A Failure to Adjust

Scott Lincicome

January 15, 2019

A debate has erupted, particularly on the right, in response to a recent Tucker Carlson monologue on how "Washington elite" policy choices, in particular international trade liberalization, have systematically (and perhaps nefariously) harmed members of America's working class, dooming them to lives of drugs, isolation and despair. If this view were assigned to Carlson and his supporters alone, a few tweets in response would suffice. It has not, however, remained on Fox News, instead being promulgated and praised, though refined, by more thoughtful commentators and analysts. Among those is the University of Virginia's Brad Wilcox and the Niskanen Center's Sam Hammond in a new **essay in *The Atlantic*** called "What Tucker Carlson Gets Right."

I tend to agree with this essay's larger points, having myself **written** about the serious, and relatively new, problems that Americans face when forced to adjust to severe disruptions, whether they come from trade, technology, culture or anything else—problems caused or exacerbated by bad government policies in desperate need of reform. On the specific issue of trade policy, however, I fear Wilcox and Hammond go far off course when they target the "elite policy choice" of liberalized U.S. trade with China for particular scorn. While Chinese import competition worked out great for America's wealthy, they argue, it was a disaster for the working class:

The work of the MIT economist David Autor and his colleagues, in particular, indicates that dramatic and sudden increases in global trade with China starting around 2000 affected both men's earnings and their marriageability. In their words, "Trade shocks to manufacturing industries have particularly negative impacts on the labor market prospects of men and degrade their marriage-market value along multiple dimensions: diminishing their relative earnings—particularly at the lower segment of the distribution—reducing their physical availability in trade-impacted labor markets, and increasing their participation in risky and damaging behaviors." They add that "adverse shocks to the supply of 'marriageable' men reduce the prevalence of marriage … but raise the fraction of children born to young and unwed mothers and living in poor single-parent households."

These intertwined problems, then, were not the fault of a spontaneous decline in personal virtue. **They were the fault of Washington elites who pursued a naive path of normalized trade with China that, in a matter of years, gutted millions of moderately educated workers of their decent-paying jobs, and without support in the way of adjustment assistance or**

wage insurance. Our elites had too much faith in a laissez-faire ideology that sees labor markets as automatically self-correcting but, in fact, exacted a terrible toll on scores of working-class families across the United States. (emphasis mine)

The "policy choice" here, which I subsequently confirmed with Hammond to be sure, relates to the 2000 **U.S. law** to grant China "permanent normal trade relations" (PNTR) upon its subsequent entry into the World Trade Organization in 2001—the starting point for the now-famed Autor (and colleagues Dorn and Hanson, widely known collectively by the rockstar acronym ADH) "China Shock." With this view, Wilcox and Hammond today find **ample** **company** on the **right**, including in the **Trump administration**, as it has become increasingly fashionable to cast PNTR as a "mistake" responsible for the China Shock and the WTO as responsible for (and not equipped to handle) China's rise.

However, this argument (*i.e.*, that PNTR was an erroneous "elite policy choice" that disproportionately benefited the elites, directly drove the China Shock, and, combined with elites' other "laissez-faire" policies, permanently scarred America's working class) suffers from several flaws—flaws that, when combined, prove fatal for the "PNTR thesis."

First and most obviously, the thesis ignores the documented *benefits* of increased U.S. trade with China over the last two decades—benefits that often accrue to the U.S. working class and manufacturing sector.

