

The Procrustean Idiocy of the Homo Consumptus Mandate

by Richard Butrick (October 2015)

"In every country it always is and must be the interest of the great body of the people to buy whatever they want of those who sell it cheapest." Adam Smith

It's a no-brainer.

Free trade is the biggest [no-brainer](#) for securing America's long-term prosperity. It opens markets, creates jobs, raises wages, levels the legal playing field, increases the availability of goods for consumers, and slashes prices for every nation that tries it.

And here is an [article](#) from *Forbes* making the same point. Unlike the above quote from *Investor's Business Daily*, the article admits that free trade does result in job losses. In fact it refers to another study by the World Trade Organization in late 2001 which estimates that between 1 million and more than 2 million of the 5 million American factory jobs lost since 2000 are traceable to low-cost imports. But the author maintains that these jobs were the low paying jobs and no big deal. Free trade is still a *must* for benefiting the consumer and should be the paramount objective of any administration.

[It makes] US consumers better off and making consumers better off is the point and purpose of economic policy.

Ricardo's theory of comparative advantage, launched some 200 years ago, is the centerpiece of the economic theory of maximizing the production of goods. It is also – or consequently – the basis of free-trade initiatives which result in job dislocation and job losses.

In its simplest form the basic rationale behind outsourcing and free trade is that if we all do what we do best then there will be more and cheaper goods to go around for everyone. For example, because of differences in soil and climate, the United States is better at producing wheat than Brazil, and Brazil is better

at producing coffee than the United States. "Obviously" both countries are better off when Americans produce wheat and exchange a portion of it for some of the coffee that Brazilians produce. This specialization principle works for X and Y even if X has absolute advantage in producing what Y produces. They both are, or can be, better off in maximizing production by concentrating on their own comparative advantage and swapping comparative advantages. Put rather quaintly, by concentrating on the things you do the "most best" and exchanging or trading any excess of those things with someone else for the things that person does the "most best," you can both be better off.

The problem is that on the basis of the above, the political leadership of a nation may tend to willy-nilly make the leap and endorse the Homo Consumptus Mandate: *leadership must take the necessary steps to enact the principles of free trade and globalization founded on the rock solid principle of comparative advantage to ensure a better life for their constituency.* The problem with this reasoning/inference/extrapolation is that being *better off* is a cultural issue and not just an economic issue. At the core of the Mandate is the concept of man-the-consumer. Production/work/jobs are just a means to that end. This is a procrustean effort to shoe-horn human nature into the Consumptus model.

The dimension that is lost is that of man the producer/maker/builder/grower. Homo Formator is more at the core of our being than just consuming. We like to have productive useful lives. For most of us this means doing useful productive *work*. Helping ourselves our families and communities is at the core of our productive years.

This is borne out by an account of the psychological effects of having no productive work to do – in this case due to job loss:

Job loss is associated with elevated rates of mental and physical health problems, increases in mortality rates, and detrimental changes in family relationships and in the psychological well-being of spouses and children. Compared to stably employed workers, those who have lost their jobs have significantly poorer mental health, lower life satisfaction, less marital or family satisfaction, and poorer subjective physical health (McKee-Ryan, Song, Wanberg, & Kinicki, 2005). A meta-analysis by Paul and Moser (2009) reinforces these findings – unemployment was associated with depression, anxiety, psychosomatic symptoms, low subjective well-being, and poor self-

esteem. Unemployed workers were twice as likely as their employed counterparts to experience psychological problems (Paul & Moser, 2009). [source: The Society for the Psychological Study of Social Issues (SPSSI); [link](#)]

Naturally, SPSSI concludes that therefore those affected need more social services and counseling – not that maybe sacrificing home-grown industries that provide the economic basis for thriving communities in the name of cheaper goods is a stupid way to view the cultural life of a nation.

