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Free Trade's Impact on Americans

The individual American worker is a small drop in the ocean that is America's economy. America's economy has been known for its free trade but as of recent, popularity has been growing for a more protectionist approach. This is in part due to President Donald Trump's use of trade barriers and tariffs. Another topic of discussion has been trade deficits and the long standing trade deficits that America has been in (Mandelman, 2016). Free trade has provided American workers with many opportunities and has benefited the American economy overall. While trade deficits may have occurred while using the free trade approach, the very nature of trade deficits is not an indicator that free trade is good or bad. Trade deficits cannot be classified without taking into account many details and if appropriate action is taken a trade deficit can be benign.

Free trade has been good for American workers in a variety of ways. By allowing free trade, there is an increased availability to more goods that are of higher quality and lower priced. (Boudreaux, 2019) This has allowed American workers to spend money on a larger variety of products instead of having to spend more of their income on higher priced goods if free trade was not in place. Another benefit of free trade has been that it reduces the prices of goods in general, which is not just limited to consumer goods but also raw goods that are necessary for businesses to use in the production of their own goods, thus reducing the cost of product and promoting growth (Boudreaux,

2019). For the American worker this has meant that businesses have been able to obtain a larger amount of raw material and to process this larger amount of material, more employees are necessary. This in turn has provided opportunities of employment for American workers. To see how the protectionist approach fails, look at the iron and steel market which has some of the most trade protections put on it by the US government (Lincicome, 2016). These protections only hurt steel-consuming industries because they drive the cost of production up. This means that American workers and consumers have had to pay more for goods from steel-consuming industries. Steel-consuming industries employ roughly 13 million Americans where as steel making industries only employ roughly 140,000 Americans (Boudreaux, 2019). These protections are benefitting the few and hurting the many. This is just one case highlighting the failures of protectionism and how it hurts other industries as a result. One point brought up against free trade is that free trade causes job displacement (Baker 2018). Free trade improves efficiency and increases competition. As a result workers can be shifted around from jobs that are no longer efficient for them to continue doing when they can be outsourced to competitors (Boudreaux 2019). This is especially prevalent with manufacturing jobs and China, since China can offer lower wages than America for the same work. This shift is necessary to remain competitive and relevant in the global market. The problem is that the displaced workers must learn new skills, but if they are capable of learning then they can be placed into more efficient industries and as a result receive higher wages (Boudreaux, 2019). In the long term this is beneficial to the American worker even if the short term might not be.

A trade deficit is defined as “...when a country’s imports exceed its exports during a given time period” (Bloomenthal, 2020). While a trade deficit might sound ominous it can actually be a good thing in the right situation. It is not reasonable to claim that every trade deficit is the same and to cast a wide net saying that they are entirely good or bad as it mainly depends on the situation to determine the impact of a trade deficit (Bernstein, 2017). It was found that the most important factors involved in trade imbalances were “...fiscal policy, intervention in currency markets, trend economic growth rates, per capita income levels, and prospective population aging” (Gagnon, 2019). All these factors also play a role in determining whether a deficit is bad or good. Since there are so many variables it can never be said for certain whether they are bad or good without looking at the details. As long as a trade deficit is handled appropriately using fiscal balances and currency intervention, then the impact of a deficit will remain benign (Gagnon, 2019). Another important point is “...that trade is not a zero-sum game in which imports are losses and exports are wins” which highlights that having more imports than exports does not inherently imply anything bad (Gagnon, 2019).

Free trade has pushed the American economy forward and this growth that has spread down to the American workers themselves. The impact a trade deficit has is highly dependent on the situation of the economy but as long as they are handled properly, the impact of a trade deficit is benign. Free trade has been in the limelight as of recent because of the push towards protectionist view because of trade deficits, however, as shown free trade has resulted in many benefits to the American worker.

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