

NAFTA and the Politics of Economism

Book Review by John Attarian

Those who love laws and sausages," Bismarck famously remarked, "should not see how they are made." This gripping account of the passage of the North American Free Trade Agreement (NAFTA) in 1993 over widespread popular opposition provides an especially revolting example. Combining thorough research and lucid prose, John MacArthur, president and publisher of *Harper's*, makes it irrefutably clear that economism dominates this country and that America is a government of the people by the manipulators for the pressure groups — especially pressure groups with money.

Although billed as a trade agreement, NAFTA is really about dirt-cheap Mexican labor, MacArthur argues, and he opens with firsthand reporting on the 1999 closing of the Swingline stapler plant in Long Island City and its move to Mexico. Founded in 1925, Swingline had about 1,300 low-wage, low-skill manufacturing jobs by 1980. John Mahoney, secretary-treasurer of Teamsters Local 808, got his union installed there in 1979. Two years later, with most unskilled employees just above minimum wage, he sought a roughly 80 percent wage increase. The manager threatened to move operations to Mexico. Defiantly, Mahoney called a strike. He won a three-year, 50 percent raise and generous benefits.

But meanwhile, MacArthur points out, "the *maquiladora* factory system was already well established." Mexico amended its laws in 1965 to let companies import parts duty-free for assembly in

Mexico, provided the assembled goods were exported. America revised its tariffs to apply only to the value added to the American parts — the cost of Mexican labor. With unionized American workers getting median weekly incomes of \$635 versus about \$29 (1998 dollars) for *maquiladora* workers in the early Eighties, this was a bonanza for American companies, and by 1981 there were over 600 *maquiladoras* (1,800 by 1991). In the late nineties, Swingline had healthy profits. But its competitors, Bostich and Hunt Manufacturing, produced more cheaply in Asia. In 1997, without warning, management told Swingline workers that it was "considering" closing the plant.

This led MacArthur to rethink the whole idea of trade. David Ricardo argued that countries would benefit if each produced what it could make most efficiently, and traded for other goods. However, MacArthur notes, Ricardo failed to anticipate international mobility of factors of

production or investor willingness to invest overseas to get higher returns. Free trade, then, can hurt high-wage workers.

That being so, getting NAFTA passed entailed a huge propaganda effort, and American media touted Mexico's president Carlos Salinas as an economic genius who in 1990, in an act of visionary statesmanship, proposed a free-trade agreement with America to transform Mexico into an export-led powerhouse. Yet, MacArthur observes, "as late as October 1989, [Salinas] had publicly opposed a free-trade agreement with the United States." Why the about-face? Mexico owed American banks \$100 billion, and interest payments on the debt gave Mexico a huge current-account deficit. To finance it, Salinas proposed NAFTA to persuade American lenders and businessmen that Mexico was a safe place to invest.

Investing in Mexico, however, was vulnerable to

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the Subversion of
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Mexican resentment of *gringo* domination; in 1938 Mexico nationalized its oil industry and expropriated foreign oil owners. “It was just this potential for a Mexican populist backlash that NAFTA was designed to address,” MacArthur argues, pointing out that NAFTA has elaborate provisions to safeguard foreign investors from expropriation without full compensation — whereas the Canada-U.S. trade agreement did not. NAFTA’s effect, then, is to guarantee American firms access to Mexican labor. “Thus even to call NAFTA a trade agreement betrays the hand of the propagandist.”

NAFTA’s early players had predictable roles: internationalist, pro-business president George Bush promoting it — labor and congressional Democrats opposed. But 1992 presidential candidate Bill Clinton, supposedly a centrist liberal, moved toward Bush’s position. Why? MacArthur argues, persuasively, that Clinton warmed to NAFTA to induce business to contribute more heavily to the Democratic Party, which it did in subsequent elections.

Once elected, Clinton took extraordinary steps to get NAFTA passed. On September 13, 1992, Mickey Kantor and other Administration personnel met with Business Roundtable lobbyists to concoct a lobbying strategy for NAFTA. They needed one. Democratic constituencies disliked NAFTA; congressional Republicans wanted it but did not want to do Clinton’s dirty work. Key congressional Democrats such as Richard Gephardt were opposed, and Ross Perot, who had predicted that NAFTA would generate “a giant sucking sound” of jobs going to Mexico, was drawing blood with his book *Save Your Job, Save Our Country*. MacArthur’s narrative of the push for NAFTA shows just how much our politics are dominated by interest groups, how heavily manipulated the public is, and how vast the gap between the media’s version of events and what is really happening.