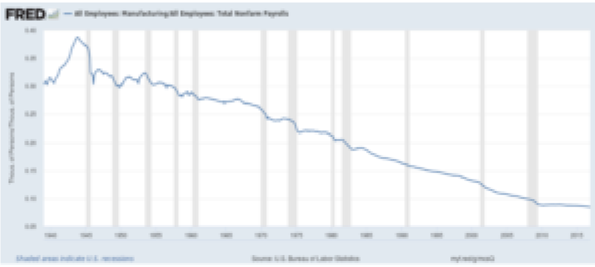
- For example, even if one were to treat the China Shock literature as gospel, various studies have found that trade with China in the 2000s still provided ample benefits for American consumers—a group that of course includes those directly harmed by the China Shock. A **2018 paper**, for example, found that Chinese import competition between 2000-07 had substantial "pro-competitive effects" on U.S. firms and generated over $202 billion in consumer benefits via lower prices—equal to $101,250 per manufacturing job lost, as calculated by the China Shock papers. A **2017 study** found similarly impressive consumer gains. Another **paper** found that the consumer benefits of trade, which are already **heavily tilted**toward America's poor and middle class, were even more so for Chinese imports, because these U.S. consumers are more likely than their richer counterparts to shop at places like Target and Walmart. One can argue that these consumer benefits are cold comfort to someone who lost a job to Chinese import competition, but they are nevertheless real, **widespread**and **important**.
- Chinese imports have also been found to generate substantial benefits for American companies, including manufacturers (and their workers). One **series** of papers found that Chinese import competition encouraged, quite logically, many American manufacturing firms to invest and innovate more—another "pro-competitive" effect. Another **paper** found net welfare benefits (*i.e.*, an economy's overall prosperity and living standards) from the China Shock for U.S. manufacturing (and non-manufacturing) across regions. Just last week, the San Francisco Fed found that, about **56 cents** of every dollar that Americans spent on "Made in China" imports last year actually went to American firms and workers—the highest share of any country. That same study also found that one-third of all Chinese imports were intermediate goods (*e.g.*, manufacturing inputs like auto parts) used by American companies to produce globally competitive goods and services. With respect to these types of global value chains, the WTO **estimates** that China is the top user/exporter of Made-In-America manufacturing

inputs and the second largest source of inputs for American manufacturers, behind only Canada. Then, of course, there are the benefits that American farmers and workers derive from exporting to China, the United States' **third largest** export destination.

- There is also evidence that many U.S. manufacturers adapted in the face of trade competition (and automation) and ended up hiring ***more Americans***, just in different areas. As the FT's Gillian Tett just **recapped**, "between 1977 and 2012…employees in 'non-manufacturing plants' that were owned by "manufacturing firms" rose from 13m to 23m, primarily due to an explosion in service sector jobs such as design and IT. As a result, by 2012 the US's "manufacturing" companies employed slightly more workers than in 1977. Moreover, that was not because of business churn: 75 per cent of the 'manufacturing' job losses in this period occurred at companies which remained in business, and it was the incumbents which opened most of the non-manufacturing plants. In plain English, this means that as Chinese competition hit, America's 'manufacturing' groups quietly re-engineered themselves…. [T]hey increasingly hire service-sector workers, as their output soars." She then cites other research showing that in many parts of America (though not all) "vanishing manufacturing jobs have been replaced by new service work."

- Finally, other economists have raised questions, directly or indirectly, about whether the China Shock literature is telling a complete story when it comes to Chinese imports, U.S. manufacturing jobs and related issues. A **2018 paper**, for example, found that, after accounting for manufacturing supply chains and those aforementioned intermediate inputs, the overall effect of the China Shock on American ***jobs and wages*** was quite positive. Another **paper** from last year used a dynamic "general equilibrium" model to find far fewer manufacturing job losses caused by the trade shock (only 15 percent of the observed decline between 2000 and 2007), and net welfare ***gains*** across regions (even in manufacturing). Another **found** that, while the China Shock produced losses for certain groups, it generated overall gains in social welfare. Another found **offsetting job gains** in U.S. manufacturing exports and services, while yet another **found** one-third fewer manufacturing job losses and much different regional effects when using value-added, instead of gross, trade flows (and that job losses basically ended in 2008).
  Other **experts** **have** raised methodological questions about the China Shock findings (including on **marriage**). And finally others demand broader perspective about the China Shock claims: For example, DeLong **notes** the concurrent and offsetting growth of other "working class" jobs (**Krugman too**), while Irwin (citing a 2014 Robert Lawrence paper) **adds** that "imports from China may have resulted in involuntary displacement of 97,000 manufacturing workers per year (on average, adjusted to account for voluntary separations), but that is less than one-fifth of total involuntary job loss in manufacturing and less than 5 percent of all involuntary job losses over the same period." (Autor himself calls the 2 million figure an "**upper bound**" that **includes** around 1 million non-manufacturing jobs, while his new **marriage paper**acknowledges that the "analysis does not imply that surging import competition from China over the last two decades has been the sole or primary driver of these [marriage and childbirth] trends" but only a "plausible contributor.")

