

The Morality of Free Trade

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"To no one will we sell, to no one deny or delay right or justice."

Magna Carta, Article 40

The proponents of "fair trade" insist that those who support free trade do so at the expense of human rights. Exhibiting a Marxist bias, they critique free trade as allowing greedy companies (capitalists) to oppress their workers to maximize profits. Those who promote fair trade view government as having the ability and responsibility to require equal conditions and income for foreign laborers, using coercive trade policy as a mechanism to lift underprivileged nations out of poverty. While the argument for fair trade, on a cursory glance, might seem to be taking the moral high ground, the policies fair trade promotes often do the opposite.¹

The fair trade position not only assumes too much on any government's ability to determine fair prices, it requires government control of trade, wages, and working conditions. Such an expansive government opens the door to corruption. Those with political influence use government controls enhance their own status and advantage. Through collusion with corrupt government officials, they gain monopolies on trade and property and engage in oppression of laborers. This works to the detriment of economic development and undermines essential human rights.²

The close relation between rule of law, limited government, and economic prosperity is not mere coincidence. Rule of law and limited government are in fact the moral high ground that rightly protects human rights, including the right to compete in the world marketplace. A free market in trade allows the people to exercise a check on the corruption that is so undermining to economic development. A free market in trade allows foreign investment to

¹ This study was prepared for Hillsdale College's Free Market Forum, "The Role of Markets and Governments in Pursuing the Common Good," Panel Topic: "Is Free Trade Fair Trade," Sep. 27, 2008.

² Milton and Rose Friedman, *Free to Choose A Personal Statement* (New York: Harcourt Brace Jovanovich, 1980), 38-69.

invigorate a failed economy and displace the local corrupt oppressors (e.g., Zimbabwe), providing the people a means to economic survival and progress, certainly among the most essential of human rights. A free market in trade produces efficiencies in production that lift a backward labor-intensive economy out of the dark ages into the modern global marketplace of efficient labor (e.g., China).

This is not to say that the market is entirely self-guiding. While the market does, in the long run, punish laziness and dishonesty, it benefits from moral constraints. Morality is largely a personal responsibility, but government has a duty to require honest dealing, as well as protect basic health and safety in the workplace. It also must constrain morally unacceptable trade and abusive practices.

A free market and free trade can also be corrupting to the human soul, if wealth is the only goal. Private charity is made possible by the profits of free trade. Charity is an efficient means of helping the poor, and it nourishes the soul.

In short, the discussion on free trade versus fair trade needs to rise above the Marxist bias against free market capitalism and consider the real effects of trade policy on the people. The evidence shows that, within legitimate and limited regulation and moral constraints, free trade benefits the people much more than the so-called fair trade policies. This study intends to elucidate these concepts.

Fair Trade Assumptions

Promoters of fair trade fall into two general categories, those who want government to protect and equalize wages, labor standards, etc. by various forms of protectionism and government regulation of the market, and those who attempt to raise prices and improve working conditions by private charity. Those who promote government-driven fair trade assume that free trade would destroy jobs by undercutting domestic prices. Also, they tend to critique private enterprise as inadequate to determine fair prices and wages. They assume that capitalists, as per Marx, will regularly keep workers poor, abuse natural resources, and harm national interests.³ Likewise, they suppose that while business is corrupt, labor (or government) is not. Such assumptions, however, are misguided.

As can be easily demonstrated, government attempts to protect jobs and insure high wages are doomed to failure in the long run. A tariff, for example, may block the flow of one type of good, and for a brief period, protect jobs in that industry, but the ultimate consequences are detrimental.⁴ Consider the American auto industry. When Congress, driven by the union demands, restricted the trade of Japanese autos, the quality of American cars declined. The protected unions continued to drive up wages to unreasonable levels relative to the skills involved. American consumers were forced to buy poorly made products in order to support those jobs.

³ Friedman, *Free*, 38-54, Jagdish Bhagwati, *In Defense of Globalization* (New York: Oxford University Press, 2004), 122.

⁴ Robert L. Hetzel, "The Free Trade Debate: The Illusion of Security versus Growth," *Economic Quarterly*, 80 no. 2 (Spring 1994): 39-59.

This was not equalizing, rather, it was discriminating; it was robbing (poor) Peter to pay (rich) Paul. The practice amounted to a tax on American consumers to finance unreasonable wages of auto workers. The unintended consequence was a loss of competitiveness by the American auto industry from which it may never recover, and the near collapse of Midwestern industrial economies. The loss of wealth to American consumers was enormous. Eventually, ingenious actors in the market found a way around the trade restrictions, resulting in the relocation of auto production to foreign countries or to the largely non-unionized American South, mostly at foreign-owned plants. While domestic companies increasingly decline, foreign auto companies are increasing market share.

Even though the US is one of the most open economies, it directly restricts trade in many commodities from developing nations by non-tariff barriers, tariffs, and quotas.⁵ This includes our massive farm subsidies, which, among other things, pay farmers not to farm. The taxes required to fund the subsidies redistribute wealth from (poor) consumers to high-income farm corporations. The practice also undercuts foreign production costs, hurting the developing world that is seeking to become more competitive.

Joseph Stiglitz and other neo-protectionist economists agree that free trade increases efficiency, but supposedly at great cost to jobs in the short term. They argue that government should determine which jobs should be protected from competition by trade, and that government should compensate those who lose jobs in the transition. Since poor countries (usually the most protectionist) would bear the brunt of job losses, they argue that wealthy countries should pay the poor countries to cover the cost of transition to free trade. This approach seems quite presumptuous. It blames potential job losses on increased openness in trade. Considering that most poor countries with closed economic systems already have very high unemployment or underemployment, there does not seem to be nearly as much to lose as Stiglitz assumes.⁶ To the contrary, the evidence tends to show job gains rather than losses with free trade.⁷ Also, neo-protectionists assume that government is sufficiently wise to determine the sectors that should be protected, or what is a fair price for wages or products. This government just cannot do, and the very act of protection opens the door to corruption.⁸ Also, Stiglitz and his fellows suppose that redistribution of wealth from efficient rich nations to inefficient poor nations by coercion is a just policy. It never is. It is merely an extension of “legal plunder” to the international sphere.⁹ Finally, Stiglitz assumes that funds distributed to poor countries with bad

⁵ Edward Gresser and Marc Dunkelman, “Free Trade Can Fight Terror,” *The Wall Street Journal* (August 15, 2008), A15.

