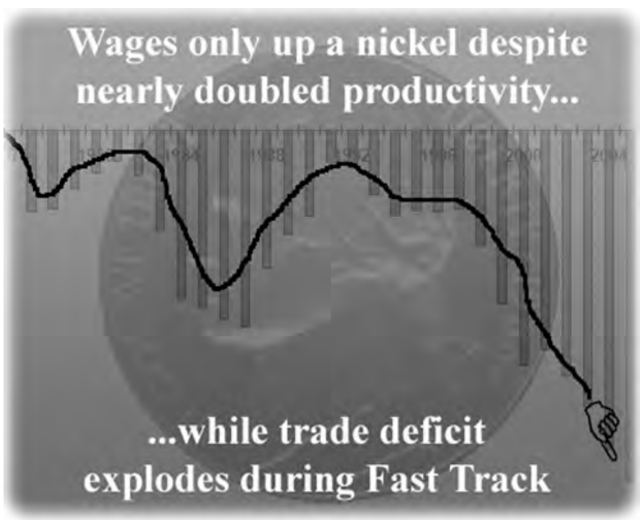
Prosperity Undermined During Fast Track/NAFTA/WTO Era

Fast Track is a mechanism for negotiating trade agreements that delegates to the executive branch Congress' constitutional authority to select U.S. trade partners and to set the substance of trade agreements. The Fast Track process was first hatched by Richard Nixon as a way to seize Congress' constitutional trade authority; Fast Track is how the United States got into trade deals like the North American Free Trade Agreement (NAFTA) and World Trade Organization (WTO). Fast Track's assault on the essential checks and balances the Founding Fathers wisely built into the U.S. Constitution is reason enough to replace this outdated negotiating system. But the actual outcomes of Fast Track-enabled trade agreements provide even stronger evidence that the United States needs an improved trade negotiating process. There is no way to "fix" Fast Track. The United States needs a new system for Congress to authorize trade negotiations that puts U.S. trade policy back on the right track.

Fast Track's Legacy: U.S. Wages Stagnate, Trade Deficits Soar, Good U.S. Jobs Destroyed

The average American worker is only making a nickel more per hour in inflation-adjusted terms than in 1973, the year before Fast Track was first passed. In 1973, the average American 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 0.28 percent raise. Were it not for trade agreements that pit American workers in a race to the bottom with poverty-wage workers worldwide, American workers would see their wages increase in a way that more closely tracks their productivity increases. Trade agreements that require companies to respect workers' rights to organize a union would empower workers in developing countries to fight to raise their wages also. Meanwhile, as bad trade deals contribute to downward pressure on American wages, the same trade agreements also include provisions that directly jack up consumer prices. Special protections for Big Pharma included in the WTO and NAFTA required the United States to provide them longer monopoly patent protections. The University of Minnesota found that these provisions increased the prices paid by Americans for medicine by $6 billion – and that only covers medicines that were under patent in 1994, so the total cost to us is much higher.[1]



How U.S. trade policy affects American wage levels. Trade's downward pressure on American workers' wages comes from both the import of cheaper goods made by poorly paid workers abroad (displacing goods made by better-paid U.S. workers) and threats during wage bargaining by employers that they will move overseas. The result is growing inequality among Americans, with workers losing while the richest few enjoy massive gains. The pro-Fast Track Peterson Institute for International Economics estimates that as much as 39 percent of the observed growth in U.S. wage inequality is attributable to trade trends.[2] Most proponents of the NAFTA-WTO status quo trade model acknowledge this connection. But they argue that U.S. workers still win when imports from low-paid workers overseas increase because it means cheaper goods for all. The non-partisan Center for Economic and Policy Research applied the actual data to the theory. They discovered that when you compare the lower prices of cheaper goods to the income lost from low-wage competition, the trade-related wage losses hitting the vast majority of American workers outweigh the gains in cheaper priced goods from trade. U.S. workers without college degrees (over 70 percent of us) lost an amount equal to 12.2 percent of their wages, so for a worker earning $25,000 a year, the loss would be more than $3,000 per year![3] If new trade agreements and policies guaranteed that the gains from trade outweighed the losses for most American families, public support would be more forthcoming.

