April 24, 2001

Free Trade

FREE TRADE -- HON. RON PAUL (Extensions of Remarks - April 24, 2001)

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HON. RON PAULOF TEXAS IN THE HOUSE OF REPRESENTATIVES Tuesday, April 24, 2001

- Mr. PAUL. Mr. Speaker, I commend to the attention of members an editorial appearing in today's Wall Street Journal which is headlined ``Free Trade Doesn't Require Treaties''. The column is authored by Pierre Lemieux, a professor of economics at the University of Quebec.

- Professor Lemieux seems to grasp quite well what few in Congress have come to understand--that is, ``The primary rationale for free trade is not that exporters should gain larger markets, but that consumers should have more choice--even if the former is a consequence of the latter.'' Mr. Lemieux went on to point out that the leaders of the 34 participating states in the recent Quebec summit ``are much keener on managed trade than on free trade and more interested in income redistribution and regulation than in the rooting out of trade restrictions.''

- The professor's comments are not unlike those of the late economist Murray N. Rothbard, devotee of the methodologically-superior Austrian school, who, with respect to NAFTA, had the following to say:

[G]enuine free trade doesn't require a treaty (or its deformed cousin, a `trade agreement'; NAFTA is called an agreement so it can avoid the constitutional requirement of approval by two-thirds of the Senate). If the establishment truly wants free trade, all it has to do is to repeal our numerous tariffs, import quotas, anti-dumping laws, and other American-imposed restrictions of free trade. No foreign policy or foreign maneuvering in necessary.

- In truth, the bipartisan establishment's fanfare of ``free trade'' (and the impending request

for fast track authority) fosters the opposite of genuine freedom of exchange. Whereas genuine free traders examine free markets from the perspective of the consumer (each individual), the mercantilist examines trade from the perspective of the power elite; in other words, from the perspective of the big business in concert with big government. Genuine free traders consider exports a means of paying for imports, in the same way that goods in general are produced in order to be sold to consumers. But the mercantilists want to privilege the government business elite at the expense of all consumers, be they domestic or foreign.

- Mr. Speaker, again I commend Mr. Lemieux's column and encourage the recognition ``that free trade is but the individual's liberty to exchange across political borders.''

[From the Wall Street Journal, Apr. 24, 2001] FREE TRADE DOESN'T REQUIRE TREATIES (By Pierre Lemieux)

MONTREAL.

The decades preceding World War I were a period of globalization that was at least as extensive as today's. To the extent that the proposed Free Trade Area of the Americas (FTAA) moves this continent to ward freer trade, it would help recover the lost promise of the pre-1914 world. But the Quebec summit sent conflicting messages, none of them revolutionary.

The leaders of the 34 participating states showed that they are much keener on managed trade than on free trade, and more interested in income redistribution and regulation than in the rooting out of trade restrictions. ``The creation of a free trade area is not an end in itself,'' said Canadian Prime Minister Jean Chrétien.

With excruciating political correctness, he added: ``We have focused on a global action plan of co-operation to reduce poverty, protect the environment, promote the adoption of labor standards and encourage corporate

[Page: E620] GPO's PDF responsibility." The participants' ``Plan of Action" contained measures that range from tobacco regulation and gun control to the monitoring of financial transactions.

What of the ``no passport" world celebrated by Keynes? In Quebec, as at other international trade meetings, state representatives behaved as agents of their country's exporters. You give us this ``concession," they intone, and we will allow your exporters to enter our markets in return. Yet this misrepresents grossly the nature of trade and a free economy.

The primary rationale for free trade is not that exporters should gain larger markets, but that consumers should have more choice--even if the former is a consequence of the latter. By presenting themselves as members of an exporters' club, trade negotiators lay themselves open to attack by those who claim that free trade only works to the benefit of corporations.

Economists have known for centuries that free trade can be promoted without free-trade agreements. A country's inhabitants would obtain many of the advantages of free trade if only their own government would stop imposing restrictions on imports. Behind the veil of financial transactions, products are ultimately exchanged against products, so that the more imports that come into a country, the more will foreign demand grow for its exports. Or else, foreign exporters will have to invest in the country, thereby creating a trade deficit; nothing wrong with that either.

In other words, if you want free trade, just trade. Much of the pre-World War I free trade was, indeed, due to Britain's unilateral free-trade policies.

Trade agreements are only helpful to the extent that they help tame domestic producers' interests, support the primacy of consumers, and lock-in the gains from trade. Such treaties should not aim at reducing competition by pursuing other goals, of the sort embraced by the heads of state at Quebec. That would amount to no more than managed trade, the pursuit of which, paradoxically, might be said to unite both the leaders present and the mobs demonstrating against them.

William Watson, a Canadian economist, has noted in the Financial Post that the demonstrators who don't trust governments to negotiate free trade come, contradictorily, from political constituencies generally known for their blind faith in government. As for the small group of anarchists, they apparently do not realize that closed borders, and the prohibition of capitalist

acts between consenting adults, actually increase state power.

On one stretch of Saturday's march, demonstrators wore large bar codes taped to their mouths, as if free trade meant turning them into speechless numbers. How droll! These demonstrators were certainly, and perhaps proudly, carrying in their wallets government-imposed Social Security numbers, drivers' licenses and Medicare cards, which, surely, have made them numbered state cattle. Another fabulous irony: American would-be demonstrators complained about being denied entry into Canada, while their entire message is predicated on tighter borders.

Once we realize that free trade is but the individual's liberty to exchange across political borders, it is easy to see that forbidding it requires punishment or threats of punishment. You have to fine or jail the importer who doesn't abide by trade restrictions. In FTAA debates as in other trade issues, a source of much confusion is the failure to realize that free trade is a consequence of individual sovereignty.