

DHS Report Card:
The Good, the Bad, and
the Ugly

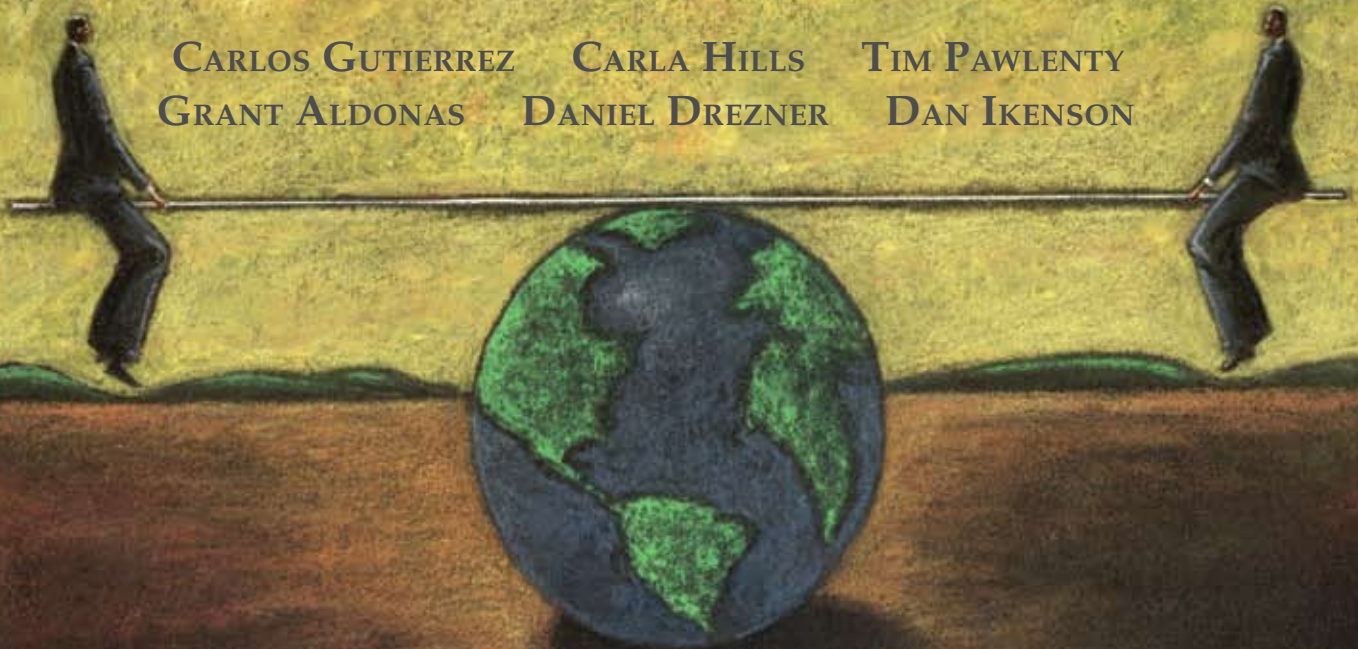


The Ripon Forum

August/September 2007
Volume 41, No. 4

GLOBAL TRADE *in the balance*

CARLOS GUTIERREZ CARLA HILLS TIM PAWLENTY
GRANT ALDONAS DANIEL DREZNER DAN IKENSON



Plus: Ross Perot's press secretary discusses
the '92 campaign and the challenges of mounting
a third party bid for President



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Volume 41, No. 4, August/September 2007

Articles

- 4 **The Coming Transition from
Analog to Digital**
By Fred Upton
- 6 **Keeping America's Food Supply
Safe and Secure**
By Mary Sophos
- 8 **DHS Report Card:
The Good, the Bad, and the Ugly**
By Randall Larsen

Cover Story

GLOBAL TRADE IN THE BALANCE

- 10 **The President's Vision for Global Trade**
By Carlos M. Gutierrez
The United States Secretary of
Commerce discusses what the Bush
Administration is doing to improve
America's position with regard to
trade around the world.
- 12 **U.S. Trade Policy:
Does it help or hinder U.S. business?**
By Carla A. Hills
The former U.S. Trade Representative
looks back on 60 years of trade policy and
shares her thoughts on the challenges that
lie ahead.
- 14 **Doha Do or Die**
By Grant Aldonas
The current round of multilateral trade
negotiations have dragged on for nearly
six years. Is time running out on the
prospects of reaching an agreement?

Cover Story (cont'd.)

- 16 **What Trade Means to My State**
By Tim Pawlenty
The Governor of Minnesota talks about
the importance of trade to residents of his
state and what he is doing to strengthen
things in that regard.
- 18 **What Trade Means to the American
People**
By Daniel W. Drezner
From the coffee we drink in the morning
to the iPods we listen to throughout the
day, Americans have become accustomed
to the benefits of global trade.
- 21 **Dark Days Ahead?**
By Dan Ikenson
A storm is brewing on Capitol Hill
over the future of U.S. trade policy and
the course our nation should take.

Politics & Perspective

- 23 **Reflections from the
Perot Campaign of 1992**
By Jim Squires
- 26 **Soft News, Hard Sell: Treat the
Audience as Consumers, not Citizens**
By Shanto Iyengar

Sections

- 3 **A Note from
the Chairman Emeritus**
- 28 **Ripon Profile**
Senator Charles Grassley

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thinking within the Republican Party.

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A Note from the Chairman Emeritus

One of the goals of the *Ripon Forum* has always been to shine a spotlight on little known issues that were not receiving much attention.

In this edition of our journal, we have decided to do something slightly different – mainly, shine a spotlight on a well known issue that, we believe, is being virtually ignored.

The issue is global trade. Over the past eight months, it has become increasingly obvious that trade has become less and less of a priority on Capitol Hill. Trade agreements reached with other countries have not been voted on, and the President's Trade Promotion Authority has not been renewed.

As a result, America has been left handcuffed on the world stage. Of course, the real victims here are the American consumers, who lose the opportunity to have better choices and better prices for the things they buy.

In this edition of the *Forum*, we take a look at what some of these benefits are, and the politics that are standing in their way. We have an exceptional group of leaders and experts to help us do this, including Secretary of Commerce Carlos Gutierrez, former U.S. Trade Rep Carla Hills, and Governor Tim Pawlenty of Minnesota.

In addition to trade policy, we also examine some other pressing topics in this edition. Congressman Fred Upton writes about the coming transition from analog to digital broadcasting and what it means to first responders. Homeland security expert Randall Larsen assesses the performance of the Department of Homeland Security six years after 9/11. And Jim Squires, who served as Ross Perot's press secretary when he ran for President, reflects on the '92 campaign and offers some advice for third party candidates running today.

As with all editions of the *Forum*, we hope you enjoy what we have put together, and encourage you to contact us at editor@riponsociety.org with your thoughts and comments on anything you read.

Bill Frenzel
Chairman Emeritus
Ripon Society

The Coming Transition from Analog to Digital

Public Safety stands to benefit the most

FRED UPTON

In February of 2006, President George Bush signed into law legislation that designates midnight, February 17, 2009, as the date to complete the transition from analog to digital television broadcasting. Digital television (DTV) is an innovative new type of over-the-air broadcasting technology that enables TV stations to provide dramatically clearer pictures and better sound quality. The transition from analog to digital television represents the most significant advancement of television technology since color TV was introduced decades ago.

Who will be affected once the proverbial switch is flipped? Cable, satellite, and telephone companies will take steps to continue providing service for their television subscribers. And anyone already using a digital television with an over-the-air antenna will see no change in service.

But the small number of folks who currently receive free broadcast television programming using an analog television set and an over-the-air antenna will need a DTV converter box to continue to receive service. These boxes will be available in early 2008, are expected to cost about \$50, and will improve the picture of even old television sets.

Congress also set aside funds for consumers who want help covering the cost of the converter boxes, and the

government will issue each household up to two \$40 converter box coupons upon request, also starting in early 2008. (More information about the DTV transition and the converter box



We have witnessed many painful events over the last decade that highlighted the critical need for interoperable communications.

coupon program is available at www.dtv.gov and www.ntia.doc.gov.)

Not only will the nation's

consumers benefit, our nation's taxpayers will benefit as the sale of the spectrum currently occupied by the nation's broadcasters is expected to generate billions of dollars to pay down the debt. But most importantly, with the transition to digital, our nation's first responders will finally have access to the additional spectrum they need to communicate in times of emergency.

On that cold day in February 2006 when President Bush signed the legislation into law that set the date for the transition to digital television, we also paved the way for broadcasters to clear a spectrum for interoperable public safety communications. I was especially pleased that the new law included my amendment creating a \$1 billion federal grant program, paid for by spectrum auction sales to the private sector, which will soon provide public safety officials with much-needed resources to improve interoperability using the additional spectrum the law gives them.

During any disastrous event, it is our nation's first responders who answer the call of duty and rush into harm's way, putting their lives on the line. In order for first responders to do their job, they must be able to communicate with one another - not just fire, police, and EMS within one jurisdiction, but also among local, state, and federal jurisdictions.

We have been working over the last decade to provide our first responders with the vital capability to communicate interoperably and our efforts are finally coming to fruition.

We have witnessed many painful events over the last decade that highlighted the critical need for interoperable communications.

On the fateful morning of September 11, 2001, New York police officers were able to hear the radio warnings from a helicopter that the North Tower of the World Trade Center was glowing red, and most of the police officers exited the building safely—while dozens of firefighters, who could not hear these warnings, tragically perished when the tower collapsed. The radio communications system used by the police was not compatible with the system used by the fire department; consequently, no warnings could be

heard and many lives were lost.