Before Fast Track, the United States had balanced trade; since it was instituted, the U.S. trade deficit has 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, the United States has run a trade deficit. And since Fast Track got us into NAFTA and the WTO, the U.S. trade deficit surged from under $100 billion to nearly $800 billion – six percent of national income! This huge trade deficit is widely agreed to be unsustainable, meaning that unless the United States implements policies to shrink it, the U.S. and global economies are exposed to risk of crisis, shock and instability. Unbelievably, due to this import surge, the United States is even becoming a net *food* importer. While 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.[4] 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.[5]

Over 3 million American manufacturing jobs – 1 in out of every 6 – lost during the NAFTA-WTO era. The U.S. manufacturing sector has long been a source of innovation, productivity, growth and good jobs.[6] By 2007, the United States had only 14 million manufacturing jobs left – nearly 3 million fewer than before NAFTA and the WTO.[7] The U.S. Department of Labor lists nearly 1.7 million U.S. workers as losing jobs to trade during the NAFTA-WTO era – and that is under just one narrow program that excludes many of the trade pact victims.[8] Further, the Economic Policy Institute estimates that the U.S. economy could have supported as many as 7 million more manufacturing jobs if not for this massive trade deficit that has accrued under current U.S. trade policy.[9] The good news: this outcome is neither random nor inevitable – specific policies led to bad results. If the United States changes its trade policy-making process and obtains better agreements, the nation can rebuild its ability to manufacture the products on which both its security and economic well-being rely.

Devastation of American manufacturing is eroding the tax base that supports U.S. schools and hospitals. The erosion of manufacturing employment during the Fast Track era means fewer firms and well-paid workers to contribute to local tax bases. Research shows that the broader the manufacturing base, the wider the local tax base and offering of social services.[10] With the loss of manufacturing, tax revenue that could have expanded social services has declined,[11] while workers turn to welfare rolls that are ever-shrinking.[12] This has resulted in the virtual collapse of some local governments.[13] These "trade" agreements also undermine Americans' access to essential services by requiring that many such services be privatized and/or deregulated. This trade pact push turns public services into new for-profit commodities that only those who can afford to purchase can obtain.[14]

The offshoring of American jobs is moving rapidly up the income and skills ladder. Economy.Com estimates that nearly one million U.S. jobs have been "offshored" since 2001, with 1 in 6 of those in information technology, engineering, and financial services.[15] The Progressive Policy Institute, a pro-NAFTA-WTO think tank, found that 12 million information-based U.S. jobs – 54 percent paying better than the median wage – are highly susceptible to offshoring.[16] Independent academic studies put the number much higher. Alan S. Blinder, a former Fed vice-chairman, Princeton economics professor, and NAFTA-WTO supporter, says that 28 to 42 million service sector jobs could be offshored in the foreseeable future.[17] Yet if the United States were to implement policies to forbid the offshoring of certain types of jobs to countries that do not provide adequate privacy protections for consumers' confidential health and financial data for example, the nation could have a much lower rate of job offshoring. Europe already has this policy in place, showing it is a workable option.[18]

Bad trade policy downgrades quality of U.S. jobs available. The United States lost millions of manufacturing jobs during the NAFTA-WTO era, but overall unemployment has been stable as new service-sector jobs were created. Proponents of the NAFTA-WTO status quo raise this point to claim that recent trade policies have not hurt U.S. jobs. But what they do not mention is that the quality of jobs available to the majority – and the wages most American workers can earn – have both been degraded by U.S. trade policy. The average worker displaced from manufacturing went from earning $40,154 to $32,123 when re-employed.[19] The loss of workers' bargaining power caused by so many offshored U.S. jobs – first in manufacturing, now in services too – means stagnant wages for most Americans. Under NAFTA and the WTO, American workers are forced to compete in the same labor market as poor nations' less-than-$1-per-day workers in a perpetual race to the bottom.

Fast Track's Legacy: Increased Income Inequality in the U.S. and Worldwide

The inequality between rich and poor in America has jumped to levels not seen since the Robber Baron era. The richest 10 percent of Americans are taking nearly half of the economic pie, while an even more elite group – the top one percent – is taking nearly a sixth of the pie. Rich Americans' share of national income was stable for the first several decades after World War II, but shot up 40 percent for the richest 10 percent and 124 percent for the richest 1 percent between 1973 and 2005 – the Fast Track era.[20] Nearly all economists agree that U.S. trade policy has partially driven this widening inequality. Reversing this trend is vital to the health of American democracy. Improving American trade policy is part of the answer.

How could American workers' productivity double, but wages stay flat? Trade policy shifts during the Fast Track era also have had a *direct* impact on American workers' ability to win higher wages. In the past, American workers represented by unions were able to share in the economic gains generated by productivity increases - by bargaining for their fair share. But since the Fast Track-enabled NAFTA and WTO went into effect, as many as 62 percent of U.S. union drives face employer threats to relocate abroad, according to U.S. government-commissioned studies. And indeed, the factory shut-down rate following successful union certifications tripled since NAFTA.[21] Meanwhile, these deals forbid federal and state governments from requiring that U.S. workers perform the jobs created by the outsourcing of government work. Such "anti-offshoring" policies – as well as prevailing wage laws ensuring fair wages for construction work – are subject to challenge in foreign tribunals for violating trade agreement rules. The Fast Track-enabled trade agreements' hindrance of America's working families' ability to lift themselves up has led increasing numbers to turn against any expansion of international trade.[22]

