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Intelligence Squared U.S.

Globalization Has Undermined America's Working Class

For the Motion: Jared Bernstein, Thea Lee

Against the Motion: Jason Furman, James Manyika

Moderator: John Donovan

AUDIENCE RESULTS	
Before the debate:	After the debate:
36% FOR	32% FOR
45% AGAINST	61% AGAINST
19% UNDECIDED	7% UNDECIDED

Start Time: (00:00:00)

[applause]

John Donovan:

America's working class has been cheated. That is an assertion that has been getting a lot of currency lately. Our last presidential election went deep on that claim, in both parties, by the way. And the culprit most often blamed for that, it's that monstrous five-syllable word, globalization, the philosophy and the practice of free trade, which has been great for companies and for shareholders, but has had a devastating impact, it is argued, on the American working woman and man. Well, economists do agree that in the past four decades the American working class, which we're defining tonight as people who lack a four-year college degree. They have seen flat wages and a steady disappearance of good jobs. But is globalization a main reason that that's happening to those workers? And for those workers, is globalization entirely bad? When you get down to it, what does the evidence say? Well, we think this has the makings of a debate so let's have it.

00:01:02

Yes or no to this statement, Globalization has Undermined America's Working Class. I'm John Donovan and I stand between two teams of two experts in this topic who will argue for and against this resolution Globalization has Undermined America's Working Class. As always, our debate will go in three rounds and then our live audience here at the St. Regis Hotel in Aspen, Colorado, where we are appearing in partnership with the Aspen Ideas Festival, will choose the winner and as always, if all goes well civil discourse will also win. Our resolution once again, Globalization has Undermined America's Working Class. We have one team arguing for the motion. Please welcome them.

[applause]

And I'm going to be starting first to meet you, Jaren Bernstein. You have debated with us before, so welcome back. You're a senior fellow at the Center on Budget and Policy Priorities. You were Vice President Joe Biden's chief economist the last time you debated with us.

00:02:04

Interestingly, Jason Furman, who is your opponent at the other table tonight was your debate partner. As a team you were formidable. Formidable. I almost used the French pronunciation, formidable. So, are you planning to use your insider's knowledge of Jason's debate strategies against him tonight?

Jared Bernstein:

I very much -- excuse me, my voice is -- I very much am and I think the way to do that with Jason is to make a lot of sports analogies because they really confuse him.

[laughter]

John Donovan:

All right. Thank you. And I see you brought a tie to Aspen. You wore a tie to Aspen.

Jared Bernstein:

Well, I think the guy with the tie is the guy you want to listen to, but I'll let you decide that.

John Donovan:

All right. Thanks very much, Jared Bernstein. You can tell us who your partner is.

Jared Bernstein:

This is my partner, someone I've known for 25 years. She's a dear friend of mine and I consider her my mentor in this topic, Thea Lee.

John Donovan:
Ladies and gentlemen, Thea Lee.

[applause]

00:03:01

Thea, welcome to Intelligence Squared. You're president of the economic policy institute. You spent two decades as an economist for the AFL-CIO, which is America's largest federation of unions that represents some 12.5 million working women and men. You've spent 25 years working on trade policy. So, what got you interested in trade?

Thea Lee:
Well, when I came to Washington in the early '90s, I got drawn into the NAFTA debate, the North American Free Trade Agreement, and I realized pretty early on that this was not some kind of a dry textbook discussion about tariffs, but it was a transnational battle over democracy, good jobs, worker's rights and regulation and so I was hooked.

John Donovan:
Because a lot's at stake.

Thea Lee:
A lot is at stake.

John Donovan:
Okay. Thanks very much, Thea Lee and once again the team arguing for the motion.

[applause]

And that motion again, Globalization has Undermined America's Working Class. We have two debaters arguing against it. First, Jason Furman.

[applause]

00:04:01

Welcome back to Intelligence Squared, Jason. You're a professor of the practice of economic policy at the Harvard Kennedy School. You're a senior fellow at the Peterson Institute for international economics. You were chairman of the council of economic advisors under President Obama. Tonight, as we said, you're going to be debating your former colleague Jason -- Jared Bernstein on the impact of globalization. So, is this the first time that you two have debated the globalization issue with each other?

Jason Furman:

You know, Jared and I agree on -- I'd say about 95 percent of economic issues. And my goal tonight is to bring it to 100 percent.

[laughter]

John Donovan:

Thanks very much, Jason. And can you tell us who your partner is?

Jason Furman:

It is someone I've only known for a few years, and every single thing he's ever told me I have believed, James Manyika.

John Donovan:

Ladies and gentlemen, James Manyika.

[applause]

James, welcome. The first time around Intelligence Squared. You're a senior partner at McKinsey and Company. You're the chairman of their economics research arm in the McKinsey Global Institute.

00:05:02

Your first time debating with us, but not your first debate. You debated at Oxford, the big time. That's for real. You --

James Manyika:

I did.

John Donovan:

And what -- there you studied robotics, and mathematics, and computers. Earlier in your career, you were a visiting scientist at NASA. So, how do you go from -- it's very eclectic -- from robotics and space to think about trade policy and American workers?

James Manyika:

Well, I think, for me, it's the intersection of technology and the economy. I've always been fascinated by the kinds of technologies that drive innovation and growth, but also affects what role people in the world actually do. So, when you put that together with the economy, these issues around trade, and work, and workforce become very, very important. So, those are the issues that motivate --

John Donovan:

What a great perspective to bring here.

James Manyika:

-- what I do.

John Donovan:

And once again, thank you -- and thank you, again, to the team arguing against --

James Manyika:

You're welcome --

John Donovan:

-- the motion.

[applause]

And so, onto the debate. The debate goes in three rounds. We're going into Round 1.

00:06:00

Round 1 is comprised of opening statements by each debater in turn. They will be six minutes each. Up speaking first for the motion -- Globalization Has Undermined America's Working Class -- here is the president of the Economic Policy Institute. Ladies and gentlemen, please welcome Thea Lee.

[applause]

Thea Lee:

Good evening, everybody, and thanks so much to Intelligence Squared and the Aspen Ideas Festival for inviting me to participate tonight in this important conversation. I'm pleased to argue in favor of the motion, Globalization Has Undermined America's Working Class. Over the last several decades, the U.S. government, under both Republican and Democratic administrations, embarked on a very particular form of global economic integration, embodied in the trade agreements like the North American Free Trade Agreement, the World Trade Organization, and the Trans-Pacific Partnership. These -- the set of rules embodied in these agreements have undermined the bargaining power, the wages, and the democratic voice of America's workers.

00:07:06

They've encouraged and rewarded outsourcing, over-exports. They've shifted the balance of bargaining power toward wealthy and already powerful multi-national corporations, and away from working people. This form of globalization has contributed substantially to the well-documented growth in inequality and the stagnation of real wages for American workers. My partner Jared will talk about that in more detail. This is very much in contrast to the glowing promises made on behalf of these trade agreements by the proponents. And these policies

have left American workers working harder for less, struggling to make a decent living, even in a wealthy and innovative country. I spent the last 25 years of my life in the trenches of the trade wars, representing American workers from the AFL-CIO at USTR, and the State Department, and the Labor Department.

00:08:03

I testified in front of Congress. And I experienced firsthand the inordinate power and influence of corporate lobbyists, even in otherwise friendly Democratic administrations. I was always outnumbered and always outspent by the massive voice of corporations, leaving workers less -- workers' voice not as well represented. I am an economist by training, and I know that for all of you who have taken Econ 101, you learned that lesson really well, which is "Free trade is good for everybody all the time." And yet, I think there is something a little bit dishonest and hypocritical about this argument. Having lived in those trenches, having been on the trade negotiation discussions, and having seen the influence of corporations. And what that's about is a couple of things. First of all, even in the neoclassical trade model, it's true that there is a real distributional impact of trade.

