Fred Smith: Again, I think what will happen is there will be trade among the willing. I mean, Europe still wants to sell Airbus airplanes in the United States, and Boeing wants to sell Boeing airplane in Europe. Mercedes wants to sell cars here. And so, there will continue to be trade. But I think increasingly, China will operate in a closed system and they seem to be fine with that.

Tim Fitzgerald: I think trade, unlike many contemporary political issues, really cuts across traditional political divisions. And that's I think a function of this policy inflection that we're seeing in the United States and around the world as these discussions become more salient.

Marianne Wannamaker: Welcome to "You Might Be Right," a place for civil conversations about tough topics brought to you by the Howard H. Baker Jr. Center for Public Policy at the University of Tennessee. In this episode, our hosts, former Tennessee Governors Bill Haslam and Phil Bredesen, and their guests, discuss global trade. Over the last several decades, global free trade policies have transformed the world. However, recent international conflicts and the COVID-19 pandemic have highlighted the risks of overreliance on the global market. Have the benefits of globalism been overstated? How can the US strike a balance between globalization and competing national priorities?

Bill Haslam: Well, Phil, welcome back. We have another topic today that certainly is getting its share of headlines.

Phil Bredesen: This is going to be interesting because this is one where it isn't even really going to line along ideological lines so much. I mean, it's just all sorts of confusion and different opinions in all different parts of the political spectrum. I think we've got a couple of guests we can really learn a lot from and get a lot of the subtleties of this issue. I'm looking forward to this one.

Bill Haslam: Yeah. I think it's interesting too that global trade is not just an issue in the US. It's really become – If you look at elections throughout Europe and really the whole world, it's become a key topic no matter where you live.

Phil Bredesen: The stuff which is going on in this country, the populism and the reaction to it, it's widespread. It's in a lot of different places. It certainly is very prominent in Europe right now, and this is something that democracies have got to solve. And maybe we can add 0.0001% to the conversation.

Bill Haslam: Well, let's see what we can learn.

Well, we are very pleased to have Fred Smith with us today who, certainly in the business world, really throughout the country, and needs no introduction. Fred started Federal Express back in 1973, which his legend has that he had written a term paper on it at Yale that he didn't get the
world's best grade on. We'll let him comment on that later. But FedEx has, I think 550,000 employees worldwide, and has 16 million shipments every day. Fred also served in the US Marine Corps in Vietnam, has two tours of duty, Silver Star, Bronze Star, Purple Hearts, and he's taken a leadership role really throughout the country.

He has been a trustee for the Center for Strategic and International Studies, served on numerous boards. I could list awards forever, but I think, particular note, those of us who have a great appreciation for its role, he recently won the Freedom Award at the National Civil Rights Museum in Memphis, which for all of our listeners, if you haven't been there, take our word, and go to the National Civil Rights Museum. But Fred, we're really pleased you'd take time to be with us on this important topic this morning.

**Fred Smith:** Governor, I'm glad to be here.

**Phil Bredesen:** Fred, I'd like to start. The biggest economic story in the last couple of decades has been globalization and I think there's no one who's better positioned or knows more about what's been going on in those terms. The question I have, has it gone too far? You're seeing all this pushback now. Is that real? Is that justified or not?

**Fred Smith:** Well, I think, reality versus the myth has to be deconstructed. Trade represents today almost one out of $4 in the US economy in terms of economic activity. So politically, the thing that has put trade in the crosshairs, particularly during the Trump administration, and remember, President Trump in 2018 began a massive retaliatory effort in terms of putting tariffs on China and various other products from different parts of the world. The populist political movement is that we shipped all our manufacturing jobs to China, and China is a trade protectionist and mercantile list. And so we can bring all of this manufacturing back to the United States. So let's take those three points.

