

Trade  
Free Trade  
Fair Trade  
Regulated Trade  
Deregulated Trade  
Protectionist Trade  
Level Playing Field  
Unfair Trade

### WHAT DO THESE TERMS ACTUALLY MEAN?

Free Trade is much in the news these days yet the current debate is characterized by a lack of specificity, which is also true of many of the other abstractions we must deal with. When is the last time someone defined his terms when speaking about racism, equality, or protectionism? In our opening essay, economist John Culbertson cautions us to watch our language and make sure that our words enable thoughtful discussion.

I find it helpful to separate *international* from *intranational* trade. Malcolm Forbes, III, editor of the magazine that bears his family name, is in favor of *intranational* free trade, by which he means the deregulation of business within the United States. He writes of the need for "minimal bureaucratic barriers for setting up and operating businesses." He describes ours as a country which is "gradually tightening the noose around the neck of small businessmen" and refers to a "need to deregulate" which could involve "trying to slash social security and the entire domestic budget." (From *IMPRIMIS*, published by Hillsdale College, August 1991.)

We suspect that many people who so instinctively favor *international* "free" trade would not favor *intranational* "free" trade, if that meant a return to an era before we had child labor laws, OSHA, Social Security Insurance, Workmen's Compensation and unemployment insurance, health plans, environmental controls, retirement plans, ESOPs (employee stock ownership plans), profit sharing, anti-trust regulations, disclosure regulations for the stock market — and so on and on. If one would not favor such *intranational* "free" trade, why would one favor *international* "free" trade if, by that phrase, one means the absence of any, or only minimal, rules and regulations? Within our own country we are in favor of trade, but we want it encumbered by certain rules and regulations which prevent or mitigate economic and social damage to society, as individual commercial and industrial enterprises thrive.

Does international "free" trade imply at the extreme that there will be no rules, and that everyone will be free to get away with whatever he can? As Sidney Weintraub ably points out in our second

article, there will, in actuality, be *many* rules, and the need for a bureaucracy to adjudicate them. Honest commentator that he is, Weintraub also points out some of the down sides of the proposed Mexico-US-Canada free trade pact: the loss of independence in all three countries, as trade policies push them toward common policies and practices on interest rates, economics, and political arrangements. Will the compromises tend toward the highest or lowest common denominator, given the huge disparities that exist among the three countries? It is difficult to see how the United States' internal rules of the economic game, regulations built up carefully over the years, could survive the pressures of competition with Mexico's Third World economy. Put another way: if these same restrictive rules are applied to US-Mexico trade, will it not look much less advantageous? Or yet another view: does Mexico's comparative advantage consist chiefly in the absence or weakness of such regulations, as well as in the abundance of cheap labor?

Admittedly, trying to negotiate a "regulated" trade agreement (to use Culbertson's phrase) with Canada and Mexico wouldn't lend itself to sloganeering as well as does "free" trade. The goal is not abrogation of the sovereignty of any of the three nations, nor the donation or sacrifice of one to the interests of the others. It's the good old-fashioned reduction of tariffs, while still respecting the interests of all parties and trying to arrange mutually beneficial pacts, all within the context of written treaties, rules, regulating bodies, and so on. These arrangements might be called many things, but "free" isn't one of them — at least not in the libertarian, get-the-government-off-my-back sense of the word.

As to protectionists, I confess that I am one. I want to protect our air and water — and *theirs* too — and won't hold still for the out-of-sight, out-of-mind approach to environmental problems. I want to protect the workers. In the small Michigan town where I was raised, the local stamping plant was nicknamed the "Finger Factory" since so many workers left their fingers behind. As a surgeon and piano player, I have a high regard for fingers, and will do whatever I can to

protect them, even if it means putting up with OSHA and its myriad rules and vexations.

I also want to protect children from the conditions our child labor laws put an end to earlier in this century — their children, as well as ours. And I would like to protect the Canadian, Mexican, and US social, political, and cultural experiments so that they can continue to evolve independently. I do not want to see them all homogenized by some economic version of the Cuisinart. Will someone vilify me as a protectionist?

We hope this issue of *The Social Contract* will help us over the linguistic hurdles that surround the free trade question. We have thoughtful pieces by another dissenting economist, Herman Daly, on the risks of free trade, and by former INS Commissioner Alan Nelson on the need to make immigration policy an explicit part of the discussions. We need to have clearly in mind that the European Economic Community (EEC) *started* with the premise of fusing populations within a common external boundary, secured by a common machine-readable passport, and that workers from any of the twelve countries would be free to seek employment anywhere within the EEC. Do we want this for North America? In this connection see, on page 36, the proposal that Mexico made at the Uruguay round of GATT talks relative to reporting service workers.

In addition to the articles mentioned above, we present stimulating pieces by the AFL-CIO, and by Rushworth Kidder, Richard Estrada, and Dan Stein. These deal respectively with labor's viewpoint, ethical considerations, the Mexican political background, and the immigration-related factors that *should* be included in any discussions of regulated trade between the US and Mexico.

We round out the issue with reports on other aspects of our stated purpose: immigration, population growth, language/assimilation, national unity, the environment — all viewed through the lens of a social contract.

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