

**To believe or not to believe:
A look at economics**

Mercantilism is based on the concept that free trade is a zero sum activity. This view is based on the idea that exports increase a country's well being while imports on the other hand are detrimental. Modern economists have revised their opinion to reflect the concept that free trade has a positive net effect on the world as a whole. However a vast number of economists have taken up a Neo-mercantilist view. Opinions are divided as to whether free trade is beneficial or not. The strongest opponents of free trade are those that support protectionism. Protectionism is the practice of levying tariffs or setting quotas on the import of goods in certain industries. One of the greatest examples of protectionism can be seen in the action taken by various U.S. presidents concerning the steel industry in America. Protectionist fear that free trade will lead to increasing imports which will threaten domestic jobs. The notion that imports lead to unemployment is a stylized fact, or widely held view that hasn't been proven.

Unemployment has been a hot topic in politics for many years. Public opinion towards imports and unemployment is often shaped by political currents. Often these sound bites and propaganda are based on ideas and not evidence. Many of these concepts are touted for years without any corroboration or support. The proliferation of this stylized fact concerning imports and unemployment have led to the misconception that free trade is detrimental because higher import rates lead to higher unemployment. This simply is not true. It is not necessary for imports and unemployment to have a direct relationship. A simple examination of data may be performed to prove this hypothesis; said proof would support the basic concepts of free trade.

To prove that imports and unemployment do not have to have a direct relationship data was gathered from <http://0-devdata.worldbank.org.wizard.umd.umich.edu/dataonline> . The data

collected included unemployment rates (% total labor force), imports (constant US\$), and exports (constant US\$) for the United States, over a twenty year period. The data was ported to an Excel spread sheet, which could easily translate it into charts. The scatter plot charts produced by Excel organized the data based on two axis. By organizing the data into bi-axial charts the concept of import, export, and unemployment correlation becomes acutely recognizable.

The charts show that while exports increased unemployment fell. This result was expected and is predicted by both detractors and supports of free trade. The charts also show that while imports experienced a steady increase in the United States from 1980 through 2001, unemployment continued to fall during this period. This result is contrary to the expectations of Mercantilist and Protectionist. The ideas of both groups predict that imports and unemployment should have a direct relationship. Another surprising fact revealed by the charts is that the U.S. has had an increasingly negative balance of trade. This means that the U.S. has imported more than it exported, and the disparity between imports and exports has grown over the twenty year period covered by the data.

The charts based on this data not only contradict the predictions of mercantilist and protectionist it also lends strong support to the concepts of free trade. Further study of this material could be used to disprove other stylized facts that have prevailed over the years. By testing theories with accurate data and corroborating concepts with real world scenarios a better understanding of economic principles may be gained.