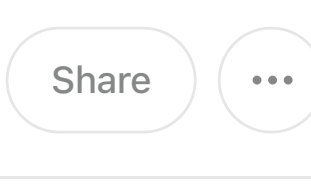
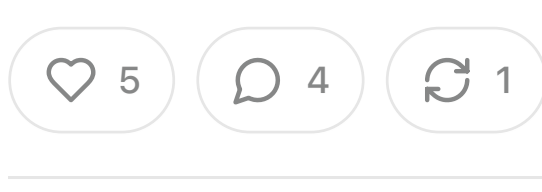


Global Trade Has Made Us Richer

Daniel Griswold joins Chelsea Follett to discuss the true legacy of globalization.

HUMAN PROGRESS
MAR 12, 2025



The Trump administration has begun to wage war on global trade. The casus belli is the alleged destruction of America's industrial power and prosperity.

But much of that narrative is based on simple falsehoods. Over the last fifty years, US manufacturers became much more productive, wages grew, and the prices of basic goods plummeted—all while global poverty fell to record lows.

In this episode of The Human Progress Podcast, Daniel Griswold, the former director of the Cato Institute's Center for Trade Policy Studies, joins Chelsea Follett to discuss the true legacy of globalization.

[Listen to the interview](#)

Below is an edited and abridged transcript featuring some highlights from the interview.

Daniel Griswold joins the podcast today to discuss two recent essays that he authored for Cato's [Defending Globalization Project](#). Those essays are "[The Misplaced Nostalgia for a Less Globalized Past](#)" and "[How Trade Agreements have Enhanced the Freedom and Prosperity of Americans](#)."

Let's start with nostalgia. Many critics of free trade argue that American workers and families were better off in the less globalized past, specifically the 1970s. Why do you think there is so much nostalgia, and is there any truth to it?

You know, I came of age in the '70s. We don't want to go back there. The only thing better back then was the music. It's hard to top Led Zeppelin and the Eagles. But in terms of basic measures of human welfare, Americans are much better off today than they were in the 1970s. And globalization has played a significant role in that progress.

As consumers, we have a wider choice of products. Better products, lower prices. Globalization has created more job opportunities in the United States that play to our strengths in technology and services. Then there's foreign investment. Millions of Americans get up every day and go to work for foreign-owned companies here in the United States. And these are some of the best-paying jobs, creating products for export.

One of the important measures is real wages. People on the nostalgic side say real wages have stagnated for the last 40 years. That just ain't true.

One, we tend to overstate inflation. We do a poor job of measuring new products that are coming in and changing consumer patterns. One book I cite is [The Myth of American Inequality](#) by Phil Gramm and a couple of co-authors. They point out that if you measure inflation properly and account for the introduction of new products and changing consumer patterns, real wages have grown 74 percent since the 1970s. Median household income, again, if you measure inflation properly, is up significantly since the 1970s.

So, the key data point that the nostalgic people talk about is wrong. By these common measures, household income, total compensation, and real wages, Americans are better off today than they were 50 years ago. This is thanks to not only globalization but also domestic liberalization. Over the last 40 years, we've had significant deregulation in energy, trucking, and airlines that has made our economy more efficient and rewarded Americans with a higher standard of living.

Some people claim that all our economic progress has come at the expense of the poor. What do you say to this criticism? Has the rise in living standards only accumulated to a few?

Well, again, the data just don't bear that out. And again, if you properly measure prices and account for government transfer payments, the real poverty rate in the United States has fallen.

It's important to understand that poorer people spend a larger share of their income on necessities—things like clothing, food, basic energy, and gasoline—than wealthier people. And if you go back to the 1950s, the typical American household spent more than a third of its income on food, clothing, gasoline, and basic energy. By the 1970s, it was still more than a quarter. By the 2000s, it was down to 13.5 percent. And again, globalization is part of the story.

One last data point is from Human Progress: Marian Tupy and Gale Pooley's wonderful book [Superabundance](#). The time Americans spend working to buy basic products has fallen significantly over the last 40 years or so. In the book, they looked at a basket of 35 basic items like household appliances and clothing. The amount of time an American has to work to acquire this basket has dropped by 72 percent.

So, by these measures, which are most important to people in the lower income brackets, Americans have become much better off.

There are some wonderful charts in [your paper](#) that I encourage everyone to check out showing how the prices on so many different goods have declined over time.

Tell me more about the decline of manufacturing jobs and how that relates to globalization.

Part of the nostalgia for the 1970s is that we had higher union membership back then, and manufacturing jobs were relatively more important in the economy. But the number of manufacturing jobs in the United States has been dropping as a share of the workforce pretty steadily since the 1950s, almost in a linear fashion. And by the way, this has happened in virtually every other developed country.

The reason isn't that we don't make things anymore. In fact, our overall manufacturing output continues to grow, but we're doing it with fewer workers. That's because American workers have become so much more productive. They're more efficient; they're better educated. We have more capital and machinery. The mix of goods we've made in the last 50 years has shifted from basic goods like steel, clothing, shoes, and furniture to higher-end products like computers, jet engines, and chemicals. And by the way, those workers are better compensated than ever before. So, we remain a manufacturing powerhouse. We're just doing it with fewer, better-paid workers.

Now, if Americans want to expand on the progress we have enjoyed since the 1970s, what sorts of policies should our leaders be pursuing?

Well, the best thing our government can do is to liberalize unilaterally. Get rid of those trade barriers that drive up basic costs for their citizens and industry. Unilateral liberalization is always the first best policy.

