

American Trade Politics, 4th edition

I.M. Destler • ISBN paper 0-88132-382-9 • June 2005 • 373 pp • \$27.95

For most of the 20th century, American trade politics exhibited a fundamental imbalance. The benefits of open trade accrued to the many but its costs were concentrated in a few. In response, producers and workers threatened by imports organized and pressed their interests in the political arena while the beneficiaries of trade—gaining little from each international transaction—did not respond with equal force.

For a politician required to respond to concentrated interests, a vote for lowering trade barriers was therefore an “unnatural act.” If he or she was to divert pressures for trade protection, then counterweights had to be built into the US policymaking system. The development of just such antiprotectionist counterweights—ideas, processes and institutions for diverting and managing trade-restrictive pressures—was the main story in the construction of the American system for trade policymaking in the decades following 1934. Under this system, further supported by the “lesson” of the Smoot-Hawley tariff bill and the Cold War imperative, the United States enjoyed postwar prosperity, leadership in the global economy, and bipartisan support in the US Congress for trade liberalization.

This “1934 system” remained largely intact through the 1960s. During the 1970s and 1980s, the system was buffeted by economic changes that increased protectionist pressures and political changes that weakened the institutions erected to combat them. But the system surmounted the crisis of the 1980s and the early 1990s brought completion and enactment of two major trade-liberalizing agreements: the NAFTA agreement with Mexico and Canada and the global Uruguay Round, which created the World Trade Organization.

In the decade since, Americans have moved into a new trade era. Globalization has driven traditional business pressures for protectionism to their lowest level in US history but has brought new issues to the fore: social concerns for labor and environmental standards and heightened anxiety over the uneven distribution of the gains from trade. Meanwhile, rising partisan rancor in Congress has spilled over into the trade policy arena, polarizing debate over the grant of presidential authority for trade negotiations and the Central American Free Trade Agreement.

What is needed to strengthen American trade policymaking? The 1934 system, which sought to relieve business pressures through selective import restrictions, no longer fits a world in which many businesses are global and traditional protectionism has waned. At the same time, the uneven impact of globalization has

made the American public skeptical of the benefits of new trade agreements. Although the total US gains from trade expansion are enormous—around a trillion dollars in annual income—the costs to individual trade-displaced workers are not trivial.

If business protectionism is a shadow of its former self, then diverting, channeling, and partially accommodating its demands may no longer be as necessary. If a major source of policy contention is a matter over which legislators are typically divided along party lines, broad trade policy consensus may no longer be as attainable. If the key House trade committee no longer functions on a bipartisan basis, then a cornerstone of the 1934 system may not be as effective.

Some old issues persist. Massive US trade imbalances continue to undercut support for market openness, as well as threatening financial markets. When bilateral trade with a major partner is particularly skewed (as with Japan in the 1980s and China today), that nation becomes a political target and a burden on overall US trade policy.

In general, however, a refurbished system must jettison old notions of trade policy deal making in favor of a new social compact whose goal is to combine complete trade liberalization with broadening of programs to offset the losses of workers whom trade liberalization hurts. Such a compact would include measures to

- broaden eligibility for stipends and retraining under current trade adjustment assistance (TAA) programs to all Americans displaced from their jobs by economic change;
- make “wage insurance” broadly available as an alternative, with removal of current arbitrary age and procedural restrictions; and
- increase incentives for employers to provide on-the-job training to displaced workers through enactment of a “human capital investment tax credit.”

Given the decline of traditional protectionism and the substantial societal gains from globalization, an unvarnished protrade agenda is within reach as never before. But its success requires softening the partisan divide in Congress and buttressing trade’s shaky support among the public. The best path to both of these is a serious, comprehensive program of remediation, reflecting a societal commitment to address the needs of globalization’s losers, with actions consistent with that commitment.

To buy this book, go to http://bookstore.iie.com/merchant.mvc?Screen=PROD&Product_Code=3829.

To learn more about I. M. Destler, see http://www.iie.com/publications/author_bio.cfm?author_id=78.