

Surviving in the Age of Economic Nationalism: The Price of Protectionism and Neo- Mercantilism

Mustafa Acar¹

Abstract

There has always been a conflict between two types of economic mentality: free-market vs. command economy. It is actually the reflection of two broader mind-sets in economic reality: moderate-democrat mentality vs. radical-autocratic mentality. Free market system requires individual decision-making, free trade, no government intervention. Command economy system requires collective decision-making, protectionism and heavy government intervention. Recent trade wars launched by the US Administration against China and other countries is nothing but the latest effort revive the mercantilist, protectionist, anti-free trade and open borders mentality. But protectionism brings high costs, lower supply, higher prices, lower welfare, and fewer alternatives for individuals.

1. Introduction

US President Donald Trump and his administration waged a trade war against China and some other leading trade partners in the early days of April 2025. Accordingly, 10 percent base tariffs against Chinese products determined in the beginning of February 2025 were suddenly raised escalating gradually in a few days to reach 34%, 54%, 105% and as high as 145% in certain products! The leaders of China, in response, announced that they will retaliate and raise their tariffs against imported goods from the US, and they did.² This is nothing but a trade war in the form of a renewed

1 Professor of Economic Development and International Economics, Necmettin Erbakan University, Department of Economics, Konya, Türkiye.

2 For details, see <https://www.aa.com.tr/tr/dunya/cin-trumpin-tarife-artisina-karsi-abdye-yuzde-34-ck-gumruk-vergisi-getirecek/3528174> ; <https://mukellef.co/blog/abd-yeni-gumruk-vergisi-oranlari/>

wave of US tariffs disrupting trade across Asia, compelling China to pursue new trade partnerships and forcing regional economies to recalibrate their growth strategies. As the region absorbs the fallout of tariffs, capital flight and security flashpoints, governments and corporates alike are adjusting course amid widespread uncertainty (EIU, 2025).

What do all these mean in terms of economic policy, development policy, trade policy and economic mentality on an upper level?

No doubt that these are typical indicators of economic nationalism, protectionism, anti-free trade and anti-open border policies. In other words, as the recent trade war launched by the US Administration against China and some other trade partners including the EU, Canada, Mexico, India and Brazil highlights, we are living in an age economic nationalism characterized by populism, protectionism, and neo-mercantilism. Populist leaders and political movements are on the rise everywhere: America, Europe, and Asia. Populist charismatic leaders are coming to power and advocating protectionist, neo-mercantilist, statist economic policies. The most visible example of this tendency is the Trump administration that has come to power for second term recently in the United States.

Populist and protectionist leaders and governments argue that they implement protectionist economic policies characterized by high tariffs, import quotas, import bans and other trade barriers to protect domestic industries and their people against the destructive consequences of free trade and imported goods from abroad. However, instead of taking it for granted, it is important to question the validity of this argument. Can we really protect people and domestic industries by protectionism, high tariffs and other trade barriers? What will happen to the volume of supply, product variety, quality and prices as a result of protectionist policies? In other words, what is the price of protectionism and economic nationalism?

In light of the above, the purpose of this paper is to critically evaluate the main characteristics of economic nationalism, mercantilism and free trade vs. protectionism. The rest of the paper is organized as follows.

In the following chapter mercantilism as a form of economic nationalism is discussed. Basic mercantilist ideas are introduced and criticized. Chapter 3 discusses the main arguments for and arguments against free trade as well as protectionism. The final section concludes with a summary and highlights the price of protectionism.

2. Mercantilism as a Form of Economic Nationalism

Human beings attach meaning to life, observe, understand and interpret the reality through basically two types of lenses, which is called mentality. For practical reasons, I would call these mind-sets “moderate-democrat mentality” and “radical-autocrat mentality.” The first one is based on freedom, negotiation, de-centralization, individualism, plurality, variety, and accordingly, giving men a right to choose among alternatives. On the contrary, the second one is based on prohibition, imposition, authoritarianism, centralization, collectivism, uniformity, hence giving men no alternative to choose from. The motto summarizing the philosophy of the latter would be “either my way, or no way!”

