

# Imports Create Jobs and Trade Deficits Don't Matter

*Written by Donald Boudreaux.*

In his 1985 book, *Competing Visions*, Richard McKenzie offered the following argument against trade restrictions:

*Proponents of protectionism maintain that import protection is indeed in the public interest because through it, jobs are saved. Although we might agree that import protection can save jobs in protected industries, we cannot conclude (as protectionists incorrectly do) that imports force a contraction in the country's total employment opportunities. We must not forget that such countries as Japan want to be paid for their exports with something we produce. As a result, imports, which surely destroy jobs in the import sector, give rise to exports, which just as surely create jobs. Furthermore, this country's (and other countries') greater real income that arise from open international trade should add to the demand for U.S. goods and services simply because greater real income translates into greater purchasing power for all trading partners.*

It is no good objection to reply that America's current-account (or "trade") deficit means that foreigners don't buy from us as much as we buy from foreigners. First, the investments in America made by foreigners (and that increase the U.S. trade deficit) also typically involve demand for U.S. inputs, including workers. When, for example, Ikea builds a store in Dale City, Virginia, American workers and other input suppliers are employed in that project.

Second, foreigners save and invest for the very same reasons that you save and invest.

And chief among those reasons is the desire to increase *future* consumption. Just like an American, a non-American can choose to spend all of her income today on consumption items, or to save and invest part (or all) of that income in the hope of being able to consume tomorrow more than she would be able to consume tomorrow had she not today saved and invested a part (or all) of her income.

Many government policies do, in fact, make citizens of the home country poorer while

enriching citizens of foreign countries.

So it is simply incorrect to interpret a trade deficit as disproving the economist's claim that foreigners sell to us in order to buy from us. The fact that some of that buying-of-consumption-items-from-us is delayed until the future is no more a problem for us than is the fact that when *you* save, some of the buying of consumption items from the domestic economy is delayed until the future.

I add, for the record, that the best possible world for us would be one in which foreigners voluntarily enslave themselves to us by using their own labor and resources to produce for us streams of valuable goods and services for which they, these productive foreigners, truly never seek anything from us in return. Such a situation would be akin to us, as a nation, winning some sort of wonderful global lottery!

Alas, foreigners are no more interested in impoverishing themselves for our enrichment than we are interested in impoverishing ourselves for their enrichment..... To which I must hastily further add that, because of titanic, widespread economic ignorance and the ability of power-mad politicians to take advantage of that ignorance, a great deal of actual government policies – such as the 'trade policies' now proposed and pursued by America's economically ignorant president – do in fact make citizens of the home country poorer while sometimes enriching citizens of foreign countries.

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