
**Economic
Nationalism
and the
Future of
American
Politics**

**Ruy A. Teixeira
Guy Molyneux**

Economic Policy Institute

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1730 Rhode island Ave., NW, Suite 200, Washington, DC 20036

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Ruy A. Teixeira holds a Ph.D. in Sociology from the University of Wisconsin and is the author of numerous books and articles about American politics. His most recent book is *The Disappearing American Voter* (Brookings 1992). He is also the co-author (with Lawrence Mishel) of the Economic Policy Institute report, *Myth of the Coming Labor Shortage*.

Guy Molyneux is a member of the board of directors of the Commonwealth Institute, where he previously served as Executive Director. He has written about politics and public opinion for such publications as *The Atlantic* and *Dissent*, and is a regular contributor to the "Opinion" section of *The Los Angeles Times*.

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The Commonwealth Institute
186 Hampshire Street
Cambridge, MA 01239
(617) 547-4474

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Executive Summary

For the United States, the fall from a position of international dominance and the continuing competitive challenges from abroad are the central economic facts of recent history. There is of course sharp debate over the implications of these changes as well as the proper policy response. But no one doubts the real and profound impact of international competition, from the shopfloor to the boardroom.

Less understood is the impact, also profound, that this change has had on America's political life. The nation's competitive decline has transformed Americans' basic view of the world and generated a new and powerful political impulse which we call "economic nationalism." By economic nationalism we mean something much broader than a "get tough on trade" sentiment, though that is certainly an element. It involves a recognition of the critical link between the country's international competitive position and prosperity at home. More broadly, it represents deep concern over the country's economic prospects, and a yearning for national renewal.

For this report, we reviewed hundreds of survey questions from a wide variety of polling organizations. Our analysis of these data identifies four central themes to this emerging economic nationalism, each shared by a large majority of Americans:

- The nation's economic future is dangerously insecure. America is losing ground economically, and -- worse still -- is losing control over its own economic destiny.
- The greatest external threats to the United States are now economic rather than military. Because of this, the U.S. should take a tougher approach with its trading partners and give economic competitiveness as much priority as military preparedness.
- U.S. leaders have been too concerned with other nations and their own narrow interests, and too little concerned with America. That emphasis, the public believes, is misplaced. It is time to concentrate on getting America's house in order.
- Increased competitiveness requires a commitment to investment. The U.S. must invest more in technology, infrastructure, and especially, the skills of the workforce.

The nation's competitive decline has transformed Americans' basic view of the world and generated a new and powerful political impulse which we call 'economic nationalism.'

Economic nationalism, understood in **this way**, is much more than simple protectionism. It involves a new “map” in **people’s** minds of America’s place in a changed world -- a world where some threats have receded, but others have arisen. It is based on a conjoining of economics and foreign policy, which have been largely distinct aspects of Americans’ world view. This is what gives economic nationalism its great potential political significance -- it links activist economics and the fundamental values of patriotism and nationalism.

A tough-minded economic nationalism could provide a bridge between the Democrats and Perot voters.

In 1992 economic nationalist themes emerged as an electoral force. All of the Democratic presidential candidates employed economic nationalism themes, putting U.S. competitiveness at the center of their economic messages. The general election gave voters a choice between two types of economic nationalism: Bill Clinton’s call for increased domestic “investment” and Ross Perot’s focus on a tough trading stance and limiting the influence of foreign lobbyists. Only the big loser, George Bush, steered clear of these themes.

The future potential of economic nationalism is underscored by two ongoing political developments: the struggle of the two parties to win over the Perot voters and the efforts to ratify the NAFTA treaty. Our study shows that:

- Perot voters and Clinton voters are united in their preference for a tough trade stance. Indeed, if anything, the Perot voters are more militant than the Clinton voters on this issue.
- As public awareness grows, opposition to the NAFTA treaty is increasing rapidly among the electorate. This opposition is particularly strong among supporters of Ross Perot (more than 3: 1 against).

These findings indicate that a tough-minded economic nationalism could provide a bridge between the Democrats and Perot voters -- a bridge, moreover, that could be linked to a program of activist government.

It remains to be seen whether the bridge provided by economic nationalism will be seized by the Democrats or the Republicans and, indeed, what role economic nationalism will generally play in the future of American politics. But we feel confident that the role will be large, due to the fact that the American people -- as opposed to elites and commentators -- are economic nationalists. Politicians will eventually respond to economic nationalist concerns -- or suffer the consequences of ignoring the public will.

Introduction

Americans have formed very strong and, in many respects, surprisingly clear ideas about the new global economy and its implications for America. Polling data show that the public is profoundly aware of the country's trade problems and understands the negative consequences for prosperity at home. But, while people favor protectionist measures to save jobs, they also recognize that America cannot retreat from the global market. The nation must therefore organize to compete more successfully, especially by investing in the skills and knowledge of American workers. Finally, people believe America is in decline, no longer "Number One" economically in the world. Indeed, they increasingly believe that national strength today means winning in the **marketplace**, not on the battlefield.

Taken together, these beliefs, fears, and policy preferences represent a new and powerful current in American public opinion: economic nationalism.

It is important to understand that economic nationalism, as we have described it, did not suddenly appear in its current form (indeed, it continues to develop). Throughout the 1980s, Americans' concern over the country's competitive position grew. They sensed that the increasing flood of imports would hurt the country, and that the trade imbalance was an indication of underlying weakness. But, so long as general economic conditions -- such as inflation and unemployment -- were fairly good, anxiety about declining competitiveness remained in the background. In addition, neither political party provided national leadership in this area, so voters were given no clear sense of the main policy choices on competitiveness, or even the position taken by each party or candidate.

The recession of 1990-92 changed all that. It brought unemployment and jobs back to center stage, and, in the process, intensified concern about trade and competitiveness. This change was more than the usual short-term reaction to a cyclical downturn. Instead, the recession triggered a fundamental public reexamination of where the country was, and where it was headed. A consensus emerged that a change in direction was needed, a new focus on building the nation's economic strength so that America could meet the challenge of the global economy.

Presidential candidates in 1992 articulated economic nationalist themes to benefit from these public opinion shifts, and, in doing so, helped solidify

People believe that national strength today means winning in the marketplace, not on the battlefield.

them. All five Democratic candidates embraced at least some of these themes in the primaries, as did Patrick Buchanan on the Republican side. Ross Perot made especially powerful appeals to these sentiments -- assailing the flight of U.S. jobs, the power of foreign lobbyists, and the proposed North American Free Trade Agreement (NAFTA) treaty -- in his historic independent candidacy. And Bill Clinton, while eschewing Perot's harder-edged nationalism, spoke constantly of the challenges of the global marketplace and made "investment in people" the cornerstone of his successful campaign. Indeed, only the big loser in the election, George Bush, ignored the growth in economic nationalist sentiment completely.

But, the 1992 election, while it shattered the long-standing GOP presidential coalition, did not (yet) establish a majority Democratic coalition. The next few years will thus be ones of unusual political flux. For several reasons, we believe economic nationalism is likely to play an even greater role in this context of intense party competition.

To begin with, many economic nationalist ideas are immensely popular, and thus attractive to anyone trying to win elections. Beyond that, they are especially popular with Perot voters, now the primary "swing constituency" in American politics. Because of this, candidates of both parties are likely to return again and again to the ideas and positions of economic nationalism. Indeed, the fight for majority status may revolve around establishing which party and candidates can best provide for prosperity in the global economy.

And regardless of what politicians do, the voters themselves may well act to force protection of the nation's economic interests. They are deeply skeptical of the proposed free trade agreement with Mexico, for example, and a strong public backlash against it remains a real possibility as we write. More generally, voters will demand tougher trade postures, limits on foreign influence, and, most of all, real progress toward making America and its workers internationally competitive. The nation's leaders would be well advised to respond.

