The Price of Nostalgia

America's Self-Defeating Economic Retreat

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A new consensus has emerged in American politics: that the United States has recklessly pursued international economic openness at the expense of workers and the result has been economic inequality, social pain, and political strife. Both Democrats and Republicans are now advocating “a trade policy for the middle class.” In practice, this seems to mean tariffs and “Buy American” programs aimed at saving jobs from unfair foreign competition.

Any presidency that cares about the survival of American democracy, let alone social justice, must assess its economic policies in terms of overcoming populism. The protectionist instinct rests on a syllogism: the populist anger that elected President Donald Trump was largely the product of economic displacement, economic displacement is largely the product of a laissez-faire approach to global competition, and therefore the best way to capture the support of populist voters is to firmly stand up against unfettered global competition. This syllogism is embraced by many Democrats, who are determined to recapture an industrial working-class base, and many Republicans, who use it as evidence that the government has sold out American workers in the heartland. For politicians of any stripe, playing to districts where deindustrialization has taken place seems to offer a sure path to election.

Every step of this syllogism, however, is wrong. Populist anger is the result not of economic anxiety but of perceived declines in relative status. The U.S. government has not been pursuing openness and integration over the last two decades. To the contrary, it has increasingly insulated the economy from foreign competition, while the rest of the world has continued to open up and integrate. Protecting manufacturing jobs benefits only a small percentage of the workforce, while imposing substantial costs on the rest. Nor will there be any political payoff from trying to do so: after all, even as the United States has stepped back from global commerce, anger and extremism have mounted.

In reality, the path to justice and political stability is also the path to prosperity. What the U.S. economy needs now is greater exposure to pressure from abroad, not protectionist barriers or attempts to rescue specific industries in specific places. Instead of demonizing the changes brought about by international competition, the U.S. government needs to enact domestic policies that credibly enable workers to believe in a future that is not tied to their local employment prospects. The safety net should be broader and apply to people regardless of whether they have a job and no matter where they live. Internationally, Washington should enter into agreements that increase competition in the United States and raise taxation, labor, and environmental standards. It is the self-deluding withdrawal from the international economy over the last 20 years that has failed American workers, not globalization itself.

GLOBALIZATION UNDONE

Contrary to popular belief, the United States has, on balance, been withdrawing from the international economy for the past two decades. For all the claims that globalization is the source of the country's political woes, the reality is the opposite: tensions have risen as international competition has fallen. In fact, the country suffers from greater economic inequality and political extremism than most other high-income democracies—countries that have generally increased their global economic exposure. That is not to say that competition from China and other countries has had no effect on U.S. workers. What it does say, however, is that the effect has occurred even as the U.S. government has swum against the tide of globalization, suggesting that more protectionism is not the answer.

Global trade has been growing for decades as countries have opened up their economies. As a share of global GDP, total imports plus total exports rose from 39 percent in 1990 to 61 percent in 2008. Trade then fell sharply as a result of the global financial crisis, but it crept upward afterward, nearing its pre-meltdown level in 2019. The United States has bucked this trend, however. Its trade-to-GDP ratio has risen more slowly than that of other countries—growing from 20 percent in 1990 to 30 percent in 2008—all the while staying well below the global average. It fell at the same rate as the world at large's during the financial crisis, but it has yet to recover. Of course, as a country that has a large, advanced, and diverse economy and is separated by oceans from much of the rest of the world, it is only natural that the United States has a lower trade share than the average economy. There is no fundamental reason, however, for it not to be opening up at roughly the same rate as the rest of the world—especially considering that the entry of China, India, eastern Europe, and parts of Latin America into global markets ran its course long ago.

These trends run counter to the oft-told story that American workers suffered gravely after China joined the World Trade Organization. After much debate, economists have agreed on an upper-bound estimate of the number of U.S. manufacturing jobs that were lost as a result of Chinese competition after 1999: two million, at most, out of a workforce of 150 million. In other words, from 2000 to 2015, the China shock was responsible for displacing roughly 130,000 workers a year. That amounts to a sliver of the average churn in the U.S. labor market, where about 60 million job separations typically take place each year. Although approximately a third of those total job separations are voluntary in an average year, and others are due to individual circumstances, at least 20 million a year are due to business closures, restructurings, or employers moving locations. Think of the flight of jobs from inner cities or the displacement of secretarial and office workers due to technology—losses that, for the workers affected, are no different in terms of local impact and finality than the manufacturing job losses resulting from foreign competition. In other words, for each manufacturing job lost to Chinese competition, there were roughly 150 jobs lost to similar-feeling shocks in other industries. But these displaced workers got less than a hundredth of the public mourning.