⁶ Joseph E. Stiglitz and Andrew Charlton, *Fair Trade for All* (New York: Oxford University Press, 2005).

⁷ Bhagwati, *Globalization*, 51-67, 122-34; interestingly, Bhagwati also favors redistribution of wealth from rich to poor nations, 228-39.

⁸ F. A. Hayek, *The Road to Serfdom*, Fiftieth Anniversary Edition (Chicago: University of Chicago Press, 1944), 80-96, 119-24.

⁹ Frederic Bastiat, *The Law* (Auburn, AL: The Ludwig von Mises Institute, 2007), 14-21.

governments would end up in the hands of the poor. It rarely does.¹⁰ Stiglitz's and other neo-protectionist proposals do not fit the real world.

Over the long run, all forms of protectionism produce not only inefficiency but also government-enforced inequality.¹¹ There is nothing "fair" about them. They violate essential moral standards and biblical precepts. God forbids governments engaging in unequal dealings, even to the advantage of the poor: "You shall do no injustice in judging a case; *you shall not be partial* to the poor or show a preference for the mighty, but in righteousness judge your neighbor" (Lev. 19:15). For any interest to collude with government to dominate and oppress is the opposite of our American system of equal government.¹²

The charitable Fair Trade movement, in distinction to government protectionism, has become very popular in many Christian circles. Generally speaking, the movement seeks to pay higher than market prices for goods, such as coffee, and use any profits for social welfare projects, such as improved health care and education. These goals are commendable. But most often, the Fair Trade movement proceeds from a false assumption about the nature of free market, claiming it oppresses workers by restricting prices below a "reasonable" level. Supposedly, the multi-national corporations lie, steal, and cheat to maximize profits at the expense of the poor producer. Fair Trade claims that it is more ethical than the free market, since it provides a living wage to producers.¹³ But, as Davies shows, the ethics of free trade marketers are mixed, often more passion than substance.¹⁴ There is little consistency in Fair Trade standards.¹⁵ Generally speaking, Fair Trade organizations have high administrative costs, compared to other charities.¹⁶ Indeed, it might be more efficient just to give donations to non-Fair Trade charitable organizations for the aid of the poor in developing economies.¹⁷

¹⁰ Franklin Cudjoe, "Africa Needs Freer Markets – and Fewer Tyrants," *Wall Street Journal*, Dec. 14, 2005, A20, also available online at <http://online.wsj.com/article/SB113452164825921824.html>, or at <http://www.imanighana.com/about.html>, the website for the IMANI Center for Policy & Education; Melvin Krauss, *How Nations Grow Rich: The Case for Free Trade* (New York: Oxford University Press, 1977), 61-84; Deepak Lal, *Reviving the Invisible Hand: The Case for Classical Liberalism in the Twenty-First Century* (Princeton: Princeton University Press), 139-49.

¹¹ Hetzel, "The Free Trade Debate," 47-52.

¹² James Madison, No. 39, in Alexander Hamilton, James Madison, and John Jay, *The Federalist Papers*, Clinton Rossiter, ed. (New York: Mentor Books, 1961).

¹³ Philip Booth and Linda Whetstone, "Half a Cheer for Fair Trade," *Economic Affairs*, 27 no. 2 (June 2007): 31-32; Hayek, *Serfdom*, 80-96.

¹⁴ Iain A. Davies and Andrew Crane, "Ethical Decision Making in Fair Trade Companies," *Journal of Business Ethics* 45 (2003): 79-92.

¹⁵ Paul Ingenbleek and Matthew T.G. Meulenbergh, "The Battle Between 'Good' and 'Better': A Strategic Marketing Perspective on Codes of Conduct for Sustainable Agriculture," *Agribusiness*, 22 no. 4 (2006): 451-473.

¹⁶ Torsten Steinrücken and Sebastian Jaenichen, "The Fair Trade Idea: Towards an Economics of Social Labels," *Journal of Consumer Policy*, 30 no. 3 (September 2007): 209.

Unfortunately, the Fair Trade movement is not sustainable as a business practice. It requires continued charitable contributions to provide funds to raise prices above the market. It has become a popular movement, especially in Europe, capturing a small market share using an advertising strategy directed to an “ethical” consumer to pay higher prices for Fair Trade goods. This appeals only to a small portion of consumers with considerable price elasticity. Though the market for Fair Trade goods has grown, it will never have sufficiently broad appeal to make it very significant. Companies known for participating in Fair Trade must use their free trade profits to support the small Fair Trade portion of their income.¹⁸

On the other side of Fair Trade is the effect on the producers with whom it works. Fair Trade reaches only a small portion of producers. It must restrict access to the Fair Trade co-ops in order to continue funding the higher prices. Most producers on the ground involved in Fair Trade receive little in the way of increased income.¹⁹ The costs related to production of Fair Trade goods are often higher than the increased prices will fund.²⁰ Also, promoting subsistence farming of any type may forestall the needed movement to more efficient forms of production, just like government-enforced protectionism.²¹ Free trade coffee producers in Vietnam and Brazil have greatly increased productivity, something that is not occurring with Fair Trade producers.²² Even with slightly increased efficiencies, subsistence farming is not sustainable in the modern world. Simply put, the Fair Trade movement is interesting, but not the panacea that many would like for it to be.

Fair Trade and Corruption

“I broke the jaws of the unrighteous, and plucked the prey out of his teeth.” Job 29:17

¹⁷ Dennis Yanchus and Xavier de Vanssay, “The Myth of Fair Prices: A Graphical Analysis,” *Journal of Economic Education*, 32 no. 3 (Summer 2003): 235-40.

¹⁸ Green Mountain Coffee Roasters is a good example. Though its marketing might indicate otherwise, only about one-quarter of its product is actually fair trade. See FY ‘07 Initial Highlights at <http://www.greenmountaincoffee.com/ContentPage.aspx?Name=bbw-about-fy07-highlights-page&DeptName=bbw-about-our-company>.

¹⁹ Jeremy Weber, “Fair Trade Coffee Enthusiasts Should Confront Reality,” *Cato Journal*, 27 no. 1 (Winter 2007): 109-17.

²⁰ Steinrücken, “The Fair Trade Idea,” 209-16.

²¹ Booth and Whetstone, “Half a Cheer.”

