



Globalization: A Threat to the U.S. Labor Market?

**Karsten Jeske
Federal Reserve Bank of Atlanta**

May 23, 2007

Topics for Today

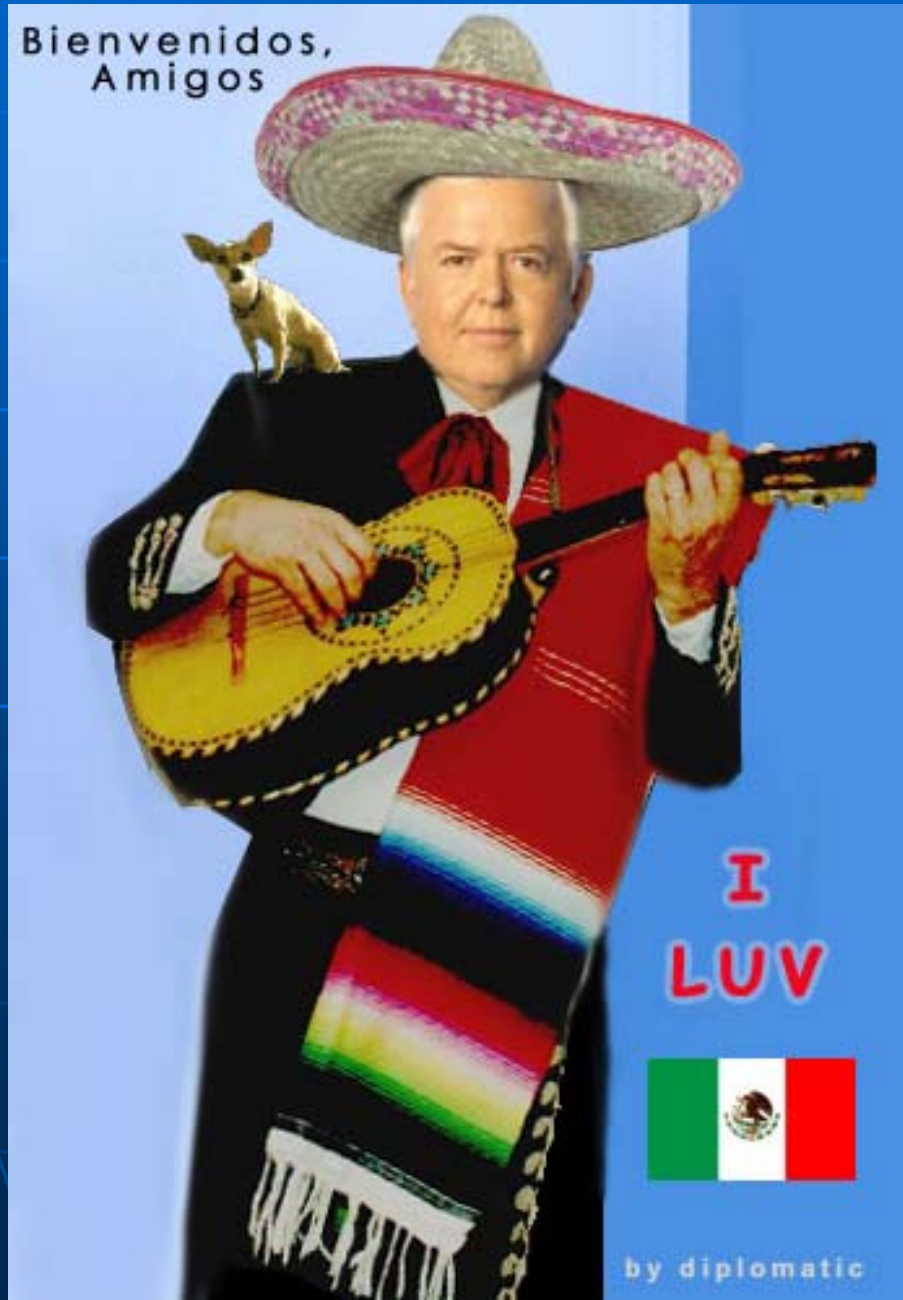
- What is globalization?
 - Trade (in a broad sense) in an international marketplace.
 - Examples
- Is globalization a threat?
 - Should we worry about the trade deficit?
 - Impact on U.S. labor market.

Lou Dobbs: Fear of Foreign Competition!

Coming soon
on



Luis Dobbs
Esta Noche
Weeknights
6-7pm

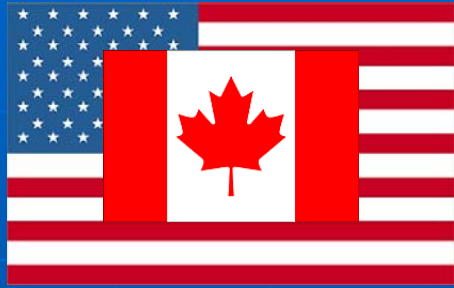


"Will anchor
for
\$3.00/hour!"

