

B448. "Free Trade Is Anything but Fair, and Lousy Economics Besides" Los Angeles Times (March 5, 2004) p. A15.

"Free trade" is God's gift to modern economies, and for a politician to support "fair trade" is tantamount to worshiping graven images.

Dick Gephardt, who dared to touch the free-trade icon, was burned at the stake. John Edwards, who questioned free trade, failed as a candidate, while John F. Kerry, who dances around this issue as if it were gay marriage, now has beaten the Democratic pack. Moreover, when President Bush protected U.S. steel from ruinous competition, he was dumped on as if he were a labor Neanderthal.

But politics aside, is free trade really good economics? Free trade would be all that it was promised to be if we lived in a world in which not just jobs but also goods, people and capital freely flowed from one country to another. In such a never-never land, indeed, everyone would do what he was best at, and we all would be richer for it. Unfortunately, when one country lowers its trade barriers and other countries don't lower theirs as much — making for freer, but not free, trade — who gets what becomes extremely murky. And that is the world in which we find ourselves today.

U.S. corporations love to move their plants and our jobs to other countries — countries that sometimes block our products and services from entering. As we lowered our trade barriers, a good part of our car and television manufacturing was done in Japan. But for decades Japan prevented our financial institutions from serving its citizens, and its corporate culture of keiretsu (close business relationships) still hampers the work of these institutions. American construction companies can bid all they want for public works in the huge Japanese market, but a cabal of Japanese firms decides whose turn it is to submit the lowest bid this time, and somehow it very rarely turns out to be a foreign company. Scores of countries block the import of what we are best at producing: low-cost food.

Many free-market champions believe we should export lowbrow jobs but do the "creative" stuff ourselves, thus keeping our hands clean and our wages high. This notion assumes that God has anointed the United States to be the creator while the rest of the world has been chosen to do the menial work. Perhaps no one told the rest of the world. Israelis and Finns, for instance, are not exactly laggards. Indian engineers and Chinese computer programmers are rapidly bridging the creativity gap. Moreover, the U.S. has a range of talent distribution. What will our less-talented workers do if they are not gifted enough to make "Finding Nemo" or if there are not enough "creative" jobs to go around? Will they move — or be moved — to the nations where their jobs were outsourced, as free-trade theory calls for?

If Americans are not to follow their jobs to Third World countries, they will need to be retrained and relocated within our borders, a transition that, even when it works, generates high adjustment costs.

Every time we pare down an industry because its labor can be performed more cheaply overseas — say, most recently reading X-rays — those who used to work in it here either need to be retrained to do something else or live off unemployment or welfare. Such transitions also entail, as studies have shown, a significant increase in mental illness, suicides and family breakdowns, all hefty human and social costs. Economists tend to ignore all these public costs, which end up in the laps of taxpayers, when they tell people how wonderful it is that they can buy T-shirts at Wal-Mart at a discount.

Organized labor's claim that free trade involves a race to the bottom is valid. As flight attendants and grocery workers recently discovered, the pressure is on to reduce benefits, job security and the wages given to new employees and possibly to old ones.

Remaining competitive in a world in which billions of workers are paid about a dollar a day and have no benefits, and in which corporations need not worry about environmental costs, requires us to drastically lower our own standard of living.

Economists argue that eventually other countries will raise their living standards (as South Korea and Taiwan already are doing) and then we will all compete on equal footing. But there are two ways to get there: lower our standards until the rest of the world catches up or insist that we compete freely only with those countries where companies give their workers a basic basket of benefits and elementary environmental protection. This is what is referred to as "fair trade."

Americans should have the opportunity to vote in November on which form of trade they prefer: the mismanaged variety (masquerading as free trade) or fair trade. They will have this opportunity only if one of the political parties has the civic courage to lift the fog in which economists, big business and naive liberals have shrouded this whole sordid business. Then fair trade will not only be sound economics for America but also good politics.

Amitai Etzioni, a professor of sociology at the George Washington University, is the author most recently of "My Brother's Keeper: A Memoir and a Message" (Rowman & Littlefield, 2003).