

Collective Animosity vs. Individual Freedom: The Case for Free Trade

It is easy to overlook the complexity of simple objects that we use in our everyday lives, such as a cotton shirt. Worn daily by many, it appears to be nothing more than cotton and thread. Yet, the shirt requires an intricate global network of harvesting cotton, weaving and dyeing, sewing, and transportation. Without such a network, the United Kingdom, due to its uncondusive climate, would be without cotton shirts.¹ While its absence is unlikely to lead to social unrest, it would force many to alter the clothes that they wear. As a substitute, British citizens may turn to wool, due to its wide availability, but they will no longer be free to fully express their preference for cotton. In this scenario, an amenity as basic as a cotton shirt displays how essential trade is for individual freedom and greater prosperity.

The view that free trade promotes individual freedom and prosperity is not limited to a niche set of free market economists. John Maynard Keynes, who was known for his disagreements with the Austrian school of thought, argues that free trade is a path to individual happiness. On the other hand, trade barriers result in collective animosity and are tools to impoverish all parties involved. He also argues that in a world of free trade, borders would matter very little when it comes to the distribution of natural resources and production. In this instance, Keynes is largely correct with his assessment, trade is more than an economic tool; trade is a means for prosperity and cooperation.

Why do trade barriers send individuals down a path to poverty, but free trade allows for flourishment, or individual happiness, as Keynes posits? Through free trade, life becomes far more affordable for individuals. Such a result is primarily due to innovation fostered by the

¹ There has been an initiative to create a strand of cotton that can be grown indoors, but that too requires trade (Martson, 2024).

additional competition brought by free trade and the ability for more individuals to make use of their comparative advantage.² For example, in pre-industrial villages individuals tend to specialize in particular jobs such as sewing, baking, or sheep herding, not because someone is instructing them to do so, but because specializing in a particular task is less costly, both in terms of investment, time, and opportunity cost, and allows for them to maximize their output. During that same stage of development, it is usually only in more remote areas where one can find families that attempt to be almost entirely self-sufficient, yet they are typically worse off than their specialized counterparts.

In contrast, trade barriers, particularly long-term ones, increase prices due to the nature of trade barriers like tariffs, which are taxes, and decreased competition in particular industries with the absence of foreign firms. According to a recent Federal Reserve report (2025), if the United States were to impose a 20 percent tariff on Chinese imports, with China imposing a 10 percent retaliatory tariff, the United States would experience roughly half a percentage point increase in inflation, with persistent elevation. Additionally, their analysis shows that GDP and production efficiency would drag in the United States. They anticipate similar effects to arise in China, with a slightly larger decrease in their GDP figures.

Lower prices, innovation, and competition ushered in thanks to free trade have significant implications for economic growth and development. China is among the most used and relevant examples for explaining how trade can drastically alter the path of a country's development.

Prior to China's shift towards market liberalization in 1978, their GDP per capita hovered between \$200 and \$360. They were burdened by protectionist policies and economic planning.

² Comparative advantage is the ability for some individual or firm to partake in an activity while forgoing fewer, more lucrative activities, compared to others. It is possible for one to have a comparative advantage at producing something but be less efficient at producing it.

However, following broad market reforms in the 1980s, their GDP per capita more than doubled, in 1990 it reached \$917.30 (World Bank, 2025). Their market liberalization policies forced previously protected domestic industries to become just as efficient as many foreign companies, or die out (Dorn, 2023), and lead to more people moving into urban centers for industrial jobs (Henderson, 2009). Although China is among the most commonly cited examples of the success of opening up domestic markets to trade, countries such as South Korea, Taiwan, Hong Kong, and Singapore, also known as the Asian Tigers, have followed similar trajectories after prioritizing trade liberalization policies.

Despite the clear benefits from trade, its opponents attempt to make two primary arguments in favor of protectionism. The first being the infant industry argument. It is among the most common arguments in favor of protectionist policies made in developing countries, though sometimes they also arise in developed countries. Proponents of the argument claim that without restrictions to trade more mature companies from other countries will be able to kill the domestic companies before they have a chance to get off the ground. For example, in 1977 Brazil implemented tariffs to protect its domestic computer industry in an attempt to develop it. By 1990, the domestic industry had matured from the level it was at when the tariffs were first introduced in 1977. However, that appears to be an expected result; once a government artificially restricts the importation of a demanded good, domestic entrepreneurs will fill the gap left behind since the demand will likely still exist.

