**The rift between experts and the public**

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One of the current topics generating much discussion and debate in the academic community is the great divide between academic experts and the general public. A recent economics newsletter for example lead with on overview of the vast difference between the public's view of the benefits of trade and economics professionals. The mainstream consensus view of economists is that free trade is good for the economy. Rhetoric from the election, and even more to the point, the outcomes of the recent Presidential election suggest that the general public believes just the opposite.

Since starting this column several years ago, I too have written on the overall benefits of free trade. And I am not now suggesting that trade is not beneficial. But as with all economic analysis everything needs to be put into context, and the consequences of any particular policy fully understood. In general, trade allows us to consume more goods and services than we would otherwise be able to produce in the country. Taking this analysis back to its roots in Adam Smith and the Wealth of Nations, countries should specialize in the production and trade of those goods in which it has an advantage (comparative) over its trading partners.

These two premises though do overlook the possibility that individual countries may adopt various strategic trade policies that may result in keeping export prices on some goods below market prices or that prevent imports of certain types of goods. China for example has been accused of engaging in these types of practices by providing subsidies to steel producers and thus making it difficult for U.S. steel companies to compete. Closer to home, Canadian producers of wood products (plywood, fiberboard, and other construction materials) have also been identified as selling their products in the U.S. at below market rates and thus impacting domestic suppliers of these products.

In the cases cited above, even if it is true that products are being supplied at prices that undercut domestic manufactures, consumers are still benefitting. Domestic producers though are hurt by these actions. There are remedies available through various international venues, and in the case of Canadian trade, through the NAFTA trade agreement itself. And while problems such as these do arise, it is really more of a question of both industry and government policy-makers remaining vigilant in monitoring these types of market activities and responding appropriately when necessary.

The bigger issue that has been brought up in relationship to trade is the loss of both jobs and industry, particularly in manufacturing that has occurred, not only on Long Island but across the country over the last 60 years. Certainly some of this loss was the result of firms moving to take advantage of lower costs and possibly less regulation. But the economy has changed significantly over the last 60 years as well – skill sets internationally have increased, transportation costs have changed, markets have shifted globally and production has moved to reflect where products are being sold. Production processes have changed dramatically as well.

Global sourcing means that products are not just produced and distributed from one central production facility but from multiple facilities located across many different countries. Products such as the iPhone or a laptop computer are designed in the U.S., parts sourced from multiple facilities in China, India, Vietnam, etc. and shipped to final assembly plants that may be located in China, Texas, Mexico, and other locations. Everything can be tracked through a modern logistics process such that when you order a new computer online, the manufacturer can track every individual part through the assembly process and then keep you apprised as to its arrival at your front door.

What does all of this mean for someone that has lost their job or found a new job albeit at much lower wages than before? This is really where trade policy needs to focus. When I teach international trade, I continually remind my students that the benefits from open trade are diffuse, primarily in terms of prices of goods that tend to be lower, a greater variety of goods that may be available, and the quality of those goods tends to be higher in order to be competitive in international markets. The benefits from trade restrictions though tend to be fairly concentrated accruing primarily to producers with limited diffusion, higher prices, and potentially lower quality goods. The automobile industry is a good example of this. Competition has forced U.S. automobile companies to make higher quality and more fuel efficient automobiles in order to compete both globally and domestically. It has though too, dramatically impacted the industry resulting in fewer jobs particularly in states such as Michigan.

In the case of Long Island and the New York City metropolitan economy, international trade is an important sector underlying growth for the region. We are a destination for international tourism, a center for international finance and banking, and home to many large international and multinational corporations doing business here and abroad. Thus any policy changes that impact the import/export market will have concomitant impacts on the region’s economy. It is still too early to say what those changes or impacts will be – but it is something to consider as the U.S. retreats from the multilateral trade agreements and negotiation of the past eight years including the Trans-Pacific Partnership and Trans-Atlantic Trade and Investment Partnership.