

FEATURE

U.S. TRADE POLICY IS ALMOST ALWAYS DEBATED IN TERMS OF ECONOMIC UTILITY. DOES FREE TRADE RAISE OR LOWER INCOMES? DOES IT HELP OR HURT U.S. INDUSTRY? DOES IT CREATE OR DESTROY JOBS? BUT BEHIND THE STATISTICS AND ANECDOTES LIE MORAL ASSUMPTIONS ABOUT HUMAN NATURE, THE SOVEREIGNTY OF THE INDIVIDUAL, AND THE ROLE OF GOVERNMENT IN A FREE SOCIETY. FREE TRADE MAY DELIVER THE GOODS AND BOOST EFFICIENCY, BUT IS IT MORALLY SUPERIOR TO PROTECTIONISM?

THE BUSH ADMINISTRATION IS SENDING CONTRADICTORY SIGNALS ON THE ISSUE OF FREE TRADE. IN MARCH, PRESIDENT BUSH ANNOUNCED MEASURES TO PROTECT THE U.S. STEEL INDUSTRY FROM FOREIGN COMPETITION. IN MAY HE SIGNED A FARM BILL THAT INFLATES SUBSIDIES FOR U.S. "AGRIBUSINESSES" AND DISTORTS GLOBAL TRADE. BUT IN A SPEECH IN MAY OF LAST YEAR BEFORE THE COUNCIL OF THE AMERICAS, PRESIDENT BUSH JOINED THE MORAL DEBATE, TELLING HIS AUDIENCE, "OPEN TRADE IS NOT JUST AN ECONOMIC OPPORTUNITY, IT IS A MORAL IMPERATIVE. TRADE CREATES JOBS FOR THE UNEMPLOYED. WHEN WE NEGOTIATE FOR OPEN MARKETS, WE ARE PROVIDING NEW HOPE FOR THE WORLD'S POOR. AND WHEN WE PROMOTE OPEN TRADE, WE ARE PROMOTING POLITICAL FREEDOM. SOCIETIES THAT OPEN TO COMMERCE ACROSS THEIR BORDERS WILL OPEN TO DEMOCRACY WITHIN THEIR BORDERS, NOT ALWAYS IMMEDIATELY, AND NOT ALWAYS SMOOTHLY, BUT IN GOOD TIME."

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Western moral thought provides a solid foundation for pursuing a policy of economic openness. Drawing on that tradition, here are seven moral arguments to support free trade among nations:

1) Free trade respects the dignity and sovereignty of the individual.

A man or woman engaged in honest work has a basic right to enjoy the fruits of his or her labor. It is a violation of my right to property for the government to forbid me to exchange what I produce for something produced by a fellow human being, whether the person I'm trading with lives across town or across the ocean.

Protectionism is a form of stealing, a violation of the Eighth Commandment and other prohibitions against theft. It takes from one group of people, usually a broad cross-section of consumers, and gives the spoils to a small group

“the natural system of liberty” rather than in a man-centered system of centralized industrial policy. And by doing so it allows citizens to fulfill their creative and productive potential.

There is no compelling moral reason why a small group of politicians should decide what goods and services an individual can buy with his earnings based solely on where those products are produced. By diffusing economic decision-making as broadly as possible, free trade reduces the power of fallible and fallen people in high places to inflict damage on society.

As economists have been pointing out for two centuries now, the gains that protectionism confers on a select group of producers and the government's coffers are almost always outweighed by the losses imposed on the mass of consumers. This dead-weight loss weakens the productive capacity of the country

SEVEN MORAL ARGUMENTS FOR FREE TRADE

by *Daniel T. Griswold*

of producers whose only claim to the money is that they would be worse off under open competition.

Free trade meets the most elementary test of justice, giving to each person sovereign control over that which is his own. As Frederic Bastiat wrote in his 1849 essay, “Protectionism and Communism,” “Every citizen who has produced or acquired a product should have the option of applying it immediately to his own use or of transferring it to whoever on the face of the earth agrees to give him in exchange the object of his desires. To deprive him of this option when he has committed no act contrary to public order and good morals, and solely to satisfy the convenience of another citizen, is to legitimize an act of plunder and to violate the law of justice.”

2) Free trade restrains the power of the state.