Hurricane Katrina also made us acutely aware that we still had much work to do on behalf of our first responders. Coast Guard helicopters plucking survivors from police boats in flooded New Orleans could not communicate with the emergency

...with the transition to digital, our nation's first responders will finally have access to the additional spectrum they need to communicate in times of emergency.

officials in the rescue boats that were literally just feet below.

We have endured some horrible lessons during 9/11 and Hurricane Katrina as crisis communications during both of these tragic events

failed. But we have made great progress, and soon public safety will have access to the 24 megahertz of spectrum they were promised and so desperately deserve.

The 9/11 Commission understood the importance of ensuring that our first responders have the equipment and spectrum necessary to communicate in times of emergency. I'm proud that we were successful in not only passing the DTV transition last Congress, but that we provided a helping hand to enable our first responders to better protect all of America. **RF**

Fred Upton represents the Sixth District of Michigan in the U.S. House of Representatives. He is the Ranking Republican on the Energy and Commerce Subcommittee on Telecommunications and the Internet.

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Keeping America's Food Supply Safe and Secure

MARY SOPHOS

Although the United States has the safest food supply in the world, the American public is beginning to wonder whether or not they can trust the brands they buy and the food they eat. From spinach to pet food, recent events have shaken public confidence in the safety and security of our nation's food supply. That should come as no surprise, because the safety and security of our food supply affects the health and well-being of each and every American, as well as millions of people around the globe.

By its very nature, our food supply constantly evolves in reaction to changes in consumer preferences, new processing and packaging technology, and breaking news in the area of food science. For instance, who would have predicted 20 years ago that fresh and organic foods would be one of the fastest growing segments in retail food today? Despite the challenges that come along with these changes, the food industry has quickly adapted to give consumers what they want – safe and affordable foods that meet their lifestyles.

The safety and security of our food supply is the shared responsibility of policymakers, regulators and the food industry. For industry's part, food safety is paramount. Nothing we do would be possible if consumers are not able to trust that the brands they love and the foods they eat are safe.

In addition, government regulatory

agencies at the federal, state and local levels work hard every day to ensure we have a safe and secure food supply. Two federal agencies – the U.S. Department of Agriculture (USDA) and the U.S. Food and Drug Administration (FDA) are primarily responsible for food



safety.

Since its inception, the FDA has been the principal protector of most of our food supply. However, the Agency is at a critical crossroads. Inadequate funding has undermined the Agency's resources and its ability to protect the food we eat. In fact, FDA's funding has

failed to keep pace with inflation, let alone the rapidly changing pace of food science.

Based on current projections, by the end of fiscal year 2007, the Agency's funding will have fallen 30 percent behind inflation over the past five years, and food-related staff will have suffered a 15 percent cut. That means a shortage of 1,000 experts to conduct scientific evaluations of new foods or ingredients and to inspect imported fruits and vegetables. In comparison, funding for other national health agencies, such as the Centers for Disease Control, has grown much faster than inflation.

Traditionally, the FDA has been able to adapt to meet new and emerging threats. But now, the agency is confronting an ever-expanding scope of threats with increasingly shrinking resources. From contaminant outbreaks, a growing number of imports and food labeling challenges to product approvals and health and wellness, emerging issues have placed increasing demands on the FDA, making it hard for the Agency to keep pace.

To truly protect the American public, the FDA must have the resources it needs, not only to quickly respond to food emergencies, but to prevent the crisis from happening in the first place. That is why a broad coalition of stakeholders, including the food industry, has formed the Coalition for a Stronger FDA, with the goal of doubling the Agency's food safety

budget over the next five years.

In addition, industry is working with Congressional leaders and regulatory agencies to identify any weaknesses in our nation's food safety net, and put in place new strategies to confront them. In fact, industry is working with a recently appointed White House working group tasked with researching our food safety infrastructure and making recommendations for improving the safety of our food supply – especially the safety of foods from overseas.

But food safety is not just about government oversight and enforcement. Our food companies are some of America's most respected businesses for a good reason – they work hard to earn the trust of their consumers. That trust is not possible without an understanding that they provide consumers with safe products.

On an ongoing basis – and in

response to recent events – food manufacturers constantly verify, update and modernize their food safety procedures. Whenever necessary, they ramp-up inspections, conduct audits,

To truly protect the American public, the FDA must have the resources it needs, not only to quickly respond to food emergencies, but to prevent the crisis from happening in the first place.

switch to alternate suppliers, conduct recalls and do whatever is necessary to ensure the quality and safety of their products.

Despite recent events, the number of food-related deaths, illnesses,

outbreaks and contaminations has declined steadily over the last decade. That is a trend that everyone, including food manufacturers, policymakers and consumers, wants to see continue for another decade.

As we seek our goal of a zero-risk food supply, both government and industry must remain vigilant, and constantly “think outside the box” when it comes to food safety. And, when problems are identified – both large and small – they must react swiftly to identify the problem, address any weaknesses and reassure the public in the safety and security of our food supply.

That is the game plan for success.

RF

Mary Sophos is the Senior Vice President and Chief Government Affairs Officer of the Grocery Manufacturers/Food Products Association.



DHS Report Card: The Good, the Bad and the Ugly

RANDALL LARSEN

Earlier this year the House Committee on Homeland Security issued a report card on the department it oversees.

As the co-host of my radio show said when introducing Congressman Bennie Thompson (D-MS), the Chairman of the House Homeland Security Committee and the report card's author, "This is not a report card I would want to take home to mama."

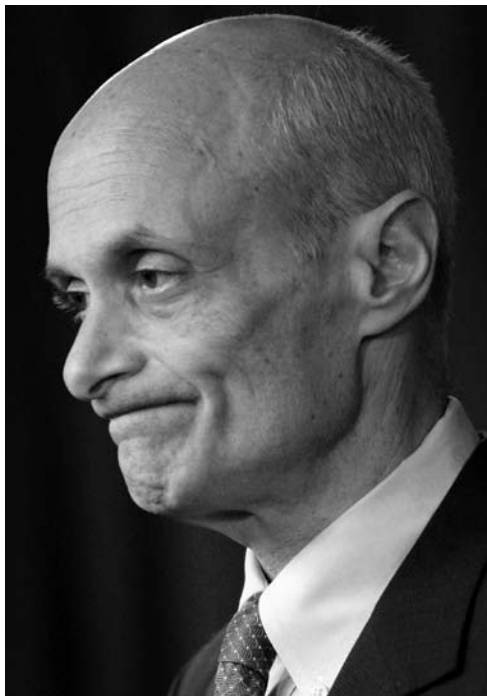
Indeed, there were many valid criticisms within this report. On the other hand, we haven't been attacked on our homeland since 2001, and the Administration says we must be doing something (or a lot of things) right. So where is the truth? Are America's taxpayers getting a solid return on investment for the \$35 billion we spend each year on the Department of Homeland Security (DHS), the third largest federal agency?

On an absolute scale, I'd give the Department a D+. On a curve, factoring in those elements for which the Department leadership has no control (and I am not talking about al Qaeda), I give them a C. This is the DHS grade for today — not an assessment of its first 53 months.

My former students will point out that I never graded on a curve, so why should I consider it now when we are talking about the security of our families and nation?

To be fair, though, the horribly

flawed and secretive process that created this department of 26 different organizations guaranteed a decade-long maturation process. The Administration did not consult with a single member of the bipartisan Hart-Rudman Commission regarding the establishment of this new department,



**On an absolute
scale, I'd give the
Department
a D+.**

even though the distinguished commissioners had studied the concept for three years and created the original DHS blueprint.

Additionally, Congress is equally culpable for their constant meddling (such as another initiative to move FEMA) and failure to properly reorganize itself as recommended by the bipartisan 9/11 Commission. At last count there were 83 committees and subcommittees providing "oversight," and DHS officials had given four times as many testimonies as the Defense Department, despite the fact that DHS is less than 1/12 the size. So oversight in this case primarily refers to the oversight of special interests and is a huge distraction.

The Good.

The two best aspects of the Department are Secretary Michael Chertoff and Kip Hawley, the head of the Transportation Safety Administration. With few exceptions, they have established the proper priorities.

Chertoff understands the folly of overreactions to small-scale threats, the absolute requirement to focus on the catastrophic threats (the ones that could forever change the nation), and the need to allocate funds accordingly.

Hawley was lambasted by both the media and Congress when he first took office and announced that we would have TSA personnel focus less on pen knives and knitting needles, and more on carry-on bombs. That was one year before al Qaeda attempted to put liquid bombs on ten airliners headed to the U.S. We need visionary leaders who keep us two

steps ahead of the bad guys instead of one step behind.

Secretary Chertoff understands that “feel good initiatives,” such as 100 percent screening of all shipping containers, are a waste of resources with little likelihood of preventing a nuke from entering the U.S. (The best way to get a nuke into the U.S. would be to charter a Gulfstream V or Boeing Business Jet and file a flight plan directly to the target city.) As for other weapons, the al Qaeda online manuals suggest terrorists make them inside the countries where they will use them, just as they did in Indonesia, Turkey, Morocco, Spain and the United Kingdom.

The Secretary also places a very high priority on creating a trustworthy identification system — called Real ID. He cannot understand why some people worry that an effective ID system is more of a threat to privacy than the one we have today that allows any reasonably intelligent teenager to steal your identity.