²² Brink Lindsey, “Grounds for Complaint? Understanding the ‘Coffee Crisis,’” Cato Institute, Trade Briefing Paper no. 16 (May 6, 2003) available at <http://www.freetrade.org/node/68>.

“You know that the rulers of the nations lord it over them, and their great men hold them in subjection, tyrannizing over them. But it shall not be so among you.” Matthew 20:25-26²³

Fair trade, whether government-enforced, or charitable, opens the door for many abuses. In addition to being discriminatory in favor of the privileged parties, and against others, fair trade often provides a cover for tyranny. From Nimrod to Pharaoh, from Nebuchadnezzar to Nero, the Scriptures regularly condemn tyrants. Even wise Solomon was rebuked for his oppressive taxes. The Iron Curtain has collapsed, but tyrants today hide in closed societies cut off from trade with the free world. There is a close correlation between tyrannies around the world and the degree of protectionism that they have erected. Generally speaking, nations that are distinguished by protectionism rank high in corruption;²⁴ they are also in abysmal economic straits. Among other things, corruption restrains foreign investment, a critical factor of economic growth.²⁵ Corruption undermines the rule of law and property rights, so essential to economic development.²⁶

Numerous studies have shown that the most effective means of encouraging trade and investment is *curtailing corruption* by restraining and checking government abuses. One of the central features in building the modern system of world trade is the necessity of reducing corruption, both private and public.²⁷ The US has insisted on this in its trade policy (Foreign Corrupt Practices Act of 1977); the EU has required such for trading partners; China’s

²³ Scripture quotes are largely taken from either the New American Standard Bible® (Habra: CA, Lockman Foundation, 1995) or the *Amplified® Bible* (Habra, CA: Lockman Foundation, 1965). Used by permission (www.Lockman.org).

²⁴ Geoffrey M. Hodgson and Shuxia Jiang, “The Economics of Corruption and the Corruption of Economics: An Institutionalist Perspective,” *Journal of Economic Issues*, 41, no. 4 (December 2007): 1043-1061; Hodgson and Jiang provide a useful definitional study of “corruption,” both public and private, and its deleterious economic effects. Jia Shao, Plamen Ch. Ivanov, Boris Podobnik, and H. Eugene Stanley, “Quantitative Relations between Corruption and Economic Factors,” *The European Physical Journal B*, 56 (2007): 157-66. See Appendix below, Scatterplots 2-3.

²⁵ Kusum W. Ketkar, Athar Murtuza and Suhas L. Ketkar, “Impact of Corruption on Foreign Direct Investment and Tax Revenues,” *Journal of Public Budgeting, Accounting & Financial Management*, 17, no. 3 (Fall 2005): 313-36; John C. Anyanwu, “Promoting of Investment in Africa,” *African Development Review*, 18, no. 1 (April 2006): 42-71; Danila Serra, “Empirical Determinants of Corruption: A Sensitivity Analysis,” *Public Choice*, 126, nos. 1-2 (January 2006): 225-56; Elizabeth Asiedu, “Foreign Direct Investment in Africa: The Role of Natural Resources, Market Size, Government Policy, Institutions, and Political Instability,” *World Economy*, 29, no. 1 (January 2006): 63-77; Jesiah Selvam and A. Meernakshisundara Rajan, “Privatization and Economic Growth in the Least Developed Economies: Empirical Evidences from Ethiopia,” *ICFAI Journal of Applied Economics*, 7, no. 2 (Feb. 2008): 57-79; Kempe Ronald Hope, Sr., “Economic Performance, Trade, and the Exchange Rate in Ethiopia, 1990-2002,” *African and Asian Studies* 3, no. 1 (2004): 61-76, 2004.

²⁶ Hernando de Soto, *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else* (New York: Basic Books, 2000), 207-28.

²⁷ John E. Stapleford, “Corruption, Faith, and International Trade,” Hillsdale College Free Market Forum: The Role of Markets and Government in Pursuing the Common Good, September 29, 2007.

ascendancy has been accompanied by an increased concern with raising standards that thwart corruption.²⁸

Corruption is universal, but the very fact of the universal recognition of corruption, and its deleterious effects on economic growth, illustrates the existence of a universal morality. Everywhere, men know that corruption and oppression are wrong. Moreover, free trade and corruption are antithetical. It is not surprising that Dominican Edward Cleary argues that combating corruption should be a high priority for the Christian Church in the developing world, especially because of the harmful effect of corruption on the poor.²⁹

A Moral Standard for Trade

“Be fruitful and multiply, and fill the earth, and subdue it.” Gen. 1:28

It might be noted that this study has not approached issues of free and fair trade from a libertarian perspective. While the libertarian position has some appeal, largely holding to maximized individual freedom restrained only by the Stoic “do no harm” principle, it is too limited to provide a comprehensive normative standard. The author has intentionally drawn on biblical principles to provide these norms. Biblical principles include the negative duty to avoid harm to others as well as oneself, and add positive duties to self, others, and God. As per Locke: “For Men being all the Workmanship of one Omnipotent, and infinitely wise Maker; All the Servants of one Sovereign Master, sent into the World by his order and about his business, they are his Property, whose Workmanship they are, made to last during his, not one another's Pleasure. . . . Every one as he is *bound to preserve himself*, . . . ought he, as much as he can, *to preserve the rest of Mankind*.”³⁰

When God created man, He gave to him a duty to multiply and fill the earth, and to subdue and exercise dominion over it (Genesis 1:28). Throughout the Scriptures, the duty of man to work, progress, and prosper is a constant theme. “Six days shall you labor” (Exodus 20:9). The Scripture commends skill in labor, and promises prosperity to the diligent (Proverbs 13:4, 21:5, 22:29, 1 Thess. 4:11). Also, many biblical passages praise increasing efficiency through trade and commerce (Job 42:12, Proverbs 14:4, Proverbs 31, Eccl. 9:10, 19, Luke 19:11-27). Generally speaking, God blesses honest labor and trade with prosperity (Ps. 144, 3 John 2). It is God, not an invisible hand, who makes free markets work.