Free trade is morally superior to protectionism because it places trust in what Adam Smith called

as a whole compared to what it would be if its citizens were allowed to engage in free trade.

Producers who seek protection are not only robbing their fellow citizens of income and freedom of choice; they are sapping the economic strength of their own society. Protectionists are prone to wrap their agenda in words of patriotism and compassion, but their aim is self-centered and self-serving.

3) Free trade encourages individuals to cultivate moral virtues.

To be successful in a free and open marketplace, producers must serve their fellow human beings by providing goods and services others want and need. And the most economically successful will be those who provide not just for a select few but for a broad segment of consumers.

In the 1991 papal encyclical *Centesimus Annus*, Pope John Paul II observed that a market

system encourages the important virtues of “diligence, industriousness, prudence in undertaking reasonable risks, reliability and fidelity in interpersonal relationships, as well as courage in carrying out decisions which are difficult and painful but necessary.” On top of such character traits, trade encourages good manners and the decent treatment of others.

In the long run, trade rewards those participants who act in a trustworthy manner. A supplier who misses deadlines for shipment or a buyer whose credit is no good will soon lose business to their competitors with better reputations. In other words, there is no inherent conflict between good business and good morals, and in a free and open market under the rule of law the two complement each other.

4) Free trade brings people together across distance and cultures.

Trade opens the door for relationships that transcend economic exchange. When nations trade with one another, more than material goods cross borders. People and ideas inevitably follow through the same open doors. Fax machines, cellular telephones, and the Internet are rapidly spreading as tools of international business, but they are also tools of friendship and evangelism.

At a Cato Policy forum in 1999, Ned Graham, son of Billy Graham and president of East Gates International, spoke about the impact of expanding trade on his organization’s missionary work in China:

Ten years ago, there was almost no information-exchange technology available to the average Chinese citizen. If we wanted to contact a friend in China, we usually had to do so by mail unless that individual had a private phone, which was extremely rare in the inland provinces. ... Today, despite difficulties, much of that has changed. We routinely communicate with thousands of friends all over China via fax, cell phones, and email. The proliferation of information technology has allowed us to be much more effective in developing and organizing our work in the PRC.

Today more than 100 Western missionary groups are either working or attempting to work openly in China to spread the faith. Since 1992, Ned Graham’s organization has legally distributed more than 2.5 million Bibles to non-registered believers in China. This ministry would have been impossible without China’s economic opening to the world that began 20

years ago and America’s ongoing policy response of engagement. More than 20 million Chinese are now on the Internet and that number has been growing exponentially. The number of telephone lines and cell phones in China has grown more than ten-fold in the last decade. The works of Friedrich Hayek, probably this century’s most influential defender of a free society, are now being distributed legally on the Mainland. Free trade has brought new ideas and new relationships to China and other previously closed societies.

5) Free trade encourages other basic human rights, such as freedom of speech and religion.

This is probably the most contentious of the seven reasons, and it goes to the heart of the current debate about trade with China and the use of sanctions in the name of human rights and democracy. By raising the general standard of living, free trade helps people achieve higher levels of education and to gain access to alternative sources of information. It helps to create a more independently minded middle class that can form the backbone of more representative kinds of government. The wealth created from expanded trade can help to nurture and sustain civil institutions that can offer ideas and influence outside of government. The emergence of civil liberties and more representative government in countries such as Taiwan, South Korea, and Mexico can be credited in large part to economic development spurred by free trade and market reforms.

As a general rule, nations that are more open economically tend to enjoy other liberties as well. In the last 25 years, as the world has turned away from centralized economic controls and toward a more open global market, political and civil freedoms have also spread. In 1975, only 42 countries in the world were classified by the non-profit group Freedom House as being politically free, where citizens enjoy full civil and political freedoms. Today the number has more than doubled to 85. The percentage of the world’s people enjoying full civil and political freedom has also more than doubled during that time, from 18 percent to 40 percent.

In his book, *Business as a Calling*, Michael Novak explains the linkage with what he calls “the wedge theory”:

Capitalist practices, runs the theory, bring contact with the ideas and practices of the free societies, generate the economic growth

that gives political confidence to a rising middle class, and raise up successful business leaders who come to represent a political alternative to military or party leaders. In short, capitalist firms wedge a democratic camel's nose under the authoritarian tent.