An American who loses his job to Chinese competition is no more or less deserving of support than one who loses his job to automation or the relocation of a plant to another state. Many jobs are unsteady. The disproportionate outcry about the effect of Chinese trade ignores the experiences of the many more lower-wage workers who experience ongoing churn, and it forgets the way that previous generations of workers were able to adapt when they lost their jobs to foreign competition. Why the outsize political attention? It may have to do with the fact that the China-shocked workers are predominantly white and live in exurban areas or small towns, fitting a nostalgic image of men doing heavy work on big stuff in the heartland.

The U.S. withdrawal from the international economy has failed American workers.

Concern for such workers has been highly successful in preventing new free-trade agreements. Since 2000, the U.S. government has brought into force deals with a number of extremely small economies, primarily for foreign policy, rather than economic, reasons—with Bahrain and Jordan in the Middle East and with Colombia, Panama, Peru, and a group of Central American states in Latin America. Cumulatively, these have had essentially no impact on the openness of the U.S. economy. In the last 20 years, only the 2012 U.S.-Korea Free Trade Agreement, a deal with South Korea, has required any measurable liberalization, and even it included greater protections for U.S. manufacturers of light trucks. A U.S.-Japanese agreement concluded in 2019 was so limited that it required no congressional approval. The Trans-Pacific Partnership (TPP) would have significantly opened the United States up, but it was rejected by Trump on the third day of his administration, to the cheers of many Democrats. The U.S.-Mexico-Canada Agreement put up more protections for U.S. auto production than its predecessor, the North American Free Trade Agreement.

The rest of the world has been moving in the opposite direction. The EU has added 13 new member states since 2000, thereby achieving the deepest economic integration anywhere, including the largely free movement of labor. It has also matched the United States in concluding comparable trade deals with Japan and South Korea and has struck additional agreements with Canada, Singapore, and Vietnam. Japan has not only joined the TPP's successor but also opened up its economy to China and South Korea by joining the Regional Comprehensive Economic Partnership. Australia, New Zealand, and Singapore have also signed on to both deals. The only high-income democracy to retreat from trade more than the United States is the United Kingdom, whose exit from the EU has gone about as badly as most economists predicted. But even it promptly sought to join the TPP's successor.

The U.S. economy has retreated from global economic integration in another way, too: by discouraging foreign companies from building new plants, offices, research facilities, or outlets in the United States. "Greenfield investment," as this type of activity is known, is much more desirable than corporate takeovers, mergers, or the cross-border sale of businesses—forms of foreign investment that may entail only a change of ownership, without creating any new jobs. In fact, foreign greenfield investment is generally associated with increases in higher-paying jobs and R & D spending. But since 2000, the inflow of greenfield investment to the United States has been trending down sharply, from $13 billion annually in 2000 to $4 billion annually in 2019. Blame goes to a succession of nationalist policies that have increased the threat of arbitrary restrictions on technology transfers and foreign ownership.

Immigration tells the same story of U.S. disengagement from the global economy. The trend started well before Trump took office. Net immigration to the United States has been declining since the 1990s. In that decade, the U.S. immigrant population (including undocumented people) was growing at 4.6 percent annually; in the next decade, it grew at

2.5 percent annually; and in the decade after that, it grew at 1.3 percent annually. Some of the decline is owing to weaker "push" factors, such as the diminished incentive for Mexicans to head north as wages in Mexico have increased, and some of it is the result of weaker "pull" factors, such as the growth of anti-immigrant sentiment in the United States. Whatever the reason, the fact is that the U.S. labor market has been increasingly insulated from the arrival of foreign workers.

The trends tell a clear story about the United States over the past two decades: even as trade barriers have accumulated and immigration has more than halved, inequality and nativism have risen. Washington has given the angry, mostly white and male swing voters much of what they wanted on the international front, and they are still angry. Meanwhile, the lot of the United States' lower-wage service workers—predominantly female and disproportionately nonwhite—has worsened.

