

June 2008

TO: Interested Parties

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RE: Trade and the Middle Class: Recent Focus Group Findings

Aside from rising gas prices, few things seem less popular with the American public than trade. A new poll by the Pew Research Center finds that a scant 9% of Americans believe that trade creates jobs, only 8% think trade raises wages and fully half believe trade actually slows national economic growth.¹

At first glance, the neopopulist critique on trade seems to have found a more than sympathetic audience—both across the country and in Washington. Many within progressive circles have been urging policymakers to adopt as strident a posture as possible. And indeed, as November approaches, Congress has shied increasingly away from trade. While some hope remains for the approval of a deal with Panama, the Colombia Free Trade Agreement is all but dead, and the prospects for an agreement with Korea are exceedingly dim in the short run. As Third Way wrote in *Why Lou Dobbs Is Winning*, the path of isolationism is a destructive one for America and the middle class, and the rise of anti-trade sentiment is troubling.

But as dark as times now seem for open trade, we have found reason to hope.

In late April, Third Way and Benenson Strategy Group fielded six focus groups in Atlanta, St. Louis and Columbus, Ohio, to ask middle-class Americans about trade and the economy. We came away convinced that despite their current low opinion of trade, Americans nevertheless remain persuadable.

During our conversations in these focus groups, we pinpointed three key opportunities to shift our message and policies to begin regaining public trust on trade. This memo summarizes what we found.

Finding 1: Americans accept and expect trade but want it to be fair

The Opportunity: Reclaiming Fairness

In the lexicon of the Washington trade world, “fair trade” is a label that free-traders now shun. But by doing so, trade’s advocates may be turning their backs on a major opportunity: to claim the mantle of fairness for themselves.

In other words, “fair trade” is fair game.

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While the phrase “fair trade” resonated strongly with our focus groups, participants defined fairness largely in terms of what Beltway insiders would call *free trade*—the elimination of barriers, the even-handed application of rules, and the fair exchange of goods that both sides need. “Free” trade, on the other hand, was associated not with freedom or free enterprise (the good things) but with the lack of rules or accountability, i.e. with practices free traders would call *unfair*.

Fair Trade Defined

- “Access back to their markets” [Atlanta, male]
- “Fair would be balance... not just benefitting one side” [St. Louis, female]
- “It’s not at the expense of one over another...there are checks and balances” [Columbus, male]
- “Dollar for dollar, if you do here we do it there” [Atlanta, male]
- “We get X amount of goods from your country and we get Y in return” [St. Louis, male]

Free Trade Defined

- “Free would be letting everything come in with no restrictions” [St. Louis, female]
- “Free gives you the idea that there is no regulation” [Columbus, female]

Participants agreed that fairness includes a ban on egregious human rights violations such as sweatshops or child labor. However, fairness was generally not about fairness to other countries or their workers—it was about fairness to *America*. And by that standard, trade today was judged to fall short.

People saw America as a highly attractive trading partner for other countries. “Every country will always want to trade with the United States,” as one participant said. Yet people seemed to perceive America as the weaker trading partner—bullied rather than the bully. Indeed, there was a general sense that America was giving away the store. As one Atlanta woman said, “They see us coming... oh that’s America. That’ll be \$10,000.”

Moreover, despite trade’s clear benefits, people had trouble understanding what America was getting in exchange for its agreements with trading partners. Although people could easily identify what America imports, they could not identify what we export—except for food. Thus, it was hard for people to envision how we benefit from trade. “We no longer hear about exporting things,” said a St. Louis woman.²

To the extent that foreign wages came up as an issue, participants considered a “fair wage” to be what’s in line with a particular country’s standards. “As long as they’re paying their workers relative to their economy a fair wage,” was the comment from one Columbus male. People indicated that if the United States were to trade only with partners who paid comparable wages, it would have no trading partners at all. In fact, participants in our focus groups said they do not want to stop trade and saw it as a necessary fact of life. “You’re not gonna avoid trade,” as one man in St. Louis put it.

Reclaiming Fairness

Trade’s advocates should be unafraid to state that their objective is to make trade more fair for America.

First, using fairness within this context would actually reinforce notions that Americans already hold of what fair trade should be—that is, a level playing field for the exchange of goods and benefits between partners. Arguing for the elimination of unfair barriers faced by American business owners trying to sell their goods overseas, for example, could be one example of an effective argument that trade advocates could promote.

Second, using fairness as the stated goal of a trade agreement—whether bilateral or through the WTO—may help Americans better understand why these deals are important. Although the participants in our focus groups knew that trade deals are struck, they had very little concrete understanding of what trade agreements were supposed to do. This comment from a female participant in Columbus was typical: “It depends on what the agreement is for... is it something that’s really useful?” People *did not perceive trade agreements as a mechanism for imposing or enforcing rules on trade*—even though that is, of course, their fundamental purpose. People may not understand—or want to understand—the mechanics of a trade agreement, but they will understand fairness as a desired outcome.³

Finally in selling a particular agreement as fair, advocates should also strive to clearly demonstrate what we are providing to other countries, what we are receiving in return and how we are getting good value (particularly if there is a deficit). A trade agreement cannot simply be labeled “fair”; it must prove it.

