Buchanan Admonishes Council on Foreign

In November 1998, Pat Buchanan addressed the Chicago Council on Foreign Relations, blasting the internationalists for their religious support of free trade. Buchanan's moving words are as meaningful and relevant today as they were then.

By Patrick J. Buchanan

This is a prestigious forum; and I appreciate the opportunity to address it. As my subject, I have chosen what I believe is the coming and irrepressible conflict between the claims of a new American nationalism and the commands of the global economy.

As you may have heard in my last campaign, I am called by many names. "Protectionist" is one of the nicer ones; but it is inexact. I am an economic nationalist. To me, the country comes before the economy; and the economy exists for the people. I believe in free markets, but I do not worship them. In the proper hierarchy of things, it is the market that must be harnessed to work for man—and not the other way around.

As for the global economy, like the unicorn, it is a mythical beast that exists only in the imagination. In the real world, there are only national economies—Japan's that has lost its animal spirits, South Korea's that is deep in recession, Brazil's which is falling, Indonesia and Russia's which are in collapse.

In these unique national economies, critical decisions are based on what is best for the nation. Only in America do leaders sacrifice the interests of their own country on the altar of that golden calf, the global economy.

What is economic nationalism? Is it some right-wing or radical idea? By no means. Economic nationalism was the idea and cause that brought Washington, Hamilton and Madison to Philadelphia. These men dreamed of creating here in America the greatest free market on earth, by eliminating all internal barriers to trade among the 13 states, and taxing imports to finance the turnpikes and canals of the new nation and end America's dependence on Europe. It was called the American system.

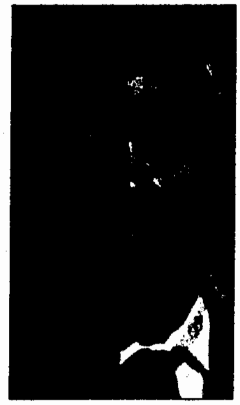
The ideology of free trade is the alien import, an invention of European academics and scribblers, not one of whom ever built a great nation, and all of whom were repudiated by America's greatest statesmen, including all four presidents on Mount Rushmore.

The second bill that Washington signed into law was the Tariff Act of 1789. Madison saved the nation's infant industries from being buried by the dumping of British manufactures, with the first truly protective tariff, the Tariff Act of 1816. "Give me a tariff and I will give you the greatest nation on earth," said Lincoln. "I thank God I am not a free trader," Theodore Roosevelt wrote to Henry Cabot Lodge.

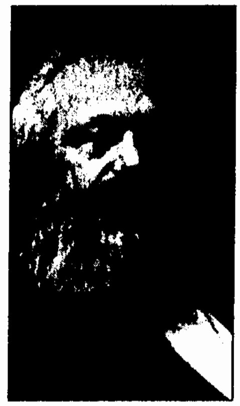
Under economic nationalism, there was no income tax in the United States, except during the Civil War and Reconstruction. Tariffs produced 50 to 90 percent of federal revenue. And how did America prosper? From 1865 to 1913, U.S. growth averaged 4 percent a year. We began the era with half Britain's production, but ended with twice Britain's production.

Yet, this era is now disparaged in history books and public schools as the time of the Robber Barons, a Gilded Age best forgotten.

Not only did America rise to greatness through economic nationalism, so did every other first-rank power in history—from Britain in the 18th century, to Bismark's Germany in the 19th, to post-war Japan. Economic nationalism has been the policy of rising nations, free trade the practice of nations that have com-



TEDDY ROOSEVELT
No free trader.



KARL MARX
Loved free trade.

menced their historic decline.

Today, this idea may be mocked by the talking heads, but it is going to prevail again in America, for it alone comports with the national interests of the United States.

The great free-market economist Milton Friedman is credited with the line, "there is no free lunch." Let me amend Friedman's Law with Buchanan's Corollary: Free trade is no free lunch.

And it is time its costs were calculated.

Back in 1848, another economist wrote that if free trade were ever adopted, societies would be torn apart. His name was Karl Marx, and he wrote: ". . . the Free Trade system works destructively. It breaks up old nationalities and carries antagonism of proletariat and bourgeoisie to the uttermost point . . . the Free trade system hastens the Social Revolution. In this revolutionary sense alone . . . I am in favor of Free Trade."

What is economic nationalism? Is it some right-wing or radical idea? By no means. Economic nationalism was the idea and cause that brought Washington, Hamilton and Madison to Philadelphia. These men dreamed of creating the greatest free market on earth, by eliminating all internal barriers to trade.

Marx was right. Here, then, is the first cost of open-borders free trade. It exacerbates the divisions between capital and labor. It separates societies into contending classes, and deepens the division between rich and poor.

Under free trade, economic and social elites, whose jobs and incomes are not adversely impacted by imports or immigration, do well. For them, these have been the best of times. America's richest one percent controlled 21 percent of the national wealth in 1949; in 1997 it was 40 percent. Top CEO salaries were 44 times the average wage of their workers in 1965; by 1996 they were 212 times an average worker's pay.