THE MANUFACTURING OBSESSION

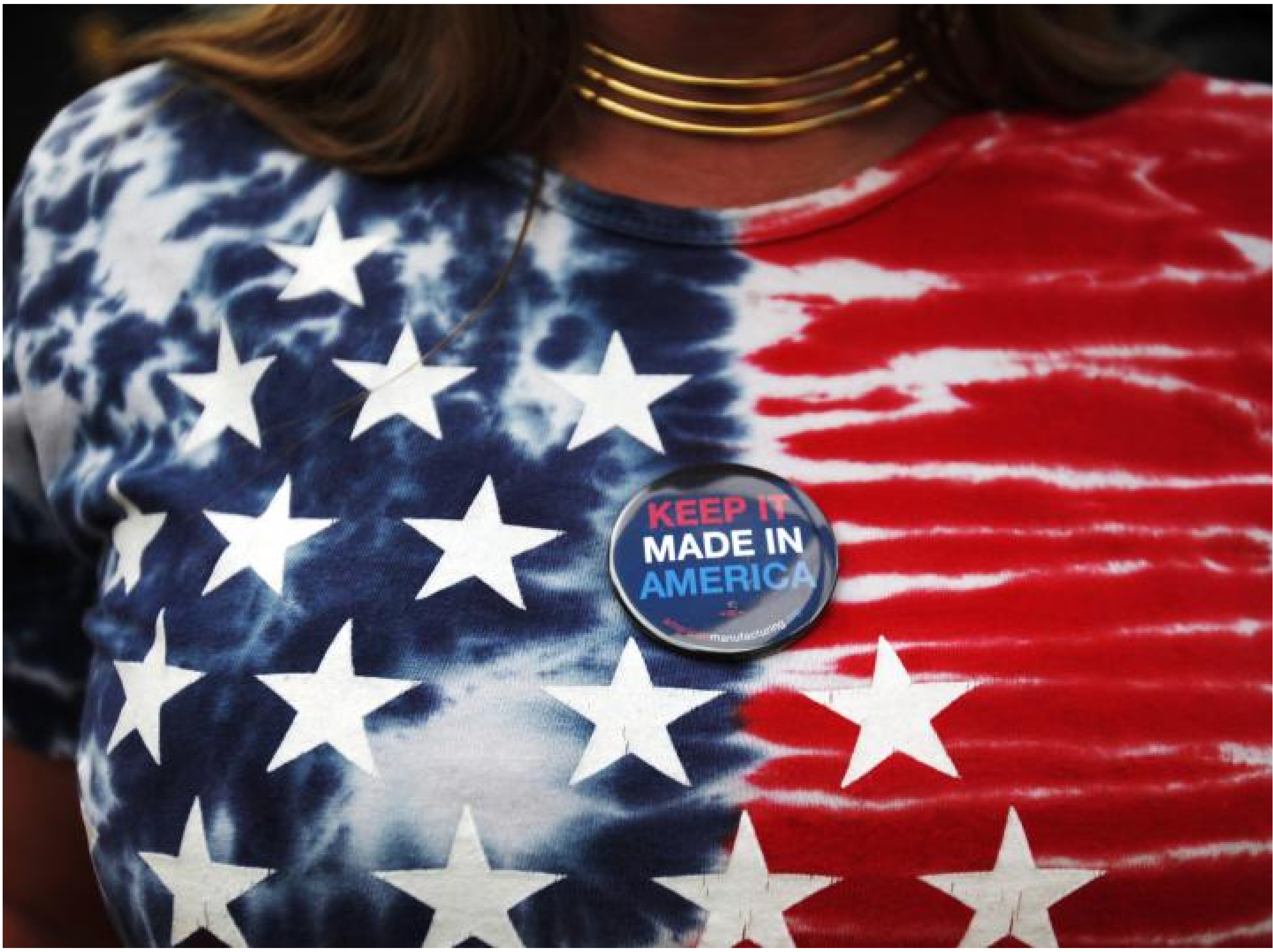
Nostalgia is not a good look for a progressive agenda. That is just as true for economic policy as it is for social policy; nostalgia privileges a status quo that locks in incumbents' advantages and ignores the difficulties that many people are already suffering. Politicians' sentimental obsession with "good jobs" in manufacturing is doomed to fail politically as well as economically, while failing to address long-standing injustices.