Finally, Chertoff put together an incredible legislative package for immigration reform — an initiative endorsed by a bipartisan coalition including Senators Kennedy, Kyl, Graham and Lieberman. Unfortunately, it was defeated by the vocal minority.

The Bad.

From a strategic perspective, one of the most significant deficiencies that has plagued the department since day one is the tendency to ask the wrong questions, none more notable than, “How do we protect our critical infrastructure?” This leads to answers focused on gates, guns, guards and gadgets. The proper question is, “How do we ensure critical services?” The issue is not protecting water treatment plants. Rather, it is about ensuring safe drinking water. Resilience is more important than security. We can’t protect everything, but we must improve the ability to mitigate effects and quickly reconstitute.

Another troubling issue in DHS

is human resources. Not only does it have the lowest rated morale within the federal bureaucracy, it is also incredibly bloated with political appointees — far more per capita than any other — and yet it can’t fill many senior civil servant positions. This will be particularly disruptive during the last few months of this Administration and the first six of the next — a true window of vulnerability. All federal agencies face transition challenges between administrations, but none like the ones DHS will face. There are also too many contractors and too few career government employees, and decision-making processes are still weak. The department must place a top priority on recruiting career civil servants at all levels to augment the talented but overworked force currently in place.

The real grade that Americans should worry about, however, is not for DHS, but for homeland security writ large.

The Ugly.

The real grade that Americans should worry about, however, is not for DHS, but for homeland security writ large. The Department is just one of many players at the federal level, and the majority of homeland security takes place at the local level. 9-1-1 will always be a local call. The feds have major responsibility for catastrophic events, such as preventing and responding to nukes and preparation for response and recovery from a biological attack, but the vast majority of homeland security is in the hands of state and local government.

Unfortunately, the ugly fact about the nuclear threat is that we only spend about \$1 billion a year

to locate, lockdown and eliminate nuclear materials that terrorists could use to build a Hiroshima style bomb. (By contrast, we are spending roughly that same amount every four days in Iraq). Moreover, the bipartisan Robb-Silberman Commission stated that intelligence collection on loose nukes is not a high priority for the U.S. government. Can anyone please tell me what could be a higher priority? Furthermore, no one is in charge of protecting America from the most serious threat we will face in the 21st century — bioterrorism. A recent DHS report clearly identified this growing threat, but is anyone listening? I would sleep better at night if someone were in charge of biodefense. A study by the Center for Biosecurity-UPMC stated there are 26 Presidentially-appointed, Senate-confirmed individuals with biodefense responsibilities, but no one is in charge, and nearly six years after the anthrax incident of 2001, America still has no anthrax response plan.

Finally, information sharing and joint exercising — between federal, state and local agencies, and between public and private organizations — has seen too little improvement since 9/11, meaning we may see more of the chaos we saw after Katrina.

How do we fix these problems? Unfortunately, a severely weakened Administration, a Congress hopelessly adrift in partisan squabbling and positioning for the 2008 election, and the budgetary demands of the war in Iraq portend little or no improvement for the next 18 months — not a report card I would want to take home to mama.

RF

Colonel Randall Larsen, USAF (Ret) is the Director of the Institute for Homeland Security, co-host of public radio’s Homeland Security: Inside and Out, and the author of Our Own Worst Enemy: Asking the Right Questions About Security to Protect You, Your Family, and America (Grand Central Publishing).

The President's Vision for Global Trade

Free Trade Agreements are key to future growth

CARLOS M. GUTIERREZ

"The freer the flow of world trade, the stronger the tides of human progress and peace among nations."

President Ronald Reagan's words in 1986 embody America's philosophy of open markets and free trade. The United States has greatly benefited from President Reagan's internationalist outlook. Our ideal of an economy driven by open markets and low taxes has made America the most competitive large economy in the world.

Ronald Reagan's passion for economic freedom extended throughout our neighborhood. He proposed a Free Trade Agreement (FTA) with Mexico as early as 1980, and in his 1988 State of the Union Address said, "Our goal must be a day when the free flow of trade, from the tip of Tierra del Fuego to the Arctic Circle, unites the people of the Western Hemisphere in a bond of mutually beneficial exchange."

The Bush Administration has embraced Reagan's vision, recognizing the economic and social benefits of trade, and has implemented FTAs with 11 countries since 2001. Six of those agreements are in Latin America, acknowledging the great importance of extending economic openness and prosperity to our own hemisphere.

Not including the U.S. economy, we already have FTAs that cover

two-thirds of the hemisphere's gross domestic product, and more than four-fifths of our trade within the hemisphere is with FTA partners. But there is always more to be done. Today, we can extend economic freedom, boost U.S. exports, cut taxes and strengthen key allies through agreements with Peru, Colombia, Panama and South Korea

more than 42 percent of our exports go to these same FTA countries. And last year we had record exports of \$1.4 trillion. Clearly, FTAs are directly linked to the expansion of our exports.

Our commitment to this hemisphere goes beyond commercial relations and encompasses social justice and the promotion of democracy and the rule of law. FTAs help create the broad-based growth that sustains the impact of these efforts.

Consider Colombia, one of the countries with an FTA pending before Congress. Colombia has paid a high price for its fight against terrorists and radicals, with tens of thousands dead and millions more who have lived in fear for decades.

Today, Colombia's democratically elected president is our staunchest ally in the region, and has stood with us in the global war on terror. Standing up to guerilla movements and narcotics traffickers has helped create stability and peace in a land that has had far too little of both. An FTA would encourage the reforms that are now underway.

We must remember our democratic ideal of individual liberty and freedom is not the only system being promoted. Though the battle against the repression of communism resulted in the fall of the Berlin Wall nearly 20 years ago, others today still seek to rebuild



Today, we can extend economic freedom, boost U.S. exports, cut taxes and strengthen key allies through agreements with Peru, Colombia, Panama and South Korea that are pending before Congress.

that are pending before Congress.

FTAs contribute to developing sustainable, balanced trading relationships. Consider this: while 7.5 percent of world GDP is generated from countries with which we have FTAs,

walls of economic and social repression. While we seek the empowerment of the individual, there are others who seek to suppress people, ideas and debate. While we encourage the free flow of investment and business, others seek to stifle free enterprise.

There are similar challenges halfway around the globe. South Korea's neighbor to the north continues to seek the economic and political destabilization of the region.

Korea and the United States have been steadfast allies in the fight against communism for nearly 60 years, and Korea has also joined with us in the liberation of Iraq. We have also been strong economic partners. Korea is our seventh largest trading partner, with two-way trade already totaling \$78 billion. Through the FTA, Korea would remove virtually all of its developing economy protections. The agreement also presents an opportunity to diversify our engagement in Asia, by modernizing

our alliance with a country willing to compete on a level playing field.

And, it is important to note that when the United States canvassed the globe for support against Saddam Hussein, Colombia and South Korea were two of the many countries who stepped up to the plate, joining the "Coalition of the Willing," to liberate Iraq. We must

FTAs help create the broad-based growth that sustains the impact of these efforts.

remember our friends and allies.

Simply put, FTAs help level the playing field by knocking down tariffs and barriers that impede trade and competition. Eliminating the taxes our exporters face helps them sell American goods and services to millions of consumers in new global markets,

supports higher paying jobs for American workers, and boosts productivity, which drives national prosperity.

While we continue to promote open markets, we must not tie the hands of our President, who needs Trade Promotion Authority to participate in multilateral trade negotiations. Other nations won't stop finding ways to enhance their competitiveness, and neither should we.

Increased global engagement supports the Administration's objectives of ensuring our security, enhancing our competitiveness and strengthening our economy. This is not a time to retreat or pull back from Ronald Reagan's vision. We cannot return to an age of protectionism and isolationism, which hampered the free flow of global trade. We are at our best when we are leading, open and engaged. Under our watch, we must not turn back the clock. **RF**

Carlos M. Gutierrez is the United States Secretary of Commerce.

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U.S. Trade Policy: Does it help or hinder U.S. business?

CARLA A. HILLS

Over the past 60 years, under Republicans and Democrats alike, the United States has worked to open global markets and expand trade opportunities. Our trade policy has hugely benefited our businesses, farmers, consumers, and our national economy.

The Peterson Institute for International Economics calculates that the United States is richer by \$1 trillion per year as a result of opening markets since World War II. That translates into \$9,000 of added wealth per year for the average U.S. household. Poor countries that opened their markets to trade and investment on average have grown five times faster than those that kept their markets closed, resulting in expanded market opportunities for our producers, farmers, and service providers. Workers in export-related industries have gained too, for those jobs pay higher wages, provide greater benefits, and offer more security than jobs in the overall economy. Consumers have also gained from access to higher quality and lower costing products.

But what about the future? The World Trade Organization's Doha Round of multilateral trade negotiations is in deep trouble. The 150 governments involved cannot agree on how to reduce farm subsidies, lower tariffs, remove trade barriers on highly protected industrial and agricultural products, open services markets, or promote

development.

Here at home, prospects for trade policy are, if anything, even bleaker. Despite the much heralded announcement in May of a new



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our businesses, farmers,
consumers, and our
national economy.**

bipartisan consensus on trade among Democrats and Republicans in Congress and the Administration, House Democrats have largely walked away from that agreement,

announcing they will not support the already negotiated free trade agreements with Colombia and South Korea which would offer substantial benefits to our economy. They will not consider voting on our trade agreements signed with Peru and Panama, which slash trade barriers faced by our producers, unless those countries enact changes in their labor and environmental laws dictated by our Congress.