First, automation decreased manufacturing in the United States to a much greater level than China's trade policies. Number two, it is 100% correct that China went from embracing market principles, which we supported, particularly during the financial crisis when China openly said they believed the West was declining and it was their chance to become the great power. And the third thing is, we can reshore all this manufacturing into the United States. Well, that's not going to happen for the very simple reason, we don't have the workers, we don't have the legal system, and we don't have the culture to do that. We at the moment have an unemployment rate of 3.5%. We've got something like 6 million open jobs. Inflation is on fire because of the lack of labor and their constraint on energy production in the United States.

I think what will likely happen is that trade will continue, it will just migrate to people who want to trade in the same way that President Roosevelt and a great Tennesseean, Secretary of State Cordell Hull, envisioned in 1934 when they passed the Trade Adjustment Act to try to overcome the protectionist Smoot-Hawley bill of 1930, which was a big part of the Great Depression. So I don't think trade is going to go away because we cannot manufacture in this country everything
that we need to have the standard of living that we have. I think it'll just migrate to a trade among the willing, and the WTO will probably be less important because it's become so politicized.

**Phil Bredesen:** Concerns about globalization. There certainly are some around the loss of manufacturing jobs and those kinds of issues and you've addressed that, but there's also been a lot of fundamental national security concerns about it. I mean, to what extent are we putting ourself as a country at risk by these dependencies? Do you see that as an issue?

**Fred Smith:** Oh, a hundred percent. And I think, very belatedly, the United States is addressing that, particularly in the semiconductor area. That's a business or a technology that we developed in the United States famously and had, 25 years ago, 60% market share. It's declined to 12%. But most of the high-end chips are designed here. They're not generally manufactured here. So now, we have passed the CHIPS Act, which is basically capital guarantees and subsidies. Intel, in particular, some of the others have announced big new fabs as they're called, these chip manufacturing plants in Ohio and elsewhere.

And the United States has put restrictions on chips that may be shipped to China. That's going to have a very big effect. So again, I think what will happen is there will be trade among the willing. I mean, Europe still wants to sell Airbus airplanes in the United States, and Boeing wants to sell Boeing airplane in Europe. Mercedes wants to sell cars here. And so, there will continue to be trade. But I think increasingly, China will operate in a closed system and they seem to be fine with that. I mean, President Xi's new mandate for China puts the emphasis on national security as opposed to economic growth, which is what they had been emphasizing for the previous, what? 40 years since '79?

**Bill Haslam:** Fred, you described trade among the willing, one of the issues that I think that a lot of the folks who would be described as anti-globalists would say is, "Well, the problem is it's not a level playing field. They're putting tariffs on us that we're not putting on them." Is that the case? And if so, what should we do about it?

**Fred Smith:** Well, I think President Trump did put tariffs on them. The problem with tariffs, unfortunately, the political rhetoric is China's paying the tariffs. That's not true. American consumers pay the tariffs. It's a tax on consumption. So when you go to the store and you buy something, you don't really care if the producer of that item lost money or made money. It's just a value transaction to you. You want the shirt or you want the item and you purchase it. It's irrelevant to you whether that producer made money or not. And as President Trump took office in the United States, a typical family of four was benefiting to the tune of about $11,000 of improved standard of living because of trade, making more products available at a lower cost. Now the populace or the anti-trade group says, "Well, who cares about buying a t-shirt for 50 cents less or buying a bicycle for $50 less."

But as long as you got a market economy, the consumers, writ large, are going to make that
decision. They're not going to make it on the basis of trade. So I think what will happen, whether they're tariffs, reciprocal or not, you will have China increasingly trading among its own network built around Belt and Road. For instance, China does more business with Africa that they've developed in 30 years than the United States does with Africa that we've developed over 250 years.

They'll continue to trade with people that want to buy their goods and take their investment and so forth. And the United States, I think, will reshore particularly in this hemisphere. And we will trade as much as we can agree to do so among like-minded people such as Europe and Great Britain and Latin America, and things of that nature. So I don't think trade's going to go away. I just think it's going to shift away in the West from China.

