

# THE POLITICS OF PROTECTION: AMERICA AND AUSTRALIA COMPARED

Despite similar public scepticism about free trade in the US and Australia, protectionism is on the rise in Washington but not in Canberra. **James Paterson** investigates why

Protectionism has rarely seemed more popular in the United States than today. Fears about recession, the continued decline of US manufacturing, the ongoing housing crisis and associated credit woes, along with numerous product safety scares, have led to heightened economic concern among American voters. In this atmosphere, as at other times in US history, voters have sought an easy scapegoat for their problems: foreign trade.

This new protectionist sentiment characterised the fiercely competitive presidential primaries of 2008. The *Wall Street Journal* described the Democratic Party's standard-bearer, Senator Barack Obama, as the 'most protectionist US Presidential candidate for decades.' Obama's anti-trade rhetoric, which he has since admitted was 'overheated,' at one point included a poorly thought-out plan to ban the import of all toys from China. The idea was quickly scuttled when it was pointed out that 80% of America's toys came from China. During the Democratic primaries, Senator Hillary Clinton vigorously criticised the most significant trade achievement of her husband's administration—the North American Free Trade Agreement (NAFTA)—and once suggested unilaterally withdrawing from it.

Normally pro-trade Republican presidential candidates also indulged in protectionist rhetoric during their primary contests. Populist Mike Huckabee was quoted saying he didn't 'want to see our food coming from China, our oil come from

Saudi Arabia and our manufacturing come from Europe and Asia.' Even former investment banker Mitt Romney called for 'fair trade' with China. Presumptive Republican nominee, Senator John McCain, has a much stronger record on trade, frequently denouncing protectionism even in subsidy-dependent states like Iowa. Unfortunately, McCain's unapologetically pro-trade stance was a rarity during the primary season.

Perhaps even more concerning than this campaign rhetoric is evidence that this isolationism has permeated US legislative institutions. The House of Representatives recently rejected two major free trade agreements—with Colombia and South Korea—for the first time in US history, reflecting protectionism's grip not only on public sentiment but also on public policy.

While concern among US voters about trade—particularly its impact on jobs—remains relatively stable at high levels, Americans are not significantly more sceptical about trade

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than Australians. If anything, Australian voters have demonstrated a stronger aversion to open trade than Americans, judging by opinion polls. Over the long term, majorities or pluralities of Australian and American voters exhibit anti-trade sentiment. Despite these similarities, however, Australian politicians rarely indulge in protectionist rhetoric and are often reluctant to appeal to the electorate's worst fears about trade. Certainly, the prospect of federal Parliament rejecting a free trade agreement negotiated on its behalf today is almost unimaginable, for reasons that extend well beyond government control over the lower house.

Evidence suggests that there has been an increase in protectionist attitudes among the US public in recent years. A Pew Global Attitudes survey showed that the proportion of Americans expressing support for growing trade and business ties between the United States and other countries had dropped from 78% to 58% between 2002 and 2007. Gallup Poll has found that the percentage of Americans who view foreign trade as a threat rather than an opportunity has been growing since the early 2000s, from 35% to 48%. Yet this was simply a return to the high levels of trade scepticism of the early 1990s: in 1992, 48% of Americans held the same view. The protectionist view is somewhat more apparent in responses to more focused questions. For instance, a 1999 Gallup poll found that only 35% of Americans thought that increased trade was good for American workers.

Australian attitudes are similar. In a 2004 article for *Policy*, Andrew Norton found that from 1962 to 1998, barely more than 10% of Australians were opposed to import restrictions, and that attitudes had in fact worsened since the 1960s. As in the United States, when references to jobs were included in the question, the answers became even more skewed against open trade. Although 52% of respondents to a 1997 Morgan poll identified increased competitiveness as a benefit of lower tariffs, another poll just weeks later found that 62% of respondents agreed with the Howard government's policy to slow tariff reduction in the textile, clothing, and footwear industries. Polls find the proposition that Australia

should limit access to foreign goods in order to 'protect its national economy' routinely achieves more than 60% support. Clearly, the Australian public retains significant anti-trade prejudices.<sup>1</sup>

By contrast, we know that elite opinion on free trade is almost universally supportive. In a 1990 study, one commentator found more than 90% of economists generally supported the proposition that the use of tariffs and import quotas reduced the average standard of living. A similar study in 2000 found just 6% of economists disagreed with that proposition.<sup>2</sup> This gap between elite and public opinion, and the threat it may pose to sensible public policy, has been a constant source of frustration for trade economists.

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Although Kevin Rudd's Green Car Innovation Fund amounts to little more than a poorly-disguised subsidy for domestic car manufacturers, and although Australia retains some persistently high tariffs in key manufacturing sectors, on the whole Australia has consistently opened up its domestic economy to world markets. It remains a strong proponent of multilateral liberalisation through the World Trade Organisation (WTO). It has a good record of unilateral abolition of trade barriers. And it continues to seek bilateral trade-promoting agreements. Our agricultural industry receives among the lowest levels of government support worldwide.

