lose their jobs; prices for many products, including oil, would increase; and the U.S. would be less secure in its energy sources. Given the economic devastation it would cause, threatening to withdraw from NAFTA can only be properly characterized as grossly irresponsible and reckless.

There are three free-trade agreements pending before Congress — South Korea, Panama and Colombia — which were negotiated under the just expired "fast track" authority given to the executive branch during the Clinton administration. Again, both Mrs. Clinton and Mr. Obama said they oppose these new agreements, because the treaties do not contain unspecified "adequate labor and environmental protections." (Actually, these three agreements contain the same, or stronger, labor and environmental protections that are in existing trade agreements that the senators say they support — but don't look for intellectual consistency). Sen. John McCain supports the new free-trade agreements.

The nation of Colombia, for years, was beset by numerous criminal elements who engaged in terrorism, kidnapping, extortion, etc. The most prominent of these groups is the notorious Marxist narco-terrorists known as the FARC. Hugo Chavez, the Marxist-leaning aspirant dictator in neighboring Venezuela has been financially and otherwise supporting FARC. Fortunately, democratically elected President Alvaro Uribe of Colombia, who has now just begun his second term, has greatly curtailed the criminal gangs, including FARC. Mr. Uribe, who enjoys an 84 percent approval rating, is leading a free-market, anti-terrorist revolution.

Colombia is becoming a Latin American economic tiger and is the strongest U.S. friend in South America.

Refusing to ratify the trade agreement with Colombia will deny thousands of American (and Colombian) businesses and millions of American (and Colombian) workers the full benefits of participating in the new Colombian economic miracle, while only benefiting Hugo Chavez and the Marxist narco-terrorists.

Those who say they support free trade, but then argue and vote against free trade agreements, are not only hypocritical, but reckless in their actual disregard for political stability and workers and consumers the world over.

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