Trade, technology and the US presidential election

Linda Lim For The Straits Times

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This year's US presidential election reveals a puzzling disconnect between voters' mostly favourable views on trade and anti-trade rhetoric in the campaigns of Democrat Bernie Sanders and Republican Donald Trump.

A June survey by the Chicago Council of Global Affairs shows 68 per cent of Democrats (51 per cent of Republicans) believe international trade is good for the United States economy, 65 per cent of Democrats (50 per cent of Republicans) that it is good for American companies, 75 per cent of Democrats (66 per cent of Republicans) good for consumers, and 72 per cent of Democrats (60 per cent of Republicans) good for their own standard of living.

Sixty per cent of those who support Mr Sanders and 71 per cent of Mrs Hillary Clinton's supporters believe trade is good for the economy, while 75 per cent of Mr Sanders' supporters and 76 per cent of Mrs Clinton's believe "globalisation is mostly good", reflecting an upward trend over the past two decades.

Though reviled by Mr Sanders and Mr Trump and disavowed by Mrs Clinton, the survey found 60 per cent overall support for the Trans-Pacific Partnership (TPP), from 71 per cent of Democrats, 74 per cent of Mrs Clinton's supporters, 56 per cent of Mr Sanders' supporters, 58 per cent of Republicans and 47 per cent of Mr Trump's supporters. Though just 40 per cent of "core Trump supporters" say trade is good for the economy, 54 per cent say trade is good for consumers like them, and 49 per cent that it is good for their own standard of living.

The view of trade's impact on US jobs and workers is less sanguine. Only 40 per cent (47 per cent of Democrats and 34 per cent of Republicans) say trade is good for creating jobs in the US, and only 35 per cent overall believe trade is good for the job security of US workers, despite a Pew Research poll finding that 88 per cent of Americans believe their own jobs are secure.

Some Americans have lost manufacturing jobs, particularly from the onslaught of imports from China after it joined the World Trade Organisation in 2001. These losses were concentrated in some industries (steel, furniture) and communities (the mid-west "Rust Belt"), including former Democratic union strongholds that now correlate very closely with support for Mr Trump.

Re-employment for laid-off workers has been difficult after the Global Financial Crisis, given weak economic growth, the housing crash which reduced labour mobility, and technological displacement from automation and digitisation. Budgetary pressures and ideological opposition reduced income transfers for trade adjustment assistance, and education and retraining chances have been inadequate.

The much-admired tech boom created far fewer jobs than were lost, mostly for higher-skilled and younger workers in different locations, like the north-east and west coast. US manufacturing today accounts for roughly the same 20 per cent share of global output it did 50 years ago, but with far fewer workers. Yet a "skills mismatch" between demand and supply of workers means the National Association of Manufacturers expects two million manufacturing job vacancies to go unfilled in the next decade.

Both trade and technology have also increased income inequality, delivering disproportionate returns to owners of capital and skills while depressing employment and wages for less-skilled workers, especially non-college-educated men in manufacturing, mining and construction. "Female" jobs in education, healthcare and other services have expanded with the labour force.

This then is the source of Mr Trump's electoral support from working-class white males whose absolute and relative economic positions have declined. They have changed the political dynamics of the Republican Party, which traditionally attracted more educated and higher-income voters, and advocated free trade, liberal immigration and federal tax and spending cuts to reduce the size of government. In contrast, Mr Trump and his supporters favour trade protectionism, curbs on immigration and the increase or maintenance of entitlement spending on Social Security and Medicare, and on defence.

Mr Trump's budget proposals will cause the federal budget deficit to balloon, raising interest rates which will slow growth and increase the indebtedness of US families. The Peterson Institute of International Economics estimates that his protectionist trade policies and the retaliation they invite will cause the loss of four million jobs by 2019, with the hardest-hit being the high-tech, export-oriented and Democratic-voting states of California, Michigan, Washington and Massachusetts.

Democrats already outnumber Republicans among registered voters, and this gap will widen, since they are younger, better educated, higher-income earners and concentrated in big urban areas with vibrant economies in the North-east, West Coast and some Mid-west and Southern states. Women, ethnic minorities and recent immigrants also favour Democrats and express greater support for trade, partly because they are occupationally better positioned to withstand the challenges from globalisation and technological change.

THE FIGHT FOR SWING STATES
The political relevance of socio-economic and cultural cleavages wrought by trade and technology comes to a head in so-called "swing" or "battleground" states evenly divided between Democrats and Republicans in national elections. Economic growth or decline and migration, spurred by trade and technology, over time change voter demographics.

Formerly "red" (Republican) states like Colorado and Virginia have turned "blue" (Democratic) as their major urban metropolitan areas have boomed with the influx of tech businesses, skilled professionals and young people, while growing Latino populations in Florida and the South-west contest with growing white retiree populations to keep those states "purple".

Ohio is arguably the quintessential, and most important, large swing state, where a few tens of thousands of votes can "swing" enough electoral constituencies, and thus the entire state and nation, one way or another. It has voted for the winning candidate in each of the 10 presidential elections since 1976.

Trade is often a central voter concern here, especially in the long-distressed steel industry. The localised voting power of steelworkers, adjacent industries and their communities explains why Republican president George W. Bush, a free trader, imposed import tariffs on steel, and why Democratic President Barack Obama, the champion of TPP, imposed import tariffs on China-made tyres (the petitioning tyre workers belonged to the steelworkers' union), each to facilitate victory in Ohio which was necessary for his re-election.

This year, Mr Trump and Mrs Clinton are running neck and neck in Ohio, with a sizeable share of independent voters still undecided. The neighbouring state of Pennsylvania, usually reliably "blue", has also come into play, largely because steel has suffered greatly from China dumping its huge excess supply on world markets. The auto industry, with many parts plants here, also opposes TPP because it includes Japan. Many small towns in north Ohio and west Pennsylvania that voted twice for Mr Obama are now awash in signs backing Mr Trump.

But Ohio's Republican Governor John Kasich, who won the party's presidential primary here, is a strong advocate for trade liberalisation. He argues that TPP will benefit Ohio farmers by opening Japan's agricultural market, its thriving financial services sector by liberalising trade in services (which account for 75 per cent of Ohio jobs), and its high-tech industry by tightening intellectual property protection.

Republican Senator Rob Portman, then President Bush's trade representative, withdrew his previous strong support for TPP when challenged by anti-TPP Democratic candidate and former governor Ted Strickland. Initially considered at serious risk of losing to Mr Strickland, Mr Portman now has a wide lead in the polls, but it is unclear if trade has anything to do with this.

Mrs Clinton also supported the TPP before turning against it under pressure from Mr Sanders. She has criticised Mr Trump for sourcing foreign products, including Chinese steel, for his businesses. If elected president, she is unlikely to push for TPP in her first term, since re-election will require the support of protectionist Democrats and independents in swing states like Ohio. The rise of Mr Trump's populist anti-trade wing in the now-divided Republican Party also makes it unlikely that Congress can pass any trade deal.

In the longer term, if Mrs Clinton's policies can increase growth, mitigate inequality and accelerate workers' transition to new skills, jobs and industries, Americans' increasingly strong pro-trade views should eventually lead to more trade liberalisation.

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