

World trade benefits America

By Robert Krol

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The U.S. exports and imports far more goods today than it did in the past, an expansion of trade that raises our standard of living, lowers prices and provides a greater variety of goods for consumers.

A recent survey by the Pew Research Foundation found that 59 percent of Americans have a favorable view of international trade.

But when asked about their attitudes concerning the expansion of U.S. trade relations with the rest of the world, 36 percent thought it was "somewhat bad" or "very bad" in 2007 compared with 18 percent in 2002.

But economists say that if all trade barriers were eliminated globally, U.S. income would increase by about \$500 billion.

This is because we would focus on producing goods and services that the U.S. is relatively proficient at making. Greater international competition lowers prices and provides a boost to our real incomes. Finally, more efficient businesses tend to expand in a global marketplace, increasing productivity.

Expanding international trade also increases the variety of products we buy by an estimated \$300 billion per year.

We should keep in mind there is little relationship between imports and total U.S. employment. Over the last 20 years, employment has increased by 36 million jobs at a time when imports have expanded fivefold.

To be sure, there are adjustment costs for workers displaced by imports, just as they are for workers who lose jobs from domestic competition.

For unionized workers with job seniority, the initial wage in the new job is sometimes lower. A variety of government programs provide income support, job skill development, and job search help for displaced workers.

There is considerable concern about the role of international trade in growing wage inequality.

The evidence suggests technological change that rewards worker skills rather than international trade has the biggest impact. One estimate puts the portion of the decline in blue-collar to white-collar wages attributed in trade at 12 percentage points.

International trade provides the U.S. with significant benefits. Labor markets problems brought on by trade can be offset by government programs and the development of better work force skills.

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