Forgot to mention:

Disclaimer: The views expressed here are not necessarily those of the Federal Reserve Bank of Atlanta or the Federal Reserve System.

Buying American?



65 % made in America



90% made in America



Ford Mustang

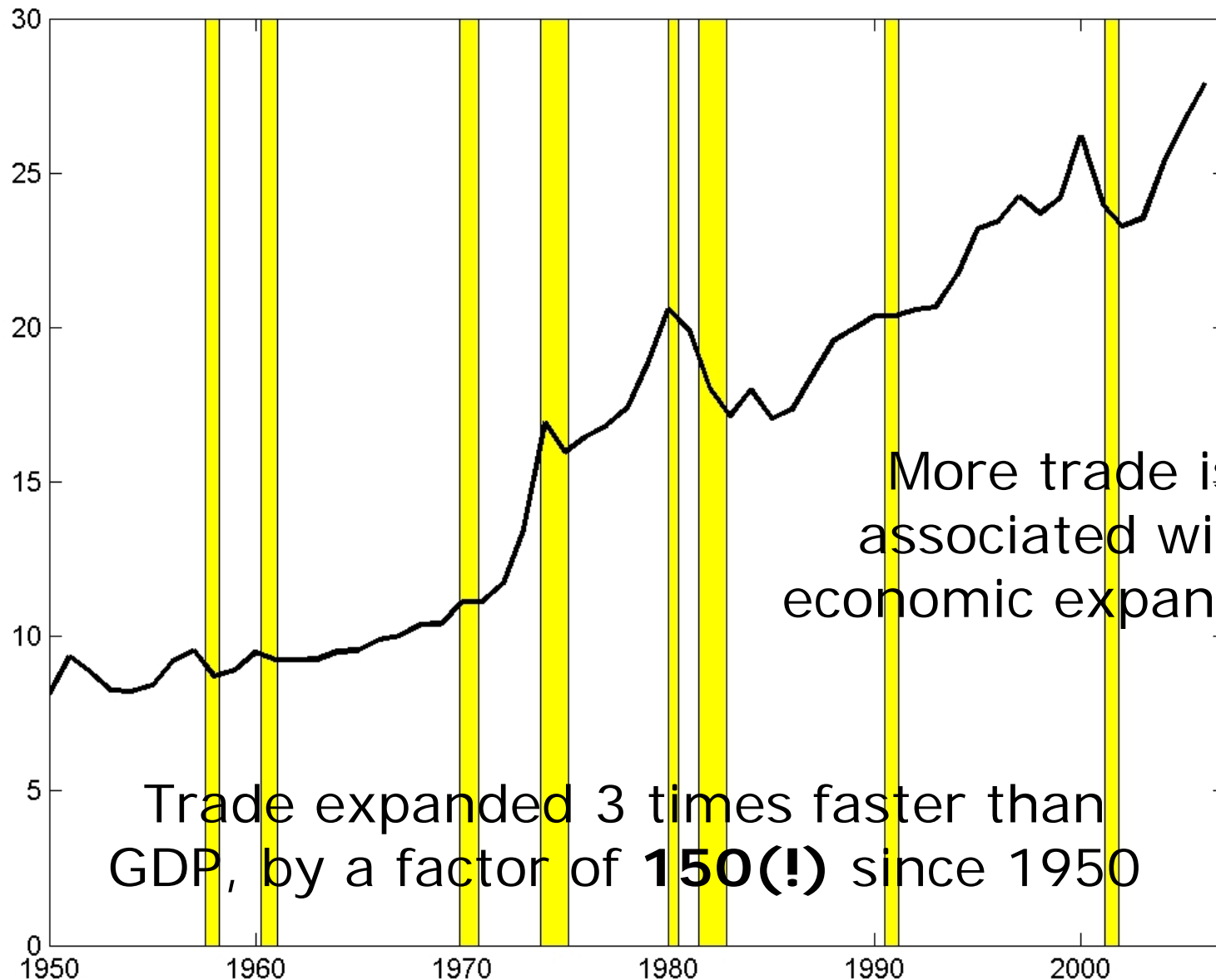


Toyota Sienna

Hard to distinguish: American vs.
Foreign made goods!

U.S. Trade Flows (exports + imports of goods and services) as % of GDP

Recessions in yellow!

