Free trade may be an attractive idea, but current trade conditions are clearly not free. For example, we deny the high cost of Obamacare and our dependence on "foreign oil", but we impose import duties on ethanol coming from our neighbor, Brazil. That policy is unfree for consumers who might otherwise benefit from cheaper fuel sources, but it does contribute to the growth and prosperity of domestic ethanol industries. Good politics and good economics don't always coincide.

Free-traders generally view government interference with private ordering of trade as stifling worldwide growth and prosperity. However, government interference arguably has a legitimate role to play in addressing public matters impacted by trading practices. The acceptable role for government, even by those who wish that role to be small, is not nonexistent. Some might argue that government failed us when defective and dangerous imported goods, including toys, toothpaste, and condoms, were sold to consumers. Agricultural goods also present special challenges, as they may threaten the environment or public health if their import is not controlled. In these circumstances, we would hope to differentiate between appropriate regulation and a disguised trade barrier based on sound science, rather than protectionist politics. (For more on this topic, see my recent article, "Sound Science and Trade Clashes: Democracy, Autonomy, and the Limits of the SPS Agreement," 6 JOURNAL OF INTERNATIONAL TRADE LAW AND POLICY 1 (2007)).

Free-traders sometimes look to the Internet as a means of circumventing government constraints on trade. Business and consumers alike benefit when new markets are opened through overcoming geographic divides via electronic means. Government tax collections may not decline, however, when effective collection mechanisms have not been adapted to this environment.

Sometimes the Federal government intervenes to assist the states with their tax woes. The "Jenkins Act" requires web-based cigarette sellers to provide information to the purchaser's state government, thus reinforcing the purchaser's tax obligation. To complicate matters, it may also be illegal to ship cigarettes into states without complying with those tax laws. Connecticut recently reported that it was using Jenkins Act information to track down individuals who purchased untaxed cigarettes, and that it had also informed web-based sellers of their obligations.

The Internet's facility for escaping trade restrictions can also impact illegal goods, like child pornography. Intellectual property, such as films, music, and art, may also be transferred illegally. Circumvention of government controls and free flow of commerce is not always an unqualified good.

Illegal services like Internet gambling may present an even more ambiguous target. Gambling is legal in many states, and it provides revenue sources for governments that have established gambling as an alternative collection tool. Federal firms have gotten into this business via the Internet, allowing patrons to bypass the local state's restrictions.

Despite the dubious and often clearly illegal status of gambling outside of licensed casinos or sports betting facilities, U.S. patrons embrace Internet gambling with gusto. Patron behavior here is not entirely irrational. Our research has shown that players on the Internet may be higher. Through 2006, estimated gross revenues (i.e., gambling losses) from Internet gambling may have exceeded $15 billion.

Cigarettes are publicly traded outside the United States. Their market values initially soared as investors cashed in on the gambling craze. PartyGaming PLC, a Gibraltar-based gambling firm, once had a larger market capitalization than British Airways. However, their fortunes have been adversely affected by Federal legislation that restricts the financing of wages by U.S. patrons.

The Unlawful Internet Gambling Enforcement Act ( UIGEA) , enacted in October 2006, focuses on freezing assets that are publicly traded outside the United States. Their market values initially soared as analysts cashed in on the gambling craze. PartyGaming PLC, a Gibraltar-based gambling firm, once had a larger market capitalization than British Airways. However, their fortunes have been adversely affected by Federal legislation that restricts the financing of wages by U.S. patrons.

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"Governing Fortune tackles the challenging issues regarding public policy and the spread of casino gambling, and offers some interesting twists to the growing body of social science literature on this fascinating topic." - William Eadington, Professor of Economics and Director, Institute for the Study of Gambling and Commercial Gaming, University of Nevada, Reno

"Morse and Goas have written an exceptionally insightful book on the history of gambling in the United States. Their market values initially soared as analysts cashed in on the gambling craze. PartyGaming PLC, a Gibraltar-based gambling firm, once had a larger market capitalization than British Airways. However, their fortunes have been adversely affected by Federal legislation that restricts the financing of wages by U.S. patrons.

"Morse and Goas provide an outstandingly sound economic understanding of the function and place of casinos in American society, including essential heretofore unavailable grounding in the legal issues that this book accomplishes remarkably effectively." - Earl Grinols, Distinguished Professor of Economics, Baylor University

Goss Eggs 2007 (for the dumbest economic proposals of the year)

1. Amid worries of an obesity epidemic and its related illnesses, the Los Angeles City Council, among others around the country, is proposing to limit new fast-food restaurants—a tactic that is euphemistically called healthy zoning. Even Chairman Mao's Cultural Revolution, begun in 1967, was less paternalistic than this.

2. Democratic presidential candidate Hillary Rodham Clinton said that she would support legislation to provide every child born in the United States with a $500 "baby bond" from the government to help pay for future costs of college or buying a home. About 4 million babies are born each year in the United States. What's next? $1,000 for every family to pay their income taxes?

3. As part of the 2007 Farm Bill, the 110th Congress included a tax hike on foreign companies operating inside the United States. If ultimately signed into law, this would have driven companies out of the U.S. that currently employ 5.1 million U.S. citizens with an average compensation per worker of $63,428 a year. Luckily this element was jettisoned.

4. The 2007 Farm Bill passed by Congress increases conservation spending by $4.6 billion. Has everyone forgotten the economic boodoggles surrounding the last energy scare in the late 1970s and early 1980s?

5. The initial 2007 Farm Bill contained the Horizons Project which allowed the tax-exempt Farm Credit Corporation to expand into Mainstreet businesses. Fortunately, Congress wised up and eliminated this expansion of this government supported organization.

6. The House passed, 359-71, legislation cutting interest rates on federally subsidized loans to college students; the bill will cut interest rates by half over the next five years. It will cost taxpayers $8.1 billion over 5 years and this is a fat subsidy to colleges and universities that allows them to continue to raise tuition at untenable rates.

7. The Democratic controlled Congress decided not to renew the President's trade promotion authority, which expired at midnight on June 30th. This means that trade deals become political footballs, thus penalizing the U.S. economy and the American consumer.