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# Why Doesn't Everyone Get the Case for Free Trade?

Free trade is not the natural order of things. We get free trade—or something approximating it—only when the stars are lined up just right and the interests behind free trade have the upper hand both politically and intellectually. But why should this be so? Doesn't free trade make us all better off—over the long run? If free trade is so difficult to achieve, is that because of narrow self-interest, obscurantism, political failure, or all of these combined?

It would be easy to associate free trade always with economic and political progress and protectionism with backwardness and decline. It would also be misleading, as we saw in the previous chapter. The real case for trade is subtle and therefore depends heavily on context. We need to understand not just the economics of free trade, but also its implications for distributive justice and social norms.

## Trade as Technological Progress

There is no better place to begin than in 1701, with a certain Henry Martyn. Martyn, a lawyer and Whig loyalist in early eighteenth-

century England, is now all but forgotten. Greatly ahead of his time, he produced, three quarters of a century before Adam Smith and more than a century before David Ricardo, the best argument for free trade known to men.[1]

Martyn thought the mercantilists who dominated thinking on economic policy had it all backwards on trade. The prevailing view held that Britain should import nothing but raw materials so that manufacturing could be reserved for domestic producers. There was great public opposition to the East India Company, which had started to import cotton textiles from India. Martyn thought otherwise. He felt imports of manufactures from India represented a benefit to the English nation rather than a loss.

Martyn wanted to set the mercantilists straight, but there was a problem. He was also interested in public office. He would eventually be appointed in 1715 as Inspector General of Imports and Exports, a post created as a result of the mercantilists' obsession with the volume of trade that required him to tally up England's inbound and outbound trade. Expressing free trade views in public would have damaged his political ambitions; such was the dominance of protectionist sentiment at the time. So when he penned his innocent-sounding but incendiary tract, *Considerations Upon the East-India Trade*, in 1701, he was compelled to do so anonymously.[2] In this remarkable pamphlet, Martyn anticipated many of the arguments that economists who favored free trade would marshal much later. Most impressively, he produced—with greater punch than most textbooks manage even today—the "killer argument" for free trade.

Martyn's argument relies on an analogy between international trade and technological progress. Martyn pointed to instances of technology that would have been familiar to the readers of his day. Take the sawmill, he wrote. The sawmill allows two people to do the work that in its absence would have required thirty people. If we reject the use of the sawmill, we could employ those thirty people, but wouldn't that be twenty-eight more than is really nec-

essary, and hence a waste of the nation's resources? Or consider a barge on a navigable river. Five men on the barge can transport as much freight as one hundred men and as many horses on land. If we neglect the river, we could put that many men and horses to work, but wouldn't that once again be a waste? Martyn assumed his readers would find it self-evident that it would be silly to give up on technological innovations such as the sawmill or the barge. Following the same logic, Martyn offered the clincher. Wouldn't it be a similar waste to employ workers in England if the textiles they produce can be obtained from India by putting fewer people to work?[3]

We can produce textiles at home; or we can obtain the same quantity of textiles from India by producing another commodity which we sell in exchange. If the latter takes less labor than the former, it is the same as if a better technology for supplying textiles has dropped from the sky. We wouldn't think of denying the nation the benefit of sawmills, barges, or any other labor-saving innovations. Isn't it equally silly to reject imports of manufactures from India?

Martyn's argument for free trade captures the essence of what trade accomplishes and it is rhetorically effective—who can seriously be against technological progress? When I confront my students with it, it doesn't take long before one of them will hone in on one of the problems with the argument. It assumes that the labor no longer employed in producing textiles at home will find employment in some other occupation. If the labor remains unemployed instead, the gains are no longer so obvious. But Martyn's analogy is immune to this challenge—at least in the first round. Technological progress is no different, as it too displaces labor and may result in transitional unemployment. If you are in favor of technological progress, you must be in favor of free trade!