How has Middle America fared? Between 1972 and 1994, the real wages of working Americans fell 19 percent. In 1970, the price of a new house was twice a young couple's income; it is now four times. In 1960, 18 percent of women with children under six were in the work force; by 1995 it had risen 63 percent. The U.S. has a larger percentage of women in its work force than any industrial nation, yet median family income fell 6 percent in the first six years of the 1990s.

Something is wrong when wage earners work harder and longer just to stay in the same place. Under the free trade regime, economic insecurity has become a preexisting condition of life.

A second cost of global free trade is a loss of independence and national sovereignty. America was once a self-reliant nation; trade amounted to only 10 percent of GNP; imports only 4 percent. Now, trade is equal to 25 percent of GNP; and the trade surpluses we ran every year from 1900-1970 have turned into trade deficits for all of the last 27 years.

Since 1980 our total merchandise trade deficit adds up to $2 trillion. This year's trade deficit is approaching $300 billion. Year in and year out, we consume more than we produce. This cannot last.

Look at what this is doing to an industrial plant that once produced 40 percent of all that the world produced. In 1965, 31 percent of the U.S. labor force had manufacturing equivalent jobs. By 1997, it was down to 15 percent, smallest share in 100 years.

More Americans now work in government than in manufacturing. We Americans no longer make our own cameras, shoes, radios, TV's, toys. A fourth of our steel, a third of our autos, half our machine tools, two-thirds of our textiles are foreign made. We used to be the world's greatest creditor nation; now, we are its greatest debtor.

And American sovereignty is being eroded. In 1994, for the first time, the U.S. joined a global institution, the World Trade Organization, where America has no veto power and the one-nation, one-vote rule applies.

Where are we headed? Look at the nations of Europe that are today surrendering control of their money, their immigration policy, their environmental policy, even defense policy—to a giant socialist superstate called the EU.

A third cost of the global economy is America's vulnerability to a financial collapse caused by events beyond our control. When Mexico, with an economy no larger than that of Illinois threatened a default in 1994, the United States cobbled together a $50 billion bailout, lest Mexico's default bring on what Michel Camdessus of the IMF called "global financial catastrophe."

When tiny Asian dominoes began to fall in 1997, the IMF had to put together $117 billion in bailouts of Thailand, Indonesia, South Korea, lest the Asian crisis bring down all of Latin America and the rest of the world with it.

In the global economy, the world is always just one default away from disaster.

A fourth cost of this global economy is the de-industrialization of America and the de-Americanization of our industries. Many of our Fortune 500 corporations have already shed their American identity.

When Gilbert Williamson, then president of NCR, was asked about U.S. workers being unable to compete in a global economy, he dismissed the question with this remark: "I was asked the other day about U.S. competitiveness, and I replied that I don't think about it at all. We at NCR think of ourselves as a globally competitive company that happens to be headquartered in the United States."

Many companies still carry fine old American names, but their work forces are becoming less and less American. In 1985, GE employed 243,000 Americans; 10 years later, it was down to 150,000. IBM has lopped off half of its U.S. workers in the past decade.

Boeing's Philip Condit says he would be happy if, 20 years from now, no one thought of Boeing as an American company.

Here is Carl A. Gerstacker of Dow Chemical: "I have long dreamed of buying an island owned by no nation and of establishing the World Headquarters of the Dow Company on the truly neutral ground of such an island, beholden to no nation or society."

To this new corporate elite, putting America first betrays a lack of loyalty to the company.

Some among our political elite share this view. Here

Relations: Free Trade Dangerous, Not Free

is Strobe Talbott, Clinton's roommate at Oxford and architect of his Russian policy: "All countries," said Talbott in 1991, "are basically social arrangements . . . No matter how permanent and even sacred they may seem at any one time, in fact they are all artificial and temporary . . . within the next 100 years . . . nationhood as we know it will be obsolete; all states will recognize a single, global authority."

This is the transnational elite, our new Masters of the Universe.

The Cold War has been succeeded by a new struggle. "The real divisions of our time," writes scholar Christisan Kopff, "are not between left and right, but between nations and the globalist delusion."

That struggle will shape the politics of the new century; and a familiar question is being asked again across America: When the commands of the global economy conflict with call of patriotism, whose side are you on?

If you would see the consequences of free trade ideology, go to Detroit. In the 1950s this was the forge and furnace of the Arsenal of Democracy, with 2 million of the most productive people on Earth. Compare Detroit then to Detroit now. Free trade is not free.

Forty years ago, Japan exported 6,000 cars. Today, Japan has as large a share of the U.S. auto and truck market as GM.

How did Japan do it? Yes, they built fine cars; but the Japanese did not leave the outcome of this struggle for dominance in the world's first industry to the vagaries of the market place. The Japanese fixed the game.

Japan virtually sealed off its market to U.S. auto imports, subsidized its auto industry and exports, and paid its workers 15 percent of U.S. wages in factories that would have had to be shut down in the United States. Tokyo's political and industrial elite did not let Adam Smith dictate how they would play the game.

In short, Tokyo in the 1970s and 1980s looked on our auto market the way their grandfathers looked on China in the 1920s and 30s—as an inviting target for conquest.

