

“Are Economists Just Really Bad at Explaining the Benefits of Trade?”

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30th International Conference on Macroeconomic Analysis
and International Finance (ICMAIF)

University of Crete, Rethymno, Crete, Greece

27 – 30 May 2026

Before such a thing as economic science was known arose the theory of the “balance of trade.” The fundamental doctrine of this theory was that trade was advantageous or disadvantageous to a nation according as the value of its exports exceeded or fell short of the value of its imports. Accordingly, in the nomenclature of the time, an unfavorable balance of trade or state of credit meant one in which the imports were supposed to exceed the exports, and a favorable balance the contrary. An immediate corollary from this view was that trade between two nations could not be advantageous to both, because the values which each exported to the other could not both be greater than those received from the other. ... And yet the combined arguments of economists for a hundred years have not sufficed to change the nomenclature or modify the ideas of commercial nations upon the subject. ... The terms “favorable” and “unfavorable,” as applied to the supposed balance of trade, still mean what they did before Adam Smith was born.

Simon Newcomb. 1893. “The Problem of Economic Education,” *Quarterly Journal of Economics*. 7: 4 (July), pp. 375–399.

“When a country (USA) is losing many billions of dollars on trade with virtually every country it does business with, trade wars are good, and easy to win. Example, when we are down \$100 billion with a certain country and they get cute, don’t trade anymore-we win big. It’s easy!”

President Donald J. Trump
March 2, 2018 on Twitter

“New IMF analysis finds that in 2020 trade costs within Europe were equivalent to a sizable ad-valorem tariff of 44 percent for the average manufacturing sector compared to 15 percent between US states, and as high as 110 percent in the case of services sectors ...”

International Monetary Fund. *Europe: A Recovery Short of Europe's Full Potential. Regional Outlook Report, October 2024*,
<https://www.imf.org/en/publications/reo/eu/issues/2024/10/24/regional-economic-outlook-europe-october-2024>.

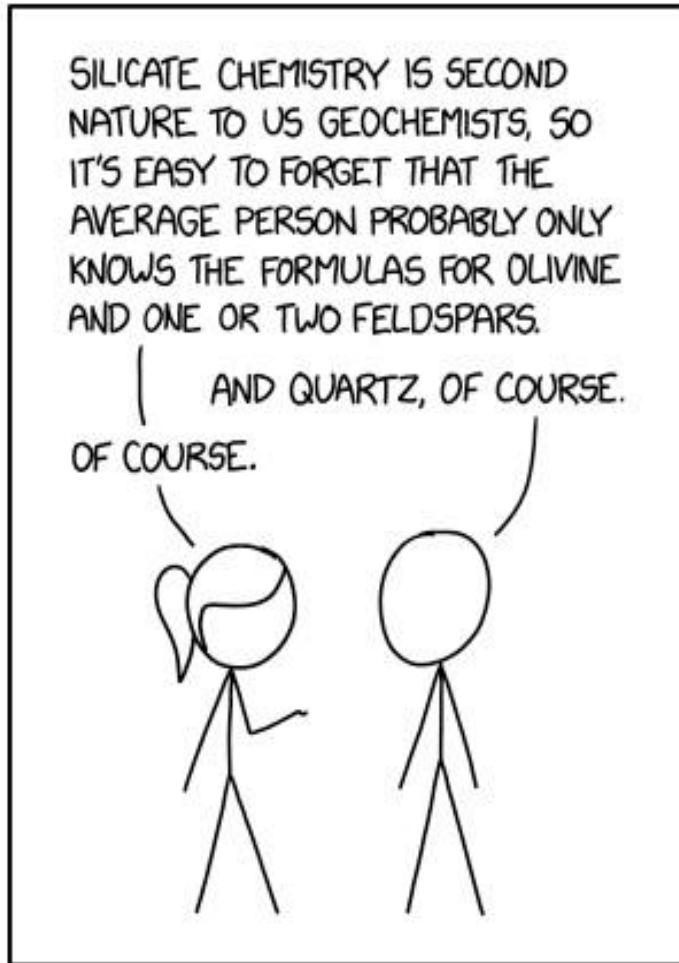
“We review the literature on the globalization backlash, seen as the political shift of voters and parties in a protectionist and isolationist direction, with substantive implications on governments’ leaning and enacted policies. Using newly assembled data for 23 advanced democracies, we document a protectionist and isolationist shift in electorates, legislatures, and executives from the mid-1990s onwards. This is associated with a noticeable protectionist shift in trade policy –although with some notable nuances -- especially since the financial crisis of 2008.”

