

Reactionary Democrats

The end of the free-trade consensus.

BY DAVID M. SMICK

THE ISSUE OF GLOBALIZATION—which has been growing from a preoccupation of the political fringe to a battle cry of the Democratic mainstream—may well become the sleeper issue of 2008. Listen to the postelection chatter in Washington right now, which can be boiled down to one question: Did the Democrats win simply because of Republican scandals and frustrations over the war in Iraq, or was some less perceptible shift in the electorate at work? Are we in fact seeing the beginnings of an electoral wave that might continue into 2008 and give Democrats control over the White House and even larger majorities in Congress?

The answer depends, of course, on what each party offers by way of a broader agenda. In economic policy, the Democrats are flirting with an antiglobalization position, and not without reason. Polls show that despite a 4.4 percent unemployment rate and a robust stock market, the American public remains anxious about its economic future. Americans today spend more on imports than they pay in taxes. Real wages have remained relatively stagnant, which is why good economic headlines over the last year failed to help the GOP.

In today's globalized system, wages alone may not be enough to get ahead. Families need to be invested in the market to

benefit from advancements in productivity that are a result of globalization. This is why the Republican party, after failing in its "every man a capitalist" campaign to establish Social Security private accounts, is vulnerable to losing one of its core constituencies: the economically conservative, working-class Democrats and independents brought into the fold by Ronald Reagan in the days of hyperinflation and stagnation. These voters need to be reintroduced to the market and to the overall benefits of globalization.

A sense of how the globalization issue might begin to play in the near future could be gleaned from a recent speech by Robert Rubin at the 25th Anniversary of the Institute for International Economics. Rubin, who was Treasury secretary under Bill Clinton, is the Democratic party's intellectual godfather in economic policy and an internationalist by profession. He surprised attendees by launching a sly yet effective assault on globalization, arguing it was naive to believe in "comparative advantage" anymore—thus questioning a fundamental premise of free trade on which liberals and conservatives have largely agreed for many years. Democratic strategists who have seen a draft of Hillary Clinton's 2008 position paper on international finance and trade note how far she has moved in the direction of the antiglobalization camp.

More than a few Washington strategists are wondering whether the United States is tiptoeing into a new Jacksonian age, a term of relative U.S. isolation from global events

with a general populist distrust of all things foreign and elite. Already, the much-praised China/Wal-Mart connection of years past, which provided American consumers with low-cost products and a higher standard of living, is being demonized as a trick by the international investor class to sell out core American industrial interests. Watch what Capitol Hill produces in the upcoming debate over a free trade zone with Peru. A trade deal with Vietnam appears to be dead.

Notice the irony of this new direction. Economist Gary Hufbauer, hardly a conservative, concludes that "the United States is \$1 trillion richer each year because of globalized trade." That's more than 10 percent of GNP or an incredible \$10,000 per household. Less than a decade ago, President Clinton supported NAFTA and other free trade agreements and frequently praised the benefits of a globalized economy. Today, the benefits of globalization are taken for granted. Worse, a politician running for Congress as the pro-globalization candidate would be signing his own death warrant. The growing skepticism toward globalization and all things foreign (including foreign wars) could, if unchecked, leave an already shell-shocked GOP even more on the defensive.

The one saving grace is that financial markets may simply be too powerful for the carping of politicians to matter. Democratic senator Charles Schumer of New York must have surprised himself a few years back by garnering 67 votes for his 27.5 percent tariff, unless the Chinese revalued their cur-

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rency significantly. Today that legislation, highly unpopular with the senator's Wall Street constituency, is on hold. A similar reluctance to bang the antiglobalization drum has also resulted from the realization that London is fast replacing New York as the world's financial center. Still, most Washington politicians lack Schumer's sophistication. It is estimated that of the 28 Democrats who beat GOP House incumbents on Election Day, 22 are unabashed

protectionists, with five being pragmatic protectionists. All six losing GOP senators were free traders. Even free trader Jim Jeffords of Vermont is being replaced by the reliably antiglobalization Bernie Sanders.

There is a new scent in the air, and if you're not convinced, consider the life and times of Lou Dobbs. The CNN television host suffered for years from flat ratings as the young upstart Fox News regularly cleaned his clock. Then Dobbs began

pounding the antiglobalization theme, night after night bemoaning the American jobs lost to foreign competition. His ratings suddenly shot up by more than a third.

The record of globalization over the last quarter century is impressive--creating a historic golden age of both poverty reduction and wealth creation. The implications of a reversal in policy are clear. It is time for the pro-globalization forces to step forward and boldly make their case.