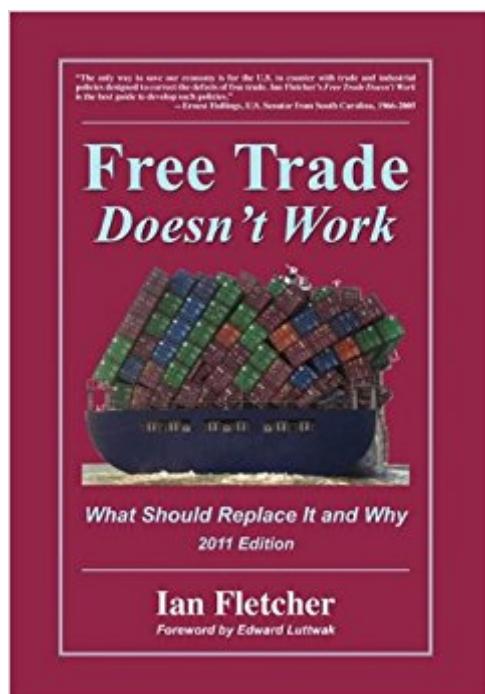


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# Free Trade Doesn't Work: What Should Replace It And Why, 2011 Edition



## **Synopsis**

This very readable book is aimed at both ordinary concerned citizens and people with a bit of sophistication about economics. It is a systematic examination of why free trade is slowly bleeding America's economy to death and what can be done about it. It explains in detail why the standard economic arguments free traders use all the time are false, and what kind of economic ideas - well within the grasp of the average American - justify protectionism instead. It examines the history and politics of free trade and explains how America came to adopt its present disastrous free trade policy. It looks at the breakdown of specific industries and how we can rebuild them and bring millions of high-paying jobs back to this country. It examines what's wrong with NAFTA, CAFTA, the WTO, and the proposed Trans-Pacific Partnership. It is sharply critical of the current establishment, but from a bipartisan point of view, so it should satisfy progressives, conservatives, and everyone in between. Unlike many past critiques of free trade, it is economically-literate; it also explains New Trade Theory, the hot new area of economics that critiques free trade.

## **Book Information**

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## **Customer Reviews**

An articulate and conscientious critique of free trade that should be read by anyone with serious interest in the subject. --Kirkus Discoveries

Ian Fletcher is an Adjunct Fellow at the San Francisco office of the U.S. Business and Industry Council, a Washington think tank founded in 1933. He was formerly an economist in private practice serving mainly hedge funds and private equity firms. He was educated at Columbia University and

the University of Chicago. He lives in San Francisco with his wife and daughter.

I've made my career developing international trade-management systems for multinational companies in the USA, Canada, Europe, Asia, the Middle East, and Latin America. I understand the pros and cons of free trade, and therefore wanted to review this book on the basis of how I understand the issues. I'm reviewing the book in June 2017, five and a half years after it was published. Have author Ian Fletcher's opinions been validated or refuted during the past five+ years of free trade? I believe they have been validated. Free trade treaties are sold to the American public and our Congress on the basis of highly dubious promises that did not pan out. We were told that "Free trade will create millions of high-paying jobs for America's workers. Why, of course, they will! Our workers are the most productive in the world. Free trade will open other countries' markets to our products and put our people to work building products to export. It will raise our economic growth from 3.5% to 5% or better! It will prosper the entire world! Rah! Rah! Cis-boom-bah for Free trade!" The free trade treaties are signed, and we come back a few years to find that: 1. No noticeable amount of jobs have been created in the USA by free trade. In fact, jobs have disappeared. Companies that used to employ Americans fired their American employees who already had well-paying jobs, moved their work to Mexico or China, and now import the product back into the USA. The factory towns of the USA, which were supposed to prosper with free trade, have become a blighted wasteland. 2. The USA exports LESS after free trade agreements are signed, because American companies close their USA factories and therefore produce nothing in the USA to export. This book was written in 2011. We export less to most countries today, in 2017, than we did five years ago. 3. The economy shrivels when free trade agreements are signed. We already had 3.5% economic growth BEFORE free trade with many countries was signed. Today our economic growth averages 1.8%. It has been cut in half AFTER free trade treaties were signed. 4. The propaganda about free trade benefiting American workers is reversed after free trade is signed. When Free Trade Mavens are hawking their free agreements they portray American workers as the most productive workers in the world. They DESERVE the right to make products to sell to the rest of the world. Then when the American workers lose their jobs BECAUSE of free trade, the Free Trade Mavens blame the workers: "American workers are too lazy, stupid, and mal-educated to compete with the rest of the world. That's why we had to fire those miserable slackers. Don't blame us when our free trade promises turn out to be a pack of lies. Blame American workers. It's THEIR fault!" 5. Free trade agreements are signed on the promise that "We are going

