



Arguments in favor of Free Trade

1. Who wants to buy a \$1,000 iPod?

Sure we could pay American workers \$30/hour with benefits to make the iPod here in America (they are currently assembled in China), but how many of us would shell out \$1,000 or so for an American-made iPod? If we wouldn't pay that much for one, then there wouldn't be any jobs making them here—*these are jobs that don't really exist in America, and could only exist in China.*

2. Yes, tariffs protect jobs, but at what cost?

Tariffs are often encouraged to protect American industries. The most recent example came several years ago, when Bush II levied 40% tariffs on imported steel. This was done to save the jobs of the steelworkers in the country. However, a report by CATO related that for every 1 job protected by the tariff, there were 57 workers in steel-consuming industries, that would be hurt by the tariff. This tariff made American-made products (made with steel) more expensive than products made in foreign countries, with cheaper steel. How would this save jobs?

3. What would happen if our country was flooded with cheap imports from all over the world?

Yes, we would quite possibly shut down factories and throw people out of work. This is why governments negotiate free-trade agreements—so while we are buying cheap imports, we are also exporting more to the other country. In other words, it becomes a win-win situation. Both countries get goods that are cheaper (and with the savings, can buy more products, creating more jobs), both countries export more (creating more jobs).

4. Even products made in China bring much profit to American companies.

This is the smiley-faced curve in action. Out of the \$300 that people pay for the iPod, a full \$150 goes to Apple and the retailers.

5. When American companies invest overseas, they also typically increase their American workforce as well.