

Bonfire of the Vanities

The Economics and Politics of International Trade

Arguably the low point of the 2008 presidential campaign was the Ohio Democratic primary debate between candidates Clinton and Obama, when each promised to re-negotiate—or even repeal—NAFTA (the 1994 North American Free Trade Agreement with Canada and Mexico). Such pandering would have been unthinkable in Illinois because we have a trade surplus with both countries, but in Cleveland it was low-hanging fruit.

During 2012, Senator Reid and House members on both sides of the aisle lowered the bar. First, they proposed burning the outfits to be worn by our athletes in London because they were made in China, outsourced by Ralph Lauren, an American firm. What better way to celebrate the Olympic spirit than destroying another nation's products. Second, they enacted subsequent legislation that now requires that all U.S. Olympic gear be made in America.

The long-running ABC News series "Made in America" is shameful in its ignorance of economics and, if followed to the letter, would be potentially very destructive to our economy. Equally bogus is a 2014 report from the left-leaning Economic Policy Institute that claimed the U.S. lost more than three million jobs because of our trade deficit with China, with Illinois allegedly leading the pack.

These beggar-thy-neighbor stances of 17th- (and, unfortunately, 18th-, 19th-, 20th- and 21st-) century Mercantilism should embarrass us, but anything that resonates with, or repels, a focus group is fodder for the next attack commercial or evening news segment. And "outsourcing" ranks right up there with homophobe and hedge-fund manager for loathing. In Lake Wobegon all children may be above average, but all nations cannot run a trade surplus simultaneously. In addition, the volume of U.S. outsourcing is approximately equal to the corresponding volume of our insourcing. It's time to find a new Bugaboo.

But why stop with Olympic gear? Let's destroy our Audis and Toyotas and "See the U.S.A. in your [bailed-out] Chevrolet." And stop drinking coffee and eating chocolate. We could power down our iPhones, go barefoot, and burn our passports right under Cloud Gate (aka 'the Bean'), which was designed by an

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dian-born British artist, thus depriving an American sculptor of a commission. After all, Peoria and Paris must have something in common, and perhaps one could mistake Rockford for Rome. But better word not get around: after all, the United States is the second most visited country in the world, and retaliation could be costly.

Mayor Emanuel's Choose Chicago marketing campaign to turn the city into a tourist mecca is a reasonable quest. But is there an implicit non-quid-pro-quo: Y'all come here but we ain't gonna visit your city? Sort of like a popular orange juice manufacturer that proudly proclaims it only buys Florida oranges; but then is it



willing in turn to restrict its OJ sales to the Sunshine State?

Should we not insist that the Cubs and White Sox find American ballplayers who can whiff at outside fastballs? And speaking of fastballs, isn't it about time Major League Baseball started making them for our national pastime right here in the U.S. instead of Costa Rica? (Rawlings, a U.S. firm, outsources its baseball-manufacturing operations.)

Perhaps universities in Chicago can pledge to hire only American citizens for faculty openings, thus lowering the unemployment rate among U.S. poets and anthropologists.

Why do we continue to vilify businesses for doing what we as individuals and families do regularly? They—aka corporate deserters in political circles—postpone or avoid paying taxes through some of their "offshoring" activities. But that owes as much to our outdated, bizarre tax code and high corporate tax rates as anything else.

In terms of those "Benedict Arnold" corporations, what about Benedict Arnold families from Illinois who shop at the Lighthouse Mall in Michigan City, Indiana—and fill up with lower taxed gas while they're there? Or travel to Disneyworld instead of spending the day at Six Flags in Gurnee? Or buy a summer home in Michigan or Wisconsin? Or retire to a more tax-friendly, sunnier state like Florida or Arizona?

Democrats used to be ardent free-traders and Republicans were protectionists; now it's the opposite: Democrats want to keep foreign goods out. Not to be outdone, Republicans want to keep foreigners out!

In March, 14 past chairs of the Council of Economic Advisers for the last seven United States presidents penned a letter to congressional leaders stating in part that "international trade is fundamentally good for the U.S. economy [and] beneficial to American families." Maybe it's time to give a listen and a shout-out. □