These mentalities, as would be expected, have their projections or reflections on economic reality as well. Accordingly, there are two types of economic mentality or mindset: free market vs. command. The main pillars of free market-oriented mentality are private property, freedom of choice and entrepreneurship, individual decision-making, competition, free trade, and no government intervention. On the contrary, the main pillars of command economy-oriented mindset are public property, collective decision-making, central planning, heavy government control and market intervention, and protectionism. In other words, there are two main economic policies with regard to international trade: open borders and free trade vs. closed borders and protectionism.

These two mindsets or mentalities have always been in conflict throughout the history for centuries as depicted clearly and eloquently by Skousen (2014). On one side, there are free marketers supporting Adam Smith type of free markets, open borders, minimal government intervention and free trade. On the other side, there are command-economy proponents supporting central planning, collective decision-making, heavy government intervention, and protectionism.

Looking at the debate of free trade vs. protectionism from an economic history point of view, anti-free trade or protectionist policies were most systematically promoted by the Mercantilists. Mercantilism, sometimes implemented in the form of Cameralism and Colbertism, dominated economic sphere in 16th and 17th centuries. Today’s protectionist and anti-free trade policies are in essence the revival of mercantilist mindset, hence can be called neo-mercantilism. It is important, therefore, to remember the basic propositions of Mercantilism.

There are three basic propositions of Mercantilism:

- i. **The source of wealth:** It is the stock of precious metals, i.e. gold and silver.
- ii. **The volume of wealth:** Total wealth in the world is fixed.
- iii. **Zero-sum game:** Foreign trade is a zero-sum game.

Implications of this mentality in the realm of government economic policies and international trade are obvious: Since gold and silver are the only source of wealth, hence power, it is OK to capture the gold and silver stock of others, hence legitimizing pillage, booty, colonization and exploitation. Since total wealth of the world is fixed, one can get richer only at the expense of impoverishment of others. According to this mentality it was impossible for both sides to get rich simultaneously. In order for one side to get rich, the other side had to get poorer. Lastly, the mercantilist mindset considered international trade as a zero-sum game, implying that the gain of one side means the loss of the other side, giving zero when you sum them up.

Marking a corner stone in the history of economic thought, Adam Smith (1723-1790), the founding father of modern economics, rejected all of these mercantilist propositions discussed above, and proposed the following:

- i. **The source of wealth** is not gold or silver, but the production capacity of a nation.
- ii. **Total wealth is not fixed**; it can be created, and increased. Therefore, one's getting rich does not have to be at the expense of making someone else poorer.
- iii. **Positive-sum game:** Foreign trade is a positive-sum game; both parties gain from a voluntary exchange.

Obviously, the mentality, mindset, perspective, or point of view of Adam Smith was totally different from the Mercantilist one.³ The source of the wealth of a nation was not gold and silver stocks, but the production capacity of a nation created by using the productive resources like labor,

3 Unfortunately, the contribution of the Muslim thinkers and scholars to the free market oriented economic policies are mostly underestimated if not totally ignored. Ibn Khaldun (1332-1406), a Muslim thinker of the 14th century argued for less taxes, minimal government intervention and free markets long before Smith and other Western thinkers (Khalidun, 2015). The Muqaddimah is the most important Islamic history of the pre-modern world. Written by the great fourteenth-century Muslim scholar Ibn Khaldûn, this monumental work established the foundations of several fields of knowledge, including the philosophy of history, sociology, ethnography, and economics. <https://www.amazon.com/Muqaddimah-Introduction-Abridged-Princeton-Classics/dp/0691166285>

land, natural resources, and capital. Since the amount and productivity of the factors of production are not fixed, total wealth was not fixed as well. It could be created and increased through division of labor, which leads to specialization, and increasing productivity. This meant that increasing one's wealth does not have to be at the expense of reducing the wealth of someone else.