We present our argument in three sections. The **first** section, based on a review of hundreds of polling questions going back to the 1970s, provides a full portrait of economic nationalism and demonstrates its deep roots within American public opinion. The second analyzes why and how economic nationalism has affected national-level politics. The **final** section explores the possible role of economic nationalism in the future of American politics.

Economic nationalist ideas are especially popular with Perot voters, now the primary "swing constituency" in American politics.

The Rise of Economic Nationalism'

Trade and Competitiveness: Rising Public Concern

The most common measure, and visible symbol, of the United States' declining competitive position has been its trade deficit. Starting in the late 1970s, the U.S. was transformed from a net exporter to a net importer of goods and services.

This historic shift did not go unnoticed by the public. Virtually all Americans are aware that the U.S. runs a trade deficit, and that this means it imports more goods and services than it exports. Almost nine Americans in ten, for example, know that Japan sells more goods to the U.S. than vice-versa, while only 6 percent do not know. Nor is there much doubt how they feel about it. 75 percent say the trade deficit is a "bad" thing, while only 6 percent say it is a "good" thing, and by better than six-to-one they say something should be done to change the situation (CBS/New York Times 1985).

Consistent with these sentiments, surveys regularly record high levels of concern over the trade deficit, and over American competitiveness in general. A Times-Mirror survey, in a typical result, found that nearly nine in ten respondents were concerned over "a loss of U.S. jobs due to foreign competition" (Times-Mirror 1988). Almost two-fifths thought it likely or certain that the U.S. economy would "collapse due to foreign competition in the next ten years" -- a fairly "extreme" scenario, as the Times-Mirror analysts noted. Moreover, by four-to-one Americans say that the country's greatest competitive challenges are "still ahead" rather than behind us (Council on Competitiveness 1991).

Centrality of Jobs Issue. Underlying all of this concern is one central issue: jobs. Ask people why they are concerned about the trade deficit, and the top answer is invariably the resulting loss of American jobs. Even as far back as 1972, pollster Peter Hart found that the most important reason "to oppose free trade" was that it "put American laborers out of work" (Overseas Development Council 1972). Fifteen years later, more than three-quarters of the public agreed that "the competitiveness problem means that there is a loss of jobs in the U.S." (Opinion Research Corporation 1987).

The centrality of jobs to the public's concerns helps explain the low ranking of competitiveness as a national problem in some poll questions. For example, in January 1992, only two percent volunteered the trade deficit as

Ask people why they are concerned about the trade deficit, and the top answer is invariably the resulting loss of American jobs.

the nation's most important problem in an open-ended **question** (Times-Mirror 1992). We can reconcile this with other expressions of concern if we look at the top choices for the most important problem: over two-fifths said "the economy" and another fifth said "unemployment," choices consistent with concern about job loss from foreign competition.

This underscores the fact that voters care about trade because of its impact on prosperity, not because of some abstract commitment to "competitiveness." It should thus not surprise us that the average citizen volunteers concern about unemployment or the general economic situation long before the trade deficit. Indeed, it is precisely this link between prosperity and jobs, on the one hand, and trade and competitiveness on the other, that lies at the heart of economic nationalism.

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What's Gone Wrong?

Americans do not have an elaborate analysis of the sources of competitive decline, but they have clearly embraced some proposed causes, while rejecting others. Their view is both more sophisticated and more balanced than is often appreciated.

The trade deficit is of course the result of two different factors: 'U.S. sales abroad and foreign sales here. Voters do not see the two as equally significant contributors, however. When asked which is the greater problem, they choose foreign imports by better than 2 to 1 (ABC News 1990). This suggests that when Americans think about the trade deficit, it is consumer products flooding into America that catch their attention. This also means that when Americans discuss trade and competitiveness, they are talking primarily about those nations -- especially Japan -- which export easily-identifiable consumer products.

Unfair Competition. An important cause of U.S. trade problems, Americans feel, is other nations' unfair trading practices -- most obviously, restrictions on the sale of American products in other countries. However, even more important than such barriers in voters' minds is price. U.S. goods are thought to be at a competitive disadvantage -- both here and abroad -- because **they** are more expensive (see Table 1). Because of this, the public tends to believe it is price, much more than quality, at work when American goods lose out in the global market.

TABLE 1
Reasons for Trade Deficit
(Percent saying major reason)

Foreign-made goods cost less than U.S. goods	52%
Foreign countries engage in unfair trade practices	34%
U.S. has not sold very hard abroad	18%
Workmanship and quality of foreign goods better	18%

Source: *U.S. News and World Report* 1987.

The cause of U.S. goods' higher prices, in the minds of the public, is the wage differential between the U.S. and other countries. When the 52 percent who named "cost" as a major deficit cause (Table 1) were asked the reasons for cost differences, 59 percent said low foreign wages and 45 percent named high U.S. wages, while other possible explanations received negligible support. Thus, even though much of the U.S. trade deficit is in fact not with low-wage nations, the perception of a wage gap-driven deficit remains. And low wages are seen very much as an unfair competitive advantage (as opposed to, say, producing higher quality goods).

U.S. Responsibility. Given the central role Americans assign to low foreign wages and unfair trade practices, it is hardly surprising that they blame foreign nations, especially Japan, for the trade deficit. What is perhaps more surprising -- and certainly less understood -- is that they hold the U.S. to blame as well. In fact, when people were asked who was more to blame for the trade deficit, three-quarters said the United States rather than other nations (ABC News 1990). Americans, despite the pronouncement of many political pundits, are actually reluctant, not eager, to name scapegoats.

Moreover, the public understands that low foreign wages and cheap products are not the whole story. The U.S. faces strong competitors in the global marketplace, with products that are often as good, if not better, than American goods. Voters, in fact, show some sympathy for a wide range of explanations for declining U.S. competitiveness (see Table 2).

In assigning blame, Americans seem reluctant to agree with any sharp criticism of the nation or its people, but are more comfortable with criticism

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TABLE 2
Reasons U.S. Companies Have Trouble Competing
(Percent saying major reason)

Workers overseas paid less	61%
Short-run profit emphasis of U.S. business	61%
Too many corporate takeovers in U.S.	52%
Value of U.S. dollar	52%
Stronger work ethic abroad	48%
U.S. companies not well managed	40%
Insufficient government-business cooperation	34%
Too much government regulation	33%
U.S. workers not well educated	23%

Source: Times-Mirror 1989.

American corporations are considered eminently blameworthy for declining U.S. economic fortunes.

of institutions. For example, American corporations are considered eminently blameworthy for declining U.S. economic fortunes. Their focus on short-term profits, in particular, is seen as a major problem, as is their emphasis on corporate takeovers. However, the notion that "U.S. companies are not well managed" gathers significantly less support. For many respondents, this puts too much of the blame on individual managers.

Similarly, little weight is given to the idea that "U.S. workers are not well educated," reflecting the public's rejection of the notion that American workers are ignorant or unskilled. But, another poll found three-fifths saying a "very important" reason for U.S. trade problems is that "workers are being poorly prepared by the American school system" (Opinion Research Corporation 1987). So, the public does see education as a critical part of the competitiveness story, but holds the school system -- not individual workers -- responsible for the shortcomings.

In the same vein, the public assigns relatively little blame to "labor and American workers" for trade problems (Council on Competitiveness 1991). But, at the same time, a significant number say that a stronger work ethic abroad contributes to U.S. competitiveness problems (see Table 2). Thus, the weakening of the work ethic looms quite large in the public mind, despite reluctance to directly blame American workers.

Finally, while Americans do resent Japan's trade policies, they nonetheless acknowledge its superiority in many areas. For example, by nearly three-

to-one, respondents to a recent survey said Japanese companies are better managed than American companies, and large majorities expressed admiration of Japanese educational institutions and industriousness (CNN/Time 1992a). In a sense, then, Japan is seen to be beating us precisely because they **have embraced traditionally American values**. As one focus group respondent put it, "The Japanese are a very industrious people. . . They remind me of what I used to read about, how Americans were industrious in the twenties and thirties. . ." (Greenberg 1987:706).

