



## Sen. Josh Hawley's Plan To Abolish the World Trade Organization Is Based on Fake Economics and False History

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In calling for the United States to abandon or abolish the World Trade Organization (WTO), Sen. Josh Hawley (R–Mo.) is charting the next path for the Trump-style anti-trade nationalism that has infected the Republican Party. It's a plan that misunderstands both history and economics, one that would leave both America and the world poorer.

Writing in *The New York Times* on Tuesday, Hawley argued that the economic crisis created by the COVID-19 pandemic is "an opportunity to build...a better international order and a better economy for a better future for America." Doing so, Hawley argued, would require major reforms to a global trading system that he thinks has empowered China at the expense of American workers. For starters, he wanted to abolish the WTO.

Two days later, Hawley put his political capital where his mouth is: He introduced a one-sentence bill proposing that the United States withdraw from the WTO. That stops short of abolition, but then, the U.S. can't actually "abolish" the WTO; it can only pull out of it. (You'd think a China hawk like Hawley would think twice before leaving China as the largest member of the world's most influential trade organization, but I guess not.) In any case, either abolition or withdrawal would be an economic disaster for the United States and the world at large. Two economists at the University of Indiana estimate that the "disintegration of existing trade agreements will erase 30 percent of the overall gains from trade, which amounts to a \$2.7 trillion loss in global GDP."

Hawley's op-ed included some made-up statistics meant to show that global trade is impoverishing America. "Under the W.T.O.'s auspices, capital and goods moved across borders easier than before, no doubt, but so did jobs," Hawley wrote. "As factories closed, workers suffered, from small towns to the urban core. Inflation-adjusted, working wages stagnated and upward mobility flatlined."

That's just false. According to the Bureau of Labor Statistics, inflation-adjusted median weekly earnings for American workers have increased by 17 percent since 1995, when the WTO was founded.

"If we turned back the clock to 1995, most Americans would be poorer," writes Bryan Riley, director of the free trade initiative at the National Taxpayers Union. "Trade allowed the American economy to create new, higher-paying jobs while making traded goods like clothing and electronics more affordable."

But the biggest problem with Hawley's proposal is that he doesn't seem to have any idea how the WTO actually works. In his telling, the global trade system puts nations in the back seat as "new, multilateral institutions, like the W.T.O., would take on the role of managing the global economy."

In fact, the WTO doesn't manage anything. It's basically just "mutually agreed constraints on protectionism," writes Simon Lester, associate director of the Cato Institute's Center for Trade Policy Studies. Nations are still in control of trade policy, but membership in the WTO comes with the recognition that moderating the political impulse to protect national industries makes everyone less well off.

Shawn Donnan, a senior writer for *Bloomberg*, offers a more poetic metaphor. The WTO is like a wedding venue, he suggests: "It helps pull off the event if you book it. But it doesn't do much more. Whether you decide to get married and the terms of your marriage are entirely up to you."

When political scientist Ian Bremmer, president of the Eurasia Group, criticized Hawley's understanding of how the WTO operates and why it was created in the first place, Hawley doubled down on his misunderstanding of history and geopolitics. In a series of tweets, the senator claimed that the creation of the WTO in 1995 marked a turning point for the global economy (at least in liberal western nations), away from the Cold War focus on containing socialism.



**Josh Hawley** ✓ @HawleyMO · May 7, 2020



THREAD/ A few points in response. 1. My basic claim is that to confront [#China](#) economic imperialism & protect American security & Econ interests, the international system must be reformed. That includes the global economic system.



**ian bremer** ✓ @ianbremmer

Senator Josh @HawleyMO told @nytopinion that we should abolish the @wto.

My response in @gzeromedia's #TheRedPen:



**Josh Hawley** ✓ @HawleyMO

2. My second claim is that Cold War economic system and the 1990s-to present system are different & the creation of the WTO in '95 in many ways exemplifies this shift. After Cold War, Western Wilsonians aimed to create one global, liberal market. "Washington Consensus" drove this

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That's a completely backwards reading of history. The chief economic project of the Cold War—at least in its final two decades, once Europe was fully rebuilt—was the creation of a global market for liberal economies. And it made sense for that effort to continue even after the USSR fell. In a [1989 letter to Congress](#), sent less than a month before he left office, President Ronald Reagan declared that "the United States remains committed to full multilateral liberalization" and endorsed the negotiations that, a few years later, produced the WTO.

Economic data also show how Hawley distorts history. Tariffs and other trade barriers didn't begin falling around the world in 1995 when the WTO was signed; they had been steadily falling for decades. The long decline in American manufacturing jobs didn't begin after the WTO was created, either: The number of American manufacturing jobs peaked in 1979 at around 19.5 million. But the era of greater global trade has helped spur a new wave of American manufacturing growth—jobs in that sector are up 12 percent since bottoming out in 2010. And when it comes to outputs, American manufacturing has never been more valuable than it is now. America's industrial production last year was 48 percent higher than in 1995, according to the Federal Reserve.

Outsourcing low-end manufacturing has allowed America to focus on manufacturing more expensive goods while maintaining access to cheap consumer goods that are now mostly made elsewhere. That shift has had negative consequences for some individuals, but addressing those human costs is a very different project than the one Hawley and the other neo-nationalists are proposing. Withdrawing from the WTO won't bring those jobs back. It will only make it more difficult for Americans to access the trading networks that are the backbone of the global economy.

The creation of the WTO, viewed in its proper context, is not an inflection point that marked the beginning of some "new model global economy" that Hawley wants to tear down. It was the culmination of a decades-long fight to stop socialism, expand markets, and boost production and prosperity all around the world. If those are the outcomes Hawley wants to reverse, he should say so.