However, there is also a caveat the Scriptures repeat: while men are busy with their daily labors, they must not neglect love for God and man. Allowing liberty to fulfill these dominion duties, while disallowing license, is always a difficult challenge. While God made men free, men

²⁸ Scott Kennedy, “China's Porous Protectionism: The Changing Political Economy of Trade Policy,” *Political Science Quarterly*, 120 no. 3 (2005): 407-32. Minxin Pei argues that corruption in China has merely changed forms, and that it will inhibit further growth, “The Dark Side of China's Rise,” *Foreign Policy*, 153 (March/April 2006): 32-40.

²⁹ Edward L. Cleary, O.P., “New Priority for Churches and Missions: Combating Corruption,” *Institutional Bulletin of Missionary Research*, 31 no. 4 (October 2007): 182-86.

³⁰ John Locke, *Two Treatises of Government*, ed. Peter Laslett (Cambridge: Cambridge University Press, 1988), “Second Treatise,” secs. 5-6.

fell in sin, and this creates, to say the least, complications. The free market, rightly understood, is the system that allows men to exercise their God-given duty to progress and prosper.

Unfortunately, the market can become a means of promoting license instead of liberty; it can allow exchange of immoral and harmful goods, include collusion with government to gain advantage and oppress, and become an idol that replaces love for God and man. It is not free trade, but immorality, covetousness, idolatry, fraud, oppression, and slavery that God condemns (e.g., Leviticus 19, Deuteronomy 24, Ezekiel 22, Amos 2, James 5, Revelation 18). These abuses are not a failure of the market; they are a failure of man.

Christians should not be ambivalent about the free market, and certainly they should not assume a free market is inherently oppressive. We should not approach the market as inherently flawed, requiring government planning, programs, and regulations to fix market failures. Instead, the concern should be with moral freedom and moral responsibility in market exchange. The Scripture approaches freedom as a moral value (Leviticus 25, Jeremiah 34, 1 Corinthians 7:21-23, Galatians 5:13). Men have liberty from God to do that which is just and right. But they do not have license to do that which is harmful, wrong, or immoral. In order for men to exercise liberty but not license, they must be governed by a moral standard.

God, of course, is the ultimate source of morality. He created man in his own image and likeness, from which flows an understanding of right and wrong (Romans 1, 2). God has also spoken to men, declaring more clearly the moral principles and precepts by which mankind must live. These are freeing: “The law of the law is perfect, converting the soul. The testimonies of the Lord are sure, making wise the simple. . . . The commandments of the Lord are true, enlightening the eyes” (Ps. 19:7-8). “I walk at liberty, because I have sought your precepts” (Ps. 119:45). God’s law calls for men to deal fairly and justly with one another: “You shall not steal, nor deal falsely, nor lie to one another . . . You shall not defraud your neighbor or rob him; the wages of a hired servant shall not remain with you all night until morning” (Leviticus 19:11, 13). The violation of moral precepts brings consequences; we betray them to our peril. “Be not deceived, God is not mocked; whatever a man sows, that also shall he reap” (Galatians 6:7). God providentially blesses obedience to His precepts and brings curses on disobedience (Deuteronomy 28).

Limited Government and Free Trade

"You must judge very evenly; do not give one judgment to the wealthy, [but] another to the poor! Nor give one judgment to the more beloved—and another to the more disliked!"

Laws of Alfred the Great, Article 43³¹

What is the proper role of government in relation to free trade? From a Biblical standpoint, government must be limited; its central duty must be protection of life and property (Romans 13). Government must guard liberty, not remove it by oppression (Deuteronomy 17). Government’s duty to protect life flows from God’s command: “Whoever sheds man’s blood, by mankind must his blood be shed, for in God’s image he made man” (Genesis 9:6). As declared in the Scriptures and elucidated by Locke, the more developed a society, the greater its need for

³¹ Cited in Francis Nigel Lee, “King Alfred the Great and Our Common Law” (August 2000), 13, <http://www.dr-fnlee.org/>. See: Exodus 23:6

well-organized government. “A king is an advantage to a land with cultivated fields” (Eccl. 5:9). Government has a duty to protect property rights.³²

Should government forbid all harmful and immoral practices? Such an extensive task is beyond the ability of government. Government cannot make men righteous. Yet government does have a role in prohibiting the worst abuses, those that most immediately cause harm. Everyone who favors free trade knows that government plays a critical role in enforcing moral strictures against fraud and dishonest dealings. God has authorized governments “to execute justice and righteousness” (1 Kings 10:9). Records, laws, and courts protect life and property.³³ When government is limited to its just role, a free market and free trade prosper.³⁴

Can vice and depravity corrupt and undermine a free market? Certainly they can. Goods that always cause harm should be banned altogether from market trade (e.g., hallucinogenic drugs, child pornography). The most egregious practices must be prohibited by law (e.g., chattel slavery, onerous interest). Clearly, government has a role to play in restraining moral abuses (e.g., prostitution). Contrary to Bernard Mandeville, it is morality, not vice, that makes the market run efficiently.

With a free market may come an increase in trade of immoral commodities, but the general evidence is that it will bring a much greater increase in wholesome trade. The positive of the wholesome trade far outweighs the negative of the corrupt. Why is this certain in a sin-filled world? Because Jesus is the light of the world, and his gospel brings law and justice to the nations (John 1:1-9, Isaiah 42). Rule of law, human rights, and limited government have made great progress in the last two millennia. I would argue that this is largely due to the increasing influence of Christianity around the world. While this influence may wax and wane at times, its overall advance has been steady and increasing.³⁵

Can some market actors gain a seemingly unfair advantage over others? If the market is truly free, only for a brief period of time. The exception to this comes from *government interference*. If government is rightly limited to its just role, it will not be open to collusion in oppression of workers or industry. For example, if a state prohibits formations of unions, strikes, etc. (except to insure health and safety), this fosters a corrupt collusion between industry and government to oppress workers. On the contrary, if government requires industry to hire only union workers, not fire union workers, etc., this encourages a corrupt collusion between union and government to oppress industry. Neither status serves the common good. Government should be limited so that it cannot be included in corrupt collusions.³⁶ “In questions of power, then, let

³² Locke, “Second Treatise,” secs. 45, 77-122.

³³ Hayek, *Serfdom*, 43-45.

³⁴ See Appendix below, Scatterplots 4-5.

³⁵ C. Loring Brace, *Gesta Christi: A History of Humane Progress under Christianity*, 4th ed. (London: Hodder & Stoughton, 1882); Michael Sodaro, et al., *Comparative Politics: A Global Introduction* (New York: McGraw Hill, 2001), 308.

