

Is free trade an economic example of asymmetrical warfare?

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The so-called golden era of globalised trade that began shortly after World War II has more than a few things to recommend it. Trade liberalisation has lifted hundreds of millions of people from crushing poverty, promoted productivity and growth and linked once-hostile nations in a network of mutual dependence that lessened the chances of another ruinous military conflict.

So why is this era coming to a crashing halt? Why are polities in one country after another turning away from free trade agreements, spurning multinational organisations and supporting politicians advocating a return to autarky?

Part of the answer may be found in what could be called the asymmetrical distribution of globalism's bounty, SAGE Business Researcher freelance correspondent Matthew Benjamin writes in his recent report, *Free Trade*. Benjamin cites seminal research by former World Bank economist Branko Milanovic showing that the big winners have been workers in developing countries, especially China, India, Thailand, Vietnam and Indonesia. And the losers? The lower middle class in the developed world – precisely the voters fuelling anti-globalisation rebellions like Brexit and the Trump campaign.

Case in point: Joe Del Signore Jr., 60, who runs a catering business in Johnstown, Pa., and has voted for Democrats all his life – until he pulled the lever for Trump because “we needed a change in the way the country was being run.” A big reason for that vote was jobs, especially those swallowed up by deindustrialization in Western Pennsylvania. “We lost thousands of jobs in the last 15 years in coal, steel and railroads,” he tells Benjamin. “Free trade had gone too far. We were being taken advantage of in so many areas.”

Yet another asymmetry is eating away at support for globalisation. The gains from free trade, such as more affordable consumer goods, are highly diffuse. But the downsides are highly concentrated and highly visible: displaced workers, abandoned factories and depressed incomes. The optics, as a political consultant might say, are terrible.

And still another problem: Within advanced societies, the benefits from increased trade aren't apportioned equally. Even as international trade volumes have grown, the real incomes of two-thirds of the households in 25 affluent nations were stagnant or falling from 2005 to 2014, according to a report by the McKinsey Global Institute. A survey included in the study found, unsurprisingly, that workers with flat or declining incomes were not fans of trade and immigration.

What to do? Those who lament the rise of economic nationalism say a stronger safety net would help stem the tide. This is especially true in the United States, where the safety net is weaker than in many other advanced countries, economic historian William Bernstein tells SAGE Business Researcher. "You can't have free trade without a generous social safety net, especially health care coverage," says Bernstein. He points out that workers who lose a manufacturing job in the United States risk losing their health insurance, get only a limited period of unemployment compensation and – if they land another job at all – often find it's a lower-paying one in retail or health care.

Matthew Slaughter, dean of Dartmouth's business school and a former adviser to a *Republican* president, George W. Bush, even suggests that redistribution of trade gains through the tax code may be necessary. "There are decades of research that says first best policies are to continue to be connected to the global economy and use the fiscal regime of taxes, transfers and other policies to create and adequately fund a social safety net to those who aren't being directly helped by trade," he tells Benjamin.

Opponents of the current global system say no amount of tinkering will change the fundamental problem, which is that so-called free trade is really rigged trade. "The premise of our trade negotiations since 1950, whether we were negotiating with the European Union, Korea, Japan or whoever, is that we're all playing the same game," says Clyde Prestowitz, president of the Economic Strategy Institute, a Washington think tank. "That premise is wrong. We're playing tennis and they're playing football."

Notes:

- *This blog post is based on the report [Free Trade](#), SAGE [Business Researcher](#), by Matthew Benjamin.*
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