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## Free Trade, Trump-Style

By PAT BEDARD  
GUEST CONTRIBUTOR

The concept of international free trade has taken a bit of a beating lately: trade deficits and jobs outsourcing have been favorite targets of Donald Trump's frequent and disjointed lambasting, and Hillary Clinton, once an outspoken proponent of increasing international economic cooperation, can now be found backpedaling on her previous commedable support for the North American Free Trade Agreement (NAFTA) and the Trans-Pacific Partnership (TPP).

While Clinton's recent concessions to the trade isolationism movement can be characterized as an unenthusiastic move to appease former supporters of Senator Bernie Sanders and attract current Trump supporters, the Republican nominee has long made regressive trade rhetoric a cornerstone of his campaign. Although it can be easy to become bogged down in the weeds of Chinese currency manipulation, the Mexican Value Added Tax, NAFTA, and the TPP, three important yet often ignored questions lie below the current web of rhetoric: what is free trade, is modern international trade more or less free than it was in the past, and can trade policy really bring back U.S. manufacturing jobs?

The concept of free trade is much like that of free-market capitalism: simple in principle and grossly complex in practice. The World Trade Organization governs and encourages free trade among the United States and 153 other member states, but the U.S. is also a signatory to dozens of individual free trade agreements, such as NAFTA, the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR), and the Israel Free Trade Agreement, which are administered here by the Office of the U.S. Trade Representative. The goal of all of these organizations is, in theory, to reduce barriers to international commerce.

These barriers can include import quotas (which affect U.S. imports ranging from brooms to olives to cotton), subsidies (farm subsidies have always been big, especially for corn and cotton

in America), embargoes (for the U.S., this means limited or no trade with Cuba, Iran, and North Korea), and currency devaluation (China is famous for it, but the U.S. Treasury Department has also called out Japan, South Korea, and Germany in the past).

Free trade is an elusive concept which is best considered in terms of degrees: the 2014 World Economic Forum's Enabling Trade Index rates the world's most free-trade oriented economy, Singapore, with

*Trump's "Plan to Rebuild the American Economy by Fighting for Free Trade" misses the mark when it comes to the kind of manufacturing job creation that he yearns for*

a score of only 84 percent of all the free-trade indicators a nation can have. The fifteenth-place U.S. slots near Canada, Denmark, Austria, and the United Arab Emirates with a score of 71 percent. China and Mexico, Trump's preferred targets, rest in the middle of the pack at 54th place (61 percent) and 61st place (59 percent) respectively. So while no nation engages in completely free trade, some do put up fewer trade barriers than others.

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## Italy on the Brink of Instability

By ALEX KLOSNER  
STAFF WRITER

For the past decade, Italy has faced a series of economic challenges that have threatened the country's stability.

Since the economic downturn of 2008, Italy has experienced a triple-dip recession. According to a report from the American Enterprise Institute (AEI), lingering effects of the recession are exacerbated by Italy's recent transition from the lira to the Euro, as switching currencies has resulted in a failure to achieve long-term growth. Last week, the Italian cabinet revised the estimated 2016 GDP growth forecast from 1.2 percent down to 0.8 percent. Italy's GDP remains 6 percent below its pre-recession peak and the country's public debt has reached a staggering

## This Week's News in 140 Characters

### EDITORIAL REPORT

 **Jeffrey Goldberg** ✓  
@JeffreyGoldberg

First mention of Howard Stern in a debate since Lincoln-Douglas.

 **Kevin D. Williamson**  
@KevinNR

Trump lying, again, about opposing the Iraq war, and Hannity helping him lie. Shameful.

 **Bill Maher** ✓  
@billmaher

Word from inside the debate hall is Melania just left with Bill Clinton. #StillGottt

 **jingeraghty** ✓  
@jingeraghty

Well, America, you know which president will stand up to Rosie O'Donnell.

 **Howard Dean** ✓  
@GovHowardDean

Notice Trump sniffing all the time. Coke user?

### ITALY ON THE BRINK OF INSTABILITY cont.

133 percent of GDP; only Greece has a higher debt to GDP ratio in the Eurozone. Comparatively, the United Kingdom has a debt level of 89 percent of GDP, while Germany's public debt is only about 70 percent of GDP. Italy's unemployment rate of 11 percent and youth unemployment (15- to 24 year-olds) of nearly 40 percent makes it one of the most ailing economies in the West.

Italy's demographic crisis also contributes to its relative economic instability. A recent report from Eurostat revealed that it has the highest proportion of elderly people in the European Union. 6.5 percent of Italians are over the age of 80, compared with just 3.1 percent in Ireland. The high number of Italian pensioners has undoubtedly put a strain on its national healthcare service.

Additionally, Italy has a fertility rate of just 1.37, compared with the EU average of 1.6. In 2015,

*Since the economic downturn of 2008, Italy has experienced a triple-dip recession*

only 488,000 babies were born in Italy, the lowest number of children born since the country's unification in 1861. This low fertility rate has

## Trump: How We Got Here

By WILL UTZSCHNEIDER  
ASSOCIATE EDITOR

This year's presidential campaign has tossed historical precedents and conventional standards out the window. To predict anything about the outcome of the election seems futile. Our situation, however, provides an opportunity to reflect and ask: "In a country of 320 million, how did the choice come down to these two?"

In an essay titled "Donald Trump and the American Crisis," political scientist John Marini argues: "Since the end of the Cold War, American leaders have understood their offices in terms of global and administrative rule, rather than political rule on behalf of the American people." By "administrative rule," Marini means governance by bureaucrats and judges rather than by laws passed by legislators (and approved by a president) responsible to the voters.

