

Fast Track's Economic Legacy

Prosperity Undermined During Fast Track-NAFTA-WTO Era



Fast Track's assault on Congress' constitutional authority and our system of federalism is reason enough to replace this failed trade negotiating system, which was hatched in 1974 by then-President Richard Nixon in an unprecedented power-grab. But as is often the case, a bad process – and the trade pacts it enabled, such as the North American Free Trade Agreement (NAFTA) and the World Trade Organization's (WTO) agreements – led to harmful results for a vast majority of people. By replacing Fast Track, legislators can help get U.S. trade policy back on the right track – guaranteeing a future for states' working families and businesses.

❖ **The average American worker is only making a nickel more per hour in inflation-adjusted terms than in 1973, the year before Congress finally conceded to the Fast Track power-grab originally cooked up by Nixon.** In 1973, the average U.S. worker made \$16.06 hourly in today's dollars. That same worker only makes \$16.11 today despite U.S. workers' average productivity nearly doubling since 1973! Better trade policy can do better for America's workers than this dismal 0.28 percent raise. Were it not for trade agreements that pit U.S. workers in a race-to-the-bottom with poverty-wage workers worldwide, workers' wages in the United States would better track productivity increases.

❖ **Job offshoring is moving rapidly up the income and skills ladder.** Economy.Com estimates that nearly 1 million U.S. jobs have been lost to offshoring since early 2001 alone, with 1 in 6 of those in Information Technology, engineering, financial services and other business services.¹ The Progressive Policy Institute, a think-tank associated with the pro-NAFTA-WTO faction of the Democratic Party, found that 12 million information-based U.S. jobs – 54 percent paying better than the median wage – are highly susceptible to offshoring.² Independent academic studies put the number of jobs susceptible to offshoring much higher. Alan S. Blinder, a former Fed vice-chairman and Princeton economics professor, says that 28 to 42 million service sector jobs (or about 2 to 3 times the total number of current U.S. manufacturing jobs) could be offshored in the foreseeable future.³

❖ **Over 3 million American manufacturing jobs – 1 out of every 6 – have been lost.** The U.S. manufacturing sector has long been a source of innovation, productivity growth and good jobs – especially for the nearly 70 percent of Americans without a college degree.⁴ But by the end of 2006, the United States had only 14 million manufacturing jobs left – nearly 3 million down from our pre-NAFTA-WTO level.⁵

OUR TRADE POLICY IS SUPPRESSING U.S. WAGE LEVELS

Trade's downward pressure on U.S. wages comes from both the import of cheaper goods made by poorly-paid workers abroad (displacing the market for goods made by better paid U.S. workers) and the threats during wage bargaining of corporations moving overseas. The result is growing inequality, with workers losing while the richest few make massive gains. The pro-Fast Track Peterson Institute for International Economics estimates that about 39 percent of the observed increase in wage inequality is attributable to trade trends.[†]

But, such proponents of our current trade rules also cite trade theory to say that even so, U.S. workers win when imports increase because when production is done by low-paid workers overseas, we all can buy cheaper goods. Yet, the non-partisan Center for Economic and Policy Research applied the actual data to the trade theory. They found that when you consider the lower prices of cheaper goods versus the income lost from low-wage competition, U.S. workers without college degrees (the vast majority of us) lost an amount equal to 12.2 percent of their current wages. That is to say, under our current policy the losses in wages from trade outweigh the gains in cheaper prices from trade. For a worker earning \$25,000 a year, this loss would be slightly more than \$3,000 per year!^{††} Talk about unfair trade. We need new trade agreements and policies that guarantee that the gains from trade outweigh the losses for most Americans.

[†] William Cline, *Trade and Income Distribution*, (Washington, D.C.: Peterson Institute for International Economics, 1997).

^{††} Dean Baker and Mark Weisbrot, "Will New Trade Gains Make Us Rich?" Center For Economic and Policy Research (CEPR) Paper, October 2001.

¹ Marla Dickerson, "'Off-shoring' Trend Casting a Wider Net," Los Angeles Times, Jan. 4, 2004.