**Bill Haslam:** You drew a picture of China basically withdrawing within themselves, and us deciding they haven't been fair players so we're going to try to prioritize other trade partners. Can that continue? Can China pull just within their own borders like Xi appears to be doing? And then, what's the effect for the Asian overall economy? So they've invested in a lot of places, African others that you mentioned through the whole Belt and Road deal. Will they be internally focused or will they continue to try to expand influence?

**Fred Smith:** Well, I think they're very much internally and security-focused. So there are a lot of people that think that China is a huge monolith that's going to take over the primacy of the world technological stage. I strongly disagree with that based on my 35 years of experience doing business there, for a very simple reason, Governor: there's no recorded example that I know of, of a state-directed economy doing that. And China's demographics are terrible. By the 22nd century, China's population will be less than a billion people down from a billion three. So those demographic forces and these state-directed enterprises, in my opinion, are highly unlikely to be the driver of the world economy. I mean the chip issues that we just discussed a moment ago are going to prove to be a major impediment to Chinese advancement in the technological area. Now the scary part of that is the last time this happened in Asia, it was called the Greater East Asia Co-Prosperity Sphere. And what it was it was a Commonwealth. I mean Japan's ambitions that started World War II was to get a captive market, China, Southeast Asia, particularly for oil, and what set off the war with the United States was President Roosevelt embargoed oil. Japan attacked Pearl Harbor because they couldn't get the oil to run their economy. So there are only two kinds of economic systems that I know of. There's market-driven and there's state-directed. And there's no example of a state-directed economy achieving all of these things that many of the people believe China is going to be this powerful leader. But that is a very dangerous situation. And my view about it is that our military is not in the proper configuration to deal with these issues for many historical reasons. But at the same time, we should trade with China to the maximum extent we can on the goods they want to trade.

Because Russia's willingness to invade Ukraine was based on their belief that Europe was beholden to Russia for energy supplies and that they had a better army than they did and they underestimated the modern weapons that the West has supplied to Ukraine. But at the end of
the day, the reason Putin did what he did is he thought he had Europe, and for that matter, the West by the throat because of energy. And to some degree, he was right because they're still selling oil. They're just selling it to India and China as opposed to other people around the world. So it's a highly dangerous situation. And I know that that doesn't lend itself to a slogan, like "Let's beat China," or, "Be the leader versus China," because it's a dual axis that I think you have to follow as a more formidable US military configured for the challenges we have today, not for wars in the Middle East. But at the same time try to trade with China because they couldn't afford to lose all their trade with the West. The West could afford to lose the imports from China in the main, but China could not afford to lose the employment that would go if the West actually did that.

Phil Bredesen: At the beginning of the Trump administration, we backed away from the effort to engineer a series of trade partnerships throughout Southeast Asia. So was that the right thing to do?

Fred Smith: No. I talked to the President Trump three times and strongly urged him to reconsider the TPP, the Trans-Pacific Partnership. The walk away from TPP, in my opinion, was a strategic mistake of the highest order.

Bill Haslam: Let me ask one last question. The name of the podcast, is "You Might Be Right." It's a reference to Senator Baker's famous saying, "To always remember the other fellow might be right." Can you think of a time, maybe on this issue around global trade, when you realized that something that the other side thought might be right and you've changed your mind on something?

Fred Smith: Well, first of all, let me shout out to Senator Baker. He was a great friend. He served on the FedEx board for many years. He sent me as an election observer in El Salvador in 1983.

Bill Haslam: Wow.

Fred Smith: And to the Israeli invasion of Lebanon in 1982. So I love him very much. We had a very close relationship, and he would've said exactly what you said, "Maybe the other side is right." So I think, absolutely, that the embrace of unfettered free trade without appropriate consideration of the American workforce was something that a lot of people were saying that was ignored on a lot of the purest on free trade that in retrospect was a great political mistake. And in large measure led to the so-called populism in American politics today.

