

# Things Fall Apart

The coming fracture of the free-trade coalition

By Ian Fletcher

OFFSHORING OF AMERICAN JOBS has recently grabbed headlines as a political flashpoint. But judging by the responses of both parties, the powers that be consider it just another annoying issue that changes nothing fundamental and should be handled the way political issues usually are: by jockeying for advantage within the existing policy consensus.

The Democrats, specifically John Kerry, have sought to make the smallest policy proposals sufficient to position themselves as the good guys for those voters who care about the issue. The Republicans, because they are in office, must defend a *status quo* that they are no more or less responsible for than the Democrats, and are defending it using the same arguments that have always been used for free trade, as if nothing has changed.

Both responses are perfectly rational within the confines of Washington politics as usual. Unfortunately, both are completely deluded because offshoring has already set off a political earthquake that will reshape American politics for a generation.

In truth, free trade is dead, and the only question is which party will figure this out fast enough to collect the burial fee. The key to understanding why it is finished is to be honest about the fundamental way free trade is experienced by Americans as citizens of a high-wage nation: free trade is cheap labor embodied in goods.

Naturally, everyone wants the labor they consume—whether as goods or

services—to be cheap. But a wage-earner also wants the labor for which he is paid to be expensive. Whether or not this is “efficient,” as academic economists understand this term, is irrelevant to the politics. The proof: in American history, there have been long-lived and stable electoral coalitions producing both free-trade and protectionist outcomes. At best, economists’ theories about the efficiency of free trade peripherally touch the way voters actually experience trade. At worst, they flatly contradict it.

What is relevant to politics is that this analysis implies the possibility, in a democracy, of a stable political coalition in which one part of society treats itself to cheap labor at the expense of another part. As long as the beneficiaries of cheap labor exceed the victims in number, this coalition is viable. For example, one could have a coalition of everyone who is not a manufacturing worker (roughly 85 percent of the population) against everyone who is. Manufacturing workers suffer the competition from cheap foreign labor, everyone else enjoys the cheap foreign goods, and a majority is happy—at least in the short run before everyone begins to suffer the consequences of a depleted industrial base. But what if the percentage balance in the coalition is not stable? What if we go from 15 percent of the population harmed and 85 percent benefited to 30/70? Or 50/50? Or 70/30 the other way? The coalition starts to fall apart.

Free traders have a counter-argument here: they tell us that even if we go to 90

percent or even 100 percent of the population being impoverished by competition with cheap labor, we will still be better off because goods will be cheaper. The problem with that formulation—as is intuitively obvious to any laid-off factory worker who has contemplated the cheap knick-knacks on sale at Wal-Mart—is that the drop in cost of living never matches the drop in wages. Like many free-trade arguments, it is qualitatively true but quantitatively false. The mitigating factors mitigate; they just don’t mitigate enough.

Unconvinced? How many people have voted against incumbents because they were unemployed? How many have done so because they could not buy a pair of scissors for \$.99? Has there ever been a demonstration in the streets about the latter?

Free traders might have at least half an argument if inflation were a live political issue today, but it isn’t. In fact, Alan Greenspan has been worrying about deflation, not inflation. And given that the biggest inflationary factor looming on the horizon is the coming collapse of the dollar under the weight of accumulated trade deficits, they are probably better off not raising the topic.

But back to our electoral math: what offshoring has done is to shift radically the percentages of the electorate that fall into the two categories so that the beggar-my-neighbor coalition is starting to fall apart. Of course, this takes time as offshoring all the tens of millions of jobs that can now be shipped overseas cannot be done overnight. What doesn’t

take nearly as long is for the fear that this is going to happen to ripple through the electorate. Right now, many are taking a wait-and-see attitude, wondering if this is going to be just another one of those doomsday scenarios that was supposed to end life as we know it but never materialized.

As a result, the cozy acquiescence of a majority of Americans to letting free trade destroy American wages is going to come to an end. The dividing line between the winners and the losers that the winners thought, as recently as the dot-com boom of a few years ago, would remain stable, has grown fluid. Worse, no one really knows where it will one day solidify again, so no one knows, on a personal, not political level, how to protect himself.

Not much is left of the American economy that is invulnerable to offshoring. There are, basically, these jobs:

- Services that must be performed in person like cooking, policing, bagging groceries, teaching school, dealing drugs, and prostitution
- Activities like construction that are performed on physical objects too large or heavy to be feasibly shipped from abroad
- Jobs like agriculture and mining that are performed on objects fixed in place in America
- Services like the practice of law that depend upon peculiarly American knowledge that foreigners do not have. (Even this is rapidly breaking down as law firms start to offshore work.)
- Government and military functions, though our use of mercenaries—aka “civilian contractors”—in Iraq shows that this can be nibbled away at in surprising ways
- Industries where America enjoys significant technological superiority

tied to local labor pools or educational institutions—also a rapidly-shrinking category

- Owning capital, though not really a job, is at least an occupation, and as long as America maintains a political consensus that rules out significant expropriation of capital, owners of capital gain from consuming cheaper labor and lose nothing.

The problem is, this is not enough. In particular, it is not a sizeable enough number of high-wage jobs. This is largely inevitable, since jobs that must be done by hand, like stocking a Wal-Mart, are difficult to automate to increase their productivity.

So the “I’m All Right, Jack” coalition starts to fall apart. What happens next? The bad news for Republicans is the shrinking of the psychological bourgeoisie, that is, everyone in the economy who identifies with the owners of capital economically, whether or not a majority of their income is investment income. All those yuppie financial analysts who may now get offshored are an obvious example, but there are far more people in this category, people all over American suburbia, exurbia, and gentrified urban neighborhoods.