This perceived decline of traditional American values is central to the public's understanding of our economic problems. American students, workers, and managers, they believe, have all strayed from core values, to the nation's detriment. As another focus group respondent put it, "It all boils down to the ethics and morals falling apart" (Greenberg 1987:703).

There is also a strong "populist" component to this perception. While values have declined throughout society, leaders have especially fallen short. This contention that society's elites have failed to protect the national interest -- because of wrong-headed priorities (government) or personal greed (business) -- enjoys wide public support.

What Shall Be Done?

As with the causes of competitive decline, voters have an identifiable perspective regarding the solutions. It is surprisingly nuanced and generally follows logically from their analysis of the causes of the problem. Specifically, they support a tough approach on trade to preserve jobs; they support long-term efforts to improve productivity and the quality of American products; and they do not see any contradiction between the two.

Tough Approach to Trade. As we saw, the public understands the trade deficit primarily in terms of foreign imports. The most obvious solution to such a problem is, of course, to block foreign imports. And according to the polls, that is just what the public wants to see happen. It is not much of an exaggeration to say that they support any and all import limits -- quotas, taxes, tariffs, etc. -- that will protect jobs. There is virtually no constituency for dropping the protections now in place, but large majorities for strengthening them. In this pragmatic, job-oriented sense, Americans are protectionists.

Of course, the issue is not that simple. Import restrictions involve a 'tradeoff, between the interests of workers -- in jobs -- and consumers -- in

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TABLE 3
Should the U.S. Restrict Imports?
(Percent for restricting imports)

1982	72 %
1984	67 %
1988	72 %
1991	67 %

There is virtually no constituency for dropping the protections now in place, but large majorities for strengthening them.

Actual Question Wording: Do you think it should be the policy of the United States to restrict foreign imports into this country in order to protect American industry and American jobs...or do you think there should be no restrictions on the sale of foreign products in the United States in order to permit the widest choice and the lowest prices for the American consumer?

Source: *Los Angeles Times* 1982; 1984; 1988; 1991.

product price and quality. However, people consistently give higher priority to the former (see Table 3).

Of course, it could be argued that jobs should be saved instead through wage reductions, especially since the public sees high wages as a major cause of the trade deficit. Not surprisingly, this proposal meets with a less than enthusiastic response, as does the notion of lowering costs by easing U.S. safety and environmental regulations. Majorities reject both (Council on Competitiveness 1991). The public verdict could not be clearer: protecting jobs by lowering the U.S. standard of living or quality of life is no solution.

One final note on voters' tough approach to trade issues: polls *do* show that voters are supportive of free trade, in principle. But that support holds only insofar as it delivers in practice -- they approach the topic pragmatically, not as a matter of economic theory. In recent years Americans have seen the trade deficit grow, while their wages have stagnated or fallen and the manufacturing sector has shrunk. They have watched factories close, only to see parent companies open new plants in Malaysia, or Singapore, or Mexico. And they have reached a logical conclusion: something must change.

Opening Foreign Markets. Regulating imports is only half of a tough trade strategy. The other half, of course, is opening up foreign markets to U.S. goods. Here also, the public is very supportive of strong action. Almost nine in ten feels that getting the Japanese, in particular, to open up to U.S. products would be an effective way to help the U.S. trade situation (ABC News 1990).

This view is consistent with a basic economic commitment to a level playing field, rather than any sort of economic withdrawal from world trade.

But leveling the field, voters recognize, requires that their government take a tougher approach in trade negotiations with other nations. In 1990, for example, over three-quarters wanted U.S. trade negotiators to take a “tougher line” with their Japanese counterparts, while only 3 percent said “softer” (ABC News 1990). Dissatisfaction with governmental performance in the trade area is so high that as many people say the U.S. government has not done enough to correct the trade imbalance as say this about the Japanese government (CBS/New York Times 1990)!

Long-Term Strategies. Widespread support for a tough trade stance is by no means the whole story. Just as voters ultimately place responsibility on their own shoulders for America’s competitive weakness, they also look to the home front, not abroad, for basic solutions. Table 4 shows the priority given to steps that put the U.S. “house” in order. Fundamentally, the emphasis is on productivity improvements and higher quality American products. Americans apparently want to win the competitiveness battle, not retreat from it.

Along these lines, people want to see a serious domestic strategy for increased American productivity and competitiveness. As part of such a strategy, they support measures like infrastructure development, industry-government cooperation, and support for research and development. However, it should be noted that no evidence of public support exists for the wide range of specific policy proposals typically linked to an economic nationalism program² -- for example, those for a civilian Defense Advanced Research Projects Agency (DARPA) or specific types of managed trade regimes. In part, that reflects a simple lack of familiarity. But the public is also skeptical of technocratic/bureaucratic fixes by themselves -- no matter how “rational” they sound. Thus, such proposals are likely to prove popular only indirectly, to the extent they are perceived as components of an overall program designed to restore U.S. economic strength.

One policy area in particular seems immune to such skepticism, and clearly stands first in the public mind: education and training. When people were asked in an open-ended format what can be done to improve U.S. competitiveness, the winner hands-down was “improve the educational system” (Council on Competitiveness 1991). And, in this same survey, when respondents were offered sixteen specific steps to improve competitiveness,

Americans apparently want to win the competitiveness battle, not retreat from it.

the top three choices were the following: 1) provide more training and retraining for workers; 2) increase standards for teachers and students in public schools; and 3) increase federal funding for elementary, secondary, and vocational schools.

There are two main reasons for the great popularity of this “human capital” aspect of a competitiveness strategy. First, its successful application by U.S. competitors --including, most spectacularly, the Japanese -- lends this strategy plausibility. Second, it builds upon Americans’ general commitment to education -- one of our most powerful and enduring policy preferences. Education is the one area of government activity where US. citizens regularly show levels of commitment as high or higher than citizens of other industrialized nations. Americans tend to favor equality of opportunity over equality of result, but, of course, that requires that everyone begin the race at the same starting line. This, in turn, means equal educational opportunities for all willing to use them.

Americans believe the U.S. has been displaced as the world’s pre-eminent economic power.

A final point: the public believes that government has a substantial role to play in pursuing the solutions described above. By two-to-one, respondents in one poll said the idea that “government should play a direct and active role in working with business to promote America’s economic competitiveness” was closer to their view than the notion that “we should rely on the private sector and free enterprise system” (Council on Competitiveness 1991).

America’s Declining World Position

Beyond the anxieties regarding trade and competitiveness, Americans have had to rethink their nation’s fundamental place in the world. Surveys show that Americans believe the U.S. has been displaced as the world’s pre-eminent economic power. When the Times-Mirror asked people which was “the world’s leading economic power,” almost three-fifths picked Japan while less than three in ten said the United States (Times-Mirror 1989). A more recent survey found an overwhelming 77 percent majority feeling that Japan was ahead of the U.S. “in terms of economic strength and the ability to compete economically in the world” (Council on Competitiveness 1991).

In fact, the 1980s saw a profound transformation in Americans’ perceptions of the relative importance of different threats from abroad. As Cold War tensions eased, the Soviet Union receded as a concern in the minds of most citizens, while, at the same time, the evaluation of the threat posed by

TABLE 4
What Would Help Make the U.S. Competitive
(Percent say would help "a great deal")

U.S. companies more concerned about long-term growth/less about quick profits	81%
Improve the quality of education at all levels	79%
Improve the quality of U.S. products and services	70%
Everyone work harder to improve productivity	69%
Make it more difficult for foreign products to come in	45%

Source: Opinion Research Corporation 1987.

Today foreign economic threats are of much more concern to people than military ones.

foreign economic competitors grew. Even before the collapse of communism in 1991, the economic power of Japan had come to be seen as constituting more of a national security threat than the military power of the Soviet Union (ABC News 1990).