00:09:07

This is predicted by the neoclassical trade model -- that in a wealthy, skill-intensive, capital-intensive country like the United States, it is predicted that working class workers, those without a college degree, will actually have their wages undercut by trade liberalization and yet the reason that economists make such a powerful argument in favor of free trade is that they say well, it is possible to tax the winners and compensate the losers so that everybody comes out ahead. But do we do that? No, we don't do it. We don't even think about doing it. Not only that, but we have doubled down in the other direction, but it's also true that the trade model is very narrow. The textbook trade model is one that assumes perfect competition, full employment, balanced trade, and it assumes away pesky problems like externalities like capital mobility, the arbitrage against labor and regulation.

00:10:05

That happens when companies pit government and workers against each other across national borders and it assumes away the unfair trade practices by other countries. Well, let's break it down. How has globalization undermined the American working class? Well, the first thing really is about bargaining power. Think about bargaining power and if you think about trade agreements that make it easier and let more certain and more profitable for companies to move jobs overseas, they have gained their bargaining power relative to working people who aren't mobile. American workers can't outsource themselves. They need to make a living with a good American job on American soil whereas their boss can pit them against workers in China or Bangladesh or Mexico and threaten to move the job overseas if they ask too hard for a raise or health care or a pension or a bathroom break or safety goggles or a union.

00:11:01

So, all those things, this is the lived reality for so many American workers. They understand the dynamics of power that globalization has exacerbated, the particular form of globalization. But let's be clear. Our choice is not whether to be in the global economy or not, whether to trade or not to trade, whether capital flows and immigration will happen, but rather what are the rules that we as a society choose to put in place to regulate these transnational flows and whom do these rules serve? We've made a series of wrong policy choices over the last 25 years negotiating and implementing flawed trade and investment deals that empowered and enriched multi-national corporations leaving behind domestic producers, workers and communities. And globalization, technology, and domestic policy choices have worked together to undermine the bargaining, the wages, and the democratic voice of American workers with devastating results for American workers and the U.S. economy.

00:12:05

We need to recognize we have mis-managed globalization in the past so that we can improve our policy choices in the future and therefore I ask you to vote yes on the proposition that Globalization has Undermined the American Working Class. Thank you very much.

[applause]

John Donvan:

Thank you, Thea Lee. And that is our resolution, Globalization has Undermined America's Working Class and here to make his opening statement against the motion, Jason Furman, professor at the Harvard Kennedy School, former chairman of the council of economic advisors under President Obama. Ladies and gentlemen, Jason Furman.

[applause]

Jason Furman:

What's up? Thank you. Thank you so much for including me in this debate, inviting me here to Aspen and just the fabulous work Intelligence Squared does to put these together. The question that we're debating today is whether globalization has undermined the working class and I want to talk about what globalization has been.

00:13:06

Since the end of World War II, global trade volumes has increased 40-fold. That's in part because of some of the trade agreements that Thea talked about, but those trade agreements are only a part of the process of globalization. An even bigger part has been the invention of containers that you can put on ships and make it much cheaper to ship goods. The invention of the internet, which allows more coordination across borders, the widening of the Panama Canal and a whole bunch of other developments, as well as the fact that tariffs have come down 75

percent from what they were at the end of World War II and we've pursued a number of deals that make that trade easier. Taken together, that's the process of globalization and what James and I will be trying to convince you of tonight is that that process of globalization has left the working class in America on net better off.

00:14:08

And that without it they would be considerably worse off, that if instead of everything I just described, we'd kept tariffs where they were in 1945, we hadn't widened the Panama Canal, but we narrowed it, we hadn't built out America's ports, but we put rocks in the harbors, and we had never invented the container -- the working class would be much worse off today than they are -- that globalization has, on net, been good. Not for everyone, not managed perfectly, many problems, many of them -- most of them, in fact -- I would agree with Jared and Thea on, and what we need to do to deal with them. But let's put some magnitudes on it. When I was in the White House, they told us, "Never talk about the consumer benefits of trade because it sounds like you're willing to sacrifice jobs so that people can buy cheap underwear."

00:15:06

The biggest problem we have in our economy, though, is wages. And if you can buy more with an hour's work, that means you got a pay increase. That means you got a raise. Right now, in America, there's 325 million people that buy imported products. On average, a recent study in a leading economics journal found they're 8 percent better off because of the imported goods that they buy. Now, we all know averages, but there's inequality. Not everyone benefits the same amount from trade. At the tenth percentile, your benefits is 67 percent. At the median, it's about 35 percent. Why so much larger? Because you're spending a lot more money on things like clothing that are imported rather than attending debates in Aspen, which don't -- aren't imported.

00:16:05

[laughter]

So, there's been, on the consumption side, something that I would not sneer at, demean, or rush past, but enormously important to the purchasing power of 325 million Americans. Now, let's talk about what it means for workers. There's 14 million Americans that work in export industries. On average, they get paid 18 percent more than other workers, controlling for their characteristics. We did research that, just based on the increase in the export share over the last two decades, the typical working-class worker is getting an extra \$1,300 from that opportunity to work in industries that are higher-paid better jobs in general than the ones that we are losing.

00:17:01

That's just exports. Of course, globalization is more than that. There's massive capital flows, and \$4 trillion has been invested from abroad in the United States, creating jobs for Americans in industries that do disproportionate amounts of investment, disproportionate amounts of R&D, and pay disproportionately higher wages. Those two sides -- the consumer side, which affects every single American, and the producer side, which affects those who are working for it -- have enormous benefits. There's nothing in economics that says that trade benefits everyone. Absolutely it has winners and losers. It may even make a minor contribution to inequality -- something we can come back to in the course of this debate.

00:18:00

But the proposition here is, has it helped or undermined the working class? And if that means that that whole process of globalization, that whole process of greater integration, partly furthered by public policy, partly advanced by technological innovations has benefited the working class leaves them better off. And without it, they'd be worse off. If you're convinced of that at the end of tonight, then I would ask you to vote against the motion. Thank you.

John Donovan:

Thank you, Jason Furman.

[applause]

And a reminder of where we are -- we are halfway through the opening round of this Intelligence Squared U.S. debate. I'm John Donovan. We have four debaters, two teams of two, fighting it out over this motion: Globalization Has Undermined America's Working Class. You've heard from the first two debaters, and now on to the third. Debating for the motion, here is Jared Bernstein, senior fellow at the Center on Budget and Policy Priorities, former chief economist to Vice President Joe Biden.

00:19:05

Ladies and gentlemen, Jared Bernstein.

[applause]

Jared Bernstein:

I want to say thank you to IQ Squared -- the awesome staff. Great to be here at the Ideas Festival and great to be here with my friends Jason and James. Yes, I have a sore throat. I feel much better than I sound. If it helps, close your eyes and pretend you're listening to Barry White.

[laughter]

That helps our side. But I apologize for that. Again, I feel okay I just sound funky. Thea and I are arguing for the motion that globalization has lastingly hurt millions of working class families. For the next few minutes I'll take you through the theory and the evidence in support of the motion. Expanded trade has thrown the working class into much more competition than they experienced before trade with lower wage countries took off.

00:20:03

Now, economic theory and I'm quoting the trade economist Danny Roderick [spelled phonetically] here, predicts quote "that low skilled workers are unambiguously worse off as a result of trade liberalization," so, directly contradicting some of the points that Jason just made. This notion that production workers in richer countries lose out, so we're the richer countries, that working-class workers in countries like ours lose out when trade expands with poor countries, is not a special case of a particular model. Roderick says, and I'm quoting again, "This is standard economic fare familiar to all trade economists, even if not voiced too loudly in the public." Well, Thea and I are here to voice it loudly today, or at least as loudly as I can given my throat. But theory only tells you where to look. It doesn't tell you what's actually happening. First, our openness to trade has basically tripled over the last four decades as the stagnation has set in.

00:21:00

But prior to the period of expanded trade, working class compensation doubled along with productivity growth. Since then, since the period of expanded trade, working class compensation has grown only 12 percent while productivity is up 74 percent. So, 74 percent on productivity, 12 percent over 45 years real, now I say inflation adjusted and that's a very important point, because again, Jason was talking about the price effects, the advantageous price effects. They're built in to this real compensation calculation. It takes account of those gains. Had working class compensation kept up with productivity over the period of expanded trade, it would have been \$15 per hour higher and that translates into \$30,000 a year for working class workers. Let's take a good proxy for I think the working class blue collar manufacturing workers, okay?