Crucially, this trade policy outlook has been predominantly bipartisan, particularly since the Hawke–Keating economic reforms of the mid-1980s. Although the Labor Party has traditionally favoured multilateral deregulation through bodies like the WTO, the new trade minister, Simon Crean, has promised to investigate bilateral deals with China and Japan, two of our largest trading partners. Although the opposition under Mark Latham took issue with some aspects of the Australia–United States Free Trade Agreement,

the federal Labor Party ultimately supported its passage. Other than a hike in manufacturing tariffs after the 1975 election under Fraser, and the Howard government's efforts to slow tariff reduction in some industries, the Coalition has consistently supported freer trade—whether in government or opposition.

This bipartisan support for trade has been absent in the United States, particularly in recent years. Although president Bill Clinton was able to garner enough votes to pass NAFTA, it was largely due to strong Republican support and only half-hearted Democratic opposition—over 75% of Republicans supported the bill, while nearly 60% of Democrats voted against it. Since that vote, Democrats have become more and more anti-trade, and have shown an increasing tendency to vote against pro-trade agreements. Thus, free trade agreements with Chile, Singapore, and Peru—as well as President Bush's fast-track negotiating authority—were only able to pass thanks to overwhelming Republican support during a time of Republican control over the US House and Senate.

In 2006, with Democrats retaking control of both houses for the first time since 1994, the tables were turned. Emboldened by their win, and with increasing numbers of trade-sceptical members of Congress, House Democrats have successfully postponed free trade agreements negotiated with South Korea and Colombia. During the 2006 congressional elections, many House and Senate Democrats relied on anti-trade rhetoric. Anti-

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China pronouncements and criticism of NAFTA featured in many Democratic campaigns. Senator Sherrod Brown, who won Ohio for the Democrats, carried rural counties that John Kerry lost to President Bush by huge margins. He attributed his win to his protectionist positions and his vocal opposition to the 'offshoring' of American jobs.

### **Why protectionism is rising in the US but not in Australia**

Many commentators have attributed the new anti-trade paradigm in the Democratic Party to the increasing influence of the union movement within the party. Unions played a key role in the 2006 Democrat takeover of the House and Senate, bankrolling many candidates and providing manpower to oust vulnerable Republicans. They also played an important part in the Democratic primary contests this year. Some observers attributed Hillary Clinton's wins in key states such as Ohio and Pennsylvania to strong union support.

Yet this rationale hardly explains the gap between the relatively bipartisan nature of trade policy in Australia compared to the United States. If anything, the union movement in Australia is more closely entwined with and influential in the Labor Party than it has ever been in the Democratic Party. The Australian Council of Trade Unions's 'Your Rights at Work' campaign at the last federal election was crucial to Labor's electoral victory, as was the estimated \$30 million of union money spent in the campaign. Former union bosses Bill Shorten and Greg Combet joined dozens of former union officials as part of Kevin Rudd's first ministry. Considering the parties' respective histories is illuminating: the Labor party was born out of the union movement, while the Democrats were of a more elitist origin.

Another possible explanation is that US presidents—of whichever political stripe—tend to be more pro-trade than Congress simply because they are compelled by the nature of their job to focus on broad national interests rather than sectoral local interests. This presidential characteristic is compounded by the tendency of US voters to seek different qualities in their candidates for executive and legislative branches. Voters typically view their president as a commander-in-chief, capable of representing them on the world stage, but traditionally elect representatives at a congressional level who will act as an advocate of their local interests. This could help explain why members of Congress elected from states in the industrial Midwest—such as Michigan—exhibit protectionist sentiment regardless of party affiliation. Here, sectoral interests, such as the car

industry, can easily elect representatives who will be unashamed advocates for their narrow interests.

This separation of powers between the branches of US government may exacerbate protectionism. Individual members of Congress are rarely held accountable for the overall economic situation, as they are simply one legislator among many. They can easily blame economic woes on the president, who many voters hold responsible for economic performance. This allows members of Congress to adopt politically popular but economically damaging positions—such as protectionism—while avoiding responsibility for the consequences of doing so. Yet this interpretation fails to explain why presidential candidates from both parties are vociferously denouncing trade agreements.

**I**t can sometimes be easy to overlook the fact that America's vulnerability to isolationist sentiment may stem from its electoral system. The way in which the US political process engenders populism is best illustrated by a comparison with the Australian system. Put simply, Australian members of Parliament (MPs) are relatively more insulated from public opinion than their American counterparts.

One of the most fundamental ways in which the US electoral system engenders populism is the process of candidate selection: the primary election process. There are four different types of primaries employed by different states, but the most common is the closed primary. In a closed primary, voters who are registered Democrats or Republicans are entitled to vote in their party's primary election to select their local candidate. This primary system has a wide franchise that allows for broad participation in the selection of a candidate for the district or state—especially considering that over 72% of registered voters in the United States list an affiliation with either major party. The system thus creates an incentive for politicians to cultivate a personal following in their local constituency, and to match their political positions more closely with the views of their electorate. As a result, their policy positions can be vulnerable to swings in local popular opinion.