Our view is that the economic challenge is primary now because it is a real and present danger, while military conflict is only a possible -- and decreasingly probable -- menace. But this does not mean that voters believe economic and military threats are the same thing. Far from it. Americans still want their country to be militarily strong and secure, and they understand that this is distinct from -- even if related to -- economic security. Thus, their primary national security focus could easily change over time.

Nonetheless, we would emphasize that today foreign economic threats are of much more concern to people than military ones, and that this constitutes an extraordinary opinion shift. Americans Talk Security (1987), for example, found more than three-fifths of the public saying that economic power was more important than military power in determining a nation's influence. Such strong views on the primacy of economics could not have been found ten or fifteen years ago.

Foreign Ownership. Voters are very concerned about the increasing foreign ownership of American businesses and assets, which they see as both a threat to U.S. autonomy and a powerful symbol of American economic weakness. Typical of these sentiments was the 70 percent majority who said

Voters are very concerned about the increasing foreign ownership of American businesses and assets.

that foreign investment was a “bad” thing for the U.S. (Times-Mirror 1989). Asked how they feel about Japanese purchases of American office buildings and land, more than seven in ten said that “something about it bothers” them, while only 13 percent thought it was “okay” (CBS/New York Times 1990). In fact, by an even larger 73 to 23 percent margin, they agreed that “If the U.S. government doesn’t do something soon, the Japanese will end up owning most of this country” -- a rather astonishing proposition.

While the public appears somewhat less concerned about foreign ownership than about trade, support for restricting future investment is even more universal than for import limitations. Moreover, the desire to restrict investment is quite inclusive. When Americans Talk Security (1988) asked people about foreign investment in nine different economic areas, from autos to farmland to banks, the percentage favoring restricting or prohibiting investment never fell below 66 percent (and went as high as 94 percent).

It is important to stress, however, that public support for investment restrictions does not stem from some mindless opposition to all investment. Indeed, the voters make reasonable distinctions among types of investments. For example, in 1988, Roper found that opposition to foreign companies building new plants was 27 percent lower than opposition to foreigners simply buying up U.S. companies and land (U.S. News and World Report 1988). Thus, the public distinguishes between transactions that create jobs and those that simply transfer ownership -- a logical distinction given the widespread concern over jobs.

Still, even the promise of jobs does not overcome their resistance: when Roper told people “foreign companies are building more and more plants in America, providing new jobs for Americans,” a 49 percent plurality still thought this was not a good idea (U.S. News and World Report 1988). In part, people may simply not accept the notion that foreign investment will create jobs for America. But that is only part of the story. For many Americans, foreign investment is not only a jobs issue, but also about patriotism and retaining control of their economic destiny.

Reflecting these sentiments, when people were asked why they opposed foreign investment, the most common answer by far was “Americans should own America” (36 percent), followed by concern over “national security” (20 percent), and “loss of economic power and influence” (17 percent) (Times-Mirror 1989). Indeed, a very substantial 45 percent minority even agrees with

the extreme formulation that “the Japanese could bring this country to its knees economically if they wanted to” (ABC News 1990).

Not only do voters fear for U.S. economic autonomy, they also appear to fear for U.S. political autonomy. For example, Louis Harris (1988) found three-quarters agreeing that “increased Japanese economic involvement in the U.S. could someday give the Japanese too much influence over U.S. government policies.”

Ross Perot, of course, often speaks to this anxiety over U.S. economic independence with his attacks on foreign lobbying in Washington, especially by former government officials. Although mainstream political leaders and the media largely dismiss his concerns, these data suggest that the issue of foreign influence on government has powerful potential as a populist issue.

A Turn Inward. Another development in post-Cold War public opinion is a dramatic turn inward, away from the rest of the world. As the military threat recedes, Americans want to focus more attention on problems at home, and are very skeptical about devoting attention and resources elsewhere. Surveys consistently show large majorities placing more importance on domestic than military spending. Indeed, a March 1991 Americans Talk Security survey found three-quarters favoring more spending on “economic programs to create jobs and economic growth,” but only one-fifth for more on “military spending and national security,” just three weeks after the U.S. victory in the Gulf War!

Military spending, however, is not the least popular item in the federal budget. By a large margin, it is foreign aid (Times-Mirror 1989). It is easy to dismiss this as selfishness or national chauvinism, but that is not our assessment. Americans believe that their government spends a great deal of money on other countries, many of which do not appear to share American values. They feel that this generosity has largely gone unappreciated and has been accompanied by -- perhaps even contributed to -- declining respect for America throughout the world.

Americans’ turn inward is also motivated, in large part, by their real concern for fellow Americans whom they see hurting in tough economic times. They wonder why money is being sent abroad when homeless people roam the streets of American cities. This seems to us a reasonable query.

Surveys also show tremendous support for the notion that our military allies should begin picking up the tab for their own defense. The fact that these

For many Americans, foreign investment is not only a jobs issue, but also about patriotism and retaining control of their economic destiny.

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are often the same countries putting the most competitive pressure on us economically doubtless strengthens the more generic opposition to foreign aid. In one study, almost three-quarters said they favored "asking Western European countries and Japan to take more responsibility for military defense." Only 13 percent thought Japan was contributing enough to the defense of the Pacific region (Times-Mirror 1989).

Does all this represent a revival of old-fashioned American isolationism, previously kept at bay by the demands of fighting the Cold War? We don't believe so. Americans understand that even if they would like to be totally independent -- and a good number probably would -- global economic integration prohibits such an option. What we are seeing, though, is a transformation of historic proportions in the public's priorities. Simply put, they want more attention paid to the "good old USA" (see Table 5).

TABLE 5
Priorities for the U.S.,
International vs. Domestic

	<i>Agree</i>	<i>Disagree</i>
The U.S. should mind its own business internationally and let other countries get along as best they can on their own.	44 %	53 %
We shouldn't think so much in international terms but concentrate more on our own national problems and building up our strength and prosperity here at home.	82 %	17 %

Source: CNN/USA Today/Gallup 1992.

Of course, most Americans would like to see their country remain a global leader and take care of its own. But if they are convinced they have to choose, it's not even a tough call. "Charity begins at home" is clearly the dominant sentiment today.

Conclusion

We believe that these public sentiments constitute a new political force -- economic nationalism -- which powerfully marries Americans' patriotism to their commitment to economic opportunity. As Robert Reich has written, a successful political philosophy tells a compelling "story," one that makes sense of the world and leads toward a specific set of policy responses.

Economic nationalism entails just such a story: dramatic changes in the world economy threaten America's standard of living, America's leaders have been too focused on fighting the last war, and therefore, new leaders and new strategies are required. The story effectively links the global -- U.S. competitive decline -- and the more personal and experiential -- the alarming lack of good jobs. It provides a fundamental framework within which one can explain and argue for new economic directions.

The economic nationalist impulse is easily -- and often -- caricatured as xenophobia, isolationism, or crude protectionism. But our review of public opinion uncovered little support for this view. Americans are actually reluctant to blame other nations for U.S. economic decline, saying that the causes of trade problems lie more at home than abroad (though not only at home). They want to restore America's economic leadership, not retire from the world stage. And they want to compete aggressively. To be sure, they want foreign markets opened to U.S. goods, and they don't believe Americans should have to compete for jobs with people who earn four dollars a day. But give them a level playing field, and they are ready to suit up and play.

Finally, economic nationalism is not in any simple sense a "liberal" or "conservative" set of ideas. As with populism, no particular political tradition has a monopoly claim on it. Last year we heard variants of it from presidential candidates of both parties -- not to mention a very prominent independent candidate. We cannot say whether economic nationalism will, in the end, primarily boost the fortunes of liberals or conservatives, Democrats or Republicans. Political leadership will thus be critical in determining where the economic nationalist impulse takes America. It is to this very question of the politics of economic nationalism that we now turn our attention.

The Politics of Economic Nationalism

As we have seen, the American people have become deeply concerned about U.S. competitiveness and anxious about their economic future. Yet economic nationalism has emerged only recently as a significant political force and still has a deceptively low political profile. This has led some to severely underestimate the electoral significance of economic nationalism.