To compound the difficulties, the Congressional leadership has announced that it sees no need to renew the President's Trade Promotion Authority (TPA), under which the President negotiates trade agreements. Without TPA, it is virtually impossible for the United States to negotiate effectively with our trading partners, for we can give no assurance that what the Trade Representative negotiates will be the final deal voted on by Congress. In short, we are dealing ourselves out of negotiations that open markets.

If the rest of the world were to declare a standstill on trade, we might say circumstances will not worsen for our exporters. But, alas, other countries are racing ahead to negotiate new trade agreements. As they obtain access to key global markets, we will be left behind, and our exporters and their workers will almost certainly be disadvantaged by our lack of an effective trade policy.

How might we resurrect trade policy?

First, we need to educate our citizens about the benefits of trade. We can agree with anti-globalists that trade liberalization is not a panacea for the world's ills. Yet it is indisputable that trade stimulates economic growth and helps create the resources required to deal with pressing social problems. And adherence to the rules of a broad trade agreement encourages rule of law, transparency, and respect for property, which are critical elements to stability. The facts about trade need to get out.

For example, few Americans know that lowering trade barriers even by one-third in the Doha Round would boost the average American's annual income by \$2,000 (in 2003 dollars). They have no idea that poor countries are made less competitive because they are required to pay higher tariffs on their exports than wealthy countries and would be astonished to learn that the U.S. collects roughly the same amount of tariffs from Bangladesh on \$2 billion in imports that it does from France on \$30 billion. They do not know of the huge subsidies that wealthy governments, including our own, pay their farmers that force more efficient producers in poor countries out of the market, or that 80 percent of subsidies the United States pays its farmers go to large agribusinesses, not to small family farmers. Significantly, Americans do not know that these are issues at stake in the Doha Round.

By explaining these facts, our business and political leaders could help our citizens understand that trade is the best tool our government has to generate economic growth at home and abroad, alleviate poverty, correct inequities in our trade regime, and encourage global stability. If every CEO in the United States would give

the same effort to educating his or her employees regarding the benefits of trade as he or she does to enhancing company productivity, political support for open trade and the Doha Round would soar.

Second, we need to help those adversely affected by change. Not every citizen benefits from trade. We need to do a much better job assisting those displaced by changes in the workplace, whether those changes are caused by trade, technology, or shifts in consumer demand. Studies show that while U.S. gains from trade are \$1 trillion per year, the lifetime costs of worker displacement are roughly \$50 billion per year. To gain adherents for our efforts to open markets, we need to do a better job to help those left out – not by closing down trade

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– but rather by allocating some of the very substantial yearly gains we derive from trade to help those displaced because of change driven by globalization and technology.

Current programs such as unemployment insurance and trade adjustment assistance are not tailored for the 21st century economy epitomized by rapid change. It is time we looked at a program that combines unemployment insurance with a form of wage insurance for workers who take a new job at a lower salary. Assistance that brought their pay for a transitional period closer to what they previously earned would provide incentive to find a new job quickly

and in a new field, even where as an entry-level worker the new job paid less than the job closed down. Such a program would encourage workers to stay in the workforce and obtain the most effective training possible, which is training on the job. We also need to ensure workers have access to health insurance and pension portability. This will cost some money. But our economy derives huge gains from trade, and it is in our national interest to allocate some of those gains to help those who bear the burden of change. To do otherwise risks losing public support for trade.

Third, we need to help Americans compete effectively in the global market. We need to do a better job of training and educating our workforce to compete in the rapidly-changing global market. That requires investing more of the wealth that our nation derives from open markets in our human capital. For example, we cannot continue to be the world's most innovative nation with the richest economy while one third of our high school students fail to graduate. Similarly, in this age of globalization, we cannot afford to have our citizens be deficient in foreign languages or have our capital infrastructure – from our

electricity grids to our highways and bridges – be in a state of disrepair. All of this impedes our competitiveness. Lack of attention to and failure to invest in our nation's future needs, not trade, are real sources of concern.

To reap the benefits of trade that benefit U.S. businesses, workers, and farmers, we must promote sound policy here at home. **RF**

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Doha Do or Die

GRANT ALDONAS

It is do or die for the Doha round of World Trade Organization (WTO) trade talks. It may well be do or die for the global economy, too. It depends on the ability of politicians in both the developed and developing world to understand how fundamentally the world economy has changed and how they must use the Doha negotiations as a vehicle for articulating trade rules that match those changes.

If the trading system survives, it will do so either because of vigorous farsighted leadership or in spite of it. Based on the track record thus far, the latter looks like the far more likely, if less welcome and considerably more risky, outcome. The record of recurring failure to date puts even that result in doubt.

The current round of multilateral trade negotiations, launched by the members of the WTO in Qatar in 2001, have dragged on for nearly six years without even defining the modalities that would govern the talks and define the shape of the deal. The negotiators have yet to begin the actual bargaining over specific trade barriers that will be required to complete the round. In significant areas, such as trade in services, the negotiators cannot even see the outlines of a bargain they could strike.

The Doha Development Agenda, as the round is known, has foundered over

two obstacles – developed countries' agricultural subsidies and developing countries' tariffs. On the agricultural front, politicians in the United States and Europe defend their agricultural policies and face a serious backlash from farmers, even as the United States prepares to legislate a new farm bill and the European Union (EU) looks toward another round of reform of the Common Agricultural Policy (CAP).



Filipino anti-WTO protestors at a February 2007 rally outside the hotel in Manila where WTO officials were meeting with Philippine businessmen on the prospects for the Doha round.

Japan hopes to exclude rice from the negotiations. Canada, as one Canadian negotiator remarked to me, is saved from its own hypocrisy on farm trade only by the intransigence of the U.S. and EU.

In the developing world, the putative leaders of the group, India and Brazil, have indicated that they do not intend to cut the actual tariff rates they apply on either farm products or

industrial goods, preferring to lower only their “bound” rates (i.e., the levels at which they previously agreed to limit their tariffs). Their stance is all the more remarkable because their unilateral cuts in tariffs, in India in particular, have spurred significant economic growth and productivity gains, leaving their current tariff levels far below the bound rates.

The irony is that both obstacles reflect the trade politics, domestic and international, that prevailed 30 years ago, not the economic challenges we face in today's global economy behind the changes in the world economy. Indeed, any trade negotiator active in the Tokyo Round of talks under the General Agreement on Tariffs and Trade (GATT), which ended in 1979, would recognize the trade measures – subsidies and tariffs – that separate the two sides.

Rich country agricultural subsidies have dogged the trading system since its creation. In 1947, at the outset of negotiations that would eventually become the GATT, the United States tabled a draft agreement that imposed significant disciplines on industrial goods (where the U.S. has a strong comparative advantage, particularly in the post-World War II era). The draft was considerably weaker on agriculture, where the developing countries of the day had a stronger comparative

advantage.

Even those weak disciplines eventually proved too much for the United States, which demanded a waiver for all of its agricultural programs in 1955. That waiver, which essentially eviscerated any meaningful rules on farm trade, would come back to haunt U.S. farmers when it was used as precedent by the EU's predecessor, the European Economic Community, to provide cover for its larger and more trade-distorting CAP program.

A similar sorry saga traces developing country trade policies. Rather than bargaining for stronger disciplines on agriculture at the outset of the GATT, they asked to be relieved of the stricter disciplines on trade in industrial goods.

Their logic followed the intellectual trends of the time, both with respect to the benefits of socialism and with respect to trade theories that suggested high import barriers would encourage economic development because they would force adjustment from subsistence agriculture toward higher valued-added manufacturing. The fact that neither state domination of the commanding heights of the economy nor import substitution actually worked does not appear to have affected developing country trade policies based on their bargaining positions in the current round.

In the interim, however, both the global economy and the domestic economies of rich and poor alike have changed fundamentally. Agriculture now makes up less than 2 percent of the U.S. economy. The same holds true in Europe and Japan. The U.S. economy is nearly 85 percent services, such as telecommunications, financial products, logistics, and marketing.

Developing countries are no longer in the back of the pack economically by many measures. As a group, developing countries now make up more than 50 percent of the world's gross domestic product and considerably more than 50 percent of the world's economic

growth. Significantly, China and India contribute only a quarter of the growth coming out of the developing world, testifying to the broad nature of positive economic changes under way in many poorer countries.

International trade has changed as well. Whereas trade prior to the Tokyo Round in the 1970s largely involved arm's length transactions between independent exporters and importers, trade today is largely within the supply chains of globally-engaged firms with operations in many different regions of the world. For those actually engaged in international trade, the goal today is not to export to Japan or to the United States as much as it is to export to Toyota or Wal-Mart and let them take you global.

In the process, the changes in the world economy long ago outpaced the concepts underlying the current

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trading system and the Doha round of negotiations. That is why the negotiators have driven into a cul-de-sac. It is not simply intransigence on the part of U.S. and EU negotiators on agriculture or willful disregard of their economic interests by the Indian and Brazilian negotiators.

To understand that conundrum, it helps to know how bargains are reached in the WTO. Negotiators start from a very mercantilist perspective (a major curse in the world of trade). They bargain for market access for their exports and try to limit the import competition their industries face. A winning deal politically is one in which they gain considerable market access and offer none. You can see the difficulty of reaching a deal on that basis.

But the far more important point

is that none of that makes sense in a global age. In a global economy, the competition is not for markets, but for capital, talent and ideas. In that context, what matters most is a country's openness to globally-engaged firms that bring investment, technology, know-how, and experience in world trade. They may be domestic or foreign, but what matters most is their attraction towards those nations that are open to the world.

