

Testimony to the CAFTA Commission Hearings
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My name is Constantine Caffentzis. I teach Philosophy at the University of Southern Maine. My contribution to the discussion of CAFTA, however, will not be too philosophical.

I will make a simple point about wages in the US under the regime of international trade agreements like the GATT, NAFTA and the WTO. This reasoning should apply to CAFTA as well.

I emphasize the notion of wages here, to counter the reasoning that is often presented by "free trade" economists who often make the following argument in favor of trade agreements like CAFTA: although a particular trade deal might lead to the loss of, say, a million jobs and the loss of income in the US working class of say \$40 billion (assuming that the average wage was \$40,000 per lost job), the lower costs of importing cheaper products largely consumed by working class people in the US might save workers over all much more than the loss of \$40 billion of a particular (though small) segment of the working class. Thus it is possible that the general improvement of the real wages of the waged working class (including approximately 140 million people) as a whole more than compensates workers for the discomfort of a small percentage of their numbers.

This argument is problematic on a number of counts.

First, this argument assumes that a trade agreement only affects workers through the loss of particular jobs and through the importation of particular cheaper consumer commodities. But it is clear that if trade agreements make it easier for employers to threaten to move their operations abroad (and they do), then these agreements can have a direct effect on reducing wages. Thus, even if this "threat effect" only, say, reduces wages by a \$1000 a year for workers that are not affected by a direct loss of jobs, then the total loss of wages would be not \$40 billion, but \$190 million (i.e., \$40 million of the lost jobs plus \$1000 lost by the approximately 140 million employed workers). In other words, free trade agreements are really "capital flight" agreements that undermine the bargaining position of workers here in the US.

Second, this argument directly links the well being of US workers with the lower wages of their colleagues in other countries. Thus, in our present case, workers in Central America would have to have permanently low wages in order to make the products imported to the US cheap enough to compensate the US working class as a whole for the loss of the jobs caused by the trade agreement (and therefore to justify the trade agreement in the first place!) Ultimately, US workers are being told that it is only with the low wages of their colleagues in Central America, they can keep up their life style in general. Such a linkage encourages US workers to be committed to keeping Central American workers as weak and oppressed as possible in order to get any advantage out of a trade agreement that would either lead to the loss of their jobs or a reduction in their wages.

Putting these two critiques to the free trade economist's argument for CAFTA together and we see that it is a trade agreement that is not a trade agreement (but rather a mobility of capital agreement), that more likely decreases wages of workers overall than not, and that urges US workers to support the repression of other workers abroad, I urge the Congress not to approve CAFTA.