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Economic Arguments against Protectionism

Periodically, policy makers from local elected officials to members of the US Congress are pressured by local business interests to give preference to their particular industry, location or firm. While this approach may appear to be beneficial in the short run, it will have significant negative consequences in the long-run and ultimately harm both firms and consumers. Local preference, beyond a very minimal nudge (such as a tie-breaking condition), is a type of local or regional protectionism. I have attempted to condense the vast amount of research and analysis on this topic for the committee's benefit.

- **Trade benefits people**
    - People engage in trade because both sides benefit: the buyer wants what he buys more than the money he gives up to obtain it, while the seller values the money he gets more than the good he is selling. This is true for people living across the street from one another and is no less true for people living on different sides of city our county lines.
- **Trade broadens choice** and **reduces price**
    - Local preference limits choices and raises price.
- **Trade spurs competitiveness**
    - It encourages efficiencies and innovations; local preference reduces competition, rewards inefficiency, and stifles innovation.
- **Trade puts the consumer first**
    - *All* consumers in fact; local perference puts the producer first, usually politically favored ones.
- **Trade enhances the regional division of labor**
    - And thereby fosters prosperity; protectionism hampers the division of labor
- **When one community introduces protectionist policies, others follow**
    - This will lead to reduced market opportunities and eventually mean that firms cannot be competitive outside of their city/community.
- **Trade increases quality**
    - By encouraging competitiveness, firms must deliver high-quality goods and services; limiting competitiveness will have the opposite effect