Indeed, a **look** at the relatively steady decline in manufacturing jobs as a share of the U.S. workforce shows only a modest change before and after PNTR passed and China entered the WTO:



The moral of this literature review is not that Chinese import competition produces only rainbows and butterflies in the United States or that there are no problems in the U.S. labor market or certain communities, but simply that there's another, rather large side to the China Shock coin. That side shows the substantial net benefits from trade (certainly not only or "**overwhelmingly**" for "elites") and reveals the China Shock issue to be more uncertain and complex than the one-sided, myopic caricature painted by many PNTR/China trade critics and more ***similar*** to the standard trade story: discrete, but more concentrated, pains versus larger, but more diffuse (and harder to see), benefits. That's a story worth telling, as are the significant issues arising from American workers' failure to adjust to trade and other disruptions, but it's not nearly the widespread "American carnage" you hear so often from those pushing the PNTR thesis.

Second, the PNTR thesis ignores the reality of China's entry into the WTO and its export competitiveness. For starters, PNTR did not actually open the United States to Chinese imports: since 1980 the United States government had granted China "normal trade relations" (NTR) status on an annual basis, with Congress **routinely** defeating legislation to deny China this treatment—even right after the Tiananmen Square protests and the election of a president (Clinton) who ran against NTR. As a result, Chinese imports to the United States **increased** more than six-fold in the decade preceding PNTR, and the rational expectation of most U.S. importers was more of the same. Chinese imports increased even more after PNTR, likely **assisted** by the certainty of "permanent" trade relations, but it's a myth to say that some isolated, "elite" policy choice in the late 1990s first exposed the U.S. market (and U.S. workers) to Chinese import competition.

More importantly, however, is the ample evidence showing that the PNTR "elite policy choice" was ***not*** the only, or even main, driver of the China Shock that occurred in United States in the late 1990s and 2000s. A **2017 paper**, for example, found that approximately two-thirds of the impact of China's WTO entry on U.S. manufactured goods prices (and thus on U.S. manufacturers and their workers) came not from PNTR but from ***China's own tariff reductions resulting from WTO entry***. (Chinese import tariffs went from 15 percent in 2000 to 9 percent in 2006.) The China Shock papers **themselves** **emphasize**that China's internal reforms—on privatization, trading rights, and (again) import liberalization, often in response to new WTO commitments—were major contributors to China's export competitiveness in the late '90s and 2000s. (A view subsequently confirmed **elsewhere**.) In other words, PNTR probably **accelerated** Chinese exports to the United States (though some experts question the magnitude of this driver), but China's own reforms—far beyond the control of those Washington "elites" now said to be at "fault" —also fueled the "China Shock."

Furthermore, it's a stretch to claim, as many do, that China's WTO accession was really all that "shocking"—at least for anyone paying the least bit of attention to U.S. trade policy in the 1990s (which, you'd assume, would include U.S. manufacturers and unions). China first **applied** to join the WTO (under its predecessor the GATT) in 1985, then reapplied in 1995 when the WTO took over, and finally acceded to the body in 2001. China's accession over this time involved dozens of bilateral and multilateral ("working party") meetings, negotiating texts, disclosures and—as noted above—internal reforms. China's final accession package—a "Working Party Report" and "Protocol of Accession" plus liberalization schedules for goods and services—contained hundreds of pages of commitments (by far the most of any acceding member up to that point and still today **considered** to be some of the deepest ever), including many "WTO-plus" commitments that the United States and other members dictated (via bilateral accession agreements) and have since used, for example, to challenge Chinese laws through dispute settlement or to restrict Chinese imports (more on these below). Notably, the United States was the final holdout among large industrialized nations to approve China's WTO accession via **bilateral** negotiations, with U.S. negotiators **demanding** evermore concessions from the Chinese government over a contentious 13-year period. Meanwhile, U.S. trade representatives for multiple presidents from each major party frequently consulted with Congress and the private sector, including labor unions, at every step of the process (as required by U.S. law). Thus, from a simple legal and historical perspective, there was nothing "shocking" about the China Shock.