00:22:01

In the period before trade expanded, their paycheck grew 3 percent per year consistently from the late '40s to the mid '70s. Since then it has grown 0 percent. Again, over 45 years. In fact, the real wage of a blue-collar manufacturing worker was about \$22 in today's dollars in 1973. Again, all inflation adjusted so price effects from trade are embedded in these calculations. Last month it was a dollar lower. It was \$21 per hour and that's 45 years later. Now, you might be thinking oh, these are completely different groups of workers, and of course, they are, but that just further bolsters our argument. These workers are more experienced. They're more highly educated. They're more productive and yet they earn less. Their living standards have been undermined. Next there's the evidence of the China shock. Careful analysis finds that the

sharp increase in the imbalanced trade with China in the 2000s explains about 40 percent of the job losses in factory jobs in those years.

00:23:03

That's about a million jobs in manufacturing highly geographically concentrated, by the way, which is important given the way electoral politics is played out in this space. Spill overs from the China shock to other sectors led to the loss of another million jobs. Now, Thea and I are not arguing that trade is the sole factor responsible for all these trends. You already heard a little bit about automation and technology but teasing apart these factors is much harder than economists make it sound. Consider that advances in shipping technology have significantly lowered containership loading by about 90 percent and that the internet has just fueled a cross-border financial flows, as Jason was just saying, we agree with that, but it is obvious, it is obvious to us that technology facilitates globalization, which brings us right back to this institutional context within which both technology and globalization are taking place and we're left with two opposing propositions.

00:24:08

One, expanded trade puts large groups of American workers into global competition which hurts their living standards and two, even with those losses, increased trade is in the aggregate pro-growth, as our opposition has stated. And the contention that holds them together -- that ties those two ideas together -- is that the benefits of increased trade are such that winners can compensate the losers and still come out ahead. But just because the winners can compensate the losers doesn't mean that they're going to do so. Here, and everywhere else in this debate tonight, we must get away from the abstract truisms and look unflinchingly at the U.S. case. You know, our economy, not only do those benefit the most from trade fail to compensate to the losers, they use their winnings in the context of our pay to play politics to buy the politicians and the policies that will further protect them and enhance their winnings.

00:25:03

They don't help the losers of trade. They hurt them. And in that sense, they undermine the middle class, and I ask you to support the motion. Thank you.

[applause]

John Donovan:

Thank you, Jared Bernstein. And that motion, again -- Globalization Has Undermined America's Working Class. Here to make his opening statement against the motion, James Manyika. He is chairman and director of the McKinsey Global Institute. Ladies and gentlemen, James Manyika.

[applause]

James Manyika:

Thank you. Good evening. Delighted to be here and joined by colleagues to argue this topic. I think it's important to get very specific about what's actually going on. Let's start with a couple stories. So, if you and your nine friends worked in apparel manufacturing in 2000, a decade later, only three of you have jobs. You lost them.

00:26:00

In fact, if you take another example -- if you worked in a steel -- in a textile mill, again, you and your nine friends, in 2000, today only three of you have a job. And it is the case that those jobs have gone overseas. In fact, if you actually look at particular communities -- and we try to look at these things in a very micro-localized way -- if you are living, for example, in Webster County, in Mississippi, where apparel manufacturing was the dominant economic activity in that county, something like a third of the jobs disappeared overseas. So, it is the case that, in fact, these have been very deep impacts in these local communities. So, if the question is, have any American working-class members been impacted by globalization, the answer is clearly yes, because these are real people. It has actually happened. But I don't think that's the debate we're asking. But if it's -- also the question is, have we done enough to assist those workers transition, get skills, and deal with those -- the difficulty of that impact, we have not done enough.

00:27:03

I don't -- so I don't think that's the debate, and I don't think my colleague and I would dispute any of that. I think -- but if -- the other hand, the question is whether working class Americans everywhere have fared well or not over the last two, three decades. Again, the answer is they haven't. And I think, some of the statistics that Jared pointed out are true. The working class in America has not done very well. Wage income inequality, wage stagnation, rising costs of living -- all of that is absolutely true. But I think it's important to come back to what's actually on the table and the proposition we're debating. And the question is whether, in fact -- has globalization been the key reason why the working-class Americans have suffered? That's the proposition, not whether American working-class members are not doing well. So, on that question, that's where Jason and I have a different point of view, and actually think it's -- globalization has actually benefited the working class.

00:28:00

Now, Jason has made a lot of the arguments that we would make, so I won't repeat them -- although I'm sure we'll get into them. But I think it's also important to think about -- if we are talking about the working class across America, who are they? So, I think a few things are very important. If you look at the people who are typically thought of as working class, some -- there's about 75 million of them out of roughly the 125 million workers who are in the non-farm sector in the economy. So, it's about 60 percent of the people in -- working in the economy. It's a big part. If you look at where they work, most of them work -- so, the majority

of them don't work in these directly traded [spelled phonetically] sectors. In fact, by various estimates, the proportion of the working-class Americans who work in these traded sectors that face globalization is about 20 percent. The rest are working other places. They're working retail. They're working a whole bunch of other places. So, we need to be very clear about which -- what proportion of Americans in the working class are directly facing the impacts of globalization?

00:29:02

Jason has already pointed out, and I think it's important to remember that, in fact, if you look at the working class, they're also consumers. These are families who are trying to earn a living and so forth, and we know that, in fact, a big portion of what they spend money on is purchasing products, goods, and services, many of which are traded products goods and services, whether they themselves work in the traded sector or not it doesn't matter, but they're purchasing these products and services. So, I think it's important to recognize who they are as we think about the impacts of globalization and quite often we end up conflating what's happened with the working-class Americans generally with what's happened to in particular the manufacturing or traded sectors specifically, saying that's an important thing we should keep in mind. But I want to make another point in my opening remarks, which is I think if we are asking the question what's happened to the working-class Americans, it's important we actually think about who are the real culprits? Are we scapegoating [spelled phonetically] globalization or not?

00:30:00

So, I won't repeat the statistics that Jared point out about income stagnation and all that. They're all true. The American working class hasn't fared very well. But let's look at who the culprits are. So, I'm going to look at two places. Let's take manufacturing, which is often the epicenter for a lot of these points that I made. If you look at manufacturing itself specifically and you look at the job losses we've had, most careful studies when they try to attribute what proportion of the jobs we've lost to manufacturing have been lost to offshoring or jobs being sent away, the estimates typically range between about 13 and the highest I've seen is 33 percent. Our own work suggests it's 20 percent. Some other careful work that's been quoted by Jared, by David Auter [spelled phonetically] and others, has a number that's in the 20-something percent. No one is saying it was 90 percent. We can debate in that small range. So, it's important to keep that in mind. So, if that wasn't -- if offshoring and globalization wasn't the reason, what are the other reasons?

00:31:00

One of them is technology and automation. A lot of routinized tasks have actually served to get automated. I studied robotics and I do a lot of that work and you can see it. In fact, the question I would ask often is pick any factory that's been built in the last five years anywhere in the world and go look to see how many people work there. It doesn't matter where it is, not

very many. So, what we're doing in terms of automating how factories and manufacturing plants work has had a big impact on this. So, -- and then if you also ask the question in manufacturing so what about the rest of it? So, some of this is competition. We -- there are lots of countries that have trade surpluses in manufacturing sectors, whether it's Germany and others. If you actually look at what's happened, so take automotive sector, for example.

John Donovan:

James, I'm sorry. Your time is up but thank you very much.

James Manyika:

Thank you.

[applause]

And what I always say when that happens, and it happens in almost every debate we do, I say continue your thoughts in the next upcoming round.

