

In the nineteen-eighties, as the United States struggled with high unemployment, vanishing factory jobs, and soaring trade deficits, American politicians found their culprit: Japan. Japanese exports were turning America into a land of burger flippers and hair stylists. "We've been running up the white flag, when we should be running up the American flag," Walter Mondale said in 1982. "What do we want our kids to do? Sweep up around Japanese computers?"

Twenty years later, the United States is once more facing high unemployment, vanishing factory jobs, and soaring trade deficits, and American politicians are glaring east again. This time, though, the villain is China. In the past few months, Bush Administration officials have blasted China for its "unfair" trade practices, with Commerce Secretary Donald L. Evans warning Beijing, "Time is running out." Republican Senator Jim Bunning, of Kentucky, said, "The Chinese are cheating," and suggested that the appropriate remedy was a "high inside fastball." (Bunning used to pitch in the major leagues.) Democratic Presidential candidate Dick Gephardt said that trade with China is "a race to the bottom." And a motley crew of congressmen, including liberal Democrats and Southern conservatives, have proposed a bill to slap high-priced tariffs on Chinese goods. "This country can't be a patsy to a foreign competitor," Senator Jeff Sessions, of Alabama, said.

The inspiration for this bout of Sino-phobia is our gigantic trade deficit. Last year, America bought about a hundred billion dollars more in goods from China than it sold to China; in the past five years, imports have doubled. China has accelerated this trend by holding down the value of its currency, the yuan. (An undervalued yuan makes Chinese goods cheaper, and American goods more expensive, than they otherwise would be, which, in turn, makes the trade deficit bigger.) Meanwhile, nearly three million American factory jobs have been lost since 2000. The diagnosis seems simple enough, and so does the solution: Get China to stop play-

ing currency games, shrink the trade deficit, and bring back the jobs.

Here's the catch: Chinese companies aren't responsible for American unemployment. By and large, they're making things that Americans don't make anymore—shoes, cheap clothes, consumer electronics. As a recent study by the Federal Reserve Bank of Cleveland puts it, "The sort of jobs that would move to China left the U.S. a long time ago." The real losers are workers in Malaysia, Mexico, and Thailand, who used to make the DVD players and boxer shorts that China now churns out by the million. So, while it's true that China's currency is undervalued, a rise in the yuan wouldn't jump-start manufacturing here. Ameri-



cans like TVs and T-shirts, so we're going to keep buying them from whoever makes them. And we buy a lot from everyone. This year, eighty per cent of the growth in U.S. imports has come from the rest of the world. Our deficit with the European Union is nearly as big as our deficit with China—perhaps we should buzz Italy with a high inside fastball, too.

Why do the politicians have it in for China? Are they stumping for votes in Ciudad Juárez and Kuala Lumpur? In part, it's that they still have Japan on the brain; Japanese competition may have helped rejuvenate the American economy, but the pain it inflicted on American companies and American workers was real. Entire industries disappeared, and hundreds of thousands of jobs were

lost for good. (In the past twenty-five years, General Motors has eliminated more than three hundred thousand jobs.)

Yellow Peril rhetoric aside, China today is not, in any sense, like Japan two decades ago. Japan was competing in businesses that were at the heart of the American economy. What's more, the Chinese are not hostile to imports. Listening to the Bush Administration, you'd think the Chinese had sealed their borders. In fact, with only a few exceptions China is remarkably open to trade and investment: it now attracts more foreign direct investment than any other country in the world. American exports to China have quadrupled since 1990. China's imports relative to its gross domestic product are twice those of the U.S., which hardly suggests sinister mercantilist trade policy.

But never let the facts get in the way of good politics. The dearth of new jobs here stems from a peculiar combination of slow demand and booming productivity, which doesn't make for much of a scapegoat—"war on caution" doesn't really sing. But China, the billion-headed behemoth? That works. China-bashing allows the Bush Administration to pretend that it's doing something real for the economy. It allows members of Congress from textile-producing states—textiles being one of the few industries that Chinese competition has directly affected—to mollify their constituents. And it allows Democrats to pander to organized labor.

Unfortunately, it could also hurt the biggest constituency of all: American consumers. They reap tremendous benefits from trade with China, chief among them low prices. Cumulatively, those benefits are worth billions, but for each individual consumer they are barely perceptible. Compare this with a factory's shutting down, when the costs to each worker are glaring and high. This is the free-trade paradox: the harm to a few often trumps the good of the rest. Really, the campaign against China amounts to a crusade to get Americans to pay more for cameras and underwear. You'd think "Higher prices for everyone!" wouldn't play at the polls. But when you're giving those foreigners a little chin music the crowd goes wild.

—James Surowiecki