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REPORTER MEMORANDUM

‘It’s Also the Global Economy, Stupid!’ – Trade Is Rising as Major Issue in ’08 Race to the Presidency

One of the most underreported stories of the presidential campaign has been how the entire Democratic field and some GOP presidential candidates have regularly offered criticisms of U.S. trade policy that make past presidential campaign trade critiques seem mild. As America’s anxiety grows, the economy not only is becoming a preeminent issue of the election, but the presidential candidates are increasingly being forced to answer questions about globalization they probably would rather not. (For information about promises made by the candidates on trade policy in recent weeks, visit <http://www.iowafairtrade.org/candidates.php>.)

Talk of change is hot, but to win, candidates will have to address the public’s demand that they can secure tangible gains for Americans who are losing jobs, seeing wages stagnate and fearing for their children’s futures.

This time, it’s not just “it’s the economy, stupid.” The pink elephant haunting all of the candidates is how any aspiring future president plans to restore the economic security of the American middle class in this era of globalization.

It’s hard to comment on the economic stimulus package without running into questions about how tax rebates will help when more than 61 cents of every dollar Americans spend on consumer goods goes to buy imports. Consider that more than 90 percent of consumer electronics and clothing is imported. It’s hard to talk about growing inequality, lagging wages and access to health insurance without confronting the fact that more than 4 million U.S. manufacturing jobs have been moved offshore since the North American Free Trade Agreement (NAFTA) and World Trade Organization (WTO) were implemented, and that the service sector jobs that replaced them provide lower wages and typically no benefits. Talking about the importance of increased education for U.S. workers inevitably brings questions about the increasing trend of high-tech and professional jobs being sent offshore. Promises to protect children from dangerous imported toys or unsafe imported food inherently highlight the reality that so much of what American consumers now purchase is imported from countries without basic safety regulatory systems.

Richard Gephardt was savaged in 2004 when he expressed concern that trade deals like NAFTA and organizations like the WTO were not benefiting most Americans. This year, Gephardt’s criticism of America’s major trade deals is a given. Sens. Barack Obama and Hillary Clinton have been racing to out-anti-NAFTA each other as they have adopted the critical perspective on our trade status quo that former Sen. John Edwards brought to the race and that numerous polls show the majority of the American public shares.

Reporters who attended the endless campaign events leading up to Super Tuesday can attest that trade and offshoring were being raised at virtually every campaign event where questions from the public were allowed. And the phenomenon was not limited to Democratic candidates. A recent Wall Street Journal/NBC poll found that a majority of GOP voters think that the current trade regime is damaging them and the nation. In Michigan, former Gov. Mitt Romney's promises to bring back the state's manufacturing jobs beat Sen. John McCain's "nothing to be done, it's the global economy" approach, which helped Romney win the state.

Most Americans still have no idea how such things as NAFTA and the WTO hijacked the good name of trade to lavish market-distorting protections and subsidies on the corporations that helped write those deals and to impose limits on import safety standards and inspection. But increasingly, the candidates' advisors are delving into that question. Consider the speech recently given by Obama's top economic advisor – avowed free market economics professor at the University of Chicago, Austan Goolsbee – at a New America Foundation event titled, "As the Economy Screams: Perspectives and Proposals from the Presidential Campaigns":

"I do believe there's no one more in favor of open markets than me," Goolsbee said, "and that said, if you look at these 900-page [trade] agreements, they're two pages of what every economist says 'yeah, that's great' – opening tariffs – and then 898 pages of loopholes. It looks just like the tax code – protect this company and make sure they're getting their money and these investor protections."

The relatively few interests benefiting from our status quo globalization policies have been hard at work spinning a line about how Edwards' departure from the race means the end for the trade issue in the election cycle. That's an odd claim, given that the issues are front and center for the American public, whom the remaining candidates must win over. Indeed, given that a majority of GOP voters now agree with the Democrats' more consistent critique of the current trade regime, during the general election, trade and offshoring may well become a priority wedge issue regardless of who wins each party's nomination.

