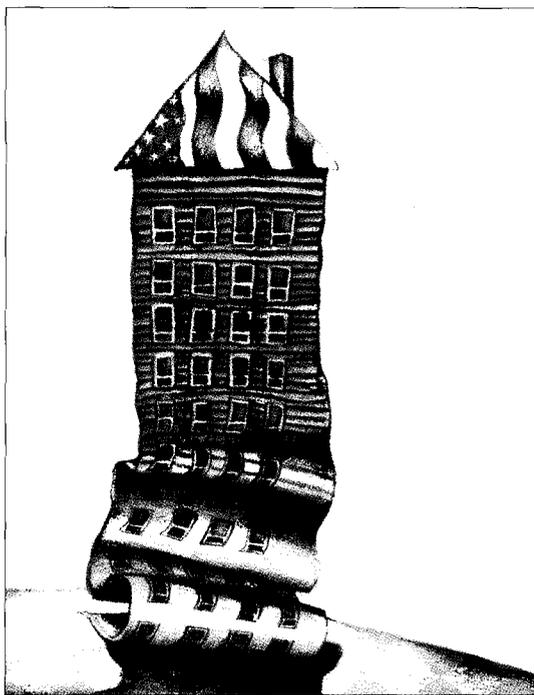


Cobden's Pyrrhic Victory

by Alfred E. Eckes



Bill Clinton and Richard Cobden, a 19th-century English anti-Corn Law crusader, have more in common than consonants in their surnames. As economic internationalists, both trumpeted commerce as the panacea for attaining world peace and prosperity. In their own ways, both bear responsibility for the new international economic order which rests on the twin foundations of universal free trade and world economic government.

"Democracy and free trade go hand in hand," Bill Clinton asserted at the Miami Summit of the Americas in December 1994. He promised that "free trade will yield dramatic benefits in terms of growth and jobs and higher incomes." In the use of free-trade hyperbole, few other than Cobden surpassed Clinton's rhetorical excesses. In 1835, the Manchester cotton manufacturer praised commerce as "the *grand panacea*, which, like a beneficent medical discovery, will serve to inoculate with the healthy and saving taste for civilization all the nations of the world." An evangelical free-trader, Cobden envisaged free trade "drawing men together, thrusting aside the antagonism of race and creed, and language, and uniting us in the bonds of eternal peace."

Not until Clinton's presidency did Cobdenism finally triumph in America. It took 150 years—and along the way free-trade crusaders experienced a number of defeats. One occurred at the end of World War I, when President Woodrow Wilson submitted his grandiose plan for the League of Na-

tions. That design, involving free trade and the surrender of some sovereignty to the league, failed to overcome congressional resistance.

Cobdenism began to make gains after the Great Depression and Roosevelt's 1932 landslide removed the last Republican obstacles. During the New Deal, Secretary of State Cordell Hull, a monomaniacal tariff-cutter, successfully planted the seeds for the free-trade revolution. In 1934, he persuaded a Democrat-controlled Congress to authorize a reciprocal trade program. In practice, reciprocal trade proved a misnomer. It succeeded primarily in opening the American market to imports. After World War II Hull's initiative metamorphosed into a multilateral tariff-cutting effort, the General Agreement on Tariffs and Trade. Bipartisan support emerged when both Presidents Truman and Eisenhower touted tariff liberalization as a substitute for foreign aid.

During Ronald Reagan's presidency the Cobdenites pursued the bilateral path. Reagan concluded free-trade agreements with Israel and Canada, both relatively high-income countries. These pacts had little adverse impact on high-paid, unskilled American workers. In particular, the pact with Canada demonstrated that removing trade barriers between advanced industrial nations with similar legal and business systems could prove mutually beneficial.

In George Herbert Walker Bush, the Utopian free-traders found a friend. Bush launched negotiations for NAFTA, the North American Free Trade Agreement, the first such pact with a low middle-income country, Mexico. Eager to help his friend President Carlos Salinas de Gortari of Mexico, Bush rushed ahead, pursuing free trade with a religious zeal that resembled

Alfred E. Eckes is Ohio Eminent Research Professor at Ohio University and a former chairman and commissioner (1981-1990) of the United States International Trade Commission.

that of the anti-Corn Law crusaders.

When Bill Clinton entered the White House in 1993, he had the opportunity to change policy directions. Instead, he made the fateful decision to submit the NAFTA scheme for congressional approval. When grass-roots opposition emerged, the usually indecisive Clinton plunged onward. To sell NAFTA, he opened the federal purse and indulged in presidential vote-buying on a scale unprecedented in American history. Later, when a plummeting peso jeopardized Mexico's economic and political stability, Bill Clinton diverted some \$20 billion in Treasury funds to bail out the Mexican currency and rescue American speculators.

