



# Transcripts

## The Good, Bad, & Ugly Side Of Foreign Competition

Thursday, July 12, 2007

**PAUL KANGAS:** Higher prices for foreign oil and demand for cheap Chinese goods pushed the nation's trade deficit to its second highest level for the year in May. The Commerce Department says May's trade deficit rose 2.3 percent to \$60 billion. That's up from \$58 billion in April. The shortfall is one reason why Americans are worried about losing their jobs to overseas competition. As Darren Gersh reports, politicians are worried about that as well.

**DARREN GERSH, NIGHTLY BUSINESS REPORT CORRESPONDENT:** Economists figure new trade deals could add thousands of dollars to family income on average. But most of the income gains of recent years have not gone to average families. They've gone to families with workers holding doctorates and professional degrees. Addressing a Democratic discussion on offshoring, House Speaker Nancy Pelosi says that's why there won't be more support for globalization without addressing middle class anxieties.

**NANCY PELOSI, HOUSE SPEAKER:** I don't think that we're going to be able to do trade agreements or immigration reform or any of these kinds of reforms until we present a positive progressive economic agenda to the American people.

**GERSH:** One way to do that, Democrats say, is expand the current trade adjustment assistance program for laid-off factory workers to also cover service workers. Sander Levin, chairman of the House subcommittee on trade, says he'll introduce a bill to do that in a few weeks. That program provides training and income assistance to workers who lose their jobs to imports.

**REP. SANDER LEVIN, (D) MICHIGAN:** It should have been done years ago. It doesn't make any sense to have a trade adjustment system and leave out services.

**GERSH:** Former Bush economic adviser Matthew Slaughter says the tax code could also be used to address income inequality caused by globalization.

**MATTHEW SLAUGHTER, TUCK SCHOOL OF BUSINESS AT DARTMOUTH:** So for this year, the payroll tax only covers I guess the first \$97,000 in wage and salary income that a worker earns, so you could raise that cap up to have that reach higher income levels and therefore make the tax more progressive overall.

**GERSH:** But conservatives see it differently. At the Heritage Foundation, Tim Kane says increasing taxes won't increase support for free trade.

**TIM KANE, CHIEF INTERNATIONAL ECONOMIST, HERITAGE FOUNDATION:** The whole proposition is if we reduce inequality, people will be happier about globalization. And I think that's sort of like buying a pony for my daughter if she's sick. She'll love the pony, but it doesn't really cure what she has.

**GERSH:** Many analysts argue the best way to address income inequality is through better education. But that can take a generation or more to accomplish and Democrats are clearly searching for a faster solution. Darren Gersh, NIGHTLY BUSINESS REPORT, Washington.