Polls show economy is top issue

SUPER TUESDAY STATES

- According to the Associated Press, "Democrats and Republicans alike said in exit polls that the economy was their most important issue."¹
- A SurveyUSA election poll of likely Democratic primary voters in Missouri released Feb. 1 found 44 percent of voters chose the economy as the top issue compared to 22 percent who chose health care and 13 percent who chose Iraq.²
- A similar SurveyUSA election poll of likely Democratic primary voters in New Jersey, also released Feb. 1, found that 40 percent of voters chose the economy as the top issue compared with 20 percent who chose health care and 19 percent who chose Iraq.³
- A Chicago Tribune/WGN poll of 500 likely Democratic and 500 likely Republican Illinois primary voters released Feb. 3 found that 62 percent of Democrats and 55 percent of Republicans listed the economy and its impact on employment as the most important issue in the election.⁴

- A poll released Jan. 30 by Rasmussen Reports of Massachusetts Democrats found that 51 percent of voters named the economy as the top issue in the election followed by 24 percent choosing the Iraq war.⁵

NATIONAL

- A national CNN/Opinion Research poll released Feb. 3 found the economy ranked as the most important issue for 44 percent of those surveyed while 20 percent named the Iraq war and 16 percent named health care as most important. The survey did not distinguish partisan affiliation.⁶
- According to a Wall Street Journal/NBC poll released in October, by a nearly two-to-one margin, Republican primary voters believe “foreign trade has been bad for the U.S. economy, because imports from abroad have reduced demand for American-made goods, cost jobs here at home, and produced potentially unsafe products,”⁷ a shift in opinion that mirrors views among Democrats and independents and suggests trade deals could face high hurdles under a new president.
- According to a Wall Street Journal/NBC poll released Jan. 1, 58 percent of Americans think “globalization has been bad” “because it has subjected American companies and employees to unfair competition and cheap labor,” a figure up 10 points since June 1997 and nearly twice the percentage that believe “globalization has been good” “because it has opened up new markets for American products and resulted in more jobs.”⁸
- During the 2006 election, 37 congressional supporters of the NAFTA-WTO model were replaced by challengers who emphasized fair trade positions in their campaigns.⁹

Why the American Public Demands Change on Trade: Economic Outcomes of Fast Tracked NAFTA-WTO Model

- **The national median wage has barely budged since 1973, the year before Fast Track was first passed.** In 1973, the average hourly wage for American workers was \$16.39 in today’s dollars, which was up only to \$16.75 by 2006, or a two percent raise. This comes despite U.S. workers’ average productivity nearly doubling over the same period.¹⁰
- **More American jobs with higher incomes and skill levels are being sent offshore.** Alan S. Blinder, a former Federal Reserve Board vice chairman, Princeton economics professor and NAFTA-WTO supporter, says that 29 to 38 million jobs could be sent offshore in the foreseeable future.¹¹ According to analysis of Blinder’s work by Economic Policy Institute (EPI), the majority of these are not in manufacturing,¹² and “the educational group most vulnerable to offshoring are those with at least a four-year college degree.” These jobs pay better (by \$8,000 or 14 percent), meaning America could see its very best jobs moving offshore.¹³
- **U.S. trade policy is driving increases in inequality.** A decade ago, the pro-NAFTA-WTO Peterson Institute for International Economics found that nearly 40 percent of the ballooning U.S. inequality can be accounted for by our trade policy.¹⁴ Economist Paul Krugman, on whose research the Peterson estimates were based, has said that trade is now even “a bigger factor than it was” in explaining skyrocketing inequality.¹⁵ In fact, EPI updated these figures and found that the average family lost

\$2,000 a year from the burden of rising inequality due to trade. This number takes into account the consumer savings from cheaper imports and exceeds even the income tax burden for the median household. EPI projects that, if current trends and policies continue, all wage gains made since 1979 by workers without a four-year college degree (70 percent of us) could be essentially erased.¹⁶

