

Is Fairer Trade Compatible with Freer Markets?: Fairness in the Real World

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What I want to do in this talk

- Give a short, I hope accurate, answer to the questions posed by the conference organizers for this panel.
 - Explain why public opinion might matter for making trade policy.
 - Discuss the role of “fairness” in the making of trade policy.
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Caveat

- I won't argue for or against any particular notion of “fairness”.
 - We all have notions of what is and isn't fair, but their application to issues of international trade are problematic.
 - “Fairness” with application to international trade policy (or any other policy) is a matter of public discourse and, thus, inherently contested.
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Fair trade in the real world: Operational definition—the questions

- What does the public think about fair trade?
 - What does the public think about specific strategies to promote fair trade outcomes?
 - In particular, what do they think about fair trade certification, social labeling, etc.
 - Since I have nothing distinctive to say about the second (essentially micro) question, I take the first question to be essentially macro (i.e. about the trading system itself)
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Fair trade in the real world: Operational definition—the questions, my answer

- Note that both of these are questions about *public opinion* on the fairness of trade.
 - Attributing **an** opinion on trade policy to *the public* is hard, but assuming that we mean something like average opinion, or the opinion of the median voter,
 - The answer to both questions is pretty easy:
 - The average citizen doesn't care about international trade in general, or its fairness in particular,
 - ... at all.
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Fair trade in the real world: Operational definition—the questions, my answer

- I don't mean that people aren't, fairly generically, worried about fairness, or even that they might not (in just the right circumstances) worry about international trade.
 - I mean that, since international trade has not been an issue of sustained public political contestation, since at least the mid-1930s, we have had no context for trade as a public issue and no sustained flow of information on the issue.
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(Why) Does Public Opinion Matter?

- One possibility is that, we want to know about public preference on international trade because those preferences determine (or, possibly, should determine) trade policy.
 - I think we can all agree, whether we think trade is too free or not free enough, at least as a positive matter, that public opinion does not generally determine trade policy.
 - Again, people have no “public” interest in the issue
 - There have been no public politics on the issue.
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(Why) Does Public Opinion Matter?

- Given that the public has no real basis for an informed opinion about the issue, it is not at all clear that we would *want* trade policy determined by public preferences.
 - Note that this is not the same thing as asserting that we would not want trade policy determined by *the preferences we would like people to have*.
 - I return to this shortly.
 - Side point: The last thing we want as a nation is direct democracy on complex, multidimensional political issues [just think about California here].
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(Why) Does Public Opinion Matter?

- The reality is that trade policy is determined by a mix of historically/institutionally fixed drift and lobbying.
 - Current public opinion can't have any effect on the past, so the question is: can public opinion be relevant to lobbying.
 - Certainly, to a first order of approximation, changes in trade policy are determined by lobbying which is essentially unconstrained by public opinion.
 - The trade policy-making system is a classic “iron triangle”.
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(Why) Does Public Opinion Matter?

- Public opinion acts as a (weak and uncertain) constraint on iron triangles.
 - *Heresthetic*: Political entrepreneurs and unserved/mis-served interests.
 - The language of fairness is a powerful tool in attempts to claim that interests are un/mis-served.
 - Fairness language is used to mobilize interests not currently part of the ongoing politics on an issue.
 - Stable issue areas (“iron triangles”) seek to avoid public politics—but this means that they cannot be oblivious to potential public opinion.
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(Why) Does Public Opinion Matter?

- ❑ The trade policy-making system protects itself from this, at least in part, by deploying the language of fairness:
 - Title VII—“Less than fair value”
 - Trade Adjustment Assistance to deal with trade displaced workers.
 - The language of fairness is also used in the global politics of trade and development
 - ❑ To date, this seems to have worked.
 - The public seems not terribly interested in trade; and
 - Attempts to use trade as an entrepreneurial issue seem uniformly to have failed.
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Fairness, Heresthetic & Trade Politics

- How might trade become a significant issue in public politics?
 - Most work on heresthetic emphasizes the *structural* properties of an issue—e.g. the way a new issue, should it become significant, restructures the space of political contestation.
 - Today I want to emphasize the *emotional* content of an issue—i.e. what causes people to respond strongly enough to an issue that it becomes significant.
 - This is where fairness becomes important.
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Fairness, Heresthetic & Trade Politics

- What makes a potent public political issue?
 - Fairness
 - Unemployment
 - Foreignness
 - What's so unfair about foreignness?
 - We do seem to easily believe that foreigners have stumbled upon (or engineered) clever way to game the market. That is, *foreigners cheat*.
 - If this cheating costs jobs, that is unfair.
 - That is a warrant for public intervention.
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Fairness, Heresthetic & Trade Politics

- This combination has tempted a number of political entrepreneurs (left, right and center; establishment and populist) to try trade policy as a strategy.
 - For people like Ross Perot, Ralph Nader, and Pat Buchanan it has been a central issue;
 - For Hilary Clinton, it's use in Ohio (and then Pennsylvania) was a sign of desperation.
 - The striking fact is that it has just not worked.
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Fairness, Heresthetic & Trade Politics

- Why has trade fairness so consistently failed as a mobilizing issue in public politics?
 - Part of the story is the existence of institutions intended to embody and protect fairness with specific reference to international trade.
 - We have already taken notice of these.
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Fairness, Heresthetic & Trade Politics

- A bigger part of the story is the existence of more general institutions showing commitment to protecting people from the vagaries of the market (whether domestic or international).
 - Welfare states
 - Keynesian macroeconomic policy
 - As long as these institutions are seen to function, broadly anti-market politics are hard to get started.
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Conclusion

- At least under current circumstances, it is hard to see fairness-based public politics emerging on international trade policy.
 - However, it has happened before.
 - The perfect storm for this issue involves:
 - High unemployment;
 - High current account imbalance with specific countries identified as “unfair traders”;
 - Widespread perception of incumbent government failure to manage the macroeconomy.
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