

At the Heart of Protectionism is a Fear of Prosperity

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Reality is always vastly more complex than is any mental model that we humans might use to make sense of it and to navigate it. The best mental models are ones that highlight and clarify those aspects of reality that are most likely to enable us to muster appropriate means for the achievement of our ends.

Our World of Scarcity

One important aspect of reality that sound economics highlights and clarifies is the unavoidability and ubiquity of scarcity. “The economic problem” (as it is commonly called) exists only because not all human wants can be satisfied with the means – resources, tools, time, knowledge – available to us. Some – indeed, most – of our desires will forever go unsatisfied in order that we might use the scarce resources, tools, time, and knowledge that we have to satisfy those relatively few desires that we judge to be the most important.

We – as individuals and as society – never act perfectly. We make lots of mistakes. But if we keep our mistakes to some achievable minimum, we’ll prosper. So we must beware – again, both as individuals and as society – of our proneness to error. The successful amongst us learn from our mistakes; those amongst us who do not learn from mistakes fail.

One of the gravest economic mistakes that humans can make is to forget that ours is unavoidably a world of scarcity. In a world of superabundance – an almost-unimaginable world of no scarcity – human beings who mistake their world as being one of scarcity will pay no price. It would be a costless error. But in the real world – in our world of scarcity – human beings who mistake their world as being one of superabundance will pay a high price. It is a very costly error.

If you think me here to be stating what is not only obvious, but so obvious as to be irrelevant, because no one would dare to suppose otherwise, think again. A great deal of government policies are premised on the supposition that the biggest ‘problem’ humanity faces isn’t scarcity, but superabundance.

Protectionism and the Fear of Prosperity

A stellar example of such a policy – a policy premised on the fear of superabundance – is protectionism.

By far, the single most powerful ideological force buoying and promoting protectionism is the fear that, with free trade, there will be too few jobs for workers in the domestic

economy. Yet what is this fear if not, at bottom, a fear that free trade will create superabundance? What is this fear if not one that is premised on the notion that, with free trade, the desires of humanity (or at least of fellow citizens) will be so fully satisfied that there will be too few opportunities for us to be of useful service to each other?

The primal man-in-the-street fear of free trade – and fear of other labor-saving innovations – is a fear rooted in a completely mistaken understanding of reality. It is a fear that we humans (or at least we in our country) are on the verge of conquering scarcity and of transforming the world (or at least our country) into one of superabundance. This fear is truly irrational.

This fear is irrational not only because no matter how materially prosperous we become, scarcity will always exist. The ‘economic problem’ ain’t going away, ever. This fear is irrational also because its expression is invariably internally inconsistent. Those many people who fear that free(r) trade or labor-saving innovations will lead to ever-higher and everlasting involuntary unemployment fail to understand that such remarkable success in overcoming scarcity would mean that being without a job would not mean destitution. In a world of superabundance, no one needs to work in order to survive or even to live lavishly. In contrast, a world in which people need to work in order to survive, and certainly to live lavishly, is a world of scarcity – which means that it is a world filled with opportunities for all who wish to do so to serve each other productively and profitably (that is, to work gainfully).

Policies based upon an error so gigantic as the one that mistakes our world of unremitting scarcity as being a world of – or a world on the verge of – superabundance are destructive. And the more fully these policies are pursued, the more destructive they become. Protectionism is a policy based upon the calamitously mistaken fear that among the main problem that we humans face isn’t scarcity but, rather, superabundance.

Government Limits the Flexibility of Human Capital

It’s true that more sophisticated defenses of protectionism exist. Resources, although scarce, are often specific to certain tasks. If the demand for resource L to perform the task to which it is specific falls, the owner of that particular resource does indeed suffer. Making trade freer – as with any change in the pattern of consumer spending – often reduces the demand for resources to be used in specific ways. The problem here is scarcity: scarcity of human ability to learn quickly how to perform new tasks productively. (Remember: the problem is not unique in any way to international trade, for this problem is triggered with *any* change in the pattern of consumer spending.)

Often, this problem with resources being unable to move quickly into other, no-less-attractive uses is amplified by artificial restrictions on the abilities of workers and other

resource owners to switch occupations. Government policies that dampen entrepreneurs' abilities to employ currently un- or underemployed resources by launching new firms or by expanding existing firms ensure that changes in patterns of consumer spending will create more, and longer-lasting, unemployment than would exist in the absence of such policies. (Ironically, among such damaging policies are those that artificially make the firing or laying-off of workers more difficult. Workers who are more costly to stop employing are workers who are more costly to start employing.)

So, yes, while there are some (weak) justifications for trade restrictions that are not ultimately rooted in a failure to recognize that our world is one of unavoidable scarcity, the primal justification – the justification believed by the man-in-the-street – for trade restrictions is premised on the strange belief that humanity is on the verge of superabundance. It's premised on the mistaken notion that we are inconceivably wealthier than we really are or could ever be.

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