What do the results of such a shift in government show? Two-thirds of Americans believe their current leaders are doing more harm than good, taking the country in the wrong direction. Dissatisfaction and disillusionment

Trump's grandstanding on "Making America Great Again" in regard to free trade implies that international trade was actually much a freer endeavor at one time, and that the current state of the American economy is a result of the United States entering disadvantageous trade deals and allowing foreign nations to take advantage of American negotiators' incompetence and naivety. During the first presidential debate, Trump went so far as to charge that "[NAFTA] is the single worst trade deal ever approved in this country ... the worst trade deal maybe ever signed anywhere." Fact checkers unsurprisingly took issue with this characterization, as most economists view NAFTA as neutral in the area of job creation and outsourcing. But Trump seems to be asserting that free trade was once rampant in the international economy, and that recent interference by trade agreements like NAFTA has led to the dissolution of the international free market, to the detriment of the U.S. economy.

This is hardly the case – in fact, American trade barriers are lower now than during any other decade in American history. During the golden age of post-war American manufacturing (presumably Trump's "Great Again" period), average U.S. tariffs stood at between five and ten percent as a ratio of customs revenue divided by import value, compared with 1 to 2 percent for the prior two decades. Looking back to the height of the American industrial revolution, tariffs almost never averaged below 20 percent and sometimes exceeded 40 percent. So while it's true that the U.S. currently engages in "freer" international trade than China or Mexico, the glory years were far from an exemplar of an unshackled international free market.

Regardless of whether trade was once freer, Trump's "Plan to Rebuild the American Economy by Fighting for Free Trade" misses the mark when it comes to the kind of manufacturing job creation that he yearns for. The simple fact is that only significant government intervention to discourage free trade will result in the return of manufacturing jobs to the United States. While it should not require explaining to a supposed free-market capitalist like Trump, free trade and comparative economic advantage will always encourage the movement of jobs to markets with favorable labor-cost to labor-output ratios, as is the case for the manufacturing fields of major U.S. trading partners like Mexico and China. Fortunately, U.S. market forces and international pressure for higher living standards and

better working conditions will continue to drive up the cost of labor abroad. However, the U.S. will not be competitive in the realm of manufacturing until U.S. labor costs – and living standards – no longer greatly exceed those of our trading partners.

Reality simply does not conform to Trump's vision for the American economy in a world of free trade. It's a classic case of what economists call the triangle of triple constraint: copious domestic manufacturing jobs, a comparatively high living standard, and minimal trade barriers – you can only have two, and must choose which.

contributed to the lack of young workers available to contribute to its nearly bankrupt welfare system.

The frail economic conditions in Italy have had enormous political implications. As in the U.S. and UK, an anti-elitist sentiment has been growing in Italy. Many factions of the Italian public feel alienated by politicians, who they see as advocates for the wealthy. Others have blamed the EU's austerity measures for high youth unemployment and lack of growth. Italy used to be one of the most pro-EU nations in Europe, but the lethargic economy is among the factors that have boosted the recent popularity of anti-EU groups.

In order to increase his power to implement stabilizing economic reforms, Prime Minister Matteo Renzi, a member of the center-left Democratic Party, has called for a constitutional referendum on December 4. A rejection of the referendum would be seen as a rebuke against the EU and could threaten the stability of the Euro. A "no" vote would further legitimize the Euroskeptic, anti-globalist Five Star Movement (Il Movimento Cinque Stelle). Desmond Lachman of AEI argues: "the last thing that a troubled Italian economy now needs is a renewed period of political uncertainty that a 'no' vote [the] referendum would about certainly usher in." If the referendum fails to pass, Renzi has pledged to resign.

are rampant: many have argued that establishment politicians have eroded voters' trust over several decades to a point where they are close to rejecting our current political system.

In no other year has a candidate like Trump — who actually touts his limited policy knowledge — gotten this far in a presidential race. Consider, for instance, Trump's remarkable looseness with language: his cursing and lewd references are un-presidential

and yet excite his supporters nonetheless. It's as if all Trump needs to say is: "I am the change" for Americans to flock to his support.

This heightened sense of political alienation is especially powerful in the current climate of cultural disarray. Indeed, another political scientist, Angelo M. Codevilla, has written in "After the Republic," a recent *Claremont Review of Books* essay: "We have stepped over the threshold of a revolution. It is difficult to imagine how we might step back, and futile to speculate where it will end. Our

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ruling class's malfeasance, combined with insult [to the American people], brought it about."

Whatever we might think of either Trump or Clinton, it's clear that our country faces a crisis of morale. TV screens show scenes of mass shootings and riots. Drug overdoses plague rural communities. Illegitimacy rates remain alarmingly high. Government bureaucracies reek of corruption and influence peddling. More businesses perish every year than are started. Politics remain as polarized as ever.

It's worth reflecting that these challenges are not unique to the United States. We see similar turmoil in other Western countries. The European Union faces an identity crisis, with the Brexit vote, among other things, posing questions about its stability. World leaders debate how to respond to, and prevent, the continued proliferation of horrifying terror attacks.

Many of these are problems that no one leader can fix — or be considered responsible for. A leader can, however, set the tone for change.

During the growing world crisis of the 1930s, there were outstanding leaders available to respond: Churchill, Franklin Roosevelt, and de Gaulle. In the 1980s, similarly, Reagan, Thatcher, and Pope John Paul II dealt with problems including what turned out to be the final stages of the Cold War. Well into the 21st century, we still await anyone who looks this large. Mao Zedong — who at least got this right — once remarked: "The fish begins to rot at the head."

Whoever wins the presidency in November must accomplish a substantial healing of the public mood and a considerable restoration of trust in our government.

## CONTINUE THE CONVERSATION

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