to export high-value computers, electronics, and appliances.<sup>6</sup> After we sign free trade agreements we start IMPORTING those products, and the American factories that used to make them shut down and lay off their workers. Then the Free Trade Maven propaganda changes to: "We are going to export corn, wheat, and tree nuts" --- low-tech commodity products that have so little value that we must subsidize their production with imported labor and tax subsidies. So instead of exporting high-value products built by American labor, we export turnips that have to be grown by importing Mexican and Guatemalan labor!<sup>6</sup> Nor do these exports of ag products ever amount to much. Most countries protect their domestic farmers. Even our Canadian neighbors do not permit American farm products to glut their market. They wrote a clause into the NAFTA treaty allowing them to restrict imports of many American ag products to 3% of their domestic market. Even supposedly beef-hungry China never bought a single ounce of American meat.<sup>7</sup> The only time American businesses ever oppose free trade is when the imported products would prevent them from robbing American consumers. Big Pharma spends billions of dollars lobbying Congress not to allow the importation of foreign-made medicines. Why would they want to let an American buy a pill made in Mexico, Canada, or Germany for 89 cents, when they can monopolize the market in the USA and sell it for \$89,000 dollars?<sup>8</sup> The world economy is less stable than it has been at any time since WWII. Global wealth has declined with the replacement of millions of American jobs at \$25 / hour with the \$2 / hour labor pool of Mexico and China. Not only has the USA become blighted by poverty, but Mexicans are poorer than they were before NAFTA, because the jobs they had before NAFTA have been replaced by \$2 / hour jobs in American-owned and Chinese-owned sweatshop. What little growth there is in the world economy is propped up by trillions of dollars of public debt issued by world governments who have no intention of ever repaying it. Fletcher explains why free trade is still supported even though on a common-sense basis it is indefensible. Big Business promotes free trade because it allows them to fire their higher-paid workers in the USA; replace them with peons in Mexico and China; use Mexico and China as bases to import products into the USA --- thereby inflating corporation profits by arbitraging a First World price list with Third World labor; and avoiding paying taxes on the profits earned in the USA by laundering the money through overseas tax havens like Ireland where the effective tax rate on corporate profits is zero. Big Business promotes the creation of unelected supra-national organizations like the WTO, GATT, NAFTA, International Monetary Fund, and TPP to shield them from compliance with the laws of any nation. Since Big Business controls the supranational organizations, they become accomplices to multinational corporation piracy. Liberals also support free trade because it promotes the creation of supra-national, unelected governing bodies that use each nation's tax dollars to impose

liberal values that don't represent the people's interests. As CNN reports today: "French President Emmanuel Macron is getting in Donald Trump's face. he's already seized a role as a bastion of liberal global values, staring down both US President Donald Trump and Russian President Vladimir Putin, two of the biggest threats to the political consensus that has dominated Western politics for decades." Liberals see Globalism as a sort of supra-national welfare state that transfers wealth out of the USA and into the pockets of Third World peoples whom Liberals believe have been oppressed by years of oppression from the USA and Europe. In their view globalism, is a means of transferring wealth from the American middle class to the Third World poor. And of course, Liberals staff these supra-national governments with bureaucrats who are paid a lot of money funded with tax dollars. Conservatives have an ideological bent in seeing free trade as a way to destroy national governments. They think that free trade will enable big business and wealthy to relocate out of high-tax countries and into tax havens and therefore force their home countries to lower taxes. Conservatives also despise labor unions and therefore imagine that by relocating businesses overseas they are helping to exterminate the left-leaning working class. Many Liberals also despise the supposedly ignorant (and largely Conservative-voting) working class Whites and seek to wipe them out by destroying their livelihoods with imports. Thus do Liberals and Conservatives support free trade for all the wrong reasons. Ian Fletcher also makes it clear that the world's economists are paid by big government and big business interests, so they conform to the free trade agendas of their employers in order to keep their meal tickets coming. Fletcher points out that economists are ignorant of the free trade icons they revere. For example, Adam Smith never believed in free trade as a means of beating higher-paid workers in developed countries out of their jobs by shipping work to low-wage countries. David Ricardo, the father of "comparative advantage by free trade" advised the Portuguese and British governments to embrace free trade. He thereby launched both countries on a journey to economic oblivion. Nor do any other countries other than the USA, Britain, Canada, and Australia practice free trade. Every other country protects its markets from imports of USA-made products. We run \$347 billion trade deficits with China; \$155 billion with the European Union; \$65 billion with Japan; \$63 billion with Mexico; \$28 billion with South Korea, and so on down the line. Our exports to all of these countries is lower today than they were in 2011 when this book was written. We even sell less to Canada today than then. Few countries want to buy American-made products, while we have allowed our American companies to take their production overseas and dump it back into the USA. Furthermore, once an industry leaves the USA, it never comes back. The knowledge and traditions of that industry (known as "intellectual capital") are sold by our