A good example of the destruction of whole communities via outsourcing is what happened to the once booming steel centers of Warren and Youngstown along the Mahoning Valley in Ohio. Staff writer for the *Washington Post*, Anne Hull, in a [2009 article](#) detailed the decline and fall of the Warren-Youngstown communities from 1970 on. For the once proud families and communities of hard working men and women who felt that they were at the center of America's industrial might and who had fashioned an active cultural support system ranging from high school football rivalries to church socials to bowling alleys and backyard barbeques – life was rich complex and good. What she saw in 2009 was hopeless, dispirited communities barely able to scrape by. Here is her account of her visit to a hock shop:

All day long the front door buzzes at Uptown Gems & Jewels. The people come in with their trinkets wrapped in tissue or velvet boxes. They say their hours have been cut or they've been laid off. Some have their first names stitched in cursive on their uniforms, others wear safety-toe boots.

"Let me show you something," says Dallas Root, standing behind the counter with a jeweler's loupe strung around his neck. He holds up a gallon-size Ziploc bag that's two-thirds full of gold – engagement rings, class rings, promise rings, serpentine chains, St. Christopher medals, bracelets, anklets and earrings.

"This is just this week," Root says.

Ms. Hull goes on to write:

The city, much like many other rust-belt cities, was devastated by the effects of globalization and increased free trade. In 1974, around the time

that globalization was beginning to take effect, 521,000 steel workers were employed in the metropolitan area. By 2000, those numbers had fallen to just 151,000.

Certainly management and the steel workers unions seemed hell-bent on mutual self-destruction. Rather than making the necessary sacrifices to adjust to the eventual reality of competing internationally, lines hardened into uncompromising confrontation. But that is not an argument for suddenly opening the flood gates and destroying home-grown industries that support a viable community life for its citizens.

Being sacrificed on the alter of free trade under the mandate that goods will be cheaper and more plentiful is small comfort to those who have lost their jobs and communities. Add to that the additional taxes needed for additional welfare and other social services support and the “obvious” net gain of cheaper goods is neither obvious nor even coherent as a measure of the amount of human suffering involved in the destruction of whole communities and a way of life.

And that is the other side of the coin – as a 2012 [report](#) by the Council of Hemispheric Affairs (COHA) affirms:

The combination of increased imports from Mexico and a growing trade deficit have led to job losses, mostly in high-wage, non-college-educated manufacturing positions, in all 50 U.S. states and the District of Colombia.(9) When these displaced American workers later re-enter the job market, they find difficulty securing new jobs and often have to settle for markedly lower wages. As of March 2011, the United States has lost approximately 700,000 jobs due to disruptions in supply chains brought about by NAFTA.(10)

... Although NAFTA has been detrimental for the United States, the free trade agreement has been far worse for Mexico. While proponents touted NAFTA as ostensibly a beneficial social policy, the income gap in Mexico has in fact widened since NAFTA’s implementation, with this development creating even more poverty in a country already afflicted with the concentration of wealth in too few hands. The poverty rate in Mexico rose from 45.6 percent in 1994 to 50.3 percent in 2000, and the number continues to climb.(11) In 2010, the World Bank reported the most recent poverty rate in Mexico at

51.3 percent.(12)

... Perhaps the most devastating blow dealt by NAFTA to the Mexican economy was the near destruction of Mexico's agricultural sector, in which 2 million farm workers lost their jobs and 8 million small-scale farmers were forced to sell their land at disastrously low prices ... Thus, NAFTA has not only negatively impacted Mexico's economy, but also altered its national identity by infringing on ancestral traditions.

While it is legitimate to posit Homo Economicus/Consumptus for scientific purposes, it is simple minded and stupid and causes great harm to use it as the primary basis for socio-economic planning. As per the *Forbes* quote above:

... making consumers better off is the point and purpose of economic policy.

Economic policy – from the limited perspective of more and cheaper goods? Fine. But that doesn't make it the sole basis for fashioning socio-economic policy. Free trade isn't free and can come at the cost of terrible socio-economic suffering. Even the POTUS admits to past failures:

I moved to Chicago to work with churches that were dealing with the devastation of steel plants that had closed all throughout the region. Tens of thousands of people had been laid off. There was never a federal effort to come in after those closings and to figure out how can we retrain workers for the jobs of the future, how can we invest and make sure capital is available to create new businesses in those communities. And so not only do we have to deal with our trade agreements, not only do we have to eliminate tax breaks for companies that are moving overseas, not only do we have to work on our education system, but we also have to have an intentional strategy on the part of the federal government to make sure that we are reinvesting in those communities that are being burdened by globalization and not benefiting from it. (Source: [here](#)).

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