

US: 13 Former Democratic Governors Don't Know That Replacing Domestic Production With Imports Costs Jobs

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That probably should have been the headline of a Politico [article](#) (sorry, behind paywall) on a letter signed by 13 former Democratic governors urging Congress to approve fast-track trade authority to facilitate the passage of the Trans-Pacific Partnership (TPP) and the Trans-Atlantic Trade and Investment Pact (TTIP). The most newsworthy aspect of the letter is that the governors apparently do not understand the basic economics of trade.

In the letter the governors tell members of Congress:

We've seen firsthand the benefits of trade to our communities. Increased exports have been a major component of economic development across all 50 states, adding \$760 billion to our economy between 2009 and 2014 — one-third of our total growth. And this growth has supported 1.8 million new jobs and raised wages (up to 18 percent on average) for real people that we've met — the manufacturing worker in Kentucky, the computer technician in Massachusetts, the dairy farmer in Wisconsin — whose jobs are related to exports.

This paragraph implies that the governors don't realize that it is net exports, not exports, that add to growth and employment. To see this distinction: If the manufacturing worker in Kentucky they saw firsthand was producing a part for a car that used to be assembled in Ohio, but is now assembled in Mexico, she would have one of the jobs the governors are attributing to exports. Of course, the assembly worker in Ohio has now lost her job, but apparently the Democratic governors don't know about him. This lost job would be picked up if we looked at net exports, since we would subtract the full value of the car when it was imported back from Mexico.

If the governors had done their arithmetic right, instead of boasting about the \$760 billion increase in exports, they would have been complaining about the \$140 billion decline in net exports, since imports rose by \$890 billion between 2009 and 2014. This means that trade was a drag on growth in the recovery, costing the country jobs and putting downward pressure on wages.

It is extraordinary when people who have held important public positions (one of the signers is former Health and Human Services Secretary Kathleen Sebelius) show themselves to be completely ignorant on such a fundamental policy issue. Politico should have called its readers' attention to these former governors misunderstanding of the way in which trade

affects the economy, jobs and wages.

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