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Should the United States Continue to Pursue Free Trade Agreements?

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Abstract

The recent economic turmoil has caused several countries to abandon the tenets of free trade and erect barriers in perceived self-interest. China tightened imports on food and banned Irish pork imports. India banned Chinese toys and Argentina tightened licensing requirements on textiles, auto parts and leather goods. The United States is subsidizing automakers and creating roadblocks to Mexican trucks using American roads. The countries that have taken those steps argue that free and unfettered trade that characterizes many free trade agreements leads to increase job losses. Proponents of free trade argue that such agreements promote strategic relationships and enhance social welfare and economic growth. Against this back drop whether the US should continue to pursue trade agreements is surely not trivial.

The paper examines this question from the perspective of New Jersey agricultural producers. The study uses data from the 2005 National Agricultural Food and Public Policy Preference Survey. Twenty seven states participated in the survey and each state was given data relevant to that state. The New Jersey component of survey was mailed to 700 randomly selected farm operators. This number represented approximately 7% of all the farm operators in the state. A total of 162 farm operators responded to the survey, giving a response rate of 23%. However, only 141 responses were usable, resulting in a usable responsive rate of about 20%. That rate compares to the national useable rate of 24%.

The paper hypothesizes that farm and ranch operator preferences regarding trade agreements are influenced by such factors as age, farm sales, income, education, and tenure or duration of farm ownership. In particular the paper hypothesizes that there exists a positive relationship between those variables and the dependent variable, i.e. whether the US should continue to pursue trade agreements. To test that hypothesis the paper uses logistic regression.

The results show a positive relationship between the dependent variable and age, tenure, income and education but a negative relationship between the dependent variable and sales. The negative relationship with sales is surprising. One would expect agricultural producers to look favorably on the prospects of free trade opening foreign markets for agricultural goods.

Key words: trade barriers, free trade agreement, farm operators, logistic regression