McGarrity Column: Trump and Trade II - Log Cabin Democrat (Conway, AR) - December 9, 2015 - page 1 December 9, 2015 | Log Cabin Democrat (Conway, AR)

In my last column, I argued that Donald Trump's views on trade are economically unsound because he ignores how trade benefits both of the countries involved and because he mistakenly claims that trade is a contest where one country wins and another loses.

In this column, however, I am going to give myself a harder task. I will attempt to give an economic justification that supports Trump's views on trade. Donald Trump has never articulated the following argument, so I am not claiming that he believes my justification — only that a sound economic justification can be made to support some of his views on trade.

Donald Trump is against most trade deals because he believes that the U.S. does not do a very good job in negotiating these deals. Trump may be on to something. The U.S. can benefit greatly if it negotiates trade deals to open up foreign markets that are closed to other countries. To explain why, I draw inspiration from Adam Smith's Wealth of Nations, which was written over 200 years ago, but which still provides valuable lessons to help make sense of today's problems.

Adam Smith believed that larger export markets were important because they allowed domestic firms to sell their products to more consumers. With more potential customers available, firms could have their workers focus on more narrowly defined tasks.

As these workers got more practice doing their jobs, they would get more productive. Additionally, workers with more narrowly defined tasks are more likely to come up with better ways to do their tasks. When our workers become more productive, our country becomes wealthier simply because we are able to produce more output.

There are many examples in history that suggest that countries can thrive if they get access to large trade markets that are unavailable to other countries. In the 11th century, the city state of Venice helped the Byzantine Empire, based in Constantinople, fight back the Normans, who were encroaching on Byzantine territory along the Mediterranean Sea. In exchange for its help, Venice received exclusive trading rights, free from tariffs, within the Byzantine Empire.

This special deal helped to make Venice rich.

In the late Middle Ages and during the early Renaissance, the city state of Florence was granted privileged trading rights by several kings as a thank you for the loans that these kings received from Florentine bankers. This large customer base allowed firms in Florence to hire many workers and give them each a very narrowly defined job.

These workers were able to develop skills that enabled them to produce the best cloth in all of Europe. Florence became so rich that it was able to bankroll much of the famous art that we associate with the Renaissance.

After the Age of Discovery, England was able to sell products to its own colonies without trade barriers, while other European countries did not have this arrangement with the English colonies. The huge pool of customers may have contributed to the start of the Industrial Revolution.

The large customer base gave English firms an incentive to innovate. English firms made tremendous profits when they innovated because the innovation allowed new goods, as well as cheaper goods, to be sold to so many people.

These historical examples provide a lesson for current times. If I start with the assumption that Donald Trump has a well thought out economic position on trade, then given his statements on trade, his position would have to be based on a story similar to the one that I gave above.