The worldwide gulf between rich and poor has also widened since Fast Track. In the early 1990s, proponents of the WTO and NAFTA touted these pacts as keys to poverty reduction in developing nations. That same argument is being raised again today to promote the Doha Round WTO expansion. In contrast, the data show that the corporate globalization policies enabled by Fast Track have *increased* income inequality between developed and developing nations. Income inequality has also increased between rich and poor *within* many nations under this retrograde trade model. In 1960, the 20 richest nations earned per capita incomes 16 times greater than non-oil-producing, less developed nations. By 1999, the richest countries earned incomes 35 times higher, signifying a doubling of the income inequality.[23] According to one United Nations study, the richest 1 percent of the world's population receives as much as the poorest 57 percent.[24] According to another UN study, "in almost all developing countries that have undertaken rapid trade liberalization, wage inequality has increased, most often in the context of declining industrial employment of unskilled workers and large absolute falls in their real wages, on the order of 20-30 percent in Latin American countries."[25] The gap is worsening over time, but a trade policy designed to benefit the majority could reverse this trend.

Fast Track's Legacy: Stagnant Growth, Poverty and Hunger in Poor Countries

Progress on growth and social development in poor countries slowed during the Fast Track era. Increasing economic growth rates mean a faster expanding economic pie. With more pie to go around, the middle class and the poor have an opportunity to gain without having to "take" from the rich – often a violent and disruptive process. But the growth rates of developing nations slowed dramatically in the Fast Track period. For low- and middle-income nations, per capita growth between 1980 and 2000 fell to half that experienced between 1960 and 1980! The slowdown in Latin America was particularly harmful. There, income per person grew by 75 percent in the 1960-80 period, before the International Monetary Fund (IMF) began imposing the same package of economic, investment, and trade policies found in NAFTA and the WTO. Since adopting the policies, per capita income growth in Latin America plunged to 6 percent in the 1980-2000 period. Even when taking into account the longer 1980-2005 period, there is no single 25-year window in the history of the continent that was worse in terms of rate of income gains. In other world regions, growth also slowed dramatically, while in Sub-Saharan Africa, income per person actually shrank 15 percent after the nations adopted the policy package also required under the WTO and NAFTA![26] Improvement measured by human indicators – in particular, life expectancy, child mortality and schooling outcomes – also slowed for nearly all countries in the Fast Track period as compared with 1960-80.[27] In numerous Latin American countries, people have risen up at the ballot box to elect new governments that reject these failed policies and who are implementing better alternatives.

Poverty, hunger and displacement on the rise. The share of the population living on less than $2 a day in Latin America and the Caribbean rose following the implementation of NAFTA-WTO-style policies. And the share of people living on less than $1 a day (the World Bank's definition of extreme poverty) in the world's poorest regions, including Sub-Saharan Africa and the Middle East, has increased during the same period,[28] which coincided with the IMF, World Bank and then WTO imposing this model. According to the Food and Agriculture Organization, global efforts toward reducing hunger have "stalled completely worldwide" during the WTO era.[29] During the Fast Track era, as nations have begun adopting NAFTA-WTO style policies – from Mexico[30] to China[31] and beyond – the displaced rural poor have had little choice but to immigrate to wealthy countries or join swelling urban workforces where the oversupply of labor suppresses wages, exacerbating the politically and socially destabilizing crisis of chronic under- and unemployment in the developing world's cities. After NAFTA, annual Mexican immigration to the United States jumped 60 percent after over a million *campesinos* lost their livelihoods to NAFTA-style policies.[32] Desperation and social instability is growing among many poor nations' vast rural populations. According to the Indian government, thousands of farmers who have gone bankrupt after WTO-required changes in India's trade policy commit suicide every year.[33] Both American workers and farmers and their counterparts in poor nations are all suffering under the current trade and globalization system – united, they represent a global majority for a change of course.

Developing countries that did not adopt the package fared better. In sharp contrast, nations that chose their own economic mechanisms and policies through which to integrate into the world economy had more economic success. For instance, China, India, Malaysia, Vietnam, Chile, and Argentina since 2002 have had some of the highest growth rates in the developing world over the past two decades – despite largely ignoring the directives of the WTO, IMF or World Bank.[34] It is often claimed that the successful growth record of countries like Chile was based on the pursuit of NAFTA-WTO-like policies. Nothing could be farther from the truth: Chile's sustained rapid economic growth was based on the liberal use of export promotion policies and subsidies that are now considered WTO-illegal.[35] It is only now that many of these countries are bringing their policies down to the WTO's anti-development strictures that their economies are beginning to unravel.

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