

Brewer High School

The Declining Morale of the American Workforce and the Subsequent Isolationist Behavior in  
World Economics

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A great amount of tension has been developing in world politics over the last forty years. There has always been trade contention in the industrialized world, but the effects of the “China Trade Shock” has brought to light many failings in America’s social, political, and economic world view. The China Trade Shock was the time surrounding China’s entrance into the WTO, 2001, and the subsequent mass unemployment in the Western World. It is the recovery, or lack thereof, in the face of unforeseen trade circumstances that defines the success of a government’s economic system. The China Trade Shock provided the global testing ground for an evaluation of the trade policies previously used in domestic economies. While the transition into a skilled labor workforce in the United States of America was eventually going to happen no matter China’s influence, the influx of low-skilled manufacturing goods from China resulted in widespread unemployment in the US’s unskilled labor force. The speed of world-wide change was too fast, and millions of people suffered the consequences of insufficient domestic labor policies. The real problem for US citizens is not trade with China, but the domestic politics, economic policies, and social issues that allow the “losers” of trade to suffer.

Since the beginning of China’s explosive entrance and integration into the world economy during the 1980s, the Chinese government has continuously been accused of misconduct in trade. While China is commonly subjected to unfair blame, the Chinese economy is greatly stimulated by the Chinese government in a manner that is different from other WTO countries. The Chinese government is integrated in Chinese private business in such a way that the WTO rules cannot cleanly regulate protectionist measures. Most businesses in China are subsidized or controlled in some way by the government (Wu). The obvious distortion in trade is caused by tariffs, but subsidies account for most trade distortion (Evenett). The issue that unwarranted government subsidization raises is one of proper identification, notification, and

ramifications. Distortion in trade is heavily underreported, and even when a country is found to be breaking trade rules, there are few cases where the victim of subsidization receives trade remedies. The lack of properly identifying trade distortions is perhaps one of the biggest issues in modern trade politics. Most accusations of government subsidization are against autocracies, as Simon Evenett describes it, “There’s been a framing of democracies vs autocracies. With the implicit implication that the democracies are the good guys, the autocracies are the bad guys”. Democracies are just as likely to subsidize as autocracies, the actual difference in quantity of subsidies can be found among countries rich enough to subsidize, and countries without funding.

If this is the truth of subsidization, one must wonder where the distrust comes from. A sense of unease grows the closer the US and China become as trade partners. This unease is likely rooted in the cultural differences between the US and China. Economic prowess is the only true similarity between these two nations, and most people fear dependency on a country that does not share our values. Americans are scared of assimilating into a culture where the rights and liberties afforded to them could be taken away (Wu). Cultural assimilation is not the only fear of Americans. As stated by David Autor, “a lot of the reaction to trade in China is actually a fear of US decline, and a sense that we’re being out innovated and out competed”. In all likeness, there is a real fear of inadequacy in US manufacturing industries. Even former and current US Presidents, Donald Trump and Joe Biden respectively, seem to consider China a threat to the US economy (Goodman). When faced with fear and uncertainty, actions are usually taken with security and independence in mind. This shift into a more isolationist form of trade is not conducive to a healthy world economy, but perhaps this mindset can be used in order to focus on domestic issues within the US economy.

The primary issue of the US economy in regards to the China Trade Shock is not the trade of manufactured goods, but rather the American people displaced from jobs and unable to return into the workforce receiving the same income. The American government failed to fulfill promises made to those affected by the China Trade Shock (Goodman). Prevalent US unemployment is not the fault of China, but rather the fault of inadequate domestic policies. For workers to be able to grow into more secure jobs, a wealth distribution system must be in place. The “winners” of trade are spread throughout the US and the world at large, but the “losers” of trade are concentrated in major manufacturing regions that are not getting the help necessary for growth (Autor).