Italo Colantone, Gianmarco Ottaviano, and Piero Stanig. 2022. “Chapter 7: The backlash of globalization.” In *Handbook of International Economics*, Volume 5, edited by Gita Gopinath, Elhanan Helpman, and Kenneth Rogoff, pp. 405-477.

#1. The benefits of trade are genuinely hard to explain, especially to those untrained in economics

“He [Stanislaw Ulam] used to tease me by saying, 'Name me one proposition in all of the social sciences which is both true and non-trivial.' This was a test that I always failed. But now, some thirty years later, on the staircase so to speak, an appropriate answer occurs to me: The Ricardian theory of comparative advantage; the demonstration that trade is mutually profitable even when one country is absolutely more - or less - productive in terms of every commodity. That it is logically true need not be argued before a mathematician; that it is not trivial is attested by the thousands of important and intelligent men who have never been able to grasp the doctrine for themselves or to believe it after it was explained to them.”

Paul A. Samuelson, 1969. “Presidential Address: The Way of the Economist.” *International Economic Relations*. Edited by P.A. Samuelson. pp. 1-11.



EVEN WHEN THEY'RE TRYING TO COMPENSATE FOR IT, EXPERTS IN ANYTHING WILDLY OVERESTIMATE THE AVERAGE PERSON'S FAMILIARITY WITH THEIR FIELD.

Source: <https://xkcd.com/2501/>

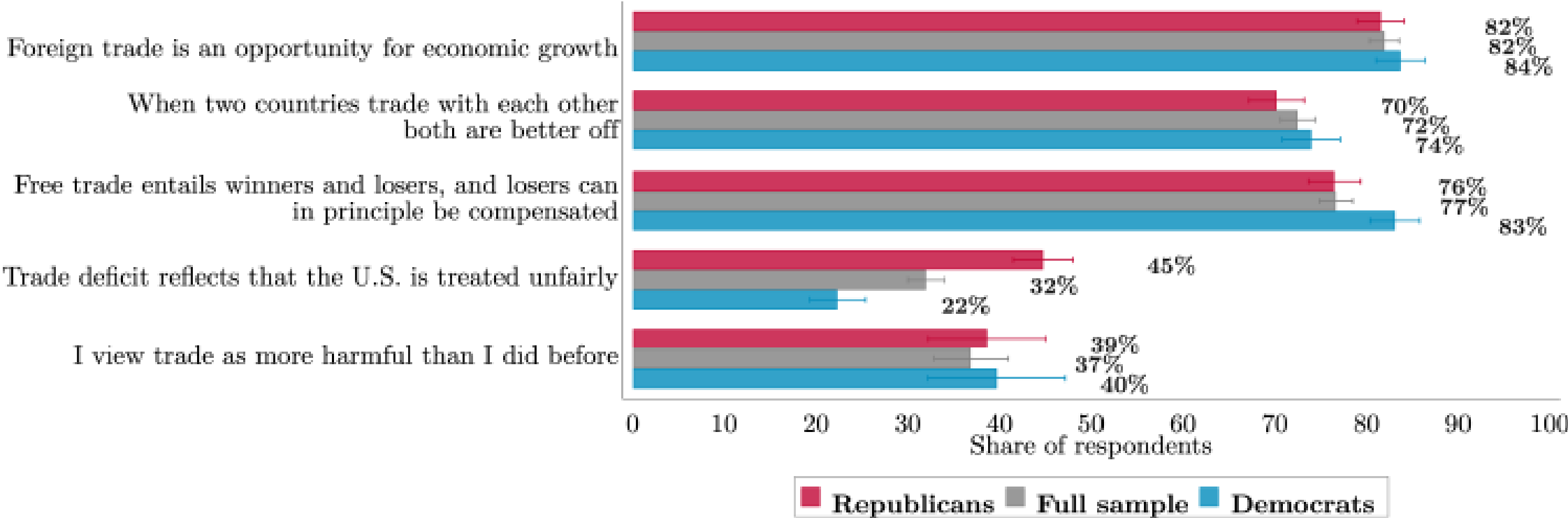
Camerer, Colin, George Loewenstein, and Martin Weber. "The Curse of Knowledge in Economic Settings: An Experimental Analysis." *Journal of Political Economy* 97, no. 5 (1989): 1232–54.