In fact, according to political pundits and strategists, economic nationalism has already risen -- and fallen -- on several occasions since the mid-

We cannot say whether economic nationalism will, in the end, primarily boost the fortunes of liberals or conservatives, Democrats or Republicans.

1980s. Every election year, its transformative power is predicted in the spring, and its strategic impotence proclaimed the following winter. But underneath this roller coaster of commentary, we can discern a generally increasing prominence to these issues. Each year, the number of politicians talking about the “global economy,” “taking care of our own,” and “investing in America,” increases. And, with the recession of 1990-92 and the elections of 1992, economic nationalism has come to the political foreground. Today it is in the process of reshaping our national political coalitions.

With the recession of 1990-92 and the elections of 1992, economic nationalism has come to the political foreground.

The 1980s: Unrealized Potential

Despite widespread recognition as far back as the early 1980s that the U.S. faced serious competitive challenges, the issue had curiously little impact on national-level politics throughout most of the decade. Why was America’s competitive decline so slow to become a major political issue? We believe that political leadership was the missing ingredient. From both sides of the political aisle came confusing analyses and proposals. Often, there was just silence.

But international economics is far too complex, and far too removed from the daily experience of most people, to emerge as a powerful issue with this lack of elite leadership. In fact, the public’s ability to grope its way toward a fairly sophisticated understanding of these critical problems (see previous section), largely on its own, is rather impressive. In this area, the public has consistently had to lead its “leaders.”

We can see the results of this leadership vacuum if we examine how the public has understood economic nationalism in partisan and ideological terms. For example, surveys give mixed results on the question of which political party has been regarded as better on questions of trade and competitiveness -- but mixed in a consistent pattern. Specifically, the results have depended a great deal on the precise question wording, and whether the wording tapped a traditional strength of one of the parties.

Consider the figures in Table 6. They suggest that voters, when considering trade and competitiveness issues, have tended to trust Democrats to care about people (and their jobs), but have trusted Republicans in the area of economic management.³ Although the economic events of 1990-92 narrowed the Republican edge on **competitiveness**⁴ and widened the Democratic lead on jobs, the basic pattern held steady.

TABLE 6
Which Political Party would do a Better Job?
Jobs and Competitiveness
(Percentages)

	<i>Republicans</i>	<i>Democrats</i>
<u>Protecting U.S. Jobs</u>		
1990	30 %	40 %
1992	30 %	49 %
 <u>Making America Competitive in World Economy</u>		
1990	41 %	25 %
1992	41 %	38 %

Source: *Times-Mirror* 1990; 1992.

Trade and competitiveness have not had an independent partisan identification.

The other relevant opinion dimension is foreign affairs, where Republicans -- especially under the Bush presidency -- had a clear edge. If a question included the word "foreign," the Republicans were boosted. A Gallup survey for CNN/USA Today nicely illustrates this domestic/foreign pattern (see Table 7, next page).⁵ When the two pro-GOP words were combined in one question -- which party is better able to deal with "foreign economic competition" -- the Republicans had a particularly lopsided 50 to 21 percent edge (CBS/New York Times 1991).⁶

The polls appear to show, then, that the Republicans are favored on the issues of foreign trade and American competitiveness (though the recession weakened their position). But this advantage simply reflects, in large part, prior GOP advantages on prosperity and foreign policy. Indeed, what these data really indicate is that *trade and competitiveness have not had an independent partisan identification*. That is, unlike jobs, foreign policy, or economic management, the public did not tend to link the trade and competitiveness issue with a particular political party.

Consistent with this lack of a partisan link, the evidence indicates that the public has been largely unable to distinguish the positions of the parties on these issues. One survey found just a little over half (56 percent) able to say which party was tougher with countries that unfairly restrict the sale of American products, with Republicans edging out the Democrats 32 to 24 percent (Democrats for the '90s 1990). The same lack of clarity has affected

TABLE 7
Which Party Would Do a Better Job?:
Health Care, Unemployment, Trade, and Foreign Affairs

	<i>Republican</i>	<i>Democrat</i>
Health care policy	27 %	60 %
Unemployment	30 %	55 %
Foreign Trade	52 %	32 %
Foreign Affairs	57 %	28 %

Source: CNN/USA Today 1992.

The public has been largely unable to distinguish the positions of the parties on [economic nationalist] issues.

assessments of presidential performance. One survey found voters were as likely to think President Bush favored increased taxes on goods from Mexico (38 percent) as opposed them (40 percent), despite his strong support for a Free Trade treaty with that country (Times-Mirror 1991).

Voters also have had difficulty placing trade-related issues in ideological terms, though if anything tough trade views seem to be associated with conservatism. For example, in a 1988 post-election survey conducted by Stan Greenberg and Celinda Lake, respondents identified “enforcing tough trade laws against foreign countries” as a conservative (46 percent) rather than liberal (29 percent) position. The authors summarized their findings this way: “Voters have a difficult time placing tough trade policies on the ideological spectrum...economic nationalist messages remain ideologically unresolved and a source of opportunity, if Democrats seize the initiative” (The Analysis Group/Greenberg Lake 1988). It was not until four years later that the Democrats -- with Greenberg’s help -- even began to take advantage of this opportunity.

At the congressional level, however, the 1980s did see trade and competitiveness issues playing some role. One study found many voters -- especially those with tough-on-trade views -- saying they would “probably not” or “definitely not” vote for a congressional candidate who disagreed with their position on trade (Policy and Opinion Report 1986). Congresspeople were (and are) quite attentive to trade issues that impact their districts, being careful not to get caught on the “wrong” side of them where local industries -- and jobs -- are affected.

However, this very attentiveness obscures, rather than highlights, partisan identification on trade issues. Representatives from both parties try to position themselves as “pro-jobs” -- Democrats and Republicans are both protectionists when it comes to the home district. It is only on more general trade legislation, affecting no particular industry -- and where voters are less likely to pay close attention -- that partisan voting patterns have emerged (Shoch forthcoming). People have therefore had a difficult time seeing systematic differences on trade between the parties. Only articulated differences at the presidential level of politics, by one or both parties, are likely to give voters meaningful partisan choices on these issues.

Here we have the political equivalent of what economists call “market failure”: the demand was evident for economic nationalism, but no one wanted to supply it. Why was there so little interest by presidential candidates in these issues? The Republicans’ failure to articulate such themes seems relatively unsurprising. To begin with, the GOP had evidenced a deep ideological commitment to free trade. Moreover, Republican administrations -- regardless of their culpability -- had presided over the steepest period of American competitive decline. Finally, they were winning elections without it. All this militated against a stronger economic nationalist stance by the Republicans.

The long Democratic silence on these themes is more puzzling, given their status as an “out” party in need of attractive messages. Much of the answer lies in the enormous gap between elite and mass opinion on trade. Polls which have measured the views of both the general public and “opinion leaders” consistently find the former favoring much tougher trade positions. A 1990 Gallup poll, for example, recorded 54 percent of the public in favor of trade tariffs, but only 33 percent of an elite sample agreed (Chicago Council on Foreign Relations 1991). Democratic leaders simply shared many of the same free-trade ideological assumptions, rooted in traditional economic theory, with their Republican counterparts.

This elite consensus also meant that any Democratic politician who broke ranks on these issues was likely to face the prospect of massive criticism from policy “experts” and the press. A 1987 study of 46 of the nation’s large newspapers (*UAW Ammo* 1987), for example, found that 45 of them -- or 98 percent -- had editorially opposed the tough-on-trade Gephardt Amendment (the other paper took no position). In addition, many financial contributors

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to Democratic politicians had strong free-trade priorities. Together, these were powerful deterrents to wandering off the free-trade ranch.

This lack of attention to economic nationalist themes became self-reinforcing. Because there was not a clear partisan profile to the issues, voters had no “natural” cues to respond to and so salience remained low. Candidates then saw no electoral incentive to risk elite criticism by taking tougher stances.