Now, as I said at the onset of this, Governor, it wasn't as big a problem in causing this loss of jobs as people make it out to be because automation was a bigger deal. But that doesn't make any difference to you if you make furniture in Hickory, North Carolina, and you lose your job to somebody making it in China. So that was a huge mistake and I think the other side should have been listened to much more than they were when free trade was the mantra of the Clinton
administration and the Bush 43 administration. That would be a good example of that.

**Bill Haslam:** Well said, Fred. And thank you again. I mean, you're literally living these issues every day and you have insight not only into the trade issues but to the national security issues which are, can't help but be a part of this conversation. So thank you. We really appreciate you taking time and your insights.

**Phil Bredesen:** And my own thanks. And you obviously are out there sharing the experience you've had with a lot of people. We sure hope you'll continue to do that. People need to hear it.

**Fred Smith:** Well, thank you very much for inviting me. I hope I've given you some facts that you didn't know before or the interest to your audience.

**Phil Bredesen:** Thanks.

**Bill Haslam:** Thanks so much, Fred, we really appreciate it.

**Phil Bredesen:** What do you think, Bill?

**Bill Haslam:** Well, I was actually going to ask you. But I think the insight that Fred brings is that we've obviously had real issues with trading with those folks, like he said, who haven't been willing to do it the way we want to, and that will shift to what he calls a partnership of the willing, number one. Number two, I do agree with him that the primary cause of lost jobs has been more about automation. I mean he used the example himself, the furniture maker in Hickory. Those jobs left Hickory and a few of them come back, but not many. Ultimately, I think if we went to a policy where we were going to really only use American manufactured goods, there would be a price to pay in inflation that I don't think our consumers are going to want to pay.

**Phil Bredesen:** The last time I bought a car, I had to wait a year for it. And it wasn't because of a lack of American labor, it was because they couldn't get chips from one place and they couldn't get something else. And there were some parts being made in the Ukraine for the car, which obviously, had been interrupted in the thing. So I really do think that there's more going on than just the labor force in this country.

**Bill Haslam:** Like the other topics we've talked about, we live in a world, particularly a political world today, that wants simple answers, but the reality is there's a complexity to all of this that doesn't fit very well on a bumper sticker.

**Phil Bredesen:** But a podcast is perfect.

**Bill Haslam:** A podcast is perfect. What I hope comes out of this because it is for me, is understanding the issues, understanding that they're not simple. And Abraham Lincoln said, "You change government by changing public opinion." I'm not under the illusion that our one
podcast is going to change public opinion, but I do hope we at least begin these conversations about, "That's not quite as simple as I thought it was."

**Phil Bredesen:** I'm going to be really interested to hear from our other guests about what the argument is from the other side about globalization. And this is a complex issue and I agree with you.

**Bill Haslam:** That's why we're here.

**Phil Bredesen:** Okay, Bill. Our next guest is Timothy Fitzgerald. He's an associate professor of Energy Commerce and Business Economics at Texas Tech at the College of Business there. He researches topics of natural resources and environmental economics, focuses on energy issues. In 2017 and '18, he served as the senior economist and as chief international economist at the Council of Economic Advisors in the White House, and he's twice represented the US at the Organization for Economic Cooperation and Development in Paris. So we have somebody I think who's got the breadth of experience to really help us to understand this issue. Looking forward to it.

**Bill Haslam:** Doctor, thank you very much for joining us. We really appreciate it. Let me ask you a first... I'll ask you to leave your economist hat on. One of the primary criticisms of global trade is it exacerbates economic inequality. It's contributed to what's... Regardless of where you're on the political spectrum, economic inequality issue in our country that's real. Again, as an economist, I'd love to hear your thoughts on that.

**Tim Fitzgerald:** Well, I think global trade actually probably reduces inequality around the world. And I think because you're trading from people who may be able to provide goods or services at a lower cost to those with higher incomes, it does potentially exacerbate income within a country. As we find workers who were in export-dependent industries, they find themselves losing access to foreign and global markets, and instead, we have service workers who may be tradable service workers like financial services and things like that. They may be higher income and they may actually benefit from continued trade liberalization.

