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## The Case for Trade

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Trade has been getting an unfair beating from Democrats. Party leaders backpedaled from their agreement with the White House to approve free trade pacts with Peru and Panama and are opposing the agreement with South Korea. They also refused to extend so-called fast track authority, which guarantees a simple up or down vote on trade deals. And Senators Hillary Clinton and Barack Obama — playing to the campaign crowds — are backing legislation that would punish China for manipulating its currency and, not incidentally, could trigger an ugly trade war.

Yet for all their concern about globalization's impact on American workers, Democrats are going after the wrong targets. It is true that wages for most workers are going nowhere. Many fear for their jobs. But, as many centrist Democrats have argued for years, throttling trade would end up hurting a lot more people than it helped.

There are several ideas worth considering to assist the workers who lose their jobs because of trade or other forces buffeting the American economy. More progressive taxation can also be used to mitigate the impact of stagnating wages. But for American incomes to keep growing, the nation needs to embrace globalization, not turn against it.

Trade expands access to foreign markets for American exporters and multiplies the choice of products for producers and consumers. Foreign competition also spurs productivity growth at home. Economists at the Peter G. Peterson Institute for International Economics estimate that growth in trade since World War II added about \$1 trillion a year — in 2003 dollars — to America's national income. If the world's remaining barriers to trade and investment were to fall, they say, it would add \$500 billion more.

The plight of American workers is all too real — and the Bush administration has shown an astonishing lack of concern. Despite a phenomenal increase in workers' productivity, wages are only marginally higher than they were 25 years ago. Since 2000, earnings have fallen or remained flat, after accounting for inflation, for every category of worker except those with a Ph.D. or a professional graduate degree. Economists blame a host of factors, including

technological advances, immigration, a falling minimum wage and a decline in union power. Some studies suggest that trade has played a small role.

Displaced workers, meanwhile, can expect very little help from the government. Trade Adjustment Assistance, or T.A.A., provides extended unemployment compensation, training and limited wage insurance for displaced workers who are forced to take lower-paying jobs. But it is available only to a very narrow set of manufacturing workers who can verify their jobs were destroyed by trade.

What is needed is a more ambitious effort to help both displaced workers and those who keep their jobs but still can't get ahead because of stagnating wages. There are promising policy options. And Democrats would do a lot more for America's workers if they shifted their focus away from bashing trade and toward these ideas.

They could start by reforming health insurance to ensure that workers who lose their jobs don't also lose affordable health care. The growing inequity of pretax income can be dealt with through more progressive taxation, which could start with allowing the Bush tax cuts for the rich to expire as scheduled in 2010. Other proposals are also worth serious debate. Democrats in the House and Senate are trying to extend T.A.A., which expires Sept. 30, to cover service workers. But they should consider extending it to all workers who are displaced from their job by economic forces beyond their control, whether through trade or technological change.

Research suggests that trade inspires less protectionist feelings in countries with bigger governments and bigger social safety nets. Promoting trade and helping America's workers are two ideas that Democrats should get behind.