U.S. NEWS

Displaced-Worker Aid Is Proposed

CEO Group Backs $22 Billion Package, Funded by Taxes

By Deborah Solomon

A policy paper commissioned by the chief executives of the nation's largest financial-services companies recommends a huge expansion in programs to assist workers displaced by international trade, with the $22 billion price tag financed through tax increases.

The Financial Services Forum paper comes amid a growing backlash against global trade that has threatened to curtail U.S. trade agreements. The banking, investment and other CEOs who belong to the group have consistently cited protectionism as the leading threat to continued U.S. and global economic growth.

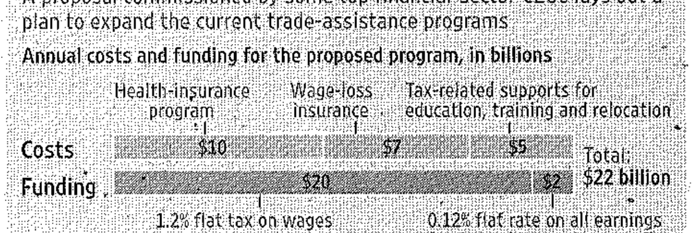
The paper, written by a bipartisan group of economists, calls for providing additional help to more workers as a way to defuse tensions over trade. Its authors argue that protectionist proclivities can be mitigated by providing more assistance to workers on the losing end of globalization.

But its recommendations go beyond helping just those whose job losses stem from trade and instead propose an expansion of

Proposed Overhaul

A proposal commissioned by some top financial-sector CEOs lays out a plan to expand the current trade-assistance programs

Annual costs and funding for the proposed program, in billions



Source: The Financial Services Forum

training and cash benefits for all workers who qualify for unemployment insurance. Among its recommendations: making up lost wages for workers 45 and older, continuing health benefits for displaced employees and allowing unemployed workers to tap retirement-savings accounts without tax penalties.

The cost of the expansion would dwarf the approximately $1 billion now spent annually on trade-adjustment assistance programs. To pay for this, the authors propose raising $22 billion by replacing the current unemployment-insurance tax system with a flat 1.32% tax levied on all wages. Right now, unemployment taxes are capped at a certain level of income, with employers contributing 0.8% of the first $7,000 in wages for federal unemployment taxes and, on average, 2.56% of the first $13,800 in wages for state taxes.

While employers pay the tax on behalf of employees, economists say the tax impact flows to the employee in the form of higher—or lower—earnings, depending on how much the employer is kicking in on their behalf. The paper says the flat tax would result in a tax cut for those making $30,000 or less annually and a tax increase for those above that level.

Figuring out how to respond to the backlash against trade will be a key issue for the next president, who will have to contend with voter discontent over policies that provide economic benefits to the U.S. but come with downsides, such as job losses. Exports are a key driver of economic growth in the U.S., with companies benefiting from the flow of goods and services across borders. Individuals also benefit from cheaper goods and new jobs.

Trade has been a big issue in the presidential campaign, with Democratic Sen. Barack Obama talking tough on trade agreements and Republican Sen. John McCain advocating expanded programs to help dislocated workers. Congress has also been debating how to assist workers, and is expected to take up legislation after the August recess to expand training and other programs.

The paper was co-written by Matthew Slaughter, a former Bush administration economist who is now an associate dean at Dartmouth College; Grant Aldonas, a former Bush administration official now at the Center for Strategic and International Studies and an adviser to Sen. McCain; and Robert Lawrence, a former Clinton administration official who teaches at Harvard University.

Robert Nichols, the forum's president and chief operating officer, said the group hopes the paper will serve as a framework for Congress as it debates how to respond to global trade.

One of the biggest changes the paper recommends is giving companies a tax credit so that they will keep providing health insurance for displaced employees. The paper also recommends expanding a wage-loss insurance program to replace 50% of lost wages for workers 45 and older. Training programs would also be available to anyone collecting unemployment insurance.

West Coast Port Pa
Arrives Ahead of R

By Alex Roth

Major shippers say a tentative contract agreement between West Coast port operators and dockworkers suggests the global supply chain should continue to hum at the nation's busiest harbors as the late-summer freight boom begins.

The tentative deal, reached late Monday, also suggests that both port operators and dockworkers were determined not to replay the 10-day port lockout of 2002, an episode that snarled U.S. commerce and cost West Coast ports some long-term business, as customers shifted to other locations to enter the country.

The ports of Los Angeles and Long Beach, which combine to form the nation's busiest port complex, continue to grapple with a variety of other issues, including environmental concerns involving the surrounding neighborhoods. "That the proposed new labor contract is relatively long—six years, matching the length of the previous contract—gives these ports one less thing to worry about as they fight to retain market share.

"Stability is always important in any industry," said Peter Keller, president of the container-ship company **NYK Line (North America)** Inc. and a board member of the Pacific Maritime Association, which represents terminal operators, ocean

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U.S. WATCH

◆ CALIFORNIA

Earthquake Shakes Southern Part of State

The strongest earthquake to strike a populated area of Southern California since the 1994 Northridge quake rocked the region from Los Angeles to San Diego, causing limited damage and a few injuries.

Strongly felt but considered moderate, the magnitude-5.4 jolt struck at 11:42 a.m. and was centered 29 miles southeast of downtown Los Angeles, near the San Bernardino County city of Chino Hills. It was felt as far east as Las Vegas. Dozens of aftershocks followed, the largest a magnitude-3.8.

The state Office of Emergency Services in Sacramento received scattered reports of minor infrastructure damage, including broken water mains and gas lines.