James Manyika:

Sure

00:32:02

John Donovan:

There's no great disgrace in that. So that concludes round one of this Intelligence Squared U.S. debate. Now we move on to round two and in round two the debaters address one another directly and they take questions from me and then from you, our live audience here in Aspen. The team arguing for the motion, Thea Lee and Jared Bernstein, they are making it very clear that they are not against free trade, but they say it is dishonest to say that free trade is good for all, all of the time, that the working class is working harder for less and yes, globalization is to blame, that it has thrown them into a much more tense -- intense competition than they've ever experienced before, that it has led to a loss of their bargaining power, a loss of voice, a loss of wages. They came in with a lot of statistics, one that stands out is --

Jared Bernstein:

I'm also experiencing a loss of voice.

John Donovan:

Yes, and I'm close behind. They used the statistic -- they point to one group of blue collar workers whose real wage in 1973 was \$22, now it's \$21.

00:33:00

They say that on the whole trade in the aggregate the whole nation might be doing well, but the winners in that game if they have the chance to compensate the losers, they don't seem to be doing so. The team arguing against the motion, James Manyika and Jason Furman, they concede absolutely that the working class is struggling, that it is not doing well. They concede that point, but they say that globalization is not the main driver of that. In fact, they make the argument that on net the working class is better off today than if there had not been globalization. They say on the consumer side you have to look at the fact that imported goods cost less than they would otherwise and that puts more money into people's pockets regardless of what class they're in, but actually benefits the working class more because they're the ones who would be buying those goods. On the supply side they say that because of globalization \$4 trillion comes into the United States invested in creating jobs and in research and development and they also point out that there are other culprits impacting the working class, such as technology and automation.

00:34:07

So, we're going to peel back some of those ideas that we heard there and explore some other things and James, you can also get to the things that you weren't able to get to. But I want to start with the question to the side arguing for the motion -- Jared and Thea -- your opponent's made the point that only 20 percent of those who comprise the working class are actually exposed to the impact of globalization directly. That puts -- that takes 80 percent --

James Manyika:
Right.

John Donovan:
-- of the people off the table.

James Manyika:
Because they work --

John Donovan:
What's your response to that?

James Manyika:
-- they work in traded sectors --

Male Speaker:
Right.

James Manyika:
-- to be clear.

Thea Lee:

Yeah.

John Donovan:
Say again? I'm sorry?

James Manyika:
They work in traded sectors.

John Donovan:
Okay.

James Manyika:
This is the work --

Jared Bernstein:
We're ready for that one.

John Donovan:
Okay.

Male Speaker:
[inaudible] --

John Donovan:
So, who would like to take that? Thea?

Thea Lee:
I'll start. But because you work in a traded sector doesn't mean you're walled off from people in the service sector, because the labor market is fungible.

John Donovan:
Can I [unintelligible] one second --

Thea Lee:
Yes.

John Donovan:
-- for our podcast listeners and for people like myself, who are just not as smart as you guys.

00:35:00

The term "traded sector" -- just so we completely understand what that means.

Thea Lee:

Goods or services -- I'm not sure what your figure is -- that are traded across ports. So, it could be either exports or import competing.

John Donovan:

Okay. Things that you put on a ship or a plane that go to another part of the world. Okay.

Thea Lee:

And -- but so, the traded sector may only be 20 percent, but all those workers who are seeing their wages bid down and eroded in the traded sector -- they're going to go off if they lose their jobs -- let's say a steel worker laid off because his company moved overseas is going to go and compete for a job at Wal-Mart and is going to put downward pressure on the wages in Wal-Mart. And the other thing that's also important, in terms of spill-over effect -- that this is one labor market. But also, as you decimate a community -- because let's say the factory closes, and people are laid off, and they don't have money to pay taxes anymore -- so, that is also going to undermine the public sector. So, we're really connected to each other in this economy.

John Donovan:

Okay. James, what about that response -- that you -- that there's not a wall between those two groups of people, that the impacts bleed across those lines?

00:36:00

James Manyika:

No. The impacts do bleed, but I think -- keep in mind that one of the things we haven't talked enough about is, what is the contribution that globalization has done to the GDP growth? So, for examples, the estimates are --

John Donovan:

Before you get to the positive statement --

James Manyika:

[inaudible] --

John Donovan:

I actually want to --

James Manyika:

-- I'm going to link it to that --

John Donovan:

You will come back to it. Okay.

James Manyika:

Yeah.

John Donovan:
Sure.

James Manyika:
So, the point about -- if globalization has added about 2 trillion -- this is the Peterson Institute [spelled phonetically] estimates, our estimate is about 1.8 trillion -- to GDP growth in the United States, that benefits all workers --

John Donovan:
[affirmative]

James Manyika:
-- and creates dynamism in the economy, enough so that even if you work in the retail sector, there's enough economic growth and dynamism that's actually going on. And it -- also keeping in mind the fact that when trade happens, money flows here too. So, for example, foreign direct investment that comes here is supporting somewhere about 12 in [spelled phonetically] million workers, for example, are working in places like South Carolina and others. So, I think it is connected. But to look at just one piece of it, which is workers leaving traded sectors, going to other places, that's just one part of it.

00:37:01

It doesn't look at the net --

John Donovan:
Jared Bernstein?

Jared Bernstein:
Yeah. Well, the -- Thea and I both underscore and agree that trade can be pro-growth. It's like when people ask me, as I'm a commentator on the economy, they say, you know, "Jared, how is the economy doing and GDP doing?" And my answer is always, "Well, whose economy are you talking about?" Because we have a very serious distributional problem in this country. So, you can't just hold out GDP growth in a debate about whether the working class is undermined by trade when I've just recited a set of statistics showing that, in fact, their hourly wage has been zero, in terms of growth, for 40 years. And this gets to one of my main objections to the other side's argument, which is -- you know, trade enables people to buy a lot of cheap stuff, no question. That's true. But that's reflected in the real calculations of the wage story and the income story that we're telling.

00:38:03

So, maybe if trade doubled its amount of cheap stuff that people could buy, their real incomes would grow, but their real incomes have not grown. They've been flat --

John Donovan:

So --

Jared Bernstein:

-- or they fall.

John Donovan:

Okay. Jason Furman, yeah.

Jason Furman:

I'd love to take on the topic of inequality. I think there is way too much inequality in this country. If you look at the top 1 percent, it gets about --

[applause]

-- the top 1 percent today gets about 20 percent of the income. One thing Jared has been doing is he's been referring to the period 1973 to the present. It's really important to unpack that period. From 1973 to 1990, there was very little growth of trade with developing countries. The growth of trade over that period was with countries just as rich as the United States. And we were selling things like cars back and forth to each other, the same type of stuff. Since 2000, trade with developing countries has exploded, particularly trade with China.

00:39:01

Now, let's go back to that top 1 percent share. It doubled before China entered the WTO, from about 9 percent to about 20 percent. Since then, it's risen by one percentage point. If you look at it after taxes and transfers. Its share off the top 1 percent has fallen by 1 percent. Economists who study an equality widely know that the fastest period of increasing inequality was in the 1980s when we weren't trading very much with Mexico. We were trading barely at all.

John Donovan:

Jason, let me break in for a second, because there was a piece of what Jared said that I was hoping you were going to respond to and he's telling this audience and you and everyone here that your claim that if you can buy a lot of cheap stuff you're better off. He says that idea's blown up by the fact that that's accounted for in real wages and I want to know, did he just blow up your argument?

Jason Furman:

No. First of all, two things. Two things here. One I think correctly measured real wages are higher.

00:40:00

The idea that people are worse off materially than they were in the early 1970s I think is absurd if you look at the set of material goods that people have today compared to then. But second of all, even if they were, that doesn't prove it was trade. That's what I was just getting at, John. That the period of expanded trade with developing countries is not the same as the period of very rapidly rising inequality and sometimes that calls into question Jared's causal link between trade and the statement about the working class.

John Donovan:

Well, do you want to --

Thea Lee:

That's okay.

John Donovan:

Jared.

Jared Bernstein:

The hourly wage numbers are as I recited them. that's not controversial in James.

James Manyika:

You can use -- if you use CPI --

Jared Bernstein:

James acknowledged that. The reason why middle-income families have higher incomes now in many cases is not because they have more wage growth than I'd said, I've just given you the statistics, it's because they're working a lot more hours.