There is one loose thread in Martyn's argument: even though it clarifies why trade benefits England, it fails to demonstrate why it should also benefit India. Why would India want to sell textiles

to England in return for British manufactures if India's textiles in fact take more labor to produce and would cost India more than what it was buying in exchange? The hole in the argument was not filled until David Ricardo produced his famous example of trade between England and Portugal in cloth and wine in 1817, and conclusively established the principle of comparative advantage. It is unlikely that Indian producers face identical conditions to those that prevail in England. If, compared to England, Indian producers are more productive in textiles than they are in the types of goods that English manufacturers produce, textiles will cost less in India than those English goods. Both countries will end up buying what is cheap abroad and expensive at home, economizing on the use of their labor in the way Martyn suggested. Trade benefits all sides; it is *not* zero-sum.

Significantly, there are mutual gains from trade even if India produces both sets of goods at lower productivity (higher labor costs) than England does. India need only be not as bad in textiles as it is in other manufactures. What creates comparative advantage is differences across nations in *comparative* costs, not in absolute costs.

This is a powerful argument and one that critics of free trade often fail to fully digest before taking it on. As Paul Samuelson once suggested in response to a challenge by a mathematician with little respect for the social sciences, it is probably the only proposition in economics that is at once true and non-trivial. "That it is logically true need not be argued before a mathematician," Samuelson said; "that it is not trivial is attested by the thousands of important and intelligent men who have never been able to grasp the doctrine for themselves or to believe it after it was explained to them."[1] Fallacious reasoning often substitutes for intelligent commentary on trade. In a famous but apocryphal quote attributed to Abraham Lincoln, the Great Emancipator is supposed to have said,

> I do not know much about the tariff, but I know this much, when we buy manufactured goods abroad, we get the goods and the foreigner gets the money. When we buy the manufactured goods at home, we get both the goods and the money.[5]

Of course this is exactly the kind of mercantilist fallacy that Martyn (and Adam Smith, David Ricardo, and Paul Samuelson after him) wanted to refute. The true cost of consuming a good is the labor and other scarce resources we have to employ to obtain it, not the money that facilitates the transaction.

## Public Skepticism on Trade

Such fallacies tend to make economists impatient with objections to free trade and dismissive of those who would want to interfere with it. It is easy to pooh-pooh many anti-trade arguments because they make little sense upon scrutiny. Yet among the general public, skepticism about trade is too widespread to dismiss so easily. Survey after survey finds that a distinct majority of people support restrictions on imports to "protect" jobs and the economy. The United States is hardly an outlier in this. For example, a global survey undertaken in the late 1990s found overwhelming support for trade protection: nearly 70 percent of the respondents in the global sample favored limiting imports.[6]

Within any given country, highly educated individuals tend to be less protectionist than others. Yet in many countries trade is hardly popular even among those groups. In the United States, for example, anti-trade feelings dominate two-to-one among individuals in the top one third of population with the highest education.[7]

Individuals who are likely to suffer income losses from the

expansion of trade are naturally inclined toward protection. But even though narrowly economic motives play a role, they are only partly responsible for the widespread opposition to trade. People with a strong sense of patriotism and communitarian attachments—to their neighborhoods, region, or nation—also dislike international trade, regardless of the type of jobs they hold or their educational level. Women are systematically less sympathetic to trade than men, even when their economic status and employment are similar. Values, identities, and attachments matter.[8] It is too facile to attribute anti-trade views to naked self-interest or sheer ignorance.

Could it be that ordinary people have a better intuitive sense of the complexity of the case for free trade than we give them credit for? In fact, powerful and elegant as it may be, the argument presented by Henry Martyn, David Ricardo, and others is not the whole story. Life as a trade economist would be pretty boring if it were so. Okay, maybe it's not as much fun as being Mick Jagger, but I can assure you that doing international economics as a living entails a lot more than reaffirming the wonders of comparative advantage day after day. Every advanced student of trade learns that there are a lot of interesting twists and turns to the tale of gains from trade. A long list of requirements needs to be in place before we can reasonably be satisfied that free trade improves a society's overall well-being. Sometimes less trade can be better than more trade. The analogy with technical progress can be misleading, in ways that illuminate why there is such a chasm between economists and common folk in public debate.

## The Case for Trade, Qualified

Recall Martyn's point: imports economize on the use of resources. It makes sense to import goods as long as it takes less labor to produce the exports that would pay for those imports than it does

to produce those goods ourselves. But how do we actually do the accounting for the labor costs that go into producing different goods—as well as for the other expenses for capital, skilled professionals, land, and so on? What is the appropriate metric?

