

# ***PERSONALLY SPEAKING***

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## **FREE TRADE: IS IT FAIR TRADE?**

**Edward J. O'Boyle, Ph.D.**

**Mayo Research Institute**

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**Is free trade fair trade? The answer to that question depends on whom you ask.**

**Mainstream economists, because they reject out of hand such values as fairness in their theoretical and analytical work, address the fairness issue by changing the question. Is free trade efficient in terms of resource allocation? Their answer unequivocally is that free trade *always* leads to greater efficiency in the allocation of resources because it removes barriers that impede the free flow of material, labor, and financial resources to their highest, optimal, most efficient use. Moreover, due to the increased competition triggered by free trade and its impact on prices, consumers are able to purchase goods and services at lower prices and producers have access to less costly resources.**

**The usual language employed to convey their convictions to the public is that “free trade opens up international markets for our goods and services.” Moreover, and quite ironically given their insistence that economics must be value-free in order to be scientifically objective, free trade advocates enthusiastically embrace the philosophical tenets of individualism and individual freedom which are taken as true and valid forevermore. Free trade, in other words, is simply an expression of individual freedom.**

**Others in economics, fewer in number than their mainstream colleagues, address the issue by enlarging upon the initial question. Is free trade fair for those who are affected by it? This minority is willing to confront the value-laden issue of fairness even when it puts them outside the mainstream way of thinking because, they argue, there simply is no other way to proceed.**

**Fair traders ask the following. Is it optimal when free trade leads to the destruction of an established company, a vital industrial sector? Is it optimal when free trade results in communities with their tax bases eroded by plant closure and relocation? Is it optimal when free trade takes away the employment security of thousands of workers? Is it optimal when free trade makes it more difficult for start ups to compete and prosper? Is it optimal when free trade undermines national security?**

**Is it reasonable to expect workers in high-wage countries to compete with workers in low-wage countries especially given the way in which technology today can so easily be transferred from country of origin to other countries? Does it make sense for taxpayers to**

**support public universities where large number of foreign students are educated and trained in high-tech occupations and professions and then return to their native countries to compete against American graduates of the same programs?**

**Competition is a form of warfare, economic warfare. Is it no-holds barred competition with no rules other than self-interest? Free traders hold this position because they have taken to heart the argument that the single-minded pursuit of self-interest also serves the public interest through the invisible hand of the market.**

**Fair traders insist that ground-rules are necessary and point to such long-standing practices in developed economies as the prohibition of child labor, the minimum wage, workplace health and safety standards, the testing of new pharmaceuticals, the ban on price-fixing. They insist that there must be similar rules for the global economy. They assert that trade that is not fair is not free.**

**Ground-rules for fair trade, we prefer to call them norms of fairness, are of two general types: actuating and limiting. An actuating norm evaluates trade in terms of a desired outcome and identifies the conditions under which it is fair. A limiting norm evaluates trade in terms of an unwanted outcome and informs us as to when trade is unfair. In the following, no attempt is made to be absolutely comprehensive and exhaustive. Rather the following norms are indicative of what it takes to demonstrate the conditions under which free trade is fair trade. Other norms can be added later as we begin to understand more fully the outcomes from free trade in a globalized economy.**

***Actuating Norms of Fairness.* Free trade is fair when there is ...**

- **Transparency in all economic transactions.**
- **Freedom to decide if and when to enter into an economic transaction.**
- **With cause and within reason, opportunity to renegotiate the terms of a transaction after it has been executed.**
- **Full-cost pricing.**
- **Respect for the property rights of others.**
- **Greater importance attached to labor than capital because labor is a living, breathing \ existential resource, capital is not.**
- **Opportunity for ...**
  - creativity in work.**
  - participation in workplace decision-making.**
  - equivalent work when one's job is eliminated.**
  - adequate rest from work.**
  - private ownership of the means of production.**
- **Greater sufficiency of goods and services to provision personal needs/wants.**
- **Stewardship of natural resources.**
- **Protection of the natural environment.**

***Limiting Norms of Fairness.*** Free trade is fair when there is ...

- **No counterfeiting.**
- **No enslaving, indenturing, sweating labor.**
- **No currency manipulation.**
- **No child labor.**
- **No dumping.**
- **No industrial spying/sabotage.**
- **No long-term uncompensated involuntary unemployment.**
- **No harmful effects on the physical environment.**
- **No favors bought from government officials.**

Free traders assert that any negative effects from free trade are more than offset by its positive effects. Their attention is focused entirely on the development of the economy as if it were in fact a machine-like mathematical model. Fair traders do not dismiss the negative effects of free trade so easily. Their attention is focused on the development of human beings as unique persons whose dignity when threatened or lost must be assured lest they are reduced to a mere variable in that model.

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*Edward J. O'Boyle is Senior Research Associate with Mayo Research Institute. Since completing his doctorate in economics from Saint Louis University more than 35 years ago, Dr. O'Boyle has specialized in economic research and analysis increasingly from the perspective of the human person engaged in everyday activities both as a unique individual and as a community member. In January 2004 the Association for Social Economics conferred on Dr. O'Boyle its prestigious Thomas Divine Award for lifetime contributions to social economics and the social economy. He taught economics at a state university in Louisiana for 30 years prior to his retirement in 2007.*

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*Mayo Research Institute 1217 Dean Chapel Road West Monroe, Louisiana 71291  
318-396-5779 edoboyle@earthlink.net  
www.mayoresearch.org*

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