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

Doug Nelson

Murphy Institute, Tulane University
GEP, University of Nottingham
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.
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.
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)
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.
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.
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.
(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].
(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”.

(Why) Does Public Opinion Matter?

- Public opinion acts as a (weak and uncertain) constraint on iron triangles.
  - *Heresesthetic*: 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.
(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.
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.
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.
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 is has just not worked.
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.
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.
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.