One must look at other aspects to better understand the success of the infant industry protections. In terms of technology, the protections were a failure. The domestic companies produced clones of United States computer products and did not produce unique innovations. Additionally, their business models were purely focused on selling to large domestic firms and those in the public

sector instead of exporting. The structure of the most efficient business model for Brazilian computer companies also lacked an incentive structure for them to lower prices. As a result of these elevated prices and lack of innovation, computer smuggling became the primary source of obtaining personal computers, with smuggling making up around 65 percent of the personal computer market (Luzio & Greenstein, 1995). Despite these tariffs being implemented to grow a young industry, it only coddled it, suppressing any chance it had for growth and putting Brazilian people and firms, who needed computers, at a disadvantage.

Even if one grants that implementing trade barriers can develop domestic industries and will be beneficial for a country in the long run, the importance of implementation puts the reliance of such strategy in question. As it has already been clearly established in this essay, long-term tariffs are directly harmful for an economy. Therefore, infant industry protections must be temporary, with most proponents giving a rough estimate of 15 to 20 years. However, one must question the incentives that exist for the trade protections to be removed after that duration has passed, ignoring the fact that the government would likely fail to accurately “time” the removal of trade protections in a way that maximizes their goals. From a public choice perspective and what we know about the ratchet effect, it appears most likely that the implementation of infant industry protections would likely stick around longer than what is necessary for the goals of the policy. It is possible that the tariffs would potentially never completely go away, even if some are rolled back.

The second main argument is that trade barriers are a useful tool to protect national security interests. The national security argument has the potential to be a slippery slope due to the blurry definition of national security. What or who determines which industries are vital for national security? Almost any industry could make an argument that it is vital for national security, which

should be enough evidence that the argument fails. However, for the purpose of analysis, let's suppose that there is some clear definition and a clear cut off point. Let's also suppose that steel and aluminum falls within that definition. In 2018, the Trump administration imposed a 20% tariff on steel and 10% on aluminum under the guise of nation security concerns. Initially, the results were unsurprising: the cost of both aluminum and steel spiked. When their prices eventually declined, the gap between the international market price and the American domestic price widened (USITC, 2023). However, the goal of the protections was to promote national security, not necessarily to make things more affordable. How have Trump's tariffs done in that regard? If we are gaging its success purely on the quantity of steel and aluminum produced, the tariffs appear to have done their job, at least in the short term. Both saw an increase in domestic production in 2019. However, that boost in production came at an extreme energy cost. Such a boost in consumption could be considered a national security concern, but for the sake of argument, let's further suppose that a massive uptick in energy use is not a national security risk. On the surface, it also appears that Trump's tariffs provided more jobs to steel workers, but just like the infamous sugar tariffs, the true impact is below the surface.³

Due to the increase in input costs from the steel and aluminum tariffs, two main issues are arising. First, just as sugar tariffs eventually led to a loss in confectionary jobs from heightened input costs, steel and aluminum tariffs have led to a decrease in manufacturing jobs according to a Federal Reserve study. In contrast to the 0.3 percent increase in number of manufacturing jobs due to the tariffs, there was a 1.4 percent decrease in the number of manufacturing, leading to a net loss in manufacturing jobs (Flaen & Pierce, 2024). Second, in the long run this effect of

³ American sugar tariffs boosted total jobs in the sugar production industry, but due to the jobs lost from input costs in the confectionary industry, the sugar tariffs are a net job taker.

losing manufacturing jobs may persist due to the contraction in demand for steel and aluminum thanks to elevated prices.

The Impact

In terms of marketing, free trade is the perfect phrase; its impact is contained within the name. Free trade allows individuals to freely decide how and where they wish to spend and obtain resources. Just as Keynes describes, in a world of free trade, it is inconsequential if a steel mill is in Germany when most of the global iron production is coming from Australia. Thanks to free trade, those whose skills make them most competitive at a particular task can make use of their skillset, regardless of arbitrary political borders. Thus, not only does free trade allow for a freer society, which some may not see as a good in and of itself, but it also enhances efficiency.

To better illustrate the importance of free trade, suppose that Country A is excellent at making clothes—five units of clothes per hour worked and one unit of food per hour worked—and Country B is better at producing food than Country A is but still is slightly better at making clothes—four units of clothes per hour worked and three units of food per hour worked. In order for both countries to sustain their populations they need at least 150 units of food and 250 units of clothes. However, they only have 100 hours of work per day that they can distribute. In a world where there is no trade, neither country satisfies all of their needs. If both countries prioritize making food, before ensuring their clothes needs are met, Country A would produce no clothes and 100 food, on the other hand, Country B would produce 200 clothes and 150 food. However, if the two countries agree to engage in trade with each other, they are able to make use of their comparative advantages and help each other obtain their basic needs. When they engage in trade, Country A would be able to specialize in clothes, making 500 units, and Country B would be able to specialize in food, making 300 units. This would result in Country A trading

250 clothes to Country B in exchange for 150 units of food. While this is just a hypothetical example, it accurately demonstrates how cooperation from trade is largely more efficient than isolationism thanks to comparative advantage. Trade ultimately promotes equal prosperity instead of greater inequality, like some protectionists may argue.

