BUT KENNEDY’S terminal brain cancer seems to have changed everything. If Hatch’s deep-abiding affection for Kennedy has plunged him into the most ambitious legislative deals of his career, the prospect that universal health care will be Kennedy’s last defining act in Congress has pushed Hatch into the fray with a far more urgent zeal. Hatch has now become actively involved in the initial deliberations—despite his recent friction with Democratic legislators. “I resented the way [the Democrats] modified CHIP ... but, as important as CHIP is, this is even more important,” Hatch told me. “I’m prepared to work on a final bill right now.” To the relief of Democratic policymakers, Hatch has not only put aside his anger about CHIP, but also suggested that he wants to take a central role in crafting a grand compromise, setting his sights on achieving “seventy-five or eighty votes” in the Senate. And he’s doing it all for Teddy: These days, when Hatch confers with his colleagues, Kennedy’s name has become something of a mantra. “The one thing that comes to mind is how many times [Hatch] talks with great affection about Senator Kennedy,” says Senator Ron Wyden. “He very much wants to make this journey to health care reform and still faces opponents in many quarters. Several economists and business groups deplore its promotion of a “card check” system, which would enable a simple majority of workers to sign up for a union and so avoid the subsequent holding of a secret-ballot election (under Section 2 of the act). These opponents deride the use of the phrase “free choice” in legislation that they see as denigrating it. And it is, indeed, hard to defend the denial of an automatic secret ballot.

But while these issues will doubtless be debated, and the actual legislation will go through the usual legislative mauling and modification, the current debate misses the essential reason why EFCA makes sense, a reason that has led a stout defender of free trade such as myself to endorse it. The proposal is an appropriate and free-trade-compatible approach to dealing with the overriding problem we face: the longstanding stagnation of workers’ real wages. There are two ways of understanding the stagnation of workers’ wages in the United States. (This problem is distinct from the separate issues of “relative” inequality within the wage structure, which has reflected a high and rising “skill premium” for skilled workers; and the more drastic inequality between the incomes of the wealthy and everyone else.) One view, long embraced by the AFL-CIO and now imposed by them on the Democrats elected to the new Congress, is that the stagnation of our workers’ wages is to be attributed to our trade with poor countries. In short, the idea is that trade with poor countries produces paupers in rich countries.

This fear of trade with poor countries is wrong in its premises. There is, currently, no compelling evidence that such trade is driving our real wages down. This is the conclusion reached by several empirical analysts, including Robert Feenstra, who heads the international trade program at the prestigious and non-ideological National Bureau of Economic Research. If anything, my early work, developed further in my book In Defense of Globalization, as well as the recent findings of Harvard’s Robert Lawrence, argues the opposite: The downward pressure on wages from other domestic factors such as acute and continuous technical change has been moderated by trade with the poor countries.

But the consequence of the AFL-CIO’s mistaken fear is that the federation has pushed actively for the strategy of moderating competition from poor countries, specifically by insisting that their labor standards should be the same as ours. It’s a strategy we economists call “export protectionism”—reducing trade by asking the exporting countries to take actions that would restrain their exports. This strategy has worked politically with liberals in the United States because it enables the unions to present and press their demands, which in fact issue from self-interest, as being prompted by altruism and sympathy for foreign workers instead. But developing countries recognize this disguised protectionism; Brazil and India, both democracies with robust labor unions, have rejected the insertion of labor standards into trade treaties. Whereas the AFL-CIO explanation of wage stagnation essentially externalizes the issue, scapegoating poorer countries as the cause of our problems, a rival explanation favored by the Service Employees International Union (SEIU)—which, led by Andy Stern, split from the AFL-CIO in 2005 and created a new labor coalition, taking 40 percent of the membership with it—has been to focus instead on a domestic institutional explanation for the stagnation. Some domestic factors putting a downward pressure on wages are obvious, like labor-saving technical changes apparent to the naked eye. Semi-skilled secretaries have been replaced by personal computers; assembly lines still

Suzy Khimm

**Check It**

Union-loving free traders unite!

THE PROPOSED EMPLOYEE FREE CHOICE ACT (EFCA), which passed the House on March 1, 2007, but was blocked by a Republican filibuster in the Senate, has now been reintroduced and still faces opponents in many quarters. Several economists and business groups deplore its promotion of a “card check” system, which would enable a simple majority of workers to sign up for a union and so avoid the subsequent holding of a secret-ballot election (under Section 2 of the act). These opponents deride the use of the phrase “free choice” in legislation that they see as denigrating it. And it is, indeed, hard to defend the denial of an automatic secret ballot.

For his credibility—and the credibility of those Republicans working with him. With Hatch’s reputation as a conservative intact, “Grassley has cover—he’s not out there by himself doing health reform,” says the Democratic Hill staffer. While it won’t be enough to sway his most re-actionary colleagues, Hatch could bring along a critical margin of Republican support in a legislative fight that might come down to a handful of Senate votes.

It’s a particularly senatorial way to pay tribute to a dying friend. And this could be Hatch’s last chance to do so, since he may himself be leaving the Senate after his current term ends, depending on his own health. Just enough time for one last serenade.

ANTONY BUDRO
This camp points out that union membership in the United States has fallen, from 23.3 percent of the labor force in 1983 to 14.3 percent in 2003, and fallen by half in the private sector over a longer period, to as low as 9 percent; that these drops are largely attributable to the legislated obstacles to union organization; and, finally, that falling membership has put a lid on the ability to raise wages.

The ability to organize has been affected, for instance, by the Taft-Hartley legislation more than half a century ago, which has handicapped the ability to strike by making it easier to hire replacement workers and making it more difficult to stage sympathetic strikes. A union without effective ability to strike is a paper tiger. Legislative changes that would facilitate increased membership of the unions therefore have a claim on our attention.

There is much evidence that increased membership helps raise wages. True, much of the empirical work by Harvard’s Richard Freeman and other labor economists shows that unions manage to reduce the ratio of top wages to the bottom wages. But there is some evidence that this is done not just by reducing the highest wages but also by increasing the lowest wages. Increased membership also increases the political clout of the unions and, in turn, leads to support for raising the minimum wage, which liberal labor economists are convinced helps the lowest wages overall (though this issue does remain a source of animated controversy among liberal and conservative labor economists).

What is indisputable, however, is that the AFL-CIO explanation of the problem of stagnant wages commands little scientific support, and its proposed solution leads to protectionism. By contrast, the rival explanation, led at the time of the split of the AFL-CIO membership by SEIU, has substantial scientific support and leads to domestic institutional reform, however imperfectly embodied in the Employee Free Choice Act, so recently and publicly supported by dozens of economists, including myself, in The Washington Post. The choice for President Obama, as he seeks to seize the Roosevelt moment, seems clear.

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