## 3.1 Comparative Advantage in Practice: The Case of Babe Ruth

Everyone knows that Babe Ruth was the greatest slugger in the history of baseball. Only true fans of the sport know, however, that Ruth also was one of the greatest pitchers of all time. Because Ruth stopped pitching after 1918 and played outfield during all the time he set his famous batting records, most people don’t realize that he even could pitch. What explains Ruth’s lopsided reputation as a batter? The answer is provided by the principle of comparative advantage.

As a player with the Boston Red Sox early in his career, Ruth certainly had an absolute advantage in pitching. According to historian Geoffrey C. Ward and filmmaker Ken Burns:



In the Red Sox’s greatest years, he was their greatest player, the best left-handed pitcher in the American League, winning 89 games in six seasons. In 1916 he got his first chance to pitch in the World Series and made the most of it. After giving up a run in the first, he drove in the tying run himself, after which he held the Brooklyn Dodgers scoreless for eleven innings until his teammates could score the winning run…. In the 1918 series, he would show that he could still handle them, stretching his series record to scoreless innings, a mark that stood for forty-three years.[[1]](#footnote-1)

The Babe’s World Series pitching record was broken by New York Yankee Whitey Ford in the same year, 1961, that his teammate Roger Maris shattered Ruth’s 1927 record of 60 home runs in a single season.

Although Ruth had an absolute advantage in pitching, his skill as a batter relative to his teammates’ abilities was even greater: His comparative advantage was at the plate. As a pitcher, however, Ruth had to rest his arm between appearances and therefore could not bat in every game. To exploit Ruth’s comparative advantage, the Red Sox moved him to center field in 1919 so that he could bat more frequently.

The payoff to having Ruth specialize in batting was huge. In 1919, he hit 29 home runs, “more than any player had ever hit in a single season,” according to Ward and Burns. The Yankees kept Ruth in the outfield (and at the plate) after they acquired him in 1920. They knew a good thing when they saw it. That year, Ruth hit 54 home runs, set a slugging record (bases divided by at bats) that remains untouched to this day, and turned the Yankees into baseball’s most renowned franchise.

## 3.2 The Losses from Nontrade

Our discussion of the gains from trade took the form of a “thought experiment” in which we compared two situations: one in which countries do not trade at all and another in which they have free trade. It’s a hypothetical case that helps us to understand the principles of international economics, but it does not have much to do with actual events. After all, countries don’t suddenly go from no trade to free trade or vice versa. Or do they?



As economic historian Douglas Irwin[[2]](#footnote-2) has pointed out, in the early history of the United States the country actually did carry out something very close to the thought experiment of moving from free trade to no trade. The historical context was as follows: In the early 19th century Britain and France were engaged in a massive military struggle, the Napoleonic Wars. Both countries endeavored to bring economic pressures to bear: France tried to keep European countries from trading with Britain, while Britain imposed a blockade on France. The young United States was neutral in the conflict but suffered considerably. In particular, the British navy often seized U.S. merchant ships and, on occasion, forcibly recruited their crews into its service.

In an effort to pressure Britain into ceasing these practices, President Thomas Jefferson declared a complete ban on overseas shipping. This embargo would deprive both the United States and Britain of the gains from trade, but Jefferson hoped that Britain would be hurt more and would agree to stop its depredations.

Irwin presents evidence suggesting that the embargo was quite effective: Although some smuggling took place, trade between the United States and the rest of the world was drastically reduced. In effect, the United States gave up international trade for a while.

The costs were substantial. Although quite a lot of guesswork is involved, Irwin suggests that real income in the United States may have fallen by about 8 percent as a result of the embargo. When you bear in mind that in the early 19th century only a fraction of output could be traded—transport costs were still too high, for example, to allow large-scale shipments of commodities like wheat across the Atlantic—that’s a pretty substantial sum.

Unfortunately for Jefferson’s plan, Britain did not seem to feel equal pain and showed no inclination to give in to U.S. demands. Fourteen months after the embargo was imposed, it was repealed. Britain continued its practices of seizing American cargoes and sailors; three years later the two countries went to war.

1. See Geoffrey C. Ward and Ken Burns, Baseball: An Illustrated History (New York: Knopf, 1994), p. 155. Ruth’s career preceded the designated hitter rule, so American League pitchers, like National League pitchers today, took their turns at bat. For a more extensive discussion of Babe Ruth’s relation to the comparative advantage principle, see Edward Scahill, “Did Babe Ruth Have a Comparative Advantage as a Pitcher?” Journal of Economic Education 21(4), Fall 1990, pp. 402–410. [↑](#footnote-ref-1)
2. Douglas Irwin, “The Welfare Cost of Autarky: Evidence from the Jeffersonian Trade Embargo, 1807–1809,” Review of International Economics 13 (September 2005), pp. 631–645. [↑](#footnote-ref-2)