**Bill Haslam:** Well, let me follow up on that real quick. As you know, the nationalism focus is not just a thing here in the US. We're seeing it in who gets elected really around the world and the issues. So as we focus, like I said, just on us, the argument, well, that's great for you upper-income business types. For a lot of folks, who were manufacturing a product that we no longer make here, it's been the end of a way of life.

**Tim Fitzgerald:** I think that's part of the critique of globalization and globalism more broadly. It certainly has motivated a lot of the political interest around trade issues. I think of trade as really only one slice of the globalism pie. You might think about trade but also think about international financialization and more international financial flows. You can also think about labor flows and migration.
Bill Haslam: Sorry. When you talk about international financial flows, help us understand what you're talking about there.

Tim Fitzgerald: Well, it's actually kind of the back end of trade. So if I buy a product from overseas, we have to figure out a way to get the exporter in another country paid by my importer. And so, for all the focus that's gone into the current account or the trade balance, there's actually a matching ledger of financial and capital flows around the world and there has been some concern or anxiety around those increasing international financial links. That's probably the simplest way to think about it.

Phil Bredesen: Oh, okay. But to be specific, I mean, if Bill or I went out into a rural Tennessee county, we wouldn't have to look farther than the first place we stopped in to have a cup of coffee to find somebody who said, "I used to have a good job in the plant here making blank that has gone offshore and my life has never been the same and much worse ever since then." Is that a reasonable complaint?

Tim Fitzgerald: Certainly, there are people who have found their economic fortunes to be lower or dimmer after this most recent era of globalization. I would say that as you're traveling around rural Tennessee or anywhere else in rural America, one of the things that the United States is really good at producing and selling overseas are agricultural products. So while you might find a rural resident who had had a manufacturing job who was uncomfortable with the current state of globalization, you might also find a farmer or an agribusiness person who was quite pleased with greater global reach for US agricultural products.

Phil Bredesen: Agriculture is what? It's 1% of the workforce today or something like that. So I mean, there's not a lot of people who don't have jobs because of globalization who are not going to buy a farm and go to work there.

Tim Fitzgerald: Absolutely a legitimate comment. If we're only interested in jobs, it's a much clearer picture. But if we take a step back and we think about the whole portfolio of US tradable goods and services, it's a more complicated picture for sure.

Phil Bredesen: There are certainly people who think of globalization as generally a very good thing that provides products in the United States at a much lower cost than they would cost if they were manufactured domestically and even allowing for that there may be some security issues around it, that it's a very positive thing. What's the argument from the other side? I think both of us are trying to understand a very complex issue here. What's the argument for protectionism?

Tim Fitzgerald: The biggest one is what do you do with trading partners who don't play by the rules? If we're in a domestic situation, we have a rule of law in the United States that's pretty effective at prosecuting bad actors. But in the international sphere, it is a lot harder to identify
and discipline rule breakers. That's a continuing issue not just for the United States, for every country, how do we make and enforce a set of rules that'll work internationally?

**Phil Bredesen:** Let me ask you an economist question. We spoke with another guest who basically said that tariffs were, I'm paraphrasing, useless because they're simply paid here. They're not paid by the host country. That it seems to me presumes that the price volume charts are very flat for trade, that you're not really changing the volume by adding to the price through tariffs, which I guess might be true if the economic advantages are so overwhelming that it's the same volume even at a 10% higher price or something like that. Is that correct or is there really a demand curve that comes into play there so the tariffs do hurt?

**Tim Fitzgerald:** That is exactly the thing that economists love to argue about. And I think one of the big disagreements in say 2017 and '18 was a group of people who thought the world worked the way you just described versus a group of people who really thought that foreign exporters were more dependent on the US market than we were on those imports and that the tariffs would not be paid by the US businesses or consumers importing products, but instead, foreign exporters would accept lower prices to continue to have access to the US market and therefore you could push that burden back onto foreign firms. It became at times very technical and a heated dispute.