Clinton and his aides also bear final responsibility for the Uruguay Round GATT agreement, establishing the World Trade Organization, and further exposing the United States to cheap-labor imports. While multinational corporations hope to benefit from binding dispute-resolution procedures and improved access to emerging markets, some 800,000 textile and apparel workers are expected to lose their jobs over the next decade.

Undaunted by his "successes," the President accelerated his quixotic quest for free trade with developing nations. At the Miami Summit he proposed a Western Hemisphere bloc extending from Alaska to Argentina; in Jakarta, Indonesia, he espoused a pact with ASEAN countries. In June 1995, his aides began negotiations to extend NAFTA to Chile before Congress enacted fast-track negotiating authorities. They also asked Congress to extend NAFTA tariff benefits to the Caribbean Basin countries. And the administration explored a free-trade pact with Western European nations. For Clinton, like Cobden, free trade had become a magical potion for transforming the world in the post-Cold War era, and for promoting prosperity and democracy.

The President and other architects of the new economic order proudly construed their actions as necessary and pragmatic responses to the global technological revolution. But it would be wrong to attribute the "triumph" of market internationalism solely to inexorable change and impersonal forces. Also influencing both timing and outcome was a seismic shift in American policies, the result of Cobdenite ideas gaining influence among the governing and corporate elite.

Backing for Clinton's free-trade agenda comes from a cosmopolitan group of professionals and speculators lured by glittering business opportunities in the new international economic order. For these well-educated stakeholders the neo-Cobdenite world of deregulated borders offers exciting short-term possibilities, including access to low-cost labor in developing countries. Eager to harvest riches, modern-day Mammon worshipers exhibit little concern for the long-term interests of the American nation or the health of communities.

"Segment, Concentrate and Dominate" is the strategy of Arkansas' Tyson Foods. According to its annual report, Clinton patron Don Tyson envisages chicken on every Chinese, Mexican, and Russian plate. So, in similar ways, do other well-heeled patrons in Hollywood, Wall Street, Silicon Valley, academic ivory towers, and in globally mobile law and consulting firms look outward for profits.

Neo-Cobdenism also enjoys noisy support from importers and retailers eager to help greedy consumers stretch their dollars at checkout counters. At shopping malls everywhere price-conscious customers can load up on the world's most affordable products, cheap imports. They can fill shopping carts with ap-

parel from Sri Lanka, toys and shoes from China, fresh-cut flowers from Colombia and Kenya, and so forth. But it is myopic to evaluate the new international economic order merely from the vantage point of consumers and other trade-winner.

For many Americans—the trade losers—Bill Clinton's dream world has a dark dimension. The unpleasant reality is that millions of ordinary Americans cannot expect net benefits from Cobdenism. For them the "dramatic" effects of free-trade pacts with low-income countries involve job dislocations and falling incomes. As much as half the American work force—the half without any college education—has reason to fear the downward escalator. Without border controls to insulate workers in high-income countries from cheap-labor imports, America's low-skilled workers seem destined to compete, as Thomas Carlyle once said in an English context, with developing nations for production of the "cheap and the nasty."

The triumph of Cobdenism in America may prove a Pyrrhic victory. It corrodes the social compact, disrupts the bonds of community life, and it punctures the American dream that average Americans can through hard work still achieve a middle-class life. When the dust settles, and historians view events in perspective, they may cite Clinton's trade leadership as another example of the "McNamara syndrome." In his memoirs, former Defense Secretary Robert McNamara acknowledges that the "best and brightest" prosecuted Lyndon Johnson's war in Vietnam without knowing what they were doing. America's elite ignored historical lessons and placed blind faith in unproven theories and flawed data. In this context, Senator Fritz Hollings of South Carolina may have expressed the real meaning of Clinton's trade policy: "Free trade [is] the new Vietnam policy. . . . You destroy your economy to save the world."

Has the triumph of Cobdenism produced an unstable and anxious world in which unskilled workers in high-income countries face declining incomes and the downward harmonization of wages and working conditions with developing countries? Many unskilled workers, as well as middle-level managers and professionals, seem to associate their economic plight with increased international competition. Pundits have observed that the widespread political alienation found in Northern Hemisphere nations from Japan to North America and Western Europe during the mid-1990's reflects widespread popular fear of free markets and globalization. Even the London *Economist*, a journal founded by Cobdenites, concedes that "low-skilled workers . . . are right to be worried." It also warned that "some occupations higher up the earnings ladder will also feel the force" of Third World competition.

Among academic economists, the profession most unwavering in its support for Cobdenism, an important new book associates free trade with increased poverty, alienation, and social instability. Adrian Wood's path-breaking analysis, *North-South Trade, Employment and Inequality*, notes that the removal of trade barriers in Northern Hemisphere countries has reduced demand for unskilled labor and aggravated "social corrosion." Crime, drug abuse, and racial tension he attributes to the surge in imports from low labor-cost countries.