Moreover, international trade, contrary to what the Mercantilists argued, was not a zero-sum game. It was a positive-sum game where both sides gained from trade. According to Smith, in order for a voluntary exchange to take place, both sides have to believe that they will gain something from that exchange, otherwise it would not take place at the first place. Smith argued that a country can specialize on those products it has “absolute advantage” (i.e. can produce at a cheaper cost) and gain from free trade (Smith, 2022 [1776]).

This new way of thinking, the new mindset opened the doors a whole new world which was later called “free-market system” based on free trade, freedom of choice and entrepreneurship and no government intervention.

David Ricardo (1772-1823) further extended Smith's theory of “absolute advantages” and argued that even when a country has absolute advantage in both commodities, there is still room for gains from free trade for both sides as long as division of labor and specialization is done according to “comparative advantages” (Ricardo, 2001[1817]). Ricardo's theory of comparative advantages became the dominant theory explaining international trade later on.

As it should be clear by now, there are basically two types of policies with regard to international trade: free trade policy versus protectionism. One can argue that Mercantilists paved the road to protectionism and the Classical-liberal school of macroeconomic thought paved the way to free trade. The following section discusses the basic arguments for and against free trade, as well as arguments for and against protectionism. Once again, this debate is not something that belonged to history, or something outdated. On the contrary, the debates on free trade and protectionism has always been a hot debate in all ages, all countries, all political parties, academics, leftists and the right-wings alike. It is still a hot topic today. The Trump Administration's trade war against China and some other countries is nothing but the revival or the ghost of mercantilist mentality and economic nationalism.

3. Free trade vs. Protectionism

As mentioned above, debates on free trade vs. protectionism have a long history, which date centuries back. It is not independent from the general mindset on how to deal with economic reality, how to organize economic activities, how to create wealth, and what should be the role of government in all these, etc. One can see supporters of protectionists as well as supporters of free traders in all countries and all ages with no exception, including today. As would be expected, supporters of both views put forward certain arguments and justifications in regards to why they support the view they adopted. Some of these arguments are discussed below.⁴

3.1. Arguments for Protectionism

3.1.1. National security

The most widely used argument for protectionism has been national security. For those who advocate protectionism, national security can best be achieved through protectionist policies. Import means dependence on foreign countries. When international relations get stuck with high tension or conflict, national security falls in danger, so it is better not to be dependent on imports, but produce the products you need domestically.

3.1.2. Self-sufficiency (autarky)

Very parallel to the national security argument, supporters of protectionism attach high importance to self-sufficiency or autarky. For them a country should be able to feed its population, should be able produce whatever it needs, and should not be dependent on anyone.

3.1.3. Infant industry

According to protectionists, domestic infant industries should be protected against foreign competition until they grow up and rely on their own feet, because they cannot survive otherwise. In the early stages of their development they are weak and vulnerable, hence need protection. Trade barriers can be relaxed later on when they grow and get strong enough to face with the foreign competition.

3.1.4. Reducing unemployment

One of the most popular arguments for protectionism is reducing unemployment. For protectionists, allowing foreign goods coming into

⁴ For a more detailed discussion, see Acar (2018, pp. 81-118), Roberts (2021).

the domestic market means reduced demand for domestic products, which eventually lead to contraction of the domestic industries. Some of the contracting firms will have to lay off some of their workers, leading to higher unemployment. Therefore, restricting imports through trade barriers like customs duties, quotas, import bans etc. will help promote demand for domestic products, hence increasing employment and reducing unemployment.

3.1.5. Anti-dumping

According to anti-dumping argument, foreign companies frequently offer their products at a price below their costs (i.e. dumping), hence forcing domestic firms to bankrupt or exit the market. Therefore, the government should impose “anti-dumping” duties on foreign firms to protect domestic firms to survive.

3.1.6. Reducing balance of payments deficits

Another argument for protectionism is increasing tax revenues of the government treasury via tariffs, hence reducing balance of payments (BOP) deficits. Many countries have BOP deficits, so reducing imports through high tariffs would reduce these deficits.

