

IMPRIMIS

"Free Trade in the 1990s"

Preview: *The 19th annual Ludwig von Mises Lecture Series at Hillsdale College was held in the spring of 1992, just as the issue of free trade was again becoming a headline issue in American politics. The benefits of a free global economy are egalitarian; it is true that "a rising tide lifts all boats." Free trade is not, according to the old mercantilist thinking, some zero sum game in which one nation or one individual wins at the expense of another. It offers a higher standard of living for all, dramatically improved goods and services, and an international division of labor that makes such goods and services for the first time affordable even for the poor, while creating millions of new jobs around the world.*

Throughout his life, the economist Ludwig von Mises argued that one of the fundamental causes of war among nations was economic nationalism. When nations look upon one another as economic enemies rather than as potential trading partners, their governments resort to political and economic intervention, retarding their own citizens' material well-being and creating conditions ripe for international tension and conflict. Free trade and peaceful market competition, Mises claimed, were the means for both prosperity and peace.

Economic Freedom and a New Liberal International Order

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In the 19th century, the advocates of economic liberty and free trade could point to the injustice of a system that gave privileges to a few, while making the vast majority bear the burden. This old system of privileges and protections went against the grain of the new beliefs in political democracy and equal treatment before the law.

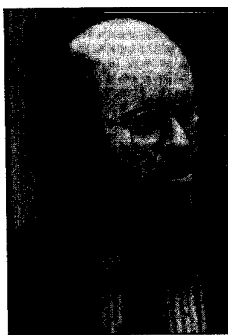
With the spread of the democratic ideal and the enlargement of the voting franchise, people came to view government as no longer the master, but rather as the servant. But the servant for what? For equal protection before the law and equality in civil liberties, certainly. But unfortunately in the 20th century government is increasingly viewed as an agency that does things for the people, rather than merely acting as the "nightwatchman" who guards their life, liberty, and property.

What people have increasingly wanted
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"Economic Justice" and the Chimera of Special Interest Politics

James Bovard
Author, *Fair Trade Fraud*

Fair trade, as the term is now used, means government intervention to direct, control, or restrict trade. Fair trade means government officials dictating what Americans will be allowed to buy and what prices they will be forced to pay.



In some areas, America is one of the most protectionist industrial countries in the

world. Our agricultural import quotas permit each American citizen to consume the equivalent of only *one teaspoon* of foreign ice cream per year, *two* foreign peanuts per year, and *one pound* of imported cheese per year.

Congress is imposing over 8,000 different taxes on imports. While the average American tariff is now around five percent, some tariffs are in the stratosphere. Low-priced watches are hit with an average tariff of 151.2 percent. Tobacco stems must pay a 458.3 percent penalty. Tariffs on some low-priced shoe imports are 67 percent....Our dumping law is so comprehensive and arbitrary that the Commerce Department almost automatically convicts 95 percent of foreign companies.... If this is free trade, then perhaps the federal income tax system is truly helping Americans by cutting their freedom of choice in how they spend their paychecks.

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government to do is: guarantee their jobs and incomes; protect them from foreign competition and limit the entry of new competitors at home; assure them "living wages" for their labor, and "fair" and "reasonable" prices for their products; protect them from the common mistakes of everyday life; and relieve them of any responsibility for the community efforts that would otherwise demand of them charity and the giving of some of their free time. And all these guarantees, protections, and securities are to be provided at someone else's expense....The Age of Democratized Privilege has arrived. And with it has also come the New Protectionism. **A**

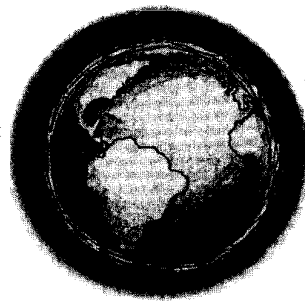
The Technological Revolution: Destroying Global Economic Barriers

*Richard McKenzie
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any commentators fear that government regulators have, and will continue, to run roughshod over our freedom to trade. In my view, international trade has become freer over the last several decades, and it will only become, gradually but relentlessly, even freer as we turn our attention toward the 21st century...not because protectionists will ever lose their myopic focus on narrow self interests (to the detriment of the rest of society), and certainly not because politicians will become any more knowledgeable about the benefits of free and open world trade. (If we had to rely on a rejuvenation of our political leaders' courage and intellect, we would surely despair.)

Rather, the politicians and policymakers will be brought, kicking and screaming, to freer trade, unaware that their growing



impotency to cater to protectionists' appeals will be the result of reinvigorated technological and economic forces that are far beyond the power of government to control....

Today, technology permits people and their capital to be far more fugitive, far more capable of bounding over government borders, far more like quicksilver—slippery, elusive, and hard to contain and control. **A**

A Monetary System for the Global Economy

*Judy Shelton
Senior Research Fellow
Hoover Institution
Author, The Coming Soviet Crash*



We live in a world where the prices of internationally-traded goods are subject to the negotiating tactics of a clique of nations who rig the currency markets as they see fit. The value of the dollar or the yen or the deutsche mark is not determined by natural market forces so much as by the ability of government officials from the United States, Japan, and Germany to politically and economically intimidate each other and the other players in the world....

We should not permit our finance officials to collude with other nations to manipulate the dollar exchange rate against Japan whenever Washington decides that Japanese-made goods are becoming too popular with American consumers. Why should we cede to government the right to spend untold sums in order to, in the parlance of the finance ministers, make "corrections" in the currency markets whenever officials deem it politically useful?

The only proper foundation for an open world economy dedicated to free trade is sound money based on a universal standard of value that transcends the threat of protectionist devaluations. **A**

An Open Letter to the President: Free Trade Works

*Dick Armeiy
U.S. House of Representatives (R-TX)*



Smith virtually invented the discipline of economics in 1776 with the publication of his monumental treatise known today as *The Wealth of Nations*. The same year saw the birth of the greatest free market experiment in the history of the world—the United States. Here was proof that freedom works.

It is important to note that Smith wrote in reaction against mercantilism—the practice of trying to "create" wealth for a nation by restricting trade. Smith argued that only when individuals are allowed free exchange is real wealth created, and "what is wise and prudent in the affairs of individuals can scarcely be folly for nations." Later another classical economist, David Ricardo, refined Smith's argument by developing the principle of "comparative advantage." The lesson of this principle is just as individuals have differing talents and levels of productivity, so do industries and so do nations. No nation can have a comparative advantage in every industry. So it follows that every nation will prosper by exporting some goods and importing others. And this specialization works to the benefit of all nations.

Armeiy's Admonition #1: Know that euphemisms for restricting trade are created by those who benefit from restrictions.

Armeiy's Admonition #2: Be skeptical of gloomy prognostications from people who are in the business of peddling more government.

Armeiy's Admonition #3: Beware those who manufacture data for the sake of promoting an agenda.

Armeiy's Admonition #4: Never underestimate the ability of Washington to perceive the opposite of what is actually happening and to conjure up the data to support its perception.

Armeiy's Admonition #5: Governments punish success and reward failure.