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An Inconvenient Truth About Free Trade by Peter Coy

Free trade, defined as the import and export of goods without regulation, has historically had many benefits for the United States economy. As explained by the theory of comparative advantage, nations that specialize in the production of goods with lower opportunity costs and engage in free trade experience a gain in total economic prosperity. Throughout the majority of the twentieth century, American economists generally agreed that free trade increased economic efficiency, created manufacturing jobs in the export sector, and was a benefit to everyone in general. Additionally, free trade decreased the prices of certain goods and saved consumers' money by facilitating competition between nations and allowing for the efficient distribution of goods and other resources. By providing a disincentive for domestic oligopolies to manipulate prices to increase their profits, free trade and its ability to create competition among nations has been an effective means of keeping prices for consumers low and providing goods to more people.

While free trade has certainly had its benefits, it has also had numerous negative consequences with regards to American workers and the U.S. economy. Free trade has forced companies and their workers in the United States to compete with low-wage developing nations that often do not play by the same rules of trade and standards of production. Competition from Japanese automakers and low-wage nations such as

China has effectively been a disaster to many labor-intensive industries in the United States. Many companies in these industries have found themselves unable to compete with China's low prices for electronics, apparel, and other goods. As a result, many have been forced out of business, and production has decreased greatly as workers continue to lose their jobs as a result of Chinese imports. In general, U.S. companies have suffered when other nations have restricted trade in order to support their own industries and pursue other self-serving purposes. Free trade has caused U.S. jobs to move overseas to other countries that often restrict trade and the flow of labor. As a consequence, the efficacy of free trade has come into question.

To help U.S. workers contend with the negative impact of foreign competition and imports, economists have made numerous proposals. Historically, economists have proposed methods of reducing trade imbalances that would prevent the United States' trade deficit from occurring in the first place. The renowned English economist John Maynard Keynes proposed in 1964 a plan in which nations with trade surpluses would bear most of the responsibility for adjustment. The economist and retired engineer Vladimir Masch similarly proposed a "compensated free trade plan" in which the U.S. would impose annual surplus limits on each trading partner and punish those who exceeded the limits. Fairly recently, certain economists have advocated for the negotiation of better trade deals and the imposition of high tariffs on trade with China in order to create U.S. jobs and eliminate the trade deficit. However, the journalist Ida Tarbell has refuted these solutions as overly idealistic, contending that the imposition of high tariffs would enable oligopolies to abuse their power over consumers and would result in the inefficient allocation of goods to consumers who are of low socioeconomic

status. Aside from promoting protectionist policies such as tariffs, economists have also advocated compensatory programs for workers who have lost their jobs due to free trade. In the past, the U.S. government implemented a program of trade adjustment assistance, which aims to benefit workers negatively impacted by free trade by providing a safety net. In 2014, the U.S. Department of Labor gave \$604 million to states to help unemployed workers gain the skills necessary to return to the job market. This plan, however, is not entirely fair because it creates a greater burden on taxpayers. With consideration for the imperfections of this plan and others, many economists would still agree that the implementation of regulatory programs is necessary to a certain degree in order to ensure that free trade is fair.

Works Cited

Coy, Peter. "An Inconvenient Truth About Free Trade." *Bloomberg Businessweek*. 31 Mar. 2016. Web. 13 Apr. 2016.