00:41:00

They've compensated for stagnated wages with more hours of work. Now, that's not necessarily a bad thing. A lot of that comes from more women in the workforce, which is a very positive advance, but it's -- the wage stagnation is a real factor that's at the heart of our case for undermining the middle class. Now, the 1980s was a period of large, big, negative trade deficits that put our manufacturers in competition with workers in other countries who weren't necessarily from developing countries, I agree with Jason's point there, but we were on the losing side of that competition as is demonstrated by the trade imbalances of that period.

John Donovan:

Okay. Let James jump in on that.

James Manyika:

I want to come in because again, this is part of the issue we're having. We keep conflating the stagnate wage story with globalization. Let's look at some of the other factors that are driving the pressure on wages affecting American families. We know that, for example, the labor share GDP's been falling cross advanced economies including the United States and lots of careful studies that have been done, including a recent one by the IMF that's looked at what's been driving the declining share of wage income in the national income and it concludes that half of that is probably technology.

00:42:17

The portion of that that's only attributable to trade is at best a quarter. So, that's one factor. Then you've got the other factor that's going on which is the fact that productivity for a very long time we used to count on the fact that whenever we had productivity growth you'd have wage growth. That has not been as true recently as has been historically. So, wages aren't quite growing up as much as productivity does. So, we have to look at all these factors.

John Donovan:

Right. I want to take that point to Thea. To respond to your opponents argument that I'm hearing it's other things. Other things are causing this. Very clear one technology that I think anybody can understand automation. What about the response that it's not just globalization?

Thea Lee:

Well, it isn't just globalization, but the question is -- and the question isn't whether globalization is the only factor that has undermined the American working class.

00:43:06

It is whether globalization has undermined the American working class and what Jared and I would argue is that there are a lot of factors, as you say, and we would agree with that. A lot of factors that happen at the same time, the technological innovation, the attacks on unions, the regressive changes in the tax code, the failure of American business to invest in infrastructure and in skills, but a lot of those things, what I would argue is you can't separate them and as Jared said before when you look at -- even if you look at trade and technology, if you are beset by imports, you're a business owner in the United States. You're producing something and you find that cheap imports are flooding. One response is going to be to automate and to shift away and so you can't take apart automation and globalization so easily and also, I would argue that multi-national corporations have used the power and the wealth, as Jared said, that they got from trade agreements and globalization they used that power and their bargaining power to attack unions and to undermine minimum wage and to erode living standards in a whole slew of ways.

00:44:10

John Donovan:

I do think it's true that the sense of this resolution is not that only globalization has, but that globalization has significantly and I think your -- you positioned yourself with the best counter to that, saying, "Actually, workers would be better off without globalization."

Jason Furman:

Right. Globalization brings benefits. Globalization brings costs. I talked about some of those benefits. When James and I talk about it being small, we're not saying it's a small cost; we're saying some of the costs that people identify are relatively small. To give a sense of how you could do -- measure that, the Bureau of Labor Statistics used to do a survey every year of how many mass layoffs companies conducted, and they went and figured out the reasons why companies conducted those layoffs. They found that 3 percent of them were because of trade, because they'd moved jobs overseas, because they had closed because of trade.

00:45:05

Now, if that was the only thing that trade did, and trade was 3 percent of the mass layoff problem, and there was nothing else to trade, then we would join the other side. But our point is that when you're talking about the downsides, that's on the downside. That's one way of quantifying it. To do that upside-downside again, there is the study by David Autor [spelled phonetically], et al, that Jared cited -- excellent economist. 2.4 million manufacturing jobs lost to China from 1999 to 2011. The way they did that study was they looked at local areas and figured out which areas got more imports. And the ones that got more imports lost jobs. Another economist -- the head of the National Bureau of Economic Research Trade Program -- the organization Thea used to be on the Board of -- used that exact same thing, but he looked at local areas that increased exports and asked what happened to jobs there.

00:46:00

And then he added up the two, and you came out 700,000 jobs ahead -- that's labor demand; other stuff is going on in monetary policy -- because of trade. So, absolutely. 2.4 million jobs lost to imports to China. At the same time, many million more created due to U.S. exports elsewhere. After all, when we opened up China's market --

John Donovan:

Okay.

Jason Furman:

-- the imports went up 886 [spelled phonetically] percent.

John Donovan:

Let's let your opponents respond to some of what you're saying.

Jared Bernstein:

There are clearly benefits to global trade. There are clearly benefits to global trade for everybody who takes their wallet out and goes shopping, in whatever class you're in. And that's why I object to the opposition's use of this counterfactual, this other world where there's no trade at all. It's like somehow the idea is that either trade is undermining the working class or, if there were no trade, everybody would be worse off. That's not our point. Our point is that under the trade regime that Thea described in her opening statement, we have undermined the working class such that their bargaining power, their compensation, their democratic voice has been damaged.

00:47:10

It's not the only thing that's damaged them. And by the way, I think it was James a minute ago - - said, you know, "It's not 90 percent." Nothing is 90 percent. You can't find any economic causal factor that gets you above 15 or 20 percent in any of this debate. So, that's a red herring. Globalization, as implemented in the U.S., is one important factor undermining the well-being of the middle class.

James Manyika:

Well --

John Donovan:

Okay. I want to go to James and then I want to go to Thea. James.

James Manyika:

Well, I think if the argument is, "Let's fix how it works -- I think we'd agree with that." Right.

John Donovan:

But that's not our argument.

James Manyika:

Right. But that's not the argument. That's not the argument. So, they keep going to the side of "the way we've implemented it doesn't work." But that's not the debate. The debate is, who's to blame? I think it's important to actually look at some of the factors. One of the things that's quite striking -- and there was a Congressional effort around -- America Competes -- I was part of the commission that looked at this -- and we looked at, what is changing over the last 30, 40 years in the American economy in a way that impacts workers?

00:48:06

There's a bunch of things. One of them is the fact that the amount that we invest in skills and training has actually been declining for a very, very long time.

James Manyika:

So, we've done things like reduce our investments in skills and training in a way that's affected all workers. We've changed how the private sector largely works. So, you've got these things around -- so, for example, you mentioned unions and so forth. We've done other things, called -- one example is the word fissuring [spelled phonetically]. So, for example, if you are a company that's focused on your core business -- which is a good thing -- you then outsource -- even if it's in the United States -- services, whether it's janitorial services and so forth. The career pathways, skills, and ability of those people to do well has dramatically diminished. So, I think, as you think about this, then, all these other factors that in fact probably affect larger numbers of workers because again, I keep coming back, 11 percent of the American work force works in manufacturing, 20 percent work in trading sectors.

00:49:02

There's a much larger economy out there that ordinary Americans are working in where they're not facing these things directly and it doesn't work [unintelligible].

John Donovan:

Thea. Thea to respond.

Thea Lee:

And yet travel around the country and go to those areas of the country where manufacturing used to be a prime mover and I think what you can see is that the kind of trade, the kind of globalization that we have engaged in and I think it's important here that globalization -- I'm going to define it as the set of rules around trade, international investment, immigration. It isn't, you know, whether we trade it not -- it is what rules -- what are the policy choices we made as a country? And I think it is important to say that going forward we can make a different set of choices and that's the argument I would make. I wouldn't say we need to stop trading. We need to stop investing. That is idiotic. You can't in 2018 think that that's realistic that we're not going to trade. What we can say is that as a country we have to make a different set of choices because the choices we've made have hurt working people. They have undermined their bargaining power.

00:50:03

We have written these trade agreements that have imbalanced power towards multi-national corporations. They didn't want to export more stuff to other countries. They wanted to move the jobs. They wanted to use these trade agreements as a way of arbitrating governments against each other and workers against each other and they succeeded, and the outcome has been that we undermined America's working class with the kind of globalization that we put in place.

[applause]

Jason Furman:

Oh, could I talk a little bit about --

John Donovan:

Jason.

