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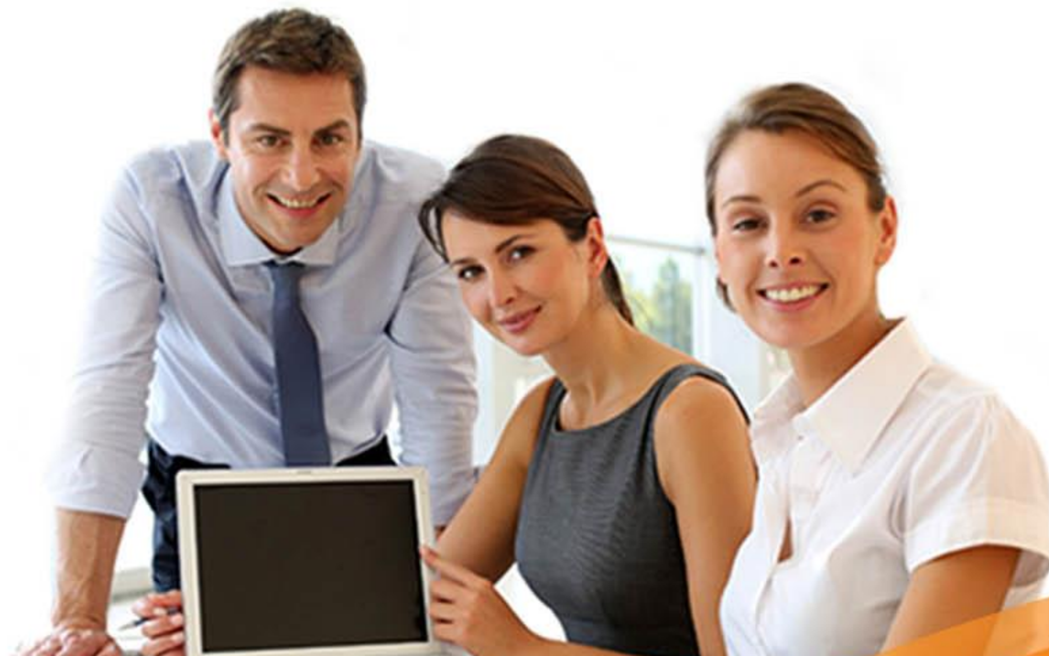


SUPPLEMENTARY MATERIAL[1]

- ***Market Competition***

Even Republicans are getting fed up with monopolies. Here's why.

By Ryan Cooper

One of the great issues in American politics, in hibernation for over 30 years, is poised to re-awaken. The issue is monopoly, and it hasn't been more relevant in over a century. Mergers and acquisitions have put a handful of bloated corporate behemoths in effective control of scores of American markets.

Anti-trust law, basically a dead letter since the Reagan administration, is making a comeback. It's time to start forcing business to compete again.

Monopoly is an inherent problem with capitalism driven by the obvious fact that businessmen don't like competition. No less than Adam Smith wrote: "People of the same trade seldom meet together, even for merriment or diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices." Best to have a captive population of customers who have nowhere else to turn.

What's more, as Brad DeLong has written, corporations are hierarchical command-and-control bureaucracies. Without external market discipline, they readily develop the same pathologies that often plague ineffective government agencies — indeed, they can easily be worse, since at least with government departments one can write to an elected official somewhere and complain. Going to the DMV is often a pain, but I'd much rather get my license renewed than try to get Verizon to fix a piece of broken equipment.

Poor customer service is also simply good business for a monopoly. When one has lots of market power, it makes sense to attempt first-degree price discrimination — that is, changing the price for each customer so as to charge them their absolute maximum willingness to pay. The way American telecom companies often do this is by constantly nudging up your price until you get annoyed enough to threaten to cancel your service.

[1] Extracted from http://theweek.com/articles/613950/even-republicans-are-getting-fed-monopolies-heres-why

Then when you contact them, they make the process as onerous as possible so you're more likely to simply give up in disgust and eat the higher price. Sound familiar?