For more than 50 years, ever since German and Japanese exports began seriously competing with U.S. goods, pundits and politicians have bemoaned the decline of American manufacturing. If only the government supported American producers, the argument went, they could stave off competition from the Germans and the Japanese, then the Mexicans and the South Koreans, and now the Chinese. The notion that elites betrayed the common man has echoes in the stabbed-in-the-back myths that recur in nationalist politics. It is just as misguided.

Germany and Japan have indeed run manufacturing trade and overall trade surpluses for decades, and yet over the past 40 years, their manufacturing workforces have also shrunk as a share of their total workforces, and at about the same rate as the United States' has. In fact, manufacturing employment has been falling sharply in all high-income economies, irrespective of their trade balances. It is true that the share of manufacturing in total employment remains higher in some of these countries than it is in the United States, but even in the top manufacturing countries, the current share is below 19 percent. (The last time the share in the United States stood at 19 percent was in 1982; today, it is around ten percent.) In China, the share peaked at 30 percent in 2012 and has been falling ever since—even though the country boasts the world's most extensive subsidies and government protections for manufacturing.

Only about 16 percent of non-college-educated Americans work in manufacturing. What about the remainder, who are not blessed with those "good" manufacturing jobs? This is not an idle question. Even after assuming a massive change in government priorities, it is completely unrealistic to think that a country can raise the share of employment in manufacturing by more than a small fraction; no country has ever done so after becoming a developed economy. Sustainable growth in desired employment is not a matter of wishing. Nor is it costless to pursue more manufacturing jobs. Like any industry, manufacturing responds to incentives, and trade protectionism imposes substantial costs on manufacturers. These costs are passed on to those U.S. firms that pay more for tariffed inputs. As a result, these companies have a harder time competing against other producers or find their goods subject to retaliatory foreign tariffs, and so jobs are destroyed. The costs to American consumers from protectionism are substantial, as well. They particularly hit poorer households, which spend a larger portion of their income on affected goods such as cars, clothing, food, and housewares. As three economists who worked in the Obama White

House—Jason Furman, Katheryn Russ, and Jay Shambaugh—have put it, “tariffs function as a regressive tax that weighs most heavily on women and single parents.”



A labor activist in Lansing, Michigan, June 2009

Mark Blinch / Reuters

Protectionism distorts incentives in another way, too. Manufacturing companies that feel politically protected because they are “too big to fail” engage in moral hazard every bit as much as the banks did before the financial crisis, whether that takes the form of Volkswagen and other German automakers cheating on emission tests and poisoning the air or Boeing denying the design flaws in the 737 MAX airplane and causing crashes. As the U.S. auto industry proved in the 1970s, and as Chinese heavy industry is proving today, corporate political privilege destroys productivity, at a minimum, and usually the environment, too.

Moreover, the fetishization of manufacturing jobs is hardly a neutral policy. The image of men doing dangerous things to produce heavy stuff seems to resonate with nostalgic voters in a way that women providing human services does not. This is a fiercely gendered view: only 30 percent of manufacturing workers in the United States are women, and the overwhelming majority of manufacturing workers have always been men (even during the wartime days of Rosie the Riveter). When manufacturing contracted, the jobs hit first and hardest were the already less well-paid jobs in the garment industry, a higher proportion of which were held by women.

Manufacturing also favors white men over men of color. Black and Latino workers make up more than a third of the non-college-educated workforce, and so one would expect that they would have a higher share than the less than 25 percent of manufacturing jobs they do. Black and Latino workers are also paid less, on average, than white workers for the same jobs. Whatever the causes of these disparities, to favor manufacturing jobs is to favor white male workers—which is part of the reason the policy is so popular among this demographic.

Ultimately, the worst thing about holding up the ideal of “good jobs”—whether in factories, as coders, or in the trades—is that it distracts from the reality facing most lower-wage American workers. Many people, not just undocumented immigrants, effectively work in the informal sector, holding unstable jobs that offer limited protections and few guaranteed hours, let alone any prospects for advancement. It is unrealistic to make “good jobs” a central aspiration when they simply cannot be delivered for a significant minority of the population. It is wrong to focus on those who already have advantages rather than pursue economic policies that would also improve the lot of service-sector and part-time workers.

LOCATION, LOCATION, LOCATION

Overlapping with those who worry about trade dislocation are those who express concern for the communities hit hardest by it. The archetype is one of those towns in Ohio or Pennsylvania whose main manufacturing plant moves its work offshore, devastating the local economy that has been built around that employer. The suffering of less educated workers in such communities is real, profound, and mounting. Some of this suffering has been exacerbated by the opioid epidemic and by the lasting harm of combat faced by the significant number of military veterans and their families in these communities.