Aside from the obvious financial hardship placed on these low-skill manufacturing workers, the social hardship faced as a result of the China Trade Shock has more dire consequences. Jobs are not just a source of income; jobs are a source of identity. Jobs create friendships, structured routines, and a sense of belonging and purpose that is now missing in those who worked in industries vulnerable to the China Trade Shock (Autor). Feelings of helplessness and vulnerability usually lead to anger and resentment towards any blamable party. In the case of underemployed Americans, anger is turned towards the “elite” who seem to experience no negative consequences of the China Trade Shock. Americans subject to poverty watch as the rich get richer while the poor stay poor (Solman). This perceived divide becomes very real as time passes and contention grows, separating the educated and the uneducated into isolated groups that believe themselves to be better than the other. This polarization contributes to many of our political issues as groups are just as likely to make educated decisions as they are to make decisions for the primary purpose of disagreeing the other party.

Much of the Western world, especially America, has delved back into what Paul Solman calls “Clan mentality” which is a society “ruled by family ties, ascribed roles, mutual obligation”. During the rapid spread of globalization, social structures changed to rely on rules and mutual agreements between different groups and cultures in order to conduct efficient trade. While this new form of trade governance was the most productive, the highly impersonal nature of contract based social interaction puts participants in a precarious power balance where the only major measure of status is in the job as person holds (Solman). When the China Trade Shock led to a mass loss of jobs, the self worth of the newly unemployed plummeted. The policies of the American economic system failed these people, and so did the contract-based social structure. As Paul Solman says best, “Should it surprise us that they default to tribe and clan identity?”. The insecurity felt in themselves and the workforce will not allow the “losers” of trade to trust in the world economy or in trade.

Trust in multilateral trading could be restored should the American workforce face less insecurity. Industries are always changing and evolving, which is an indicator of a healthy economy, but an industry is not able to grow if workers cannot grow in tandem. There is a deep seated fear that unskilled American workers will be left behind. Trade policies are not enough to help the workers of America, but the implementation of new policies could allow workers to feel secure in their ability to grow with their industry of choice (Goodman). Active labor market policies are a plausible solution to the unemployment problem in America. The current political climate of America reduces the possible solutions for new economic policies, but implementing job placement services and improving training services will dramatically improve employment while avoiding political hot-button subjects.

Job placement services are very common forms of active labor market policies, and they are very effective when paired well with other policies. Displaced workers are more likely to find a new job quickly when using job placement services, and long term unemployment is greatly reduced as people in long term unemployment are given the opportunity to work with an official knowledgeable in the job market (Brown and Freund 7). Without additional policies, job placement services do nothing in the long term. The way to help American workers in the long run is to train the “losers” of trade to evolve with the industries vulnerable to the China Trade Shock. America currently has neither affordable training programs nor adequate statistics on the effect of existing training programs (Krueger 279-280). Available studies on American training programs and the training programs of other countries in the OECD show a substantial positive impact of the implementation of accessible training programs. There are little short term effects of training programs as it takes time for programs to be completed and workers to settle into new jobs, but the long term effects of training programs are worth the wait. Training programs reduce the duration of unemployment, but more importantly the knowledge gained allows workers to stay employed longer (Brown and Freund 7-8). A combination of these two policies would reduce the duration of unemployment, and increase the duration of employment once properly trained and hired.

Fear and insecurity are ruling the mindsets of American workers, and the world economy is suffering as a result. Political figure heads are blaming other nations for the failings of America’s domestic economy, further feeding insecurity and xenophobia. If domestic policies were to be put into place to allow the “losers” of trade the opportunity to benefit from globalization, fear would not be the prevalent issue it is today. The China Trade Shock gave America the opportunity to transition far further into a skilled labor nation than ever before, and

the opportunity is not yet lost. Should the American government focus on retraining and reinvigorating the people and industries vulnerable to the China Trade Shock, the prosperity brought by globalization could reach all Americans, and American mindsets would open to the multilateral trade system that has brought so much good to the world at large.

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