3.1.7. Fair trade: equality of conditions

Another fantastic, confusing argument for protectionism that sounds good at a first glance is the fair trade argument. It underlines the importance of “equality of conditions,” and concludes that since conditions are not equal between countries, government policies, natural conditions as well as market conditions faced by different firms, the national firms should be protected by government until the conditions become equal.

3.1.8. Environmental protection

Protectionists especially from developed countries frequently argue that underdeveloped countries use primitive “dirty technologies” that pollute the environment. Hence government of the developed countries should punish them by raising the trade barriers against the products coming from underdeveloped countries using dirty technologies and creating environmental pollution.

3.1.9. Child labor

Another argument raised by protectionists from the developed countries that sound human and merciful at a first glance is child labor argument. They argue that many developing countries use child labor to produce cheaper products and get cost advantage against developed country products. The developed countries should punish those countries using child labor and ask for occupational health safety.

3.1.10. National market for domestic producers

Last but not least, is the argument demanding national market to be restricted to domestic producers. As a typical nationalistic argument, it proposes that the national market is the natural home for domestic producers, hence domestic firms should be granted to act comfortably in the domestic market by keeping foreign firms out of the market. This type of nationalistic thinking may go all the way down to teaching elementary school students that everybody should consume domestic products.⁵

3.2. Arguments for Free Trade

As for the free traders, they criticize all the protectionist arguments showing that they are not as valid or strong as they might seem to be at a first glance, and put forward certain arguments in defense of free trade as discussed below.

3.2.1. National security cannot be guaranteed by protectionism

According to free traders, national security cannot be guaranteed or achieved by protectionism basically for three reasons. First, it has to do with nuclear power, space technology, sophisticated weapons, etc. Imposing trade barriers to restrict imports does not help achieve national security. Second, in today's world almost all products, including the most strategic weapons, are produced by different countries across the world. Once you have the money, you can get whatever need from another supplier even in the hard times when the international political tension is high.

Third, and most importantly, what guarantees national security is to prevent war, and establish peace which can best be achieved by free trade,

5 We used to celebrate “domestic goods week” where our teachers ask us to repeat the dictum “yerli mali yurdun mali, herkes onu kullanmalı,” meaning “domestic products are our motherland’s product, hence everyone should use them.” This is a typical nationalist slogan preaching to prefer domestic products regardless of price and quality, something worthless from a rational economic point of view.

not protectionism. One of the most important advantages of free trade is it helps establish friendly relations between nations, reducing the possibility to go into war. Once a country starts to export to and import goods from another nation, people across the borders starts earning money, find jobs, get better off economically, hence develop friendly relations. This reduces the possibility of a conflict, clash or confrontation between the trade partners. This fact can easily be confirmed by taking into account the fact that those countries which established free trade zones between themselves do not wage war against one another, the EU member states being the most visible example. As stated by Frederic Bastiat centuries ago, “if you do not allow goods to cross borders, soldiers will cross them” (Bastiat, 1997). This is a fantastic way of underlying the importance of free trade in sharing the scarce resources in a peaceful, moral, and humanitarian way.

3.2.2. Self-sufficiency is the road to poverty

As elaborated by Roberts (2021) very convincingly, self-sufficiency is the road to poverty. This stems from the simple fact that no country in the world can have comparative advantages in all industries, in all products at every level. Because natural resources as well as human resources are not distributed evenly in the world. Geographical, climatic, sociological, natural, historical, and technological conditions are all different. Some countries have rich natural resources, oil and gas reserves whereas some are rich in terms of young population, some have advantages in terms of strategic geographical locations. These factors lead to a world where every country might have a comparative advantage on certain industries, products, or fields, but not all at the same time.