Of course, Bill Clinton and his subordinates claim that free trade will generate many high-paying jobs for ordinary Americans. But evidence to support their faith appears to rest largely on theoretical proofs, rosy thinking, and inspired political advocacy, not empirical data. Manufacturing jobs in America, which typically pay about 30 percent more than service-sector

jobs, have stagnated since 1980. Indeed, in sectors exposed to international trade, business analyst Charles McMillion observes that the United States has generated no jobs net in the last 20 years. Pay has also stagnated, and real weekly earnings in manufacturing and services have declined.

This trend has been apparent since the Kennedy Round of GATT negotiations effectively removed tariffs as an obstacle to most American imports in the early 1970's. Since then, the United States trade imbalance has soared, averaging \$120 billion over the last decade. Because each \$1 billion in exports or imports affects 17,000 to 20,000 jobs on the average, the data suggest the United States has been exporting some two million job opportunities annually as manufacturing moves abroad in search of lower labor costs. Thus, in the open world economy that America created after World War II, the American dream of rising wages and opportunities for unskilled workers disintegrates in the face of reality. In a single global market, the price of unskilled labor reflects world supply-and-demand conditions. Forced to compete with cheap labor in developing countries using state-of-the-art production technologies, low-skilled workers in high-income countries face declining real incomes.

NAFTA is a good example of what happens when developed nations enter free-trade agreements with low-income nations. President Clinton sold NAFTA as a device to create thousands of export jobs. Instead, it may cost 500,000 job opportunities in the next two years. Imports from Mexico and Canada are surging. Based on first quarter trade data, America's merchandise deficit with NAFTA partners is likely to approach \$35 billion in 1995—second only to the bilateral deficit with Japan.

What about retraining the dislocated for jobs in emerging industries? This has been a goal of American trade policy for over a generation. The reality is that government programs have worked poorly for middle-aged workers. In their zeal to open the domestic market, the Cobdenites have romanticized the ease with which poorly educated people can be retrained as high-tech workers.

Thus, President Clinton's proudest achievements—free-trade pacts opening the American market to competition from developing countries—are proving costly victories. In the absence of effective educational programs to facilitate retraining, they seem likely to exacerbate class conflict, to corrode the American nation and its commitment to community, and to jeopardize domestic support for mutually beneficial international economic arrangements.

Had American leaders—particularly George Bush and Bill Clinton—studied more history, they might have discovered that a diverse group of influential thinkers and public figures—from Abraham Lincoln to Karl Marx—foresaw these dire consequences more than a century ago. Lincoln predicted that the removal of tariffs would demonstrate the necessity of them. As a Henry Clay Whig, Lincoln warned that “abandonment of the protective policy by the American Government must result in the increase of both useless labor, and idleness; and so, in [proportion], must produce want and ruin among our people.”

William McKinley of Ohio warned that free trade “will bring widespread discontent. It will revolutionize values. It will take away more than one half of the earning capacity of brain and brawn.” McKinley added: “Free trade results in giving our money, our manufactures, and our markets to other nations.” Protection, the policy of the Republican Party, McKinley said, “has made the lives of the masses of our countrymen sweeter

and brighter, and has entered the homes of America carrying comfort and cheer and courage.” And Senator Reed Smoot, a politician applauded in the *New York Times* as a “statesman of the highest type,” offered similar comments. In 1932, he predicted that repeal of the protective tariff barrier would force Americans “to slide back down to the economic level of the rest of the world.”

In an 1848 speech, Karl Marx, hardly a defender of the capitalist system, also endorsed global free trade, believing that it would hasten the global social revolution: “The protective system of our day is conservative, while the free trade system is destructive. It breaks up old nationalities and pushes the antagonism of the proletariat and the bourgeoisie to the extreme point. In a word, the free trade system hastens the social revolution. It is in this revolutionary sense alone . . . that I vote in favor of free trade.”

Bill Clinton's Cobdenite design for the post-Cold War world contains another fatal flaw. The World Trade Organization is not simply a forum for gabby government officials, it represents a giant step toward world economic government. Article 16 stipulates that “each member shall ensure the conformity of its laws, regulations, and administrative procedures with its obligations as provided in the annexed Agreements.” This mandate extends to a wide variety of nontariff issues—services, investments, agriculture, intellectual property. With each nation having one vote, developing nations will hold a voting majority and enjoy the freedom to interpret WTO rules as they desire.

For America's negotiators, a principal objective in the Uruguay Round was mandatory dispute settlement procedures. In order to lock-in the deregulatory agenda globally, the United States pushed proposals to subordinate national authority to a new type of trade Supreme Court operating in Geneva. Dispute settlement panels composed of trade experts, not independent jurists, will issue binding decisions on trade-related matters that affect a range of legitimate local activities: tax and regulatory policies, health and safety, and environmental issues, among others. Because the WTO gives priority to trade issues, dispute settlement panels may soon intrude on matters of state sovereignty. And the Clinton administration has pledged to accept panel decisions.