Given the reality of both current politics and the global economy, it is not hard to see why public support for free trade and open engagement in the world economy has fallen precipitously. Nor is it hard to understand why politics in the United States, Europe, Brazil and India, along with a host of other countries, has taken on a far more populist and protectionist tinge of late.

It is hard for voters to put their trust in political leadership that seems to lack even a basic acquaintance with the world economically, much less a sense of how the broad global trends affect the individual consumer or worker's pocketbook. That simple fact transcends all the intricacies of the negotiations, because trade is ultimately about domestic politics, not international bargaining. It is about creating the political space domestically so that a deal can be struck globally.

Thus, while the subject matter is economic, the challenge is ultimately political. The challenge for George Bush, Angela Merkel, Manmohan Singh or Lula is to articulate a clear vision of how a Doha deal fits within a global economy of broadly-shared benefits. That is the only way to galvanize the political support for a deal that is "do," not "die."

RF

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What Trade Means to My State

TIM PAWLENTY

Twenty-five years ago this October, something remarkable happened in Minnesota: two governors, each from his nation's heartland, put their names to a document formalizing their friendship.

One line bore the signature of Minnesota Governor Al Quie; the other, the signature of Yu Mingtao, governor of Shaanxi Province in the People's Republic of China.

That ceremony in the fall of 1982 – a moment that would have been inconceivable just a decade earlier when President Richard Nixon paid his historic visit to the communist nation – went virtually unnoticed. Even the state's largest newspaper relegated the event to a brief buried in its B-section.

The significance of that first official meeting between Minnesota and China may have been lost on many, but visionary political, business and education leaders knew exactly what it meant. Three years had passed since the United States normalized diplomatic relations with its former enemy and it wouldn't be long before the door opened again to trade with the West.

A year later, another governor, Rudy Perpich, brought Minnesota's first official delegation to China and the state opened an official trade office to help our companies do business in markets all over the world.

And as China slowly began the economic reforms that laid the foundation for its economic success today, Minnesota companies were

among the first to invest there.

For example, 3M was the first foreign company to establish a wholly-owned subsidiary in China. Cargill also formed an investment company in Shanghai and was first to win approval to conduct business in China. And, Northwest Airlines was the first U.S. airline to provide non-stop air service between the United States and China.

By 1989, some 80 Minnesota companies were doing business in China. And today hundreds and hundreds of our small, midsized and large companies do business there,

...manufactured exports alone are responsible for nearly 111,000 jobs statewide. In fact, one in six manufacturing jobs in Minnesota is dependent on exports.

exporting more than \$1.2 billion a year in manufactured goods.

In 2005, I became the fourth Minnesota governor to lead an official delegation to China. Our delegation had more than 200 members, the largest such mission undertaken by any state. Each governor's visit was historic in its own right. And each built upon the work of his predecessor, opening doors, building bridges, and strengthening ties.

Beyond that mission, my administration launched the Minnesota-China Partnership, a nation-

leading initiative that brings together public and private organizations throughout the state to promote all facets of Minnesota's relationship with China.

Over the years, each time Minnesota has extended itself, China has responded enthusiastically. Cooperative partnerships between Minnesota and China abound in many areas. More than 25 government delegations have visited Minnesota in the past decade, including some of the most prominent and influential leaders in China. And earlier this year, Minnesota and China formalized an agreement to work together to stimulate two-way investment between Minnesota and China.

Of course, our trade relationships extend well beyond China, but I think our efforts there well illustrate the importance Minnesota places on international trade, as well as our commitment to cultivating international opportunities.

The year that the first Chinese delegation visited Minnesota, the state's total manufactured exports to all foreign markets were less than \$3 billion. In 2006, Minnesota companies exported more than \$24 billion in manufactured goods, services and agricultural commodities to 205 foreign destinations.

Those foreign sales are an important part of our state's economy – accounting for about 10 percent of our gross state product. They translate into thousands and thousands of good jobs and everything that goes with

them – house payments, groceries, health care, vacations, college tuition, and retirement savings.

Between making, selling, and transporting goods to market, manufactured exports alone are responsible for nearly 111,000 jobs statewide. In fact, one in six manufacturing jobs in Minnesota is dependent on exports.

The breadth of companies involved in international trade is amazing. A few examples:

- Satellite Industries sells portable sanitation equipment in more than 80 countries and employs 58 people in Minnesota. Export sales, up 20 percent from a year ago, represent 28 percent of the company's total annual revenues.

- **Capital Safety USA** manufactures fall protection equipment, employing 280 people. The company's international sales, up 91 percent in the past three years, account for 9 percent of the company's annual revenue.

- **Digital River** is a global leader in e-commerce products and services. It has six global data centers, displays in 18 languages, and transacts business in 27 currencies. International sales accounted for 41 percent of sales in 2006, up from about 24 percent in 2003. The company employs nearly 1,100 people in Minnesota and has major offices in Germany, England, Ireland, Luxembourg, Taiwan, and Japan, and customers in nearly every country across the globe.

- Excalibur Sires provides artificial

insemination products and services for the Jersey livestock market. With five full-time employees, the company markets its products and services in at least 12 countries. International sales account for 41 percent of total revenue. The company's international sales have risen tenfold in the past two years.

Even when Minnesota companies buy foreign components it can create and save jobs here at home.

Not long ago, the future was uncertain for a struggling Minnesota company that manufactures emergency lights for police cars and other vehicles. Lackluster sales and increased competition were starting to hurt.

Things turned around after the company found sources in China to

home, including China's Laiwu Steel Group, India's Suzlon Energy, and Denmark's Coloplast, just to name a few. Foreign companies employ more than 83,000 people in Minnesota, an increase of 8 percent over the past five years.

The basic benefits of trade are the same for Minnesotans as all Americans: reduced prices for goods and services, boosted economic growth and well-being, enhanced productivity, and higher per capita income. But – much like Minnesota's first meeting with the Chinese governor – the significance of trade goes unnoticed or unacknowledged by many people.

Like some of my predecessors, I've led several trade missions to established and emerging markets around the world. In late October, I'll take a delegation of Minnesota business leaders on a trade mission to New Delhi, Bangalore, and Mumbai to explore opportunities in India.

The missions are important for promoting our export industries to new customers and the state as a great location for foreign direct investment. But they're also important opportunities to remind Minnesotans

of the stake they have in the global economy.

In a world where sales in Beijing and Chongqing, China, have a direct bearing on life in Alexandria and St. Paul, Minnesota, it's a lesson we can't afford to forget. **RF**

Tim Pawlenty is the Republican Governor of Minnesota. He also serves as Chairman of the National Governors Association.



Governor Pawlenty meets with Chinese Vice Minister of Foreign Affairs Yang Jiechi during a trade mission to China in November 2005.

build the components for an improved product line. Today, parts are shipped in and the finished products assembled in Minnesota. The company, which cut its costs in half, is now one of the largest in its industry.

The pocketbook impact of international trade in Minnesota is further magnified when you consider foreign direct investment in the state.

Today, several hundred affiliates of foreign companies call Minnesota

What Trade Means to the American People

DANIEL W. DREZNER

On September 19, 1947, the small town of Janesville, Wisconsin conducted an intriguing experiment. The 2,000 employees of the Parker Pen Company received 40 percent of their salary in Mexican pesos, symbolizing the importance of overseas markets to Parker's business strategy.

Over the next several days, the pesos circulated as legal tender throughout the town's economy. The point of the exercise was to demonstrate the importance of foreign trade to the livelihood of Janesville's residents. As the pesos wended their way through the cashboxes of local merchants, the PR stunt had its effect. According to two observers, "Janesville realized as never before that its prosperity and livelihood depended in no small part on the existence of a going trade with countries far distant from America's isolated Middle West."¹

When Janesville conducted this little exercise, the postwar boom in trade was just beginning. Trade flows represented less than 7 percent of the United States economy. Sixty years later, that figure is closer to 30 percent. In this era of globalization, it would be much harder to imagine how the United States economy could run without the assistance of foreign trade. It is particularly disturbing, then, to hear renewed calls for protectionism in the halls of Congress in recent years.

Part of the problem is that when politicians preach the virtues of freer trade, they naturally focus on the importance of exports, and America's large trade deficit makes exports seem less important. To be sure, export industries generate higher-paying jobs and symbolize America's technological leadership and capacity for innovation.



Part of this focus, however, comes from the mistaken belief that exports are good and imports are bad. This kind of mercantilist thinking lost its respectability around the time of Adam Smith, but in recent years some members of the United States Senate seem bound and determined to resuscitate the idea.²

In point of fact, the primary way Americans benefit from trade liberalization is through imports.

Imports allow the United States to specialize in making the goods in which it is the most productive, relative to other possible uses of resources. This leads to increased economic growth and increases in labor productivity over time. Increased competition between importers and American producers lowers prices and increases

the variety of choices for American consumers. Furthermore, imports have greatly expanded consumer choice, and are responsible for a four-fold increase in the variety of goods available to American consumers over the past three decades. Combined, trade permits the use of more expansionary monetary policies than would otherwise be possible without triggering inflation. An open market is a significant reason why the United States has recently been able to sustain robust economic growth, dramatic increases in labor productivity, low rates of unemployment, modest

rates of inflation, and historically low interest rates. A construction worker, working in a sector without imports or exports, would not ordinarily think

1 C. Stuart Siebert Jr. and William Peters Jr., "A Public Relations Technique for Explaining Foreign Trade," *Public Opinion Quarterly* 13 (Winter 1949/50), p. 605.

