

We can fix global trade and create social, worker benefits

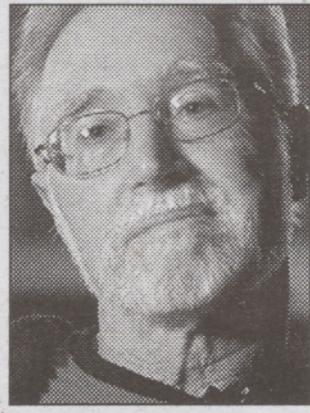
BY ROBIN HAHNEL
CONTRIBUTING COLUMNIST

How do we change U.S. trade policy to better serve the interests of the vast majority both here and abroad? How do we manage trade in the national interest?

The choice is not between managed trade and free trade. The choice is about *who* will manage trade. The problem is that corporations have been allowed to manage trade policy in the U.S., which they have done very much to their advantage. Instead we need the U.S. government to step in and manage trade to orchestrate changes in trade patterns to maximize increases in labor productivity in the U.S. and ensure that “losers” due to increased imports are fully compensated from the gains of “winners” due to increased exports. Moreover, when all countries take this approach the result is a positive sum game where productivity rises more quickly everywhere.

In the long run

The U.S. needs to develop the kind of strategic industrial/trade policy pioneered by Japan and copied by other “Asian Tigers” like South Korea. After World War II the Japanese Ministry of Trade and Industry used differential tax rates and terms of credit so that companies in “traditional” lower productivity industries like textiles and toys would be those who moved operations abroad, but only after firms in higher productivity “industries of the future” like steel, automobiles, and electronics had developed sufficiently to absorb employees who lost their jobs in traditional industries. The U.S. needs to implement a strategic industrial/trade policy which orchestrates a transition from industries where wages and increases in productivity are low to industries where wages and increases in productivity are higher. And it needs to compensate and retrain workers during the transition. None of this is rocket science, and there are many examples in other countries we can emulate. There are two



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street smart economics

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reasons the U.S. government needs to manage trade in this way: 1) Other countries will continue to manage trade, and any country which fails to do so will lose out to those who do. 2) Protectionism leads to destructive trade wars which reduces global GDP, but when all countries manage trade to shift resources into industries where productivity is rising fastest, global GDP is increased.

In the here and now

Unfortunately the transition from managing trade in the national interest, not corporate interests, will take some time, and working class families who have been the victims of corporate-managed, neoliberal trade policies championed by the establishment wing of both the Republican and Democratic parties are right to demand immediate redress.

One can quibble about whether U.S. exports are more labor-intensive than imports on average, but there is little enough difference to matter. So, if we exported as much as we imported there would be little, if any, loss of jobs. This means it is not trade, per se, which costs jobs, but trade deficits that cost jobs. Every year from 1960 to 1970 the U.S. ran a trade surplus and our exports created more jobs

than our imports lost.

Every year from 1976 through 2016 the U.S. has run a trade deficit and our exports have created fewer jobs than our imports have lost.

There are many measures the government could and should take to generate employment to make up for job losses caused by trade deficits. But the fact remains that 40 years of chronic trade deficits make it more difficult to provide jobs for everyone who is able and willing to work, which in turn puts downward pressure on wages.

The most effective way to reduce trade deficits in the short-run is to allow the dollar to depreciate, i.e. fall in value relative to other currencies. This is a far better way to reduce our trade deficit than to raise tariffs as right wing populists propose, which is not only a regressive form of taxation but more likely to invite retaliation, as President Trump has already discovered. The negative consequence of devaluing the dollar is that U.S. consumers will pay more for imports. But there is no better time to take this hit than when inflation has been historically low for going on a decade. Additional policies will be needed to ensure that wage increases in the U.S. keep pace with increases in labor productivity. But eliminating chronic trade deficits will help since it keeps labor markets tighter.

Conclusion

Developing a coherent approach to international economic issues that is different from both neoliberalism and xenophobic protectionism is a crucial task for progressives today. There is a massive

popular audience tuned into this subject, and the battle over who will successfully attract their attention and allegiance will go a long way toward determining how the world evolves over the next few critical decades.

Criticism of neoliberal globalization and xenophobic protectionism is important. But critique alone is not sufficient. Without a coherent alternative we will lose because you can't beat something with nothing.

However, for economic globalization to be beneficial governments will have to play a more active role. Center-left political parties in Europe and the U.S. made a huge mistake acquiescing to neoliberal changes in the global economy championed by banks and multinational corporations, for which establishment political parties have recently paid a steep price at the polls. Instead, revitalized, progressive political parties must redesign treaties and institutions like the International Monetary Fund, World Trade Organization and World Bank to help regulate and manage international trade and investment in the interests of citizens not corporations. And the U.S. government must adopt policies, many of which have been pioneered elsewhere, to orchestrate socially beneficial changes in trade and investment patterns, and most importantly, guarantee workers in declining industries an easy transition to work in industries of the future through retraining, relocation, and income support during their transition.

This is the third in a series of articles in defense of globalization. The first two installments are available at news.streetroots.org. Next to come: Part 4: Globalization and a Green New Deal.

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The World

by Ron Sanford

What is wrong with the world is plain to see
What is right with the world is much tougher.
A good question deserves a good answer
So why not try to look at the bright side

The internet has opened the way for better
Communication with our fellow human beings.
Free education.
Free music videos at your fingertips.
Instructional videos.
Games, news and entertainment,
Research and more.
The lines at the DMV are shorter.
There are fewer DUIs.

Untitled

by Juliet Taliaferro

His eyes shine. Like copper orbs that
were set on fire. He was born with
black Egyptian-style liner
Every time we go out walking
People stop to say what a beautiful dog
I say thank you, but really
I didn't make him, maybe I should
just say "I know."
The top of his head is soft and round,
His ears are like velvet a darker shade of red.
His little black nose is cold and wet.
Thick black whiskers
more like antenna. His jaw is striped
in white and gold with razor-sharp
teeth and a quick pink tongue.
He smiles a lot and uses his eyes
They amaze me still
How pure and bright, copper orbs
That are filled with light.