

*Free Trade is not the natural order of things*

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Excerpts from *The Globalization Paradox*, chapter 3

Free trade is not the natural order of things. We get free trade - or something approximating to it - only when the stars are lined up just right and the interests behind free trade have the upper hand both politically and intellectually. But why should this be so? Doesn't free trade make us all better off - over the long run? If free trade is so difficult to achieve, is that because of narrow self-interest, obscurantism, political failure, or all of these combined?

It would be easy to associate free trade always with economic and political progress, and protectionism with backwardness and decline. It would also be misleading, as we saw in the previous chapter. The real case for trade is subtle and therefore depends heavily on context. We need to understand not just the economics of free trade, but also its implications for distributive justice and social norms . . .

It is easy to pooh-pooh many anti-trade arguments because they make little sense upon scrutiny. Yet among the general public, skepticism about trade is too widespread to dismiss so easily. Survey after survey finds that a distinct majority of people support restrictions on imports to "protect" jobs and the economy . . .

Could it be that ordinary people have a better intuitive sense of the complexity of the case for free trade than we give them credit for? In fact, powerful and elegant as it may be, the argument presented by Henry Martyn,<sup>1</sup> David Ricardo<sup>2</sup> and others is not the whole story . . . Every advanced student of trade learns that there are a lot of interesting twists and turns to the tale of gains from trade. A long list of requirements needs to be in place before we can reasonably be satisfied that free trade improves a society's overall well-being. Sometimes less trade can be better than more trade . . .

If economics were only about profit maximization, it would be just another name for business administration. It is a *social* discipline, and society has other means of cost accounting besides market prices.

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<sup>1</sup> **Henry Martyn (or Martin)** (1665-1721) was an English lawyer who became Inspector General of Imports and Exports. He published in 1701 a ground-breaking essay, *Considerations upon the East-India Trade*, in which he put forward arguments for free trade. He had to publish this anonymously, since such views were deeply unfashionable at the time.

<sup>2</sup> **David Ricardo** (1771-1823) was a London stockbroker who published in 1817 a famous treatise, *The Principles of Political Economy and Taxation*. This is one of the classical texts in favour of free markets and free trade.