The natural instinct of any compassionate human being, let alone any responsive politician, is to try to fix this situation. Preventing job loss in the first place seems to be the way to do so, and when that cannot be done, what comes next are efforts to revive the hard-hit communities. Accordingly, much of the writing from policy wonks in recent years has called for plans to recognize the importance of local communities and build them back up. Elected officials, for their part, make a pilgrimage to these places of suffering to show their concern and empathy and then follow up with targeted government assistance.

The problem is that there are precious few examples of a government successfully reviving a community suffering from industrial decline. Geography is not destiny, but it is the embodiment of economic history in many ways, and accumulated history is difficult to overcome. Growing up near Boston in the 1970s, I remember my elementary school teaching me about the jobs lost in the textile mills of Lawrence and Lowell and the efforts to bring back those towns. To this day, the towns remain shells of their former selves—and that is in Massachusetts, a state with a generous mindset and senior representatives in Congress who can deliver federal funds. The same remains true for cities in the Midwest.

True, Pittsburgh has transitioned back to vitality, and Detroit is past the worst of its horrible economic and social lows, but the former had to experience a nearly complete turnover of industries and to some degree a turnover of population, and the latter is still a long way from full employment and prosperity. And those two cities are vastly outnumbered by the cities and towns that have not come back at all.

There is no reliable method of saving communities when they lose their dominant industry.

The international story is even more cautionary. In Germany and Italy, fiscal transfers to depressed regions—the former East Germany, the Italian South—went on for decades at a scale unseen in U.S. history, buttressed by EU funding. Yet cities and towns in the depressed regions of Germany and Italy have still not caught up with their more prosperous counterparts in terms of employment or per capita income. Japan, which has a political system that is built on the dominant party funneling pork-barrel projects to exurban districts, has also failed to revive its depressed regions. In fact, more and more Japanese have moved from smaller cities and the countryside to Tokyo, Osaka, and other megalopolises. In the United Kingdom, the miseries of northern England, which lost coal mines and shipyards, have been the focus of successive government efforts to “level up” that region to match the wealthy Southeast and London. Instead—just as in Germany, Italy, and Japan—the younger and more skilled have left for places of greater opportunity.

The picture is largely the same even in China. Its zones of prosperity along its eastern and southern coasts are a magnet for workers from the rest of the country. The lower-income northern and western interior has failed to catch up in income or employment. And this is in a country that has protected heavy industry on an unprecedented scale for years on end, has run substantial manufacturing trade surpluses, and has a government willing to restrict internal migration and locate industries by edict.

No one should be abandoned simply because of where they live, and no community deserves to decline. But governments should not lie to their citizens, either. There simply is no reliable method of saving local communities when they lose their dominant employer or industry, even with a massive amount of resources devoted to the effort. Any promises made to revive particular communities through government action are likely to lead to disappointment, frustration, and outright anger when they fail.

An abandoned manufacturing plant in Detroit, Michigan, April 2011

Eric Thayer / Reuters

Like fixating on manufacturing jobs, holding out the hope that workers can always find the same kind of work in the same place as the economy changes also requires willfully ignoring the reality for most lower-wage workers in the United States. It treats as normal and attainable the privilege of not having to change jobs or homes for economic reasons, a luxury that in recent decades has been enjoyed primarily by white workers living in rural or exurban areas. The creation of the Black middle class in the United States over the course of the twentieth century was in large part the product of massive migration out of the South. Latinos, too, are no strangers to moving across the country in pursuit of work and opportunity. (It is a small irony that almost all of those who wish to remain undisturbed are themselves the descendants of immigrants who traveled even further.) The suffering in the United States' rural areas and Rust Belt today should not be ignored, nor should one make light of the social ties that people moving out of those places would leave behind. But it is time to acknowledge the reality that movement is sometimes a necessity and often benefits lower-wage workers.

The dangers of the current attitude go further. Economists have found that in many parts of the United States, there is just one dominant employment option, or only a few. Just as having a monopoly over production gives companies the power to push up prices at households' expense, having a monopsony over local labor gives companies the power to push down wages—and they exercise it. Thus, government policies to prop up a local employer may enable that employer to exploit the workforce, and as studies have shown, minorities and women will be taken advantage of the most. The broader community can be exploited, too: companies that know their departure would ruin a town can also extract generous protections and subsidies from local governments, and in some cases a de facto exemption from environmental and safety regulations.