Finding 2: Americans are anxious, not pessimistic, about America’s future but nonetheless feel adrift

The Opportunity: Offering a New Vision for Economic Leadership

Economic anxiety was palpable among our focus groups. Participants were deeply concerned about rising gas prices, the continuing housing crisis, health care costs and inflation. And when asked which country currently has the world’s strongest economy, only 6 participants named the United States. China won the most responses with 16 votes, followed by various nations in Europe. Other responses included India, Japan, Australia, Canada and a smattering of oil-rich nations such as Dubai and Saudi Arabia.

Nevertheless, people were not pessimists. On the contrary, they showed strong confidence in the nation's fundamental strengths and expressed their desire to see America as a global economic leader. What they did not see was the leadership to get there—and it is this leadership that advocates of global engagement must seek to provide.

Across the board, participants emphatically rejected the idea that America's best days are behind it. A St. Louis woman called the notion "morbid," and many participants spoke, as a Columbus man did, of America's inherent resilience: "We've been down before but we've come back." In fact, when we asked participants to rank a series of options for America's role in the global economy, "America as the economic world leader" won hands down across all six groups as the role people would like to see.

This is not, however, the role that they currently see America playing. In describing America's current place in the world, participants used such words as "laughing stock," "sucker," and "spoiled gluttons." To the rest of the world, one St. Louis woman said, "we're just the consumer of their products."

Despite this cynicism, however, participants still said they would not choose to live anywhere else in the world. While other countries such as China may have become formidable economic powers, participants still saw America as having one fundamental core advantage: freedom.

American Optimism and Belief in its Core Strengths

- "Here you have the opportunities, freedoms, say what you want to. You won't get shot" [St. Louis, female]
- "We have more freedoms and the ability to better ourselves... you have to work for it but we still have it. China doesn't" [St. Louis, female]
- "The American spirit... nobody says let's go get the Chinese dream" [St. Louis, male]
- "We're a resilient people, we're a resilient country. We're going to get back on our feet one way or the other" [Columbus, male]
- "We're just as innovative. We have a lot of great ideas that come from us" [Columbus, male]

Offering a New Vision for American Economic Leadership

Advocates of trade and global engagement have a major opportunity to advance a new and compelling vision of American economic leadership in the global economy. People want America to succeed but don't feel the nation is currently headed on the right course. We can help point the way.

We must also offer a new vision of our own if we are to defeat the neopopulist vision of an America in isolation and decline. Neopopulism feeds on and amplifies

Americans' anxiety; it encourages pessimism and a fatalistic view that America's best days are over.

Finally, a new vision on trade can help anchor trade's advocates in a larger political and economic goal. In Third Way's report, *Why Lou Dobbs Is Winning*, we argued that trade has always won the greatest public support when in service to a larger cause, rather than as an end goal in itself.

Finding 3: Americans want businesses held accountable—though not blamed—for the impacts of globalization and trade

The Opportunity: Showing business to be an ally, not an obstacle, in helping America and Americans succeed

A central tenet of the neopopulist critique on trade is its staunchly negative view of business and its response to the global economy. Ruthless American companies "send jobs overseas" and are engaged in a "race to the bottom."

Our focus group participants did not share this anti-corporate view—even in regard to offshoring—which is good news for American business. In fact, rather than seeing corporate America as the enemy, people wanted to feel that corporations are on their side and are taking both the interests of workers and the country into account.

However, they do not feel this is the case today, and if left unchecked, these sentiments could eventually prove more destructive to public opinion on trade than any neopopulist attack.

Our participants expressed a growing sense of disconnectedness between people and their corporate employers, and with it a growing sense of distance from the fruits of the global economy, which businesses clearly enjoy.

Many participants who worked for larger corporations reported feeling "like a number" and that this was a growing trend. "We're expendable at any moment... if they need to correct their bottom line, we're gone," said one Atlanta man. Many participants also mythologized small companies, extolling them for treating workers like family and for allowing individuals to feel as if they can have a greater impact.

While participants showed deep and even nuanced understanding of the competitive pressures imposed by a global economy, they seemed to perceive globalization as a depersonalizing force that is dissolving the bonds of community and severing the linkages between corporate, national and employee interests. What people seemed to crave from businesses was accountability—not just to their workers, but to the communities in which they do business, and to America.

One very heavily cited example of the lack of accountability was golden parachutes for CEOs who had run their companies into the ground. This practice met with both universal and spontaneous condemnation in every single one of our groups. Here the concern was not so much the large salaries that CEOs commanded—many participants in fact acknowledged that top executives

deserved to be well paid and resisted the notion of government regulation of CEO pay levels. What bothered people was the lack of accountability for poor performance and the perception that corporate leadership is insulated from the risks that workers are asked to take. They felt that CEOs made their own rules, sat on each others' boards, and made sure they were rewarded regardless of performance or allegiance to the country.