Early theorists like Henry Martyn and Adam Smith were a bit too glib when they assumed that it was sufficient to look at actual production costs or the number of people employed. The costs that we face as individual consumers and producers are not always the relevant costs from the perspective of the nation as a whole.[9]

The true cost to society of labor (and other resources) used in an activity may be more or less than what the employer directly bears and the consumer pays for. Let's call the first "social" costs and the second "private" costs. Social costs exceed private costs, for example, when production generates harmful effects on the environment. It is the other way around when production generates valuable knowledge and other technological spillovers elsewhere in the economy. These are familiar instances of what economists call "negative" and "positive externalities," which drive a wedge between what is privately profitable and what is socially profitable.

Such wedges also exist when society values equity and other social considerations. When we care about the people at the bottom of the income distribution (and find it hard to increase their incomes directly), the social costs of employing poor or otherwise disadvantaged individuals will be less than the private costs. Consider the antebellum United States mentioned in the previous chapter. It is rather obvious that the expenses Southern slaveholders incurred in their export plantations failed to account for the catastrophic societal costs of slavery as a social and political regime.

In the economist's jargon, the resources used in international exchanges must be valued at their true *social opportunity costs* rather than at prevailing market prices. These two accounting schemes coincide only when markets internalize all social costs, distribu-

tional considerations can be shunted aside, and other social and political objectives are not at stake; they don't otherwise. The students who worried that Martyn overlooked unemployment were on to something. There is a wide range of situations, going far beyond transitional unemployment, in which free trade may not look as attractive once its full implications are appropriately evaluated.

Moreover, Martyn was wrong to imply that we always take a hands-off attitude toward technology. We sometimes close off specific avenues to scientific and technological progress—certain kinds of experiments on humans and human cloning, for example—because they conflict with deeply held values. Fields such as nuclear technology and genetic engineering remain tightly circumscribed in most countries. New drugs must go through a stringent and lengthy approval process before they are made available to consumers. Genetically modified crops are subject to detailed restrictions on planting practices when allowed at all. Technologies in many mature industries such as autos, energy, and telecoms are also heavily regulated for reasons of health, safety, and environmental impact, or to ensure widespread access. Legal requirements with respect to emissions, seat belts, and airbags, for example, have been a key force behind technological change in the auto industry.

On the flip side, we subsidize many forms of research and development because we believe they produce positive knowledge spillovers to the economy at large. Governments sanction temporary monopoly in the form of patents to induce innovation. They fund universities and research labs, and they consciously act to influence the direction of technological progress, pushing green technologies over others, for example. Technology is hardly a free-for-all.[10]

Ultimately, the analogy that Henry Martyn and his intellectual descendants employed is a useful one: free trade is indeed just like technical progress. But don't let the rhetoric fool you. The fact that we intervene so heavily in the process of technological

change should teach us something. If economics were only about profit maximization, it would be just another name for business administration. It is a *social* discipline, and society has other means of cost accounting besides market prices.

But what exactly does that mean for the conduct of trade policy? What kind of rules should we apply, and how do we prevent ourselves from sliding into unbridled protectionism—from turning into modern-day equivalents of Ned Ludd's followers during the Industrial Revolution, who opposed the spread of new textile technologies and destroyed mechanized looms? To answer these questions, we need to dig a bit deeper into trade's social consequences.

## Trade and Income Distribution

College students learn about the gains from trade not from Martyn, Smith, or even Ricardo, but from a diagram which is the staple of every introductory economics textbook. The professor draws a couple of demand and supply curves, points to where the market prices are with and without tariffs, and then asks how much the economy would gain from removing the tariff. He carefully labels areas representing income gain and loss to different groups in society: area A captures the loss to competing producers at home, area B the gain to domestic consumers, and area C the loss in tariff revenue for the government. And the "net" gain to the economy? He adds and subtracts all these areas as appropriate, and voilà! We are left with two triangles that represent the gains from trade to the economy—or equivalently the "deadweight loss" of the tariff. Here is why tariffs are a bad idea, and here is how much we gain by removing them.

