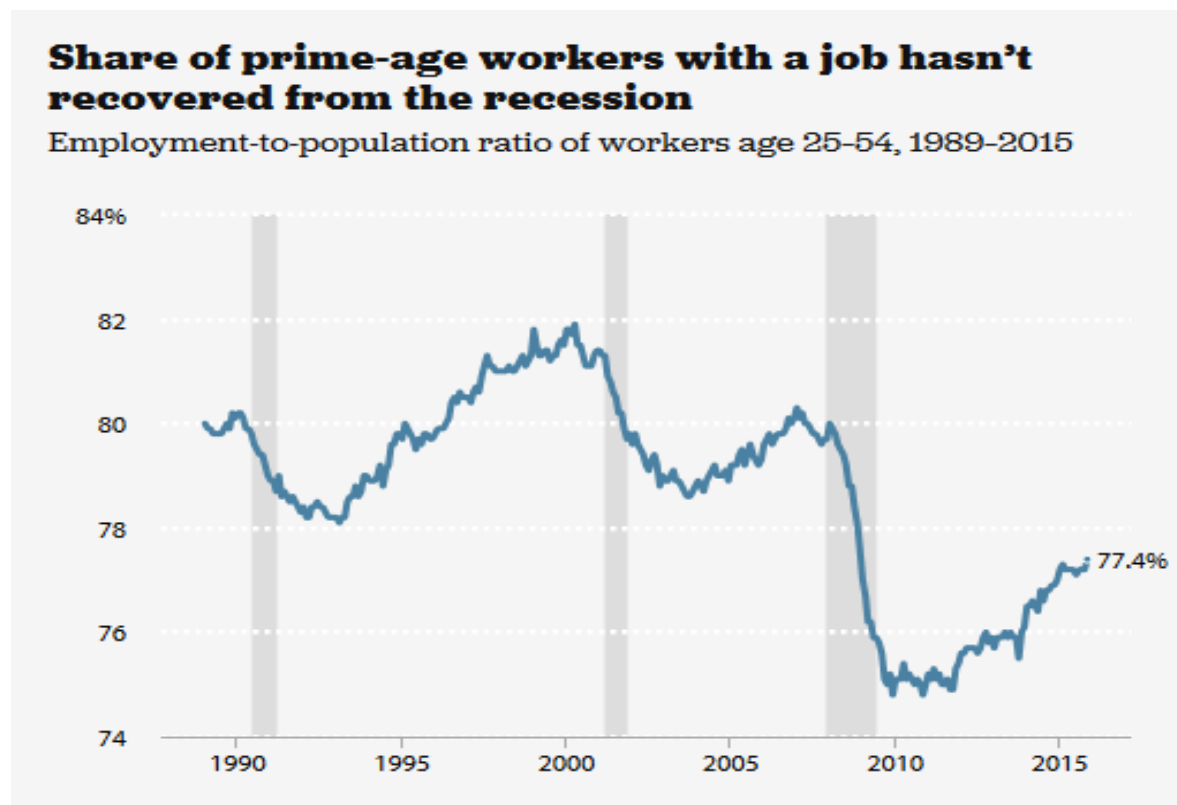


Mitchell's Musings 12-28-15: It Depends on How You Look at Things

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A 1947 children's record intended to teach kids tolerance of others – *The Churkendoose* – ended with a song whose refrain was "It depends on how you look at things."¹ It came to mind when I saw a recent NPR interview with President Obama. The interview dealt largely with terrorism and Middle East policy. But it then turned to a variety of domestic issues including black-lives-matter protests, campus protests more generally, and issues of blue-collar workers who – the President said – have economic difficulties which are being exploited by candidate Donald Trump.²

The President's view of the problems of blue-collar workers was basically that grand forces – globalization, technology, etc. – were moving against that group and leading to "frustration." The old deal that these workers once had, or perhaps their parents had, is gone or going. However, when you look at the chart below from the Economic Policy Institute, it suggests that the "frustration" issue may be more general than just blue-collar workers.³ The chart focuses on *all* prime age workers (25-54) so trends in staying in school and/or early retirement are not likely to have much impact. The drop in the employment-to-population ratio since 2000 suggests a broader labor market issue than just one affecting blue-collar folks. The ratio is still below 1990 levels despite the marked drop in unemployment rate since the Great Recession.



¹http://wilderworld.podomatic.com/entry/2007-02-06T00_40_05-08_00

²<https://www.youtube.com/watch?v=MNop1dom1m8>

³<http://www.epi.org/publication/the-top-charts-of-2015/>

How you look at the empirical data, as *The Churkendoose* song says, “depends.” The President, in his interview, sees the adversity in the labor market as something that just happened. When you view the data as something that just happened, you are tilted toward the notion that nothing could be done – r could have been done - about the consequences. Blind forces such as globalization are seen as akin to the weather, i.e., forces of nature. It’s safe to say that this view of labor market trends is widely shared by many mainstream commentators. At best, they think, the only thing to be done is to offer palliative care after the fact (food stamps?) and to advise or encourage the younger generation of incoming workers to go to college.

Trends in technology are indeed weather-like in their genesis. Globalization, on the other hand, or at least its domestic impact, is susceptible to public policy. Indeed, from its founding in the late 18th century through at least the first half of the 20th century, the politics of the U.S. often revolved around what to do about global competition. You can call the debate protectionism vs. free trade if you like. But it was a major American political issue. And the debate was often put in terms of labor-market impacts of external competition.

Thus, it’s really not true that the domestic impact of globalization is like the weather. It may be cold outside. But what the temperature is indoors has a lot to do with whether you choose to open the window. In the immediate aftermath of World War II, the window wasn’t all that open. For a variety of reasons, a *policy decision* was made in the U.S. to open it.

The decision to reduce protection, starting with the Kennedy administration, was made with regard to foreign affairs considerations in the context of the Cold War. But in recent years, it is less protection that is the issue when it comes to the domestic labor market impact and more the U.S. trade (im)balance. The U.S. could – as we have noted in many prior musings – have *chosen* to take steps to reduce and eliminate the trade deficit. It has *chosen* not to do so, apparently for foreign policy reasons related especially to relations with China and Japan. (We want China to cooperate on such problems as North Korea and Iran. And we want Japan to be a counterweight to China.) So while the President and his predecessors have depicted the labor market impacts of globalization as something over which they have no control, that stance depends on a view that no policy decisions were, or are, involved.

In short, it depends on how you (choose to) look at things - and how you then frame them.

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NOTE: During the 2016 winter quarter at UCLA, I will be teaching. Hence, weekly Musings posts will not resume until April 2016. However, if some issues arise before April on which I can’t resist commenting, I will do so.