Religiously motivated conservatives who want to impose sanctions against China would undermine progress on human rights by removing one of the most positive influences in Chinese society. Granted, the Chinese government today remains an oppressive dictatorship, a bad regime that jails its political opponents and interferes in the private lives of its citizens. But for all its unforgivable faults, the Chinese government today is not nearly as bad as the government was during the totalitarian rule of Mao Tse-tung, when millions were killed and the entire social order was convulsed by the Great Leap Forward and the Cultural Revolution. The people of China do not yet enjoy the range of political and civil rights we do in the West, but they are freer and materially better off than they were three decades ago. For that they can thank economic and trade liberalization.

6) Free trade fosters peace by raising the cost of war.

In an 1845 speech in the British House of Commons, Richard Cobden called free trade “that advance which is calculated to knit nations more together in the bonds of peace by means of commercial intercourse.” Free trade does not guarantee peace, but it does strengthen peace by raising the cost of war to governments and their citizens. As nations become more integrated through expanding markets, they have more to lose should trade be disrupted.

In recent years, the twin trends of globalization and democratization have produced their own “peace dividend”: since 1987, real spending on armaments throughout the world has dropped by more than one-third. Since the end of the Cold War, the threat of major international wars has receded. Those nations most closely associated with international terrorism—Libya, Sudan, Syria, Iraq, Iran, Afghanistan, and North Korea—are among the least globalized countries in the world in terms of non-oil trade and foreign investment. Not one of them belongs to the World Trade Organization.

During the 1930s, the industrialized nations waged trade wars against each other. They raised tariffs and imposed quotas in order to

protect domestic industry. The result, however, was that other nations only raised their barriers even further, choking off global trade and deepening and prolonging the global economic depression. Those dark economic times contributed to the conflict that became World War II. America's post-war policy of encouraging free trade through multilateral trade agreements was aimed at promoting peace as much as it was prosperity.

7) Free trade feeds and clothes the poor.

Free trade and free markets empower poor people by giving them greater opportunity to create wealth and support their families. By dispersing economic power more widely, free trade and free markets undercut the ability of elites in less developed countries to pillage a nation's resources at the expense of its poor. Proof can be found in the immigration patterns of poor people throughout the world. By the millions, they seek to leave closed and centrally controlled economies for those that are more open and less controlled. Poor people themselves understand that a free economy serves their interests, even if many of their self-appointed intellectual advocates in the West do not.

Nations open to trade tend to be more prosperous, just as cities along coastlines and navigable rivers tend to be wealthier than those in more remote, inland locations. The most recent Economic Freedom of the World study, by James Gwartney and Robert Lawson, found that the nations that were most open economically from 1980 through 1998 grew nearly five times faster than those that were most closed. And that trade-related growth lifts the lot of the poor. To cite the most dramatic example of this, the World Bank estimates that the number of Chinese citizens living in absolute poverty—that is, on less than \$1 per day—has fallen since 1978 by 200 million. Revoking China's normal trade status, among all its other negative consequences, would set back one of the most successful anti-poverty programs in the history of mankind. In contrast, those regions of the world where poverty has been the most intractable, sub-Saharan Africa and South Asia, have been the least open to trade and foreign investment.

For all these reasons, trade sanctions fall heaviest on the poor of the target nation. Political rulers have the power to protect their pampered lifestyles, while the poor are left to suffer the consequences of U.S. policies that were enacted in the name of helping the very

people they victimize. You can be sure that the communist leaders in Cuba and the ruling junta in Burma will continue to enjoy their fine, catered meals and chauffeur-driven cars while the millions of poor people they oppress are made even more miserable by U.S. trade and investment sanctions.

When all these arguments are weighed, it should become clear that a policy of free trade is moral as well as efficient. Free trade limits the power of the state and enhances the freedom, autonomy, and self-responsibility of the individual. It promotes virtuous and responsible personal behavior. It brings people together in “communities of work” that cross borders and cultures. It opens the door for ideas and evangelism. It undermines the authority of dictators by expanding the freedom, opportunity, and independence of the people they try to control. It promotes peace among nations. It helps the poor to feed and care for themselves and creates a better future for their children. For which of these virtues should we reject free trade?

Daniel T. Griswold is Associate Director of the Cato Institute’s Center for Trade Policy Studies in Washington, DC, <http://www.cato.org>.

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