Even if place-based aid policies ever worked, now is not the time to ramp them up, when there are accumulating forces making them more likely to fail. Climate change will radically alter which parts of the country are viable for various industries and occupations: agricultural zones will shift, and carbon-intensive industries will shed jobs. Pandemics will likely be persistent and more frequent, perhaps changing patterns of schooling, transportation, and health care. The impact of technology is less certain. The surge in remote work, jump-started by the COVID-19 pandemic, may make it more possible for people in depressed cities to find employment. (The widespread acceptance of virtual meetings, meanwhile, has made it easier to sustain social ties at a distance, and so it may also make it easier for people to move for work.) Still, the rise of remote work is probably irrelevant for lower-wage and less educated workers: whether in services or manufacturing, their occupations for the most part require them to be in person to earn their pay.

PROTECTING PEOPLE, NOT JOBS

A government's duty to its people is to them as individual human beings. The state can help people and their families move to where there are jobs. It can subsidize faster transportation so that people can commute over longer distances feasibly. It can help people prepare for jobs in growing industries and match them with jobs, too. It can change zoning laws to encourage more affordable housing near where there is job growth. It can provide a safety net for those who are too old, too unwell, or just too anchored to move. It can copy the active labor-market policies of most European countries, putting in place government programs that enhance incentives to seek employment, improve job readiness, and help people find work.

Where U.S. economic policy has been too neoliberal is not on trade but on domestic issues. The government has worried too much that a stronger safety net might disincentivize people to find work, relied too much on finely tuned incentives and nudges as the mainstay of policies, and, as a result, done far too little to directly pay for individuals' health care, education and training, transportation, and childcare. It has failed to seriously enforce laws against tax evasion, environmental dumping, the underpayment of wages, and unsafe workplaces. The American Rescue Plan, passed by Congress in March, includes some measures in the right spirit, notably the expansion of the child tax credit, which is now universal for couples making less than $150,000 a year and for individuals making less than $75,000 a year. Too few of these provisions, however, are set to last beyond the recovery from the pandemic.

What is needed are universal benefits that protect individuals and families, rather than jobs and places. Instead of reinforcing the partitioning of the country into districts that define people's identities, policies should help people see their security as independent of their current location. The United States would be better off economically and politically. To that end, the Affordable Care Act should be expanded so that health insurance is truly portable. Pension programs should be consolidated across employers to reduce the cost of changing jobs. Gig, temporary, and part-time workers should receive most of the same legal protections that full-time employees do, and they should be allowed to accumulate seniority, savings, and benefits just as many full-time workers do. These policies would level the playing field for various types of American workers and make it easier for them to move between jobs. They would also force employers to compete for workers on the basis of better wages by removing their ability to entrap employees in a given spot or through their irregular status.

The U.S. government has worried too much that a strong safety net will disincentivize people to work.

Just as is true with minimum-wage hikes, these changes would raise labor costs and reduce some demand for lower-wage workers. But the net benefits for workers and the economy would be ample. There is little evidence to suggest that millions of jobs would be lost if the federal government simply raised labor standards to the level of some U.S. states and almost all competing high-income economies. Australia, Canada, and most western European countries have stricter labor regulations and more generous health insurance and pension programs—and have prime-age labor-force participation rates that are comparable to or higher than that of the United States and far better wages for lower-skilled workers. Given that in the United States, the share of income accruing to those owning capital, as opposed to performing labor, has risen sharply for more than two decades, and given that corporate profit margins are extremely high, there is plenty of room for the government to redistribute income without significantly damaging employment.

Another key element is the enforcement of existing regulations. The agencies charged with enforcing health, safety, labor, and environmental regulations have been chronically underfunded, and the fines they hand out for violations have been set too low. As a result, polluters and wage cheats treat them as just a cost of doing business. As the scholar Anna Stansbury has argued, the deficient enforcement of labor regulations has not only significantly reduced low-wage workers' income and worsened their treatment; it would also interfere with the implementation of a minimum-wage hike since employers would have greater incentives to cheat.

