

“More Jobs, Higher Pay in Years After NAFTA,” The San-Antonio Express News, page 4H, Oct. 14, 2007

Twice in two weeks Carlos Guerra raised the issue of how free trade agreements like NAFTA and CAFTA affect wages and employment for American workers. On September 22, he said, in relation to NAFTA, “And though U.S. workers' productivity has doubled since the 1970s, average hourly wages have risen only a nickel.” Then on October 6 he said there has been “a 40-year campaign to selectively dismantle trade barriers to boost corporate profits — but that also wound up costing us millions of high-wage U.S. manufacturing jobs.”

Certainly no government policy, trade or otherwise, should hurt wages and employment. But what has happened since NAFTA went into effect in January 1994? Using Bureau of Labor Statistics data, hourly wages from 1994-2006 rose 47.8% while the CPI went up 36%. That amounts to a 98 cent increase, adjusted for inflation

What about the 12 years before NAFTA? Wages rose 44% while prices rose 54%. That means in the 12 years before NAFTA went into effect real wages fell while they rose after.

What about jobs? The unemployment rate was 6.9% in 1993 and 6.1% in 1994. It fell steadily until reaching 4.0% in the year 2000. Even in 2003, two years after we had a recession, the rate was 6.0%, lower than the year NAFTA began. Now its 4.7%. From 1981-1993 it averaged 7.1% a year. From 1994-2006, 5.1%.

What about the millions of lost high-wage, manufacturing jobs? We had 17 million in 1994 but it rose to 17.5 million in 1998. It is true that we only have 14.2 million now, but it was still 17.25 million in 2000 and did not fall until the recession of 2001 struck. Maybe NAFTA is not at fault.

Even if we go back more than 40 years, before the free trade campaign began, the percentage of jobs in manufacturing was already falling. In 1957, they were about 35% of all private sector jobs. But by 1967, it was down to 33%. So the share of jobs in manufacturing was declining before 1967.

More importantly, manufacturing jobs are not the highest paying hourly jobs. In 2006 the average hourly wage in manufacturing was \$16.80. But in construction it was \$20. 2.6 million construction jobs have been added since 1994.

None of this proves that NAFTA caused the improvement in wages and employment. That could have happened due to the growing economy caused by good macroeconomic policies.

Our macro policy goals include low unemployment. So the jobs issue is best handled in its appropriate arena of macro policy, not the trade arena. Trade benefits nations since it

allows them to concentrate more on what they do most efficiently. Everyone can share in this increased efficiency with a growing economy that creates jobs.

Even if jobs are lost due to low price imports, we have the macro policy tools and knowledge to increase demand in the economy to get back to full employment. This point was made by Princeton economist Paul Krugman in his book *Pop Internationalism* and Cornell economist Douglas Irwin in *Free Trade Under Fire*. If the unemployment rate goes up, the appropriate monetary and fiscal policies can create jobs and raise wages in the process. No job or wage loss need occur when we enter into free trade agreements.

To block free trade agreements that enhance efficiency and therefore our standard of living for fear of losing jobs would be a mistake when jobs and wages can be increased with other policy tools. This makes even more sense when we see how well workers have done since NAFTA went into effect.