³⁶ Hayek, *Serfdom*, 80-96.

no more be heard of confidence in man, but bind him down from mischief by the chains of the Constitution" (Thomas Jefferson: Draft Kentucky Resolutions, 1798). Oppression of workers (or industry) is a moral evil. In a free society with a limited government, workers may flee to a safe and honest workplace. In a closed society with a closed market, workers have no place to flee (except perhaps to an unreceptive foreign nation).

Advantages of Free Trade

"Is this not the fast that I have chosen: to loose the bonds of wickedness, to undo the bands of the yoke, to let the oppressed go free, and that you break every yoke?" Isaiah 58:6

Many advantages rise from free trade constrained within a moral framework. Free trade decreases poverty. Free trade provides access to many commodities that make life easier. Free trade improves health and education. Free trade in commodities encourages free trade in ideas. This opens the door to the expansion of democracy by limiting the role of government and increasing the rule of law. It allows a free market in religion. For Christians, this means that free trade provides an opportunity for the spread of the gospel of Christ.³⁷

One of the errors of fair trade assumptions is that the world market is zero sum. The winners triumph at the expense of the losers. Those who study economics know that this is not so. Free trade promotes increases in productivity, which increases wealth for all. Free trade provides better commodities at cheaper prices than available in a closed economy. Free trade allows foreign investment in otherwise poor countries that are rich in natural and labor resources. This produces better jobs than possible in a backward economy, with improved working conditions. Free trade carries with it the potential of lifting an entire country out of poverty, as witnessed most recently in Southeast Asia and Eastern Europe.³⁸

Along with free trade comes an improvement in health. This is for many reasons. The resources free trade brings into a country provide for development of infrastructure, providing such things as clean water, a remarkably rare option in developing nations. It pays companies investing in developing economies to keep their workers healthy. This means provision of clinics and medicines otherwise unavailable. Free trade improves wages, which allows for an improved diet. Free trade brings more knowledge about health-related issues to a developing economy.

³⁷ Daniel Griswold, "Seven Moral Arguments for Free Trade," *Cato Center for Trade Policy Studies*, <http://www.freetrade.org/node/502>, 23 August 2001. The areas that benefit from free trade noted in this study, as well as other categories not addressed, are graphically represented in the Fraser Institute's recent study, James Gwartney and Robert Lawson with Russell S. Sobel and Peter T. Leeson, *Economic Freedom of the World: 2007 Annual Report* (Vancouver, B.C.: The Fraser Institute, 2007), 23-27. See Appendix below for the author's documented statistical comparisons for the mid-1980s to mid-1990s. These findings correlate with the more recent study by Fraser, showing a continuing positive relationship between economic openness and progress in other areas.

³⁸ Griswold, "Seven Moral Arguments," Kumar, Nagesh, "Reforms, Global Integration and Economic Development: Prospects and Challenges for India," *Public Policy Research*, 13 no. 3 (Sep./Nov. 2006): 138-46.

Also, the improvement in government policies required for free trade to prosper improves health.³⁹

Free trade is closely associated with advances in education. Modern technology requires educated workers. Companies investing abroad as well as locally must train their own workers so that they can be maximally productive. Modern business practices, once introduced into a poor economy, quickly spread as local firms seek to imitate productive methods. Increases in wages also allow parents to begin sending their children to school. This is not possible in an oppressed economy based on subsistence agriculture.⁴⁰

Free trade brings new ideas. It greatly improves the transmission of ideas that would otherwise be outlawed or inaccessible in developing countries. Try as it might, China's movement toward free trade undermines efforts to control ideas.⁴¹ There is, for example, a vast resurgence of religion in China today. Protestant Christianity particularly is making great inroads in China. This also occurred in South Korea over the last four decades. Numerous other examples could be introduced. This should be of note to those concerned with economics, because one of the corollaries with Christianity is progress in freedom and economic development.⁴²

The longing of the developing world for democracy is evidence of the spread of new ideas accompanying liberalized trade.⁴³ I admit to having been a skeptic on this category, but the evidence shows that free trade brings with it more liberal political policies. This is partly true because government must improve for free trade to work and because a populace enjoying the freedom to trade becomes a check on government.⁴⁴ Government must begin protecting property and property rights, including intellectual property rights. With property rights comes rule of law. With rule of law comes limited government, and with limited government comes respect for human, civil, and political rights. Admittedly, religious toleration based on economic

³⁹ Kumar, "Reforms," 140, Ann L. Owen and Stephen Wu, "Is Trade Good for Your Health," *Review of International Economics*, 15 no. 4 (2007): 660-82; Ketkar, Murtaza & Ketkar, "Impact of Corruption," note that reduction in corruption and corresponding increase in foreign direct investment increases government revenues available for improvements in public expenditures.

⁴⁰ Kumar, "Reforms," 140; Daniel T. Griswold, "Trading Tyranny for Freedom: How Open Markets Till the Soil for Democracy," Cato's Center for Trade Policy Studies, Trade Policy Analysis no. 26 (January 6, 2004), available at <http://www.freetrade.org/pubs/pas/tpa-026es.html>.

⁴¹ Griswold, "Seven Moral Arguments," Robert A. Sirico, "Free Trade and Human Rights: The Moral Case for Engagement," Cato's Center for Trade Policy Studies, Trade Briefing Paper no. 2 (July 17, 1998), available at <http://www.freetrade.org/pubs/briefs/tpb-002.html>.

⁴² See Appendix, Correlation 1.

⁴³ By democracy, I mean more than just elections. Democracy must include, at minimum, rule of law, limited government, protection of essential human, civil, and political rights, and truly free elections.

⁴⁴ Hetzel, "The Free Trade Debate," 49.

pragmatism is the least sustainable form of toleration. However, once toleration becomes acceptable for any reason, it takes on a life of its own.⁴⁵

The association of free trade and liberalization in other areas is unmistakable. This does not mean that it is immediate, but it appears that such a development is inevitable with the development of a free market and free trade. Freedom spawns freedom.⁴⁶ Kamal Smimou found that “economic freedom reduces corruption by giving individuals and firms more freedom to make their own decisions, thus reducing the need for government permissions and the bribes often required to obtain them.”⁴⁷ According to Robert Hetzel, “A significant means of limiting the power of government is to organize economic activity through the voluntary exchange of a free enterprise economy with its separation of competition for control over resources from competition for control over political power.”⁴⁸

Free Trade and Charity

“Let the thief steal no more, but let him be industrious, . . . so that he may be able to give to those who in need.” Eph. 4:28

In a free market economy, competing in a free trade world, there will still be need for charity. We will always have the poor among us, even if only the disabled and the afflicted. Free trade can improve life, but it cannot make men perfect in a world cursed with sin.