Jason Furman:

So, let's talk about manufacturing for a second. It's declined enormously in the United States. It's created huge problems for communities across our country. It's also declined, by the way, in China. It's declined in Germany. It's declined in the Netherlands. It's declined just about everywhere. You know, I'm talking about employment right now. Employment peaked in 1979. Does anyone know when manufacturing production peaked?

00:51:00

June 29th, 2018. We're producing more than we've ever produced before. That gets to James' point that we're producing it with fewer people. In fact, if you look at the shrinking of the manufacturing sector, in the 24 years before NAFTA we lost 11 percentage points of our manufacturing sector. In the 24 years since NAFTA, China's entering into the WTO and the like, that's stable -- that reduction has been at a slower pace. It's been at 7 percentage points a year. So again, a really key thing, everything James and I are arguing is not that there aren't problems out there, but let's not just say there's a problem, there's trade, ergo trade must be the problem. Let's try to look a little bit deeper as to whether the cause and effect really bears out in the evidence and on the case of manufacturing if we got rid of our manufacturing deficit entirely our manufacturing share of employment would be 1 percentage point higher and that's assuming that it didn't get hurt by all of the inputs to our manufacturing sector that we get from [unintelligible].

00:52:10

John Donovan:

Okay. I'm going to go to questions. Now. Are you -- is one of you like dying to respond to that? Because that was a really well-made point and I feel like --

Jared Bernstein:

I wanted to make one point about the U.S. versus Germany. So, in the U.S. we have 10 percent of our work force in manufacturing. In Germany they have 20 percent. If we had another 10 percent of our work force in manufacturing that'd be 15 million more manufacturing jobs so I don't think those comparisons should leave that difference out.

John Donovan:

Sir. Second row and right in front of me.

Male Speaker:

Mark Davis. I'd like you to focus a little bit on the non-economic factors embedded in the work undermined, such as the opioid crisis, the alienation felt by American workers that have -- had a major impact on the last election, the sense of alienation from the political system, a loss of sense of power, et cetera.

00:53:03

[applause]

John Donovan:

I'd actually like to also bring into that framework Thea's opening remark that globalization has led to a loss of bargaining power, and just power in general for the workers. I think that that's - also can be reasonably rolled up into this question. And it's clear that this question, I think, was addressed to the side arguing that globalization is not a net negative --

Male Speaker:

Right.

John Donovan:

-- but a net positive. Go ahead --

Jason Furman:

I guess I'd say --

John Donovan:

Jason Furman.

Jason Furman:

-- Jared said, you know, there's no problem -- you know, there's no factor that explains 15 percent of a problem. Our argument is that this is minus 15 percent of the problem. And in fact, I think it's -- by placing too much weight on globalization, we've made these other problems worse. Because if you think our problem is -- with our trade deficit is caused by China, it's not caused by China; it's caused by mistakes that we make here in the United States. And if you think -- if you get distracted and think that steel tariffs are a way to help American manufacturing, as opposed to investing in training, investing in American industry -- I think a lot of the protectionist debate has distracted us from the real problems -- the real solutions, and made these issues worse.

00:54:18

John Donovan:

I -- can I come back to you with that question? Because --

[applause]

I think I heard in that question whether there's a -- whether you can draw nearly a straight line between globalization policy, and for example, the opioid crisis. Can you be that specific?

Jason Furman:

Well, let me --

John Donovan:

James -- let James take that. And I'll come to this side.

Thea Lee:

Yeah.

John Donovan:

James, do you want to --

James Manyika:

No. No. I was concerned -- I think that there's a tremendous sense of alienation and people feeling that, in fact, the economy doesn't work for them -- that in fact, their future prospects don't look very good, and that where they live is, in fact -- there's very little optimism. But I think a lot of that goes to the broader issues we're talking about, around what is it that's happened to incomes -- the ability to have a living -- an ability to live, an ability to send your kids to school?

00:55:04

And a lot of that has its roots in this income stagnation that we're talking about. And the big drivers for that -- let's not forget, you know, a big part of the income stagnation -- we just had a massive recession and a financial crisis, which explains a lot of it. Then we've got these other structural things -- like labor share of income -- that are starting to change the way the economy works. And then we've also got -- one of the things about automation, by the way, which I spend a lot of time on -- if you look at the occupations that are growing versus ones that are declining, many of the ones that are growing look a lot like care work. And a lot of them don't have great wage structures. So, if you look at just this income question, some of it is coming from the occupational skill shifts that are occurring that's creating this sense of anxiety and so forth. And there's -- and part of it has also been a bit of a gendered problem, because, in fact, many of the occupations that have declined have mostly been very male-dominated. And so, you've got these societies of people who are no longer earning the kinds of incomes that they had.

00:56:04

So, we have to look at these wider issues. And to simply point to that globalization, just because it happened around the same time --

John Donovan:

Okay, I want to let Thea respond.

Thea Lee:

I think your question is really important, about the non-economic ways in which globalization has undermined American workers. And if you think about things like dignity, and voice, and power -- and you think about -- put yourself in the shoes of an American worker who's been making a product, who's making an excellent product. Who is incredibly productive, who is hardworking, and yet, his company is going to move his job overseas or her job overseas because there are workers somewhere else who don't have basic human rights. They don't have the right to unionize. They maybe aren't protected by their government. Or maybe even that the company is going to dump the toxic waste straight into the river -- and because the rules that we put in place in globalization aren't doing a good job of protecting us from that kind of undermining and arbitrage, then that is an unfair reason to lose your job. So, we think about the level playing field.

00:57:01

The other thing -- you know, I think Jason mentioned about, you know, the steel tariffs, about whether other countries are playing by the rules. When other countries like China undermine the rules, break the rules -- the international trade rules -- by subsidizing, by subsidizing exports, by otherwise intervening in the market in a way that is unfair -- there's no way an American company can survive with American workers. And so, our goal is to think about what are the -- what kind of rules could we have put in place for globalization that would have helped American workers have that sense of agency and of dignity, and that their work was valued? And the other thing that I would say, in terms of power and alienation, is that a lot of American workers feel betrayed by politicians from both the Democratic and the Republican party. Politicians who campaign saying oh yeah, yeah, I care about your job and then when they got into office --

John Donovan:

But is that extraneous --

Thea Lee:

--- they bought --

John Donovan:

--- to the motion because you're not arguing that the politicians are undermining the working class. Our resolution is that -- no, no, I'm not saying that cynically.

00:58:00

We need to stay on -- I just want -- I want you to land it to the argument.

Thea Lee:

No, I'm saying when the politicians put in place trade agreements that hurt American workers, it didn't protect their jobs, it didn't protect against unfair trade practices.

John Donovan:

All right.

Jason Furman:

Could I just -- could I pick up one --

John Donovan:

You Jason, and then Jared.

Jason Furman:

Off of what Thea just said, she just said when China's breaking the rules. That's because there's actually a set of rules right now that govern things like searches, that govern things like dumping, that govern things like illegal subsidies.

Thea Lee:

Yeah, but we don't enforce them.

Jason Furman:

And we can act --

Thea Lee:

But we don't.

Jason Furman:

We brought -- Thea, we brought --

Thea Lee:

That's the problem.

Jared Bernstein:

We can.

Jason Furman:

We consistently won --

Thea Lee:

We can but we don't.

Jason Furman:

We have consistently won in the WTO when we brought cases. We include rules on child labor in trade agreements and you see big improvement --

Thea Lee:

But we don't enforce them.

Jason Furman:

--- in child labor in the countries. Those have become more enforceable. TPP had enforceable in a way that NAFTA wasn't, in part because of you. In part because you've kept pushing on the labor. Those labor standards. Those rules are the rules that we're --

Jared Bernstein:

Jared, very quickly, because I want to get in one more question.

Jared Bernstein:

I'm pretty shocked by Jason's claim that globalization is, you know, he said it's a negative 15 percent meaning that it actually contributed to the well-being of the working class.