It's an even bigger stretch to assert that, ***based on the facts at the time***, Washington policymakers really had much of a "choice" when it came to permanently normalizing trade relations with China in the late 1990s (a move that every ***other*** WTO member had done years earlier). In this regard, I recommend Phil Levy's 2018 **piece** in *Foreign Affairs* on the only actual alternatives to PNTR. Each of them—letting China in the WTO but continuing the annual NTR process or even raising tariffs on Chinese goods, or keeping China from the WTO entirely—was clearly inferior, in terms of economics and geopolitics, to granting PNTR. Indeed, denying more than 1 billion people (many of whom were in abject poverty) in an modernizing economy access to an open multilateral trade organization—one that already included communist Cuba and for decades and tolerated Eastern Bloc command-and-control economies and dozens of "socialist" countries with pervasive state-owned industries—was simply not realistic, ***especially*** given what policymakers knew (or possibly could have known) at the time about China's economic reforms. This last point bears emphasis: As noted above, the reforms that China undertook during its WTO accession, often in direct response to WTO requirements (and member demands), were so substantial as to drive—along with additional reforms made shortly after accession—China's incredible export competitiveness. To assert that U.S. policymakers in the 1990s were somehow "naïve," that they should have somehow known that these reforms would cease or reverse a decade later under different leadership (twice removed), and thus deny China entry into the WTO or deny PNTR (becoming the only WTO Member to do so), is applying an impossible standard that only **Miss Cleo** could meet.

Third, the PNTR thesis ignores the missed opportunities *since* China's WTO accession, especially the unused checks on Chinese trade abuses that were among China's (allegedly weak) WTO commitments. As noted above, China did undertake substantial trade and economic liberalization before and shortly after entering the WTO, but problems have undoubtedly arisen since then. As my Cato colleagues James Bacchus, Simon Lester, and Huan Zhu just **wrote**, however, most of those problems can be addressed through WTO dispute settlement, whose rulings China tends to follow (arguably moreso, it should be noted, than the United States). If these new cases have not been pursued (which they often haven't, especially in the Trump administration), then ***that*** is an "elite policy choice" worth condemning—***not*** the original decision to admit China to the WTO in the first place. Indeed, it is either mistaken or misleading to claim that China's WTO accession terms were weak and that the WTO has utterly failed to discipline China's unfair trade practices when the sole means of imposing such discipline—dispute settlement—and the "WTO-plus" rules China agreed to (including on **intellectual property**) have never been fully utilized. This is declaring defeat before ever firing a shot.

Other "elite policy choices" since the passage of PNTR also deserve scrutiny, such as U.S. withdrawal from the Trans-Pacific Partnership, which was in large part designed to contain China's geopolitical ambitions; tax and **tradepolicies** that inhibit American companies' global competitiveness; a general **failure** to reform state and federal adjustment assistance and worker retraining programs in the face of immense trade/technological/cultural disruption; or the imposition of tax, occupational licensing, zoning, and other policies that actively discourage **labor dynamism**. These policies are indeed worthy of criticism and debate, but they have ***nothing*** to do with the original choice—if you can even call it that—to pass PNTR, allow China to join the WTO, or otherwise "normalize" trade with China.

Fourth, the PNTR thesis ignores the many non-"laissez faire" mechanisms in place for decades—mechanisms that simply didn't work. A core tenet of the PNTR thesis is that American elites simply opened the floodgates to Chinese imports with only a timid threat of WTO disputes to protect American workers from "unfair" Chinese imports. This ignores, however, the mountain of government interventions that have been utilized—at the federal level alone—to restrict Chinese imports, otherwise protect or subsidize American manufacturers, or assist American workers.

On **trade**, the United States still maintains significant tariffs and tariff-rate quotas on imports of "sensitive" products like trucks, apparel, footwear and food. According to the group **Global Trade Alert**, moreover, the United States has also long been one of the most frequent users of "harmful" non-tariff government trade interventions—ones that far outnumber its "liberalizing" measures over the same period. This includes ***hundreds*** of special duties ("trade remedies" like anti-dumping and anti-subsidy measures) on all sorts of Chinese imports, most often using a special "non-market economy" antidumping methodology that practically ensures sky-high duty rates (often more than 100 percent) on those goods—coincidentally, one of those "WTO-plus" accession commitments special to China and a few other economies. These duties are specifically intended to offset "unfair" trade and subsidies that injure US manufacturers and workers, and—as the numbers indicate—American companies and labor unions have been quite successful in petitioning for them. Dozens of other Chinese imports are barred from the U.S. market as a result of **"Section 337"** actions that target intellectual property rights violations. Chinese investment, meanwhile, can be (and has been) restricted by the Committee on Foreign Investment in the United States (CFIUS), and US technology exports to China are often blocked on national security grounds.

