

Donald Trump shows globalization can be challenged

By pressuring one big company to keep good jobs in America, this avowed free marketer has defied the free market.

By Thomas Walkom

December 2, 2016 – *The Toronto Star*

Score one for Donald Trump. The U.S. president-elect promised to push back against the forces of globalization and keep jobs in America. In one case, he appears to have succeeded.

This week, corporate giant United Technologies announced it has scrapped plans to close its Carrier furnace plant in Indianapolis and move production to Mexico.

The decision, which is expected to save 1,000 of the 1,400 jobs that were on the line, comes after Trump threatened to slap a 35 per cent tariff on any foreign-made Carrier products imported back into the U.S.

During his campaign for the presidency, Trump routinely singled out the proposed Carrier plant relocation as an example of exactly the kind of de-industrialization he was determined to stop.

He blamed the North American Free Trade Agreement in particular for U.S. manufacturing woes, noting that it encourages domestic companies to shift production to low-wage Mexico.

Carrier's unionized Indianapolis plant, for instance, pays its workers up to \$26 an hour. In Mexico, the company would have paid only \$3 an hour.

Trump's critics said the billionaire developer was merely posturing to win votes, that he could not stand in the way of global market forces.

But apparently he could.

Details of the decision are murky. There are reports that the state of Indiana offered Carrier incentives to stay. The status of a second United Technologies plant slated to move to Mexico,

this one employing 700 workers in Huntington, Ind., remains unclear.

There is no guarantee Carrier won't find other ways to dispense with expensive human labour through, for instance, robotics.

Still, this episode demonstrates that globalization is not inevitable. It shows that government can intervene and that market forces, while powerful, need not always be supreme.

In this case, the logic of market forces dictated that Carrier's Indianapolis plant had to close. Moving production to Mexico would have netted United Technologies an additional \$65 million in profit.

In a world dominated by market logic this was more than enough reason to relocate.

But in the world of real human beings, matters are always more complex.

First, United Technologies is not the abstract, price-taking, competitive firm of introductory economics. It is a giant in the very political world of defence contracting, one that earns about 10 per cent of its revenue from military sales.

Last year it made a profit of \$4 billion. So while market logic demands that it squeeze every last drop of value from its workers, human logic suggests it might want to tread carefully when a new president, who among other things oversees military procurement, advises otherwise.

Put simply, United Technologies won't go bankrupt by keeping manufacturing production in the U.S. It just won't make quite as much money for its stockholders.

Had it defied Trump, it arguably would make even less.

Many Canadians don't like Trump. Many on the centre and left find his positions on immigration and Muslims reprehensible.

He is a notorious self-aggrandizer who, earlier in November, took credit for saving Kentucky autoworker jobs that were never at risk.

Timothy Wise, a research fellow at Tufts University, argues convincingly on BillMoyers.com that Trump's critique of NAFTA focuses on all the wrong things.

But at least the U.S. president-elect has a critique. And unlike Barack Obama, who also challenged NAFTA on his way to the presidency, he is willing to act on it.

We shall see what happens eventually in Indiana. In spite of the Carrier reprieve, other manufacturers in the state are continuing to

shutter their plants, lay off employees and move to Mexico.

We shall see what Trump does to alleviate the plight of these and other rust-belt workers whose votes propelled him to the White House.

Trump's detractors say he is sure to disappoint them. Perhaps he will.

But this big businessman has shown that it is possible to challenge big business. This avowed free marketeer has demonstrated that the global market can be defied.

Those of the centre and left who reflexively disapprove of everything Trump does might want to keep that in mind.

They might also want to reflect on the fact that if mainstream Democrat Hillary Clinton had won the U.S. presidential election, those Indianapolis jobs probably would have disappeared.