They did not read Richard Cobden on free trade; they read Alexander Hamilton, who would never have allowed Japan to overrun our auto industry, our radio industry, or our television industry.

Remember NAFTA. This treaty was going to open Mexico to U.S. auto exports. Well, in 1996, we shipped 46,000 cars to Mexico; and Mexico sent 550,000 cars back to us. Where did Mexico get its booming auto industry? From Michigan, Ohio, and Missouri.

In the 1950s, "Engine Charlie" Wilson immortalized himself with the remark, "What's good for America is good for General Motors, and vice versa." What Engine Charlie said was true, when he said it. We see that now as we watch GM closing factories here and opening up abroad. GM's four newest plants are going up in Argentina, Poland, China, and Thailand. "GM's days of building new plants in North America may be over," says *The Wall Street Journal*.

GM used to be the largest employer in the United States; today, it is the largest employer in Mexico where it has built 50 plants in 20 years. In Juarez alone, there are 18 plants of Delphi Automotive, a GM subsidiary. Across from Juarez, El Paso is becoming a glorified truck stop, as Texans watch their manufacturing jobs go south.

Volkswagen has closed its U.S. plant in the Mon Valley and moved production of its new Beetle into Mexico, where it will produce 450,000 vehicles this year. Wages at Volkswagen's plant in Puebla average $1.69 an hour, one-third of the U.S. minimum wage.

If you remove all trade barriers between a Third World economy like Mexico and a First World country like the United States, First World manufacturers will head south, to the advantage of the lower wages, and the Third World workers will head north, to the advantage of the higher wages. Economics 101.

Shortly after the terror attack on Sept. 11, the U.S. economy took a serious nose dive, leaving many to ask: What happened? Three years ago, in a speech before the Chicago Council on Foreign Relations, Pat Buchanan laid it all out to America's top policy advisors, chiding them for their devout support of free trade. A glance at what has become of American manufacturing—and where it has moved to—proves that Buchanan's prophetic words are ringing true.

Since the free-trade era began, 4,000 new factories have been built in northern Mexico, and 35 million immigrants, most of them poor, have come into the United States—among them 5 million illegal aliens, mostly from Mexico.

But the free traders respond: Who cares who makes what, where? What's important is that consumers get the best buy at the cheapest price.

But this is Grasshopper Economics. Americans are not only consumers; we are producers and citizens. We have obligations to one another and to our country; and one of those obligations is not to behave like wastrel children squandering a family estate built up over generations. A family estate is something you can sell off—only once.

What is the wealth of nations? Is it stocks, bonds, derivatives—the pieces of paper traded on Wall Street that can be gone with in the wind? No, the true wealth of a nation lies in its factories, farms, fisheries, and mines, in the genius and capacities of its people. Industrial power is at the heart of economic power, and economic power is at the heart of strategic power. America won two world wars and the Cold War because our industrial power and technology proved beyond the ability of our enemies to match.

Is this steady attrition of America's sovereignty irreversible? My answer is no. For the balance of power in America has begun to shift. In 1997, on the vote to give the president a blank check to negotiate trade treaties without congressional amendment—so-called Fast Track authority, it went down to defeat.

The day is not too distant when economic nationalism will triumph. Several events will hasten that day. The first is the tidal wave of imports from Asia about to hit these shores. When all those manufactured goods pour in, taking down industries and killing jobs, there will arise a clamor from industry and labor for protection. If that cry goes unheeded, those who turn a stone face to the American workers will be turned out.

In the Democratic Party or the Republican Party or the Reform Party or some new party, economic nationalism will find its vehicle and its voice. Rely upon it.

It is already happening—with the crisis in the steel industry.

Here is a perfect example of the folly of free trade. Since the mid-1980s, $50 billion dollars was invested in modernization; a steel worker today is three times as productive as his father; and the industry has only a third as many workers as 25 years ago.

Yet, Russia, Japan, South Korea, Brazil and Indonesia—four of them being bailed out with our tax dollars—are dumping steel into our market, taking down our steel industry to save their own. Why do we allow subsidized foreign steel to be dumped into the U.S. to destroy the greatest private steel industry on Earth?

Well, says the free trader: If we can get it cheaper, let our industry go, just as we let our televisions go, our textiles go, radios go, and the shoe industry go. Besides, these countries need to sell steel here to get the dollars to pay back their IMF loans. Thus, the United Steelworkers of America are being sacrificed—to make the world safe for Goldman Sachs.

There is another reason the free trade era is coming to a close. One day soon, Americans will wake up and discover that other nations do not believe in free trade, and do not practice our particular faith. China and Japan each run $60 billion in annual trade surpluses at America's expense, but each cordons off its own market to U.S. goods.

We must start looking out for America first. As Andrew Jackson once declared: "We have been too long subject to the policy of [foreign] merchants. We need to become more Americanized, and instead of feeding the paupers and laborers of Europe . . . feed our own, or in a short time . . . we shall all be rendered paupers ourselves."

America first, and not only first, but second and third as well. ★