

Against free trade

by [John B. Cobb Jr.](#) in the [October 28, 1998](#) issue

*By Patrick J. Buchanan, The Great Betrayal: How American Sovereignty and Social Justice Are Being Sacrificed to the Gods of the Global Economy. (Little, Brown, 384 pp.)*

Those of us on the left who the ideology of free trade are sometimes accused of having strange bedfellows, notably Ross Perot and Patrick Buchanan. But this meeting of left and right may not be so surprising. The differences that once divided the major political parties have been superseded by new issues on which the dominant Republican and Democratic forces converge.

Buchanan quotes Christian Kopf as saying: "The real divisions of our time are not between left and right but between nations and the globalist delusion." Buchanan agrees with Kopf that nations should maintain or recover their sovereignty. For the opposing position, Buchanan quotes George C. Ball: "The urgent need of modern man [is] to use the world's resources in the most efficient manner. That can be achieved only when all the factors necessary for the production and use of goods-capital, labor, raw materials and plant facilities-are freely mobilized and deployed according to the most efficient pattern-and that in turn will be possible only when national boundaries no longer play a critical role in defining economic horizons."

Ball's view has become orthodoxy in both political parties, in the world of business and finance and in the universities. Even those who oppose particular steps toward the realization of this vision often insist that they accept the ideal. Those who believe that this transfer of power from political to economic institutions is unwise, even disastrous, are in the minority. No dissident voice is louder or clearer on this topic than Patrick Buchanan's.

Of course, since he speaks from the Republican right and I am a former leftist Democrat who has become a Green, I am not always comfortable with his formulations. I came to my opposition to free trade chiefly from seeing its effects on Third World people and the natural environment. Buchanan shows no interest either in the environment or in the Third World. He writes as an ardent U.S. nationalist. He

asserts that it is the rightful nature of nations to compete; hence, America needs to look out for itself. Buchanan has little interest in international cooperation for the common good.

Despite our differences, Buchanan and I share a deep concern for the effects of free trade on U.S. workers. While our nation's elite have celebrated the great prosperity brought by globalizing the economy, wages have declined. Buchanan provides some sobering statistics. "Between 1972 and 1994, real wages of working Americans fell 19 percent." The gap between the minimum wage and a living wage increases.

In order to maintain the lifestyle to which families became accustomed during healthier times, even mothers with young children must enter the work force. "In 1960 only 18 percent of women with children under the age of six were in the work force; by 1995 the figure had soared to 63 percent." Despite the second income working mothers provide, "in the first six years of the 1990s, the median family income fell 6 percent." Meanwhile, unemployment rises among American men. "Since 1966 the share of American men with jobs has fallen from 85.4 percent to 76.8 percent. Idle men end up in trouble, often in prison, where 1.1 million American males now reside." Buchanan's conversion to economic nationalism resulted from becoming aware of the losses sustained by the American working class.

Buchanan also deplores the ever growing division of America into a class society. He notes that "America's wealthiest 1 percent, which controlled 21 percent of America's wealth in 1949, now [1995] controls 40 percent. . . . Top CEO salaries-44 times the average wage of a worker in 1965-have soared to 212 times." For Buchanan the globalization of the economy explains the decline in the position of American workers. This globalization has ended the epoch of responsible nationalist industrialists whose patriotism was expressed in concern for both their stockholders and their workers. These are Buchanan's heroes. He barely acknowledges the role of labor unions in improving the condition of workers or the systematic weakening of these unions, to which globalization was a major contributor.

Buchanan also ignores factors other than globalization that have contributed to the impoverishment of workers. For example, the tax burden has steadily shifted from the rich to the poor. Although Buchanan protests the increased burden of taxes on workers, he does not criticize the easing of the burden on the rich.

A still more important factor ignored by Buchanan has been the victory of the standard economic theory that 5 to 7 percent unemployment is needed to prevent inflation. Despite lack of evidence to support it, this theory has determined our economic policy during the same period that the globalization of the economy has accelerated. It makes a permanent underclass a centerpiece of national policy, to be enforced by the Federal Reserve Board through its control of interest rates. This national commitment to high unemployment means that those who are currently unemployed can find work only by displacing those who now work. Importing farm workers from Mexico, legally and illegally, also ensures competition for low-paying work. National leaders can then play off hardworking, low-paid laborers against immigrants and those who receive the dole, directing workers' resentments away from those who control the economy and prevent full employment. Buchanan has nothing to say about how these policies exacerbate the problem of the poor.