- **Before Fast Track trade authority, the United States had balanced trade; since it was instituted, the U.S. trade deficit exploded as imports surged.** The pre-Fast Track period was one of balanced U.S. trade and rising living standards for most Americans. In fact, in 1973, the United States had a slight trade surplus, as it did in nearly every year since World War II. But in every year since Fast Track was first implemented in 1975, the United States has run a trade deficit. And since Fast Track enabled the establishment of NAFTA and the WTO, the U.S. trade deficit surged from under \$100 billion to nearly \$800 billion – six percent of national income.¹⁷
- **The United States is becoming a net food importer.** Despite the fact that American farmers were told by NAFTA-WTO supporters that America would be a “breadbasket to the world,” nearly 300,000 family farms have been shuttered since NAFTA and the WTO went into effect.¹⁸ Now the United States is importing massive amounts of the grains and feeds it also exports and running a deficit in most categories of foods that wind up on Americans’ dinner tables, including fruits, vegetables and more.¹⁹ This poses severe risks to food safety, as NAFTA-WTO style policy both increase imports and limit our ability to inspect imported foods.²⁰
- **One of every 4 American manufacturing jobs has been lost during the Fast Track era.** The U.S. manufacturing sector has long been a source of innovation, productivity, growth and good jobs.²¹ But our unbalanced trade policies, coupled with otherwise desirable technological change, have sharply reduced the number of manufacturing jobs. By 2007, the United States had only 14 million manufacturing jobs left – nearly 4.4 million fewer than in 1973.²²

ENDNOTES

¹ Calvin Woodward, “Divided Spoils in Democratic Race,” *Associated Press*, February 6, 2007.

² SurveyUSA poll, Election Poll #13286, January 2008.

³ SuveyUSA poll, Election Poll #13307, February 2008.

⁴ Market Shares Corp poll for *Tribune / WGN-TV*, January 2008.

⁵ Rasmussen Reports poll, January 2008.

⁶ CNN/Opinion Research Corp poll, February 2008.

⁷ Hart / Newhouse poll for *Wall Street Journal / NBC News*, Study #6076, September 2007, at 5.

⁸ Hart / McInturff poll for *Wall Street Journal / NBC News*, Study #6078, December 2007, at 23.

⁹ Todd Tucker, “Election 2006: No to Staying the Course on Trade,” Public Citizen’s Global Trade Watch report, November 2006.

¹⁰ Average wage data from Bureau of Labor Statistics’ Current Employment Statistics survey, series CES0500000008; inflation-adjusted using Consumer Price Index-U-RS for 1977-2006, with an adjustment based on the CPI-X1 for 1973 numbers; Productivity data from Bureau of Labor Statistics’ Major Sector Productivity and Costs index, series ID PRS88003093, accessed Nov. 14, 2007.

¹¹ Alan S. Blinder, “Off-shoring: The Next Industrial Revolution?” *Foreign Affairs*, March-April 2006; Alan Blinder, “How Many U.S. Jobs Might Be Offshorable?” Princeton University Center for Economic Policy Studies Working Paper #142, March 2007.

¹² Josh Bivens, “Globalization and American Wages,” Economic Policy Institute (EPI) Briefing Paper 196, October 2007.

¹³ Jared Bernstein, James Lin, and Lawrence Mishel, “The Characteristics of Offshorable Jobs,” EPI, November 2007, at 3.

¹⁴ William Cline, *Trade and Income Distribution*, (Washington, D.C.: Peterson Institute for International Economics, 1997), at 264; Dean Baker and Mark Weisbrot, “Will New Trade Gains Make Us Rich?” Center for Economic and Policy Research (CEPR) Paper, October 2001.

¹⁵ Paul Krugman, “Divided over trade,” *New York Times*, May 14, 2007.

¹⁶ Josh Bivens, “Globalization and American Wages,” EPI, October 2007.

¹⁷ GDP and trade balance information from Bureau of Economic Analysis, U.S. International Transactions Accounts Data, released Sept. 14, 2007, Line 74; Foreign Transactions in the National Income and Product Accounts, Table 4.1, released Sept. 27, 2002; inflation-adjusted using CPI-U-RS.

¹⁸ From numbers for the USDA’s “limited resources,” “farming occupation – lower sales,” and “farming occupation – higher sales” farm typology categories. See USDA’s Economic Research Service’s “Farm Business and Household Survey Data: Customized Data Summaries for Agricultural Resource Management Survey,” for numbers after 1996, and “Farm structure: historic data on farm operator household income” data tables for numbers prior to 1996.

¹⁹ Foreign Agricultural Trade of the United States, available at <http://www.ers.usda.gov/Data/FATUS/>.

²⁰ Mary Bottari, “Trade Deficit in Food Safety,” Public Citizen, July 2007.

²¹ Bob Baugh and Joel Yudken, “Is Deindustrialization Inevitable?” *New Labor Forum*, 15(2), Summer 2006.

²² Bureau of Labor Statistics, Current Employment Statistics survey, series ID CES3000000001, manufacturing industry.