The Case for Free Trade

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The debate over free trade has been an ongoing one especially since the 1700s with the prolific work of world renowned economist Adam Smith's *Wealth of Nations.* Many question whether everyone truly benefits from 'free trade' or whether it is better for individuals, groups single or several nations, or the world as a whole. This essay shall cover the standard economic case for 'free trade,' explain three possible problems in that argument as pointed out by Dr. Robert Driskill, as well as provide examples of possible losers in a free market and the moral justification of such losses.

According to the Cambridge dictionary, 'free trade' is the "buying and selling of goods, without limits on the amount of goods that one country can sell to another, and without special taxes on the goods bought from a foreign country." Free trade can also occur within a country, and this is generally known as *laissez-faire capitalism.* Simply put, 'free trade' and 'laissez-faire capitalism' can be said to be the free and voluntary exchange of goods and services. One would be hard-pressed to find many examples of this ever have existed in the world for the general public, but that does not mean it is not possible. However, the wording is still used even by its advocates in hopes that trade can become freer for all.

The general standard case for 'free trade' held by most economists is that everyone benefits from free trade as it increases the standard of living for all. It is also stated that 'free trade' is good for a nation, but maybe not for every individual as there may be some losers as trade is freed. Likewise, some nations will benefit greater than others in acts of ‘free trade’ (4). This consensus is held as an institutional norm in the economics field. By economists nearly universally holding onto these continued notions that ‘free trade’ benefits everyone with little-to-no consideration for questioning this concept, Driskill believes this creates and perpetuates poor-quality arguments (2).

According to Dr. Robert Driskill, a professor of economics at Vanderbilt University, there are three possible problems with the economist’s basic assertion of ‘free trade’ benefiting everyone. The first issue he provides is that the idea that every member of a nation that participates in ‘free trade’ cannot possibly benefit in that many can and do lose their jobs or money. He claims that economists rely solely on the statement that everyone in a nation benefits, yet they do not provide the evidence for such an assertion. His second point is that economists tend to assert that when ‘free trade’ is conducted by two nations, no one in those nations is hurt but some are actually bettered because of it. When no one is hurt by ‘free trade,’ and someone actually gains, this is known as a *Pareto equilibrium,* primarily preached in the field of macroeconomics. *Pareto improvements* are continually made until equilibrium can be achieved. Conversely and realistically, he stresses that there can be and often are losers found among the trading nations, but he proposes that economists believe it is better to turn a blind eye towards the losers because it is assumed the losers will benefit from the winners either as being directly paid by the winners or benefiting from working with the winners. The third point made by Driskill is that the general argument in favor of ‘free trade’ made by economists often suggests that the losers in ‘free trade’ are often politically organized better than the winners due to their frustrations for losses and passion to regain their losses. This assumes that the losers will be given recompense from either the winners directly or through government coercion of the winners (11). Overall, these add to the idea that economists have an area within their field in which they are no longer thinking critically (12). For Driskill, this is a major concern.

Of course, Driskill is correct in that there have been losers in everything even close to 'free trade.' There have been losers in all realms of trade, especially so under anything closer to a socialistic or communistic economy. The very nature of mankind produces winners and losers whether it is of an individual's own volition, the loss to competition, limited resources, subjugation by others, disease, laziness, others working harder, newer technology, lower costs, better quality, popularity, customer experience, location, etc. The list goes on and on that explains the various possibilities of winners and losers in the marketplace. Historically speaking, an example of losers in the market of 'free trade' would be the automotive industry in the US which had experienced losers when trade with Japan had increased and US auto workers began losing their jobs. Another example is in textiles, when the US began more 'free trade' with the Asian market allowing for lower cost labor and products, driving out the US factories and creating losers in the deal. However, Driskill does not address many of these concerns directly, his supposed primary purpose is to better the arguments in support of 'free trade' (4).