Nevertheless, Buchanan is right in citing the globalization of the economy as the single most important factor in the destruction of the laboring middle class. This destruction may be the most important social and economic development of the past quarter century. Churches have hardly even protested this development. Despite its limitations and exaggerations, Buchanan's book is an important contribution to our understanding of the effects of free trade on U.S. workers. And he can reach an audience that is closed to those whose concern is primarily for the poor and for the environment.

Buchanan convincingly argues that political internationalism has supported economic globalism. In his account, it has been internationalist idealism among politicians rather than business and financial interests that has led to the removal of trade barriers. Those on the left tend to suppose that government policy has long been too much affected by Wall Street. Buchanan, coming from the right, tells a different story.

In his account of the 19th-century struggle between protectionists and free traders, Buchanan shows that economic interests were primary. To understand that struggle, it is important to know that tariffs constituted the major revenue of the national treasury. In the eyes of protectionists they also provided a wall behind which the national economy could grow.

In Buchanan's persuasive telling of the story, the tensions between the northern and southern states were determined more directly by tariffs than by slavery. Northern

industrialists and factory workers needed protection from European competitors. They sought and obtained tariffs, and flourished behind this protective wall. Southern agriculturalists suffered from these tariffs, since they exchanged their products for European manufactured goods. The South's tariff payments into the national treasury financed the North's infrastructure. The mission of Charleston's Fort Sumter was to ensure collection of these tariffs. According to Buchanan, Lincoln's reputation for strong support of high tariffs played a larger role than his antislavery sentiments in precipitating secession.

Similarly, the issue of tariffs contributed directly to the northern decision to use military force to prevent secession. The Confederacy's constitution established free trade. This severely threatened the North, since not only would it lose the tariffs that southerners paid into the national coffers, but it would be unable to prevent tariff-free goods from crossing the border from the Confederacy into the Union. National revenues would be greatly reduced, and industrial development would be threatened.

Buchanan's emphasis on the influence of economic interests on politics in his discussions of the 19th century is startlingly absent in his account of the triumph of the free-trade ideology in the 20th century. Indeed, he presents this triumph as consistently contrary to the interests of American business. According to Buchanan, free trade was forced on American business by political internationalists. It is only since the destruction of nationalist businesses that their successors, the great transnational corporations, have allied themselves with political internationalism in favor of free trade.

Buchanan does not accuse those who have brought us economic globalism of ill will or bad faith, partly because he was himself an ardent supporter of free trade during his time of government service under Ronald Reagan. His conversion is recent, and he knows that systems of belief are at issue.

He traces the beginning of the triumph of the free-trade ideology to Cordell Hull. Hull was a true internationalist. "He bemoaned the fact that the great tariff battles of his youth were 'fought on the home grounds that high tariffs or low tariffs were good or bad for the United States as a purely domestic matter. There was little or no thought to their effect on other countries, little or no thought of their effect on world peace.'" Since tariffs were the main source of government revenue, Hull knew that they could not be reduced without establishing an alternate source. Accordingly, in Congress in

1913 he authored the Underwood Tariff, which reduced tariffs and introduced income taxes as a permanent feature of the nation's revenue. This shift of revenue away from tariffs has continued steadily to the present. "By the 1990s customs duties that once produced 50-90 percent of U.S. revenue would yield 1/2 percent."

The shift from taxing imported goods to taxing American incomes is now complete. As secretary of state under Franklin Delano Roosevelt, Hull continued to act out of the conviction that "unhampered trade dovetailed with peace; high tariffs, trade barriers, and unfair economic competition, with war." Congress gave him freedom to negotiate bilateral trade agreements. Matters became worse after World War II. Internationalists placed good relations with allies above economic interests and gave other nations advantages that undercut American business. Generous trade agreements were also used to secure support during the cold war.