And so, even as late as the 1988 presidential election, when polls clearly showed the strength of economic nationalist sentiments, the direct political impact was small. Voters who cited “foreign competition” as a concern (12 percent of voters) went for Bush 54 to 45 percent over Dukakis -- no different from the overall electorate (ABC News 1988). But that should not surprise us -- Michael Dukakis made no significant attempt in his campaign to exploit economic nationalism. Its potential thus remained unfulfilled.

From Gephardt to Perot: Economic Nationalism Emerges

The potential was there, however, even in the relatively sunny economic climate of 1988. That was demonstrated by Dick Gephardt’s candidacy in the Democratic primary campaign. Ironically, Gephardt’s campaign has been widely seen as a demonstration of the limited appeal of economic nationalism. A fair appraisal of Gephardt’s rise and fall suggests this is a serious misinterpretation. In fact, we can now see that the Gephardt campaign actually prefigured the power of economic nationalism as a political issue.

What is now forgotten is that Gephardt emerged from the obscurity of the House of Representatives as a major presidential candidate largely because of the strong appeal of his trade-centered message. His famous “\$48,000 Hyundai” ad galvanized support for his fledgling candidacy. He offered a populist message -- “It’s your fight too” -- that proved especially powerful with working-class Democrats.

Gephardt’s campaign ended on Super Tuesday when he was defeated across the South by Tennessee’s Albert Gore. His loss cannot be traced to any unpopularity of economic nationalism, however. On the contrary, Gore won because he ***had taken overmuch of Gephardt’s message.*** Moreover, Gephardt had trouble competing in the multiple primaries that day because he ***was*** starved for funds. The elite resistance to economic nationalism long feared by Democratic candidates had indeed come into play.

To be sure, Gephardt's rather crude protectionist message had less than universal appeal. As Ethel Klein, a former Gephardt advisor, put it in *The New York Times* that year: "By focusing narrowly on trade, Rep. Gephardt misses the larger issue of the responsibilities of government in a global economy" (March 21, 1988). But to see his defeat as a repudiation of economic nationalism in general is a serious misreading of the history -- one that he personally rejects as well. The Gephardt campaign, far from demonstrating a lack of political viability for economic nationalism, prefigured the political potential of these themes under the right circumstances.

These circumstances were provided by the recession of 1990-92. Though a relatively mild recession as measured by traditional economic indicators, it tapped into and **crystalized** longstanding anxieties about the country's fundamental economic health. Polling by Gallup in 1992 found as much as 84 percent of the public "dissatisfied with the way things are going in the United States," the highest since 1979 and far greater than a recession of that severity would normally produce. One survey recorded well over half (55 percent) saying that the U.S. economy "needs a complete overhaul," while 41 percent thought it "is fundamentally sound but needs minor changes" (CNN/USA Today 1992a). Majority support for such a radical sentiment indicated the depth of Americans' fear for their economic future.

A leading indicator of this change was Harris Wofford's 1991 senatorial campaign in Pennsylvania. Wofford presented himself as a tough liberal, using the central theme "It's time to take care of our own." Much attention has been paid to Wofford's embrace of the health care issue, and it was indeed part of his appeal. But he also stressed his opposition to the Fast-Track Authorization for NAFTA -- saying the White House was putting American jobs "on a fast track to Mexico." Most observers credited this with an important role in his upset victory over Richard Thornburgh.

In the 1992 presidential primary campaigns this trend accelerated. Tom Hat-kin announced "I'm proud of being accused of being a protectionist!" Doug Wilder's slogan was "Put America First." Paul Tsongas called for "economic patriotism." On the other side, Pat Buchanan assailed immigration, George Bush's deference to the Japanese, and the NAFTA treaty.

Media accounts stressed that "free traders" Paul Tsongas and Bill Clinton emerged from New Hampshire as the leading candidates. But more striking is the extent to which all of them basically told the same economic

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nationalist story. For example, Tsongas was probably the least “protectionist” Democrat, but he stressed American competitiveness as a theme more than any other candidate. Bill Clinton, for his part, said “If you’re sick and tired of seeing your country on the defensive...and if you think your country can compete and win again, then I’m your candidate.”

There are in fact two basic versions of economic nationalism. The first type -- which we call “soft” economic nationalism -- focuses on domestic investment and national planning. Its concerns lie chiefly in the realm of the domestic economy. “Hard” economic nationalism, on the other hand, has a more explicit anti-foreign dominance thrust. It emphasizes trade toughness, confronting the competition, and limiting foreign influence. Clinton and Tsongas both generally articulated a soft version of the message, and so many analysts failed to see their economic nationalism.

But both sentiments are part of the public’s overall economic nationalist outlook, and both drive existing majority views on trade and competitiveness issues. Thus, the 1992 election can be properly viewed as the election that finally brought both components of economic nationalism into national-level politics. Indeed, in the general election that followed, Bill Clinton and Ross Perot gave voters a choice between the two different visions of economic nationalism. Only the big loser in the election, George Bush, steered clear of these themes entirely.

“Investment” -- in the nation’s people and economy -- was the most used word in Clinton’s vocabulary. And the goal of the investment was to make America competitive again. He also added a couple of “harder” elements: ending tax breaks for companies that export jobs and cracking down on tax avoidance by foreign corporations. But fundamentally, Clinton continued to offer his “soft” version of economic nationalism.

There was nothing soft about Perot’s message, though. While they received less attention than his other stances, Perot openly espoused a strongly nationalist set of views on trade and competitiveness. Some of Perot’s biggest applause lines in the televised debates -- both as measured in the studio and among viewers in the home -- were those that bluntly asserted the need to limit the influence of foreign lobbyists and take a tougher U.S. trade stance. Particularly memorable was his prediction, were NAFTA to be approved, of a “giant sucking sound” as U.S. jobs moved to Mexico.

The main 1992 exit poll (Voter Research and Surveys 1992) **confirmed** that Clinton and Perot voters were in agreement with their candidates on these issues. Voters were asked “Overall, would you say U.S. trade with other countries creates more jobs for the U.S., loses more jobs for the U.S., or has no effect on U.S. jobs?” Predictably, Bush voters were bullish on trade, saying by a 56 to 27 percent margin that trade created more jobs. In contrast, the Clinton voters believed, by a 49 to 35 percent margin, that more jobs were being lost. Significantly, Perot voters were not in between these two camps, as they were on many other issues. Instead, they were just as strong as the Clinton voters in their belief that trade lost, not gained, jobs (also 49 to 35 percent). The same basic pattern was observed on separate trade-related questions asked in the Michigan and Texas state exit polls.

When the campaign opened in September, 62 percent of voters told Gallup they were more afraid of electing a president who would not protect them from foreign competition than one who was too protectionist. On November 3, 62 percent voted for Clinton and Perot. Economic nationalism had arrived.

Shifting Political Coalitions

Political competition always involves, by definition, a struggle to win over swing voters -- voters without a strong partisan anchor. Significantly, our research shows widespread agreement between swing voters and core Democratic voters on economic nationalism.

For example, factor analyses⁷ of public views on trade and competitiveness generally show two distinct attitudinal dimensions, parallel to what we have called “soft” and “hard” economic nationalism*: (1) a sense that the U.S. should improve lagging areas like education, infrastructure, productivity and the living standards of the middle class (soft); and (2) a sense that the U.S. is being dominated by foreign competitors and should fight back, especially on the trade front (hard). Our analysis of post- 1988 election polls found that both swing⁹ voters and core **Democratic**¹⁰ voters ranked highly on each of these dimensions. And we found the same story in 1992 election data: swing voters and core Clinton voters tended to agree on issues like opposing NAFTA and the importance of protecting American workers and businesses from foreign competition.

Our research shows widespread agreement between swing voters and core Democratic voters on economic nationalism.

Democrats could enhance their current appeal among swing voters with an economic nationalism that gives full play to the public's militancy on trade issues.

