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Are Protectionist Policies Bad for America?

or

Go Ahead and Convince Me that Sanctioning is the Right Thing to Do!

I have decided to continue the debate of Protectionism (Buchanan) versus Fair Trade (Rothbard), and to attempt to augment Mr. Buchanan's argument that protectionism is the best avenue toward strengthening the American economy and culture. The body of this paper includes my original description of the two speakers, a declaration (such as it is) of my own leanings on the topic [of fair trade v protectionism], and an attempt to sway myself over to the "other side" (that is, protectionism) with positive evidence that it is appropriate to protect our country with deliberate sanctioning against other nations.

In his article, "Protectionism and the Destruction of Prosperity" Rothbard not only supports the idea that Protectionism is bad for the American economy, he considers the argument for protectionism a non-argument in that he believes the applied economist would not even consider sanctions against countries willing to do business with the United States - especially with regard to generating a positive economy for the U.S.. Buchanan is a strong proponent of protecting the American economy in the form of sanctions, tariffs, and government subsidy; he believes that free trade with other nations undermines all things American, particularly loyalty to and the sovereignty of the United States.

Rothbard's case against protectionist policy is based in the premise that government sanctioning et al. is essentially an act of coercion aimed at consumers and manufacturers alike, for the purpose of maintaining high wages, jobs, and patriotism, even at the expense of higher domestic costs for manufacturing, shipping, selling, and consumption. (Manufacturing is the "easy" example to use here; the word is also intended to represent intellectual and scientific production.) Rothbard makes an example with the contrived increase in regional transportation costs created by policy that has been designed to constrain free trade, essentially blockading the modern incarnation of the industrial revolution; limitations on low "transportation" costs hobble creativity and invention, while serendipitously subsidizing local manufacturing monopolies.

According to Rothbard, the "fairness" in Fair Trade is also a non-issue; when the market is left alone (that is, not negatively sanctioned by governments), it will equalize itself. The process of equalizing is the definition of equity; lower scarcity of labor and materials increases production as it decreases wages, effectively evenly the playing field between the large and small businesses. As the cost of production drops, so does the cost of capital equipment; the quality of the product goes up, benefiting both the consumer and the manufacturer. The manifestation of equity via free trade is a function of Rothbard's argument; the application of a concept of fairness is not required.

Rothbard further considers concerns such as "dumping", protective tariffs for "infant industries", and the "balance of payments" as non-issues. Rothbard attacks the protectionists' worry that importers will intentionally undercut the American manufacturer by selling below cost by virtue of being subsidized by their own governments as foolishness; in Rothbard's words, "…if selling below cost is such a powerful weapon, why isn't it ever pursued by business firms within a country?". The idea of attributing the human quality of "infancy" to a business [within the context of protectionism] is to Rothbard simply a sign of the protectionists' own humanness. Finally, Rothbard eliminates the "balance of payments" problem with the reminder that there currently is no gold standard in the United States; foreign monetary agencies invest in the United States with their [trade] dollars causing a constant flow of cash despite the defunct standard of gold.

Buchanan's primary premise is the threat a policy of Free Trade holds over the American Society as a Nation; it is his argument that cultural lines would become blurred as a function of freely trading across those lines, that there would essentially be no more borders between countries. As important as the blurring of cultural diversity is the potential for dependency. Buchanan believes that the United States would quickly lose its ability to take care of itself as the market share of manufacturing becomes "not-American". Buchanan ties the market share to the American dollar, predicting a "global financial catastrophe" in the event of the financial collapse of a weak country that carries the bulk of global manufacturing; the United States would collapse along with the weaker nation. The predicted increased market share of manufacturing based globally (that is, not in the United States) would naturally become more appealing to large American businesses; Buchanan predicts that "de-Americanization" would result as business and manufacturing leave the country.

Beyond basic societal and economic concerns, Buchanan argues that the ideology of global trade determines (and predicts) that corporate leaders will quickly begin to put the business before their patriotism; it is Buchanan's contention that a lack of protectionist policy destroys the national loyalty that is necessary for the survival of a country such as the United States. Buchanan describes this phenomenon as "Economic Nationalism". Buchanan likens lower cost to "grasshopper economics" by virtue of the apparently immediate consumer savings; the real cost to the American consumer is the losing of its identity and sovereignty.

Going into the articles, while I wouldn't have defined myself as one who supports Free Trade, per se, I do work with the premise that the good stuff will sift to the top if the reward is high enough; in economic terms, I suspect that makes me a "Free Trader". Mr. Rothbard's argument seemed more objective and convincing overall; Mr. Buchanan's defense of protectionism seemed steeped in eloquent sermonizing.

Rothbard used the argument of a lack of sanctions on trade between American states, even going so far as suggesting that any sort of tariff or protectionist policy would be absurd. My understanding of Jefferson's and Hamilton's original motive for state sovereignty was precisely to define the opportunity for states to determine their own tax structures; it is only through a sanctioning policy at the state level, that individual states are able to protect their own monetary resources. Rothbard's statement about cheap labor and "foreigners" crossing state lines to work seems false, as well; currently, for example, the State of Maine is redesigning its tax structure for the express purpose of attracting those "foreigners" to the state as employers and workers. Admittedly, the "foreign" worker who crosses the border between New Hampshire and Maine everyday isn't robbing the federal government of its take in taxes in the same way that a non-American off-shore worker does. However, the practice of sanctioning is in place, and is currently apparently effective.

Mr. Buchanan's plea for patriotism appeals to me, although he was not able to persuade me to support closing our trade borders for the benefit of maintaining our "American Ways" and Culture. While

Economic Nationalism is considered outdated and economically unsound by nearly every writer against protectionism, Buchanan focuses on the national psyche as reasoning for creating and enforcing a protectionist policy. Interestingly, it has been quite a task to find any professional literature supporting an economic reasoning for incorporating sanctions against trade. It seems proponents of the elimination of fair trade are simply extreme loyalists who cloak their patriotism in the guise of politically reforming the national monetary base. According to