

these economically-deranged policies? Can we afford to allow this to happen in the nuclear age?

"What generates war is the economic philosophy of nationalism: embargoes, trade and foreign exchange controls, monetary devaluation, etc. The philosophy of protectionism is a philosophy of war."

Ludwig von Mises

The Solution: Free Trade

A century and a half ago French economist and statesman Frederic Bastiat presented the practical case for free trade: "It is always beneficial," he said, "for a nation to specialize in what it can produce best and then trade with others to acquire goods at costs lower than it would take to produce them at home." In the 20th century, journalist Frank Chodorov made a similar observation: "Society thrives on trade simply because trade makes specialization possible, and specialization increases output, and increased output reduces the cost in toil for the satisfactions men live by. That being so, the market place is a most humane institution."

What Can You Do?

Silence gives consent, and there should be no consent to the current waves of restrictive trade or capital control legislation being passed. If you agree that free trade is an essential ingredient in maintaining world peace, and that it is important to *your* future, we suggest that you inform the political leaders in your country of your concern regarding their interference with free trade. Send them a copy of this pamphlet. We also suggest that you write letters to editors in the media and send this pamphlet to them. Discuss this issue with your friends and warn them of the danger of current "protectionist" trends. Check on how the issue is being taught in the schools. Widespread public understanding of this issue, followed by citizen action, is the only solution. Free trade is too important an issue to leave in the hands of politicians.

"For thousands of years, the tireless effort of productive men and women has been spent trying to reduce the distance between communities of the world by reducing the costs of commerce and trade.

"Over the same span of history, the slothful and incompetent protectionist has endlessly sought to

erect barriers in order to prohibit competition – thus, effectively moving communities farther apart. When trade is cut off entirely, the real producers may as well be on different planets.

"The protectionist represents the worst in humanity: fear of change, fear of challenge, and the jealous envy of genius. The protectionist is not against the use of every kind of force, even warfare, to crush his rival. If mankind is to survive, then these primeval fears must be defeated."

Ken Schoolland

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FREE TRADE OR PROTECTIONISM?



The Case Against Trade Restrictions

by [Vincent H. Miller & James R. Elwood](#)

The Lure of Protectionism

The argument for so-called "protectionism" (called "fair trade" by some) may at first sound appealing. Supporters of "protectionist" laws claim that keeping out foreign goods will save jobs, giving ailing domestic industries a chance to recover and prosper, and reduce the trade deficits. Are these claims valid?

Protectionism: What It Costs

Classical Liberal philosopher John Stuart Mill astutely observed in the last century that "Trade barriers are chiefly injurious to the countries imposing them." It is true today as it was then, for the following reasons:

LOST JOBS: Protectionist laws raise taxes (tariffs) on imported goods and/or impose limits (quotas) on the amount of goods governments permit to enter into a country. They are laws that not only restrict the choice of consumer goods, but also contribute greatly both to the cost of goods and to the cost of doing business. So under "protectionism" you end up poorer, with less money for buying other things you want and need. Moreover, protectionist laws that reduce consumer spending power actually end up *destroying* jobs. In the USA, for example, according to the US Department of Labor's own statistics, "protectionism" destroys *eight* jobs in the general economy for every *one* saved in a protected industry.

HIGHER PRICES: Japanese consumers pay five times the world price for rice because of import restrictions protecting Japanese farmers. European consumers pay dearly for EC restrictions on food imports and heavy taxes for domestic farm subsidies. American consumers also suffer from the same double burden, paying six times the world price for sugar because of trade restrictions (to give but one example). The US Semiconductor Trade Pact, which pressured Japanese producers to cut back production of computer memory chips, caused an acute worldwide shortage of these widely used parts. Prices quadrupled and companies using these components in the production of electronic consumer goods, in various countries around the world, were badly hurt.

HIGHER TAXES: Protectionist laws not only force you to pay more taxes on imported goods, but also raise your general taxes as well. This is because governments invariably expand their Customs Department bureaucracies to force compliance with their new rounds

of trade restrictions (or in the case of NAFTA, trade regulations). These bureaucrats must be paid. There is also the expense of more red tape and paperwork for trading companies and more harassment of individual travelers passing through the borders.

THE DEBT CRISIS: Western Banks are owed hundreds of billions of dollars by Eastern European and Third World countries. Trade restrictions by Western governments, however, have cut off Western markets for these countries, making it virtually impossible for them to earn the hard currencies necessary to repay their loans. This increases the very real possibility of a collapse of the world banking system.

Protectionism: Who Gains?

In spite of evidence of damage caused by trade restrictions, pressure for more "protectionist" laws persists. Who is behind this, and why?

Those who gain from "protectionist" laws are special-interest groups, such as some big corporations, unions, and farmers' groups – all of whom would like to get away with charging higher prices and getting higher wages than they could expect in a free marketplace. These special interests have the money and political clout for influencing politicians to pass laws favorable to them. Politicians in turn play on the fears of uninformed voters to rally support for these laws.

THE LOSERS? YOU and all other ordinary consumers. Your freedom is being trampled into the dust by these laws, and *you* are literally being robbed, through taxes and higher prices, in order to line the pockets of a few politically-privileged "fat cats."

"Protectionism is a misnomer. The only people protected by tariffs, quotas and trade restrictions are those engaged in uneconomic and wasteful activity. Free trade is the only philosophy compatible with international peace and prosperity."

Walter Block

Senior Economist, Fraser Institute
(Canada)

Trade Wars: Both Sides Lose

When the government of Country "A" puts up trade

barriers against the goods of Country "B", the government of Country "B" will naturally retaliate by erecting trade barriers against the goods of Country "A". The result? A trade war in which both sides lose. But all too often a depressed economy is not the only negative outcome of a trade war . . .

When Goods Don't Cross Borders, Armies Often Do

History is not lacking in examples of cold trade wars escalating into hot shooting wars:

- Europe suffered from almost non-stop wars during the 17th and 18th centuries, when restrictive trade policy (mercantilism) was the rule; rival governments fought each other to expand their empires and to exploit captive markets.
- British tariffs provoked the American colonists to revolution, and later the Northern-dominated US government imposed restrictions on Southern cotton exports – a major factor leading to the American Civil War.
- In the late 19th Century, after a half century of general free trade (which brought a half-century of peace), short-sighted politicians throughout Europe again began erecting trade barriers. Hostilities built up until they eventually exploded into World War I.
- In 1930, facing only a mild recession, US President Hoover ignored warning pleas in a petition by 1028 prominent economists and signed the notorious Smoot-Hawley Act, which raised some tariffs to 100% levels. Within a year, over 25 other governments had retaliated by passing similar laws. The result? World trade came to a grinding halt, and the entire world was plunged into the "Great Depression" for the rest of the decade. The depression in turn led to World War II.

The #1 Danger To World Peace

The world enjoyed its greatest economic growth during the relatively free trade period of 1945-1970, a period that also saw no major wars. Yet we again see trade barriers being raised around the world by short-sighted politicians. Will the world again end up in a shooting war as a result of