[the great betrayal]

Why Tariffs Work

America achieved industrial supremacy through a combination of protectionist policies and minimal regulation.

By Martin Sieff

HOW DO NATIONS become prosperous and powerful?—through protectionism, the traditional policy of every Republican president from Lincoln through Eisenhower.

So deeply has the Pavlovian brainwashing of the public mind by free-market true believers taken root that this statement comes across, even to many Democrats, let alone almost all Republicans, as an evident absurdity. To maintain that free trade has eroded American prosperity over the past 30 years is akin to maintaining as a scientific proposition that the earth is flat.

Yet it is the free-trade models of pure —or, rather, bowdlerized—Adam Smith that have sold American policymakers and opinion-shapers this fake bill of goods. America rose to global industrial supremacy, generating unimagined prosperity for its people, behind a century of tariff walls. Under John F. Kennedy, with his Kennedy Round of tariff cuts to stimulate global free trade, those walls started to tumble down, and successive presidents, Republican and Democrat alike continued the process. As a result, over the last 40 years first Western Europe and then the nations of east Asia have been climbing to prosperity at our expense. Consequently, America is now in industrial and financial terms in far worse shape to weather a world war or sustained global security or economic crisis than Britain was in either 1931 or 1940.

Writing last winter in the *Financial Times*, Princeton history professor Harold James noted that in terms of trade balance alone, the United States could not maintain global empire and hegemony for any period of time as the 19th-century British empire had. "The US, unlike the British empire, is building its rule on a foundation that is potentially quite unstable," James wrote. "The British empire in its 19th century heyday ran enormous current account surpluses (7 percent of gross domestic product on the eve of the first world war). For more than 20 years, in the period of its cold war victory and of the conversion of the world to a new consensus about markets, the US has had quite large current account deficits. In 2001,the deficit was about 4.2 of GDP."

The free-market orthodoxy recognizes this outflow but says that it is nothing to worry about. A rising tide, neocon pundits and economists argue, lifts all boats. Therefore, as long as the United States remains the pre-eminent global power and the most attractive place to invest, money will continue to flow in for investment and U.S. Treasury bondholding. And this will continue to make a trifling little quarter of a trillion or so annual outflows unimportant.

For more than 20 years, as the annual current account deficits, especially with Japan and China, steadily mounted, we have continued to live in this fools' paradise. But over the past two years, the first taste of the horrendous bills to be paid has come in.

First came the terrorist attacks of Sept. 11 that annihilated the greatest symbol after Wall Street of American capitalism, the two great gleaming towers of the World Trade Center, along with 2,800 people trapped inside them at the time. Almost suddenly, America was no longer the safest place in the world to invest money. Then, last year, came something Thomas Jefferson would certainly have recognized as a fire bell in the night. For the first time in history, China exceeded the United States as the greatest magnet for international investment.

Yet China is in no way an open, market economy. It remains a heavily regulated, fiercely authoritarian one-party state that is merciless in crushing religious movements it cannot control. Nor has China mellowed into anything remotely resembling a tolerant, pluralistic democracy over the past 20 years that it has enjoyed open access to American markets. On the contrary, over the past decades its foreign policy and military build-up have been marked by an increasing hostility towards the United States. But this grim evolution has not deterred international investors from continuing to flood into China and neither has the effective protection of China's vast domestic market. These developments contradict every pure free-market model and political assertion that Clinton and the neocons alike have expounded. But they are entirely consistent with the record of human history.

Britain and France both rose to dominate the global industrial marketplace from the mid-17th century when they adopted protectionist, mercantilist policies. Louis XIV's great minister Jean-Baptiste Colbert pulled off this achievement in France. In Britain, with far longer lasting effect, Lord Protector Oliver Cromwell enacted the Navigation Acts in the 1650s that led to three centuries of global supremacy for Britain's merchant marine. France in the 18th century abandoned Colbert's policy, more from sloth than conviction. And Britain won the great race for global industrial supremacy.

By the mid-19th century, however, the British, riding high on two generations of protection-generated global trading supremacy, opted for cheaper food and an easier life. Sir Robert Peel, to popular acclaim, abolished the Corn Laws, trusting in the free market to handle bothersome shortfalls. In the short term, the British standard of living grew rapidly, thanks to the industrial supremacy Britain enjoyed over the rest of the world. But by 1870, two vast new industrial powers commanding far larger domestic markets and resources, and both protected by heavy tariff barriers, had emerged to challenge Britain—the United States and Germany.

Abraham Lincoln, as well as winning the Civil War and restoring the Union was also the architect of America's global industrial supremacy and not by oversight either. Lincoln had made his living—and he made a good one—as a railroad lawyer before 1860. And as president, he pushed through not one but two far-reaching tariff laws to protect the rising colossus of American industry. The great U.S. domestic market was therefore built over the next 70 years on the twin pillars of minimum government regulation and strong tariff protectionist measures. By 1880, Chancellor Otto von Bismarck in Germany, working with the dominant National Liberal Party, had erected similar tariff walls there, building on those the unified Germany had inherited from the old Prussian-dominated Zollverein, or Customs Union, after 1815.

Since 1950, first Japan, then South Korea have both very sensibly followed this same overall policy of maintaining strong free markets and industrial concentrations of power at home, while protecting key domestic industries from ruinous international competition. This defies University of Chicago graphs and theoretical models. But it works.

FREE TRADE ON **A LEVEL PLAYING FIELD BENEFITS EVERYONE**. BUT NO PLAYING FIELD **IS EVER COMPLETELY LEVEL**. AND EVERY NATION OR REGIONAL TRADING BLOC WILL BE OUT TO **MAXIMIZE BENEFIT FOR ITSELF**.

