

COMMENTARY

Texans support, prosper from free trade

By Vance Ginn, Ph.D., and Dayal Rajagopalan

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Criticism of the North American Free Trade Agreement is nothing new. In 1992, U.S. presidential candidate Ross Perot notoriously implied that if NAFTA passed there would be a “giant sucking sound” as jobs and wealth left the country. Recently, there’s [discussion](#) of adding sunset clauses and other measures that could weaken the agreement because of similar fears.

Examining free trade agreements before and after inception is wise. But, 23 years after the inception of NAFTA, critics must consider the vast data noting the benefits to Americans, especially for those in Texas. Instead of trashing the agreement, renegotiation should include encouraging freer trade.

While today some applaud [changes](#) to NAFTA, a recent Gallup [poll](#) shows that 72 percent of Americans believe foreign trade increases economic opportunity. This support across the political spectrum is on the rise since 2011, with 80 percent of Democrats, 71 percent of independents, and 66 percent of Republicans now favoring foreign trade.

Often headlining the free trade debate is the notion that one country is pitted against another. But Gallup’s data suggest the economic benefits are widely understood wherein individuals voluntarily trading with one another mutually prosper.

In other words, America doesn’t trade with Mexico: Americans trade with Mexicans, and both see benefit from it.

As voluntary exchange within a legal framework benefits people in U.S. states, an optimal free foreign trade agreement would allow movement of goods among countries while respecting each countries’ laws. Unfortunately, politics picks winners and losers, evidenced by NAFTA’s [1,700 pages](#) of carve-outs for privileged sectors.

Regardless, evidence indicates Americans benefit from NAFTA, particularly in states such as Texas.

In 2016, Texas [exports](#) totaled \$231.1 billion and [imports](#) were \$229.3 billion, for a foreign trade surplus of \$1.8 billion. Instead of thinking about trade deficits as bad and trade surpluses as good, consider that people benefit by a remarkable total of more than \$460 billion through trade.

Texas’ trade with Mexico is almost 40 percent of total exports and 35 percent of imports, resulting in a \$10.8 billion trade surplus. Exports to Canada are 8.6 percent of total exports and 6.6 percent of imports, for a \$4.7 billion trade surplus.

While NAFTA partially contributes to a \$15.5 billion trade surplus in a \$1.4 trillion economy, Texans prosper from each

individual transaction through overall lower prices and a growing economic pie. [Research](#) finds that fewer trade impediments among NAFTA countries helped Texas become economically diversified and more resilient to oil price shocks over time.

In the early 1980s, Texas’ mining industry, comprised mostly of oil and natural gas activity, was [21 percent](#) of the state’s private economy. While the oil price collapse in 1986 reshaped Texas’ economy, there was a steady decline in mining’s share after the passage of NAFTA. Mining is now only [8 percent](#) of Texas’ private economy as expansions in sectors like health care, technology, and retail outpaced that of oil and gas activity. Result: More Texans have prospered from trade with Canadians and Mexicans. However, foreign trade alone is not wholly responsible for this growth. Pro-growth policies in Texas have also provided the institutional framework for Texans to thrive.

The Fraser Institute’s measures of economic freedom, which compares entities based on government spending, taxes, and

regulation, ranks Texas as the [third best nationwide](#), while the U.S. now ranks a multi-decade low of [16th worldwide](#).

Policymakers would be wise to consider the evidence of increased economic prosperity from foreign trade agreements

despite their imperfections and focus on reducing government’s influence on Americans.

Rolling back needless regulations, cutting individual income taxes and the developed world’s highest corporate income tax rate, and slashing excessive government spending would support greater economic growth.

Meanwhile, reductions of existing trade barriers and expansion of foreign trade should be a priority.

We must also be honest that free trade doesn’t necessarily create a net number of new jobs, and often the economic benefits are diffuse while the tradeoffs can be acute. Ultimately, though, free trade benefits everyone by lowering the general price level, opening up previously inaccessible markets, and creating new industries providing more opportunities for more people to flourish.

A free enterprise system with government institutions preserving liberty best supports individual prosperity, even between countries. ★

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