Free trade promotes the level of prosperity that makes charity possible. Certainly, those who are prosperous may ignore the poor. But this is neither wise nor moral. If we rightly recognize that God (not society) enables men to prosper, we should be willing to share our wealth with those in need (Deuteronomy 8, Job 29, Ecclesiastes 5:19, Isaiah 58, 1 Timothy 6:17-19). Christ has given us the example, and “we love because He first loved us.” The Scripture makes a close connection between profit and giving (Ecclesiastes 10:2, Ephesians 4:28).

Private charity is more effective than government aid. Typically, private charity goes to those who actually need it, in contrast to government-aid programs. From a biblical perspective, charity includes a concern for moral desert (which is largely beyond the ability of government to determine). And it typically requires work: “He who does not work shall not eat” (2 Thess. 3:10).

⁴⁵ J. Stephen Phillips, “Thomas Helwys and the Idea of Religious Liberty” (Ph.D. diss., Baylor University, 1998), 386-94.

⁴⁶ Griswold, “Seven Moral Arguments,” “Trading Tyranny for Freedom,” and “Globalization, Human Rights, and Democracy,” Cato Center for Trade Policy Studies (August 11 2006), available at <http://www.freetrade.org/pubs/articles/dg-02-28-06.html>, 2006; Serra, “Empirical Determinants”; Meir Statman, “Local Ethics in a Global World,” *Financial Analysts Journal*, 63 no. 3 (May/June 2007): 32-41, according to Statman (40), “Globalization can result in painful economic adjustments in the short run, but it can be a potent tool to increase income, trust, and fairness,” which in turn increase investment and trade.

⁴⁷ Kamal Smimou, “Fighting Corruption in the Middle East and North Africa with Policy Improvements,” *Fraser Forum* (April 2007): 23-27.

⁴⁸ Hetzel, “The Free Trade Debate,” 49.

⁴⁹ We should distinguish between voluntary charity and government-coerced redistribution of wealth; the former is an effective exercise of mercy; the latter is a wasteful injustice.

But let us be honest about charity. Charity, as shown in the Fair Trade movement, is not business. Charity cannot exist without the profits that come from business conducted in a free market. Profits are not evil; they drive competition, improve productivity, and make life better for all. It is not money that is the root of all sorts of evil, but the misplaced *love* of money (1 Timothy 6:10). As the Scripture commends, do not hold on to money too tightly, because it has wings, and may fly away. “For what shall it profit a man if he shall gain the whole world, and lose his own soul?” (Mark 8:36).

Conclusion

Fair trade, so called, is not fair. It promotes discrimination and inequality. It places too much trust in government, opening the door for government abuse. It runs in bad company with tyrants and oppressors. Even charitable Fair Trade is not sustainable without continued infusions of charitable contributions, and it does not offer the broad benefits that flow from free trade.

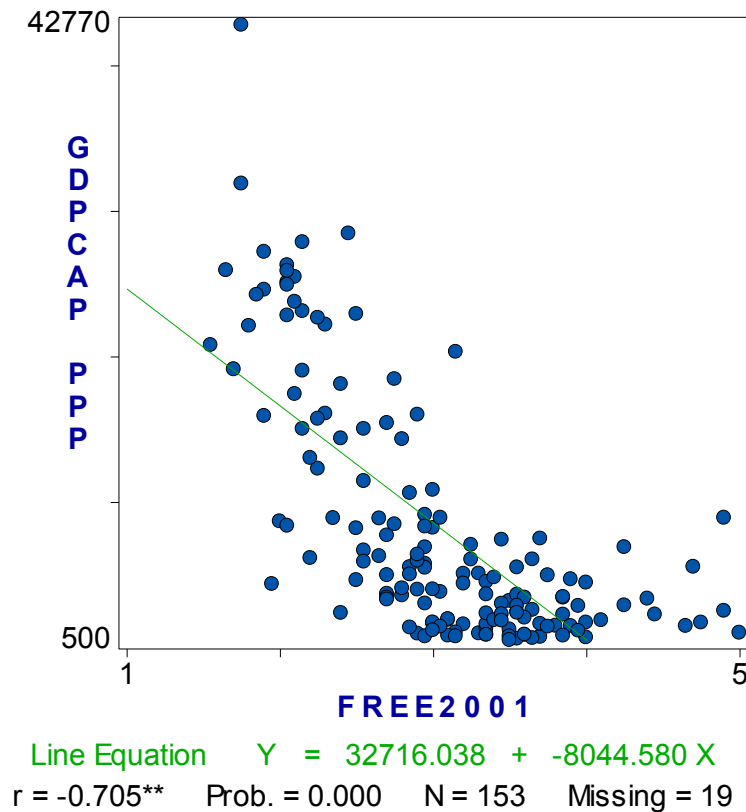
Global trade forces countries to come out of the dark of oppression and corruption and to liberate their people, if they are to grow and prosper. The advancing prosperity of the modern world, known as globalization, is in sharp contrast with those states where tyranny and corruption are endemic.

Free trade is in itself a moral exercise. It fulfills the dominion mandate given by God to man. The honest production and exchange of beneficial goods results in economic prosperity as a blessing of God. It brings improved health and welfare. It offers greater opportunities for human development. It provides for the free flow of ideas, including the Christian gospel. It checks oppressors and tyrants. Yet free trade cannot stand alone. Over the long run, free trade cannot be sustained without moral constraints.

⁴⁹ Because the Bible requires work as a duty, it relates charity, except in the most dire cases, to providing opportunity for work; thus, “he who does not work should not eat”; see 2 Thessalonians 3:10-12, Leviticus 19:9-10, 25:25-42, Deuteronomy 15:7-14, 26:12-13, 24:14-21, Proverbs 10:4, 12:24, 13:4, 22:29, 1 Thessalonians 4:11-12; helping the working poor is commended: Psalm 37:21, 26, Psalm 41:1-3, Proverbs 29:7, Acts 20:35, Galatians 6:10, James 1:27; helping fools or wicked men is forbidden: see Proverbs 17:15, 19:19, 24:24, 2 Chronicles 19:2.

