

[Patterns of sustainable specialization and trade](#) [1]

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We've just released a new paper by Arnold Kling, "Patterns of Sustainable Specialization and Trade: A Smith-Ricardo Theory of Macroeconomics". Kling has been writing about patterns of sustainable specialization and trade (PSST) for some time now at EconLog, and I was delighted when he agreed to lay out his case in an ASI monograph. His argument is simple, but devastating to the current consensus view of macroeconomics: that unemployment (and recessions) are consequences not of insufficient aggregate demand, but of system-wide changes in the patterns of trade and specialization that people engage in. Some have termed this the "recalculation" view of recessions, but Kling gives the perspective a deep rooting in classical economic theory ? hence the subtitle, "A Smith-Ricardo Theory of Macroeconomics".

If Kling is correct, the world's governments have been doing precisely the opposite of what they should be in order to curb unemployment. Economic stimulus and government job creation distort the signals that unemployed workers use to figure out what pattern of trade they should be engaging in now. As Kling says in his Wall Street Journal article on his monograph today, [the government cannot create sustainable jobs](#) [3].

This paper is the second (following Scott Sumner's last year) in a new series of irregular papers we are releasing at the Adam Smith Institute in which we try to present some of the most interesting and important new ideas in economics for the intelligent layperson. It's more important than ever that ideas like Klings are understood by people both inside and outside the world of academia. As Keynes said, "Practical men, who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist." With papers like this, we hope to change that.

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[3] <http://online.wsj.com/article/SB10001424052970204740904577197044156250870.html>

[4] <http://www.adamsmith.org/sites/default/files/research/files/PSST.pdf>

[5] http://disqus.com/?ref_noscript

[6] <http://disqus.com>