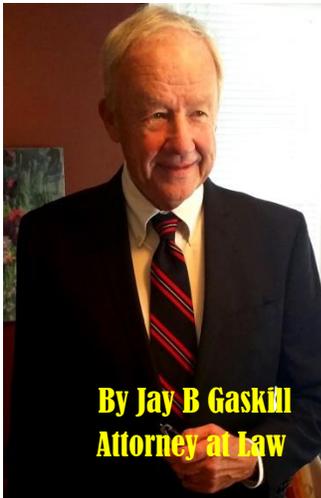


Why the LIMITATIONS OF THE 'FREE TRADE' DOCTRINE Are legion

A Confessional Analysis



Free trade has enjoyed the status of a quasi-religious economic doctrine now for more decades than I dare admit. It has been the mother's milk of academic courses in international economics for at least half a century. For a time, the logic seemed impeccable:

In a free trade arrangement among the nations, all parties will benefit from eliminating pockets of protected, inefficient industries because the “efficiencies” of production will always generate lower costs, which in a free market produce lower prices, and more consumer availability, leading to shared prosperity and progress. Production is gradually relocated to the most efficient (i.e., cheap) means and locations and (I add with irony) utopia will surely follow.

But utopia did not follow free trade...just as it did not follow the forcible enactment of the Marxist maxim, “*From each according to her ability, to each according to his need.*”

Like all neat, logically coherent academic ideas, real world experience will trump theory. Sadly, but inevitably, unfortunate human consequences will follow.

In practice, international free trade is like an athletic contest where steroids, mechanical aids, flexible, user-adjusted metrics of achievement, and other forms of cheating, are deliberately ignored, while the prize money is awarded frequently, and with no refunds.

There are several *YouTube* videos of the historic November 9, 1993 debate between Al Gore and Ross Perot about the then pending North American Free Trade treaty - “NAFTA”. I note that few voters at the time picked up on the fact that Mexico is in North America, and fewer still thought through the implications. In the debate Al Gore was a sanctimonious advocate of free trade doctrine, and Mr. Perot’s warnings were ridiculed or ignored. **My confession:** At the time, I was a bit put off by Senator’s Gore’s manner, but I assumed that Gore was correct on the trade issue. Now it appears that he, I and others were dangerously naïve. It would be fitting to have that debate video reproduced accompanied by some tragic film music while the camera cuts away to the fly-over pictures of Detroit’s ruined factories and other rust belt images.

In contrast to the internal free trade within the 50 US states guaranteed by our constitution, the problems with international free trade are legion. They include the following six areas:

- National security related supply Issues – especially as they relate to the unreliability of extra-national sources of critical raw materials, goods and services;
- The absence of a common, stable currency for international transactions, which invites monetary gaming - this, in spite of the US dollar’s status as the world’s reserve currency;
- Hidden or blatant government subsidies that distort costs and provide opportunities to flood a country such as ours with cheap goods in order to drive out an industry – especially problematic when this is a thinly concealed attack on a target country’s national security capabilities;
- A net transfer of prosperity and employment (often a disguised outcome of free trade) from developed to less developed countries without the popular consent of voters in the donor countries;
- All this takes place in a morally neutral context wherein human welfare and well-being are conflated with aggregate trade metrics;
- The simple dignity of work, which is a neglected moral issue among free trade acolytes, is a common casualty of the international “free” trade system;
- In sum, this “perfect” and logical system was and remains too far too easily gamed by elites and far too callously administered.

It seems that every decade or two, there is a grand standoff between idealists and realists. The idealists tend to win the arguments of the moment, while neglecting to give appropriate weight to

the threats posed but the evil and wicked forces that constitute humanity's darker side. Yes, wars, genocide and thugs are part of the human condition. And yes, in spite of this, we do make progress. As a pro-human idealist, I hope and pray that we never succumb to cynicism, nor surrender our hopes and aspirations for the improvement of the human condition. All our efforts to make all things better are worth pursuing, especially when they are limited in scope and checked and rechecked for those unintended malign consequences.

While arrogance and hubris are our greatest obstacles, human creativity and adaptivity are our greatest weapons. We were endowed by our Creator with a thirst for liberty and the capacity for creative accomplishment. ...And with the capacity for common sense.

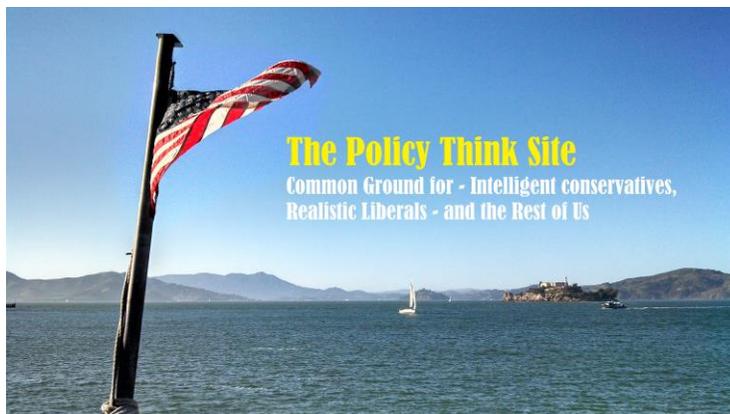
Realism and its spokespersons are ignored at our peril.

JBG

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