When policymakers and politicians use the wording in support of 'free trade,' they tend to use the justification that it is "for the good of the nation." From a macroeconomics perspective, Driskill is correct to point out that such a justification turns its face from the actual losers in such a policy (6). Where Driskill is not accurate is that he seems to think of the economy as groups of people acting in 'free trade,' when in fact all human action is conducted by the individual. The moral justification of 'free trade' is that only individuals can act morally, to suggest that groups are to act "morally" fallaciously anthropomorphizes the collective. Sure, people do collectively come together to act, but it is only at the credit and discretion of every individual within that collective is a group made. When group decisions are made, it is only the decision of each of the individuals within that group and their acceptance of that group's standards and practices that actions are taken. Without the support of those within the group, the group does not exist or have authority. Equally, within a marketplace of 'free trade,' where it is the free and voluntary action of two parties, trades will only be made if they mutually benefit.

Through the subjectivity of the individual, if one were to buy an apple, for instance, the sacrificial price must be worth the apple's purchase or it will not be made. If one is a seller, the amount received must be worth the loss of the apple. Throughout this trade, no other individual has any say as to the exchange, unless the apple or money was stolen from someone else. This, in essence, is 'free trade.' For the other people who were also on the market to sell apples, it was the decision of the individual purchasing as to which seller from which she would buy. The "loss" the other sellers accrued through this decision making process is the price of business and the sacrifice we accept in the market place as opposed to reverting back to a state of nature or autarky. The potential gains for the individual in a marketplace conducting 'free trade' is greater than the risks of losses involved; the actual gains for the vast majority of people is equally greater than the risks involved in ‘free trade.’

The initiation of going into the marketplace was a purchase of its own. The amount it took to be able to sell was worth the losses the individuals would incur, or they would not have gone into the marketplace of ‘free trade.’ If they did and they were not successful in that venture, they would leave that business venture behind to either work for others who are successful or result to a condition of unlikely autarky. Seemingly, this is the self-correction and improvement that happens naturally in the market as a means to better each individual as they act, even if that betterment means to decide not to trade with certain people making losers through that process. An actual moral issue is when a market is forced or coerced to trade in certain ways outside of the free and voluntary actions of individuals through protectionism. Viz., any losses an individual or company have because of being in trade, is not a moral issue at all. It is often the case that governments, especially within the US and Europe, that the idea of ‘protectionism’ is sold to the people with the sacrificed payment of ‘Liberty.’ The returns are often negligible.

When markets are coerced through protectionism and cronyism, and a government reneges on that agreement making losers in the market, this is not a moral issue in that again governments cannot act morally, and the wrong was the initial phase of creating favoritism and conducting in acts of cronyism. The place of the US government, and the contract of the US Constitution, was to act as protector of Life, Liberty, and Property, not to decide the arbitrary place of the market saving particular people, groups, or industries from becoming marketplace losers. When politicians do vote to protect these various entities in the marketplace of ‘free trade,’ it is both no longer ‘free’ and surely the immoral act of that individual voting to decide who the winners and losers should be on the dollar of other tax payers while falsely propagating the market. If there were a transition to a more general or true ‘free market,’ there would be a plethora of industries that would have losses and losers throughout the global economy, especially within the US. This would be far superior to what we currently have in the US, in that losses could be seen and dealt with by actual measurements of ‘free trade’ and market adjustments. It is through losses that individuals are able to correct their behavior for the better, and to restrict the market from truthfully correcting itself, creates a false front of success that can come toppling at any point, making more losers than winners in the long run. When a market is able to correct itself, smaller pockets of justifiable losers are still created rather than vast numbers of giant conglomerates and industries. The world is not perfect, there will always be losers in trade, whether free or not. At least allow individuals to act morally and conduct ‘free trade.’

Work Cited

Driskill, Robert. “DECONSTRUCTING THE ARGUMENT FOR FREE TRADE: A CASE STUDY OF THE ROLE OF ECONOMISTS IN POLICY DEBATES | Economics & Philosophy.” *Cambridge Core*, Cambridge University Press, 22 Mar. 2012, www.cambridge.org/core/journals/economics-and-philosophy/article/deconstructing-the-argument-for-free-trade-a-case-study-of-the-role-of-economists-in-policy-debates/503573E6D5C3292AC6488B7E4CFE12F9.