



Insight

Krugman is Anti-Jobs

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The only conclusion one can draw by reading NYT columnist Paul Krugman is that he is anti-economic and anti-job growth. No country has ever trade-sanctioned its way to prosperity.

On June 24th, NYT Op-Ed columnist Paul Krugman wrote a piece entitled, “The Renminbi Runaround.” In it, he reviews the recent Chinese announcement of currency flexibility, but Krugman believes it’s a joke with no meaningful change to the value of the renminbi.

He concludes by saying, “So what comes next? China’s government is clearly trying to string the rest of us along, putting off action until something — it’s hard to say what — comes up. That’s not acceptable. China needs to stop giving us the runaround and deliver real change. And if it refuses, it’s time to talk about trade sanctions.”

It’s with this backdrop that I saw a fascinating development occur today.

China and Taiwan signed a broad tariff-slashing free trade agreement.

The Nikkei reports that the Economic Cooperation Framework Agreement will lower tariffs on 806 items, starting from January 2011, and abolish them altogether in January 2013. While it still must be ratified by both sides, it has already made waves through the Far East.

The pact will impact South Korean and Japanese companies’ strategies for the Chinese market. “Improved competitiveness of Taiwanese rivals would undermine South Korean companies’ positions in China,” a Korea International Trade Association official says in the article (MNI).

Krugman’s position stands in stark contrast to free trade. It is the anti-thesis of job creation and a facilitator of slower economic growth. Given the inability of the US economy to create jobs, why would we want to do this?

Ask yourself this question: in the midst of the most serious fiscal austerity plan ever enacted in their country, how can the UK, cut corporate taxes? Why is that in their plan? It’s because they want to create jobs and this is the proven way to do it.

The economic truth is that free trade and low corporate tax rates are the proven method for creating jobs. But it’s not the populist path to take during hard times. The simplest political argument to make is to say our problems reside outside the country and blame others for our predicament.

If you truly want to get things going domestically, the solution is the opposite of what Prof. Krugman wants.

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