² Robert D. Atkinson, "Understanding the Off-shore Challenge," Progressive Policy Institute Policy Report, May 24, 2004.

³ Alan S. Blinder, "Off-shoring: The Next Industrial Revolution?" *Foreign Affairs*, March/April 2006.

⁴ Bob Baugh and Joel Yudken, "Is Deindustrialization Inevitable?" *New Labor Forum*, 15(2), Summer 2006.

⁵ L. Josh Bivens, "Trade Deficits and Manufacturing Job Loss: Correlation and Causality," Economic Policy Institute Briefing Paper 171, March 14, 2006.

Should federal trade negotiators have authority to bind your state to comply with international trade rules that:

- dictate how your state can spend its taxpayer dollars?
- prohibit certain types of policies your state can enact on health care, higher education or land use planning?
- allow foreign corporations to challenge your state laws in closed-door international tribunals?

Fast Track allows this sort of outrageous international preemption via trade agreements – which is just one reason Fast Track must be replaced.

Today's trade agreements are a backdoor form of international preemption to state regulatory authority. Agreements like the North American Free Trade Agreement (NAFTA) and the General Agreement on Trade in Services (GATS) at the World Trade Organization (WTO) contain numerous provisions that have nothing to do with trade and everything to do with what kinds of non-trade policies state and local governments can pursue.

How did we get into these types of trade agreements in the first place?

Bad process resulted in bad policy. Under the “Fast Track” trade negotiating process, Congress delegates away to the president its exclusive constitutional authority to set U.S. trade policy. Congress’ only role is a rubber stamp vote after a trade agreement is signed. Fast Track eliminates all leverage that state officials, or even Congress, would have in order to safeguard domestic policy space and regulatory authority – state and local governments have no leverage to hold U.S. Trade Representative (USTR) accountable to their concerns and respect official state requests.

Fast Track railroads democracy by delegating Congress’ constitutional authority over trade policy to the executive branch, sweeping away vital checks and balances. Not surprisingly, President Bush wants more “Fast Track” so he can stay the course on our disastrous trade policy, expanding the NAFTA-WTO model to cover more essential services, affecting your state’s regulation of services from health care and public education to land use and energy distribution.

“Despite the fact that an array of vital public services are under negotiation, state officials are not being consulted in these negotiations...If states are not allowed to protect our interests now, during negotiations, we will have no opportunity to do so after the negotiations due to the Fast Track procedure which does not allow for amendments.”

- Wisconsin state legislators on GATS negotiations, March 2003
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TAKE ACTION: REPLACE THE FAILED FAST TRACK SYSTEM

The good news is Fast Track sunsets on June 30, 2007, providing a unique opportunity for a new direction.

Congress will soon be deciding what happens after Fast Track expires. We have a once-in-a-decade opportunity to replace the archaic Fast Track system with a new process that respects the **principles of federalism, sets rules about what must and must not be in trade agreements** and **keeps trade policy-makers accountable** to elected officials and the public. Contribute to this critical national debate by taking action at both the federal and state level!

➤ **Federal Action: Tell Congress to respect state sovereignty in trade agreements.**

Join the wave of states passing a resolution this year calling for replacing Fast Track with a more democratic U.S. trade negotiating process – one that requires proof of states’ *prior informed consent* before they can be bound to comply with the terms of any trade agreement. This means trade negotiators cannot sign up states to comply with the services, investment and procurement rules in trade agreements without their explicit approval.

Also, write a letter to your entire congressional delegation urging them to replace Fast Track with a process that guarantees states cannot be bound to trade agreements without states opting in, and alerting them to the fact that state regulatory authority and your state policies are being undermined by current trade pacts.

➤ **State Action: Make sure your state legislature, not only the governor, gets a say.**

Many state legislatures are working to pass a bill that provides for the state legislature, and not just the governor, to cast the deciding vote on whether or not the state will agree to comply with the services, investment and procurement terms of trade agreements. Without this process, governors can simply sign on unilaterally.