For many years, conservatives justified creeping monopolization by shifting the standards by which business consolidation was judged. Instead of simply insuring competition in all markets, as was the pre-Reagan standard, they demanded evidence that a merger would actually harm consumers. That is much more favorable terrain for business and their pet lawyers and economists.

But today, the results of monopoly are so patently horrible that even some conservatives are beginning to come around. David Dayen reports that in the first Senate Judiciary subcommittee hearing on anti-trust in several years, both Democrats and Republicans expressed serious reservations about excessive market consolidation. Last year was the biggest one ever for mergers and acquisitions, and conservative stalwart Sen. Chuck Grassley (R-Iowa) worried that monopolization could taint seed supplies while Sen. Mike Lee (R-Utah) wondered if agencies were unprepared for yet another wave of consolidation:

Amazingly, Wednesday's hearing showed that antitrust policy is not a partisan issue. It's even become a point on the campaign trail: Hillary Clinton and Bernie Sanders have stressed greater antitrust enforcement and breaking up monopolies, and while not specifically talking antitrust, Donald Trump wants to inject competition into the drug industry. But the pressure from Congress is even more encouraging, because it could be all it takes to spur the agencies to do their job. [*New Republic*]

The best solution here for both sides may be a return to the pre-Reagan regulatory tradition of simple rules of thumb rather than hellishly complex calculations of consumer welfare, as Kevin Drum argues. Conservatives often complain (with some justification) that government agencies are not very good at implementing complicated regulatory schemes. But you cannot have anti-trust without some sort of government agency to enforce the rules. And without such an agency, you can't have the competition that supposedly delivers the free market goods.

Rules like "every major market must have at least five serious competitors" or "no company can acquire more than a 20 percent national market share" can't be justified as being the best of all possible worlds (because nothing can), but they are easy to understand and enforce. Best of all, the anti-trust legal framework is still on the books from over a century ago. The Federal Trade Commission and the Justice Department could simply decide to start enforcing the laws in the old way — especially if prodded by Congress.

At bottom, monopoly is a simple issue that virtually every citizen can grasp. Corporations want to get so big that they can dominate consumers and collect easy profits. It's obviously a huge problem today, as it has been in the past — as former Federal Reserve Chairman Alan Greenspan once said, "In 1911 we broke up Standard Oil — so what happened? The individual parts became more valuable than the whole." It's time to cut some monopolists down to size.

An Inconvenient Truth About Free Trade[2]

Proponents shouldn't ignore the fact that workers are harmed by low-wage competition.

Peter Coy

March 31, 2016 — 2:17 PM ART

It's easy to scoff at the anti-free-trade rhetoric emanating from the U.S. presidential campaign trail. Donald Trump keeps yelling about China, Mexico, and Japan. Bernie Sanders won't stop shouting about greedy multinational corporations. Hillary Clinton, Ted Cruz, and John Kasich are awkwardly leaning in the same direction. If you're a typical pro-trade business executive, you're tempted to ask: Were these people throwing Frisbees on the quad during Econ 101? A recent article in the *National Review* expressed disdain by blaming a swath of America for its own problems, attributing Trump's success to a "white American underclass" that's "in thrall to a vicious, selfish culture whose main products are misery and used heroin needles."

Wait. Trump and Sanders may be clumsy and overly dramatic, and their solutions may be misbegotten, but they're on to something real. New research confirms what a lot of ordinary people have been saying all along, which is that free trade, while good overall, harms workers who are exposed to low-wage competition from abroad. Ignoring this damage—or pretending that it's being cured through "redistribution" of gains—undermines the credibility of free traders and makes it harder to win trade liberalization deals.

"Economists, for whatever odd reason, tend to close ranks when they talk about trade in public" for fear of giving ammunition to protectionists, says Dani Rodrik, an economist at Harvard's Kennedy School of Government. "There's a sense that it will feed the barbarians."

The theory of comparative advantage that's taught to college freshmen is impossibly clean: It's all about specialization. England trades its cloth for Portugal's wine. Even if Portugal is slightly better at producing cloth than England is, it should focus on what it's best at, winemaking. Portuguese who lose their jobs making cloth will readily find new ones making wine. Efficiency improves. Everyone wins.

