

WE NEED FREE TRADE IN DEED AS WELL AS WORD

by Gary M. Galles

Much of the economic success of the early United States was due to the fact that the Constitution not only restricted the federal government's ability to hurt some citizens for the benefit of others (e.g., the takings, tax uniformity, due process, and equal protection clauses), but also abolished states' attempts to take advantage of each other through restrictions on interstate commerce (the famous commerce clause). The result was the world's largest free trade zone. Everyone benefited, as neither the state nor federal government could impose extra burdens on mutually beneficial trades just because shipments originated across a state border.

Since then, despite the overwhelming empirical and logical evidence in its favor, free trade has been demoted from a central organizing principle for our society to one that now mostly commands lip service. Free trade, whether it is GATT, NAFTA, or some variant being discussed, still wins all the rhetorical battles. This is understandable because, after all, those countries with freer trade enjoy more personal freedoms and grow faster, and it is at heart nothing

more than the simple, self-evident proposition that people who participate in voluntary trades must expect to benefit as a result, regardless of one's trading partner's citizenship.

However, when it comes to actual policy details, even moves touted as toward free trade (e.g., NAFTA) are replete with restrictions (compare the length of NAFTA with how much space it takes to say "All trade barriers between the signatories will be eliminated according to the following schedule.") Here, free trade is sacrificed to the political power of concentrated producer interests, as politicians claim to favor it in general, but oppose it in each particular case for some other reason, so free trade becomes "fair," "balanced," or "managed" trade in practice.

Why do politicians and their supporters claim to favor free trade, yet are so easily drawn to "but this, that, and the other" excuses for protectionism? Because virtually everyone favors a one-sided, narrow, self-interested commitment to free trade.

Each of us supports fewer restrictions on our ability to advance our own welfare. This means we want free trade when it comes to selling our own output, deciding how to produce that output, and for those who

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would sell their output to us, because such changes benefit us through higher sales prices and lower costs. However, it also leads almost everyone to support restrictions on their competitors, because that also benefits them. The difference is that both parties involved gain from freer trade, but the beneficiaries of restrictions gain at an even greater cost to others, who are forced to make do with inferior alternatives as a result.

Needed: A Commitment to Principle

We talk of commitment to free trade, but resort to restrictions in practice because our commitment to narrow self-interest exceeds our commitment to principle. There is always something, whether it is the trade deficit, unemployment in a particular industry, self-sufficiency, or national defense, which provides political cover for such self-serving actions.

Much of our soaring "free trade" opposition to others' restrictions (and free trade rhetoric is one of our leading exports) springs not from commitment to its demonstrated social benefits, but because those eased restrictions will line our pockets, and free trade sounds better than "gimme money." But when free trade threatens the wallets of protected interest groups, support for American restrictions to assure "fair" or "balanced" trade or environmental qual-

ity suddenly blossoms, because that also sounds better than "gimme money."

Free trade creates wealth. We should favor opening others' markets, because that would benefit both their consumers and more efficient American producers, by breaking the political strangle-hold of their protected domestic producers. But free trade is beneficial for Americans just as it is for others, and helping uncompetitive American companies cheat American citizens by restricting their access to foreign products they prefer convicts us of the same crime we indict others for.

Until we teach people that free trade creates wealth from otherwise latent human abilities and that the cumulative effects of the myriad of largely obscure restrictions make almost every person worse off (those most wrapped in the government's protective cocoon, such as labor unions, which have been given monopolistic power through labor laws, may force stiffer competition, but to call the reduction of unwarranted restrictions "unfair" would strain the meaning of the word), we will never even distantly approach the ideal of free trade. But, in Richard Weaver's immortal phrase, "Ideas have consequences." It is only by conforming our ideas to the truth, and by defending that truth wherever it is challenged, that free trade and liberty in general stand even a small chance of being reinvigorated. □

