

THE ECONOMICS OF INTERNATIONAL TRADE

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The subject of foreign trade has a special fascination for most people. Almost everyone is inclined to take a strong stand for or against it—often without any study of or even information about foreign trade.

This is one of those problems that has a built-in emotional response. It carries with it the lure of strange and distant places. It offers an element of vicarious adventure. In addition, it appeals to the logic of "one world" idealism—are we not all passengers on the same spaceship, earth? And finally, many have been conditioned to believe that trade and travel advance peace and that trade barriers and restrictions cause war; and hence, the trade question reflects emotions involved in the war and peace issue.

In spite of the fact that foreign trade is much discussed, it is little understood. In recent decades, writings on the subject in economic textbooks and current literature have consisted largely of a recounting of various arguments and slogans for "free trade," or "trade liberalization" as it is more subtly called. Little attention is given to the fundamental economics of foreign trade and to the accompanying problems of international finance. Generally, no attempt is made to examine and evaluate the special business problems and relationships involved in operating in international markets. Even the history of foreign trade is neglected.

In short, a simplistic presentation of the free trade theory and a glowing statement of supposed advantages has more often sufficed to reveal the emotional commitment of authors than to illuminate the nature and consequences of foreign trade. In claiming that free trade will solve most of our domestic as well as our international problems, advocates seldom get beyond the point of generalities, cliches, and the uncritical use of statistics. This is not sufficient. Only by delving into the basic economics of trade and examining all the ramifications can adequate judgements be made concerning the best policies to follow and how best to implement them.

This paper proposes to set forth the basic fundamentals of foreign trade and to examine them in some depth. It will also give attention to the practical implications that flow from the basic principles. In this we shall need to extend our attention beyond the subject of trade and take note of all aspects of the economic relations between nations.

Attention will be focused on the economic aspects of the problem of world trade. Recognition has to be given, however, to the political factors and to what extent the economic and political factors are mutually supportive and to what extent antagonistic.

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