[2] Extracted from http://www.bloomberg.com/news/articles/2016-03-31/an-inconvenient-truth-about-free-trade

Life is more complicated. For example: In times of slack global demand, countries grab more than their fair share of the available work by boosting exports and limiting imports. Perpetual trade deficits leave one country deep in hock to another, threatening its sovereignty. Financial bubbles form when deficit countries are overwhelmed by hot money inflows. Countries restrict trade for strategic reasons, such as to nurture an infant industry, to punish a rival, or to guarantee a domestic source for sensitive military hardware and software. Nation-states may not appear in intro econ, but they call the shots in the real world.

Even setting aside geopolitics, trade creates losers as well as winners. Back in 1941, economists Wolfgang Stolper and Paul Samuelson pointed out that unskilled workers in a high-wage country would suffer losses if that country opened up to imports from a low-wage nation. (The prestigious *American Economic Review* rejected the paper, calling it "a complete 'sell-out' " to protectionists.)

American support for free trade was strong for most of the 20th century. The Stolper-Samuelson theorem was of mainly theoretical interest because most U.S. trade was with other developed nations. Besides, economic textbooks assured students that losers from trade could be compensated with a portion of society's gains. The Trade Expansion Act of 1962 was the first of a series of measures to provide government assistance to U.S. workers who lost their jobs to foreign competition. American labor unions generally supported free trade as both a creator of jobs in the export sector and a bulwark against communism.

Competition from Japan shook some unions' and lawmakers' faith in trade. In 1981, Japanese automakers agreed to "voluntary" restraints on auto exports to the U.S. to avoid possible tariffs. A deal with Japan on memory chips followed in 1986. Among economists, though, the consensus in favor of unbridled free trade remained intact. If jobs were lost, they said, it was far more likely to be from automation than from imports. As recently as 1997, Paul Krugman wrote in the *Journal of Economic Literature*that "a country serves its own interests by pursuing free trade regardless of what other countries may do."

There's a U.S. program for compensating people hurt by trade. It isn't effective

The rise of China did far more than Japan's ascent to soften the free-trade consensus. China's low-wage, low-price strategy swept through American industry like a plague. Hardest hit were labor-intensive industries such as apparel, shoes, furniture, toys, and electronics. From 1990 to 2010, according to Bureau of Labor Statistics data, U.S. production jobs in apparel plunged from 840,000 to 118,000. If a U.S. factory couldn't match the "China price," it lost the business. Economists have taken note. Krugman wrote in his *New York Times* column this March that while protectionism is a mistake, "the elite case for ever-freer trade, the one that the public hears, is largely a scam."

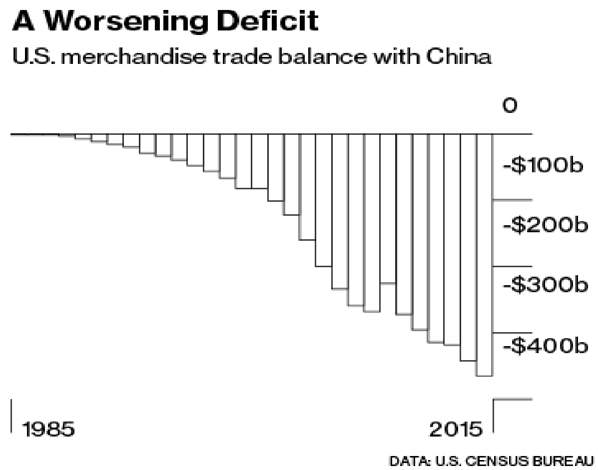
David Autor, a centrist economist at Massachusetts Institute of Technology, has carefully documented the consequences of China's rise. In a working paper released in January, Autor and two other economists conclude that imports from China killed about 2.4 million U.S. jobs from 1999 to 2011. That wouldn't have been terrible if the workers had found jobs in other sectors or other cities. But many didn't. Job growth was slow, so there were few openings. Lots of laid-off factory workers were still living off benefits a decade later, reflecting a "stunningly slow" adjustment, wrote Autor, David Dorn, of the University of Zurich, and Gordon Hanson, of the University of California at San Diego, in their paper, *The China Shock: Learning from Labor Market Adjustment to Large Changes in Trade*.