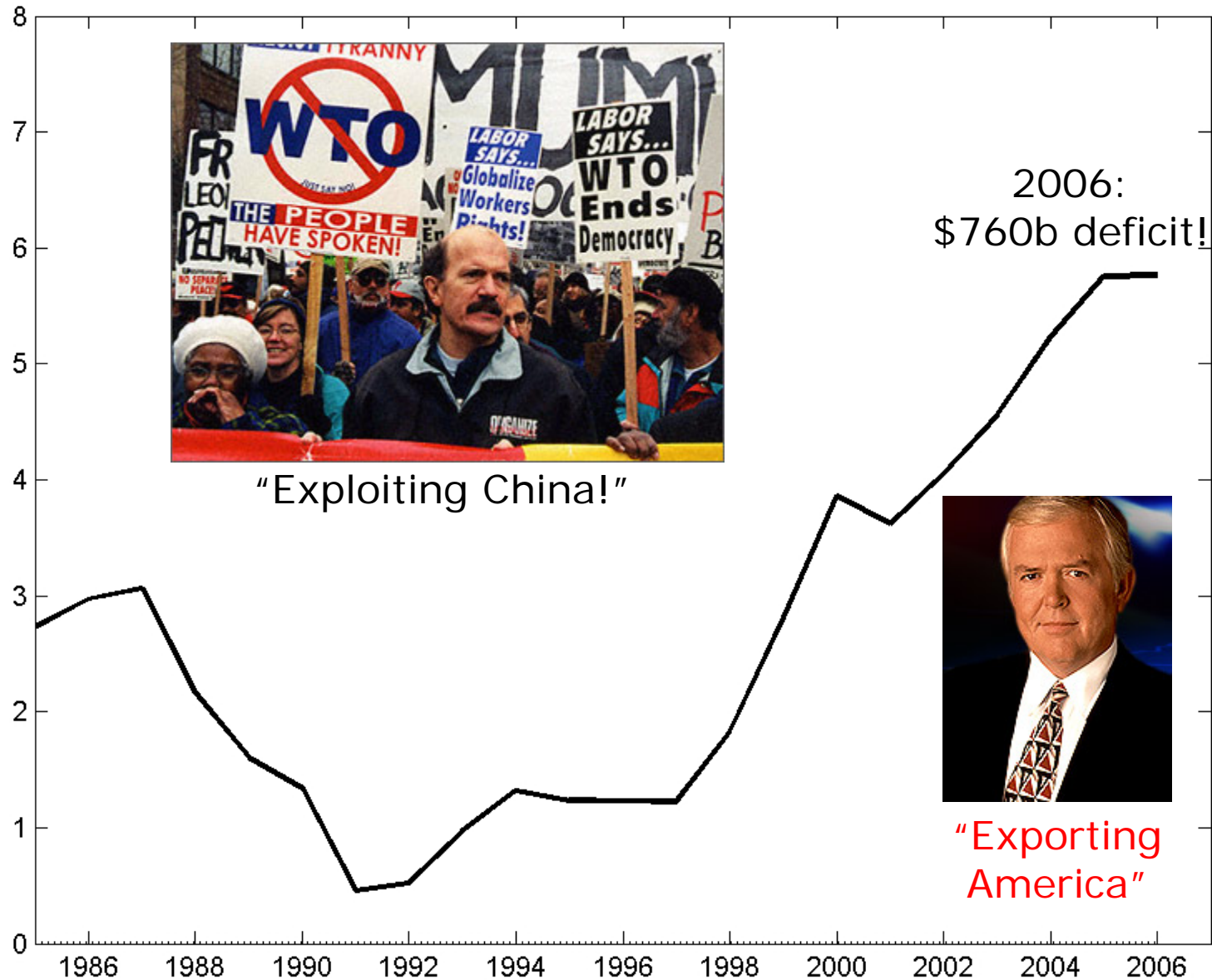


More trade is associated with economic expansion!