Self-sufficiency simply means trying to produce everything you need by yourself. Economically, it is either impossible, or could be possible but at a much higher cost, both at individual and national level. For example, none of us produces the wheat as the raw material of the bread and bakery products we consume. Likewise, nobody produces the shirt he/she wears which is produced out of fabric, of which produced out of cotton, etc. They are all produced by the farmers, firms or bakeries where we as consumers simply buy the final products from where they are sold. This means that none of us is self-sufficient, we all depend on one another. This is true for countries as well. Instead of trying to produce everything, it is much better and cheaper to specialize on something we have comparative advantage and buy other things from more efficient producers.

3.2.3. Infant industries never grow

The counter argument by free traders against the infant industry argument is that infant industries never grow and become self-reliant as long as they are protected unconditionally. It would be acceptable to support some domestic infant industries at their early stages; but it should be temporary and conditional on satisfying certain conditions within a certain time limit. Otherwise they prefer to go after rent-seeking and some crony relations with politicians and decision-makers to guarantee the continuation of the existing protections forever.

In other words, just like swimming cannot be learned without diving into waters, competition can best be learned under competitive conditions. If you want domestic infant industries to grow and learn how to compete with foreign firms, you have to allow foreign competition and let the domestic firms to face it.

A good example of this fact can be given from Turkish automotive industry. From 1950s until 1990s the automobile industry was protected in Türkiye by the governments unconditionally. It was impossible to import one single automobile throughout more than four decades. The result was terrible: Turkey was unable to export one single automobile, and Turkish people had to wait for a long time after making payments in advance to get one of the lowest quality autos in the world with no air brake system, or no automatic transmission. Once Türkiye had “customs union” with the EU in industrial products in mid-1990s, Turkish firms had to renew their technology very quickly and started to produce and export higher quality automobiles to all over the world.

3.2.4. Protectionism does not prevent unemployment, just relocates

Contrary to what protectionists argue, protectionism does not reduce or prevent unemployment but just relocates between different industries. This stems from the simple fact that international trade is like a two-way road: goods and services go abroad in one (exports), and they come from the other side (imports) (Roberts, 2021). Once a country starts imposing trade restrictions against a trade partner, that country is likely to retaliate; just like China did in response to tariff increases by Trump Administration in early April 2025. As a result, a contraction in export industries becomes inevitable, hence job losses come out. This means that while a country tries to increase employment in import-substituting industries, employment losses arise in export industries. In the end, there would not be a reduction

in unemployment but just a relocation of the unemployed between various sectors, i.e. unemployment moving from import-substituting to export industries.

3.2.5. Anti-dumping cases are implicit demand for protectionism

At a first glance, calls for anti-dumping sounds fair, because foreign firms seem to try to kick domestic firms out of the market by selling their products at a price below their cost. But in reality, we have a different picture than claimed. These claims are based on the assumption that the cost of the foreign firms is the same with that of the domestic firms, which is not true in most cases. Labor cost in China for example is much cheaper than the US and the EU. Likewise, input prices are not the same everywhere, just like the transportation costs. Therefore, it is quite possible that what is “below the cost” for a (foreign) firm, may quite possibly above the cost for another (domestic) firm as indicated by practical cases (Roberts, 2021, Bovard, 1992). Under these circumstances, anti-dumping argument also collapses.

3.2.6. Protectionism does not improve balance of payments (BOP) deficits

The counter-argument raised by the free-traders against the protectionist is that protectionism does not reduce BOP deficits. Since restricting imports would negatively affect export industries through retaliations, there would not be a considerable improvement in external deficits position of a country. On the contrary, a country can more effectively improve its BOP deficits by promoting free trade, increasing merchandise exports and tourism industries which help increase a country's foreign exchange earnings.