00:59:05

You know, I cited this number from a widely accepted study that 40 percent of the manufacturing job losses in the 2000s from the China shock were concentrated. This gets to your question a second ago, were concentrated in geographical areas. Those same authors went back and looked at the political implications of that concentration and found that it wasn't people like Thea and I making these arguments that gave us Trump. It was exactly the opposite. It was the elitists who wouldn't allow our arguments to be elevated that allowed Trump to surface.

John Donovan:

Let me go to -- get to one more question before we wrap and there was a question here.

[applause]

Female Speaker:

Hi. Susan Mund [spelled phonetically]. I'd like to talk about services trade and I would like to hear from Jared and Thea about the argument that a lot of Americans are employed by foreign companies operating in the U.S. and in fact export from the U.S.

John Donovan:

Thank you. Great question.

Jared Bernstein:

And we have a surplus in services is what you were saying.

01:00:01

Yeah, yeah. I mean, I --

Thea Lee:

I don't think there's a problem with that and it is I think one of the areas in which the U.S. does have a comparative advantage, so to speak, which is that we do a very good job. Also, you know, incoming foreign investment I have no argument with incoming foreign investment. I have no argument with trade and services. The question is whether we're regulating it appropriately, whether we have the right set of rules in place and one argument I would just make quickly about services trade is that we actually need more rules. Like, for example, in movie making a lot of countries subsidize movie making or TV exports and so on and we don't have any protections against subsidies in the service sector trade as we do in manufacturing and so that's an area where the trade laws could actually be improved to do a better job protecting that trade. But I don't think that undermines our argument in the least bit.

John Donovan:

James. Last word for you.

James Manyika:

I was going to add one -- Jared keeps citing this careful study. I think he's referring to the work that David Autor and David Dorn [spelled phonetically] did.

01:01:01

I'm struck by a particular quote that I've just found I'm going to read to you by David Autor. He says, "Over time automations had a far bigger effect than globalization and would have eventually eliminated those jobs anyway in the long run." So, I think as we think about the particular impacts I think we underestimate the impact of automation in particular, especially since we care about the American working class. Let's look ahead a bit. What's automation and technology going to do to the work force over the next decade or two?

Thea Lee:

We're not debating that today.

James Manyika:

Yeah, but we're having -- but it's important because if we're going to fix things if we care about the American working class, let's focus on the big problems and the big questions. The structure of how our corporations work. The structure of how we treat our workers. The way in which technology is going to have an impact.

Jared Bernstein:

If I could quickly --

James Manyika:

That's where we should spend time.

Jared Bernstein:

So, that's a good David Auter quote. Let me quote myself.

[laughter]

I said, "Teasing apart the factors is much harder than economists make it sound."

01:02:01

Thea and I do not disagree that automation and technology are in the mix and we're not arguing that they don't undermine the working class as well, although I think it's much less visibly understandable to workers themselves who recognize that when the factory went to Mexico they, their family, and their community were worse off. And I haven't heard any argument from the other side that contradicts that.

John Donvan:

We're going to have to save that for closing rounds because that concludes round two of this Intelligence Squared U.S. debate where our motion is Globalization has Undermined America's Working Class.

[applause]

And now we move on to our closing round. It is very brief. It's closing statements by each debater in turn. Those statements will be two minutes each. And here to make her closing statement in support of the motion is Thea Lee.

Thea Lee:

Thank you all for being here tonight, and thanks so much to my awesome partner Jared, and to James and Jason for their eloquent arguments. In the 2016 election, Donald Trump surfaced a real issue that resonated with a lot of voters who had felt abandoned by the elite of both political parties -- and unheard.

01:03:07

Jared, and I, and a broad coalition of environmental, and consumer, and social justice advocates had been [unintelligible] this issue for many decades, but not always breaking through the elite shell around this issue. And even though Donald Trump was an unlikely flag-bearer for this issue -- he's an outsourcing billionaire -- he sounded angry and he sounded sincere. But in the end, President Trump's actual trade policy has been ham-handed, erratic, and inconsistently messaged. He has alienated key trading partners rather than coordinating an effective, coherent, long-term global strategy with them. His trade and immigration agenda is encased in

a toxic sludge of racism and xenophobia. And his domestic policies demonstrate beyond a shadow of a doubt that he doesn't give a fig about American workers.

01:04:04

[applause]

He's looking for red meat and an applause line, but it's important for us to be honest tonight. He filled a vacuum. And I think we might not be here tonight on the Aspen stage if Hillary Clinton had won the election instead. But this gives us an opportunity to recognize that our trade policy has utterly failed the American working class for many decades. We need to build an alternative vision and policy from the bottom up, true to our American principles and values, and we need domestic policies -- like full employment, stronger unions, labor protections, and investment in infrastructure and skills, and a tax code that will support that kind of investment. We can't get to that new policy until we're honest about the failure of the old one.

01:05:00

So, please join me. Vote "Yes." Globalization has failed the American working class. Thank you so much.

[applause]

John Donovan:

Thank you, Thea Lee. Thea Lee, president of the Economic Policy Institute. Our resolution, again -- Globalization Has Undermined America's Working Class. Here making his closing statement against the motion, Jason Furman, professor at the Harvard Kennedy School, former chairman of the Council of Economic Advisors under President Obama.

Jason Furman:

The United States is not the only country that's experienced globalization. 50 percent of Denmark's economy is tradeable [spelled phonetically]. 40 percent of Sweden's. And they have very high levels of unionization, low levels of inequality, great support for workers. What we've talked about in the course of this debate is the failure of American domestic economic policy, not the failure of trade. You can trade a lot -- and you're going to be better off.

01:06:00

If we had had less globalization, we would have been even worse off, because what globalization gave us was those better jobs, better jobs that outnumbered the number of jobs that were lost, according to the most careful research. They gave us those lower prices. They put power in the hands of the large majority who benefit, rather than the small connected set of lobbyists who use their power to get tariffs for their favorite industries. I agree that Donald Trump tapped into a lot of things in America. He tapped into it by blaming foreigners for our

problems, by blaming immigrants for our crime here in America, by demonizing others, when the problems are actually our own and our own economic policies. And I want to end by talking about one person that voted for Donald Trump, a guy named Mike Lang [spelled phonetically] from a small town in Pennsylvania -- Farrell [spelled phonetically], Pennsylvania -- who works in the steel industry.

01:07:00

And he believed that Donald Trump would bring back steel jobs. Then Donald Trump put tariffs on steel. What happened to Mike Lang? He's about to lose his job because his company is owned by a foreign steel company -- one of those investors in the United States. They rely on semi-finished imported steel that then they roll up and sell to Caterpillar and Harley Davidson. He's the consummate beneficiary of globalization -- foreign investment, selling onto others, who are in turn exporting. He now says he never would've voted for Trump if he had known that Trump was going to destroy his job in steel, not to mention all the jobs that reducing globalization is going to be destroying at Caterpillar, Harley Davidson, and the other millions of workers who depend on imports.

John Donvan:

Jason Furman, I'm sorry. I'm sorry. Your time is up. Thank you very much, Jason Furman.

[applause]

The resolution again, Globalization has Undermined America's Working Class. Here making his closing statement in support of the motion, Jared Bernstein, senior fellow at the Center on Budget and Policy Priorities, former chief economist to Vice President Joe Biden.

01:08:06

Jared Bernstein:

I've really enjoyed the debate tonight. I'm sorry, again. And I think that the opposition, you know, made some really good points and a lot of what Jason just said resonated with me except for the disconnect between what goes on in this country and what goes on in Denmark or Scandinavia. There is no question in my mind that we have the potential in this country for a globalization that is beneficial to the working class, but there's also no question in my mind that globalization the way its implemented in this country has been extremely damaging for the working class and if our opponents are arguing that the globalization has not undermined the middle class in Denmark then I'm going to move over and sit with them because they're right about that. But we're talking about this country and I've been having these arguments for decades trying to elevate the damage that trade has done to the middle class.