Trade expanded 3 times faster than GDP, by a factor of **150(!)** since 1950

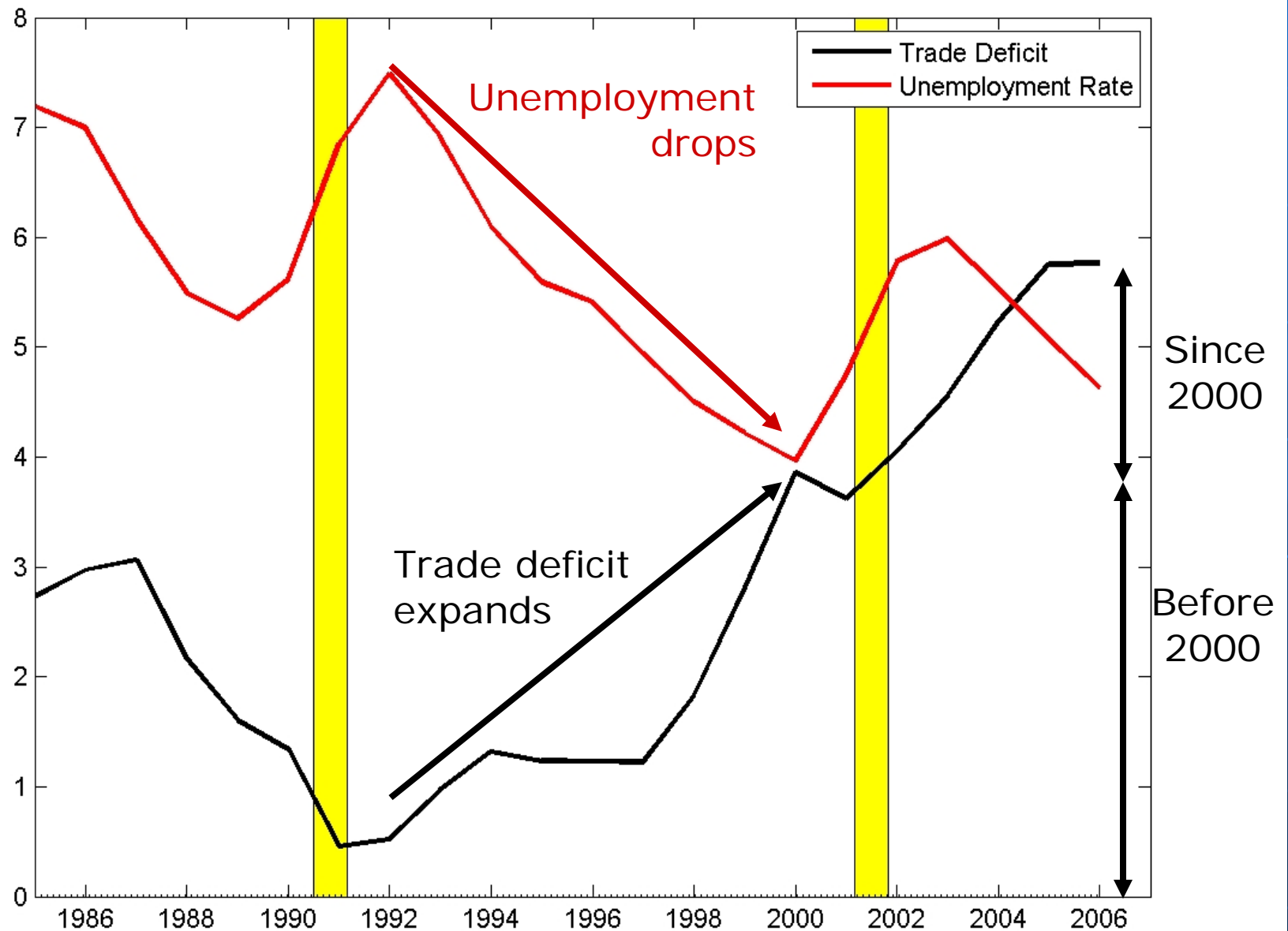
Is the trade deficit a threat to the U.S.?