The key psychological bargain such people have until now had with the system is that economic forces are something that happen to other people. Someone with this attitude can indulge a dispassionate concern with economic efficiency. More obnoxiously, he can explain that the jobs being lost are only “bad” jobs, while the jobs being kept, like his, are worth keeping. This is a wonderful way to congratulate himself covertly that his existence is a worthwhile one while that of a blue-collar worker is not. Thus the galloping narcissism of contemporary America becomes an emotional motor of globalist ideology.

But that party’s over soon. It probably has only one presidential election cycle to go. The bad news for Democrats is that they sold out so completely to free trade under Clinton that they have thrown away their natural position, earned over 60 years, as the party that protects Americans from the rougher edges of capitalism. With the classic stupidity of the imitator, they embraced free trade just before the fad collapsed.

Either party could turn on free trade and thus capture public support on this issue. That figures as politically divergent as Ralph Nader on the Left and Pat Buchanan on the Right oppose free trade is a strength, not a weakness, for it means that ending free trade can be credibly sold to people on either end of the political spectrum and packaged into a balanced pitch that will please the middle. You want a right-wing America First appeal? You got it. You want a hippie sob-story about exploited workers? You can have that instead, if you prefer. You want a moderate and reasonable “commitment to a middle-class society”? Done.

After a few more rounds of depressing job-creation numbers from the Bureau of Labor Statistics, the only thing that will be keeping the *status quo* in place is the corrupt bargain of the American political duopoly, in which each party agrees with the other not to make trade an issue. This bargain is intrinsically unstable because of the temptation to score politically by defecting from it, so one must assume one party will eventually renege. The other will have no choice but to follow or face electoral extinction, and America’s experiment with free trade, the longest hangover of the Cold War, will finally be over. ■

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# Undue Process

Innocents have been entangled in the Justice Department's anti-terror dragnet.

By James Bovard

THE TRAIN WRECKS of the Justice Department's domestic War on Terror continue to pile up. Despite the perennial victory claims by Attorney General John Ashcroft and other high officials, three recent cases vivify how federal prosecutors and FBI agents continue tripping over the evidence—or worse.

On May 7, the FBI arrested Brandon Mayfield, an Oregon lawyer, for his alleged involvement in the Madrid train bombings of March 11 that killed 191 and left 2,000 wounded. A U.S. counterterrorism official (almost certainly an FBI or Justice Department official) told *Newsweek* that Mayfield's fingerprint was an "absolutely incontrovertible match" to a copy of the fingerprint found on a bag of bomb detonators near the scene of the Madrid attack. News of Mayfield's arrest provided alarming evidence that Americans were involved in international conspiracies to slaughter civilians around the globe, and he was informed that he could face the death penalty for his crimes.

Employing Patriot Act powers, the feds, prior to the arrest, conducted secret searches of Mayfield's home and tapped his phone and e-mail. After the arrest, they froze his bank accounts. The FBI's arrest affidavit revealed that its agents had "observed Mayfield drive to the Bilal Mosque located at 415 160th Ave., Beaverton, Oregon, on several different occasions." Another incriminating detail in the arrest warrant: Mayfield

advertised his legal service in the Muslim Yellow Pages. (Mayfield, a former Army lieutenant, converted to Islam and has an Egyptian wife.) In early April, the Spanish police described Mayfield "as a U.S. military veteran who was already under investigation by U.S. authorities for alleged ties to Islamic terrorism," according to the *Los Angeles Times*.

Yet the key to the case—the fingerprint—was shakier than a George W. Bush press conference. The FBI quickly claimed to have achieved a match on the partial print, but, on April 13, Spanish government officials warned the FBI that their experts were "conclusively negative" that Mayfield's print matched the print on the bomb detonator bag. The FBI responded by flying one of its fingerprint analysts to Madrid to explain to the Spaniards why they were wrong. But during the Madrid visit, the FBI expert never requested to see the bag or to get a better copy of the print. The arrest warrant in early May wrongly informed a federal judge that the Spaniards were "satisfied" with the FBI's match.

Mayfield was arrested as a "material witness," thereby permitting the feds to hold him as long as they pleased without charging him with a specific crime. The Justice Department refuses to disclose how many people have been or are being held as "material witnesses" in prisons around the country.

After Mayfield was arrested, FBI agents raided his home and office and carted off boxes of his papers and his family's belongings. Among the items seized were "miscellaneous Spanish documents," according to an FBI statement to the federal court. These supposedly incriminating papers turned out to be the Spanish homework of Mayfield's son. Perhaps elite FBI investigators suspected that "Hola, Paco. Como Estas?" was a secret code.

Though the FBI never possessed anything on Mayfield aside from a misidentified fingerprint, it did not hesitate to cast him in sinister colors. The FBI informed a federal judge: "It is believed that Mayfield may have traveled under a false or fictitious name." But Mayfield, whose passport expired the previous year, insisted he had not left the country. The FBI apparently never bothered to check whether Mayfield had been absent from the U.S. before making one of the most high-profile terrorism arrests of the year.

On May 20, after Spanish authorities announced that they had found a clean match with the fingerprint, the Justice Department acquiesced to Mayfield's release. A few weeks later, Attorney General Ashcroft informed the Senate Judiciary Committee that his case vindicated the American system of justice: "As a matter of fact, the pride of our system is that people are found innocent because we adjudicate these things."