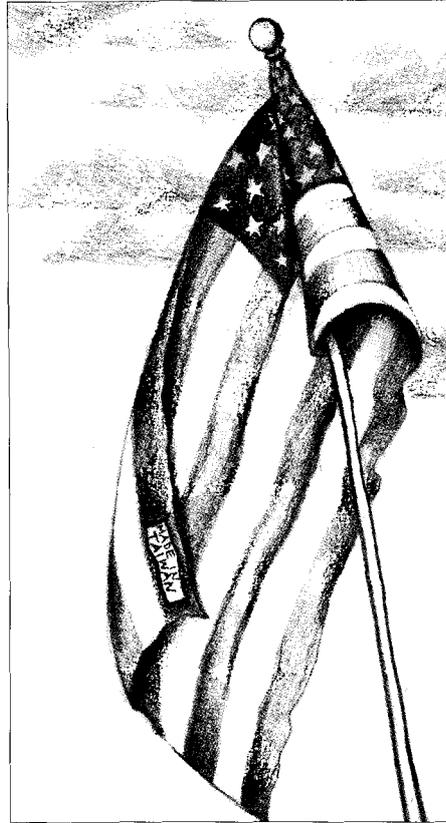
What have Bill Clinton and the neo-Cobdenites done? Without either a constitutional amendment or a treaty ratification vote in the Senate, they have circumvented lawful procedures for modifying the Constitution. Mesmerized by the siren song of free trade and insensitive to the requirements of national independence, the governing elite has seemingly compromised American sovereignty. In his 1796 “Farewell Address,” President George Washington foresaw such “usurpation,” and he warned that this “is the customary weapon by which free governments are destroyed.”

Paradoxically, Bill Clinton, the yuppie internationalist who chose to fulfill Cobden's economic agenda and to lock it in with commitments to the WTO, may prove free trade's mortal enemy. As speculators and corporate high-rollers move money and plants abroad to take advantage of lucrative opportunities outside the United States, more Americans are voicing discontent with economic circumstances at home. In the next cyclical downturn, millions of trade losers may vent their rage at the ballot box. The politicians who have been “shooting Niagara” with an elitist faith in Cobdenism and world economic government may encounter the rage of grass-roots democracy.

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The Surrender of Political and Military Sovereignty

by William R. Hawkins



Anna M. Wodicka

Sovereignty is a people's ability to govern its internal affairs and protect its independence against outside interference. Military power has always been the most obvious pillar of sovereignty. Clausewitz' dictum that the object of war is "to compel your opponent to do your will" means that the victor substitutes his sovereignty for that of the loser. This conflict of wills is not limited to questions of territorial integrity. Nations are driven by a combination of fear and opportunity to mold the outside world in ways favorable to their interests (however defined) as far as their strength will reach.

Military power has also been an indispensable tool for nation-building. There are few states that did not emerge from some caldron of international, civil, or revolutionary war. In the words of Charles Tilly, "War made the state, and the state made war." This is as true of the great democracies of the West as of any dictatorship. The United States owe their independence to a revolutionary war, their continued union and constitutional system to a civil war, and their vast domain to a series of international wars (or threats of war) combined with the forceful pacification of the native populations in the acquired territories. American history is a confirmation of Ernst Renan's observation that "decads of violence" have "marked the origins

of all political formations, even those which have been followed by the most beneficial results."

Popular support has long been necessary to mobilize the vast resources needed for war. What leads people to tolerate conscription, rationing, and war finance, not to mention death and destruction, is the belief that their society is unique and precious and that its fate is not to be surrendered to the dictates of any outsider. It is this very concept of independent group solidarity that has been, and continues to be, the object of attack from two sources: intellectuals who object to the view of a world torn by perpetual conflict and those special interests who feel restricted by state policy. Often the latter have made use of the former's utopian arguments to mask their selfish quests for personal gain at the nation's expense. This is not as hypocritical as it may appear. Antinationalist thought has been primarily liberal in content, stressing the moral superiority of individual over social interests. Indeed, classical liberalism can be seen primarily as a reaction to the rise of the modern nation-state since the 15th century.

In the 17th century, Emeric Cruce opposed Louis XIV's policy to make France the dominant power in Europe. Cruce presented an alternate view, writing in 1623: "What a pleasure it would be to see men going freely from one place to another without thought of country." Part of this vision was the creation of an organization with representatives from Europe, Asia, and Africa that would arbitrate disputes and back their verdicts with force. He thought this feasible because "Human society is

William R. Hawkins is the Senior Research Analyst for Representative Duncan Hunter (R-CA), chairman of the National Security Subcommittee on Military Procurement. The views expressed are his alone.

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