

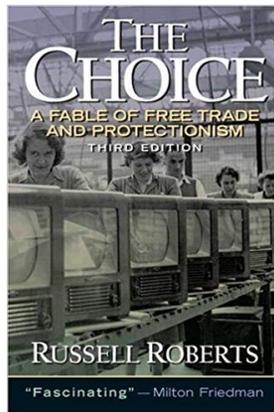


#EconReads



## ***The Choice: A Fable of Free Trade and Protectionism***

**By Russell Roberts**



### **Chapter 1: Minutes of the Heavenly Court**

1. Fill in the following blank with an answer *different* from Dave's (and explain your choice): "I request one evening on Earth to help put America on the path of \_\_\_\_." (page 2)

### **Chapter 2: The Challenge of Foreign Competition**

2. Check out Ed's prediction re: the upcoming Presidential election on page 6... Replace "Bates" with "Trump." How does it sound to you now? Who would be Trump's alter-ego/opponent in this futuristic analogy?

### **Chapter 3: The Roundabout Way to Wealth**

3. On page 12, Dave describes to Ed how "good old American know-how" has been redirected to other more productive areas. Can you think of one of your *own* skills (or know-how's) *you've* redirected to other work. Why did you do so, and what effect(s) have you seen? Can *everyone* benefit from comparative advantage?

4. How is international trade like the Olympics? (page 13)

#### **Chapter 4: Is Trade Good for America?**

5. Following their discussion of the Olympics, on page 15 Dave asks Ed, "Why would you care if America is ahead or behind?" What is *wrong* with the way Ed answers? How do most people answer this question today? How would YOU convince them otherwise?
6. On page 17, Dave describes the effects of technology: "But the biggest change caused by technology was invisible. The dreams of the children of farmers changed." To what extent do *you* agree that this is improved technology's greatest effect? What does Dave leave *out*?
7. On page 20, when Ed imagines greeting the workers he's laid off ten years in the future, Dave chastises him for 'asking the wrong question.' How *should* Ed greet his former employees 10 years on? What's the *right* question? What value is there in saving and/or maintaining a town like Star?
8. Is it OK to 'leave a shell of broken hearts' like that of Jack Clements, the former Ford dealer? Is Jack's life a tragedy??? Explain.

#### **Chapter 5: Are Manufacturing Jobs Better than Service Jobs?**

9. During a visit to Ed's son, Dave explains to Ed the decrease in manufacturing jobs and the increase in service jobs that has occurred during this time. Is this a good thing or a bad thing? Explain.
10. Following the above conversation, Ed asks Dave, "Isn't it just a matter of time before even the high-paying manufacturing jobs go to foreigners?" (page 29) How does Dave answer? To what extent does his answer satisfy *you*?
11. What is the "fundamental misconception about jobs and wages" Dave describes on page 29? What do *you* think is the best way to correct this misconception?

#### **Chapter 6: Is Outsourcing a Threat to American Prosperity?**

12. Dave says, "But as marvelous as the Internet is, some Americans saw it as a threat to American prosperity." To what extent have these fears been alleviated today?
13. When the wave of outsourcing associated with the arrival of the Internet began, Dave tells Ed that people attacked him and his ideas at the same time. Is Dave really out of date??? In all seriousness, what can we do to make him cool again?

#### **Chapter 7: Do Tariffs Protect American Jobs?**

14. In this chapter, Dave takes Ed to the "protected" Star of 2005, and at first, Ed feels at home. What's wrong with wanting America to be self-sufficient???
15. To what extent are tariffs and quotas a form of extortion, as Dave suggests on page 41?
16. At the conclusion of this chapter, Dave notes the weakness of consumer interest in battling against individual tariffs. How would *you* answer this provocative question he poses to Ed on page 48: "...what do you think is a consumer's patriotic duty?"

### **Chapter 8: Tariffs Versus Quotas**

17. What's the *real* difference between tariffs and quotas?
18. What is a 'voluntary' quota, and to what extent are they *really* voluntary?

### **Chapter 9: Road Trip**

19. How is university education a valuable export?

### **Chapter 10: The Case for Protectionism**

20. How can a tariff *lower* the price of a good in question? Who does this benefit, and why *wouldn't* this be an argument *in favor* of protectionism?
21. Who should bear the risk of research and development- the public or private sector? What are the arguments in favor of each?

### **Chapter 11: Do Trade Deficits Hurt America?**

22. On page 71, Dave says, "Trade flows should be unequal." What does he mean by that? How clear is his explanation?
23. In discussing trade deficits and capital accounts, Dave cautions, "...focusing on one account or the other is a red herring." What does he mean?
24. On page 77, Dave tells Ed, "Even if you worry about trade deficits, most of the obvious ways to get rid of them are very bad for a country." What does he mean? What sort of 'ways' is Dave referring to?

### **Chapter 12: Fair Trade versus Free Trade**

25. Why does Dave say that calls for "fair trade" are "announcing an attack on the consumer?" (Page 79)
26. What is dumping, and why would a company engage in such a practice? How is the existence of dumping an empirical question, according to Dave?
27. Why is the practice of dumping so difficult to prove? How might a law against dumping actually backfire? (page 84)

28. What is mercantilism, and why would a mercantilist be opposed to free trade? Is mercantilism a purely historical phenomenon? Explain.

### **Chapter 13: Is Globalization Good for the Poor?**

29. Dave says on page 90, "People who worked at the IMF said the IMF did a good job, but the World Bank was awful. People who worked at the World Bank said the World Bank did a good job, but the IMF was awful." *And*, Dave says they were both right. How can this be?
30. How did the WTO and IMF damage the reputation of the ideal of free trade, according to Dave?
31. Why have critics of the IMF and WTO tended to blame the United States for their failures? To what extent does Dave think this is accurate? *Do you?*
32. Dave says on page 95, "...I think Americans would give more of their hard-earned money to poor people outside of America if they thought it would make a genuine difference." *Do you* think this is true? Why does Dave say this???
33. On page 97, Dave asserts, "If America had adopted the labor standards of today in the America of 1850, it would have crippled America's growth..." Would this have been a bad thing? Why, or why not?
34. If Americans really want cleaner air for Mexico, what's the best way to go about it?

### **Chapter 14: Self-Sufficiency is the Road to Poverty**

35. Why *isn't* self-sufficiency a virtue to Dave?
36. What does Dave mean when he says on page 102, "Think of it as the roundabout way to wealth wreaking vengeance."

### **Chapter 15: The Choice**

37. Ed gets to see his daughter Susan in Chapter 15, and what her life is like in a world without free trade. What was your reaction to Susan's story? Is Susan's life better or worse than what Ed saw in a world *with* free trade? Explain.
38. What's your answer to one of Dave's own questions: *Should* patriotism be a consideration when making a purchase? "Why should guilt enter into a consumer's decision?"
39. What does Dave mean when he admonishes Ed, "Don't look at the jobs. Look at the people," on page 110.
40. Ed goes to L.A. and gives his campaign speech for Frank Bates in this chapter. What was *your* reaction to Ed's speech? How might Ed's speech work at a nominating convention *today*? Explain. *Did Ed Johnson betray Frank Bates???*

41. On page 115, shortly before returning "upstairs," Dave acknowledges, "things have turned out a bit brighter" than he'd expected. Do you think he would feel the same in 2019 as in 2005? Explain.