Autor says he still believes in free trade, including with China. "We don't want our work to be misconstrued." But he says their research did sensitize them to the human price that the U.S. has paid in exchange for low-priced goods from China. In terms of lost incomes and lost pride, Autor says, "the costs loom pretty large."

Once you accept the idea that some people lose from trade, the question becomes what to do about it. Ordinary Americans are conflicted. On one hand, there's a reservoir of support for foreign trade. A Gallup poll published in February found that 58 percent of Americans see it as an opportunity, vs. 33 percent who view it as a threat. On the other hand, doubts persist. A Bloomberg national poll in March found that almost two-thirds of Americans want more restrictions on imported goods and 82 percent would be willing to pay "a little bit more" for American-made goods to save jobs. Democrats in Washington state gave Sanders a big primary victory on March 26 even though the state benefits enormously from free trade; it led the nation in manufacturing exports per capita last year, according to U.S. Department of Commerce data.

A 44-nation survey by Pew Research Center in 2014 found strongly positive views toward trade in developing nations, particularly Tunisia, Uganda, Vietnam, Lebanon, and Bangladesh. In contrast, half of Americans said trade destroys jobs, as did 49 percent in France, 59 percent in Italy, and 38 percent in Japan.

The libertarian position on free trade is that those who lose when barriers come down deserve nothing. They were being protected from competition; now their special deal is being taken away to save consumers money. End of story. If anything, some libertarians say, the workers should compensate consumers for the extra income they unjustly earned when the barriers were up. "Where, in short, is my check from those benefiting from protectionism?" Tim Worstall, a fellow of the U.K.'s free-market Adam Smith Institute, wrote on his personal blog in 2011.



The U.S. Congress has rejected that harsh philosophy. In fiscal year 2014, the U.S. Department of Labor gave states $604 million for workers who were certified as having lost their jobs because of foreign competition. The funds cover career counseling, job training, allowances for job search and relocation, wage subsidies for older workers who get hired at lower pay, and weekly cash payments for people whose unemployment benefits are exhausted.

But trade adjustment assistance, as it's called, is hardly a cure-all. The sums are tiny in comparison with the scale of the problem, and the success rate is low. A study for the Labor Dept. in 2012 by Mathematica Policy Research, a Princeton, N.J.-based evaluation firm, concluded that partly because of the time that participants spent in training, their earnings were actually lower than those of nonparticipants.

Questions about how to share the benefits from free trade are inseparable from broad questions about social justice. Is a trade deal bad if it kills 1,000 jobs in South Carolina but creates 10,000 in desperately poor Bangladesh? Or this: Let's say social scientists figured out how to make trade adjustment assistance effective. Would it be right for government to ramp up spending on it 100-fold from current levels, so displaced workers are truly made whole, even though that's more money out of taxpayers' pockets?

Trade adjustment assistance is an awkwardly shaped government program, too broad in one respect and too narrow in another. If the objective is to right a wrong, then it's too broad in that it benefits people who lose jobs even when the foreign competition is perfectly fair. If the objective is to provide a safety net, then it's too narrow in that it covers only people harmed by trade. What about people who lose their jobs because of automation, tougher pollution controls, or changing consumer tastes? It seems unfair to treat those groups differently.

For logical consistency, the assistance needs to narrow or broaden. Harvard's Rodrik and MIT's Autor favor broadening—that is, eliminating trade adjustment assistance as a special category and putting a safety net under all workers that doesn't depend on why they lost their jobs.

