

The Stupidity of "Buy American"

One sign of economic ignorance is the faith that "Buy American" is the path to prosperity. My former employer, ABC News, did a week's worth of stories claiming that "buying American" would put Americans back to work.

I'm glad I don't work there anymore.

"Buy American" is a dumb idea. It would not only not create prosperity, it would cost jobs and make us all poorer. David R. Henderson, an economist at the Hoover Institution, explained why.

"Almost all economists say it's nonsense," he said. "And the reason is: We should buy things where they're cheapest. That frees up more of our resources to buy other things, and other Americans get jobs producing those things."

This is what people always forget. Anytime we can use fewer resources and less labor to produce one thing, that leaves more for other things we can't afford. If we save money buying abroad, we can make and buy other products.

The nonsense of "Buy American" can be seen if you trace out the logic.

"If it's good to Buy American," Henderson said, "why isn't it good to have Buy Alabaman? And if it's good to have Buy Alabaman, why isn't it good to have Buy Montgomery, Ala.? And if it's good to have Buy Montgomery, Ala. ..."

You get the idea. You wouldn't get very good stuff if everything you bought came Montgomery, Ala.

"A huge part of the history of mankind is an increase in the division of labor. And that division of labor goes across national boundaries."

Which creates wealth -- and jobs. In a similar vein, consider "fair trade" coffee. It costs much more money, but we're told that if we buy it, we should have a warm feeling in-

side because somebody in a poor country will supposedly get paid more.

"But a huge part of that premium is taken by the bureaucracy that organizes this. Most of it doesn't go to the farmer. And a better way to help those farmers is just buy what you would have bought anyway, take the premium you would have spent and give it to those people."

And here's something else: If you pay more for coffee, you'll have to buy less, or less of something else. That hurts other workers. We all should heed Henry Hazlitt's famous economics lesson: Look beyond the immediate effects and beneficiaries. You may be accomplishing the opposite of what you intend.

The same applies to so-called sweatshop-free products. I'm for free trade, but trade means you get the lowest price, and that might mean you buy something from what some people call a sweatshop. The name itself conveys abuse.

Henderson says that's wrong. The workers aren't abused.

"In fact, they're better off taking those jobs. ... The mistake Americans make is they think they would never work in a sweatshop and therefore they say these people shouldn't. Well, no one's offering those people green cards. Those people are stuck in those countries. They're choosing their best of a bunch of bad options. And when you take away someone's best of a bad option, they're worse off."

That happened after Sen. Tom Harkin of Iowa complained about sweatshops in Bangladesh. Some shops closed. Then Oxfam discovered that kids who were laid off often turned to prostitution to support themselves.

"The person who tries to get you fired is not your friend," Henderson said.

The conglomerates that hire people in poor countries usually pay more than local employers do. In Honduras, many sweatshops pay \$3.10 per hour. That's low to us, but most Hondurans earn less than two dollars an hour.

Since Third World countries do not pursue free-market policies, worker opportunities are often foreclosed by self-serving politicians. So multinational sweatshops are usually people's best alternative. Humanitarians should target the politicians, not the factories that provide some hope.

Interfering with peaceful exchange is never a good idea. The great 19th-century liberal Richard Cobden was right when he praised free trade for "drawing men together, thrusting aside the antagonism of race, and creed, and language, and uniting us in the bonds of eternal peace."