

The Case for Free Trade: 1

Why Trade?

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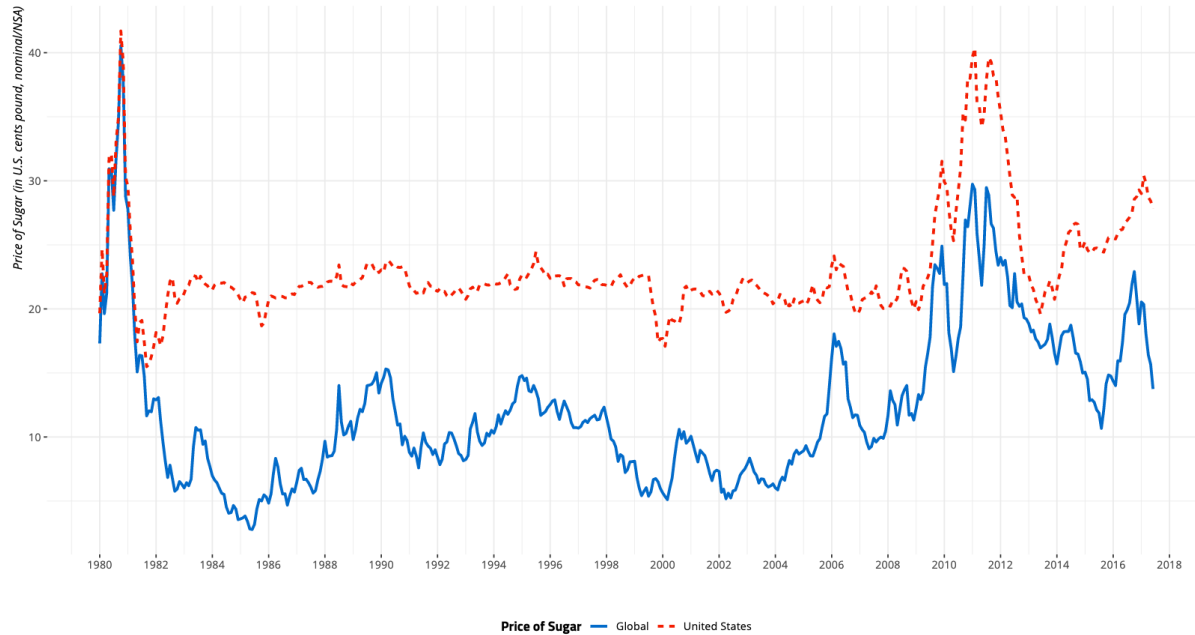
POLS155, Lecture 3

Puzzle

Free Trade creates abundance and is a force for peace. So why limit it?

Americans Pay More for Sugar Than the Rest of the World

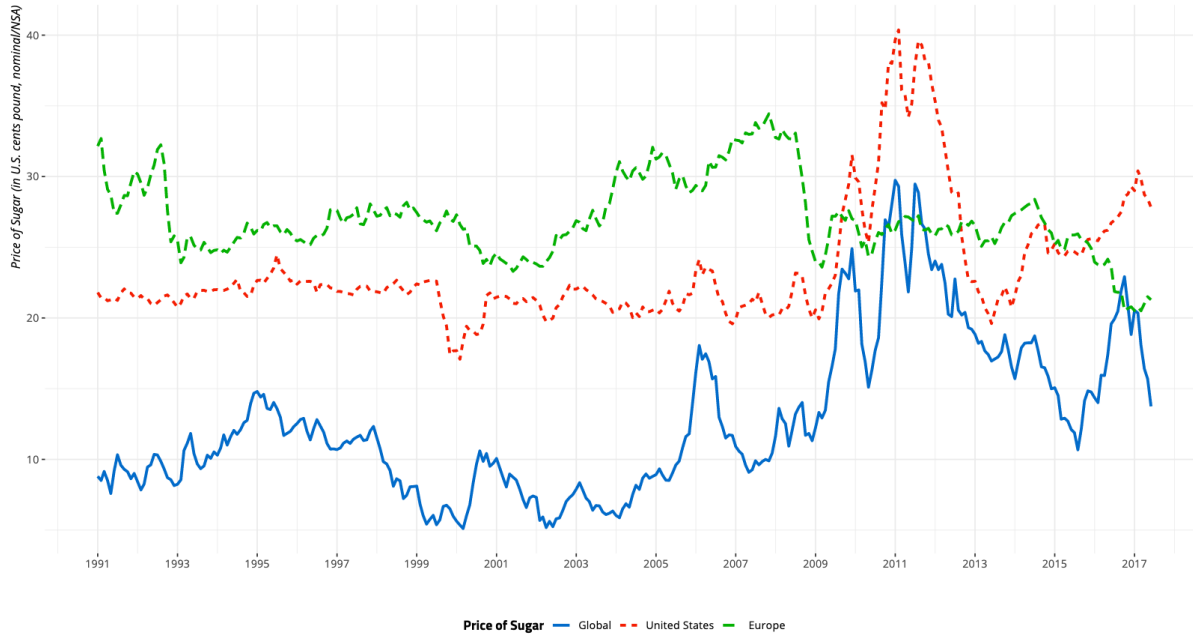
This isn't a "sweet tax." Rather, the culprit is sugar protectionism policies dating to the Great Depression that make sugar trade above the price for international delivery.



Data: International Monetary Fund, via the Federal Reserve Bank of St. Louis

Americans Pay More for Sugar Than the Rest of the World (Even Europe)

Again, this isn't a "sweet tax." It's sugar protectionism policies dating to the Great Depression that make sugar more expensive in the U.S.



Data: International Monetary Fund, via the Federal Reserve Bank of St. Louis

Sugar Protectionism in the U.S.

Sugar beet and sugarcane farms account for about 1/5 of 1% of U.S. farms.

- Sugar itself accounts for about 1.3% of all farm and livestock production.

Yet:

- Sugar is about 33% of all campaign donations from the crop industry.
- Also about 40% of all industry lobbying expenditures.
- Import limits stem from 1934 Sugar Act (they were supposed to be temporary).
- Later extended in 1977 and 2002.

Effects of Sugar Protectionism

The effects of sugar protectionism are not only multiple but usually pretty bad.

- Americans have paid, on average, 80% more for raw sugar and 86% more for refined sugar than the rest of the world.
- Extends to all states and territories (Hawaii and Puerto Rico suffer badly).
- A major (and subtle) effect is substitutions for high-fructose corn syrup which is ridiculously cheap. Obesity and other chronic diseases are the result.

We'd be better off by trading sugar freely without coddling the sugar industry.

What's so good about trade?

One word: everything!

Why Trade?

For producers:

- Sell to new markets, expand business
- Increase efficiency

For consumers:

- Cheaper, more varied goods
 - Seriously, don't pretend like you don't shop at Walmart...

For people like me:

- IR scholars have found a robust connection between trade and peace.
- More interconnected states are less likely to fight.

Why Trade?

(Free) trade follows specialization and division of labor.

The End