However, trade agreements have historically played an important role in trade liberalization. After the Great Depression and World War II, the US started to liberalize trade broadly with other countries. We negotiated with other countries to lower trade barriers on a reciprocal basis. And despite being the second-best option, these trade agreements have benefited the United States greatly. We gained more affordable products, more export opportunities for US companies, more foreign investment here in the United States, and broader foreign policy benefits. The General Agreement on Tariffs and Trade, for example, helped revive Europe and Japan after the war and knit us together as allies against communism and other threats to the civilized world. So, trade agreements served America's interests in the post-war era and can continue to serve our interests in the future.

Tell me a little bit about the current state of free trade agreements.

America has signed free trade agreements with twenty other countries. Virtually the whole Pacific coast of the Western hemisphere is tied to the United States with free trade agreements. Thanks to these agreements, almost half of US exports now go to countries with which we have free trade agreements. Our exports enter those countries virtually tariff-free. 38 percent of US imports come from countries where we've committed to accept their exports at 0 percent duty. I think that's a good thing, and most economists would agree.

The catch is that we haven't signed a free trade agreement for more than 10 years. We have stood still while the rest of the world has continued to move ahead.

The WTO database shows there are 370 bilateral and regional trade agreements in force. One hundred of them were negotiated in the last decade. When we dropped out of the Trans-Pacific Partnership, the other 11 members signed it anyway because they knew it was a good agreement. 47 African countries have signed an agreement to engage in freer trade. Even China has signed an agreement with other countries in East Asia.

There are foreign policy implications of being on the sidelines. The rest of the world is increasing their ties with each other while we deal ourselves out of that game. We're losing influence in Africa and East Asia, and we're promoting trade frictions not only with strategic rivals like China but also with our friends in Canada, Mexico, and Europe. This is a losing position that's starting to undo all the progress we've made in the post-war era.

Now, you also say that both the critics and proponents of free trade agreements can sometimes overstate their effect.

Proponents of trade agreements tend to oversell them by promising things that trade agreements aren't intended to address, one being the overall number of jobs. Trade is not primarily about creating more jobs; it's about creating better jobs. So, I don't think we should promise that a specific trade agreement is going to create millions of jobs and lower the unemployment rate. What it's going to do is allow Americans to shift into what they're better at, create better jobs, earn higher incomes, and grow the economy.

If America gets involved in trade wars, how can we expect that to affect living standards for the average American?

Sweeping tariffs on imports will raise the cost of living for Americans. If we raise tariffs on steel, lumber, and other products like that, costs for American manufacturers go up. They become less competitive in global markets and pass these costs on to consumers.

Also, it takes two to wage a trade war. Early in the first Trump administration, we were told that other countries wouldn't dare retaliate. But they did, pretty massively. We lost a lot of exports to China, Europe, and other places because of retaliatory tariffs. So our exporters lose. Trade wars don't have any winners besides a select few industries.

You also write that one of the most important advantages of free trade agreements is that they lock in trade liberalization and prevent backsliding during times of economic stress.

Free trade agreements mean that governments commit themselves not only to liberalize but also to maintain that liberalization. When you run into economic trouble, there's always a temptation to reach for that snake oil of protectionism. In the 1930s, for example, there was a disastrous global trade war that deepened and prolonged the Great Depression. The 2008/2009 recession could have resulted in a similar mistake, but our network of trade agreements helped the United States and our major trading partners avoid compounding the downturn with a destructive trade war.

What would you say to someone who lives in an area where the major industry has gone away? These tend to be the areas that have the most nostalgia for that pre-free trade past.

That's an important question. There's a lot of discontent in certain areas of the United States, a feeling that the modern economy might be doing well for a majority of Americans, but it has left some people behind. We can't ignore that, but turning back the clock on trade policy isn't the answer. You know, Youngstown, Ohio, is a good example. It was a big steel producer in the first half of the last century. People there still remember a day they call "Black Monday" when a big steel maker there announced massive layoffs. That was 50 years ago, well before NAFTA and China's entry into the World Trade Organization. So, it was not primarily a globalization-related phenomenon; it had to do with changing technology. We're just consuming less steel per capita as we modernize.

So, raising trade barriers is not going to help those places in Appalachia and the Midwest that are depopulating. It may help certain companies in certain places, but it's not going to help the overall economy in those places. Jobs in today's economy require skills and education. We need to equip the younger generation with the skills they need to be valuable in the high-tech, modernizing, globalized economy. Sadly, our public school system is not succeeding at this. But that's the answer, not trying to recreate a past that wasn't that great to begin with.

We've talked quite a bit now about the effects of free trade on the poor in the United States, but what have been the effects of free trade on global poverty?

Globalization has been one of the best things to ever happen to the global poor. It has created some of the best jobs in those societies. The low-tech factories in Asia and Africa that we call "sweatshops" have some of the best-paying jobs in those societies, sometimes paying two to three times what people would earn in their village. It's especially important for women in those societies. Women are able to get jobs in those factories and gain economic independence. They can get off the farm and start earning their own income.

Take absolute poverty, which is defined as living on less than \$2.15 a day, adjusted for inflation. The number of people living in absolute poverty around the world has dropped by a billion or more in the last 30 years. A lot of that progress happened in China, which moved towards a market economy during that time, but also in other parts of the world like India and Africa. This is one of the great stories of our time. Globalization has helped lift hundreds of millions of people out of the worst kind of poverty. The worst pockets of poverty remaining are in the countries that participate least in the global economy.

[Read the full transcript](#)