Appendix

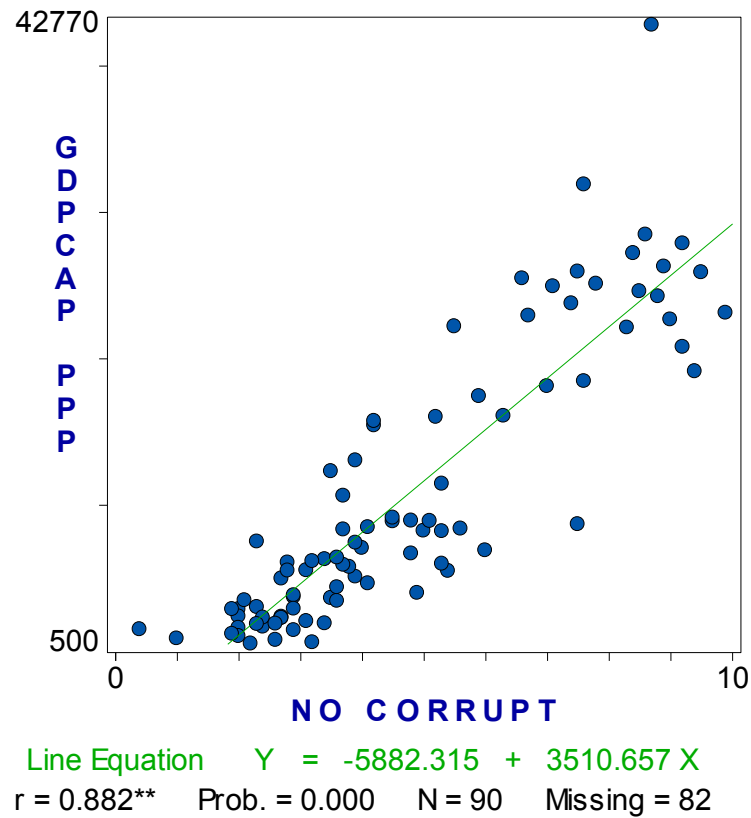
Scatterplot 1



This shows the correlation between GDP per capita based on purchasing power parity from World Development Indicators, published annually by the World Bank (WDI 2001) and the extent of economic freedom from the Index of Economic Freedom, published annually by the Heritage Foundation and Wall Street Journal (HF 2001), with 1 being the most free and 5 being least free. Where economic freedom increases, GDP rises.⁵⁰

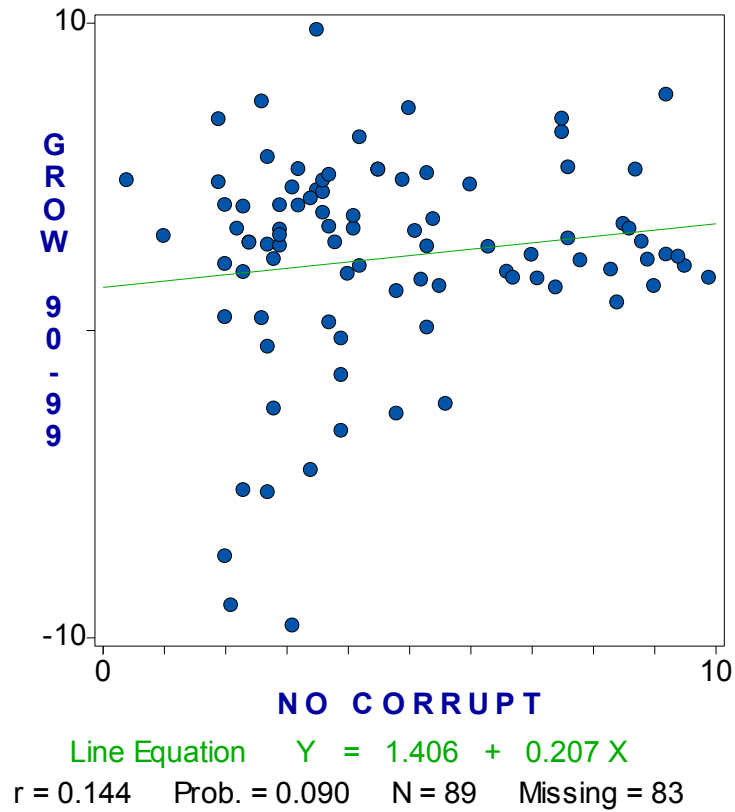
⁵⁰ All statistics are derived from MicroCase Statistical Software, packaged with Michel K. LeRoy and Michael Corbett, *Research Methods in Political Science: An Introduction Using MicroCase ExplorerIt*, 6th ed. (Stamford, CT: Wadsworth, 2006), using the GLOBAL statistical compilation available in MicroCase © 1997-2003 by Wadsworth.

Scatterplot 2



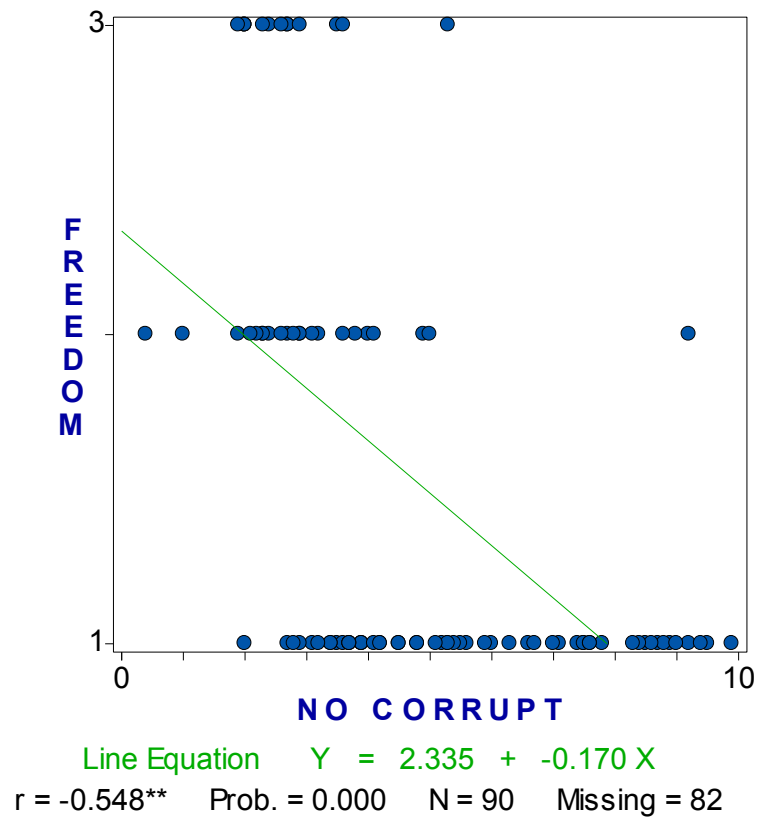
This shows the correlation between the extent of corruption based on Transparency International's Corruption Perceptions Index (10 is least corrupt—TI 2001) and GDP per capita based on purchasing power parity from World Development Indicators (WDI 2001). GDP is dramatically higher where there is less corruption.