It is a handy demonstration, and I must admit that I too take a certain pleasure whenever I go through these motions—the joy of bringing the uninitiated into the fold. No need to confuse the

students at this point by pointing out that the supply and demand curves we used to calculate the "net" gains are not necessarily the appropriate ones. The demand and supply schedules represent, respectively, "willingness to pay" and "marginal cost"—of the individual consumers and producers in that specific market. When private and social valuations diverge, neither of these will be a good guide to how much society is willing to pay or the costs society incurs. Even without that complication, however, the blackboard demonstration makes two important points obvious.

First, income redistribution is the other side of the gains from trade. If trade causes some activities to contract and others to expand—as it must if the full gains from trade are to be reaped—those groups whose economic fortunes are tied to shrinking sectors will necessarily take a hit. These losses are not transitory. If I have skills specific to garment production, I will suffer a permanent fall in my earnings even if I manage to avoid unemployment and find a job doing something else. Such income losses are estimated to lie between 8 and 25 percent of pre-displacement earnings in the United States.[11] Any temporary adjustment costs—such as transitional unemployment or a dip in earnings below their long-run level—would be additional to these losses.

Here lies a common misunderstanding in the public debate on trade. Free trade advocates will often grant that some people may get hurt in the short run, but will continue to argue that in the long run everyone (or at least most people) will be better off. In fact there is nothing in economics that guarantees this, and much that suggests otherwise. A famous result due to Wolfgang Stolper and Paul Samuelson states that some groups will *necessarily* suffer long-term losses in income from free trade.[12] In a wealthy country such as the United States, these are likely to be unskilled workers such as high school dropouts.[13] This renders the whole notion of "gains from trade" suspect, since it is not at all clear how we can decide whether a country *as a whole* is better off when some people gain and others lose.

Nor are these ongoing distributional effects specific to the simplified textbook exposition. The trade economist's toolkit encompasses a wide variety of complicated and advanced models of trade, most of which generate sharp distributional conflict from trade.[14] All of these approaches share a fundamental intuition: since economic restructuring generates efficiency gains, and sectors with comparative advantage will expand while others contract, redistribution is often the necessary handmaiden of the gains from trade. Advocates who claim that trade has huge benefits but only modest distributional impacts either do not understand how trade really works, or have to jump through all kinds of hoops to make their arguments halfway coherent. The reality is more simple: no pain, no gain.

The second implication of the classroom exposition is a bit more subtle, and the professor is not likely to dwell on it. But the more attentive among the students will notice that the gains from trade look rather paltry compared to the redistribution of income. It is not just that some win and others lose when tariffs are removed. It is also that the size of the redistribution swamps the "net" gain. This is a generic consequence of trade policy under realistic circumstances.

To drive the point home, I once quantified the ratio of redistribution-to-efficiency gains following the standard assumptions economists make when we present the case for free trade.[15] The numbers I got were huge—so large in fact that I was compelled to redo the calculations several times to make sure I wasn't making a mistake. For example, in an economy like the United States, where average tariffs are below 5 percent, a move to complete free trade would reshuffle more than $50 of income among different groups for each dollar of efficiency or "net" gain created![16] Read the last sentence again in case you went through it quickly: we are talking about $50 of redistribution for every $1 of aggregate gain. It's as if we give $51 to Adam, only to leave David $50 poorer.

A major reason the redistribution-to-efficiency-gains ratio is so high is that tariffs are so low to begin with in today's economy. If tariffs had stood at, say, 40 percent, this ratio would have been around 6 instead.[17] But even in this second case, the redistribution from David to Adam is enormous. It is unlikely that we would countenance so much redistribution in other policy domains without at least some assurance that the process conforms with our conceptions of distributive justice.

When confronted with such situations, most of us would want to know more. Who exactly are David and Adam and what did they do to bring this change about? Is David poorer or richer than Adam, and by how much? How will the proposed move affect them and their families? Does David have access to safety nets and other governmental transfer programs that provide compensation? Some cases will be easy in light of the answers to those questions. If David turns out to be rich, lazy, or otherwise undeserving, and fully responsible for the lousy decisions that result in the loss, we are likely to look kindly on the change. But what if none of these things is true, and Adam has acted in ways that many would consider unethical?

