

The Boon of Growing U.S. Imports from Mexico

Since NAFTA went into effect in 1994, U.S. imports of goods from Mexico have grown from about \$4 billion per year to about \$28 billion (annual rate as of March 2017). Americans have also purchased a lot more services, not counted in this measure, from Mexicans during the past two decades (e.g., tourist services such as entertainment, transportation, and the occupancy of hotel rooms for Americans visiting Mexico). These are goods and services that Americans wanted enough to voluntarily pay for them. These imports represent what trade is for—namely, getting possession of goods and services that foreigners offer for sale on relatively attractive terms. Much of the growth in the volume of imports from Mexico can be attributed to reductions in trade restrictions embedded in NAFTA, which the U.S. government is now trying to scrap or drastically revamp. If NAFTA were such a bad deal, why did Americans voluntarily agree to pay Mexicans for more and more of these goods?

Yes, I know, in some cases these transactions occurred because Americans purchased goods from Mexicans that they had previously purchased from Americans or might otherwise have bought from Americans. So what? The Acme Corporation doesn't possess a right to have anyone continue to buy its products. Every seller is constantly at risk of losing out to competitors, foreign or domestic. If I can't compete with others who supply the same things that I supply—which for me is manifestly the case—do I have a just right to penalize those who choose to buy from my competitors rather than from me or to send the government to do the dirty work on my behalf?

The so-called protectionism being touted by President Trump and his supporters is little more than picking the pockets of U.S. consumers. Note, however, that much of the goods imported from Mexico consists not of immediately consumable goods, but of producer goods (e.g., petroleum, automobile parts and components of a vast array of other manufactured goods) that help to make U.S. goods better and cheaper than they otherwise would be. The Trumpistas suppose that exports are a benefit and imports a regrettable thing ought to be reduced as much as possible. In this regard, they have matters upside down: imports are what Americans value; exports are directly or indirectly only a means of importing the valuable goods. If you doubt this claim, simply imagine what would be the case if Americans regularly sent vast quantities of goods abroad and got back no goods at all. This situation would give rise to an infinitely positive balance of trade—and amount to an economic disaster. Sad to say, the Trump forces have infused new life into mercantilist fallacies that were debunked centuries ago by Adam Smith, David Ricardo, and a host of economists since their day. It is sad to contemplate how many voters prefer picking their neighbors' pockets to honestly earning their own way in open competitive markets.