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Hillary: misguided on trade [1]

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In an interview with the *Financial Times* earlier this week, Hillary Clinton again voiced [3] her doubts about free trade. Having previously called for the US to take a "time out" on new trade agreements, she claimed the theories underpinning free trade might no longer hold true in an era of globalization, and questioned whether it was worth reviving the WTO's Doha round of trade talks:

I want to have a more comprehensive and thoughtful trade policy for the 21st century. There is nothing protectionist about this. It is a responsible course.

Of course, Hillary's stance is not neither responsible, thoughtful, or comprehensive. And not only is it protectionist, it is it is pure politics too (her attempts to ground it in economics have already been rubbished here [4], by Daniel Finkelstein). Hillary has blamed globalization for America's economic difficulties because it makes an easy scapegoat. Everything from job insecurity to squeezed living standards can be blamed on foreigners, and an easy solution can be suggested ? restrict trade.

The suggestion is that free trade is inherently unfair ? a way of shipping US jobs abroad, where workers are easier to exploit. This is nonsense: free trade simply means the freedom to engage in mutually beneficial transactions without the artificial barrier of national borders. It leads to a more economically efficient allocation of resources, boosting productivity and creating more wealth for everyone. As we have seen in India and China, the effect of trade liberalization on developing countries can be particularly benign, lifting millions out of poverty. None of this costs America jobs ? just as the US trade deficit rose from $19 billion in 1980 to $786 billion in 2006, employment rose from 99 million to 145 million.

Trying to restrict trade will only hurt the US, accentuating rather than softening any economic downturn. It won't do the rest of the world much good either. Hillary Clinton should rethink her position.

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