A bigger idea is to stop the chronic trade deficits from occurring in the first place. There would be fewer losers from trade and less need for assistance if deficits were small and temporary. John Maynard Keynes, the great British economist, had an idea for that in 1941. His plan would have shrunk imbalances by putting much of the responsibility for adjustment on trade-surplus countries. It would have driven them to spend and import more. Keynes's plan didn't appeal to the U.S., which was generating big trade surpluses at the time, so it died. Something slightly similar has been pushed in recent years by Vladimir Masch, a Soviet-born engineer and economist who is retired from Bell Laboratories. His "compensated free trade" plan would have the U.S. impose separate annual limits on trade surpluses of each trading partner and charge the governments if the limits are exceeded. "Unbridled globalization undermines societies and is incompatible with democracy," he writes.

Trump and Sanders are right that better trade deals are part of the solution, too. Autor et al. show that China benefited hugely from entering the World Trade Organization in 2001. Yet China has managed to restrict access to its market, closing off some sectors, such as finance, while insisting that U.S. and other foreign companies transfer technology to Chinese partners in exchange for joint manufacturing deals.

In 1911, remarkably, free trade was the populist position. It could become so again

As Sanders complains, new trade deals such as the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership seem aimed more at securing the interests of multinationals than creating jobs back home. In other words, supporting trade deals doesn't automatically make a chief executive a free-trade purist. "My view is that there are barbarians on both sides of this issue," says Rodrik.

Thomas Palley, an economic policy adviser to the AFL-CIO, says multinationals are practicing "barge economics"—a moniker inspired by former General Electric CEO Jack Welch, who once said he wished he could put his factories on barges and move them to whatever country had the best conditions. With today's trade deals, says Palley, "we have given the official blessing to institutionalizing the race to the bottom that barge economics produces."

This stuff isn't easy. The Pacific and Atlantic trade deals are the product of years of painstaking negotiations. A President Trump won't be able to dictate new terms to trading partners, no matter how good a dealmaker he is. The WTO would probably strike down his threatened 45 percent tariffs on Chinese imports as an unfair trade practice. Rejecting the WTO's authority could trigger a multisided tariff war that would hurt the U.S. as well as its trading partners. What's more, "if we did China-specific sanctions, the trade would just divert to Vietnam, etc.," says Douglas Irwin, an economist and free-trade advocate at Dartmouth College.

A century ago, remarkably enough, free trade was the populist position. In 1911, *The Tariff in Our Times*, a book by the muckraking journalist Ida Tarbell, argued that high tariff walls protected capitalists, not workers. Sheltered from competition from Europe, she wrote, oligopolies could get away with selling expensive, shoddy goods in the U.S. market, harming consumers. High tariffs on wool were even keeping tuberculosis patients from getting warm woolen clothes and blankets, she wrote. She condemned congressmen who voted repeatedly for high tariffs: "We have developed a politician who encourages the most dangerous kind of citizenship a democracy can know—the panicky, grasping, idealless kind."

The world has changed a lot since then. Populists have lost their taste for free trade. But Tarbell remains correct. If the government can get over its panicky, grasping, and idealless ways and do what's right, trade can be an engine of prosperity and a weapon against entrenched economic power.

- ***International Trade***

Hunt for mythical internal trade barriers continues in Ottawa[3]

BY **SCOTT SINCLAIR** | MARCH 30, 2016

Hidden between the lines of the federal budget's typically short section on trade policy is the assertion that the "competitiveness of Canadian businesses in the international marketplace will be enhanced by breaking down barriers to trade, both internal and abroad, and providing the appropriate tools and policy framework that allow Canadians to take advantage of new trade opportunities."

The "abroad" part is easy enough to understand: the Liberals repeat in **Budget 2016** that they will quickly ratify the pending **Canada-European Union free trade deal**, continue to consult on the **Trans-Pacific Partnership** (which they clearly would like to ratify), and pursue what they call "deepening" trade relations with India and China. (There is **substantial evidence** these deals will widen Canada's trade deficit with the world, **pigeonhole Canada** as an exporter of raw resources and undermine the new government's efforts to rein in inequality, but that's the subject of other blogs **past** and future.)