Hand in hand with stronger enforcement of existing regulations and higher penalties, the U.S. government should put an end to Trade Adjustment Assistance and other programs designed to help people who have lost their jobs specifically to trade alone. These programs have failed on multiple fronts: there is little evidence that they have helped workers find new jobs faster, they clearly have not blunted the anger about trade, they have not succeeded in revitalizing declining industrial towns, and they have not created any lasting political coalitions in Congress either for workers or for trade. As an American Enterprise Institute report noted earlier this year, compared with other developed countries, the United States is "unique in its focus on workers who have lost jobs due to trade, rather than other sources of job loss." Most European countries spend 0.5 to 1.0 percent of GDP annually on helping unemployed people find work; the United States spends a tenth of that amount. This is exactly the wrong approach: the U.S. government is stigmatizing trade-related career changes, to no real benefit, while shortchanging all American workers by depriving them of proven programs of retraining, job matching, and support.

Can the United States afford the European approach? Yes. U.S. federal tax rates on high earners, corporations, and inheritances are at or near all-time lows—substantially below the rates in almost all other high-income countries. Other countries have managed to enjoy sustained growth in per capita incomes with much higher tax rates, as did the United States in the past century. There is a point at which higher tax rates choke off investment and employment, but the United States is nowhere near it today. Raising taxes on those U.S. taxpayers who have seen their incomes and wealth rise substantially over the last 20 years would not only be just and politically stabilizing; it could also pay for an expansion of federal labor and social-benefit programs by three or four percent of GDP. During economic upturns, additional revenues could be gained through the payroll tax, giving workers the sense that, as with Social Security, they are paying into a program that they deserve to receive payment from in turn.

CHANGE IS GOOD

There is a popular notion that the United States has been sacrificing justice in the name of economic efficiency, and so it is time to correct the imbalance by stepping back from globalization. This is a largely false narrative. The United States has been withdrawing from the world economy for 20 years, and for most of that time, U.S. economic dynamism has been falling, and inequality in the country has risen more than it has in economies that were opening up. Workers are less mobile. Fewer businesses have been started. Corporate power has grown more concentrated. Innovation has slowed. Although many factors have contributed to this decline, it has likely been reinforced by the United States' retreat from global economic exposure. Since the takeover of the U.S. Capitol by a mob in January, the

United States has had to recognize that after years of lecturing others on the importance of peaceful democratic elections, it is not exempt from political failures. Similarly, after decades of lecturing others on the stagnation and corruption of closed economies, it now suffers from the same problems, to the cost of American workers.

Indeed, many countries have undertaken international opening to spur economic changes in stagnant and socially divided societies: consider the Meiji Restoration in Japan, Kemal Ataturk's reforms in Turkey, Deng Xiaoping's marketization in China, and the accession of southern and eastern European countries to the EU. These were deliberate campaigns of reform, not shock therapy, in which the markets are allowed to let rip. The countries had to be honest with themselves about their shortfalls in international comparison and admit that their previous arrangements were corrupt and prejudicial. They had to accept that economic change was empowering and liberating for the majority of their citizens, that the central government had to play a stronger role in social support, and that workers had to be allowed, if not encouraged, to migrate to cities, to move to where the opportunities are.

Although the United States is not, of course, a pre-market economy under an authoritarian government, it does need to recognize how far it has fallen short of its ideals and potential in the economic sphere, as well as how much better its peers and rivals around the world have done on many counts. Just as the statement "this is not who we are" in the face of racist violence lets Americans off too easily, talk about the United States as the most open, vibrant, competitive, or opportunity-rich economy in the world is a form of self-delusion. Some politicians may want to appeal to American leadership as a motivator for reengaging with the global economy, but what the U.S. economy needs now is a jolt of followership. The United States needs to be willing to conform to international standards, to learn lessons from other countries, to accept that competition should be a source of change.

Since World War II, the United States has approached international economic integration as something it encouraged others to do. Trade deals were framed as being about foreign countries opening their markets and reforming their economies through competition. For a long time, this narrative was largely true. It had the unfortunate effect domestically, however, of characterizing the United States as open and the rest of the world as protectionist. The competition that U.S. firms faced from abroad was seen as the result of unfair trade. Those perceptions have now outlasted the reality. It is the United States that needs foreign pressure and inspiration.

Talk about the United States as the most open or competitive economy in the world is a form of self-delusion.

