Every individual endeavors to employ his capital so that its produce may be of greatest value.

-Adam Smith, Wealth of Nations

Comparative Advantage

David Ricardo’s theory of comparative advantage teaches that a nation should employ its resources to production of goods that return the most value for resources invested, and then trade for other commodities, even though that nation may be able to produce those other commodities for less cost. It’s a matter of the most effective allocation of resources.

Paul Samuelson’s textbook illustration is the lawyer who is also a better typist than any typist he can employ. But instead of doing his own typing, that lawyer would be most productive hiring a typist and devoting his own time to the practice of law.

So also ports, and in particular North Carolina’s ports. The Port of Wilmington can handle container traffic as efficiently as any other port, perhaps more so, but there are other kinds of traffic that would yield a greater benefit to the State. Let the containers be handled by ports in neighboring states. Indeed, 80% of North Carolina’s international container trade goes to those ports today, because the market so chooses. North Carolina’s relatively small ports should direct their limited resources of space and capital to the specialized traffic identified in the NCDOT’s Maritime Strategy Study as providing particular benefits to North Carolina’s industry—especially exports.

The expansion of the Panama Canal to handle larger container ships from Asia has ports in the East in a frenzy of competition to dredge deeper channels and expand container facilities. The North Carolina State Ports Authority yearns to participate in that competition, but the price tag is huge. Dredging the Cape Fear River any deeper would involve massive State and Federal investment—and continuing maintenance expense. The Maritime Strategy Study has put the price tag of a competitive channel and port for containers at $3.5 billion for Wilmington, or $6.1 billion for a new port at Southport. And dredging projects are legendary for huge cost overruns, very long planning and construction time—and for nasty environmental effects, foreseen and unforeseen.

The same study has identified other types of traffic as requiring far lower investment in facilities and infrastructure, and potentially yielding substantial benefits to North Carolina exporters—wood chips and pellets, and agricultural products—grain and meat. Those move in smaller ships that do not require dredging our channels any deeper, and largely originate in the eastern part of the State, requiring less investment in road improvements. Likewise, vehicles and equipment requiring roll-on, roll-off loading facilities and oversized loads can be accommodated without more dredging.

Perhaps the study will produce wiser investment decisions for North Carolina ports improvements. We hope so—we support enlightened and prudent development of our port facilities, helping the ports compete where they can win, a better solution for our exporters and taxpayers.

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