U.S. Trade deficit in % of GDP

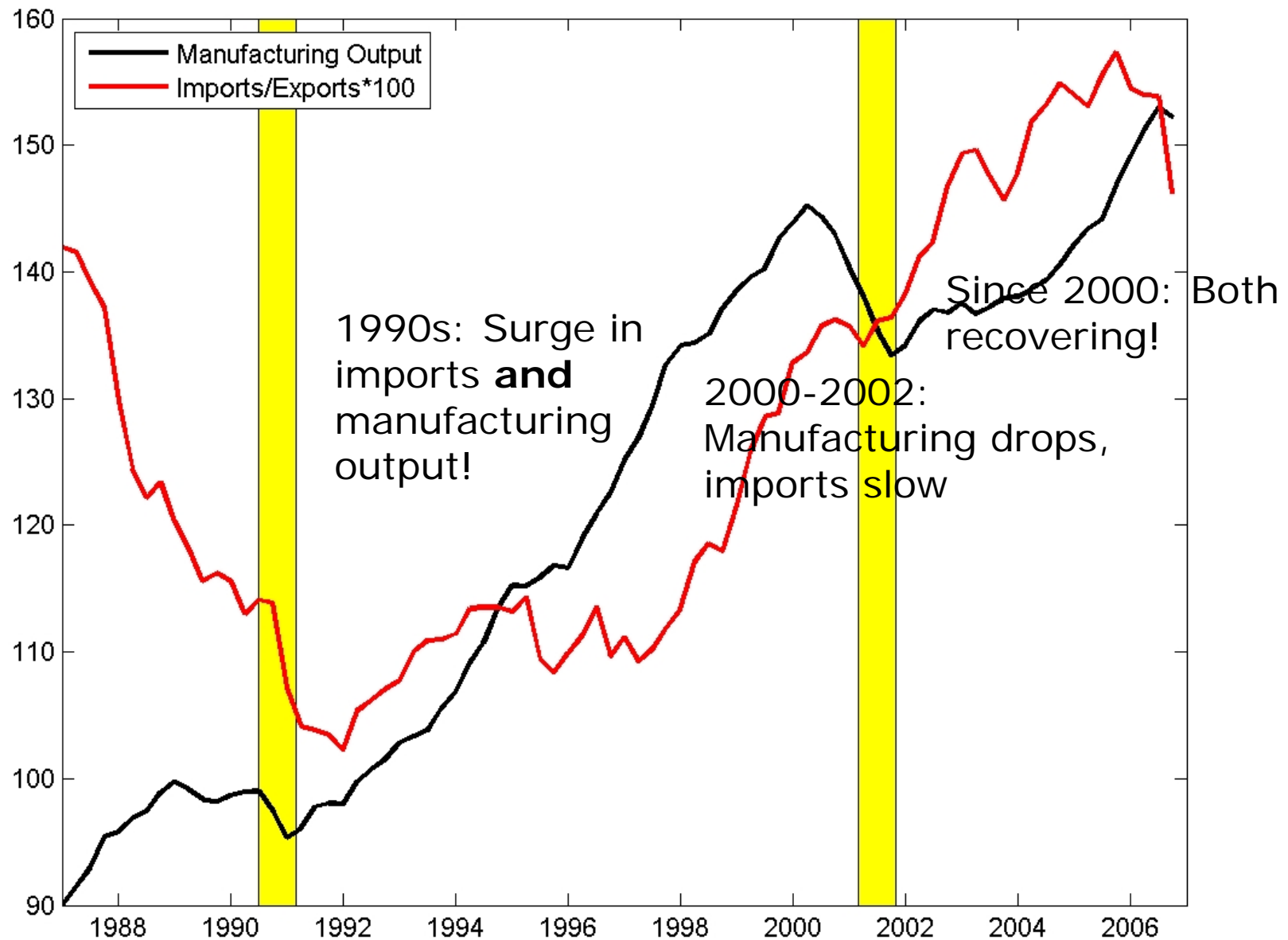


Trade deficit and the labor market: A look at the data!

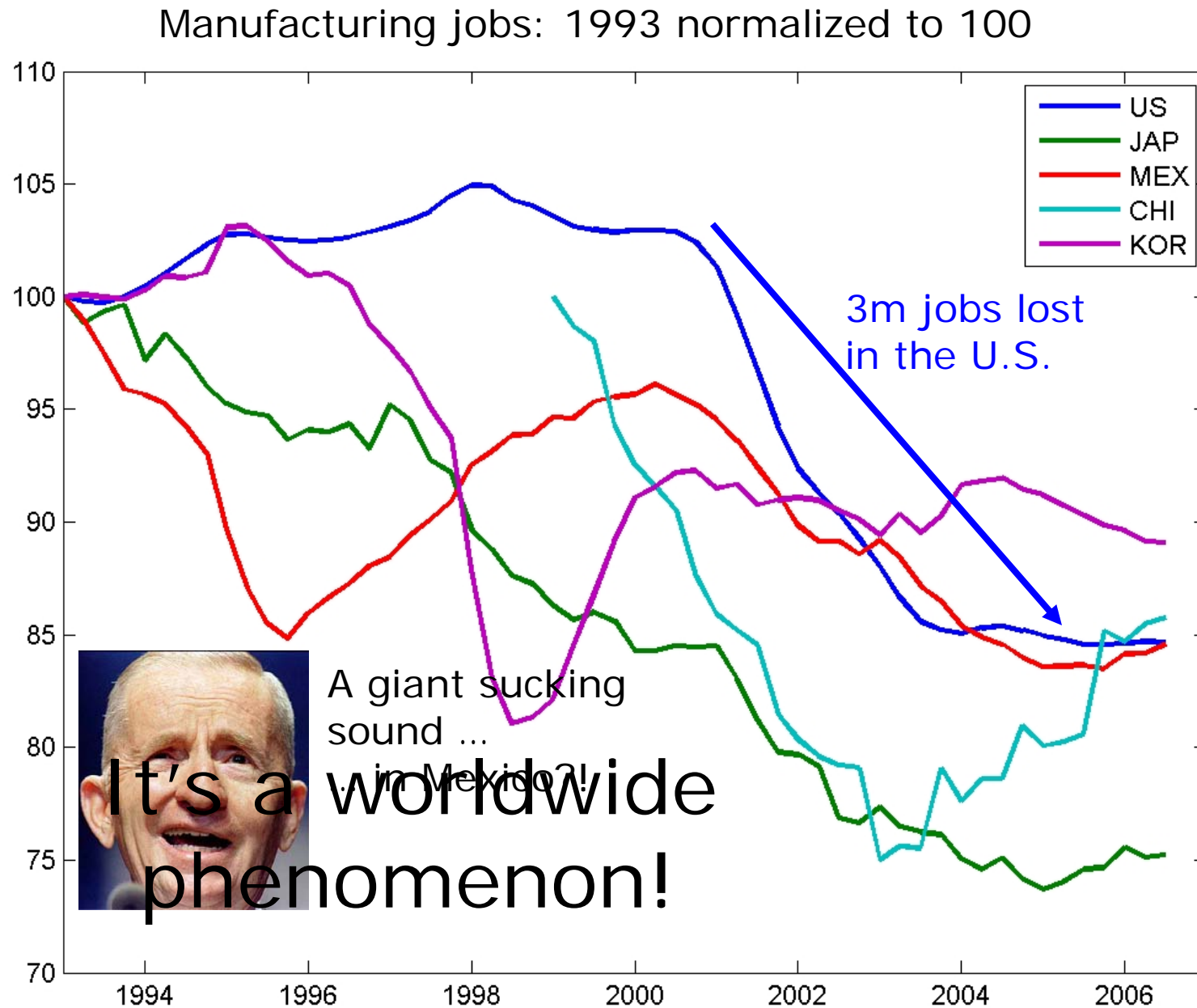
Most of the expansion in the trade deficit occurred during the roaring 1990s!