The United States should have a constructive international economic policy, rather than a defensive one that blames global forces for its ills. Such a policy would start with the recognition that the United States has not been subjected to reckless economic opening by Washington elites and that the rest of the world is continuing to further integrate without it. Globalization goes on no matter what, and trade in particular is more resilient to U.S. withdrawal than many would like to believe. Where there are real comparative advantages in production, yielding large cost or quality differentials, purchasers will find a way to get the goods and services they want. No single economy's tariff regime can ever control a significant part of world trade, even when leveraging a large internal market; the rest of the world is always larger, and the opportunities missed are always found by someone else. As technology makes international commerce ever more transparent and efficient, the U.S. economy's unilateral efforts to defensively withdraw from it will become only more futile.

Instead, the United States should actively seek to encourage the type of change in its own economy that it once sought to make other countries undertake through trade deals. Washington should agree to international standards defined by limited but strong and well-enforced rules, ones that focus on observable behaviors of companies and governments, not on numerical targets or institutional aspirations. Four areas of potential international agreement are particularly ripe for the United States to pursue.

The first is international corporate taxation. Corporations often evade taxes by shifting their profits to low-tax jurisdictions, a practice that erodes government capacity and the political legitimacy of market economies. The digital economy has made these distortions even greater, although large technology companies are far from the only firms to exploit the loopholes. On this front, progress may be imminent. Members of the Organization for Economic Cooperation and Development are currently in negotiations on ways to combat corporate tax evasion, and some European governments have threatened to levy taxes on digital goods and services produced by Big Tech. Collective international action should give the United States an opportunity not only to raise its tax policies up to the standards of other advanced economies but also to prevent its own companies from evading taxes.

Another area to pursue involves carbon pricing. The United States needs a carbon tax, and the world needs it to have one, too. The U.S. economy should accelerate its pace of decarbonization. Although technological advances and private investment decisions are generating meaningful progress, a high and rising carbon price offers the best prospects for slowing climate change while there's still time. In not having a national carbon tax, the United States lags behind the EU member states and a few other countries. If it does not catch up, those countries would be justified in instituting a carbon border adjustment—a tax on imports to offset the underpricing of carbon inputs in places such as the United States.

Washington should also seek international agreement on labor standards. The updating of the North American Free Trade Agreement as the U.S.-Mexico-Canada Agreement to protect worker representation and unions was positive in two senses: first, it helped secure rights for Mexican workers, and second, it demonstrated that the U.S. labor movement can at least tacitly support trade deals if their concerns about labor rights are addressed. Washington should now turn the tables on itself and pursue trade agreements with countries that have higher labor standards than it does. This would reinforce the changes in legislation and enforcement that it should also make. This move could be combined with an agreement among democracies to ban the import of products produced by unpaid prison labor, as in China's Xinjiang region.

Finally, U.S. officials should practice what I have called "principled plurilateralism." In this strategy, groups of countries come together to strike agreements on high standards for international commerce, with membership in the groups determined solely by compliance with those standards. American politicians are unlikely to advocate that the United States join trade deals in the near future, but there is something the country can do in the meantime: encourage such an approach by major democratic allies, such as Australia, Canada, Japan, Singapore, and the United Kingdom. Even progress undertaken without U.S. membership benefits the United States by making more visible its own deficiencies and pressuring it to up its own game.

GOODBYE TO ALL THAT

The United States needs to embrace economic change rather than nostalgia. Telling voters that the "good jobs" of manufacturing are the key to restoring their prosperity and that the country must be protected from global competition is not only misleading; it is also destructive. That path will cost jobs overall, further entrench the bias against lower-wage service workers, and do little to lure voters away from right-wing populism. You cannot buy off nativists and populists by reinforcing their nostalgic sense of status. Similarly, even well-meaning efforts to repair rural and exurban communities by tying people to their local jobs will in fact make them more vulnerable economically, which in turn will fan the flames of reactionary politics.

Instead, the government should seek to protect people as individuals separately from their jobs or lack thereof. People's jobs should become less important both to their well-being and to their self-worth, as is already the case in most other high-income democracies. The U.S. government should promote better livings for all rather than scarce "good jobs" for a privileged few. Both the pandemic and climate change should serve as a reminder that the future will be even more about adaptability in work arrangements and stability at home. Most of all, instead of treating economic change induced by trade as inherently unfair, Washington should use international standards and competition to raise up U.S. workers and companies. Fixating on any one sector, let alone any one company in one place, only divides American society and burdens neglected workers with a disproportionate share of the costs of adjustment. Indeed, for the last 20 years, it already has.