#2. Beliefs about trade are a non-attitude

Philip E. Converse. "The nature of belief systems in mass publics." In David E. Apter, ed., *Ideology and Discontent*, 1964 pp. 206-261.

Philip E. Converse. "Nonattitudes and American Public Opinion: Comment: The Status of Nonattitudes." *American Political Science Review*, June 1974, 68: 2, pp. 650-660

FIGURE 5: GENERAL VIEWS ON TRADE

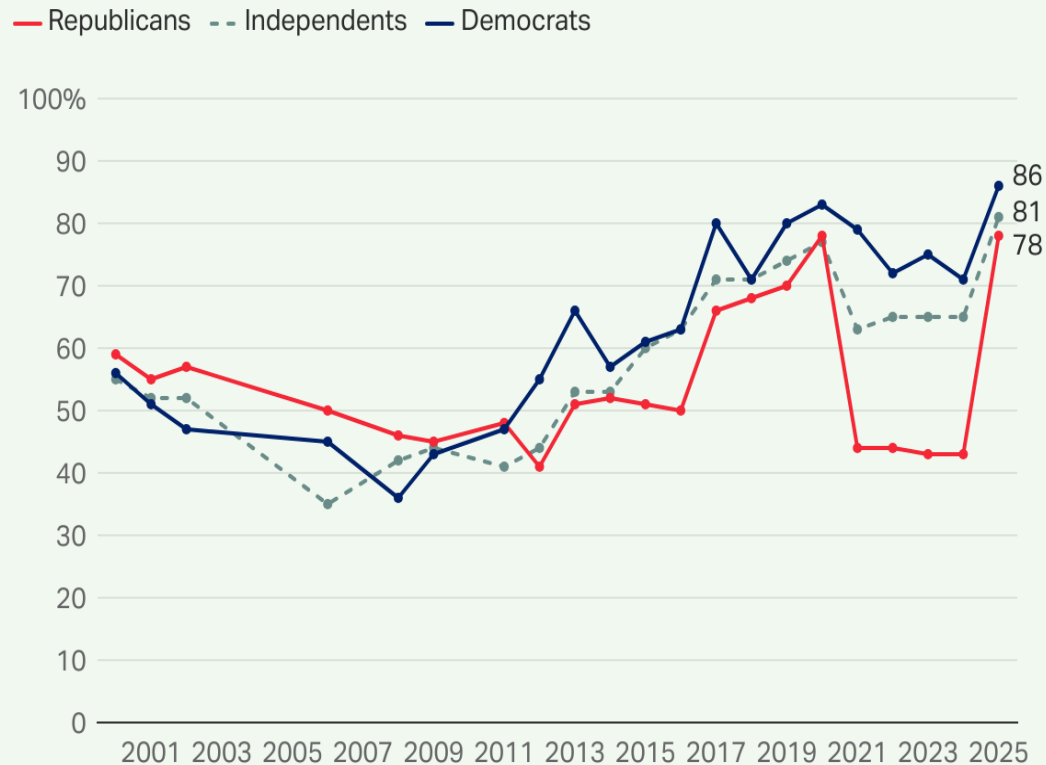


Stefanie Stantcheva and Gregory Tham, 2025. “The 2025 US Tariffs: Perceptions, Understanding, and Policy Views,” Harvard University Working Paper, Social Economics Lab, October, <https://socialeconomicslab.org/research/working-papers/the-2025-us-tariffs-perceptions-understanding-and-policy-views/>.