**Phil Bredesen:** You're an expert. What's your view?

**Tim Fitzgerald:** The evidence that has emerged thus far from the 2018 trade war has basically comported with your view that it is a global market and the consumers in locations where tariffs are levied, end up paying higher prices. So the tariffs are passed through to US firms and US consumers as they consume those products. There have been a number of studies that have reached basically that same conclusion.

**Phil Bredesen:** It really was a question, not my policy. But what you're saying is that what happens is the producers are not really seeing meaningful volume changes as a result of it. It simply is passed on. It's a very flat curve.

**Tim Fitzgerald:** Yeah. It's a very elastic relationship. And so, as we add a tariff to the price, somebody has to pay for it. If they can pass it all the way through the final consumer, great. If it's an intermediate input, there may be another US firm that has to accept a lower margin or eat some of that tariff.

**Bill Haslam:** One of the other major criticisms of depending on global trade is it makes a supply chain very tenuous. That an event like Ukraine affects the supply chain for things that we never dreamed would impact us in the US. Is that a fair criticism, and is that a reason we should try to do more domestically because in the whole, just-in-time supply chain world, everything is very thinly balanced and the more players in the game around the world, the more things are likely to go wrong?
**Tim Fitzgerald:** Two arguments here. And certainly, one of them is that relying on a foreign supplier for critical inputs into your economy. And with the Ukraine war, you could certainly think about the situation for natural gas in Europe. It might compromise your national security or your defense base or your industrial base, in ways that you don't anticipate and are very unwelcome. A second lesson that I think comes more from the pandemic is that geographic diversification actually provides some more resilience in the supply chain. As we saw sort of uneven propagation of the virus and pandemic lockdowns around the globe, there were places that were able to provide products.

The example of face masks is actually a very good one. In the spring of 2020 when everybody suddenly decided they needed a face mask, the United States was actually able to get those from Chinese manufacturers in the course of a month or two who were able to massively increase supply because there wasn't a lockdown, and the virus wasn't an issue in China at that time. As time wore on, and the United States kind of emerged from its lockdowns, we recouped. Our economy came roaring back and we've seen China experiencing continued lockdowns. So the supply chain question cuts both ways. You may want to have sufficient capacity at home for defensive reasons, but also there is a geographic diversification argument to be made.

**Phil Bredesen:** If I'm an automobile manufacturer, for example, in a highly competitive business, am I not just inevitably driven toward the lowest cost possible supplier? I mean, the idea of saying, "Make some of it at home." We awfully heard from Chevrolet to say, "Well, I'm going to pay twice as much for, I don't know, break drums in the US and to maintain that diversity of supply." Do any companies realistically do that?

**Tim Fitzgerald:** I think we're at a moment right now where there are companies considering that. The way I think about it, okay, is we could always try to go to the lowest cost provider and that may be a single provider, and then we have all of our eggs in one basket. We may prefer to have a little bit more diversified portfolio and have a little bit of natural insurance there, I think. I'll come back to the example of natural gas in Europe. And the United States has been trying to convince our European allies and partners for years that diversifying that natural gas supply beyond a couple of pipelines from Russia would be in their national interest, even if it meant they had to pay slightly higher prices on average. It's like buying a little bit of insurance in terms of your supply and you're not so reliant on a single supplier. And whether or not that works in your automobile industry example, I can't say, but I think there are clearly examples of industries where it would pay to invest in multiple suppliers. We see that a lot in energy markets, in oil, in gas, in coal where countries or buyers are trying to diversify their supply so they don't get pinned down by a single supply interruption.