The reason why it works is not hard to see. Free trade on a level playing field theoretically benefits everyone, and there is no doubt that general agreements to lower tariffs generate trade investment and more prosperity for all. But no playing field is ever completely level. And every nation or regional trading bloc will be out to maximize benefit for itself. For, as James Madison memorably noted, men are not angels. Therefore, President Clinton's policy allowed China and the smaller "tiger" nations of Asia to export their way into recovery and further growth at America's expense. But it was akin to refusing to wear a suit of armor when your global trading rivals still wore theirs and allowing them to slash at you. The result was not greater benefits for all, including America, but greater benefits for America's trade rivals at Uncle Sam's expense.

Yale historian Paul Kennedy was hung out to dry by neoconservative critics in 1989 when he argued in *The Rise and Fall of the Great Powers* that the aspiration to be the global super- or hyperpower of any era automatically led to strategic overstretch and ruinous long-term economic policies. For in such cases, these are tailored to the demands of imperial responsibility rather than to ensure the more modest and realizable prosperity of the home society. George Will and Charles Krauthammer led the chorus of bully sneers at the time.

Yet this was Clinton's explicit policy. In order to bail Southeast Asia out of the 1997-98 financial crises, he kept free-trade doors open to those countries—and China—to continue to export freely into the United States, running up ever worse balance of payments deficits for his own country in the process. National prosperity was being sacrificed to the imperatives of global leadership and empire, exactly as Kennedy had warned.

The neocon dream of using universal free trade to create universal democracy and thereafter universal peace is not new. It has all been dreamed—and discredited—long ago. Sir Norman Angell made the case with equal passion and naïve confidence in his 1910 book *The Great Illusion*. Within four years, World War I had demolished his delusions. The great British historian Correlli Barnett, writing in 1972, described this beguiling vision in his classic *The Collapse of British Power*: "The post-evangelical hopes of a peaceful world society founded on love or the moral law or economics took no positive account of existing human aggressiveness or rationality, but dismissed them as morally reprehensible or rationally absurd habits that mankind ought to decide to give up." Barnett could as easily have been describing Francis Fukuyama's hosanna about the eternal triumph of the liberal democratic free-market state on a global scale. Or he could have been replying to some neocon columnist explaining why no free-market Muslim would ever abandon his Lexus for Osama bin Laden's olive tree.

Princeton's Harold James concluded in the *Financial Times* that the precarious "high tide" of capital inflows to the United States "could be rapidly reversed on some chance piece of bad news. Such a reversal would involve a collapse of the US stock market, the property market and the dollar. … The financial reversal would also bring about the collapse of the US security policy and its calculated strategy of world pacification." What a price then for Deputy Defense Secretary Paul Wolfowitz's National Security Strategy that foresees a hyper-powered United States enforcing its unipolar moment into infinity?

Such fantasies are destined not only to collapse but also to bring ruin to hundreds of millions of Americans. For every great nation that has become prosperous over the last 350 years has done so through protectionist policies, exporting far more than it imports and doing so on its own shipping. Naïve free trade policies with powerful protective tariff states ruined 18th-century France and 19th-century Britain, and now they are ruining us. ■

Martin Sieff is Chief International Analyst for United Press International.

Back to the Ladies' Tees

Feminist pipe dreams won't erase the sports gender gap.

By Steve Sailer

BECAUSE I HAVE LONG been interested in how female athletes match up against men, I particularly looked forward to the recent battle of the sexes on the golf course. With six hours of web searching and spreadsheet jiggering, I was able to publish a UPI article called "How will Annika Sorenstam perform?" the day before the top female golfer teed it up with the boys at the Colonial Country Club. This was my forecast, based on her typical scores on Ladies Professional Golf Association (LPGA) courses, which average about five strokes per round easier than the PGA courses: "So, I predict that if Sorenstam plays this week the way she's played in the rest of 2003, she'll miss the cut by four strokes." That's exactly what she did.

She shot what she called one of the best rounds of her life on Thursday (71) then regressed toward her mean on Friday (74). She hit a disastrous stretch of five bogeys in eight holes in the middle of her second round but then gutted it out and closed with seven straight pars to stanch the bleeding. She still beat 13 men out of 114, so she played extremely well under pressure. Congratulations, Annika!

But while her cut-missing was celebrated wildly in the media, it confirmed my assessment: she couldn't make a living on the men's tour. Sorenstam carefully selected the Colonial tournament because the course suited her and because its field is limited in both quality (all five of the year's multiple winners—Tiger Woods, Davis Love, Mike Weir, Ernie Els, and Vijay Singh—had passed it up) and quantity (about 35 fewer golfers start than in the normal tournament, but the same number make the cut).

Top *Washington Post* sports columnist Tom Boswell claimed ahead of time that Annika could be a top-100 player on the PGA Tour and even win one or two tournaments. Boswell was unusual for a journalist in that he actually tried to use statistics. He took Sorenstam's LPGA scoring average then adjusted for the greater length of the PGA courses. But, either through ignorance or ideology, he failed to account for the obvious facts that the men play inherently more rigorous courses and that those links are set up harder with longer grass in the rough and shorter grass on the greens.

My estimate was that if Annika had been playing on the men's tour all of 2003, her scoring average would be tied for 183rd out of the 185 golfers on the PGA's scoring average list. But the guys down at the bottom are not among the top 185 in the world at present. They are ex-stars like David Duval and Craig Stadler who are invited to tournaments solely because they used to be big names.

There may also be 100 minor-league golfers who are better than Duval and