

Editor's Corner

Closing Ranks

The degree to which economic questions dominate politics is nowhere more apparent than in the international arena. The economic interdependence of nations has meant that each nation's welfare increasingly rests on that of other nations and that countries cannot solve their domestic economic problems in isolation.

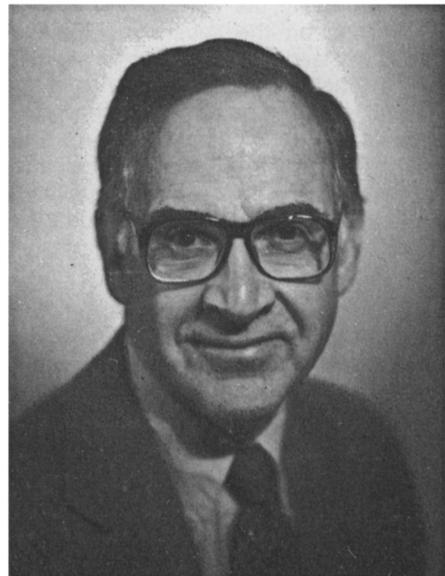
The challenge facing national politicians is how to refrain from blaming the problems of unemployment and recession in their own countries on the policies of other nations and from then offering solutions which are short-sighted. Delaware Senator Bill Roth who heads the Senate Export Caucus traces economic difficulties in his state to unfair trade practices of other nations and wants to respond in kind. "When other countries refuse to play fair, it's time to ask, 'What's in it for us?'" he stated recently.

However, protectionism as a response to domestic economic problems is a negative sum game. If the 1930s are any guide, every nation is left worse off after retaliatory rounds of protectionist measures take effect. The signatories of the 1947 General Agreement on Tariffs and Trade (GATT), the framework which has led to what Harold Jacobson calls "economic disarmament" over the last three decades, seemed to understand the destructive implications of protectionism. As free trade, led by the U.S., has grown, so has world prosperity.

The problem is that worldwide recession and unemployment threaten the gains made under GATT. For the first time in the past 30 years, global imports, which had grown at an annual rate of seven percent between 1948 and 1974, declined

in two consecutive years, 1980 and 1981. Global production grew in 1980 and 1981 by only one percent, compared to an annual five percent rate between 1948 and 1974. Unemployment in the U.S. and the European Economic Community (EEC) has soared as well. The high unemployment levels in particular lead to pressures for trade protection.

Whether GATT or the Reagan administration's insistence that the free market approach not be abandoned can contain these protectionist pressures is the question raised by Jacobson and Robert Walters. Jacobson looks at the past and future of the GATT regime and notes that the U.S. no longer holds the predominant economic position that permitted it to push liberalization and to bear disproportionate burdens. If the spirit of GATT is to survive, the EEC and Japan will have to



Harold Jacobson



Joan Spero

be "as committed to trade liberalization as the United States has been," Jacobson says.

To expect a consensus among the U.S., Japan and the EEC may be unrealistic in light of the fact that the consensus for free trade in the U.S. "is fraying," according to Walters. Faith in the marketplace is eroding, as the concern grows that relying on the sovereignty of the market will lead to "relegating to the ash heap segments of large industries," or, alternatively, that an unwise ad hoc protectionism and economic bailouts will emerge for industries, such as steel and automobiles, with sufficient political clout to induce state intervention on their behalf.

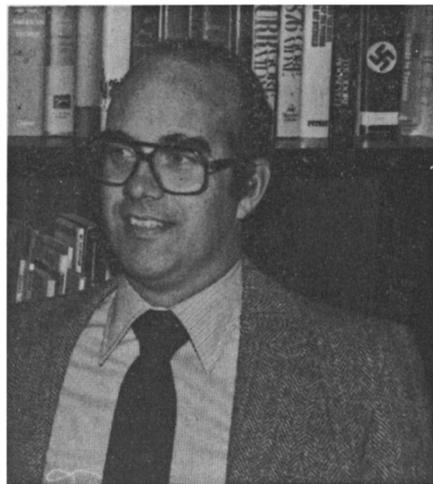
As an alternative to piecemeal policy making, some analysts argue for the development of a coherent industrial policy in the U.S. However, as Walters notes, having an industrial policy does not necessarily guard against protectionist measures, and it raises fundamental questions about the role of the state in a democracy. Like Jacobson, Walters remains convinced that "America's overall economic interests continue to depend upon liberal trade."

That conclusion makes sense, especially

in light of Joan Spero's article on the growth of trade in services in recent years. America's economic future is closely tied to its growing service economy. Despite its trade deficit (\$27.9 billion in 1981, \$25.3 billion in 1980, and \$27.3 billion in 1979), the U.S. current account balance, which includes not only trade in goods but also in services and private transfers, has registered a surplus (\$9 billion in 1981, \$6.2 billion in 1980, and \$3.1 billion in 1979). These services, such as banking, insurance and shipping, have not been covered under GATT, even though over two-thirds of the U.S. work force is employed in service industries.

The U.S. does lead in service exports, but the increase in services is global. On the surface it would seem that many nations would have a great interest in bringing services under GATT. However, freeing trade in services in the 1980s may be a much more difficult task than freeing trade in goods was in the last three decades. Spero explains some of the problems entailed in removing barriers. These problems are compounded by the forces Jacobson and Walters discuss.

If there is a bias here, it is surely in the direction of free trade in goods and services. The authors, however, do not engage in sloganeering. They explain the issues lucidly and understand the com-



Robert Walters

plexity of the problems facing the international economic community. The health of the global economy requires that those problems not prove intractable.

Catherine Rudder

APSA Nominating Committee Invitation
SUGGESTIONS FOR OFFICERS OF THE
AMERICAN POLITICAL SCIENCE ASSOCIATION
For 1983

Officers to be selected: President-Elect, three Vice Presidents, Secretary, Treasurer, eight Members of the Council for two-year terms. All members of the Association are invited to submit suggestions to the Chairman of the Nominating Committee in care of the American Political Science Association or to members of the Committee no later than March 31, 1983.

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