

Trade and labor

Imports, Exports, and Jobs: What Does Trade Mean for Employment and Job Loss? By Lori G. Kletzer. Kalamazoo, MI, W.E. Upjohn Institute for Employment Research, 2002, 221 pp., \$18/paperback.

Americans have long debated the matter of international trade and its effects on the labor market. Opponents of free trade believe that it results in jobs being sent overseas, as industries close up shop to pursue cheaper labor. Advocates believe that free trade ushers in competitive markets, leading to lower prices and a wider selection of goods.

In her book, *Imports, Exports, and Jobs*, author Lori Kletzer examines the claim that “trade costs jobs.” She seeks to get to the bottom of this heated debate by focusing on merchandise trade and its effect on jobs in the manufacturing industries. The author acknowledges the validity of arguments on both sides, yet attempts to obtain the bigger picture of overall costs and benefits to the labor market. From her own research, Kletzer provides data to back up her arguments and thoroughly reviews her findings.

The book begins with a comprehensive discussion of comparative advantage, with the primary focus being on the theoretical and not the empirical. The author delves into an analysis of different trade theorems, stating the assumptions that must be in place for the various conventional models to work. Kletzer also examines the role of new trade theory in attempting to reconcile empirical findings

that cannot be clearly explained by conventional trade theory. For readers who are more experienced in the area of economics, the first two chapters serve as a refresher on the basics of international trade. For a more novice reader, these early chapters lay a foundation for the concepts and findings presented throughout the remainder of the book.

Moving from the theoretical to the empirical, the author presents findings from past literature. She begins by making the interesting observation that the majority of earlier studies focus on the impact of trade on wages. The distinction between prior analyses and Kletzer’s own studies on the effect of trade on jobs makes the contribution of her book even more important. In addition, she explains that previous studies have shown that trade affects not the overall level of employment, but rather the allocation of jobs across industries. This gets to the heart of why international trade is such a hot topic: it is a public misconception that trade determines the total number of jobs in the U.S. economy. Instead, as Kletzer explains, international trade’s effect on jobs is more a distributional issue than a numbers issue. It is generally this distributional aspect that the author addresses.

The rest of the book goes into Kletzer’s own findings, the data she gathered, and the links she discovered between trade and employment or job loss. The author notes five main findings, the most important being that rising imports are associated with employment decline and rising exports are associated with employment growth. She expertly progresses from

presenting her findings to providing insight on how to move forward from knowledge to action. In terms of policy implications, the author suggests strengthening assistance for displaced workers from industries that are the hardest hit from rising imports. This could include improving current job placement and training programs and creating new programs that better address the reduction in wages many workers face upon reemployment. On the export side, she suggests expanding access to foreign markets because job loss is reduced when export sales and foreign demand increase.

Overall, the book, *Imports, Exports, and Jobs* presents a thorough discussion of international trade and the labor market. Although it would be interesting to explore the effect of trade on jobs in the services industry, the author makes it clear that the scope of her research is limited to manufacturing industries. Although not particularly long, the book is packed with tables, charts, facts, and equations, which can take some time to work through and fully absorb. So, even though the book is not a quick read, it is an interesting one for anyone with an intermediate knowledge of economics and statistics and a curiosity about international trade or labor issues. Readers of this book will finish with a solid understanding of the underlying data that explain the trade and labor debate, and will feel equipped to contribute to any discussion on the topic.

—Arielle Couch

Division of International Prices,
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