We must ask the same questions when we consider the case of large distributional changes caused by trade. Two questions are of particular importance. Are the gains too small relative to the potential losses to low-income or other disadvantaged groups that may have little recourse to safety nets? And does the trade involve actions that would violate widely shared norms or the social contract if carried out at home—such as employing child labor, repressing labor rights, or using environmentally harmful practices? When the answers to both these questions are yes, the legitimacy of trade will be in question, and appropriately so. There will need to be public debate about the right course of action, which will sometimes result in more rather than less intervention in trade.

These considerations about how we evaluate social changes

with significant distributional effects give us additional insight into why the technical progress analogy fails to provide an airtight argument in favor of free trade. We often assume in the case of new technology that it is generated by innovators and firms that play under a common set of rules. If firm X beats firm Y to a new product or process, it is because X has spent more on R&D, has employed a better business strategy, or has just been lucky—not because Y has been burdened by a different and more costly set of rules. This presumption contributes to our bias in favor of technical progress because it reduces, if not eliminates altogether, the concern that the playing field was tilted against the loser.

Free trade is different. Firms abroad can obtain a competitive advantage not only because they are more productive or labor is more abundant (and hence cheaper), but also because they prevent their workers from engaging in collective bargaining, they have to comply with lower health and safety standards, or they are subsidized by their governments. This is another important way in which differences in institutional arrangements across nations generate opposition and create frictions in international trade.

A second difference is that the adverse effects of new technologies hit different groups over time, so that one can plausibly argue that most, if not all people are made better off over the long run. The candlemaker gets displaced by electric bulbs and the carriagemaker by the auto industry. But each gains from the other innovation. Add these and all other innovations together, let them accumulate over time, and the chance is that everyone comes out better off. Trade, by contrast, often affects the same people time and again. If you are of low skill, have little education, and are not very mobile, international trade has been bad news for you pretty much throughout your entire life. It is much harder in this instance to argue that things will even out in the end.

Finally, low levels of trade barriers bring another issue into play. Even when technological change generates redistribution, it isn't self-limiting. Technology has been the fountain of human eco-

nomic progress since the Industrial Revolution, and there is no reason to suspect that it won't be in the future. By contrast, the gains from removing restrictions on trade run into diminishing returns as trade becomes freer and freer, with the consequence that the distributional effects begin to loom larger and larger. Most recent estimates put the "overall" gains to the United States from a global move to free trade in tenths of 1 percent of U.S. gross domestic product.[18] No doubt certain export interests would benefit considerably more; but the losses to others would be commensurately large as well. The more open an economy is, the worse the redistribution-to-efficiency ratio gets. The political and social-cost-benefit ratio of trade liberalization looks very different when tariffs are 5 percent instead of 50 percent. It is inherent in the economics of trade that going the last few steps to free trade will be particularly difficult because it generates lots of dislocation but little overall gain. There is nothing similarly self-exhausting in the case of technical progress.

So the economist's triangles and technical progress analogy are conversation starters, not conversation enders. Considerations of justice and procedural fairness may complicate the simple (simplistic?) case for gains from trade, but they help us understand why trade is often so contentious. Resistance to free trade is not just a matter of narrow self-interest or ignorance—at least not always.

Importantly, this broader perspective also helps us distinguish pure protectionism from legitimate and well-grounded opposition to free trade. A deserving argument against free trade must overcome at least one of the two hurdles mentioned above: the economic gains from freer trade must remain small compared to the distributional "costs"; and trade must entail practices that violate prevailing norms and social contracts at home. Redistributions that provide large net gains and do not infringe on accepted ways of doing business may be okay; redistributions that fail these tests are open to greater scrutiny. Remember these principles, as

we will use them as building blocks for the reform of the global economic system.

## What Economists Will Not Tell You

Here is an interesting experiment I wish a news reporter would undertake. Let him call an economist on the phone, identifying himself as a reporter, and ask the economist whether she thinks free trade with country X or Y is a good idea. We can be fairly certain about the kind of response he will get: "Oh yes, free trade is a great idea," the economist will immediately say, possibly adding: "And those who are opposed to it either do not understand the principle of comparative advantage, or they represent the selfish interests of certain lobbies (such as labor unions)."

