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ECONOMY

Free trade has turned into a failure

By Patrick J. Buchanan

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Now that the U.S. trade deficit for 2005 has come in at \$726 billion, the fourth straight all-time record, a question arises. What constitutes failure for a free-trade policy? Or is there no such thing? Is free trade simply right no matter the results?

Last year, the United States ran a \$202 billion trade deficit with China, the largest ever between two nations. We ran all-time record trade deficits with OPEC, the European Union, Japan, Canada and Latin America. The \$50 billion deficit with Mexico was the largest since the North American Free Trade Agreement passed and also the largest in history.

When NAFTA was up for a vote in 1993, the Clintonites and their GOP fellow-travelers said that it would grow our trade surplus, raise Mexico's standard of living and reduce illegal immigration.

None of this happened. Indeed, the opposite occurred. Mexico's standard of living is lower than it was in 1993, the U.S. trade surplus has vanished, and America is being invaded. Mexico is now the primary source of narcotics entering the United States.

Resting on rotten timber

Again, when can we say a free-trade policy has failed?

The Bushites point proudly to 4.6 million jobs created since May 2003, a 4.7 percent unemployment rate and low inflation.

Unfortunately, conservative columnist Paul Craig Roberts and analysts Charles McMillion and Ed Rubenstein have taken a close look at the figures and discovered that the foundation of the Bush prosperity rests on rotten timber.

The entire job increase since 2001 has been in the service sector -- credit intermediation, healthcare, social assistance, waiters, waitresses, bartenders, etc. -- and state and local government.

Fewer manufacturing jobs

But, from January 2001 to January 2006, the United States lost 2.9 million manufacturing jobs, 17 percent of all we had. Over the past five years, we have suffered a net loss in goods-producing jobs.

"The decline in some manufacturing sectors has more in common with a country undergoing saturation bombing than with a super-economy that is 'the envy of the world,'" writes Roberts.

"Communications equipment lost 43 percent of its workforce. Semiconductors and electronic components lost 37 percent. . . . The workforce in computers and electronic products declined 30 percent. Electrical equipment and appliances lost 25 percent of its workforce."

Unemployed engineers

How did this happen? Imports. The U.S. trade deficit in advanced technology jobs in 2005 hit an all-time high.

As for the "knowledge industry" jobs that were going to replace blue-collar jobs, it's not happening. The information sector lost 17 percent of all its jobs over the last five years.

In the same half-decade, the U.S. economy created only 70,000 net new jobs in architecture and engineering, while hundreds of thousands of American engineers remain unemployed.

If we go back to when Clinton left office, one finds that, in five years, the United States has created a net of only 1,054,000 private-sector jobs, while government added 1.1 million. But as many new private-sector jobs are not full-time, McMillion reports, "the country ended 2005 with fewer private-sector hours worked than it had in January 2001."

This is an economic triumph?

Working for less money

Had the United States not created the 1.4 million new jobs it did in healthcare since January 2001, we would have nearly half a million fewer private-sector jobs than when Bush first took the oath.

Ed Rubenstein of ESR Research Economic Consultants looks at the wage and employment figures and discovers why, though the Bushites were touting historic progress, 55 percent of the American people in a January poll rated the Bush economy only "fair" or "poor."

Non-Hispanic whites, over 70 percent of the labor force, saw only a 1 percent employment increase in 2005. Hispanics, half of whom are foreign born, saw a 4.7

percent increase. As Hispanics will work for less in hospitals and hospices, and as waiters and waitresses, they are getting the new jobs.

But are not wages rising? Nope. When inflation is factored in, the Economic Policy Institute reports, "real wages fell by 0.5 percent over the last 12 months after falling 0.7 percent the previous 12 months."

Imports and outsourcing

If one looks at labor force participation -- what share of the 227 million potential workers in America have jobs -- it has fallen since 2002 for whites, blacks and Hispanics alike. Non-Hispanic whites are down to 63.4 percent, but black Americans have fallen to 57.7 percent.

What is going on? Hispanic immigrants are crowding out black Americans in the unskilled, semi-skilled and skilled job market. And millions of our better jobs are being lost to imports and outsourcing.

The affluent free-traders, whose wealth resides in stocks in global companies, are enriching themselves at the expense of their fellow citizens and sacrificing the American worker on the altar of the Global Economy.

None dare call it economic treason.

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