Perception Foreign Trade Is More of an Opportunity, by Party ID

What do you think foreign trade means for America? Do you see foreign trade more as an opportunity for economic growth through increased U.S. exports or a threat to the economy from foreign imports?

% Opportunity for economic growth



GALLUP

Saad, Lydia. 2025. "Americans' Foreign Policy Priorities, NATO Support Unchanged: Positive views of foreign trade surge again under Trump." Gallup. March 4.

<https://news.gallup.com/poll/657581/americans-foreign-policy-priorities-nato-support-unchanged.aspx>

For a more formal and systematic analysis:

Ceren Keser, James C. Garand, Ping Xu, Joseph Essig. 2024. "Partisanship, Trump favorability, and changes in support for trade." *Presidential Studies Quarterly*, 54:1, 46-64.

#3. National autonomy is worth an economic loss.

“National self-sufficiency, in short, though it costs something, may be becoming a luxury which we can afford, if we happen to want it. ... But the point for my present discussion is this. We each have our own fancy. Not believing that we are saved already, we each would like to have a try at working out our own salvation. We do not wish, therefore, to be at the mercy of world forces working out, or trying to work out, some uniform equilibrium according to the ideal principles, if they can be called such, of laissez-faire capitalism. There are still those who cling to the old ideas, but in no country of the world to-day can they be reckoned as a serious force. We wish—for the time at least and so long as the present transitional, experimental phase endures—to be our own masters, and to be as free as we can make ourselves from the interferences of the outside world. Thus, regarded from this point of view, the policy of an increased national self-sufficiency is to be considered, not as an ideal in itself, but as directed to the creation of an environment in which other ideals can be safely and conveniently pursued.”

John Maynard Keynes. 1933, “National Self-Sufficiency.” *Studies: An Irish Quarterly Review*, 22: 86 (June), pp. 177-193.

#4. International Trade is Perceived as a Zero-Sum Game

“Our baseline measure of zero-sum thinking is based on four questions about the extent to which respondents believe that relationships in different domains are zero-sum. Each question asks respondents to consider a statement and report the extent to which they agree with it, using the following five options: (1) Strongly disagree, (2) Disagree, (3) Neither agree nor disagree, (4) Agree, (5) Strongly agree.

1. Ethnic: “In the United States, there are many different ethnic groups (Blacks, whites, Asians, Hispanics, etc.). If one ethnic group becomes richer, this generally comes at the expense of other groups in the country.”
2. Citizenship: “In the United States, there are those with American citizenship and those without. If those without American citizenship do better economically, this will generally come at the expense of American citizens.”
3. Trade: “In international trade, if one country makes more money, then it is generally the case that the other country makes less money.”
4. Income: “In the United States, there are many different income classes. If one group becomes wealthier, it is usually the case that this comes at the expense of other groups.”

Chinoy, Sahil, Nathan Nunn, Sandra Sequira, Stephanie Stancheva. 2026. “Zero-Sum Thinking and the Roots of U.S. Political Differences,” *American Economic Review*, March 2026, 116:3, 1052-1096.

S. Nageeb Ali, Maximilian Mihm, Lucas Siga, 2025. “The Political Economy of Zero-Sum Thinking.” *Econometrica*, 93: 1 (January), 41–70.

“All of the above suggests a puzzle: why does zero-sum thinking prevail even in positive-sum settings in which voters’ interests are largely aligned?”

Build a model in which zero-sum thinking it can be an equilibrium in a positive sum game with rational players, if insert asymmetrical information and uncertainty over distribution

Ann, Bella, and Carol, who are risk-neutral, vote between two equally likely policies. Majority wins.

| payoffs | Two policies | |
|---------|--------------|-------|
| | p_* | p^* |
| | 0 | +2 |
| | 0 | +2 |
| | 0 | -3 |

Full information?

No information?

Asymmetric information and uncertainty, plus variation in players and payoffs?

#5. Exclusionary Preferences

Imas, A. and K. Madarász. 2024. “Superiority-seeking and the preference for exclusion.” *Review of Economic Studies* 91(4), 2347–2386.

