

# The Trans-Pacific Partnership and the 2016 US Presidential Election

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TOM CHODOR, APR 23 2016

The Trans-Pacific Partnership (TPP) agreement, which brings together 12 Asia-Pacific nations – the United States, Japan, New Zealand, Australia, Canada, Mexico, Chile, Peru, Vietnam, Malaysia, Brunei and Singapore – has been hailed as the most significant trade deal in decades. Upon its signing in February this year, US President Barack Obama hailed it as a ‘forward-looking trade deal that sets new, high standards for trade and investment in one of the world’s fastest growing and most important regions’ (Obama 2016). Likewise, Australia’s Prime Minister, Malcolm Turnbull, describes the pact as ‘a gigantic foundation stone’ for Australia’s future prosperity that will deliver jobs and growth for the 21<sup>st</sup> century (Kenny 2015).

Yet, as a number of analyses have now established, the reality of the TPP is much more problematic, not least the serious concerns raised regarding the constraints the deal places on the right of governments to regulate in the public interest, and the impact of increased patent protection on the affordability of medicines (Higgott & Stubbs 2016). Likewise, despite the claims of its proponents, even the most heroic of modelling finds that for most of its members, the economic benefits will be minuscule at best (Capaldo & Izurieta 2016, Lakatos et al. 2016).

Leaving aside the problematic nature of modelling the future, the TPP faces more immediate obstacles, namely the near-total opposition to the deal from the candidates in the 2016 US Presidential election. Of the remaining candidates, only John Kasich – who has a slim hope of securing the Republican nomination – has come out in support of the TPP. Indeed, the two insurgent candidates that threaten to upturn the orthodoxy of American politics – Donald Trump and Bernie Sanders – have both built their campaigns around an explicit opposition to the TPP and free trade deals in general. This has pushed Ted Cruz and Hilary Clinton into opposing the deal, despite their earlier support for it. Clinton’s stance in particular is opportunistic. Despite promoting the deal as the centerpiece of America’s ‘pivot’ to the Asia-Pacific region during her tenure as Secretary of State, she now opposes the deal because it does not live up to what she expected of it (Carroll 2015).

For the TPP’s supporters in the media and the corporate sector, this scenario is chalked up to the typical bluster of the American election season, fired up by irresponsible populist candidates who stoke the ignorance and fears of an electorate that doesn’t understand the benefits of free trade (see for example: Katz 2016, Worstall 2015). The expectation is that the deal will pass eventually, with the most likely scenario being that a President Clinton would renegotiate a few token changes without altering its substance.

However, such confidence may be displaced, with the current election cycle revealing a potentially more significant shift in the American political landscape. Indeed, we may be witnessing the disintegration of the neoliberal coalition put together by Ronald Reagan in the 1980s and solidified by Bill Clinton in the 1990s, which enabled the neoliberal revolution – with ‘free trade’ at its core – not only in the US, but, by extension, the rest of the world. Accordingly, understanding the backlash against free trade in the US is crucial to understanding the future of the neoliberal project globally. In order to do this, we need to understand the composition of the neoliberal coalition in the first place, and how the effects of neoliberal globalisation over the past 30 years have led to its unravelling.

### The Neoliberal Coalition

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At the core of the neoliberal coalition was the 'contented class' of winners from globalisation. This included not only big, transnationally-oriented business, but also many of its workers, like scientists, managers, lawyers, academics, and so on. It also included sections of the skilled working and middle classes, often employed in corporations that had managed to competitively plug into the global economy. This contented class enjoyed generous wages and conditions at work, and was able to take advantage of the benefits of globalisation: greater flexibility in the workplace, global travel, entertainment and communication opportunities and the 'freedom of choice' in lifestyles, modes of expression, sexuality and cultural practices. While estimations of its size vary, the contented class can be said to represent the 21 per cent of the population in the US that has seen its share of national income rise from 29 to 49 per cent between 1970 and 2015 (Pew Research Center 2015: 4). While numerically small, this class enjoys a significant degree of social protection in the form of subsidies, benefits and tax cuts, and can be easily mobilized against any perceived threats to its privilege.

The neoliberal coalition, however, was not only confined to the winners of globalisation. It also included some of those who have been excluded and marginalized from the globalizing economy, chief amongst them manual and low-skilled workers not plugged into global markets, who saw their incomes, conditions and opportunities deteriorate as result of growing flexibility and the offshoring of production. Many of these workers nevertheless voted for the Clinton administrations during the 1990s, a period now fondly remembered as a 'jobs boom,' even if many of these jobs were poorly paid, had little security and often lacked benefits like healthcare. Nevertheless, the expectation was that following the difficult period of adjustment, good jobs lost in manufacturing would be replaced by better jobs in the growth areas of the 'new economy.' In the meantime, access to personal credit allowed these losers of neoliberal globalisation to maintain their levels of consumption, especially in the era of cheap interest rates. Coupled with the post-9/11 designation of free trade as a national security objective in the War on Terror by the Bush administration, this was enough to bind a heterogeneous coalition together to underpin the neoliberal expansion of the past 30 years, even if at times its contradictions reared its head, as they did with Ross Perot's runs for president or during the anti-WTO protests in Seattle in 1999.

## The Unravelling of the Neoliberal Coalition

However, these tensions and contradictions could not go on forever, and the Global Financial Crisis (GFC) of 2008-9 marks the turning point from which this coalition began to unravel. The problem was two-fold.