But if you're wondering what an *internal* barrier to trade looks like in Canada, join the club. As I noted last week to a **Senate committee studying the matter**, there are no checkpoints at provincial borders, and taxes or tariffs on interprovincial trade are unconstitutional. Canadians use a common currency, and share common legal and financial institutions. As individuals we have a Charter right to move freely and work anywhere in the country.

It is simply not true that there is a crisis in Canada's internal trade relations that is undermining our international competitiveness. It is a myth -- like the Sasquatch, unicorns and the Easter Bunny. Unfortunately, it is a myth being advanced by some very powerful corporate interests that are not being clear about their real objectives.

Even before the Agreement on Internal Trade came into effect in 1995, most empirical studies found that the costs of internal trade barriers in Canada were **fairly small**, ranging from 0.05 per cent to 0.10 per cent of GDP, or between $1B to $2B in today's currency. As the C.D. Howe Institute **has explained**, many actually existing barriers to interprovincial trade have been substantially addressed since then, and "earlier economic research probably overstates their cost to the economy."

But before the ink on the AIT was even dry, there were business complaints that the agreement did not go far enough, that its enforcement was toothless and that decision-

[3] Extracted from http://behindthenumbers.ca/2016/03/24/hunt-for-mythical-internal-trade-barriers-continues-in-ottawa/

making was hamstrung by the need for consensus. Mostly in response to this pressure, the agreement has been amended 14 times.

The pressure now, from the **Business Council of Canada** and others, is to apply a so-called negative list approach to federal and provincial commitments with respect to regulating commerce under the agreement. In other words, the AIT's general rules (in part III, chapter 4) would automatically apply to all measures and sectors, unless governments explicitly exclude them.

Those rules go much further than simply barring measures that might discriminate against out-of-province businesses or workers, which are relatively rare. The AIT precludes the provinces and federal governments from adopting or maintaining even *non-discriminatory* measures that "restrict or prevent the movement of persons, goods, services, or investment across provincial boundaries." Another requirement is that any government measure "not operate to create an obstacle to internal trade" (again pertaining broadly to goods, services and investment).

Obviously many regulatory measures, such as new restrictions on the **use of neonicotinoids**, municipal bans on cosmetic pesticides, or restrictions on trans fats or sugary drinks, have repercussions for businesses and commerce that *could* be construed as restrictions to free movement or obstacles to internal trade. Under the AIT's general rules, such regulations must then be justified as "not unduly impairing the access of persons, goods, services, or investments," *and* "not more trade restrictive than necessary" to achieve a legitimate objective.

Those standards are drawn from international trade agreements like NAFTA and the WTO where they have been interpreted quite restrictively. In fact, the **very first AIT dispute panel** ruled against the federal government's attempt to restrict the interprovincial trade and use of MMT (a neurotoxic gasoline additive) on questionable grounds the matter could have been handled in a less trade-restrictive way.

There are many examples of where this ideology -- that protective government regulation is simply "red tape" or a drag on commerce -- can lead, including the collapse of the cod fishery, the Westray mine disaster, the listeria outbreak and the train derailment in Lac-Mégantic, to name just a few. The human and financial costs of regulatory failure can be very high, dwarfing the estimates of the total cost of internal trade barriers.

Far from being a burden on commerce, federalism can, at its best, encourage policy leadership and innovation, whether it's California's policies on clean air and auto safety, Ontario's moves to curb bee-killing pesticides, or British Columbia's carbon tax. Under the AIT, while provinces adopting or maintaining higher standards can be challenged (by other provinces or businesses) there is no corresponding or equivalent means to compel jurisdictions with lower or deficient standards to raise them. This is a recipe for harmonization to the lowest common denominator.

Instead of listening to the corporate lobbyists calling for a more enforceable, business-friendly AIT, Canada should be pursuing more positive co-operation or integration. For example, we could use stronger harmonized building codes and energy efficiency regulations, which can drive innovation and productivity gains. We would all benefit from joint crackdowns on payday lenders, common greenhouse gas emission reduction targets, or facilitating the creation of a national securities regulator. All of these efforts would enhance the relevance and value of the internal trade agenda for ordinary Canadians.