And let's not forget about the auto bailouts, the steel industry bailouts, the alternative energy subsidies, the manufacturing tax credits, the ExIm Bank loans, procurement preferences like Buy American and Davis-Bacon, the Jones Act and the **PVSA**, and the **billions of other taxpayer dollars** that the United States has doled out to "blue collar" industries and workers over the last few decades at the federal level alone.

The United States government has also repeatedly tried to subsidize and retrain workers, as I noted a few years ago in ***National Review***:

Most notably, the Trade Adjustment Assistance (TAA) program, intended to subsidize U.S. workers affected by import competition, is a notorious failure: Not only are TAA's costs too high and its eligibility criteria too loose, but multiple studies commissioned by the Labor Department have found that TAA participants are worse off, as measured by future wages and benefits, than similarly situated jobless individuals outside the program. (TAA also breeds the misconception that trade is somehow different from, and worse than, other forms of beneficial economic disruption, such as automation.)

Other federal job-training programs are similarly inefficacious. A 2011 Government Accountability Office study, for example, found that the federal government had 47 different, often overlapping job-training programs spanning nine federal agencies at a cost of $18 billion per year. Only five had been subject to any sort of impact analysis since 2004; thus, "little is known about the effectiveness of [the] employment and training programs" identified. A 2014 reform of this system, the Workforce Innovation and Opportunity Act, eliminated 15 programs (while maintaining the rest, despite their long history of subpar results) but failed to impose any sort of rigorous multi-site evaluation and accountability system. Without these simple reforms, or other, more radical ones, there is no way to ensure that the "reformed" federal job programs won't continue their long record of failing American workers and taxpayers.

(For an update on TAA's problems, see this recent ***Wall Street Journal*** piece.) As I argued in *National Review* at the time, these and other government programs raise serious concerns when it comes to helping American workers adjust to trade and other shocks, and they need to be reformed. ***But that doesn't change the simple fact that they do exist and have for decades.*** And it's their (and the aforementioned others') existence alone, which unequivocally refutes the claim that US policymakers simply passed PNTR and walked away from the American working class due to some sort of rigid adherence to *laisse faire* ideology.

The ***real problem*** was that these interventions just didn't work very well. A classic example is the US steel industry, whose companies and workers since the 1970s have arguably received more government assistance than any industry in the country. This **includes** hundreds of trade remedy measures and other import restrictions; tens of billions of dollars in state, local and federal subsidies and bailouts; exemptions from environmental regulations; special "Buy American" rules; federal pension benefit guarantees; and even its own **caucus** in Congress. The **result**: dramatic historical declines in employment and capitalization, numerous bankruptcies, and, course, continued demands for even more government protection.

In short, there's scant evidence that Washington elites actually abandoned the Rust Belt or the American working class; their non-market interventions may have failed, but they were interventions nonetheless.

Fifth, the PNTR thesis ignores the broad and unambiguous benefits of trade and globalization more broadly. If the problems associated with the China Shock are unique to that country and time period, the PNTR and broader China Shock debate, at least on the trade side, is mostly academic: Most economists believe the **China Shock has been over for years** and, if its effects are unlikely to ever happen again for whatever reason, then the historical analysis, while interesting, is not very instructive regarding future ***trade policy*** changes. As one recent **paper** on the issue concluded, "[t]he literature on the local labour market effects of Chinese import competition has been cited extensively as an argument for limiting trade with China despite the fact that the results do not support this conclusion…. even if policy were narrowly focused on direct import competition effects ignoring price and indirect effects, there is no case for limiting trade with China [because] US local labour market adjustment to the China Shock has largely concluded." There also will never be an "India shock" or "Vietnam shock," so no use resetting American trade policy in preparation for that moment.