On the one hand, the central reason for the presence of globalization's losers in the neoliberal coalition was the expectation that their socio-economic conditions would improve over the long term as the rising tide lifted all the boats. After 30 years of neoliberal policies, this optimism has proved unfounded. Between 1999 and 2011 alone, the US lost 6 million manufacturing jobs, and the high quality replacement jobs expected by free trade theorists simply didn't arrive. Indeed, one study found that a fifth of those 6 million jobs were lost due to competition with China, and that almost all of those workers never found work again, condemned either to lifelong unemployment or reliance on the meagre social safety net (The Economist 2016). Furthermore, with the loss of manufacturing employment, wages stagnated and incomes became concentrated at the top. The median wage in the US has risen by 0.2 per cent annually between 1979 and 2013, while income inequality has increased to levels not seen since the gilded age, with the incomes of the top 1 per cent growing by 275 per cent between 1979 and 2007, compared to 18 per cent for the bottom 20 per cent (Bivens et al. 2014: 4, Congressional Budget Office 2011: ix).

This situation has only been exacerbated by the 'jobless recovery' since the GFC, with the US job market experiencing the lowest labour participation rate since 1977, as many people have simply given up looking for work that isn't there (Schwartz 2015). Moreover, the strategy of subsidizing consumption via credit has increasingly become untenable. Consumer debt relative to GDP doubled between 1980 and 2007, directly contributing to the GFC as over-leveraged assets suddenly lost their value when the housing bubble burst (McNally 2009: 61). In the aftermath of the crisis, over 4 million families have been made homeless, as their homes were foreclosed (Badkar 2013). Such continued socio-economic marginalization is highly problematic for a society whose founding myth is the 'American Dream' where everyone is afforded the opportunity to pull themselves up by their bootstraps into prosperity. The denial of this aspiration, is at the core of the angry backlash by the (largely) white working class that drives the Trump and Sanders surge.

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In itself, however, this backlash may not have been enough to put the neoliberal project in serious jeopardy. After all, the contented class is sufficiently politically active and protected to mobilize in defence of a political system that guarantees its benefits. The problem, however, is that the contented class has itself shrunk significantly during the neoliberal era. In particular, the middle class has been hit especially hard since the GFC, as previously comfortable lifestyles come under threat from austerity, economic stagnation and growing debt. Increasingly, growing sections of the middle class are sliding down the economic ladder into what Standing calls 'the precariat': a new class condemned to precarious, temporary and insecure employment, with little opportunity for career advancement or social mobility (Standing 2011). As a recent Pew Report found, for the first time since 1970, the American 'middle class' constitutes less than half of the population, outnumbered by the combined lower and upper classes; its share of aggregate income decreasing from 62 per cent to 43 per cent between 1970 and 2014, and its median wealth falling by 28 per cent from 2001 to 2013 (Pew Research Center 2015: 4).

Thus, during the neoliberal era, and particularly since 2008, the social mobility opportunities for the middle class have stalled. Even its traditional route for social advancement – tertiary education – has become blocked, as the 'new economy' simply does not create enough skilled jobs for a growing number of university graduates. Meanwhile, student loan debt has climbed to \$1.2 trillion in 2016 – second only behind mortgage debt – with one in four borrowers likely to default on their payments (Berman 2016). This debt burden not only prevents consumption that could drive economic growth, but also represents a further blow to the key tenets of the American Dream.

## **The Backlash from the Discontented Class**

In short, after 30 years, neoliberal globalisation has created a growing underclass in the US, made up not only of low skilled workers struggling to find good jobs in an offshoring economy, but also increasingly a stagnating middle class, anxious about its declining opportunities for social mobility. Perhaps unsurprisingly, the main reaction from this precariat has been anger towards the political and economic system that has failed to deliver on its promises. According to a recent study, 61 per cent of Americans believe that the economic system favors the wealthy and is rigged against them, and over 60 per cent of the population did not bother to vote in the 2014 Congressional elections (Brodie 2015: 64, US Election Project 2014). Likewise, trust in democracy and its institutions has declined, with trust in government near historic lows at 24 per cent, and, shockingly, one in six approving of the army taking control of the country (Pew Research Center 2014, Foa & Mounk 2015).

It is this 'discontented class' that has come to the core in the current Presidential election, with Trump and Sanders most successful in appealing to its anxieties and frustrations, in very different ways. While Trump prefers to kick down and target minorities and immigrants as the scapegoats, Sanders points upwards, to the political and corporate elite which has promoted the neoliberal project for the past 30 years. Despite their differences, however, the attack on free trade is at the core of both candidates' platforms. Trump has called the TPP 'the biggest betrayal in a long line of betrayals where politicians have sold out US workers' arguing that free trade deals of the past is behind the disappearance of America's middle class and manufacturing jobs (Trump 2016). Likewise, Sanders argues that free trade has been a 'disaster' for job growth in the US, while calling for opposition to the TPP as part of a fundamental rewriting of trade policy (Sanders 2015).

At the core of both candidates' message is a rejection of the neoliberal mantra that free trade is beneficial to all, because it brings cheaper products and that jobs lost to offshoring are easily recouped elsewhere. With the lived experience of millions of Americans suggesting otherwise, this position has become difficult to defend, forcing the other candidates to change their positions on the TPP, if only to get through the electoral cycle. But hopes that things can return to 'normal' once the election is over seem fanciful. Without a major economic recovery and a comprehensive policy that addresses the dislocations brought about by free trade, it is hard to see how the discontent emanating from globalization's losers will simply wither away. Aside from Sanders, no candidate has such a policy, and in the unlikely scenario of his victory, it is difficult to see him implementing it through an obstructionist Congress. In short, we may be entering a new conjecture whose outcome is far from clear. One thing that is clear, however, is that the heydays of the 1990s, when neoliberal globalisation held out the promise of a prosperous, harmonious and equitable world, are long behind us.

# The Trans-Pacific Partnership and the 2016 US Presidential Election

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# The Trans-Pacific Partnership and the 2016 US Presidential Election

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