

Trade balances and jobs displaced by global and China trade

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My just-completed analyses of the 2005 goods trade data suggest that the worsening imbalance of net imports displaced -757,000 more jobs last year. The deficit in traded goods worsened from -\$665 billion in 2004 to -\$782 billion in 2005. Since 1993, the accumulated US deficit in traded goods now exceeds -\$4.6 TRILLION.

Total displacement of US goods production by net imports now totals roughly -6.4 million jobs. My analyses of jobs data for recent years show that jobs displaced by net imports are replaced by less productive, and generally far lower paying jobs in industries that do not face significant outsourcing or import competition – such as health care, construction/tradesmen, bars and restaurants, education and credit services.

The trade data suggest that the rapidly worsening net import imbalance with China accounts for more than one-third (-277,000) of trade-related job displacements in 2005 and for roughly one-quarter (-1.65 million) of total trade-displaced jobs. The US deficit with China in traded goods worsened from -\$162 billion in 2004 to -\$202 billion in 2005 and now totals over -\$1 trillion since 1995.

It is worth noting that, according to the IMF, 2005 was the sixth consecutive year in which US GDP growth was slower than world growth. Of course, China's GDP growth rate has been three times the US rate for a decade.

As in the past many years, I have allocated the US trade deficit among the states in proportion to their population. This seems to be the most reasonable approach because there are NO state data on imports. Furthermore, the Dept. of Commerce's state export estimates begin only in the state in which the final product begins its export journey. That is, the state export estimates ignore the fact that most exports consist of components or other value added in states other the state in which the export journey begins.

I continue to look for a better methodology and would be very happy to hear new ideas.

Translating net imports into displaced jobs is another tricky matter with no completely satisfactory methodology. Again this year I continue to use the methodology first developed by the Department of Commerce almost 20 years ago and last updated in a 2001 report, "US Jobs From Exports," http://www.ita.doc.gov/td/industry/otea/job_report/Jobs_Report_Hardcopy.pdf. In this report the DOC finds that in 2001 each \$1 billion of manufacturing production required 11,576 job years.

My calculations are consistent with this most recent DOC report. Using the DOC's latest Annual Survey of Manufacturers and adjusting for productivity growth and for agricultural and other non-manufactured goods in the data, I find the number of job-years required to produce each \$1 billion of traded goods to be about 9,000 in 2003, about 8,500 in 2004 and 8,200 in 2005. Applying these estimates to the trade deficits/production shortfalls in each state produce the findings for displaced jobs in the attached tables.

Inherent in the methodology is that the more populous the state, the larger the trade deficit and the more displacement of jobs. However, the quantification of these deficits and displacements may surprise many who have been trained to look only at 35% of the trade equation comprised of exports while ignoring the now 65% of US trade that consists of imports.

The industry-by-industry trade tables contain a wealth of detailed current and historical information for US trade with the world and with China.