Arguments against free trade

These are arguments put forward to justify putting restrictions on free trade. For example, import tariffs or quotas.

1. **Infant industry argument**

If developing countries have industries that are relatively new, then at the moment these industries would struggle against international competition. However, if they invested in the industry then in the future they may be able to gain [comparative advantage](https://www.economicshelp.org/trade2/comparative_advantage/).

* + This shows that comparative advantage can change over time
	+ Therefore, protection would allow them to progress and gain experience to enable them to be able to compete in the future.
	+ more on [infant industry argument](https://www.economicshelp.org/blog/glossary/infant-industry-argument/)
1. **The Senile industry argument**

If industries are declining and inefficient they may require significant investment to make them efficient again. Protection for these industries would act as an incentive to for firms to invest and reinvent themselves. However, protectionism could also be an excuse for protecting inefficient firms

1. **To diversify the economy**

Many developing countries rely on producing primary products in which
they currently have a comparative advantage. However, relying on agricultural products has several disadvantages

* + Prices can fluctuate due to environmental factors
	+ Goods have a low-income elasticity of demand. Therefore, with economic growth demand will only increase a little
1. **Raise revenue for the government.**

Import taxes can be used to raise money for the government – however, this will only be a relatively small amount of money

1. **Help the Balance of Payments**

Reducing imports can help the current account as it restricts imports. However, in the long-term, this is likely to lead to retaliation and also cause lower exports, so it might soon prove counter-productive.

1. **Cultural Identity**

This is not really an economic argument but more political and cultural. Many countries wish to protect their countries from what they see as an Americanisation or commercialisation of their countries

1. **Protection against dumping**

Dumping occurs when a country has excess stock and so it sells below cost on global markets causing other producers to become unprofitable. The EU sold a lot of its food surplus from the CAP at very low prices on the world market; this caused problems for world farmers because they saw a big fall in their market prices. Other examples include allegations that China has been dumping excess supply of steel on global markets causing other firms to go out of business.

1. **Environmental**

It is argued that free trade can harm the environment because LDC may use up natural reserves of raw materials to export. Also, countries with strict pollution controls may find consumers import the goods from other countries where legislation is lax and pollution allowed.

* However, supporters of free trade would argue that it is up to individual countries to create environmental legislation

Economists against free trade

**Friedrich List**, The National System of Political Economy (1841)

List made a case for tariffs and protectionism. List argued that moderate tariffs could be justified at certain times in economic development. List also accused developed countries of pursuing a degree of protection when they needed it but then trying to force free-trade on their competitors when they needed some protection. List used the phrase ‘“kicking away the ladder” – to describe this scenario.

To List, the aim is not just wealth but to improve a country’s means of production. Moderate tariffs can enable countries to develop new manufacturing industries.

‘In order to allow freedom of trade to operate naturally, the less advanced nations must first be [xxv] raised by artificial measures to that stage of cultivation to which the English nation has been artificially elevated.”(p. 107)

“In the first stage they must adopt free trade with the more ad­vanced na­tions as a means of rais­ing them­selves from a state of bar­barism and of mak­ing ad­vances in agri­cul­ture. In the sec­ond stage they must re­sort to com­mer­cial re­stric­tions to pro­mote the growth of man­ufac­tures, fish­eries, nav­iga­tion, and for­eign trade. In the last stage, af­ter reach­ing the high­est de­gree of wealth and pow­er, they must grad­ual­ly re­vert to the prin­ci­ple of free trade and of un­re­strict­ed com­pe­ti­tion in the home as well as in for­eign mar­kets, so that their agri­cul­tur­ists, man­ufac­tur­ers, and mer­chants may be pre­served from in­do­lence and stim­ulat­ed to re­tain the suprema­cy which they have ac­quired.

**Joseph Stiglitz**

Stiglitz is a modern economist concerned that the benefits of globalisation are inequitably distributed. Stiglitz argues free trade deals like recent TIPP are geared towards powerful multinationals. Stiglitz argues

Theories of free trade assume efficient markets but in practise there are immobilities for labour to move from old (inefficient industries) to new ones.

“The older theories, for instance, simply ignored risk, and assumed that workers could move seamlessly between jobs… But when there is a high level of unemployment, and especially when a large percentage of the unemployed have been out of work long-term (as is the case now), there can’t be such complacency.” ([On wrong side of globalization](https://opinionator.blogs.nytimes.com/2014/03/15/on-the-wrong-side-of-globalization/) at NYT)

Modern trade deals are often about reducing regulations (regulations on the protection of labour, environment and consumers) and increasing power of multinationals.

**Ha-Joon Chan** is a modern economist who has been critical of free trade. In particular, he has updated similar theories of Fredrich List is noting how many developed economies used protectionism in their economic development. His books include *Bad Samaritans: The Myth of Free Trade and the Secret History of Capitalism*