Published on *Adam Smith Institute* (http://www.adamsmith.org)

Compensating the Losers from Trade [1]

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Free Exchange [3], a blog from *The Economist*, looks at how to compensate those who lose their jobs as a result of a change in either the flows or restrictions upon trade. Retraining seems like a reasonable response. However, this opens up the question of whether we do in fact owe compensation to those affected by trade: I would say not. Oh, as a political matter, certainly it makes sense, that those who will be negatively affected know that they won't be thrown on the scrap heap and thus oppose a reduction in restrictions, but as a moral matter?

I'm specifically thinking of those insisting that they should be compensated for a removal of a tariff or quota and thus likely to be driven out of business by increased competition. The demand is usually that there should be lump sum compensation from those who will benefit (ie, consumers) to those who will lose (those about to be out of work producers). And I don't, as I say, think this is either morally or logically justified.

For the removal of said tariff or other restriction is what is going to cause the loss to those producers. Which means that the imposition of it has been of benefit to those very same producers all the years it has been extant. And what we haven't been seeing all of those years are lump sum transfers from those producers to the consumers to compensate, from the benefits being gained, to cover the losses from not trading.

It is, if you like, another example of what some accuse certain financiers currently of doing: the privatisation of profits and the socialisation of losses.

I have absolutely no doubt that such things as retraining grants and the rest are a useful political response to peoples' worries over the structural changes brought about by changes in trade restrictions. It's just that I don't see the moral case: they're not been paying us out of the profits they make from the restrictions upon us, so when those restrictions are lifted, why should we pay them?

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