Now let the reporter dress in the casual and rumpled clothes of the typical graduate student in economics and walk into an advanced seminar on international trade theory in any one of the leading universities of the nation. Let him pose the same question to the instructor: Is free trade good? I doubt that the question will be answered as quickly and succinctly this time around. The professor is in fact likely to be stymied and confused by the question. "What do you mean by 'good'?" she may ask. "Good for whom?" If the reporter/student looks puzzled, she will add: "As we will see later in this course, in most of our models free trade makes some groups better off and others worse off." If this gets disappointed looks, she will then expand: "But under certain conditions, and assuming we can tax the beneficiaries and compensate the losers, freer trade has the *potential* to increase everyone's well-being."

Now the economist has begun to warm up to the subject. She will continue: "Notice how I said, 'under some conditions.' Asking you to list those conditions would make a good exam question, so pay attention as I run through them." Unless your lifelong dream was to become a PhD economist, it is unlikely that you will derive

any pleasure from what is about to come (or any illumination, for that matter). But I must provide a full account of the economics professor's answer, so I will put it all into really small font. Here is what her list of preconditions will look like:

> The import liberalization must be complete, covering all goods and trade partners, or else the reduction in import restrictions must take into account the potentially quite complicated structure of substitutability and complementarity across restricted commodities. (So in fact a preferential trade agreement with one or a few trade partners is unlikely to satisfy the requirement.) There must be no microeconomic market imperfections other than the trade restrictions in question, or if there are some, the second-best interactions that are entailed must not be too adverse. The home economy must be "small" in world markets, or else the liberalization must not put the economy on the wrong side of the "optimum tariff." The economy must be in reasonably full employment, or if not, the monetary and fiscal authorities must have effective tools of demand management at their disposal. The income redistributive effects of the liberalization should not be judged undesirable by society at large, or if they are, there must be compensatory tax-transfer schemes with low enough excess burden. There must be no adverse effects on the fiscal balance, or if there are, there must be alternative and expedient ways of making up for the lost fiscal revenues. The liberalization must be politically sustainable and hence credible so that economic agents do not fear or anticipate a reversal.

By now the professor is looking really smug, because she has just shown her students not only how complicated even seemingly simple economics questions are, but also how economic science can shed light (if that is what this jargon can be called!) on the answers.

The journalist/graduate student will not have understood much of this, but at least he has gotten an answer. "So, provided these conditions are satisfied, we can be sure that freer trade will improve our economy's performance and raise its rate of growth?" he may ask hopefully. "Oh, no!" the professor will reply. "Who said anything about growth? These were only the requirements for an increase in the *level* of aggregate real income. Saying something definite about growth is much, much harder." With a self-

satisfied smile on her face, she may then provide the following explanation:

> In our standard models with exogenous technological change and diminishing returns to reproducible factors of production (e.g., the neoclassical model of growth), a trade restriction has no effect on the long-run (steady-state) rate of growth of output. This is true regardless of the existence of market imperfections. However, there may be growth effects during the transition to the steady state. (These transitional effects could be positive or negative depending on how the long-run level of output is affected by the trade restriction.) In models of endogenous growth generated by non-diminishing returns to reproducible factors of production or by learning-by-doing and other forms of endogenous technological change, the presumption is that lower trade restrictions boost output growth in the world economy as a whole. But a subset of countries may experience diminished growth depending on their initial factor endowments and levels of technological development. It all depends on whether the forces of comparative advantage pull resources into growth-generating sectors and activities, or away from them.

Noticing the student's expression, the professor may helpfully add, "I think you really have to come to me during office hours for all this."

You don't have to read the fine print above, but if you have deduced that the answer in the seminar room differs greatly from the answer on the phone, you are quite correct. A direct, unqualified assertion about the unquestionable benefits of trade has now been transformed into a statement adorned by all kinds of ifs and buts. Yet somehow the knowledge that the professor willingly imparts with great pride to her advanced students is deemed to be too dangerous for the general public. The qualifications of the seminar room are forgotten lest they lead the public "astray."