Scatterplot 3



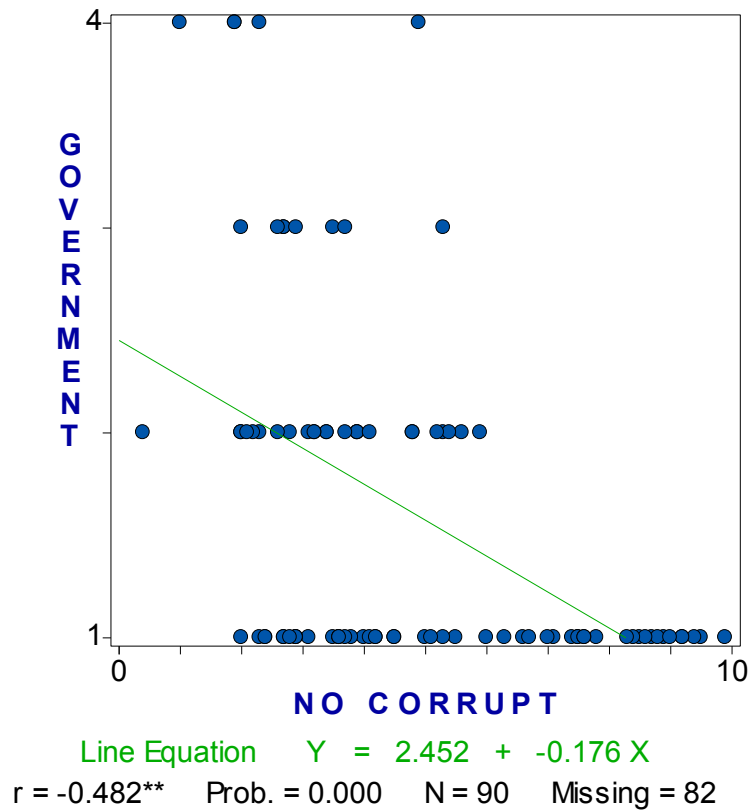
This shows the correlation between economic growth (WDI 2001) and extent of corruption (TI 2001). The less corruption, the greater the likelihood of steady economic growth.

Scatterplot 4



This shows the correlation between civil and political freedom (1 is most free—from Freedom House, FITW 2001) and corruption (TI 2001). Where there is greater freedom, corruption declines.

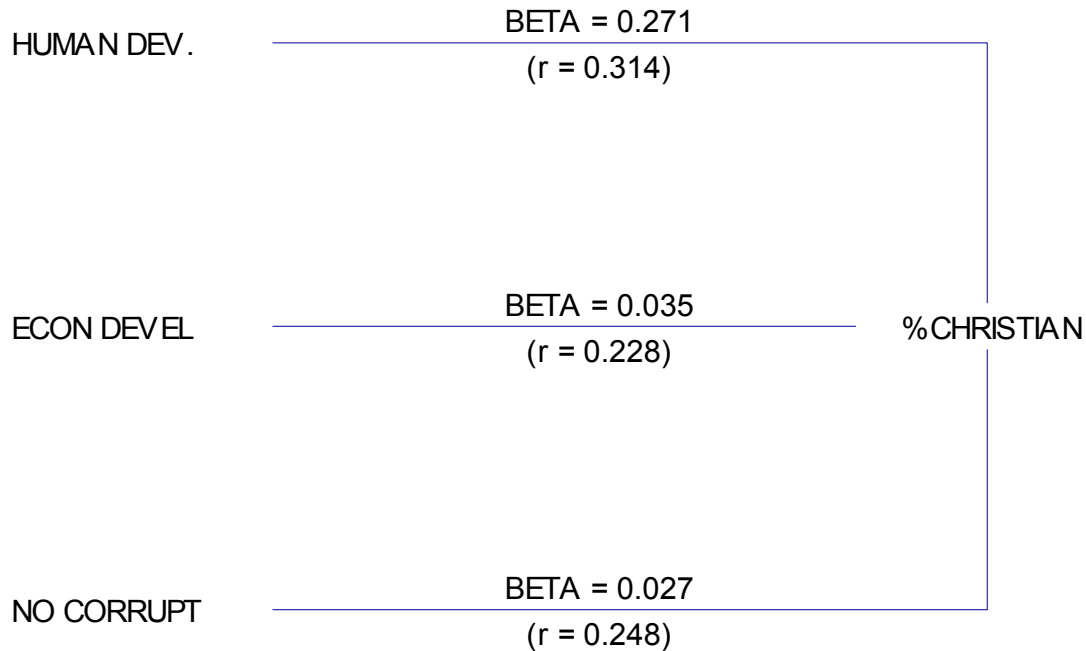
Scatterplot 5



This shows the correlation between form of government (Kidron and Segal, *State of the World Atlas*, 5th Edition, London: Penguin, 1995) and corruption (TI 2001); the more democratic (1), the less corruption (10); the more authoritarian (4), the greater corruption.

Correlation 1

Multiple R-Squared = 0.100*



This shows the correlation between human development (UN Human Development Report, 1998—HDR 1998), economic development (HDR 1998), and extent of corruption (TI 2001) measured against the percentage of professing Christians, from *World Christian Encyclopedia*, David B. Barrett, editor, Oxford University Press, 2001 (WCE 2001). There is a positive correlation between percent of professing Christians and human development, economic development, and lessened corruption; correlations with other religions were either not very significant or sharply negative, as with percentage of Muslim.