On the other hand, if the PNTR thesis is, as ***some*** intend, a guide for future U.S. decision-making on trade and globalization more broadly (Carlson, for what it's worth, certainly seems to be **aiming wider**), then we also need go beyond China and acknowledge—

- The **wide** **body** of **research** showing significant economic benefits—including for the **working** **class**—from import liberalization and multilateral trade (**the WTO**) generally, and the **overwhelming** **supportfrom** **economists** from the left, right and center (even the **China** shock **authors**);
- The **unseen benefits** of import competition on American economic dynamism;
- How trade **contributes** to the **eradication** of **global poverty**;
- The **basic morality** of freer trade and the **obvious problems** with government putting the desires of producers above those of consumers;
- The **fact** **that** much of "globalization" is not driven by elite policy choices (trade liberalization) at all, but by seismic changes in communications and technology (like **shipping containers**);
- The longstanding **geopolitical benefits** of trade (calming problems that ushered in the GATT/WTO to begin with);
- The truly **unique** (hopefully) moment that was the post-WWII world, with large portions either recovering from war or descending into communism, for American manufacturing and workers;
- The fact that, historically, technology (not the **trade balance**) has been responsible for most of the low/middle-skill manufacturing job-losses and would eventually have accounted for the others too (see, e.g., **this Ball State report** on the relative automation risks to future U.S. employment across the country; or **where** all those American coal mining, automotive or steelmaking jobs really went); and
- That **trade economists** have for decades acknowledged that adjustment to trade shocks "may be neither quick nor easy."

None of this is to say that free trade is costless, or that some economists didn't underestimate regional labor market frictions in response to largescale trade disruptions, but—unless the China Shock is truly *sui generis* (and in that case see above) —the aforementioned points are essential to any discussion of trade liberalization, elite policy choices, and the American working class.

Conveniently, they often seem to be missing.

Sixth, the PNTR thesis ignores the problems with the only trade policy alternative—protectionism. Calling "normalized trade" a "choice" necessarily implies an alternative. In the case of trade policy (as opposed to labor and other policies noted above), that alternative is protectionism (*i.e.*, government restrictions on imports of goods and services) in some form or another. There is no magical third trade option, and the second one is a costly failure. For example, IMF economists recently **found**, based on an examination of annual data that spans 151 countries 51 years (1963-2014), that "tariff increases lead, in the medium term, to economically and statistically significant declines in domestic output and productivity," as well as more unemployment and higher inequality. In the **case of American protectionism**, moreover, there is little doubt that it imposes immense economic harms on US consumers, workers and companies—harms that far outweigh any possible benefit to protected workers; or that it **doesn't actually protect** American firms and workers over the longer term; or that it breeds **elite** **corruption**, **cronyism** and political dysfunction. Two instances warrant special mention in this regard:

- Using special rules tied to China's WTO accession, President Obama in 2009 accepted a U.S. Steelworker petition and ultimately imposed 35 percent "special safeguard" tariffs on Chinese tires. The **result** was, even under the best assumptions, a few unionized jobs saved at an annual cost to U.S. consumers of over $900,000 per job, plus a substantial increase in other, non-China imports. Today, the industry's **prospects** are no better. (For more on the futility of this bilateral "safeguard" mechanism, see Phil Levy **here**.)
- A 2017 **review** of all US anti-dumping investigations against Chinese imports between 1998 and 2006 revealed that the duties reduced Chinese imports and increased prices of subject merchandise in the U.S. market. However, these effects "dissipate approximately 2 years after the antidumping decision," and imports from other countries simply increased to replace the declining Chinese imports. Such results "cast doubt on the effectiveness of antidumping actions against China as mechanisms for protecting US producers" (and, I'd add, their workers). (See also this great Dan Ikenson review of the specific and ridiculous case of anti-dumping measures on **Wooden Bedroom Furniture from China**.)

In short, if one looks to restrict trade in order to Drain the Swamp and solve the problems facing America's working class, the cure is worse than the supposed disease.