In the conventional telling of history, what has worked most effectively to advance free trade is the Smoot-Hawley Tariff. When Vice-President Al Gore debated Ross Perot on television, he linked Perot's opposition to NAFTA with that "infamous" bill. He could simply assume that everyone believed Smoot-Hawley's results were terrible. Buchanan reports that when he was serving under Reagan he oversaw the president's "veto messages killing legislation to protect the shoe and textile industries. I made sure that one referred to the 'infamous Smoot-Hawley Tariff.'" In supporting Bill Clinton's work to pass NAFTA, Gerald Ford warned against any repetition of that "stupid, serious mistake."

But as Buchanan's eyes were opened to the effects of free trade, his understanding of Smoot-Hawley changed. He concluded that "the charge that Smoot-Hawley was a cause of the Great Depression, Hitler, and World War II is a myth perpetuated by free trade zealots." Buchanan's study of Smoot-Hawley should forever silence the absurd charges against it.

Though it is sometimes claimed that this tariff, or the threat of it, played a role in the stock market crash which took place six months before it was enacted, Smoot-Hawley essentially had nothing to do with the crash. Only one-third of imports were affected by the tariff, and total imports amounted to just 4 percent of the GNP. Economists Ravi Batra and Milton Friedman concur that Smoot-Hawley "played no significant role in either causing the depression or prolonging it."

Equally absurd is the idea that Smoot-Hawley contributed in any significant way to the rise of Hitler or to World War II. Its effect on international relations and on internal developments in Germany were trivial. Though a few nations did retaliate against a few selected products, Smoot-Hawley played only a modest role in the global movements back and forth between protectionism and free trade. Roosevelt's slashing of tariff rates had no noticeable tendency to end the depression.

Buchanan is well aware of how deeply the free-trade doctrine is established in both the internationalist left and the conservative right. "As I began to write skeptically of free trade, I discovered that I was trampling on holy ground." He went to the Cato Institute to discuss his challenge to George Bush, requesting that they leave the trade issue aside. "The session had not lasted five minutes before it reached the shouting stage over my 'protectionism.' I began to realize that free trade is a matter about which it is not acceptable to dissent and remain inside the church." The understanding of free trade as a religious issue is not casual hyperbole. Buchanan shows that as Christian eschatology lost its convincing power, a new community of believers arose, claiming that free trade would bring in the hoped-for fulfillment of history.

John Maynard Keynes began his career as a true believer in free trade. As secretary of the Cambridge University Free Trade Association, he wrote in 1923: "We must hold to free trade, in its widest interpretation, as an inflexible dogma, to which no exception is admitted, wherever the decision rests with us. . . . We should hold to free trade as a principle of international morals, and not merely as a doctrine of economic advantage." Later Keynes underwent a conversion, stating, "Defense of free trade theory is, I submit, the result of pure intellectual error, due to a complete misunderstanding of the theory of equilibrium in international trade." But the vast majority of economists continue to follow the early Keynes. During the fight over NAFTA, the *New Republic* asserted: "It may not be too great a flight of rhetoric to say that at this crossroads of post-cold war history, Pat Buchanan and Ross Perot represent the cause of evil."

The facts about America's working class are a challenge to free-trade ideology. But facts alone will not shake the confidence of those committed to the ideology that now rules the world: neoliberal economics. Buchanan's historical and factual protest must be supplemented by a theoretical debate in which Christian theologians should participate.

Buchanan is optimistic. He believes that neither NAFTA nor GATT would pass Congress today and that the American people will not support any further steps toward the extension of the global market. He believes, indeed, that the move from a national to a global economy can still be reversed despite his opponents' insistence that the integration of the global economy is inevitable. His practical proposals with respect to tariffs and taxes are worthy of serious attention. Should we rejoice with Buchanan that a turn from free-trade ideology may yet be possible? Or should we deplore the nationalist threat to the goal of a global free market, which would diminish the power and role of nations? Or should we oppose both nationalism and global economism in the name of a wider loyalty to the earth and all its people? If we take the latter position, we need to articulate the implications of our faith as clearly as true believers in free trade have stated theirs and as Buchanan has articulated the requirements of economic nationalism.