In Australia, by contrast, candidates are largely chosen by the organisational wings of political parties and by paid-up party members, rather than by a broader selection of their constituents. Even

in parties that have plebiscites for preselection—such as the South Australian Liberal Party—only paid-up party members are allowed to vote in the selection process, not just any voter with a registered party affiliation as in the United States. In the most recent preselection (by plebiscite) for former foreign minister Alexander Downer's South Australian seat of Mayo, just 300 party members voted. This system of preselection helps to shield Australian politicians from popular pressures, and makes them less responsive to changes in public opinion within their electorate.

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Modern Australian politics has also been characterised by strict party discipline, another key difference with the United States. Political parties in Australia are built on rigorous adherence to party policy, and politicians are expected to show support for party policy by voting for it. This tradition is reinforced by the process of candidate selection. MPs owe their preselection to their political party, not a wide group of constituents, and are expected to demonstrate loyalty to the party. Australian politicians thus have little to gain by building a personal policy platform tailored to their electorate. Recent federal governments of both political persuasions have also been willing to punish MPs who cross the floor to vote against party policy, often by denying them promotion or threatening their preselection.

The opposite is true of the US system. The primary process encourages American politicians to cultivate a personal following, because it is their constituents who are responsible for their nomination, not the party. This quest for personal popularity often leads to vulnerability to public opinion and to the adoption of populist policies. Furthermore, American candidates conduct the vast majority of the fundraising necessary for their reelection, independent of their parties. In Australia, by contrast, central party headquarters typically control the purse-strings. This financial dependence further entrenches party loyalty.

An additional point of difference is the highly localised nature of media markets in the United States. Unlike in Australia, local papers in the United States have high levels of circulation and readership. They often cover political issues, in stark contrast to most local papers in Australia, which rarely cover politics beyond photos of MPs visiting their local school or nursing home. In many cases, the distribution areas of US local papers correspond strongly with congressional districts. One study of the effect of local media coverage and congressional voting discovered that the greater the overlap between a paper's distribution network and a congressional district, the greater the reporting on the activities of the local representative. This in turn increased the likelihood that the member of Congress would vote against party lines compared to members with a lower media profile. They were also more likely to serve on committees related to domestic policy, and to win more federal appropriations for their home districts. This factor further increases the incentive for legislators to match closely their voting on Capitol Hill with their constituents' views.<sup>3</sup>

In a similar vein, the high frequency of elections in the United States arguably increases the likelihood that members of Congress will adopt populist policies. Elections for members of the US House of Representatives occur once every two years, which means any measures that are politically unpopular in the short term but good policy for the long term are unlikely to be publicly championed. By contrast, Australian election cycles benefit from being one year longer than US congressional elections, and this may play a small role in discouraging populism.

### Conclusion

Australian and American voters share a suspicious attitude towards foreign trade and remain highly sceptical about its value, particularly for workers. In Australia, this public sentiment is not commonly reflected among political leaders, especially in the last decade. Australian politicians have shown a reluctance to use anti-trade rhetoric to gain votes, perhaps reflecting elite recognition of the benefits of trade. The United States, on the other hand, has many politicians eager to demonise foreign trade and use the public's fear of it for political benefit.

Clearly, there is something systemic in the United States that causes this problem, or something inherent in Australia's political system that prevents it. Representatives in the United States—from the president down—are far less shielded from public attitudes than Australian MPs are. This is partly a result of a more open political system—the wider the electoral franchise at each point of selection and election, the more pressure there is for politicians to conform to shifts in public opinion. The primary system for preselecting candidates is thus a clear factor of differentiation from Australia, as is the existence of highly localised media markets.

The strong culture of party discipline in Australia also acts as a tool to enforce elite opinion about the benefits of trade. While it is unlikely that every member of the federal ALP caucus or Coalition party-room supports open trade, few would dare vote accordingly. By contrast, the lack of party discipline in US congressional politics is a major reason why protectionist sentiment has been able to find a policy outlet in a way that would not be possible in Australia.

This conclusion should act as a cautionary note to would-be Liberal Party reformers who wish to introduce American-style primaries for the preselection of candidates. In their eagerness to remove control of candidate selection from party bosses and to open up the Liberal Party to greater numbers of voters, they risk undermining the strong party discipline that has acted as a brake on populist anti-market forces. Despite its faults, the current system has helped to maintain a political commitment to free trade that has benefited the country greatly. Liberals should not disregard the inevitable negative consequences of populist structural reform for pro-market policy.

### Endnotes

- <sup>1</sup> Andrew Norton, 'The Politics of Protection,' *Policy* 20:2 (Winter 2004), 10–15.
- <sup>2</sup> William Poole, 'Free Trade: Why are Economists and Noneconomists So Far Apart?' (speech to the Trade, Globalisation and Outsourcing Conference, New York, 15 June 2004), [www.stlouisfed.org/news/speeches/2004/06\\_15\\_04.html](http://www.stlouisfed.org/news/speeches/2004/06_15_04.html).
- <sup>3</sup> James M. Snyder, Jr, and David Strömberg, *Press Coverage and Political Accountability*, NBER (National Bureau of Economic Research) Working Paper 13878 (Cambridge, MA: NBER, 2008).