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## CAPITAL

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## Globalization Study Moves Past Rhetoric

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Most of the policy briefs, working papers and trade-association reports that cross a columnist's desk slide easily into the trash can or onto the read-someday pile.

But a recent study on globalization, commissioned by the Financial Services Forum, an association of the chief executives of 20 huge financial companies, ranging from American International Group and Citigroup to UBS and Wachovia, stands out.

(1) Globalization is good for the U.S. economy. (No surprise coming from a bunch of financial firms that make money doing business across borders.)

(2) Gains from globalization aren't evenly shared. (A little surprising, but in the past couple of years, there has been a willingness among business to publicly acknowledge that economic reality.)

(3) To avoid a backlash against globalization, governments and businesses must come up with new ways to spread its benefits more widely and assist those hurt by all sorts of economic change. (Very surprising, more like a Democratic candidate's talking points than a report issued and promoted by an outfit led by Citigroup Chief Executive Charles Prince and Don Evans, the former Bush commerce secretary.)

What's Going On? Business interests with a strong stake in globalization -- international operations account for nearly half Citigroup's second-quarter profit -- see rising public anxiety about globalization as a threat. And they realize that preaching the gospel of comparative advantage isn't going to win the debate.

"The mounting opposition is in response to the other side of globalization -- outsourcing of jobs, economic dislocation, anxiety and fear," the forum said in an internal planning document early this year. "Making the case for trade and globalization requires...a list of specific, meaningful, practical, cost-efficient, and effective public- and private-sector responses to the reality that while the aggregate benefits of free trade and globalization are tremendous, it can sometimes bring with it painful dislocations for individuals, families, towns, regions, even entire industries."

Much of the globalization debate is unproductive. Gene Sperling, a globalization-friendly former Clinton aide, likens it to divorce court. "It is two sides simply marshaling every bit of evidence they can against the other, with no nuance, no willingness to look at cost and benefit."

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## “Globalization Study Moves Past Rhetoric” *(continued)*

Some business executives, prodded by politicians such as House Ways and Means Chairman Charles Rangel, finally are realizing that trade-friendly Democrats will be overwhelmed by trade skeptics unless there is something tangible to offer workers worried about their livelihoods and their children's. A new Pew Global Attitudes survey finds Americans generally optimistic about the next five years, but only 31% expect their children's lives will be better than their own; Europeans are even more pessimistic. By contrast, 81% of the Chinese expect their children to do better.

The Financial Services Forum report is, in part, a response to that. The specifics are intriguing -- not because they are the best solutions, but because they move beyond inadequate approaches such as making the failing Trade Adjustment Assistance program for dislocated workers a tad more generous.

Among the Proposals: Raise taxes on winners to share benefits of globalization more widely. Replace TAA and unemployment insurance with a big new program for displaced workers that offers wage insurance to ease the pain of taking a lower-paying job. Provide for portable health insurance and retraining. Create a way for communities to ensure their tax base against big factory closures. Eliminate tax hurdles for businesses that do what International Business Machines is proposing: Offer 50 cents for every \$1 (up to \$1,000 a year) that workers set aside to pay for training.

"The greatest risk to our economy is disengaging from the world economy," says Grant Aldonas of the Center for Strategic and International Studies think tank, one of the report's three authors. "The nature of the conversation has to change for us to succeed. We are renegotiating the social contract in America, but we're letting it be done by the United Auto Workers and Delphi, and leaving a lot of others out -- including the poor and the businesses on the leading edge."

Mr. Aldonas and his co-authors, Dartmouth's Matthew Slaughter and Harvard's Robert Lawrence, argue that public policy can spread the benefits of globalization more widely. They say the U.S. need not accept as inevitable the steady widening of the gap between economic winners and losers, an inequality that threatens to produce barriers to trade, investment and immigration that will hurt U.S. prosperity.

The forum is hawking the analysis to Democrats and Republicans. Merrill Lynch bought an ad promoting it in a Capitol Hill newspaper. Now the question is whether business will go beyond talk. As C. Fred Bergsten, head of the Peterson Institute for International Economics think tank puts it: "They haven't gone to the mat and talked to Charlie Rangel and Democrats who are wavering, if not worse, and said, 'We want to support a meaningful program of wage insurance, and we'll be willing to give up some of our beloved tax breaks to pay for it.'"

One troubling sign: Although forum chief executives issued statements blessing the new report, not one has been willing to talk to a Wall Street Journal reporter about it.