01:09:07

Now, it's not the only factor that's hurt the middle class but it's certainly a highly visible one. When I talk about the manufacturing wage as stagnating for 40 years in real terms, building in the price effects from trade, I'm talking about a sector that is very much exposed to global competition. The idea -- when I was in the White House we used to have this argument all the time and I was always -- I'm very much reminded of those -- brought back to those days. I remember coming out of a meeting once with Vice President Biden when we were arguing for much of what you've heard tonight and, you know, there was me and about 14 other people on the other side and Biden hung his head when we got back to his office and he said, "That's one of the things I hate about Washington."

01:10:00

And I think what he's saying is that there's people in these debates who are in such denial about trade's downsides that they can't see what's under their nose to the extent that they're willing to even recognize the negative trends they talk about the inevitable costs of free trade and transition. Vote for us to support the motion so that we can end this denial about the downsides of globalization and work our way towards a trade policy that lifts our middle class, not hurts them.

John Donovan:

Thank you, Jared Bernstein.

[applause]

That resolution again, Globalization has Undermined America's Working Class. Here making his closing against the motion James Manyika, chairman and director of the McKenzie [spelled phonetically] Global Institute.

James Manyika:

Well, thank you. This has been wonderful discussion and debate. I think we've established a few things. I think we've established that both sides we all care about what's happening to the American working class and we're not happy with what's happened over the last 20, 30 years. I think we can all agree on that.

01:11:00

I think we can also all agree that, you know, the motion was not about whether the way America's implemented NAFTA or a particular trade agreement was done right or not, that was not the motion. The motion is -- was globalization has it undermined the working class or not. It's been happening for a very long time, even before NAFTA. So, I think we are asking -- we're debating the principle of globalization, the idea of globalization, not how we implement it. I think the reason why this is important also to be very clear about what the reasons are that have undermined the American worker is because I -- at least the American working class. I care about when I look to the future. So, let's look to the future for a second. If we look to the

future much of the economic growth in the world is going to happen elsewhere. If you look at the sheer number of people in the world who are now in the consuming class who are going to be consuming products and services they're not in the United States. The vast majority of them are elsewhere. Do we really want to close ourselves off from those opportunities for our workers?

01:12:05

I'm not sure we do. Second, if you think about if ever there was a time for the United States to be looking out into the world and engaging with the world is now. The power of technology is interesting. Technology is changing the role that, you know, we play in our [unintelligible] 3-D printing, innovation, the use of digitization and so forth, that in fact in many cases are to bring many of those jobs back here. We would not want to take advantage of those opportunities and look forward and encourage American innovation to engage the rest of the world and drive economic growth. I'm not quite sure we want to do that. So, I think what we should be talking about is, how do we address the issues that are affecting the working class and fix the problems that we found in how we've implemented globalization, as opposed to turning the clock back? Many of the barriers we're putting up at this moment seem to be turning the clock back, and I think that's a mistake. So, if you agree with the future outlook of what the world looks like, what opportunities look like, and what we need to fix, I would argue you should vote with us, and to turn down the motion that's been put on the table. Thank you.

01:13:07

John Donovan:
Thank you. James Manyika.

[applause]

And that concludes Round 3 of this Intelligence Squared U.S. debate. The first thing I want to say is, as I said at the beginning, our goal is to raise the level of public discourse by putting on, essentially, a competition -- a contest in which that friction and energy gets you to actually listen to both sides. But guess what happens when that's happening? You're listening to both sides. But we also want to do it in a way that is civil, and respectful, and full of fact, and full of data, and full of logic. And these four debaters came that way and argued with each other. You showed so much respect for each other. This was so civil. This is such, actually, a sensitive topic. And the way you did it, I just want to congratulate you for the way that you've conducted it.

[applause]

I also want to say something else, and we're saying this with heavy hearts. We're going to dedicate this debate to a long-time supporter of Intelligence Squared, our friend Richard Eldon [spelled phonetically].

01:14:01

He was a friend of Intelligence Squared, and inside Intelligence Squared, he had friends. Richard loved journalism. He loved the media. He supported organizations that protect journalists out in the world. As a journalist, I value that enormously. So, it is with great respect and honor -- and then sharing our thoughts with his family -- that we dedicate this debate to Richard Eldon. Thank you for that.

[applause]

The other thing I want to do as we're waiting for the results -- I'd just like -- you know, the two of you have been in rhetorical combat here. But there have been a number of times, particularly even in your closing, Jared, where you said you kind of were persuaded by things the other side said. I just want to -- without creating an overly kumbaya moment about this --

[laughter]

-- I do want to get a sense of whether you heard things from you opponents -- I'll start with you, James -- you've heard things from the other side where you said, "Yeah, I agree with that, and maybe I would even reconsider on that." So, why don't you start on that one?

James Manyika:

Well, I think Thea was particularly very persuasive about the rules that we put in place and just how broken they are.

01:15:02

John Donovan:

[affirmative]

James Manyika:

They really have been. I think the way we've done many of these agreements has not been helpful. So, I think that's one of the things we have to fix, about how we do this rule making -- how we set these rules. So, that's very persuasive.

John Donovan:

That got through to you?

James Manyika:

Yeah.

John Donovan:

How about you, Thea?

Thea Lee:

Well, I would agree with something I think both James and Jason said at different times -- that this is partly a failure of our domestic policy as well as our trade policy. But my argument is those things are connected to each other. But I agree with you; we've made choices. The United States has made choices that have undermined American workers. But some of those, I would argue, are really part of the same discussion, around bad choices around globalization policy and bad choices that similarly undermine workers in domestic policy as well.

John Donovan:

So, there really is more common ground here --

Jared Bernstein:

Yeah.

John Donovan:

-- than meets the eye, when you set up a dividing line. How about you, Jason?

Jason Furman:

Well, I don't -- everyone has been so nice that I don't want to be really rude and tell you the truth. I learned zero from Jared and Thea --

[laughter]

-- tonight.

01:16:00

But I've learned an enormous amount from Jared and Thea over the last 15 years of talking to them, reading from them, and you know, one thing I learned which we unfortunately didn't get into the weeds of at all tonight is, you know, I think our trade agreements, the way we negotiate them, is a mixed bag. There are stronger intellectual property protections for pharmaceuticals, for example, that we included. I think it was the price of passage. I think it is a small issue compared to the trade agreements as a whole. But it's a minus, just like I look at the Affordable Care Act and there were things in that I didn't like that were there because of lobbyists, but overall, I support it.

John Donovan:

You --

Jason Furman:

I think some things like intellectual property protections, maybe investor state dispute settlement, they haven't fully convinced me, but they've made me think about it, but some of those details of the agreements both where we get them wrong and where we get them better.

John Donovan:

Okay. I mean, you've kept it from being kumbaya, so thank you very much.

[laughter]

How about you, Jared?

Jared Bernstein:

Well, we've been arguing about this for such a long time, Jason and I, and that again, you know, nothing too much new but I thought that there was a commonality between the two sides that was very important, which was that it's not about -- it's not just about globalization.

01:17:15

It's about how globalization is implemented. We have a good robust argument. We think it's implemented badly here. I think the other side is sort of yeah, maybe, to some extent, but there's also, you know, an upside to it. But, the context within which technology, globalization, anything you want to think of takes place is so essential to economic outcomes and I think both sides underscored that.

John Donovan:

All right. Well, I have the final results. We have had you vote twice here in Aspen at the Aspen Ideas Festival in partnership with Intelligence Squared on this resolution, Globalization has Undermined America's Working Class. Again, the way we determine victory it goes to the team who's numbers move up the most between the first and the second vote. Let's look at the first vote. In the first vote on Globalization has Undermined America's Working Class, 36 percent agreed, 45 percent were against, 19 percent were undecided.

01:18:06

Those are the first results. Let's look at the second vote. In the second vote the team arguing for the motion Globalization has Undermined America's Working Class, first vote 36 percent, second vote 32 percent. They lost 4 percentage points. The team against the motion, their first vote was 45 percent, their second vote 61 percent. They pulled up 16 percentage points. Victory goes to the team arguing against the motion, Globalization has Undermined America's Working Class.

[applause]

Thank you from me, John Donovan, and Intelligence Squared U.S. We'll see you next time.

[end of transcript]

This is a rough transcript. Please excuse any errors.