This disconnect has always bothered me. In my own research career, I have never—well, almost never—felt censored or pressured to stand for the party line. Academic economists are rewarded for divergent thinking and being innovative. That includes identifying different ways in which markets fail and crafting new argu-

ments for how government intervention in the economy can make things better.[19] Yet unless you are a PhD economist yourself, you are unlikely to have experienced anything of this richness and diversity. In public, economists can always be counted upon to utter the same tired words of praise on behalf of free trade.

Confronted by the gap between what they teach and what they preach, economists will take refuge in a number of arm-waving arguments. Here is a fairly complete list of what you might hear:

1. In practice free trade will make most people better off in the long run, just as technological progress does.
2. Even if trade creates complications, the best way to deal with those is through other policies and not trade restrictions.
3. Even if some people lose out, it should be possible to compensate them and still have everyone come out ahead.
4. The case for free trade goes beyond economics: it is a moral one that has to do with people's freedom to choose who they do business with.
5. Anti-trade views are prevalent enough; our job is to present the other side.
6. The caveats will be hijacked by protectionists who will use them for their own purposes.
7. And besides, the nuances will simply confuse people.

Yet none of these arguments is thought through with anything approaching the level of rigor that goes into demonstrating the standard theorems of trade. None is particularly convincing.

Robert Driskill, a Vanderbilt University economist, has taken the economics profession to task over these failings in a fascinating piece titled "Deconstructing the Argument for Free Trade." He provides a litany of examples from leading textbooks and popular essays in which economists glibly conclude that free trade is "good for the nation" without fully addressing the ethical and philosophical difficulties in making such a statement. As he remarks wryly,

these writings suggest that economists somehow "have solved the problematic nature of knowing what is good for society even when some members of that society are hurt."[20] "[T]he profession has stopped thinking critically about the question," he writes, "and, as a consequence, makes poor-quality arguments justifying their consensus." Most writing by economists on the gains from trade is not a "balanced weighting of the evidence or a critical evaluation of the pros and cons." It is instead akin to "a zealous prosecutor's advocacy." It aims to persuade rather than provide the information with which the reader can form an educated judgment.[21] As Driskill argues, economists should be in the business of presenting the trade-offs rather than passing off their value judgments as the conclusion of scientific research.

Why do economists' analytical minds turn into mush when they talk about trade policy in the real world? Some of it has to do with the idea of comparative advantage being the crown jewel of the profession. It is too painful to let go of. Some boils down to what I call the "barbarians at the gate" syndrome. Economists worry that any doubts they express in public on the benefits of free trade will serve to empower those "barbarians" who are interested not in nuanced views but in pushing for their *dirigiste* agendas. No doubt some has to do with ideology. Even if many economists don't think of themselves as politically conservative, their views tend to be aligned with free market enthusiasts rather than interventionists.

The unanimity that economists exhibit over free trade does not apply to other areas of economic policy. Economists speak with many voices when it comes to important areas of domestic policy such as health, education, or taxes. But on globalization one would have had to look really hard until recently to locate a scholar in any of the top universities who would depart from the boilerplate response. When Driskill submitted his paper for publication to professional journals, he was met by a string of rejections. The editors felt Driskill's arguments didn't add much of significance to the economics literature or to research. They were right, of

course. His points (and mine) about the ambiguities of the case for trade are well known within the professional economics community. The problem is that economists guard them like state secrets and look on those who would share them with ordinary folk as apostates.

When economists oversell globalization by presenting an incomplete case for it, they not only lose an opportunity to educate the public, they also lose credibility. They become viewed as advocates or as hired guns for the "stateless elites" whose only interest is to remove impediments to their international operations. This wouldn't be all that bad if economics didn't have a lot to offer. Applied with a good dose of common sense, economics would have prepared us for the flaws we have experienced in globalization. And used appropriately, economic analysis can point us in the right direction for the fixes. Designing a better balance between states and markets—a better globalization—does not mean that we jettison conventional economics. It requires that we actually pay more attention to it. The economics we need is of the "seminar room" variety, not the "rule-of-thumb" kind. It is an economics that recognizes its limitations and caveats and knows that the right message depends on the context. The fine print *is* what economists have to contribute. I hope the reader will agree that such an economics is possible and think better of economics (even if not of economists) by the end of this book.