NATIONAL REVIEW

Against Old Left-Wing Ideas Rebranded as New Right-Wing Ideas

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Last month, the public-policy organization American Compass put out what it called a "handbook for conservative policymakers" on economics. As I noted in the print magazine, it brushes aside tax cuts as outdated, despite the unprecedented success state-level conservatives have had cutting taxes in the past three years. As Jonathan Nicastro noted for Capital Matters, the handbook's recommendations on industrial policy are economically illogical and resemble the sort of "technocratic machinations" conservatives expect to hear from the Left.

Bryan Riley has taken on the handbook's trade recommendations in a new article for the National Taxpayers Union. Like Nicastro, he notes that many of the policy proposals are similar to those that politicians on the left have advocated for decades.

American Compass's recommendation of a "global tariff" on all imports, starting at 10 percent and raised further until the trade deficit disappears, is a callback to anti-trade Democrats in the '80s. In 1985, Jack Kemp wrote against a proposal, supported by Democrats such as Dick Gephardt, Dan Rostenkowski, and Lloyd Bentsen, that would have imposed a 25 percent import surcharge to reduce trade deficits with major countries.

Riley reminds us that "the surest way to reduce the trade deficit is to wreck the economy." The sharpest decline in the trade deficit over the past few decades was during the Great Recession. On the positive side, Riley writes, "since 2000, real U.S. GDP has increased more than twice as much in years where the trade deficit has increased than in years where it has gotten smaller." That's not necessarily causal, but it demonstrates that a higher trade deficit isn't automatically a bad thing.

Of American Compass's desire for a 50 percent local-content requirement for certain goods, Riley notes that when other countries do it, the U.S. considers it an unfair trade practice. "Far from a conservative policy, this is based on policies like the 35 percent domestic content requirement for automobiles under Venezuela's United Socialist Party," he writes. And since "nearly 90 percent of U.S. trade is with countries other than China," such a requirement would hurt the vast majority of U.S. trading relationships, including the ones with our close allies who stand with us against China.

Rescinding China's permanent normal trading relations status, another policy backed by American Compass, was supported by Senator Bernie Sanders (I., Vt.) in 2005. Senator Josh Hawley (R., Mo.) caught up to Sanders earlier this year when he introduced a bill to suspend normal trade relations. Clark Packard of the Cato Institute demolished the idea for Capital Matters. It is precisely because China poses enormous challenges to the U.S. that we need a smart policy response, Packard wrote, not the self-destructive protectionism on offer from politicians such as Hawley and Sanders.

Riley takes no prisoners in his point-by-point rebuttal of the American Compass handbook's trade proposals. If you only ever listened to politicians talk about manufacturing and trade, you'd never know the facts of the case, which Riley outlines:

Under U.S. leadership, world trade tariffs fell from 8.6 percent in 1994 to 2.6 percent in 2017 and domestic manufacturing output soared. Real manufacturing output increased after the United States joined the North American Free Trade Agreement (NAFTA), increased more after we joined the World Trade Organization (WTO), and increased even more after China joined the WTO. . . .
With respect to manufacturing, it's true that in the past employment in sectors like manufacturing and agriculture declined as new labor-saving technologies were introduced. But since 2010, the country added more than a million new manufacturing jobs. Now the problem is not a lack of domestic manufacturing jobs, it is a shortage of workers to fill those jobs.

On offshoring:

Since 2000, cumulative foreign direct investment (FDI) in U.S. manufacturing exceeded U.S. investment in foreign manufacturing by more than $1.1 trillion. During that time, we produced $6.9 trillion more, after accounting for inflation, than if manufacturing had stayed stuck at 2000 levels.

On free trade supposedly "hollowing out" American industry:

According to the Department of Commerce in 2015, "The value of the gross output produced by U.S. manufacturers was $5.7 trillion, with 82 percent of that value ($4.7 trillion) consisting of domestic content." A more recent Federal Reserve Bank of San Francisco study reached a similar conclusion, estimating that 89 percent of the value of personal consumption expenditures was accounted for by domestic production.
According to World Bank data on imports as a percentage of GDP, as of 2020 only three countries were less reliant on imports than the United States.

Free-market supporters aren't the only ones who have noticed that American Compass's recommendations tend to sound similar to left-wing policy proposals. The Hewlett Foundation and the Omidyar Network, two left-wing grant-making giants, have given American Compass large sums of money since the organization started in 2020. The Capital Research Center's Michael Watson wrote about that for NR nearly two years ago, and their support has increased since then. In an article from May of this year, Watson found that the Omidyar Network has given $500,000 and the Hewlett Foundation nearly $1.5 million to American Compass, a major haul for the relatively small-budget policy organization.

If conservatives want to sound more like progressives on economics, that's a choice they can make. They simply ought to know that they are doing so, and that many of the supposedly new ideas on economics in recent years are not new at all. Don't cut taxes, replace consumer choice with government mandates, and protect a handful of unionized jobs while passing on higher prices to everyone else — we already have a political party that stands for that agenda, and it's not the Republican Party.