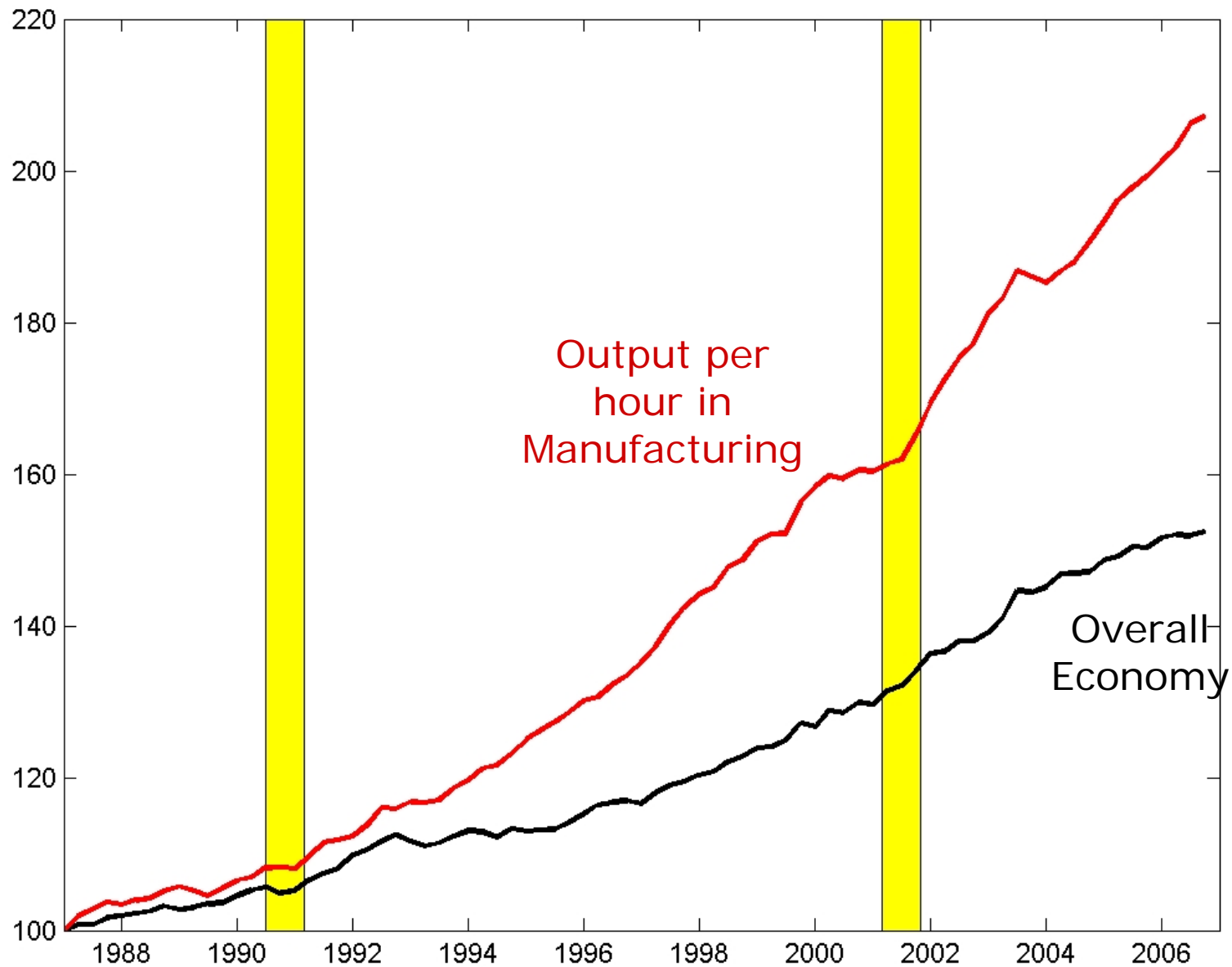
U.S. manufacturing output hurt by imports?