Free Trade: The Necessary Foundation for World Peace

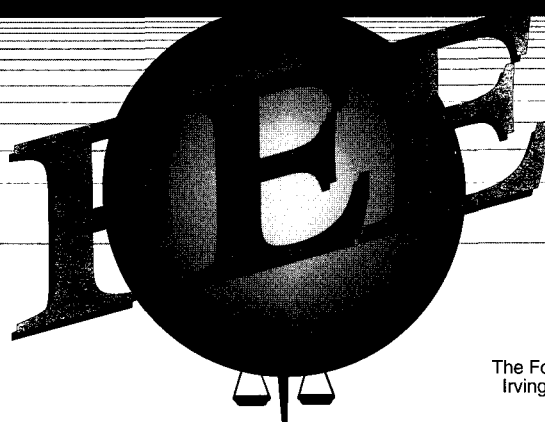
edited by Joan Kennedy Taylor

To place free trade in this larger context of foreign relations, we have mined the back issues of *The Freeman* and other hard-to-find primary sources. Here are fifteen short essays that discuss such thorny issues as world hunger, industrial superiority, industrial unemployment, the American Revolution, foreign investment, the fallacies of economic nationalism, and how free trade protects our national interests.

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Political Clergy

Christian churches always have played a critical role in all matters of social constitution, including the economic affairs of man. Their economic teaching guides the thoughts and deeds of the believers acting individually, in groups, or in a body politic. It may find its way into economic legislation, which may shape and reshape the economic system and thereby affect the economic lives of everyone.

Most churchmen continue to profess the basic values which undergird our traditional private property order, commonly called the capitalistic system. Yet two major intellectual church movements, the "Social Gospel" and the "Liberation Theology," never tire of criticizing the traditional order. The former was spearheaded by eminent theologians such as Karl Barth, Emil Brunner, Reinhold Niebuhr, Bishop G. Bromley Oxnam, and many leaders of the World Council of Churches. It left its distinct mark on economic legislation from the late nineteenth century to the middle of this century. During the 1960s and 1970s, it was gradually overshadowed by the "liberation theology" movement that is dominated by Catholic theologians in Latin America and the United States. The undisputed leader and most penetrating thinker of this school of thought undoubtedly is Gustavo Gutierrez who in 1971 authored a book under the title, *A Theology of Liberation*.

Few observers would disagree with the stated objectives of these movements. Both seek justice, mercy, and neighborly

love for all people in a compassionate society. Unfortunately, both choose means that are utterly incapable of realizing those objectives. *Both would take a road that was built by politicians, is patrolled by judges and policemen, and leads in the opposite direction: to brute power, injustice, and violence.*

The Social Gospel is a political program that would place most economic decision-making in the hands of legislators and regulators. It teaches that the shortage of goods and services is not natural, but rather manmade, and that a few laws and regulations, compassionately enacted, could immeasurably improve the living conditions of the people. Social gospels openly advocate political coercion if it promises to accomplish their political objectives. Always unhappy about the private property order, they devise countless reform plans for society and call on politicians to enact them. They fervently pray to God that He may guide the agents of government and give them courage and strength to enforce the reforms. Some even address their petitions directly to the president of the United States and the U. S. Congress, while rarely, if ever, mentioning the Maker and Creator of all things.

Liberation theology builds on two key communistic notions: the Marxian doctrine of class struggle and the Leninist doctrine of international colonialism and dependency. Its most popular theme is a relentless and highly rhetorical condemnation of capitalism, which is blamed for much poverty in the world. The individual enterprise order, Liberation theologians are con-

vinced, leads simultaneously to the creation of great wealth for the few and dismal poverty for the many. Since the Church receives protection from the wealthy classes, the Church becomes part of the condemnable system.

Liberation theologians in Latin America and the United States readily agree with Marxian revolutionaries everywhere that the poor countries of the world need to be liberated from the exploitation system. They may disagree with the revolutionaries on the measure of violence by which the common goal is to be accomplished, but agree with them that capitalism must be abolished. Blinded by Marxian doctrines and prejudices, they misjudge and misinterpret economic reality.

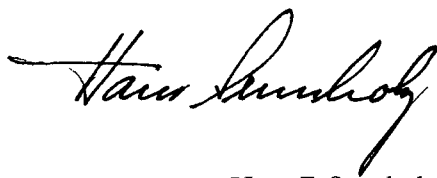
No visitor to Latin America can overlook the fact that economic life is far from capitalistic. Government intervention hampers every phase of economic production and distribution. Politicians and bureaucrats, together with the armed forces, lord it over the people, regulating and manipulating economic activity to bolster their political power and feather their own nests. The actors may change with each administration, but the system always remains the same. A fascinating book, *The Other Path*, by the Peruvian economist Hernando de Soto, is a loud indictment of the present system and a powerful plea for the "informal" order, which is the market order.