Clinton feverishly touted NAFTA. It would, he said, “create thousands of high-paying jobs by unlocking access to Mexico — a growing market of 90 million people that thirst for American products and services.” (In fact, most Mexicans are too poor to buy their own products, let alone ours.) Other Administration figures dismissed the fear of job loss and argued that Mexicans compete with American labor “through illegal immigration, not trade,” and that by creating jobs in Mexico, NAFTA “will keep more Mexicans at home.”

Clinton personally recruited Lee Iacocca to shill for NAFTA. The Administration and business collaborated to hold a “NAFTA Jobs and Products Day” display on the White House South Lawn to tout free trade’s benefits.

Corporate America mounted a huge effort to fabricate a pro-NAFTA climate of opinion. Editorial pages were almost unanimously pro-NAFTA, and columnists churned out pro-NAFTA pieces. The lobbying group USA-NAFTA hired Democratic and Republican organizing firms “to create the illusion of a popular groundswell of support for NAFTA.” Telemarketers contacted voters in congressional districts, asked if they supported NAFTA, and if they did, sent them “mailgrams” to send to their congressmen. Besides this phony grassroots support (“Astroturf”), NAFTA supporters disseminated talking points, sample letters, and such to help executives, plant managers and others agitate for NAFTA.

On crucial occasions, NAFTA backers lied. To neutralize Perot, Vice President Al Gore debated him on “Larry King Live” and thrashed him. Admittedly, Perot was ill-prepared, but Gore, MacArthur points out, “was fibbing” when he said Mattel and Norm Cohen had plans to shut down Asian and Mexican operations respectively, creating jobs in the U.S. Similarly, when Senator Bill Bradley debated Congressman David Bonior on TV three days before the NAFTA vote, Bradley falsely asserted that Mexico had passed a law linking its minimum wage to productivity.

Just before the vote, Clinton’s team ran “the most aggressive vote-buying operation in recent memory.” Congressmen representing districts containing industries which NAFTA might hurt received promises of spending, protection from import surges, and more. It worked. In November 1993, NAFTA passed.

NAFTA, MacArthur devastatingly shows, has not justified its promotions. America’s trade deficit with Mexico has averaged \$15.9 billion a year since 1951, versus an average \$3.1 billion *surplus* in 1991-1993. While exports to Mexico did increase enormously, economist Harley Shaiken points out that whereas parts shipped to *maquiladoras* for assembly accounted for 40 percent of exports to Mexico in 1993, their share hit 62 percent in 1996.

While America did create millions of jobs since 1993, manufacturing employment kept collapsing — by

358,000 jobs from September 1998 to July 1999 alone. In many cases, NAFTA was a factor in job loss. The Department of Labor's NAFTA Transitional Adjustment Assistance program certified by the end of 1998 that 211,582 persons had lost their jobs possibly because of NAFTA. Companies such as General Electric and Springs Industries, which had testified that NAFTA would create new jobs for them, in fact shed many jobs.

Nor has NAFTA reduced illegal immigration by enabling Mexicans to prosper at home. Indeed, MacArthur plausibly argues that NAFTA can be blamed "for actually increasing illegal immigration, or at least increasing the temptation to cross the border." The *maquiladoras*, plus Salinas's agricultural "reforms," have drawn millions of Mexicans to the border cities, where "the promise and proximity of the U.S. minimum wage or something close to it increases the likelihood" of Mexicans coming in.

Yet NAFTA succeeded: it facilitated access to cheap labor. After NAFTA began in January 1994, the *maquiladora* system exploded. While 546,588 Mexicans worked in 2,143 *maquiladoras* in December 1993, in January 1999 over a million worked in 3,143 *maquiladoras*. The *Wall Street Journal* carried

advertisements for Collectron, a company that would start *maquiladoras* for firms pursuing NAFTA's opportunities. Posing as an executive, MacArthur attended Collectron's program, where he witnessed American executives' "craving to escape American union pay scales." His visit to the Swingline plant in Nogales was also grimly revealing. *Maquiladora* workers work long hours for poor pay, and live in shacks. "Labor was so cheap in Nogales that stapler assembly had been *deautomated* [original italics]," being done by hand rather than with the machines he'd seen in the Long Island City plant. (Meanwhile, the now-unemployed American Swingline workers were glumly seeking work.)

MacArthur has written a powerful and convincing corrective to the NAFTA hype. If you know the truth about economism, globalization, and the Brave New World which our ruling elites are dragooning us into, you will find grim confirmation in *The Selling of "Free Trade."* If you still admire Clinton or harbor pleasant delusions that the people run this country and that government and business are enemies, you need to buy it, read it, and get the feathers out of your head.

But remember what Bismarck said, and watch your stomach. •