Free Trade *Blues*

Labor-oriented Democrats take on the Clintonian triangulators.

BY JEFF FAUX

On global economic issues, the newly elected U.S. Congress is likely to be the most populist in decades. At least seven new Senate seats and thirty new House seats that had been represented by strong supporters of deregulated trade and investment are now in the hands of strong critics. The new members, who have given the Democratic Party control of both houses for the first time in twelve years, will dramatically reinforce the growing Congressional dissatisfaction with free trade.

Even before this election, a majority of House Democrats opposed most recent trade agreements, and opposition has grown in the Senate as well. Hillary Clinton, for example, whose husband allied with Republicans to force passage of NAFTA, the WTO, and opening the U.S. market to China, voted against the Central American Free Trade Agreement, after listening to upstate New York voters describe what it was like to have their jobs shipped overseas.

The shifting sentiment reflects voters' growing frustration with wage stagnation, job insecurity, and the downloading of risk from those at the very top of the U.S. wealth pyramid to the rest of Americans. Since the present economic

Jeff Faux is the founder, and now a distinguished fellow, of the Economic Policy Institute. His latest book is The Global Class War *(Wiley, 2006).*

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888 16th Street, N.W.
Suite 740
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Phone: 202-861-0791
Fax: 202-861-0790
www.international-economy.com

"expansion" began in 2001, the purchasing power of the typical American worker's weekly paycheck has dropped 3 percent. Among working males, real hourly wages are now about where they were in 1973. Meanwhile the salaries and bonuses of those at the top climb into the stratosphere.

Globalization may be only one of the forces that is squeezing working middle-class Americans, but it the one that most dramatizes their feelings of having been betrayed. For years, elites of both political parties promised Americans that global economic integration would make them richer. They were assured that their higher skills, better work ethic, and access to U.S. corporate technology would move them up the global job ladder while workers from low-wage countries would get the vacated jobs at the bottom.

Then, when U.S. corporations began to move production jobs and technology abroad, American workers were told that they were not sufficiently skilled; if they wanted to maintain their living standards they have to become more educated, creative, and harder working. And if they couldn't make it, well at least their children could go to college and prosper.

Now, as their children graduate (often with large debts from financing their education), the rising tide of off-shoring is washing away access to professional jobs—from accounting to engineering to technical design to radiology. Given that their education level has been rising steadily while their real incomes are stalled, working Americans are understandably skeptical that going back to school will enable them to compete with off-shore labor coming in at fifty cents an hour and no benefits. According to a recent survey, Americans—supposedly the world's most optimistic people—now believe, 40 percent to 30 percent, that the next generation will be worse off, not better off.

So it should not have been a surprise that when the Democrats' chief Wall Street fundraiser Robert Rubin—the man who convinced Bill Clinton to give NAFTA priority over national health care—lectured House Democrats in early December not to meddle with free trade, they told him bluntly that he and other party elites were out of touch.

Democrats of course will not be in charge of U.S. policies at least for another two years. And their control of the Senate rests on a fragile one-vote majority. But they now have the ability to slow down, if not to stop, the twenty-year momentum of deregulation of trade and

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Bill Who?

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Rude Awakening

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A Post-Election Congressional Who's Who on Trade

Rep. Charles Rangel *(D-NY), incoming Ways and Means Committee Chairman. Has generally supported trade agreements, but rank and file is restless.*

Rep. Barney Frank *(D-MA), incoming Chairman of the House Financial Services Committee. Big man on campus, proposes a bipartisan deal for any new trade agreement.*

Sen. Max Baucus *(D-MT), incoming Senate Finance Committee Chairman. A past free trader, will he now look for compromise?*

Sen. Charles Schumer *(D-NY). Called for currency-tied sanctions against China, but not popular with his Wall Street constituency.*

Sen. Lindsey Graham *(R-SC). Schumer teammate, but do the two have the nerve to pull the trigger?*

international investment that most of them believe has promoted the interests of global corporate investors over those who work and produce in America.

In the first six months of the new session, the Bush Administration is expected to send newly negotiated trade agreements with Peru, Columbia, and Panama to the Congress for approval. It is also rushing to conclude agreements with other nations, including South Korea. None of these trade deals so far contain any of the enforceable worker protections that most Democrats feel is a minimum condition for such deals. The proposed agreement with Columbia, where more trade unionists are murdered each year than in the rest of the world combined, is especially offensive to U.S. labor, whose support was essential to the Democrats regaining the Congress.

This spring, the Administration will also ask Congress to re-authorize "fast-track," the law that allows the President to put trade agreements to an up-or-down vote with no amendments permitted. Going

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into the New Year, Bush does not to have the votes. Not only are the majority of Democrats likely to oppose, but a number of Republicans from the textile areas of the south and other districts hard hit by imports—who supported Bush in the last fast track authorization when his popularity soared after 9/11—are at this point certain to vote no.

The new Democratic chairs of key Congressional trade committees, Congressman Charles Rangel of New York and Senator Max Baucus of Montana, have generally supported past trade agreements. So they will be looking for some compromise with their restless rank-and-file. Barney Frank, who will now chair the Financial Services Committee, has proposed that in exchange for Democrats allowing new trade agreements to pass, Republicans and their business allies should support parts of the Democratic agenda, including enforceable labor and environmental standards in the agreements and a reform of domestic labor law that would make it easier for unions to organize.

The shifting sentiment reflects voters' growing frustration with wage stagnation, job insecurity, and the downloading of risk from those at the very top of the U.S. wealth pyramid to the rest of Americans.

But big business has already gotten the trade deals it wanted most—NAFTA, the WTO, and China. What is now on the negotiating table would not seem valuable enough for them to agree to strengthen organized labor's role either in the domestic or the global economy. The bigger deals, such as the Doha Round and the Free Trade Area of the Americas, have to solve the negotiating deadlock over farm subsidies with our trading partners before they even get to the domestic political arena.

Moreover, a compromise over future trade agreements does nothing to address Congress's seething frustration over the relentlessly rising trade and current account deficits, increasingly driven by massive Chinese imports. Last year, Democratic Senator Charles Schumer of New York and Republican Lindsey Graham of South Carolina introduced legislation calling for trade sanctions against China if it did not allow its currency to revalue against the dollar. The Bush Administration staved this off with a series of high-visibility visits to Beijing by the new Treasury secretary, Henry Paulson. But Paulson—like Rubin, a former chief of the global financial giant Goldman Sachs—has not put any serious pressure on China, and the flood of imports from there continues. We can expect a new version of Schumer's proposal, with more sponsors, to emerge after the first of the year.

Responding to the pain and anxiety of its constituents, the Democratic Congress will certainly raise the profile of trade issues over the next two years. But given Bush's lame duck status and his preoccupation with Iraq and his wars on terror, it is hard to see how his stubborn and weary Administration will muster the will to modify its trade agenda to deal with their concerns. So the smart money bet is two years of more heated debate—and policy stalemate. ◆