Substantial income differences, in the judgment of many clerics, reflect a perversion of the natural state and a denial of the fact that God has created the earth for all mankind. "The earth belongs to all" epitomizes their central theme. Economic differences are believed to result from exploitation of the weak by the strong, by landed estate owners who rent their land to tenant farmers, capitalists who transfer their funds out of the country, speculators who earn inordinate profits, multinational corporations which pay low wages in less-developed countries, and many greedy businessmen. Liberation theologians call on Christians to remedy the injustice of

inequality through collective action. They need government because of the magnitude of the problem; they need international cooperation for international wealth transfers to redress worldwide inequality and injustice. Throughout the world, they call for "bold transformation" and "innovation," even if this necessitates coercion and expropriation.

While the churchmen are speaking of peace, they are sowing the seeds of violence. While they are demanding economic equality in the name of nature, they are ignoring the God-given differences in individual ability and productivity. Their charges and allegations are unlikely to elicit Christian compassion and brotherly love; instead, they are arousing resentment, indignation, hatred, and violence. They are breeding envy, which is one of the seven deadly sins. In fact, fueling envy and covetousness, they are doing harm to personal responsibility and industry and thus making matters worse.

When churchmen give moral legitimacy and intellectual validity to resentment and envy, they stoop to the level of demagogue-politicians who are ever ready to lead a cause which enhances their popularity with the voters. While politicians seek votes, power, and largess, clergymen may act from fear about the loss of disciples and believers and, therefore, may seek their approval by surrendering to their fashions and follies. They are quick to run with the crowd in order to lead the crowd, or they may despair about the erosion of traditional values and beliefs and, therefore, search for a new role for themselves. Unfortunately, the new role not only may lead them into unfamiliar territory but may also cause them to betray the very values they vowed to uphold.



Hans F. Sennholz

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If there's moral validity to free-market economics, why do so many clergy fail to understand it?



A study of theological and seminary faculty conducted by the Roper Center in 1982 revealed that 37% of the respondents felt "the United States would be better off if it moved toward socialism." Nearly half of them favored the redistribution of wealth (as opposed to its creation) as a better way to meet the needs of the poor.

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SHIPWRECKED IN NEW JERSEY

by Robert A. Peterson

I grew up in a town where yacht-making was the chief industry. Indeed, boat-building has been a South Jersey specialty for hundreds of years. The first ships were built with cedar from local cedar swamps, then dragged down nearby streams to be launched on the Mullica, Maurice, and Great Egg Harbor Rivers. By 1776, the Delaware Valley, including South Jersey, was the nation's leading shipbuilding area, outstripping even New England. In the 1900s entrepreneurs like Charles Leek started making pleasure crafts and sport-fishing yachts for the wealthy. Within a 20-mile radius, four major boat companies emerged: Pacemaker (now Ocean Yachts), Post Marine, Viking Yachts, and Egg Harbor Yacht. Thirty miles distant was another major boat-builder, Silverton Yacht.

As children, we benefited from the yacht companies' presence in many ways. Sure, many of our parents worked there, but more important to us was the discarded wood pile. We could go there and pick out pieces of teak, mahogany, and other expensive woods to build our tree houses, clubhouses, and go-carts. Even the five o'clock whistle served us, telling us it was time to end our play in the fields and go home for dinner. And of course we were all excited when one of our favorite comedians, Jerry Lewis, came to town to pick out his own yacht. I

didn't understand it at the time, but essentially what Lewis was doing was employing about 30 South Jersey blue-collar workers—paying their insurance bills, feeding their children, and paying their mortgages—for over a month. Lewis, in turn, had made his money by mass-marketing his acting skills, bringing laughter and relaxation to some of those same blue-collar workers who watched him on television at night.

As I grew older, I came to realize more and more the important role the boat-building industry played in our area. In the 1960s, the Pacemaker Yacht Company employed more people than the electric company. Thus, a product that only the rich could afford was fueling the better part of our local economy.

Many local people got their first work experience in a boat factory. Here they learned a trade without having to burden the taxpayer in a job-training program or publicly supported vocational school.

The boat companies also fulfilled a crucial role in training future entrepreneurs and businessmen. Not everyone wants to spend his life working for someone else; millions of Americans want to go out on their own and create their own businesses. But in order to do that, they need start-up money, marketable skills, and solid work experience. For years, the boat companies have provided those goods. The owner of Anchor Custom Upholstery, for example, learned his trade at a boat factory. P. J. Reinhard, a local

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