Interestingly, to the extent swing voters and core Democratic voters tended to differ at all on economic nationalism, it was that swing voters were somewhat "harder" or more nationalistic in their views, while Democratic voters were "softer" or more investment-focused. This is important because nationalism has been a key component of the GOP's political appeal to swing voters. A general review of 1988 post-election polling, for example, indicates that nationalism, broadly defined to include issues from military security to the Pledge of Allegiance, helped move many of these voters into the Republican column. All this suggests that the Democrats could enhance their current appeal among swing voters, and potentially counter Republican influence, with an economic nationalism that gives full play to the public's militancy on trade issues.

Looking to the long term, economic nationalism's greatest impact may be opening the door to a new political coalition supportive of public interventions into the marketplace. Because of its nationalist appeal, Democrats may find it offers a powerful framework for explaining and promoting the kind of activist government they favor. Indeed, given Americans' longstanding ideological resistance to government intervention, it generally takes great national threats -- whether the Great Depression, the Nazis, or Sputnik -- to produce opportunities for dramatic policy innovations. One result of America's competitive decline may be to provide Democrats with just such a historic opportunity.

The Future of Economic Nationalism

Economic nationalism is here to stay. Its recent emergence as a political issue, combined with its deep roots in American public opinion, assures this. The central question now is not whether -- **but how** -- economic nationalism will affect American politics in the coming years. Here we venture a few thoughts on that question, concentrating on the political struggle for the Perot voters and the current efforts to ratify the NAFTA treaty.

The Fight for the Perot Voters

In the wake of the 1992 election, the political world looks quite different. The Republican presidential coalition that had governed for a quarter century lies in ruins. And, with Democrats in the White House,

programs that would have been unthinkable a year ago are now on the agenda.

At the same time, the Democrats have a problem. Clinton's presidential victory was relatively weak -- at 43 percent, Democratic support was actually less than in 1988 -- and does not indicate the emergence of a dominant Democratic coalition. If they hope to succeed in both policy and political terms, the Democrats must forge such a new coalition in the next four years -- just as Nixon, who also got 43 percent of the vote, did in 1968-1972.

In this situation, it is no secret which "swing" voters the two parties will be fighting for. The 19 percent of the electorate that voted for Ross Perot was largely responsible for the dramatic erosion in Republican support (one of the largest drops for an incumbent President in U.S. history). If the Democrats can capture this group, they will hang onto the White House easily in 1996. But if the Republicans succeed in capturing this group's loyalty, Clinton will be a one-term president. As Ross Perot himself might put it: "It's that simple."

The Democrats. One possible Democratic strategy for appealing to Perot voters is to tackle the federal budget deficit. When voters were asked in the 1992 national exit poll to name the one or two issues that mattered most to their vote, 42 percent of Perot voters named the federal budget deficit, far more than either Clinton voters (18 percent) or Bush voters (15 percent) (Voter Research and Surveys 1992). This strong result is consistent with Perot's emphasis on the deficit issue during -- and since -- the campaign. This line of thought may be one reason why the Clinton administration has so strenuously emphasized the deficit reduction bona fides of their budget plan.

It seems unlikely that deficit reduction alone will solve the political riddle of the Perot voters. For one thing, it will be hard to satisfy Perot, who has criticized Clinton's economic plan for adding -- even if all goes as planned -- one trillion dollars to the national debt. Furthermore, while deficit reduction does provide some justification for increasing taxes, it provides no rationale for the new spending (\$170 billion over four years) so integral to Clinton's plans. If deficit reduction is the goal, the skeptical Perot and many of his supporters wonder, why is not Clinton forsaking new spending instead of raising taxes?

This suggests the fundamental problem: deficit reduction, however attractive to Perot voters, and however desirable on other grounds, does not constitute a justification for activist government and the spending (however careful and "entrepreneurial") to which it is inevitably linked. It therefore

It seems unlikely that deficit reduction alone will solve the political riddle of the Perot voters.

follows that Perot voters will need more than the deficit issue to convince them that the spending initiatives of the Clinton administration are truly justified.

Now, it is true that Clinton's most direct justification for new spending and programs uses the language of economic nationalism to defend these initiatives, calling them "public investment" needed for Americans to be globally competitive. And, as we have noted, swing voters (and the general public) are very supportive of the general idea of domestic investment. Domestic investment as a series of government programs, however, is a harder sell and must overcome serious resistance among swing voters.

Domestic investment as a series of government programs is a hard sell and must overcome serious resistance among swing voters.

This is because many of these voters have been supporting the Republicans -- or, more recently, Ross Perot -- precisely because they are suspicious of government programs and unconvinced they will benefit from them. We can see this in a key finding from the 1992 exit poll. Voters were asked, "Would you rather have government provide more services but cost more in taxes, or government cost less in taxes but provide fewer services?" Clinton voters, not surprisingly, called for the government to provide more (55 to 36 percent). And Bush voters predictably endorsed the concept of a government that provided less and taxed less (72 percent to 26 percent). But, the finding for Perot voters was surprising and quite striking: they were only marginally less supportive than the Bush voters of a government that provided and taxed less (66 percent to 26 percent). In other words, on this critical issue, Perot voters look like Bush voters and unlike Clinton voters.

Overcoming this dilemma will be a key problem for a Democratic administration that intends to both provide more and tax more. Appealing more openly to Perot voters' nationalism may provide part of the Democrats' answer. Recall that Perot and Clinton voters had similarly critical attitudes toward foreign trade (see above) -- even though it was candidate Perot, not candidate Clinton, that articulated this sentiment. This suggests that uniting both strands of economic nationalism -- i.e., both the "soft" (economic investment) and the "hard" (nationalist) -- would work to the Democrats' advantage among swing voters without alienating their base.

Additional supporting evidence from the 1992 Michigan exit poll is worth citing here. Voters in Michigan who said that the Free Trade Agreement with Mexico was important to their vote (22 percent of the electorate) gave Perot considerably more support than other voters. And among Perot voters, those who cited the treaty named Clinton as their second

choice by better than two-to-one, while other Perot voters split evenly between Clinton and Bush. Thus, those Perot voters most “available” to the Democrats subscribe to “hard” economic nationalist views.

A “harder” version of economic nationalism, then, is a possible way to sell activist government to skeptical Perot voters. If it is truly desirable to stand up to America’s trading partners, preserve American jobs, help U.S. businesses meet the foreign competition, build up the infrastructure, and train American workers, then government programs and at least some new spending would appear to be necessary. This contrasts with the deficit reduction issue, which has no intrinsic connection to activist government and may even undermine it. It also contrasts with the deficit reduction issue in that populist sentiments are directed against foreign competitors and unpatriotic businesses rather than the government itself.

Over the first six months of his presidency, however, President Clinton has developed an ambiguous profile on trade issues, at times celebrating free trade, at other times sternly denouncing U.S. trading partners. On the critical issue of NAFTA, for example, Clinton formally supports the unpopular treaty while also calling for additional labor and environmental agreements -- a stance with little appeal to Perot voters. It therefore came as little surprise that a July 1993 poll (after the Tokyo G7 meetings) found that only a meager 20 percent of Americans (23 percent of Perot voters) believed Clinton to be “tougher” on trade than George Bush (CNN/USA Today 1993c). Contrast that with the strong 58 percent majority (and 71 percent of Perot voters) who felt Clinton should take a tougher stance than Bush (only 2 percent said “softer”) (CNN/USA Today 1993b).

To date, Clinton has not developed a strong public image on trade. Economic nationalism remains a potential bridge between the president and the Perot voters, but one that has not yet been built.