Loss of manufacturing jobs: Only in the U.S.?



The real culprit: Productivity



Productivity: Producing more with less is good for the economy!

Excerpts from a letter of New York Governor Martin van Buren to president Jackson, January 31, 1829:

The canal system in this country is being threatened by the spread of a new form of transportation known as "railroads." The federal government must preserve the canal system for the following reasons:

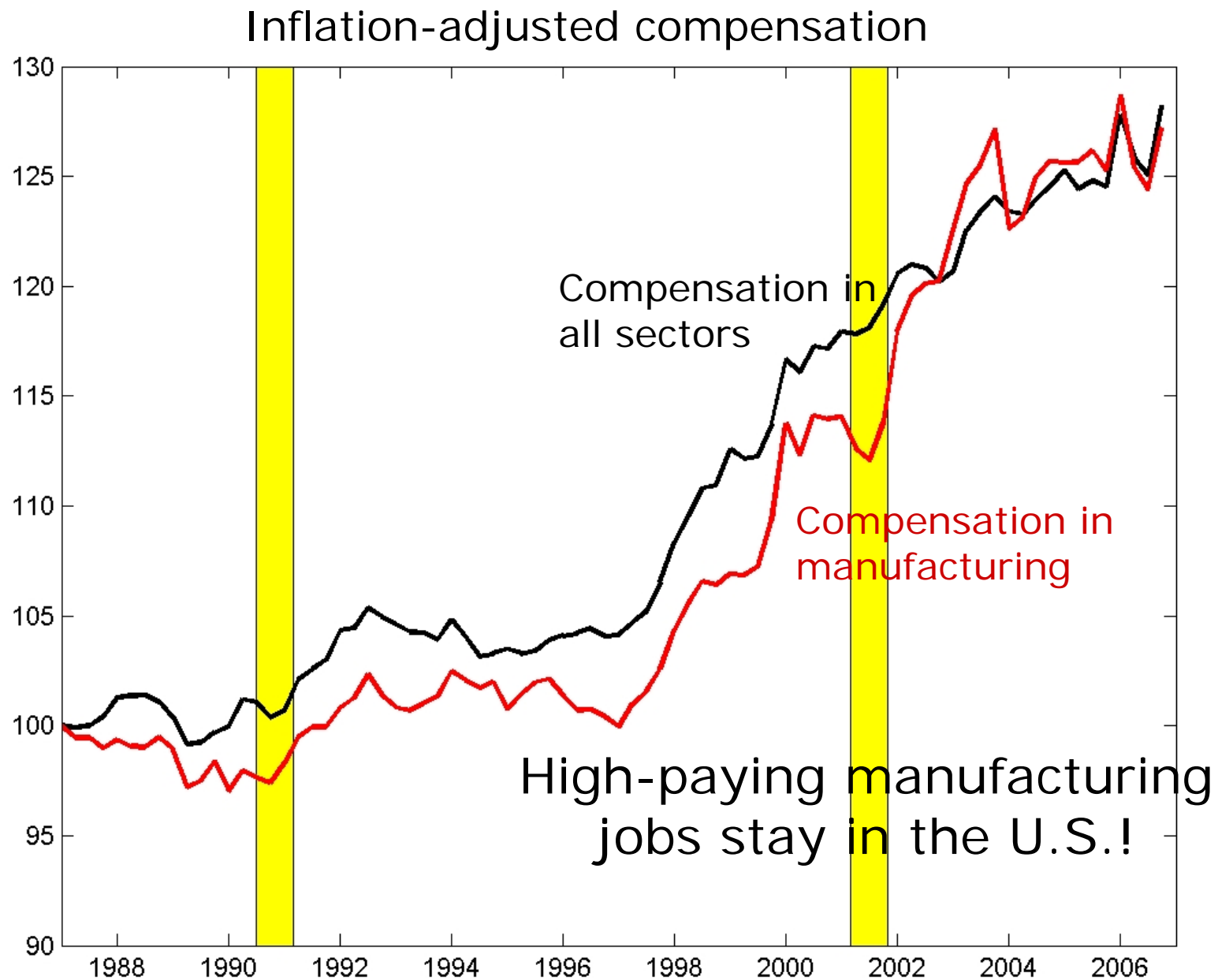
If canal boats are supplanted by "railroads," serious unemployment will result. Captains, cooks, drivers, hostlers, repairmen and lock tenders will be left without means of livelihood, not to mention the numerous farmers now employed in growing hay for horses.