**Bill Haslam:** One of the other issues is around national security and global trade. So we've talked about... You talked the CHIPS Act a little earlier and we decided as a country if it's worth it for us to subsidize domestic production so we're not held up by China. We've had a long-standing issue around oil and gas having to rely on people that haven't always been our
best friends in other areas. So from a national security front, how should we approach trade? Is the CHIPS Act a good example of us being practical or is that a dangerous path?

**Tim Fitzgerald:** I think this is actually at the crux of any debate about globalization or globalism and there’s a kind of wonderful French word. I don't try to speak French too much, but it's [foreign language], and that's basically a word that means how involved in your economy should the government be? And I think we may be at an inflection point. Over the past, maybe 40 years, we’ve had a very market-oriented [foreign language] in the United States. And I think in the sort of G7, G20 kind of developed economies.

And I think that there is a recognition that there may be a little bit more role for government in promulgating, for example, an industrial policy that ensures you have core competencies within your economy. This is a throwback to an earlier era in economic history. I don’t think the debate is completely solved for one would like it if politicians could manage to talk about these kind of policy issues as a matter of course, rather than some of the other political games that go on. But I do think it's really the key, should we be thinking about allowing the government to take a greater role in order to promote national security or national interest in a way that is not strictly driven by a free market? And so, that could be trade policy, it could be industrial policy, it could be both levers at the same time.

**Phil Bredesen:** The question that I’d have, and you may have some direct experience with this, is that the government in this regard is not this sort of neutral objective academic player. The moment they start getting involved in setting those kinds of policies, the lobbying community descends and what might have been intelligent trade policy just turns into protectionism for whatever industry has the most potent lobbyists in there. How do you prevent that from happening?

**Tim Fitzgerald:** I think it takes a lot of vision and leadership at upper levels to articulate why you want to pursue a particular-

**Phil Bredesen:** We're lost.

**Tim Fitzgerald:** ... policy.

Just a quick anecdote on that. We have a policy of tariffs on solar cells and modules, so solar panels, and I was struck in my time in Washington, that particular trade action was started by two US firms. Now, they were foreign-owned US firms. And it really makes you think about as soon as you begin trying to draw national lines, it becomes very complicated, very quickly. And I thought that was an interesting example.

Another good example of that is there was a big discussion about automobiles and what trade policy for automobiles should be. I asked a question. I said, "Well, what do we think a US automobile is? Is it a automobile that's manufactured in the United States?" And the answer
came back, "No, it's an automobile manufactured by a firm that's headquartered in the United States." And I said, "Well, what firms are headquartered in the United States?" And they said, "The big three automakers." And I said, "Well, you all know that Chrysler isn't owned in the United States anymore. Right?" Ford and GM, but then you wouldn't want to count, say BMW, which from its plants in South Carolina is the biggest exporter of automobiles from the United States. So it becomes very complicated. In an increasingly globalized world, it becomes harder and harder to draw a bright line.

**Bill Haslam:** One of the questions we ask every guest is based on a quote from Senator Howard Baker to always remember that, "The other fellow might be right. The other side might have a good point." Can you think of a time, particularly on this issue of understanding global trade when you've realized, "Somebody else might be right here and I didn't have this thing quite right, this particular issue quite right." Can you think of an example of that for us?

**Tim Fitzgerald:** Yeah, I can think of a great example of that.

There were some advocates of tariffs who came in and said, "We need to impose tariffs." And it was difficult at first to understand what their argument was. Why they were so keen on tariffs, whether they just liked the idea? As it became increasingly clear that the policy direction was going to be more protectionist and that there would be restrictions on trade. The realization came to me that the tariff advocates, the tariff men were right. That was the right answer. And the reason why that was the right answer in this particular case is it saved the greatest share of the economic benefits for the American people. There are a lot of different instruments. You could use quotas or tariff rate quotas or 15 other different things. But it actually became evident to me that these people with whom we'd had a series of discussions who were advocating for tariffs, they were absolutely right at the end of the day, and that's what ended up happening as well.