2 Sherrod Brown, *Myths of Free Trade* (New York: W.W. Norton, 2004); Byron Dorgan, *Take This Job and Ship It* (New York: St. Martin's Press, 2006); Charles Schumer, *Positively American* (New York: Rodale, 2007).

that they got their job because of trade expansion – but some of them have.

This is easy to say in the abstract, but harder to put into concrete terms. Policy analysts at the Peterson Institute for International Economics recently attempted to measure the cumulative payoff from trade liberalization since the end of World War II.³ They conservatively estimated that multilateral trade liberalization from 1945 to the present generates economic benefits ranging from \$800 billion to \$1.45 trillion dollars per year in added output. This translates into an added per capita benefit of between \$2,800 and \$5,000 – an addition of somewhere between \$7,100 and \$12,900 per American household. (This figure likely understates the benefits from trade, because the Peterson Institute did not factor in the effects from increased variety of goods available through imports. Economists estimate that increases in imported varieties have raised U.S. real income by about 3 percent).⁴ The estimated gains from future trade expansion range between an additional \$450 billion and \$1.3 trillion per year in national income, which would increase per capita income between \$1,500 and \$2,000 on an annual basis. Few other options in the U.S. government's policy arsenal can yield rewards of this magnitude.

Even these statistics, however, seem impersonal. To understand the benefits of freer trade in the most concrete manner possible, it is necessary to conjure up a modern version of the Janesville experiment. What would it be like to live in a world with prohibitively high trade barriers? Consider the effect of economic isolationism on the following products:

- Coffee: Erecting blanket protectionism would cause most of America to experience massive caffeine withdrawal. The United States is the largest importer of coffee in the world, because our country can only produce a fraction of the 12 million kilograms of coffee Americans consume each month.⁵

Of course, even if the United States could somehow produce that much coffee, it would not matter that much. Both industrial and household coffeemakers are manufactured outside the United States. Forget the morning ritual of consuming coffee at home – successful trade protectionism would also successfully bankrupt every Starbucks franchise in America

- Shoes: If trade barriers were restored to Smoot-Hawley levels, Americans would have pay a lot more for other products. In the recent book, “A Year Without ‘Made in China’,” author Sara Bongiorni discusses her family's efforts to go twelve months without purchasing any product exported from that country.⁶ In an interview with

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Foreign Policy magazine,⁷ Bongiorni related her biggest surprise from the experiment:

“People know about the downside of trade with China — they think about lost U.S. manufacturing jobs, and of course that's a painful issue for a lot of people — but one of the things I also got to understand in a personal way was the benefit of access to often good-quality, low-cost goods. Our son outgrew his tennis shoes, and they were the only pair of shoes he had. So I set out to buy new tennis shoes, and essentially all tennis shoes are made in China at this point. It took me a couple of weeks, but I finally located these tennis shoes made in Italy that cost \$68. Well, you can buy tennis

shoes made in China for \$15 in a place like Payless shoe stores. For someone on a moderate or low income, to be able to buy your 4-year-old kid perfectly good shoes for \$15 is a real economic benefit.”

The truly astounding fact is that consumers benefit from these shoes despite persistently high tariffs for cheap footwear (48 percent). According to one think tank's calculations, existing tariffs disproportionately hurt the poorest Americans.⁸ These trade barriers are concentrated in areas like clothing and kitchenware, which gobble up a larger share of income from poorer families. As a percentage of their income, a single-parent household earning under \$25,000 a year has to pay nearly twice as much as a middle-class two-parent family. The conclusion: “tariffs appear at least on average to be the only major tax in which effective rates rise as incomes fall.”⁹

- Electronics: even products that were invented in the United States would be much more expensive without relatively open borders. Take the Apple iPod, for example.¹⁰ As the lead firm, Apple contributed

3 Scott Bradford, Paul Grieco, and Gary C. Hufbauer, “The Payoff to America from Global Integration,” in *The United States and the World Economy: Foreign Economic Policy for the Next Decade*, edited by C. Fred Bergsten (Washington, DC: Peterson Institute, 2005).

4 Christian Broda and David Weinstein, “Globalization and the Gains from Variety,” *Federal Reserve Bank of New York Staff Report* no. 180, March 2004, p. 1. Accessed at http://www.ny.frb.org/research/staff_reports/sr180.pdf, July 2007.

5 <http://www.ico.org/prices/m5.htm>, accessed July 2007.

6 Sara Bongiorni, *A Year Without “Made in China”: One Family's True Life Adventure in the Global Economy* (New York: Wiley, 2007).

7 http://www.foreignpolicy.com/story/cms.php?story_id=3905, accessed July 2007.

8 Edward Presser, “Toughest on the Poor: Tariffs, Taxes, and the Single Mom,” *Progressive Policy Institute*, September 2002. Accessed at http://www.ppionline.org/documents/Tariffs_Poor_0902.pdf, July 2007.

9 *Ibid.*, p. 2.

10 Greg Linden et al., “Who Captures Value in a Global Innovation System? The case of Apple's iPod,” *Personal Computing Industry Center*, Irvine, CA, June 2007. Accessed at <http://pcic.merage.uci.edu/papers/2007/AppleiPod.pdf>, July 2007.

its intellectual property, market knowledge, and system integration to develop the iPod. It outsourced the manufacturing of the product components to a number of East Asian firms, however. This division of labor allowed Apple to focus its energies on innovating a product that was attractive to consumers, and captured most of the profit stream. One assessment concluded:¹¹

[T]rade statistics can mislead as much as inform. For every \$300 iPod sold in the U.S., the politically volatile U.S. trade deficit with China increased by about \$150 (the factory cost). Yet, the value added to the product through assembly in China is probably a few dollars at most. While Apple's share of value capture is high for the industry, the iPod's overall pattern of value capture is fairly representative.

The iPod went from abstract concept to store shelves in under a year.¹² Importing intermediate products from the lower end of the supply chain

allows U.S. firms to be leaders of the pack at innovating new products and getting them to consumers as quickly as possible.

For elected officials, trade expansion is a tough policy position to advance. The costs of trade liberalization – import-competing firms going out of business, lost jobs – are concentrated. The benefits of trade liberalization – lower prices, a wider variety of goods – are diffuse. When tallied up, however, the benefits don't just exceed the costs – they exceed them by an order of magnitude.¹³ The best way to appreciate this fact is to imagine what life would be like with more expensive imports. This would be actually worse than a tax increase, because this kind of tax disproportionately hurts the poorest Americans.

Sixty years ago, the citizens of Janesville learned a valuable lesson about the benefits of global integration. One wonders how the denizens of

Washington, DC would fare in a world without coffee, without inexpensive shoes, and without ever-improving consumer electronics.

These benefits are not trivial, and they should not be sacrificed on the altar of protectionism. **RF**

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11 Ibid., p. 10.

12 Suzanne Berger et al, *How We Compete* (New York: Doubleday, 2005), p. 77.

13 The Peterson Institute estimated the annual costs of trade liberalization to be \$54 billion in 2003; the benefits were estimated to be well over \$500 billion. See Bradford, Grieco and Hufbauer, "The Payoff to America from Global Integration."



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Dark Days Ahead?

A storm is brewing on Capitol Hill over the future of U.S. trade policy

DANIEL IKENSON

The era of trade liberalization is dead. Yet it could get worse still. Not only have prospects for liberalization over the next few years been dashed, but Congress is considering legislation that could precipitate a retreat from the trade policies and institutions that have served U.S. interests for 60 years.

These are indeed dark days for trade. The Democratic Party, which has grown increasingly hostile to trade over the past decade, controls the legislature. The president's authority to negotiate trade agreements and present them to Congress for an up-or-down vote has expired, and will not be renewed. The bilateral trade agreements completed with South Korea, Colombia, Peru and Panama will likely rot on the vine, as Congress shunts them aside to consider instead trade legislation that is either antagonistic or protectionist. And for the first time in post-World War II history, a multilateral trade negotiating round has ended in failure. The era of negotiation and accommodation may yield to one of confrontation and litigation.

One thing that has become clear this year is that Democratic Party opposition to trade runs much deeper than the leadership has been willing to admit. When the Democrats assumed control of Congress in January, the party's leadership whispered assurances that, notwithstanding the

strident anti-trade rhetoric adopted by its rank and file, they understood the importance of continuity in U.S. trade policy. With some modifications to the U.S. trade agreement template to reflect Democratic priorities on

the agenda forward.

A grand bargain was struck in the spring, which was nothing more than a wholesale capitulation by the administration to Congressional demands for strict, enforceable labor and environmental provisions in prospective trade agreements, including the four pending congressional consideration. But as the ink was drying, the Democrats moved the goalposts.

The South Korea agreement was deemed unsupportable by House Ways and Means Chairman Charles Rangel (D-NY) and Ways and Means Trade Subcommittee Chairman Sander Levin (D-MI) because its terms do not condition Korean automobile access to the U.S. market on the performance of U.S. automobile exporters in the Korean market. Of course, such a provision, which was put forward by Rangel and Levin in the waning days of the negotiations, would leave the U.S. auto producers in a position to decide just how much competition it wanted from Korean producers. Accordingly, that provision was a nonstarter.

