

## The Madness of Free Trade: A book review

Ian Fletcher (2010) *Free Trade Doesn't Work* (Washington, DC: US Business and Industry Council)

A minor category of novels that has several distinguished members is the theme of a character considered by everyone to be mad, but, we soon discover, is the only sane person in an insane world. Two of the most famous are *The Good Soldier Schweik* by Jaroslav Hasek and *Catch 22* by Joseph Heller. On the non-fiction list one can add books critical of so-called free trade.

Criticizing free trade can also be compared to those science fiction films in which the hero or heroine slowly comes to realize that the rest of humanity is possessed by aliens and, as a result, are beyond reason (e.g., "Invasion of the Body Snatchers"). In every other major field of economics one finds a split between reactionaries and progressives, between those with overwhelming faith in market outcomes and those who recognize markets are vehicles of socially undesirable outcomes. Not for trade theory. In the realm of international exchange even the progressives cannot escape the mental virus of Heckscher-Ohlin-Samuelson "comparative advantage".

At most the escape is partial, into an ante-room adjacent to the main ideological edifice. Examples are those economists who argue that developing countries should have the flexibility to implement industrial policies that include tariffs and subsidies, but providing the developing countries with market access requires free trade in the advanced countries.

Ian Fletcher has escaped and joined that small group of sane economists of which I also am a member. Should we decide to hold an Annual General Meeting of the sane, the conference dinner might now require a booking of two tables. There are many distinguished endorsers of *Free Trade Doesn't Work*, of whom only two are economists, Geoff Hodgson and Ha-Joon Chang (both of whom I know well, which tells a lot about our numbers). One hopes that this indicates that it is primarily economists that are mad, not the wider world.

Those seeking a theoretical critique of free trade will not find it here (the book focuses on Ricardo whose theory is no longer important in trade theory), but perhaps only those recovering from the free trade infection require this. After all, geography texts do not normally have a chapter critiquing the theory of a flat earth. Chapters 1-4 are extremely useful for those who engage in the usually fruitless task of arguing against trade liberalization policies. Of particular importance is the chapter on "critiques of free trade to avoid". It is important to keep in mind that Ross Perot's disastrous debate with Al Gore was of tremendous benefit to those arguing for the NAFTA treaty.

Fletcher focuses on the practical outcomes of trade liberalization, which have been quite disastrous. Chapter 7 does a good job of first demonstrating that any benefits from trade liberalization would be small, then showing that even these small benefits are either not realized or overwhelmed by the negative effects. My only criticism of this excellent chapter is that it is too short. It provides many arguments for the sane which could be expanded. Of particular importance is the three page section "Free

Trade Increases Global Inequality”, with six items on page 154 that make up Fletcher’s “story of global poverty”. These items are, as the British say, “spot-on”, and are the outline for another book with the title *Crimes of Free Trade*.

Those teaching international trade should assign this book, along with Ha-Joon Chang’s *Kicking Away the Ladder*. And there may be a few that will, but far too few.