**Phil Bredesen:** We appreciate it very much. This has been an interesting issue for us because the fracture lines are not necessarily along ideological lines at all. I mean, there seem to be people on all different parts of the otherwise ideological spectrums that have very different views on this. But your perspective is really helpful here, and we appreciate you being here.

**Bill Haslam:** We do. And the complexity of the topic and the politicization of it has made it hard for people to really want to dive in to understand the issue. So thank you very much. We appreciate the clarity and the objectivity that you've brought to this.

**Tim Fitzgerald:** Yeah, thank you very much. I think trade, unlike many contemporary political issues, really cuts across traditional political divisions. And that's, I think a function of this policy inflection that we're seeing in the United States and around the world as these discussions become more salient. Thank you very much for the chance to talk about it.

**Bill Haslam:** Thanks so much. We appreciate your time.
Phil Bredesen: Well, Bill, I'm pretty sure that I learned something out of this, but I'm struggling with, I guess, exactly what it is.

Bill Haslam: Well, I did think this is one topic that as governors we don't really deal with except as it... when they were putting a tariff on an issue that we manufactured in our state, we might have engaged. A couple of thoughts. I do think the professor's point about, at the end, it's a question of how involved do we want the government to be in the economy. Because there are some situations, like I said, I tend to be a, "Let's let the market do it, not government." But I have to admit, I thought the CHIPS Act was a good act because that feels like that's really important for us to be able to have our own domestic manufacturing of that critical element. And in that case, I'm glad that the government actually jumped in.

Phil Bredesen: Yeah, I think that when it bears on something, which is clearly a function of the federal government, I mean, the defense of the nation, for example, it seems totally justified to dive in that way. When it becomes more about what's the price of consumer goods and whether GM gets a benefit or not relative to some other company, that's much more dangerous territory. I mean, both of us have become very aware of the power of industry groups and lobbyists and so on to influence these processes. And whenever the government gets involved and stuff outside of its really core functions, it gets to be a pretty messy process.

Bill Haslam: I do think I come back on this issue to, I guess one of my core beliefs, and both of these folks help illuminate a lot of things. But I do think those people who think, "Well, we just should only manufacture all of our products in America." The impact on inflation of that, I think, would be more than most people figure and would want to bear.

Phil Bredesen: Yeah, I believe Fred used the number, I don't know the number, of any independent thing of, it's worth $11,000 a year to a family, which is, I mean, very significant.

Bill Haslam: Another thought was, obviously, I'm a huge advocate of democracy. It's the right and the best system. When the professor said that this depends on our political leaders having vision, it's a really hard thing in today's world to have vision that lasts beyond the next election cycle. And this is one of those issues that the ramifications are big, the political feelings are really strong, and I think the more we can as a country have this discussion so people can understand there are trade-offs involved either way. I mean, if we want to have this global supply chain, we've seen the impact it can have. Nobody knew, "Oh, my car would be delayed because of war and Ukraine." On the other hand, nobody really wants to have that $11,000 addition to their family expense bill.

Phil Bredesen: It also struck me during the conversation that it's kind of a circular issue. One of the reasons for this lack of vision is that people, there's a widespread distrust of institutions, and that forces people away from that. Part of the reason for the widespread distrust is the feeling of a lot of people that things like trade policy and so on have damaged their lives, not improved
them. I mean, the benefit of getting, I don't know, your T-shirts 20 cents cheaper because they came from somewhere else is a very diffused benefit compared with the danger of losing your job or something like that.

Bill Haslam: But I would balance that by saying the facts are undeniable. Global GDP has increased at a historic rate really since the whole global trade went into the warp speed that it is now. Again, you have to look at the number of people around the world who've been lifted out of poverty. Again, I would argue through the effects of this strike.

Marianne Wannamaker: Thanks for listening to "You Might Be Right." Be sure to follow on Apple Podcasts, Spotify, or wherever you listen to your favorite shows and please help spread the word by sharing, rating, and reviewing the show.

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