3.2.7. Faire trade is a fallacy: what creates trade is inequality of conditions

Perhaps the most interesting and confusing argument by the protectionists that sounds good at a first glance but a total fallacy in reality is the fair trade argument. This is because, inequality of conditions between countries is a natural phenomenon, mostly going beyond human control. Natural, geographical, climatic, technological, physical and social conditions are different across the world. More importantly, it is basically this difference that makes international trade possible, plausible, and profitable. Consider for a moment that if all natural, geographical, technological, and social conditions were the same for all countries all over the world, there would not be any room for trade, because costs and hence prices would be the same everywhere. Why should then a country buy a product from another country

where it has the same product with the same price? Even though this is a so obvious fact, yet this argument is raised by protectionists at political and ideological grounds. Bovard (1992) seems right when he calls it “fair trade fraud,” where he shows that actually politicians pillage the consumer and decimate the competitiveness of the private industries when calling so called “fair trade.”

3.2.8. Free trade is not the cause of environmental pollution

This is another weak argument for protectionism that could be easily debunked. All plausible sources on climate change and environmental protection, including Kyoto Protocol and Paris Climate Summit, indicate that the bulk of the carbon emissions polluting the environment have been released by the developed countries. The most recent data show that developed countries such as the US, Japan and Russia are among the top-five polluters (Worldometer, 2025). It is interesting to remember that the US, one of the biggest polluter of the environment at the global level, resisted not to sign the Kyoto Protocol for a long time. Furthermore, once we think about the history of the accumulation of air pollution since the industrial revolution, this argument becomes invalid.⁶

3.2.9. Child labor can be prevented by free trade

Another unconvincing argument for protectionism is the argument criticizing the use of child labor in underdeveloped countries. First of all, no responsible parent would force their under age children to work. It is a necessity for children in many developing countries to work and contribute to family budget. Furthermore, free trade is the safest way for many underdeveloped countries to reduce poverty and provide their population better living conditions. In other words, if we really care for the children of the developing countries, we should promote free trade policies so that these countries grow faster, achieve economic development, improve the living conditions for all, and hence children do not have to work and enjoy their time playing and studying.

3.2.10. Free trade reduces prices

One of the most visible positive consequences of free trade is it reduces prices hence suppress inflationary tendencies by increasing supply and promoting competition. When goods and services are allowed to cross

6 The record of socialist and centrally planned economies is much worse than the free market economies in terms of environmental pollution. More discussion on free market capitalism and environmental protection can be found in Zitelmann (2023).

borders, total supply of goods will increase, pushing prices down as proposed by the law of supply and demand: *ceteris paribus*, prices will go up as demand goes up (i.e. scarcity), and prices will go down when supply goes up (i.e. bounty). Similarly, increasing competition will contract the profit margin. In other words, free trade will suppress the inflationary tendencies and will allow people to enjoy goods and services at a cheaper price. This is good for all, especially those people who have a limited and fixed income.

3.2.11. Free trade increases quality and variety

Equally important, free trade brings competition, which not only lead to cheaper products but also increasing quality and product variety. Competition forces competing firms to use resources efficiently, and increase quality. New products will be developed through R&D by the competing firms. On the contrary, when there is no free trade and hence no competition, there will be monopolistic or oligopolistic conditions dominating the market, reducing total supply, lowering the quality and variety of the products.

3.2.12. Free trade reduces rent-seeking and corruption

When there is competition, open borders and free trade, there will be less room for corruption, bribery and all other illegal, unlawful irregularities. Economically, when there is a ban, prohibition or restriction in an industry (related with production, distribution, investments and trade, etc.), there will be rents created by the higher prices than it would be otherwise. Capturing, sharing or distribution of these rents between politicians and private firms will be a big, critical, sensitive issue. Existing firms protected from foreign competition by government regulations and trade restrictions will be ready to offer some of those accumulating rents as bribery to guarantee the continuation of the protection. Obviously, rent-seeking and corruption at administrative levels are inevitable in an economy where import bans, high tariffs and all sorts of trade restrictions.⁷ Protectionism is the natural home for rent-seeking and corruption which kills the good governance.