The Colombia agreement was deemed unsupportable because the Uribe government allegedly has done an inadequate job of finding and prosecuting thugs who have terrorized and killed Colombian unionists over the years. Thus, Democratic disdain for a right-of-center Latin American government, which also happens to be one of the few regional governments not openly



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labor and environmental issues, the Congressional leadership would be able to help the administration move

hostile to U.S. policy, suffices for justification to deprive Colombian citizens of the opportunity to improve their lots through better trade terms with the United States.

Consideration of the Peru agreement was sidelined until Chairman Rangel and others have a chance to visit Peru, see first hand how its factories are run, and possibly change the agreement's terms, again.

Democrats have used the labor conditions excuse to camouflage Big Labor's real motive, which is to kill trade deals at all costs. At least that truth now has been exposed. But regrettably, the anti-trade objectives of organized labor and import-competing interests have dovetailed conveniently with proliferating misconceptions and myths about imports, jobs, and manufacturing to produce a phony sense of crisis.

Most of the anti-trade legislation introduced this Congress is premised on the myth of U.S. manufacturing decline at the hands of rising imports, mostly from China. But U.S. manufacturing is thriving. In 2006 the manufacturing sector achieved record output, record sales, record profits, record profit rates, and record return on investment.

Imports are not a bane for U.S. producers. In fact, there is a strong correlation between manufactured imports and manufacturing output, as U.S. producers account for more than half of the value of all U.S. imports. When imports rise, output rises. When imports fall, output falls. In the past quarter century, imports have increased six-fold, while real GDP has grown by more than 130 percent, creating an average of 1.8 million net new jobs each year.

But policymakers fail to acknowledge this crucial relationship. Instead, too many in Congress view exports as good, imports as bad, and the trade account as the scoreboard. Given the large and growing U.S. trade deficit, policymakers conclude that we are losing at trade. And we are losing at trade because our trade

partners are cheating.

In China's case the alleged cheating involves currency manipulation, subsidization of industry, unfair labor practices, hidden market barriers, dumping, and other transgressions. Some of these allegations may carry a degree of truth, but by and large the trade relationship has been conducted within the rules and consensually, yielding huge benefits for Americans.

In any event, the proper course for redress for complaints is through the dispute settlement system of the World Trade Organization. The Bush administration lodged three formal complaints earlier this year, which are working their way through

...too many in Congress view exports as good, imports as bad, and the trade account as the scoreboard.

the process. Congress should allow that process to continue and restrain its urge to be seen doing something. There is a distinct risk that unilateral, punitive actions on trade could severely damage the trade relationship and lead to a contagious deterioration of respect for the WTO and its decisions. That, ultimately, would take us back to the days when tit-for-tat trade wars were common, and uncertainty in trade prevailed.

Plenty of blame for the current state of affairs rests with the Congressional Democratic leadership, which has reckoned there is very little political downside to receding on trade, economic consequences be damned. That position has the blessing of Big Labor, and opposing the initiatives of an unpopular president might prove to be good

politics.

But Republicans are on the hook too. The strong pro-trade consensus among Republicans that was so evident in the 1990s began breaking down in the early part of this decade, as China's economic emergence was becoming evident. Steel- and textile-state Republicans have presented some of the greatest obstacles to the Bush administration's trade policy agenda.

And by failing to make a comprehensive case for trade liberalization, the Bush administration itself bears some responsibility for the current state of affairs. Rather than talk about the benefits of imports, which keep prices in check for consumers and input costs competitive for producers, the administration has focused almost exclusively on the potential export gains from trade agreements, affirming the mercantilist world view of Congress. The U.S. Trade Representative's office is fond of pitching further trade liberalization by pointing to the U.S. trade surplus with countries with which this administration has negotiated bilateral trade agreements. But by treating a trade surplus as a success metric, it's only a small step to the conclusion that our overall trade policy is failing, given our nearly \$1 trillion deficit.

The Bush administration's quest for further trade liberalization came to a grinding halt when the 110th Congress convened. But in many ways the President's trade policy legacy might be forged during its final 18 months. By holding the line against bad trade legislation from an increasingly confrontational Congress, the administration can make the task less arduous for a subsequent administration to rebuild the consensus for trade when the political climate improves. **RF**

Daniel Ikenson is associate director of the Cato Institute's Center for Trade Policy Studies.

Reflections from the Perot Campaign of 1992

...and advice for third party candidates in 2008.

JIM SQUIRES

Being the first person Ross Perot hired to help him run for President 15 years ago, my signing up as a founding member of Unity 08, a group dedicated to a third party ticket for President next year, should come as no surprise. The world is filled with men of small hope and a history of futile gestures.

Hope is alive, if barely, because if ever there was an opportunity for some independent-minded statesman to step into this bog and right the listing ship of state, this is it. The common refrain among those of us who helped build the Perot movement is, "If only we had him now." The table appears set.

For a third party to succeed, one of the two majors has to be in trouble. We have one — the splintered wreck left by the "uniter not a divider." Another essential is the absence in either party of an obviously well qualified, credible and charismatic nominee. No sign of one yet. A third necessary element is a galvanizing issue that will bring together people who basically hate each other but agree that the two-party system isn't producing effective leaders. And there they are, all washed up on the same island by the wake of the miserable Iraq invasion.

But then there is the futility. Still missing at this juncture is the element most critical to third party success — a legitimate alternative candidate able to lead the disparate, potentially powerful and ever-growing band of the disenfranchised.

Two third party candidates in history who fit that mold and had the most success challenging the system — Perot and President Teddy Roosevelt, who formed a third party after losing the Republican nomination in 1912 — both lost. But unlike most of the other hapless third party

also-rans, Roosevelt and Perot each had significant impact on public policy. Though it is all for which dedicated reformers can realistically hope, impact has not always been in the best interest of even the mutineers, much less the Republic, and may well not be this time either.

Roosevelt's success should bear an asterisk because as the incumbent President he faced none of the usual obstacles facing third party challengers. But he did change history. His 27.4 percent of the vote, the most of any third party candidate, insured the defeat of William Howard Taft, his former party's nominee, and handed the White House to Democrat Woodrow Wilson.

Perot, who got the most votes ever — nearly 20 million — changed things, too. He is often but falsely credited with the defeat of President George Herbert Walker Bush. Although Perot probably cost Bush some states, exit polls show that Bill Clinton's voters were so evenly split between Bush and Perot that his electoral advantage could not have been overcome. Perot's real contribution came in shaping the debate. The candor and vigor he brought to television politics and the tone of his media message clearly steered the 1992 election discussion away from a character assassination contest where it was headed and focused it on the economy. By forcing the two parties to acknowledge and debate the then massive federal budget deficit, Perot jammed a balanced federal budget down Washington's throat. And it was directly from

Perot campaign literature that Republicans took many of the principles for their successful 1994 Contract With America re-election campaign that eventually stripped away Democratic



Ross Perot at the dedication of the new U.S. Air Force Memorial in Arlington, Virginia in October 2006.

The common refrain among those of us who helped build the Perot movement is, "If only we had him now."

control of Congress.

The resulting GOP dominance of both the House and the Senate fostered some of the most rancorous partisanship in history and the very gridlock Perot had campaigned against. Unbridled partisanship has so paralyzed the federal government for the last 20 years that no poll, no matter its source or bias, can uncover significant public confidence in either the President or the Congress. Congressional scandals, White House arrogance and the perception of decrepit government at every level have again opened the giant chasm of public disaffection where third parties lie dormant. In the memorable words the founder of United We Stand once used to describe jobs that would be lost under NAFTA, the next “giant sucking sound” you hear will be independent candidates rushing to fill the void.

A lot has changed in the last 16 years, but not the difficult nature of third party challenges. That’s not all bad because all third party challenges are not good for the country. For instance, contrary to the media-fostered myth, Perot was not just another rich egomaniac trying to become the most important man in the world. Rather, he was in fact the perfect leader for a third political party taking on a system designed to work best with only two, because Perot had no desire or intention to be President. All he wanted was change.

Those of us involved from the outset of the 1992 campaign were in concert that Perot’s quest was not for the power of the White House but for reform of the way Presidents get there. Even some of the campaign professionals who came and went didn’t realize that winning was never a goal; that the campaign itself was an attack on the money-driven, emotion-based, reality-distorting process from which they made their living and which Perot felt was corrupting not only the electing but the governing.

Unfortunately, then as now, campaign reform had no resonance as a galvanizing issue with the media or even our own reform-minded volunteers. Our alternative issue was the budget crisis which Perot pledged to “get under the hood and fix.” Around it we built the antithesis of a typical campaign: no

press planes, no spinning, no image advertising, no character attacks, no opening of sock drawers for inspection by reporters. Only it didn’t work.

So now, even more and more millions are needed to fight what amounts to an image distortion war on an ever-increasing number of media fronts. Anyone who seeks the office must have both an obscene amount of campaign cash and a turtle shell defense against character assassination. Additionally, a third party candidate must also be shrewd and tenacious enough to overcome the same old barriers constructed by the two major parties that have been virtually “constitutionalized” over the years. Through long dominance of state legislatures, Republicans and Democrats have littered the landscape with laws making ballot access a nightmarish adventure for both independent candidates and their voters.

Wealthy, high profile candidates — such as Perot and New York Mayor Mike Bloomberg — have a big advantage of not having to start early to raise money. So they can wait until the time is right. There was talk of Perot running as early as the fall of 1991, but not even he took it seriously until after the public reaction to his interview with Larry King on CNN the following February. By then, a Bush-Clinton general election was clearly in the cards and an unsettling prospect for many. Two months later, without spending a dime on television or radio, Perot was leading them both



His decision to quit in mid-campaign ... was not the hasty decision of a petulant man, as many of his detractors would have you believe. Rather, the underlying factor was the very real possibility of looming success.

in the polls. Public interest in alternative candidates simply will not rise significantly until the number of Republican and Democrat hopefuls has dwindled and available choices are clear.