Alex Imas, Kristóf Madarász, and Heather Sarsons. 2025. “Jealousy of Trade: Exclusionary Preferences and Economic Nationalism.” University of Chicago, Becker Friedman Institute Working Paper.

“We propose that a person’s desire to consume an object or possess an attribute increased in how much others want but cannot have it.”

#6. The attraction of folk economics.

“The domain of ‘folk-economics’ consists in explicit beliefs about the economy held by laypeople, untrained in economics, about such topics as, for example, the causes of the wealth of nations, the benefits or drawbacks of markets and international trade, the effects of regulation, the origins of inequality, the connection between work and wages, the economic consequences of immigration, or the possible causes of unemployment. These beliefs are crucial in forming people’s political beliefs and in shaping their reception of different policies. Yet, they often conflict with elementary principles of economic theory and are often described as the consequences of ignorance, irrationality, or specific biases. ... Here we propose that the cultural success of particular beliefs about the economy is predictable if we consider the influence of specialized, largely automatic inference systems that evolved as adaptations to ancestral human small-scale sociality. These systems, for which there is independent evidence, include free-rider detection, fairness-based partner choice, ownership intuitions, coalitional psychology, and more.

Boyer, Pascal, and Michael Bang Petersen. “Folk-Economic Beliefs: An Evolutionary Cognitive Model.” *Behavioral and Brain Sciences* 41 (2018): e158. Web.

Some folk-economic beliefs

- International trade is zero-sum, has negative effects.
- Immigrants “steal” jobs.
- Immigrants abuse the welfare system.
- Necessary social welfare programs are abused by scroungers.
- Markets have a negative social impact.
- The profit motive is detrimental to general welfare.
- Labor is the source of value.
- Price-regulation has the intended effects.

#7. Costs of Disruption are Salient, Benefits from Efficiency and Growth are Not

“Everybody wants progress; nobody wants change.”

Paul Romer, August 12, 2016, <https://paulromer.net/progress-change/>

“Then, we review the empirical literature on the drivers of the backlash. Two main messages emerge from our analysis: (1) globalization is a significant driver of the backlash, by means of the distributional consequences entailed by rising trade exposure; yet (2) the backlash is only partly determined by trade. Technological change, crisis-driven fiscal austerity, immigration, and cultural concerns are found to play an important role in creating politically consequential cleavages.”

Italo Colantone, Gianmarco Ottaviano, and Piero Stanig. 2022. “Chapter 7: The backlash of globalization.” In *Handbook of International Economics*, Volume 5, edited by Gita Gopinath, Elhanan Helpman, and Kenneth Rogoff, pp. 405-477.

- #1. The benefits of trade are genuinely hard to explain, especially to those untrained in economics
- #2. Beliefs about trade are a non-attitude.
- #3. National autonomy is worth an economic loss.
- #4. International Trade is perceived as a zero-sum game
- #5. Exclusionary preferences
- #6. The attraction of folk economics.
- #7. Costs of disruption are salient, benefits from efficiency and growth are not

For some thoughts about the first wave of globalization: 1870–1914

Marc–William Palen, 2025. *Pax Economica: Left–Wing Visions of a Free–Trade World.*

For some thoughts about the second wave of globalization, from after WWII up into the early 2000s

World Bank. 2025. *World Development Report 2025: Standards for Development.*

For some thoughts on AI and the future of trade

World Trade Organization. 2025. *World Trade Report 2025: Making trade and AI work together to the benefit of all.”*

“We must never regard the opinions of voters on any issue important to their well-being as in any sense unalterable. That is why the explicit statement of proposals which are not pressed, or which are even categorically dismissed on account of evident current unacceptability, may be able to play so fruitful a role. A long educative period may have to precede many fundamental reforms under democracy or even under other forms of government.”

William Hutt, *Politically Impossible* (1971, p. 84)

“Great changes in public sentiment do not occur suddenly, and economists must expect many years of hard work before the doctrines which they oppose are wholly rejected.”

Simon Newcomb. 1893. “The Problem of Economic Education,” *Quarterly Journal of Economics*. 7: 4 (July), pp. 375–399.