And yes, where unreasonable barriers to cross-border trade are found they should be dealt with. But Canada would be better served by a more transparent, incremental approach to internal trade focused on specific problems -- not a top-down model that would undoubtedly put a chill on innovative public interest regulation.

Putting health, environmental and consumer protections constantly through a trade-impact filter -- even more so than is already the case in federal and provincial practice -- will not contribute to "growing the middle class," as the title of this year's budget proposes. It just gets in the way of governments doing their job of protecting the public.

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Ethiopia: Curbing Export Trade Barriers[4]

Ethiopia has various brand agricultural and industrial competitive products which can boost nation's foreign currency generating capacity and keeping foreign trade balance. Yet 66 per cent of nation's foreign trade income has been highly dependent on four products. But, lack of quality, logistics, promotion, updated market information, among others, slackens foreign trade development.

Hence, identifying GTP I foreign trade binding constraints, taking radical and corrective measures from the previous experiences will be a cardinal component in undertaking a substantial step. It is essential rendering the country's foreign trade sound as well as rendering import and export rate equilibrium. As the nation's import volume exceeds its exports, appraising previous performance limitations and formulating new strategies should be an imperative to be exercised. But, Ethiopia can improve lives of its citizens, categorized under low middle income country provided it exploits its enormous opportunities in international trade field.

Ethiopia plans to generate over 14 billion USD from its foreign trade by the end of GTP II. Hence, early preparations, such as diversifying export items, facilitating all the necessary input supply, logistics, promotion and adequate market information dissemination structure, capacity building among other major duties have to be worked out thoroughly and jointly not only on export oriented products but also on domestic consumption. Curbing foreign trade barriers has to be a priority agenda not only to the government but also to those who are involved in foreign trade and to stakeholders in general.

Of course, currently the country has drawn lessons from success stories worth scaling up and identified constraints that had been displayed in the last GTP I foreign trade performance. Thus, the government is establishing modern trade system, boosting international trade relations and transforming the country's foreign trade sector. It has taken a broad array of duties ranging from creating favourable conditions for both local and foreign investors to preparing industrial parks in all corners of the country. Ethiopia is committed to sustain its double digit economic growth.

[4] Extracted from http://allafrica.com/stories/201603310722.html

Although foreign trade deficit had been a major constraint during GTPI, the government has planned to thwart export items bottlenecks and improve the current foreign trade income generating scenario by the end of GTP II.

However, compared to country's various sectors' huge potentials such as, its livestock and other agricultural products, tourism attraction sites, the country's utilization of its potential resources is not to the maximum level. Resources should not be left unharnessed as if they are not viable instruments in eradicating poverty and instruments to bringing economic transformation.

What is more, apart from business communities, Ethiopian foreign diplomats and missionaries have been appointed to implement nation's economic diplomacy such as promoting Ethiopian export potentials, creating market linkages, among others.

One of the major functions of Ethiopian missionaries is promoting the country's trade and tourism. They collect the information needed to identify the most appropriate means to promote the country's export products in the potential markets. Hence, assessing the promotion mechanisms that have previously been applied in that market and amplifying their outcomes is very important. Besides, they are expected to share important experiences and bring international trade fairs, exhibitions, shows and other best promotion activities into their native country. Moreover, they are also expected to introduce the most effective means of market promotion for the products of various countries.

Lack of inputs supply, logistic and promotional activities were the major challenges of the country's foreign trade during GTP I. Hence, to ensure sustainable foreign trade earning during GTP II, the Ministry of Trade has given due emphasis on averting those challenges.

Emphasizing on improving production quality and input supply, exporting with value addition, strengthening market promotion and linkages, avoiding illegal business and contraband activities, capacity building among other activities will be an instrument for GTP II foreign trade target success.

To sum, filling the gaps observed in the sector and producing international competitive products are mandatory. Identifying GTP I foreign trade constraints and taking radical and corrective measures will be a primal component to undertake a substantial step to sustainable foreign trade income. It is necessary to attain the country's foreign trade balance; import and export rate equilibrium.