Unity 08, led by disenchanted veterans of both major parties, has been raising money and building an organization for months. Yet its planned online nominating convention won’t take place until next June when there will be more big-name candidates from which to choose. Already, hundreds of thousands of committed independent voters are anxiously waiting this moment of disappointment, as are a handful of potential nominees now posing as major party candidates.

Though none are likely Presidents, the combination of computer networking, web-based fundraising and voter unrest guarantees them a chance — of at least having impact.

All will argue, as we did in the Perot campaign, that the more voices heard during the presidential election the better. James Madison argued this very thing, terming this collective political debate “the public voice,” which he believed was the critical element in democracy’s most important decision-making process.

Over the years, with a few exceptions such as Roosevelt and Perot, third party voices have had scant impact on either election outcome or public policy. But the disproportionate rise in influence by extremists within the two major parties is changing that. A resulting proliferation of splinter groups and single-issue candidates suggests all future U.S. Presidents may be routinely elected with less than majority support. George W. Bush has already proved that not even winning the popular vote is necessary. Such a climate makes third party campaigns easier to mount and potentially more powerful than ever. But however much this has emboldened the mutineers, they should be equally terrified by the unintended consequences of their mutiny.

Ralph Nader’s popular vote in Florida in 2000 deprived Al Gore of the necessary electoral votes to defeat Bush. It also guaranteed his constituency eight years of public policy they abhorred, and may well have assured the country of the abominable and interminable Iraq war, which could go down as our greatest foreign policy mistake ever.

Yet Nader is again making noises, increasing the chances that there will be more than one big name independent siphoning off votes in November 2008. What chance do we have that any of them will understand the gravity of their pursuit as well as Perot? His decision to quit in mid-campaign in 1992, which obviously

cost him any chance of influencing the outcome, was not the hasty decision of a petulant man, as many of his detractors would have you believe. Rather, the underlying factor was the very real possibility of looming success. The last thing Perot wanted was for his reform crusade to garner enough electoral votes to throw the Presidential election into the House of Representatives, where a vote along party lines could negate the popular vote. “What kind of reform is that?” he once asked me. His concern was painfully alleviated by his comic pullout and re-entry, which became necessary only because the networks refused to run his purely educational advertising campaign on the budget crisis — the very reason for his running in the first place. The derision and embarrassment accompanying the turnaround was of little consequence to a man who believes the responsibility that accompanies citizenship only increases for those who seek to lead citizens.

Like a lot of other former Perot “volunteers,” my option to support a third party candidate next year remains open — just in case. But the far better path for America is for the Democrat and Republican parties to reject the radicalism on their fringes, vent the intolerance in their hearts, and muzzle

the morally bankrupt, counter-productive, anything-goes politics which has become so prevalent these days.

A third party is not needed. A lone Republican or a Democrat will do, as long as he or she is a passionate patriot, good, smart and tough.

Like a candidate I once knew. Little guy, talked fast, wore suspenders. **RF**

Jim Squires is an author, the former editor of The Chicago Tribune, and media advisor to Ross Perot. He now owns a horse farm in Kentucky, where, among other things, he bred the winner of the 2001 Kentucky Derby.

Those of us involved from the outset of the 1992 campaign were in concert that Perot’s quest was not for the power of the White House but for reform of the way Presidents get there.

Squires’ Rules for Third Party Success:

- 1) One of the two major political parties has to be in trouble.*
- 2) The absence in either major party of an obviously well qualified, credible and charismatic nominee.*
- 3) The presence of a galvanizing issue that will bring together people who may disagree politically but share an overall belief that the two-party system isn’t producing effective leaders.*
- 4) The appearance of a legitimate alternative candidate who is able to lead the disparate but potentially powerful band of voters who are disenchanted with the major political parties and are willing to look at a third political party for a candidate to support.*

Soft News, Hard Sell: Treating the Audience as Consumers, not Citizens

SHANTO IYENGAR

With the 2008 election still more than a year away, the campaigns are already in full swing with the usual television advertisements, candidate debates, and endless commentary. But polling data indicates that thus far, voter awareness of the policy issues and the solutions being offered is minimal. As of last month, for instance, 60 percent of the public could not identify the presidential candidate who best represented their views on health care.

Limited public awareness of the candidates' positions is symptomatic of a broader civic malaise in this country. In a recent four-nation study of citizens' ability to recognize international and domestic news stories, Americans ranked dead last. While 37 percent of Americans knew that the Kyoto Accords concerned climate change, the comparable figure in Britain, Denmark and Finland was over 70 percent. In the case of Darfur, 47 percent of the Americans correctly identified the country in question compared with more than 60 percent of the Europeans. This substantial information gap on matters of public affairs disappeared almost entirely, however, on matters of pop culture, entertainment or sports. Here, Americans were just as well informed as Europeans.

The striking disparity in civic information between Europeans and Americans is attributable, in part, to differences in media systems. Although it is widely accepted as desirable that the media in a democratic society deliver a variety of perspectives on social issues, American news organizations have generally failed to live up to these obligations. One reason is a simple

failure of public policy: we are the only democracy that does not require commercial broadcasters to provide at least a minimal level of public affairs programming, and we have never nurtured a publicly subsidized alternative to commercial television. In comparison with the public broadcasters of Europe, PBS is starved of public funding. Unable to act as a full service news organization, PBS attracts a 2 percent market share; in Europe, public broadcasters average around 30 percent. At the same time, news organizations in our deregulated market depend on advertising revenues

and hence audience size. A documentary on the conflict in Darfur is unlikely to generate high ratings, while news of Paris Hilton's histrionics is apparently riveting. Infotainment now replaces news.

The absence of a viable public broadcaster and the highly competitive media market mean that most Americans rarely encounter in-depth programming

about current issues. What news they do encounter is heavily domesticated (most overseas bureaus have long since been closed) and presented in a manner designed to tantalize rather than inform.

In the case of campaigns, somewhat paradoxically, the independence so valued by journalists exacts a further toll on news coverage. Journalistic attention to the "horse race" aspects of the campaign provides an "independent" role for the media, is fairly cost-effective, and does attract the attention of the public. Hence the news is heavily laden with information about fund-raising, the candidates' standing in the polls, speculations about campaign strategy, and professional



analysis of the candidates' actions. Far less attention is devoted to basic coverage of issue positions (including encouraging candidates to articulate and defend those positions). The media seem to assume that the candidates' positions on the issues are "old" news, hardly worthy of development. Of course, "debates" are televised, but these events tend to take on the format of heavily scripted joint appearances in which genuine engagement on the issues is limited as each candidate pursues his or her own pet themes. Not surprising, in this election cycle, the candidates have already publicly complained about "debate fatigue" – an experience probably shared by the attentive public.

Is technology the answer to the problem of superficial news and voter apathy? The recent presidential debate sponsored by CNN and *YouTube* won praise for including "turned off" Americans -- especially younger voters -- in the political process. But will this kind of new media involvement lead to greater political awareness as well? Probably not. Indeed, there are several reasons to doubt that more media choices will lead to better informed voters. Political junkies will take full advantage of the Internet, but most of the public prefers E-Bay or ESPN to *Washingtonpost.com*. Moreover, technology is likely to segment the audience for news -- like consumers of goods and services, people will seek out their "preferred" providers and ignore all others. The preferred providers might be sources that

The media seem to assume that the candidates' positions on the issues are "old" news, hardly worthy of development.

one anticipates agreeing with (e.g. Republicans and Fox News) or sources that share the voter's concern about particular issues (e.g. gun owners and the NRA). As news delivery/consumption is increasingly customized, it becomes impossible to assure exposure to differing viewpoints.

What can be done to increase substantive coverage of campaigns? An obvious first step is to require that television networks and stations provide free time for candidates in the weeks preceding the election. Free time is a fixture in all European democracies, but the U.S. broadcasting industry has successfully blocked adoption of similar measures in the US. Given the huge amounts of revenue station owners generate from political advertising (over \$2 billion in 2006), it is difficult to understand how they can reasonably object to providing small blocks of time for national and local candidates. (Many congressional races actually receive no televised coverage at all today.)

It is time for Congress to insist on a free time requirement for federal and state candidates; as owners of the airwaves, the public is entitled to nothing less. **RF**

Shanto Iyengar is Professor of Political Science and Communications at Stanford University. His most recent book is Media Politics: A Citizen's Guide (W. W. Norton, 2007).

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Profile

Name: Chuck Grassley

Hometown: New Hartford, Iowa

Occupation: United States Senator,
Family Farmer

Previous Jobs: Member of United States House of Representatives (1958-1975), Member of the Iowa House of Representatives (1975-1981), Assembly Line Worker (1961-1971), Sheet Metal Shearer (1959-1961)

Individual(s) who inspired me as a child: I give my mother a lot of credit for my interest in government and history. Both were always an active interest of hers. She talked about issues and encouraged us at home to pay attention, develop points of view and stand up for what we believed in.

Historical figure(s) I would most like to meet: John Adams, Thomas Jefferson and Abraham Lincoln

Issue facing America that no one is talking about: the solvency of Social Security, Medicare and Medicaid

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“Not long after I became Republican leader of the House of Representatives, I was asked this question: ‘*What is the mission of the minority?*’ My answer was:

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