CEOÃ¢Â™s to foreign businesses and their government partners for a pittance. The USA no longer innovates much of anything in electronics because we no longer have an electronics industry here to innovate. Likewise, the rapid loss of our motor vehicle, aviation, and computing industries, is destined to make us a larger version of Portugal, which only knows how to export olives, wine, and goat cheese. So far, have propped our economy up with \$20 trillion of government debt. Once that is defaulted on, it will be finis for the USA as a world power. This is exactly what China wants, and the reason why it protects its economy from USA-made products, while we allow the Chinese to sabotage our economy with predatory imports and cyber warfare.Ian Fletcher sums it up this way:=====All over America, other industries are quietly falling apart in similar ways. Losing positions in key technologies means that whatever brilliant innovations Americans may dream up in small start-up companies in future, large-scale commercialization of those innovations will increasingly take place abroad. A similar fate befell Great Britain, which invented such staples of the postwar era as radar, the jet passenger plane, and the CAT scanner, only to see huge industries based on each end up in the U.S.ARROGANCE AND INCOHERENCEThe media sometimes tell us that AmericaÃ¢Â™s labor force is so much more skilled than other nations that free trade will cause us to cream off the best jobs in the global economy. The next minute, they tell us that our poor math skills and work ethic are the root of our economic problems and that we should only blame ourselves. These obviously canÃ¢Â™t both be true.Sometimes, we are told to stop being arrogant and face up to the fact that the world isnÃ¢Â™t our oyster anymore and that Americans arenÃ¢Â™t entitled to be richer than foreigners. Fair enough: weÃ¢Â™re not entitled to any particular living standard. But we certainly are entitled to a government that seeks to defend our prosperity, if thatÃ¢Â™s what we elected it to do.Signs that AmericaÃ¢Â™s trade policies are dangerously wrong are often reinterpreted as evidence that our economy is so strong that it can survive even these problems. For example, because we have survived a trade deficit which would have produced a currency collapse in any other nation, trade deficits must not matter. But that is like saying that because the strong constitution of a patient has enabled her to survive cancer, cancer isnÃ¢Â™t a disease. If free trade is a cancer slowly eating at our economy, we need to know nowÃ¢Â™especially if it is a problem whose solutions have long lead times.=====My skepticism of free trade is confirmed. If the USA does not reverse destructive Ã¢Âœfree tradeÃ¢Â policies --- which in practice means allowing other countries to wreck our economy with imports, while keeping our products out of their countries --- then the USA isnÃ¢Â™t going to remain a major economy. We will revert to a sort of North American Russia that has atomic weapons, a bit of oil and corn, and not much else.

Well thought out, very readable book. The basic tenants of free trade are addressed and deconstructed. The style of the book is to prepare you for debating with others by addressing the standard (false) arguments for free trade. Convincing argument against free trade both from the historical point of view and the analytical.

Highly thought-provoking and informative. Very well argued and pointing out numerous flaws in America's naive free trade policies under several recent past presidents. Indirectly and 5 years ahead of time, it almost predicts the most recent presidential election outcome.

I've read many books on economics and trade, this is one of the top books I've read. Many status quo economist might not agree with all of his ideas, but Mr. Fletcher is much more realistic and his strategies can help America Grow again. I highly recommend this book to anyone who wants to have a solid understanding of alternative TRADING STRATEGIES than what we'll get from mainstream media. GREAT and INFORMATIVE READ.

Free trade is destroying the United States. Over 60 years of Free Trade has left the industrial base of the United States in a shambles. We now manufacture very few things in this country. Our Asian and European competitors manufacture most of the products we consume. Contrary to what is asserted in the mainstream media, the trade deficit is a very real debt that will have to be paid back. As the book states, we can pay back this debt in 3 ways. By selling manufactured goods to other nations, best way, or by selling off our assets, like real estate, to foreign nations, or by issuing debt instruments. The last 2 ways of paying off our debt are the worst possible ways in that they generate no benefit to the United States. Real Estate is a finite commodity accumulated over many years, it cannot regenerate itself like selling manufactured goods. Once it's gone, that's it. Debt Instruments are also a very bad way to pay to pay off the debt. We will eventually have to work for free in the future to pay back debt accumulated to purchase foreign goods purchased today. Do not be deceived by the argument that the United States will always come up with some new industry that exactly replaces the manufacturing jobs lost to free trade. One look at the unemployment statistics will show that this is a false argument. Labor, jobs, do not and cannot move to new industries very well. The new industries that may be created do not employ as many people as the jobs lost. Think of how easy it would be for a 55 or 60 year old manufacturing employee who has been out of work for several years to be retrained as an Internet Administrator or an Software Engineer.

Notwithstanding the fact that this industry does not employ nearly as many people as steel or automobile manufacturing. This problem can start to be fixed by the United States starting to employ tariff and non tariff barriers to protecting existing industries from foreign competition and to help to create new industries. This is allowable under World Trade Organization rules. Our foreign, particularly Chinese, competitors use and abuse these rules. Contrary to what the religion of Free Trade preaches, this would not start a trade war. The Chinese are very worried that they may destroy too much of our manufacturing capability and our ability to absorb their manufactured products before they can bring their nation up to living standards comparable to the United States. The Hawley-Smoot tariff of 1931 that the Free Traders use as a example of how a tariff will started a trade war and exacerbated the depression of the 1930s is false!! A 1931 State Department report stated that our trading partners did not view this tariff as anything other than business as usual. We have an obligation to help ALL of the citizens of the United States to have a job that provides for a decent way of life. We have to stand up to the Multinational Corporations who only care about lining their executive's pockets and get rid of the religion of Free Trade.

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