Finally, if I may get on my high horse for a moment, it's essential to acknowledge somewhere in this tome that "normalizing" trade with China (*i.e.* removing U.S. restrictions on Americans' consumption of Chinese imports) was not merely an economic and geopolitical decision but also a ***moral*** one that, whether intended or not, removed stark inequities in the previous, un-normalized (protectionist) system—inequities that **typicallyoriginated** in a Washington back room full of those dastardly "**elites**," invisibly propped up certain industries and workers at most Americans' (especially poor ones) expense, and generated the aforementioned macoeconomic harms and political dysfunction. Those industries and workers had no ***moral claim*** to that government protection, nor were their living standards somehow more important than those of their fellow Americans, whether residing next door or a thousand miles away. American footwear workers, for example, quietly benefited from a long-ago government decision (dating back to **Smoot-Hawley**) to protect their jobs through hidden restrictions on the voluntary commercial decisions of other, unknowing Americans—restrictions that forced these citizens, especially the **poor ones**, to subsidize U.S. footwear jobs by paying more for shoes. Maybe, after government removed that protection, it owed the affected workers more in terms of adjustment welfare or job training. But they weren't ***owed the protection itself***, and the mere act of removing it was not some immoral act (as it often now claimed). It was ***right*** thing to do, and we shouldn't pretend otherwise.

Finally, the PNTR thesis ignores that many places were hit hard by import competition yet *did* adjust, in part due to trade and foreign investment. A final flaw in the PNTR thesis is that the longer-term effects of the import competition vary dramatically from place to place, even in **states or regions that faced similarly intense competition from Chinese imports**. Many places, big and small, that were once known for low-skill manufacturing and were hit hard by import competition have since then adapted and thrived. This includes towns like **Greenville–Spartanburg**, S.C.; **Pittsburgh**; **Hickory**, N.C.; **Warsaw**, Ind.; and **others**—towns full of companies that succeeded by adapting to the market, importing industrial inputs, courting foreign investment and/or selling their goods abroad. (Anyone doubting these successes need only take a **drive** down I-85 from Charlotte to Montgomery to see it firsthand.)

The stark differences between these thriving American towns and those still reeling from a trade shock that likely ended a decade ago strongly indicates that the problem the shock revealed wasn't import competition but—as the China Shock authors themselves assert—a failure to adjust. The question we should be therefore be asking is not "why did elites normalize trade with China in the 1990s?" but rather "what did many American towns, companies and workers do ***right*** in the face of intense import competition, and how can local, state and federal policies encourage that important, impressive improvement?"

Based on the above, one can divine a simpler, far-more-benign explanation for the last 20-plus years of U.S. policy: Washington elites saw little choice but to liberalize trade with China because the available alternatives were non-existent or worse, especially given the information at the time that this "choice" was being made. Liberalization, moreover, produced real benefits (including for American workers and the poor), while also removing gross historical inequities in the previous, more protectionist system (though I doubt many elites really cared about that). The resulting disruption and adjustment was hard for some regions and workers (certainly not for all)—harder than many elites expected—and certainly post-liberalization policy mistakes were made (though often in the direction of ***less*** liberalization, not more). With the benefit of two decades of hindsight, moreover, maybe certain specific "WTO-plus" rules would have been drafted differently during China's accession. All fine and probably true.

But asserting, as many now do (certainly not just Wilcox and Hammond), that the very real labor and cultural issues going on in America today are the "fault" of "Washington elites" who blithely pursued a "naive path of normalized trade with China" while dogmatically resisting "support" (through trade, labor or any other policies) for the working class is belied by the facts, as is casting trade liberalization more broadly as an "elite choice" (which presumes a better alternative) that intentionally and "overwhelmingly" benefited the rich at the working man's expense. (These arguments also, one should add, raise **broader questions** about the future of the American right and its views on culture, limited government and markets, but that's beyond my pay-grade.)

Labor market and cultural disruptions—including those that result from import competition—are real. They are important. But pretending that there was a better ***trade policy choice*** than liberalization is just manifestly misguided. It assumes far too much, ignores far too much, and demands far too much. It focuses on the wrong "policy choice" and could, therefore, quite easily lead to the wrong policy change. Indeed, this, in my view, is the greatest problem with the PNTR thesis: Even when coming from those who profess to be vigorously pro-trade, casting the China Shock as a ***trade problem and not an adjustment problem,*** and claiming an ignorant or heartless "elite" absence of government interventions, has the potential to forgive the real and important failures of our policymakers, CEOs and union heads over the last two decades, while empowering those with far-less-legitimate or altruistic objectives, and thus make generating a political consensus for real policy solutions even harder.

One need only turn on cable news to see it happening right now.

Scott Lincicome is an international trade attorney, adjunct scholar at the Cato Institute, and senior lecturing fellow at Duke Law School. The views expressed are his own and do not necessarily reflect those of his employers.