

Protectionism's Dangerous Allure

BY DOUG CAMPBELL

Economists often sound insensitive when talking about international trade. The United States is losing tens of thousands of textile manufacturing jobs, putting many able-bodied citizens out of work. But economists assure us that, in the long run, there is no substitute for free markets and open competition across borders. It's all there in the theory of comparative advantage, which demonstrates that trade is mutually beneficial. If American workers aren't making fabric, that's because they're better at making more lucrative microchips — and now we can buy fabric at cheaper prices from overseas sources. If not microchips, then software. And so forth. Why do so many people — from all walks of life — fail to grasp these economic arguments?

In part, it's because those arguments aren't very comforting in the near term. In December, with the purchase of textile maker Dan River Inc. and the expected shipping of many of the company's remaining 1,100 local jobs overseas, economists were presented with another opportunity to sound indifferent to a region's pain. Southside Virginia used to be a textile boom area, with Dan River alone once employing more than 14,000 workers. Now, an Indian firm — Gujarat Heavy Chemicals Ltd. — has purchased Dan River's dwindling assets, less than two years after the Danville-based company filed for Chapter 11 bankruptcy protection.

There can be no sugarcoating the loss. Unemployment in Danville is 7.2 percent, already nearly twice the state average. Aging Dan River workers will find it difficult to secure new jobs that pay as well or with similar benefits. To them, comparative advantage is little more than a fancy theory, and free trade far from a good deal.

This is hardly a new trend. The Fifth District, along with the entire country, has watched textile and apparel jobs move to lower-cost venues such as Asia and Latin America. In the past decade alone, the United States has lost more than 909,000 textile and apparel industry jobs. Some industry representatives point out that the big drop-off started just after the adoption of NAFTA. With quotas for apparel and textile products now lifted among members of the World Trade Organization — including China — it's no surprise that the shifting continues. A lot of the upheaval is concentrated in the Southeast, home to most of this nation's textile and apparel jobs, with North Carolina accounting for the highest portion. Of course,

the prominence of textiles in the Southeast is a direct result of the industry's early 20th century shift from higher-cost locales in the Northeast.

Economists are not blind to all this. They just take these changes in context. Trade both creates and destroys jobs. But on balance, the overall U.S. economy would be much better off with fewer barriers to trade. In such a world, each nation can specialize in doing what it does best, be it sewing T-shirts or developing new gene therapies.

The failure of economists to convince people that removing trade barriers is a smart move has to do with the dispersed benefits and concentrated costs of liberal trade policies. The people of Danville bear, in the short term, a disproportionate amount of the pain in the transition from textile production to the provision of some other good or service. Their problems are large and easy to see — and will be well-documented this year as unemployment claims inevitably rise and workers seek new paychecks.

In contrast, you won't see headlines about gradually falling prices of T-shirts and other apparel, even

though lower prices can have a large aggregate positive effect on the economy. Nor will most people immediately understand that the departure of Dan River and similar companies will provide real incentives for people to obtain new skills that are valued in a changing economy, which ultimately will raise living standards. This disconnect helps explain why there is relatively little in the way of a groundswell for free trade. To economists, support for freer trade is almost universal. But among the public, skepticism remains widespread.

In matters of trade, it's a mistake to think of nations as enemies, with one country's gain another one's loss. It is equally a mistake to use protectionist policies as a way to postpone the expiration dates of some U.S. jobs. Doing so diverts resources from new, growing industries, and instead directs them toward keeping dying U.S. industries afloat — at least for a while.

None of which is immediate consolation to the people of Danville. But it's worth keeping at the forefront of the region's plans for economic development. We've said this before: Ultimately, the only protection a worker has in the labor market is cultivating valuable skills that many employers will bid for. The exit of Dan River is not so much about giving up as it is about moving on.

It is a mistake to use protectionist policies as a way to postpone the expiration dates of some U.S. jobs.

RF