The GOP. The Republican pitch to Perot voters will center mostly on deficit reduction and attacks on government spending. However, despite their track record of hostility toward economic nationalism, Republicans may find this additional route to the Perot voters impossible to resist. After all, nothing in our research suggests a successful message along these lines can only be promulgated by the Democrats. Indeed, the Republicans’ nationalist and “toughness” credentials, as we explained earlier, have given them better ratings than the Democrats on trade toughness and economic competitiveness

A “harder” version of economic nationalism is a possible way to sell activist government to skeptical Perot voters.

in the recent past (though some aspects of this are currently changing). The Republicans' problem, of course, is that the very idea of an economic nationalist program goes against the grain of the pro-free trade, anti-activist government ideology that currently dominates the party. But the GOP has proven capable of adapting their ideology for electoral success in the past and may again in the future.¹¹

If they did move in this direction, it seems likely they would choose to emphasize the nationalist aspect of these issues, since nationalism is an area of residual strength for them, and would be easy to embrace rhetorically. Indeed, given the Republican predilection for political issues that highlight racial division, the nationalist rhetoric might be quite strident -- perhaps echoing the nativism espoused by Pat Buchanan in the 1992 Republican primaries. An anti-immigration thrust is one logical possibility here.

The situation, in short, is fluid. Since the issue of economic nationalism has not been fully captured by any one political party or tendency, the ultimate political impact of the issue could go in any of the different directions outlined above. Which direction this ultimately becomes will be a contested process, with no guaranteed outcome. The stakes could be high: whether the Clinton administration marks the beginning of a new period of activist government; or a one-term interregnum between the Reagan-Bush years and a political future that weds hostility to government to hostility to foreigners.

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The NAFTA Treaty

The coming year should see public debate over ratification of the North American Free Trade Agreement (NAFTA) with Mexico, negotiated by the Bush administration and supported by President Clinton. NAFTA advocates include prominent leaders of both political parties, virtually every news organization in America, almost all economists -- essentially every opinion-making segment of society. However, there is one dissenter from this far-reaching consensus: the American public.

Public opinion polls conducted over the past two years have consistently found more Americans opposing the treaty than favoring it. Furthermore, opposition appears to be growing, as the most recent surveys show the largest margins:

- Two 1991 surveys found pluralities of 47 to 32 percent (NBC/Wall Street Journal) and 50 to 41 percent (ABC/Washington Post) believing

that free trade with Mexico would cost the U.S. jobs, rather than help the economy.

- Respondents in a July 1992 survey said by 2-to-1 that free trade with Mexico was a “bad” rather than a “good” idea (CBS/New York Times 1992).
- Gallup registered opposition to NAFTA at 57 to 33 percent in September 1992, rising to a 63 to 31 percent margin (same question wording) in March 1993, and to 65 to 28 percent in June 1993 (CNN/USA Today 1992a, 1993a, 1993c).

Significantly, the most recent Gallup poll found that opposition was especially strong -- 73 to 21 percent -- among Perot voters.*

Voters' skepticism about NAFTA is driven by one fundamental concern: jobs. Always a critical concern for the public, in today's economy jobs is the preeminent issue. NAFTA advocates have implicitly acknowledged as much by trying to sell the treaty as a job creator, rather than making the traditional free-trade appeal to consumers' interests in lower priced goods. They emphasize the extent to which the treaty ostensibly opens foreign markets to American goods, a popular goal.

However, voters do not buy this argument. Only 16 percent of the public believes NAFTA will result in more jobs for the U.S. (NBC/Wall Street Journal 1992). As we have seen, Americans see trade imbalances as being caused primarily by foreign goods being cheaper than U.S. goods, a gap generated primarily by wage differentials. Mexico is of course a very low-wage country, a fact well understood by the voters. So free trade is seen as inherently to America's disadvantage. It will be very hard to convince them that poor Mexicans could ever buy enough American products to create a net job advantage for the U.S. Moreover, voters figure that many American companies will be tempted to locate new jobs across the border, where they can pay wages one-tenth the American level. The treaty covers some 2,000 pages, but for voters it boils down to two words: “goodbye jobs.”

The other problem proponents face is deep doubt about whether American leaders will act to protect their interests. People are very critical of the government's past trade negotiations, so any accusations that the proposed treaty does not sufficiently protect American jobs are likely to seem plausible.

The most recent Gallup poll found that opposition [to NAFTA] was especially strong -- 73 to 21 percent -- among Perot voters.

The public's opposition to NAFTA as of now remains rather passive -- people are not actively angry about it. In fact, most Americans still know very little about the proposed agreement. But it would be a mistake to think this represents opportunity for NAFTA proponents -- more likely, it represents just the opposite. So far, the more the public has learned, the less it supports the treaty. In addition, majority opposition has developed even in the absence of any visible and credible criticism at the leadership level.

Of course, if no nationally credible opposition develops, the public may never develop strong views on the issue, despite their instinctively negative attitudes. The treaty could then certainly be ratified. But if a serious national debate takes place, strong public opposition might very well be mobilized. The opposition of even a few respected senators -- or someone of the stature of Ross Perot -- could probably galvanize active public opposition. The tinder is there: it remains to be seen if a match is struck.

The more the public has learned [about NAFTA], the less it supports the treaty.

Endnotes

1. A considerably more detailed summary of the public opinion data we looked at is contained in a separate "Data and Technical Appendix." This document is available upon request from the authors.
2. See Tyson (1990), Kuttner (1991, 1992), and Galbraith (1991) for useful discussions of many of these policy proposals.
3. Though note that the political changes of 1992-93 have completely wiped out -- for the time being -- the absolute Republican advantage in the realm of economic management. But the GOP continues to fare relatively better on the issue of general economic management ability than on the specific issue of jobs.
4. It is likely that a more recent party job rating on competitiveness than the one we have (January 1992) would show the Republican edge on competitiveness completely eliminated. The point, however, is not the absolute, but the relative, advantage Republicans have had on this issue.
5. The basic pattern shown in Table 8 continued to obtain, even after the Republican defeat in November of 1992. Voters preferred the Republicans on foreign trade and foreign affairs, while preferring the Democrats on health care and unemployment.
6. The Republican Party still had the lead on dealing with "foreign economic competition" in September 1992 (NBC/Wall Street Journal), despite the tremendous beating the Bush campaign had been taking on economic issues.
7. See Data and Technical Appendix (available upon request from the authors) for details of factor analyses, including which survey questions were analyzed and which questions loaded on which factor.
8. We are indebted to Stanley Greenberg (1990) for the initial formulation of this dichotomy.
9. We defined swing voters as Bush Democrats and Bush independents. Bush Democrats, in turn, were defined as voters who voted for Bush in 1988, but who identified themselves, at the time a particular survey was done, as Democrats or leaning toward the Democrats. Bush independents were defined as voters who voted for Bush in 1988, but had no partisan affiliation (i.e., did not identify

with, or lean towards, either party) at the time of the survey.

10. Self-reported Dukakis voters.

11. See Edsall (1991) for a good discussion of how Republican ideology has evolved--and successfully evolved--to meet new conditions in the last thirty years.

12. Two publicly available polls appear to show lower opposition to NAFTA:

A Yankelovich question (for **CNN/Time**) recorded plurality (but not majority) support twice in 1992. However, it taps into generic positive feelings about "free trade" without giving respondents any corresponding negatives about the treaty: "Do you favor or oppose the free trade agreement between the United States and Mexico that would eliminate all trade barriers between those two countries?" Furthermore, by mid-1993 even this question was returning plurality *opposition* to NAFTA, with Perot voters overwhelmingly opposed (**CNN/Time** 1993).

The CBS/New York Times poll reported in July 1993 that voters were evenly divided on NAFTA (*The New York Times* July 12, 1993, p. 1). However, only those respondents who said they had heard or read something "about the recent proposal to create something called a 'North American free trade zone' composed of Canada, the United States and Mexico" were asked their view on the treaty. Even leaving aside this awkward description of what is popularly known as a free trade agreement with Mexico, this a very misleading methodology. Better-educated Americans routinely express disproportionately free-trade views, and these are precisely the same people who follow issues like NAFTA in the news. This finding does not in any way contradict findings of 2: 1 opposition among all Americans. Indeed, an even split among the best-informed 51 percent of Americans spells deep trouble for the treaty. This poll does suggest that knowledge of the treaty is still limited, but we argue, opposition has grown as people have learned more.

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