Another example is offshoring. On the one hand, offshoring was perceived by an overwhelming majority of participants as—like trade itself—another fact of life. “It’s a business decision,” as more than one participant described it. In fact, most participants were reluctant to attack offshoring companies as unpatriotic (i.e. “Benedict Arnolds”). As a St. Louis man pointed out, “What if it goes bankrupt without sending [jobs] overseas, but if it does it keeps 40% of it here, is that unpatriotic?”

But at the same time, participants did not seem to believe that corporations took into account the impact of offshoring on communities or on individuals before making their decisions. “If the culture of the corporation is to squeeze a little more profit moving jobs to China, that’s a bad community decision even if it might be a good business decision,” said another St. Louis participant.

And while the jobs being offshored were not seen as particularly desirable, people still felt them to be valuable jobs whose loss was contributing to American decline.

Engaging the Business Community in America’s Success

The majority of our focus group participants seemed to feel disconnected from, but not hostile to, corporate America. They understood the pressures of global competition and saw offshoring largely as a decision driven by the necessities of business. In this regard, they may be far less susceptible to neopopulist rhetoric than many progressives now currently believe.

Nevertheless, businesses risk losing Americans’ goodwill if they do not step forward in support of policies to ensure that America and Americans can adapt and succeed in the new economy.

Americans see large corporations as the principal agents and beneficiaries of globalization. For Americans to wholly embrace economic global engagement, they must believe that companies succeeding from the global economy are willing to invest in their workers’ success as well—not as “numbers” but as individuals. In addition to demonstrating their commitment and loyalty to the nation and its people, companies must also demonstrate their responsiveness to demands for accountability.

Unquestionably, this is a big ask for corporate America. It means venturing into new and uncharted policy territory, and it means investing political capital in areas beyond industry-specific issues. But if businesses want Americans to invest their goodwill and future confidence in a globally engaged America, businesses must be seen as a clear leader in a renewed effort to invest in the success of American workers and the nation.

Conclusion

These findings are a first step in the work that trade's advocates must undertake if they are to reverse the years-long slide of public opinion on trade. In Third Way's report, *Why Lou Dobbs Is Winning*, we argued that in order for trade's advocates to shift public opinion on trade, we must substantially rethink what we argue and how. We must offer values, not just data. We must offer a vision for how America and Americans can succeed in a globalize economy, not just a bottom line. And we must offer new policies that address middle-class anxieties about economic change while also providing the tools they need to achieve their aspirations.

Appendix—Methodology

We fielded six focus groups between April 21-23, 2008 in Atlanta, Georgia, St. Louis, Missouri and Columbus, Ohio. We chose these cities based on the impact of trade on the local economy.

Each group consisted of nine politically- moderate/independent likely voters with no more than a college education, for a total of 54 participants. The vast majority of participants came from households earning between \$50,000 and \$75,000. In each city, one group consisted entirely of men and one entirely of women.

Atlanta, Georgia (April 21)

Among the women, all nine were employed full time, with most living in households earning between \$50,000 and \$75,000. Three were college graduates, five had some college experience and one was a high school graduate. Two were married, two were divorced and five were single, and the average age was 44.

Among the men, all nine were employed full time, with most living in households earning between \$50,000 and \$75,000. Six were college graduates and two had some college experience. Three were married, one was divorced and four were single, and the average age was 45.

St. Louis, Missouri (April 22)

Among the women, four were employed full time, one was employed part time and one was retired, with most living in households earning between \$50,000 and \$75,000. Three were college graduates, four had some college experience, one was a technical school graduate and one was a high school graduate. Seven were married and two were single, and the average age was 52.

Among the men, seven were employed full time and two were retired, with most living in households earning between \$50,000 and \$75,000. Four were college graduates, two had some college experience and three were high school graduates. Six were married, two were single and one was divorced, and the average age was 48.

Columbus, Ohio (April 23)

Among the women, all nine were employed full time, with most living in households earning between \$50,000 and \$75,000. Four were college graduates, three more had some college experience and one was a high school graduate. Seven were married and two were single, and all but one was between the ages of 35 and 49.

Among the men, all nine were employed full time, with most living in households earning between \$50,000 and \$75,000. Six were college graduates, two more had some college experience and one was a high school graduate. Five were married, four were single and all but one was between the ages of 35 and 49.

Endnotes

¹ Pew Research Center for People and the Press, “Public Support for Free Trade Declines: Obama’s Image Slips, His Lead Over Clinton Disappears,” May 1, 2008. Available at <http://www.people-press.org>

² These perceptions of one-sidedness may explain why two pro-trade arguments that we tested fell flat. The notion that America’s failure to strike a deal with a particular country would allow other countries to step into the gap generated split responses. The second argument, that most of the world’s consumers lived outside of America, was generally greeted with silence or indifference. Few believed the loss of U.S. access to important markets to be an imminent or even likely concern. It’s also worth noting that neither argument highlights the “fairness” of trade deals or what America receives in return.

³ We think it’s important to explicitly use the word “fair” and to use it in addition to words now used by trade’s advocates such as “a level playing field.” A “level playing field” implies fairness but it is not a statement of the value itself. Moreover, a “level playing field” is the *mechanism* for attaining fairness—not the outcome.