The concern that free trade creates and exacerbates inequality is a fair one. On the surface, a collection of Detroit factory workers losing their jobs because the automobile plant they worked at moved to Mexico seems like it would worsen inequality. The owner of the automobile plant can sell their cars at a lower price, potentially boosting profits. Meanwhile, the skillsets of the workers are no longer needed, and they face long-term unemployment unless they learn a new set of skills, which can be costly. However, one should not look at this example or examples like it and believe that trade leads to some form of “bad” or “immoral” inequality. If anything, trade brought greater levels of equality through equal opportunity.

Any group of individuals losing a method to provide for themselves or those close to them is difficult to accept. However, there is also another side to that same story. The side of those in the countries getting some of the manufacturing jobs leaving countries like the United States.⁴ Is it a good or moral result for individuals to be prevented from obtaining a job purely because they were born into a different country? Who is to say that a Mexican or German has any less right to have a particular factory job than an American or Canadian? Free trade’s answer to these questions is that anyone can get these jobs and the market decides how the jobs are allocated.

Free trade is the ultimate equal opportunity provider.

⁴ A heavy emphasis is placed on the word “some” as many of the manufacturing jobs that are disappearing in America are going away due to technology, not international workers (Grabow, 2024).

To better explain why trade expands equality, let's suppose there is a particular society where men are only able to trade with other men. In this society, men who mine iron sell their iron for 10 cents per pound, but a woman is willing to mine iron and sell it for 5 cents per pound. Would allowing men to trade with that woman bring inequality? Very few people in modern America would be willing to argue that excluding women from a workforce leads to more ideal levels of equality. Such an argument would be eerily similar to those made in the mid-20th century in disagreement with women entering the workforce. In fact, the artificial exclusion of any group of people from a market for any reason, no matter the justification, dampens individual freedom and ushers in the inefficient distribution of resources. A market allowing the iron miners to compete without the highly competitive woman miner is not an equality promoting arrangement, and the perceived "inequality" brought by introducing the woman into their market is a correction better reflecting the natural state of the market.

Conclusion

Keynes argues that free trade is beneficial for greater prosperity and individual happiness. Additionally, he emphasized how little the geographic distribution of production processes mattered for achieving such goals. Largely, his claims bear out to be true both theoretically and in practice. Theoretically, free trade allows individuals to indiscriminately participate in any market, exploit their own comparative advantage, and enjoy the benefits of the comparative advantage from others. In practice, China has been an incredible example of how the process of liberalization can bring greater levels of prosperity to a society; after a decade of liberalization, China's GDP per capita more than doubled. China is far from the only example of greater trade liberalization bringing improved growth and development to a country. South Korea, Taiwan,

Hong Kong, and Singapore, known as the Asian Tigers, have all had similar experiences, though they went down different policy routes.

Even when one ignores the numerous definitional problems associated with arguments in favor of restricting trade, they still fall flat. In this essay, I primarily analyzed two pro-trade barrier positions. With the infant industry perspective, it failed due to the young industries having little incentive to innovate. Additionally, even if one assumed that trade barriers help infant industries develop to where it is a net benefit for a country, the implementation of the strategy becomes an issue due to the perverse incentives that may allow the trade barriers to persist beyond what some would consider economically beneficial. The second position I analyzed was focused on national security.

Just like the infant industry argument, the national security justification fails under closer examination. Even if we grant that certain industries, like steel and aluminum, are essential to security, the costs of tariffs ripple across the broader economy. The 2018 tariffs show this clearly: while they briefly increased domestic production, they also raised input costs, reduced manufacturing employment overall, and created long-run inefficiencies (Flaen & Pierce, 2024; Federal Reserve, 2025). In practice, then, trade barriers justified on national security grounds end up harming more workers and industries than they help, leaving society less prosperous and less free.

Free trade, on the other hand, expands choice, enhances efficiency, and fosters cooperation across borders. It is not simply an economic tool, but a cornerstone of prosperity and individual freedom.

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