

Tea will be good for us

William Watson, Financial Post

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The T-E-A in the Tea Party that had such a big influence on Republican gains in Tuesday's U.S. mid-term elections stands for "Taxed Enough Already." Given the "mad as hell and not going to take it any more" mood of many Tea Partiers, we in Canada are bound to worry whether it also means "Trading Enough Already." If the Tea Party caucus wags the Republicans and if the Republicans now half-run U.S. policy, a Tea Party that favoured American suppliers over foreign would be bad news for us.

The Tea Party is not a political party like any other. That's the point. It's a loose amalgam of many millions of dissidents against the status quo who have all sorts of different ideas, not all of them consistent. It doesn't have a platform in the traditional sense. It does have a "Contract from America," the 2010 equivalent of speaker of the House Newt Gingrich's 1994 "Contract with America," which started out as a blazing fireball but then fizzled after president Bill Clinton out-manoeuvred the speaker tactically.

The Contract from America, which is the result of a drastic winnowing of 1,000 suggestions down to just 10, doesn't really address trade or, for that matter, any international issues. It's mainly about making sure the U.S. federal government cuts taxes, downsizes itself, doesn't go for cap-and-trade and, item 1 on the list, doesn't violate the U.S. Constitution, as many Tea Partiers think the Obama administration and, to be fair, many administrations before it have done.

To the extent there's a strong libertarian streak in the Tea Party, we'll be OK. Libertarians like voluntary exchange and don't much mind whether or not the exchange is with foreigners, even including Canadians. If libertarians get hold of U.S. trade policy, the whole world will be better off. Don't forget that the original tea party, in Boston in December 1773, was over a three-penny tax on imported tea (even if the tea-dumpers were mainly opposed, not to the tax itself, but to the fact that someone else had imposed it on them).

Alas, the Tea Party movement has been too successful to be made up only of libertarians. Not even in the United States are libertarians that numerous. It also clearly contains strong strains of populism and nativism. Without necessarily following customary media usage and treating those nouns as pejoratives, it's fair to say many populists and all nativists have a strong preference for things local -- which in this case does not include us. Moreover, for many Americans in this election cycle the overall energizing factor has been the lousy economy. Outside of libertarianism, the idea is very appealing that the

way to create jobs is to keep out foreign products and encourage or even force citizens to buy local.

It doesn't work, of course. If Americans don't buy other countries' goods, other countries ultimately can't buy Americans' goods. And if other countries respond to American protectionism with protectionism of their own, what the United States may gain by replacing imports it loses by reduced exports, even before considering that many U.S. exports--iPhones, most famously -- depend on imported inputs. Not to mention, finally, that jobs aren't everything: Part of the good life is enjoying a variety of products, local and foreign.

Granted, with the U.S. unemployment rate at almost 10%, the argument that there's more to life than jobs doesn't sell so well. In fact, a major criticism of President Barack Obama during this year's campaigning is that, despite the bad economy, he and House Speaker Nancy Pelosi didn't focus "like a laser" on jobs, jobs, jobs. but instead went chasing health-care reform.

It does seem strange for a party with a bigger libertarian bent than it used to have to believe that having Congress focus for two full years on jobs would actually be good for jobs. The main way a legislative body can raise employment is to reduce all taxes on employment. It's hard to believe doing so would take 24 months. Of course, Tea Partiers might respond that in fact Congress could easily spend two productive years undoing the elaborate latticework of regulations and codes, from health and safety through "equal worth," that raise the business cost of hiring people.

If that's what Congress does now turn to, the competitive economic pressure thus created will only be good for us.