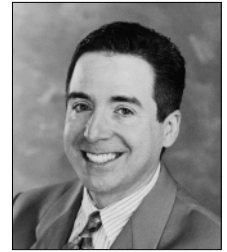


It's Always Something

BY RUSSELL ROBERTS



Our economy is in the middle of an extraordinary run of success. Unemployment is low. Personal wealth is near an all-time high. Real wage growth sometimes appears less robust, but when benefits are included, real compensation is healthy. And even with the cries from some that economic mobility isn't what it once was, legal and illegal immigrants continue to flock to the United States. Evidently being poor here beats being poor elsewhere by a long shot.

Despite this track record, despite the mildness of the three recessions in the last 25 years, you might think from reading the papers and listening to people talk that the economy was balanced on a knife edge, ready to fall any minute into an abyss of failure.

There is always a massive threat to our economic security. Not something mildly troubling. Not something that is merely annoying. No, there's always an enormous threat to our very well-being, a force that threatens to overturn decades of progress and plunge us back into the economic stone age. To hear the worriers talk, you'd think we're at risk of returning to the Middle Ages, or to pre-New Deal America circa 1929, a world of abject poverty and mass unemployment.

There are two types of threats that show up in the media. The first is the foreign threat. In the last 25 years one nation after another has been identified as threatening our standard of living and economic system.

First it was Japan. It was stealing all our automobile jobs, maybe all the other good-paying jobs too. Then Japan went into a nosedive of recession followed by stagnation. When it became clear that Japan wasn't getting

up off the canvas, it had to be replaced by a different foreign villain.

With NAFTA up for consideration in the early nineties, the choice was easy. Canada. Oops. Canadians don't scare people. So when NAFTA was in the news, the Canadians wouldn't do. Had to be the Mexicans.

We were told that the Mexicans, because they had lower wages than Americans, would suck jobs south like a magnet draws iron filings. Soon, all manufacturing jobs would be gone and we would be left doing one another's laundry.

NAFTA passed and nothing happened. The threat of Mexico was completely forgotten and placed in the Hall of Shameful Economic Ignorance next to the Japanese threat.

Next up: China! The Chinese are really scary. America runs big trade deficits with China. Just like Japan. People forgot that those big trade deficits with Japan hadn't hurt America at all and that Japan's economy was floundering. China with its billion people was going to steal our jobs and turn the American economy into a giant laundry or cosmetic counter or fast-food restaurant. China was defi-

nitely a threat.

In the middle of the Chinese worry, a new one joined it, creating a two-headed monster. First, the Chinese were destroying all the manufacturing jobs. But the new threat was outsourcing. Outsourcing was going to destroy every job that paid more than a pittance. The economists naively argued that trade creates wealth and

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that the manufacturing jobs would be replaced by new jobs in sectors where we were even better than manufacturing. Well, now look what was happening, according to the worriers. The high-tech, knowledge jobs that were supposed to be the last refuge for American workers as manufacturing disappeared were being stolen by Indians.

What a combination! China and India. Almost two billion people. Never mind that a lot of the jobs the Indians were “stealing” weren’t high-tech at all. They were call-center jobs. But even the call-center jobs were part of the service sector, part of what we were supposed to be good at once we gave away all our manufacturing jobs. India and China could steal our meager 130 million jobs in a few months.

The outsourcing hubbub reached its peak in the election of 2004. Once the election was over and the economy kept growing, the issue fell out of the news. The tech sector, it turned out, was doing just fine. Tech-sector jobs were actually growing. American web designers and network installers and database whizzes still made more than their Indian counterparts, but somehow, not all the American jobs went to India. The whole thing turned out to be a molehill rather than a mountain.

When Americans stop worrying about foreign threats, they turn inward and worry about domestic ones.


The usual worry is that a very successful American company is ruining the economy. For a while, it was Microsoft. (Actually it used to be IBM, but that goes back 30 years.) Then when Microsoft got fat and happy and looked less dangerous as the Internet vied with the desk-

top for computing power, Google started to scare everybody. Google is running everything! It’s got the search engine most people use. Soon it’s going to own all the books, and the next thing you know, it’ll have all the e-mail, and so on and so on. For a brief moment, AOL-Time Warner was going to rule the world and control all the news and soon we’d all be captive to one megacorporation controlling what we read and saw and knew. But the AOL-Time Warner scare just didn’t have the legs.

The Wal-Mart Threat

People are still worried about Google. But the new threat is Wal-Mart. It’s pulling down wages all across America. How is it that by creating a demand for low-skilled workers Wal-Mart is *lowering* wages? Never could figure that one out. People forget that when low-skilled workers worked at mom-and-pop general stores on Main Street, we had low wages and high prices. Now we have low wages and low prices. I know which is better for America and its poor.

To hear the worriers tell it, soon we’ll all be working at Wal-Mart making lousy wages with no benefits, selling low-priced foreign goods to one another.

It’s always something. Something to scare people who do not understand how trade really works, how markets work, or how wealth gets created and spread. You’d think that the abysmal track record of the worriers would dent their credibility. But it doesn’t seem to. People are just as worried about Wal-Mart as they were about Japan. As my colleague Don Boudreaux likes to point out, economists will always have work to do explaining how the economy really works. 

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