

The Shortcomings of Free Trade Economics

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Democratic and Civil Society and the Missing Concept of “Goodwill” Accounting

“[I]t’s also true that much of **the elite defense of globalization is basically dishonest: false claims** of inevitability, **scare tactics** (protectionism causes depressions!), **vastly exaggerated** claims for the benefits of trade liberalization and the costs of protection, **hand-waving away** the **large distributional effects** that are what standard models actually predict...**the elite case for ever-freer trade is largely a scam**, which voters probably sense even if they don’t know exactly what form it’s taking.” - Paul Krugman

Globalization & Technocracy: A Goodwill Taxonomy

- **Transfers of Trust** (“Everyone will be better off”, “Jobs will be created not lost”)
- **Transfers of Dignity** (Wage income lost offset by Earned Income Credits)
- **Transfers of Agency** (Workers aren’t reassigned to new jobs in their state so much as jobs go to new workers in other states)
- **Transfers of Consent** (Debate and open voting becomes ‘fast-track’)
- **Cost of Contempt** (“Protectionist”, “Too Weak to compete” Name Calling)
- **Transfers of Loyalty** (e.g. home country losers tricked to benefit poor of trade partners)
- **Failure of Pareto or Kaldor/Hicks efficiency to capture the damage done to losers when winners reap outsized rewards** (as in relative status loss and positional goods)
- **Behavioral Economics Costs** (e.g. Underestimation of Endowment effect of Loss)
- **Potentially Catastrophic Unincorporated Externalities** (e.g. Losers in swing states punish perceived deceit of experts by voting for anti-expert populists without needed discipline or experience.)
- **Aggregate blurring** (e.g. deep losses to the hardest hit are disguised in averages)

Example: Loyalty Transfer and the Rise of Economic Nationalism

“NAFTA has benefits. The same logic that leads us to think that the bilateral U.S. trade deficit from NAFTA has reduced employment in the U.S. by 350,000 leads us to think that it has boosted employment in Mexico by 1.5 million—that’s 3% of the Mexican labor force. Mexico’s unemployment rate is currently 5%. Would we really wish a world in which it were 8%?”

Delong & Krugman may finally be Solving the Globalist Backlash Puzzle

- Globalist Echoes of Greenspan's Admissions
- Even many of us economists did not know we were not thought capable of understanding the 'real' arguments due to their complexity.
- By our colleagues at last pulling back the curtain, we can at last wrestle with any errors made within the globalist star chamber.
- The cost of Goodwill alone to civil society appears have been radically miscalculated.
- This is only possible by bravery and we must encourage our colleagues to go even further.