

Macro Roundup Article

Headline: [Pettis On American Labor Unions](#)

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Tweet: .@michaelxpettis notes labor unions in the tradable sector are not compatible with the current global trading system. Higher wages make American auto manufactures less competitive with their subsidized international competitors.

Summary: If higher wages make American autos less competitive globally, the consequent reduction in auto manufacturing won't be matched by an increase in the manufacturing of some other US product. That means strong trade unions are incompatible with a global trading system in which countries that subsidize domestic production are able to externalize the cost of those subsidies by running large, persistent trade surpluses. The US (and other similar economies) gets to choose between either stronger labor unions or continued participation in a global trading system that allows and encourages mercantilist trading policies. What the US needs, instead, is either a transformation of the global trading system to the kind described by Keynes in 1944 or, if that doesn't happen, the US must unilaterally choose to implement policies that sharply limit the role of its economy in absorbing global savings and production imbalances. We can't have both labor unions and a distorted global trading system. Related: American Labor's Real Problem: It Isn't Productive Enough and Detroit Is Paying Up to End the UAW Strike. Now Carmakers Will Live With the Costs and Union Workers Score Big Pay Gains As Labour Action Sweeps US

Primary Topic: Trade (not deficits)

Topics: GDP, Op-Ed/Blog Post, Politics, Savings Glut/Trade Deficit, Trade (not deficits), Wages/Income, Workforce

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