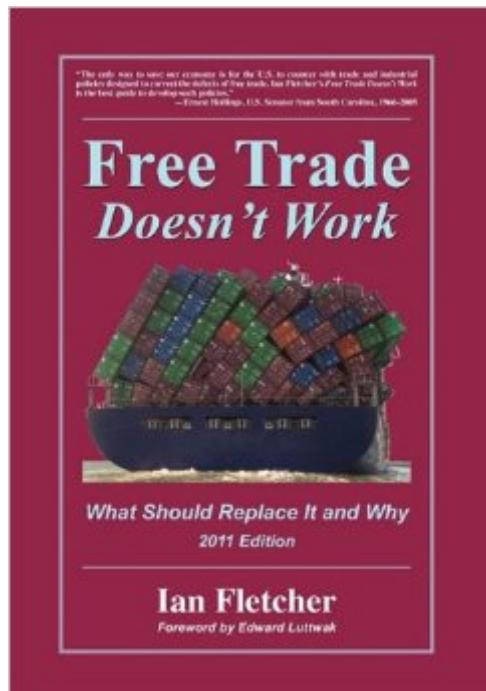


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Free Trade Doesn't Work: What Should Replace It And Why, 2011 Edition



Synopsis

This very readable book is aimed at both ordinary concerned citizens and people with a bit of sophistication about economics. It is a systematic examination of why free trade is slowly bleeding America's economy to death and what can be done about it. It explains in detail why the standard economic arguments free traders use all the time are false, and what kind of economic ideas - well within the grasp of the average American - justify protectionism instead. It examines the history and politics of free trade and explains how America came to adopt its present disastrous free trade policy. It looks at the breakdown of specific industries and how we can rebuild them and bring millions of high-paying jobs back to this country. It examines what's wrong with NAFTA, CAFTA, the WTO, and the proposed Trans-Pacific Partnership. It is sharply critical of the current establishment, but from a bipartisan point of view, so it should satisfy progressives, conservatives, and everyone in between. Unlike many past critiques of free trade, it is economically-literate; it also explains New Trade Theory, the hot new area of economics that critiques free trade.

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Customer Reviews

This is an excellent book on a very important topic. The U.S. economy is hemorrhaging high quality export industry jobs at an astounding rate and a major causal factor is the mistaken and destructive "free trade" doctrine, the legitimating factor behind "free trade policy". Almost half of our manufacturing workforce has disappeared since 1987 and more than a third of large factories just since 2001. Not coincidentally 2001 is the year China joined the WTO. Our country is in a deep hole that desperately requires new thinking and new policies. This book summarizes the theory, the

policy, and the history of "free trade" and provides a well-argued alternative that is described with insight, clarity, and in a vibrant and captivating style. The book is divided into three parts: the Problem, the Real Economics of Trade, and the Solution. In the Problem section, Fletcher describes the US situation and goes over and tears apart the standard arguments for free trade and some of the wishful "remedies" to the U.S. trade problem such as more "education" and "post industrialism". In the second part, he provides a masterful analysis of core ideas of "comparative advantage" and why this does not justify free trade. The final section of the book provides a wealth of information on actual trade policy and real world trade that leads into a first rate summary of recent theoretical advances in "real trade" theory (as opposed to the largely ideological and mythological "free trade" doctrine). He then proposes and argues for a politically and economically practical alternative: a "natural strategic tariff" that would in many ways level the playing field between US and foreign exporters in the most important dynamic manufacturing and service export sectors.

Ian Fletcher, economist, is an Adjunct Fellow at the San Francisco office of U.S. Business and Industry Council, with a specialty in protectionism and industrial policy. Fletcher believes that America's financial mess and our festering trade crisis were both caused by bad policies that mainstream economists told us were OK. His writing is data driven, uses common sense, is interesting, and eschews arcane mathematics. The 'bad news' is that overcoming free trade will be an uphill fight - 97% of economists support it. If only 'free trade' doctrine was the provenance of university mathematics departments, it wouldn't last five minutes. Elementary math is enough to discredit the underlying thinking. Unfortunately, in the past two decades the U.S. has accumulated a \$6 trillion trade deficit following its prescriptives. University of Maryland economist Peter Morici estimates the U.S. economy is about 12% lower than it would be absent these trade deficits. Fletcher contends that many free trade supporters are simply Ayn Rand cultists (eg. Alan Greenspan) or libertarian ideologues (eg. Milton Friedman - anti Social Security, Medicare, postal service, public education, welfare) passing those views off as economics. Fletcher's "Free Trade Doesn't Work" reports that the logic supporting comparative advantage/free trade makes ten erroneous assumptions, invalidating its conclusions. My slightly modified version: 1) Immobile Capital: David Ricardo, originator of the theory of comparative advantage that underlies free trade, wrote that free trade would be limited because investors would not want to entrust their capital with a strange government and new laws. Thus, it would remain 'in-country.' Probably true in 1817 when Ricardo wrote this. No longer - U.S.

I'm surprised at how receptive I became to this book (and author) as I read it. First of all, the author deserves credit for such heavy research in the area of free trade. Every stigma the author talks about when it comes to free trade seems to be overwhelmingly true. With that said, a book challenging free trade needs to be substantially developed both empirically and theoretically to be taken seriously. Mr. Fletcher is clearly an intellectual, so forget the tin-foil hat. The author is not attacking trade itself for its power to enhance productivity and well-being when combined with divisions of labor. He is pointing out that there are externalities and dynamics (often significant) beneath surface. He also presents evidence that free trade acts as a conduit which exacerbates problems caused by perverse time preferences in consumption and saving thus making it unsustainable. I must say I had no idea how many weird defenses of free-trade there were. The only ones that should matter are those based on economic efficiency and sustainability. Nearly all of the reasons out there not based on this were shot down quickly by the author. I have learned an extensive amount of trade concept from this book pertaining to comparative advantage, mercantilist policies, path dependency of economies, scale economies etc. However, I have critical thoughts pertaining to certain discussions. The author's theoretical thought experiment involving two nations (an attempt to attack totally free trade by pure theory) is insufficient to prove the unsustainability because of perverse time preferences.

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