3.2.13. Free trade increases welfare, reduces poverty

One of the strongest arguments for free trade in material sense is the fact that free trade increases welfare and reduces poverty. In fact, this is a compound effect of what we mentioned above: increasing total supply, reducing prices, bringing higher quality and more variety. Combined with faster real economic growth possibility for the economy in general, free

7 See Krueger (1974) for a detailed discussion on the political economy of the rent-seeking.

trade increases welfare and alleviates poverty. Increasing welfare makes life better for all, especially ordinary citizens with limited and fixed income. This is material gains from free trade. But the story does not end here.

Perhaps many people may not see it easily, but there are immaterial benefits of free trade as well, which bring us to the last item below: the moral superiority of free trade.

3.2.14. Free trade is morally superior, too

It must be more than obvious by now that free trade is much superior to protectionism on material grounds. It means faster growth, higher quality products, cheaper prices, more variety, higher welfare, less rent-seeking and less corruption. But what about the superiority of free trade over protectionism on immaterial, or moral grounds? This is something many people overlook. However, the moral superiority of free trade over protectionism is as important as its material superiority. For us, moral superiority is no doubt much more important.

As elaborated by Roberts (2021) and Griswold (2002) very well, free trade is superior to protectionism on moral grounds in many respects: it brings more alternatives before individuals in every sense (better alternatives for career, health, education, profession, going abroad, enjoying worldly facilities, etc), respecting the dignity and sovereignty of the individual, restraining the power of the state, encouraging individuals to develop moral virtues, bringing people across distance and cultures, encouraging both basic human rights (e.g. freedom of speech and religion), fostering peace by raising the cost of war, feeding and clothing the poor.

In light of the above discussion, one can foresee that the trade wars waged by the US Administration against China and some other trade partners recently would bring no positive consequences, neither American people, nor American economy and the world. On the contrary, protectionism implemented by exploiting nationalistic feelings and fears from globalization with no sound base is nothing but shoot oneself in the foot. It will bring detrimental outcomes for the poor, ordinary people, men on the street, people with limited income. It will bring detrimental consequences for American firms as well by preventing competition, negatively affecting motivation to improve technology, quality and product variety, and push for rent-seeking and corruption.

4. Conclusion

We are living in an age of economic nationalism and populism where protectionism and populist political leaders and movements are on the rise all over the world. The most visible example of protectionism and economic nationalism is the trade war waged recently by President Trump and the US administration. This is nothing but a revival of neo-mercantilism arguing for high tariffs, import bans, quotas and all other trade restrictions.

In fact, economic nationalism and protectionism is the reflection of the “radical-autocratic mentality” on a higher-philosophical level based on authoritarianism, big government and government intervention, centralization, central planning, collectivism, uniformity, prohibitionism, closed borders and self-sufficiency. The more plausible alternative to this is “moderate-democrat mentality” based on individualism, freedom, individual decision-making, open borders, free trade, de-centralization, pluralism, and globalization.

As such there has always been a tension, conflict and friction between these two mentalities. Debates on free trade vs. protectionism is just a reflection of these mindsets on economic reality. In this regard debates on free trade and protectionism has a long history and one can find free traders as well as protectionists everywhere, in all ages, all countries in all continents among politicians, decision-makers, bureaucrats, academics as well as the laymen.

There are a number of arguments for protectionism, fed by the nationalistic feelings most of the time, which sounds good and impressive at a first glance. Among these arguments are national security, autarky, infant industry, reducing unemployment, preventing child labor, environmental protection, fair trade.

However, free traders have even stronger arguments against protectionism and for supporting free trade. After critically evaluating those arguments for protectionism and showing that they are not confirmed by reality, they put forward a number of arguments for free trade. This author, who spent almost forty years on thinking, discussing and doing research on these issues, wholeheartedly believe that free trade policies are much superior and convincing. The superiority of free trade against protectionism is not limited to material grounds in the form of higher welfare, faster economic growth, higher trade volumes and higher income per capita. The free trade policies are superior to protectionist policies in moral grounds, too. They promote peace, stability, self-realization, individual development, developing trust

and higher moral values, more cultivating friendly relations among nations, and increasing the alternatives before individuals to choose from in every sense.

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