

Muttering Quietly

Keep your head down, ignore the bluster, and focus on the data.

It was an untypically warm and sunny summer in 1986, and Expo was in full swing, shaping up to be a resounding success. I was a college student living in Surrey, boarding with a Dutch-Canadian family who had three teenage boys, the eldest of which found employment at Expo on the clean-up crew. It was typical entry-level stuff, emptying garbage cans, managing spills, picking up litter, sweeping, etc. Not the most pleasant work, but a paid gig for a young kid who might not have found work otherwise. For greater context, 1986 was closer to 1981 than today is to the 2008 financial crisis. The early 80's was an extremely difficult time financially for many Canadians. The prime lending rate hovered at around 18% and jobs were very scarce. As a result, Expo was a really big deal, and for this kid, money was money, and a job was a job.

The advertising campaign, headed by a large Vancouver firm, was a smashing success, pounding the TV & radio airwaves in the Western USA, and bringing in many thousands of American visitors with money to spend. The Canadian Dollar was worth about 75 cents US, so the visitors got a great bang for their greenback, flooding the Lower Mainland in droves.

One day at work, late in the summer, a particularly unbearable visitor, perhaps one who had been sitting at the beer gardens a little too long, looked the young man square in the face, and dropped an armload of half-eaten fries and condiments on the ground, purposefully. The polite young man was visibly disappointed, but started in immediately to the task, cleaning up the spill. The man stood watching, then spat out this obnoxious comment: "You're welcome. If it wasn't for me, you wouldn't even have this job."

The boy kept his head down, white-knuckled his broom, swore under his breath, and carried on. We could use this strategy at the NAFTA negotiations right now.

White Knuckling at NAFTA Talks:

NAFTA re-negotiations started this week, and team Trump came out swinging vociferously, threatening to cancel the deal altogether, hold their collective breath, take their ball and go home, and so on. This is textbook stuff, best ignored with a focus on the data. There is even a name on this opening tactic. It's called "Extreme Initial Position" and is designed to shock and jar the opponent in to moving significantly off their game. It is a matter of fact that there are several states whose primary trade relationships are with Canada, and have benefitted greatly from the NAFTA arrangement. Focus, focus, focus.

Case in Point: The Anti-Corn Law Association

As a result of the Napoleonic war in the early 1800's, Britain initiated trade restrictions to stop agricultural goods coming from the continent. This put British farmers in an unnaturally advantaged position; as the prices of home-grown cereals were pressed upward, the wealthy land-owners prospered exceedingly.

At the end of the war, in 1815, these landowners didn't want the party to end, so they used their considerable presence in Parliament to pass 'the Corn Laws, (Corn here is a broad term covering food grains), stating that no foreign grains would be allowed into Britain until domestic grains exceeded a minimum, and very profitable price. They wanted the game permanently rigged in their favour.

This went on, in various forms for the next 2 or 3 decades. Nice for British farmers, and no big deal for others for whom daily bread was never a worry. However, for the lower and middle classes in Great Britain, not to mention their trading partners, it meant that much of their income was required just for bread, and they had little disposable income, and little power to fix the problem. Britain was the world's great economic engine back then, much like the US is today. Canada also played a major role in the situation, as our farms produced wheat which could increasingly be shipped to the UK more and more cheaply as our transportation network improved. And as a commonwealth country, some iterations of the protectionist legislation actually benefitted our farmers for a time.

There was even an association named after the pain they were experiencing. The Anti Corn Law Association was created in the late 1830's to fight the protectionist land-owners, and create freer trade globally. The association limped along for several years until it eventually had enough influence, around the time of the Irish potato famine to press successfully for the tariffs to be repealed. In a way, they were predecessors of the NAFTA deal which has benefitted so many in our time.

To be sure, trade deals bring adjustments, some of which are painful. But overall, fair and free trade policies are a benefit to a much larger population than protectionism. And when one trade partner does something rude during negotiations, they are probably grandstanding for some hurt constituents at home, but we all know they have other voters too. So follow the example of the kid with the broom. Keep your head down, press on with negotiations – and mutter quietly.

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