Boat builders would suffer and tow-line, whip and harness makers would be left destitute.

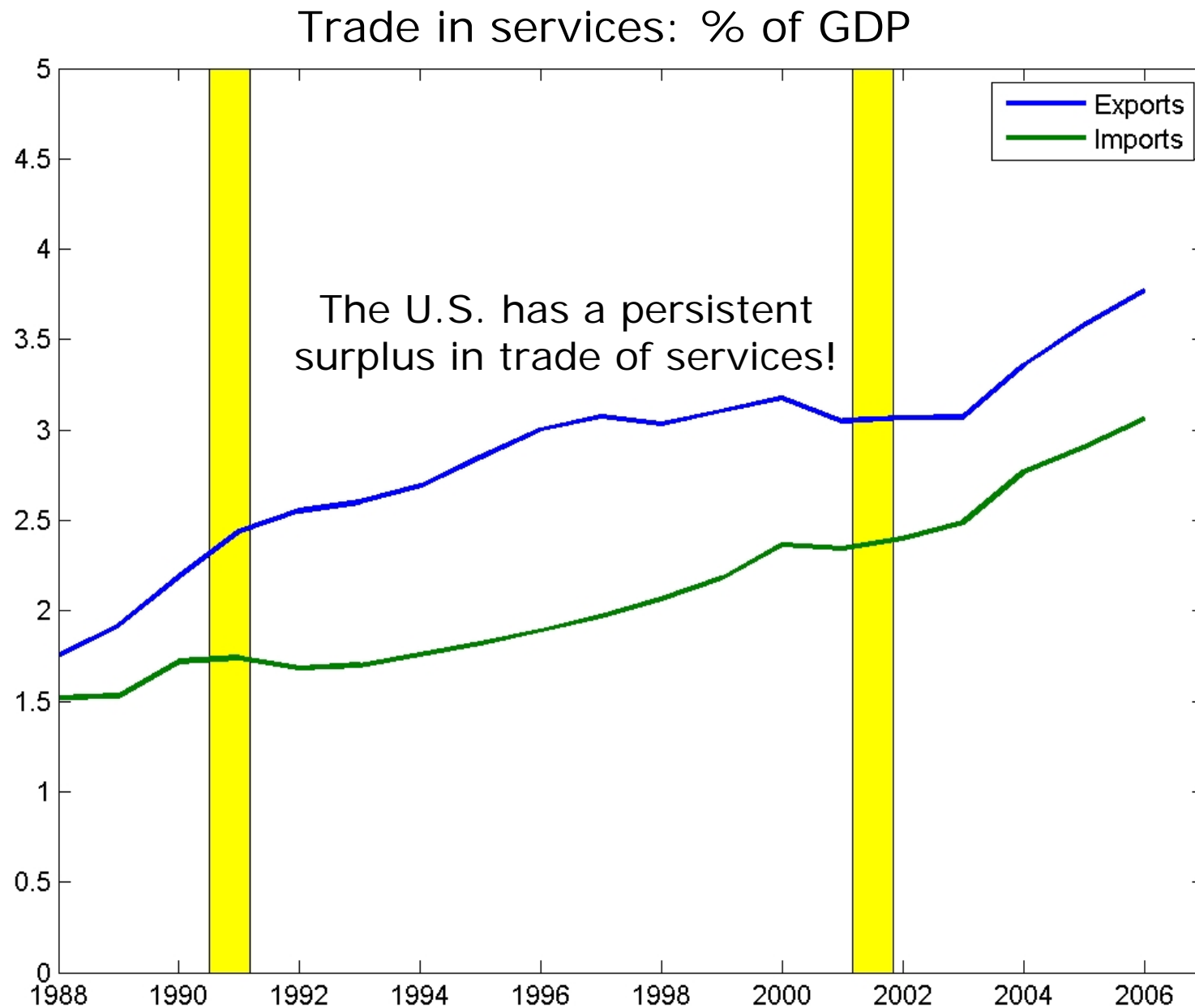
"[R]ailroad" carriages are pulled at the enormous speed of 15 miles per hour.

The Almighty certainly never intended that people should travel at such breakneck speed.

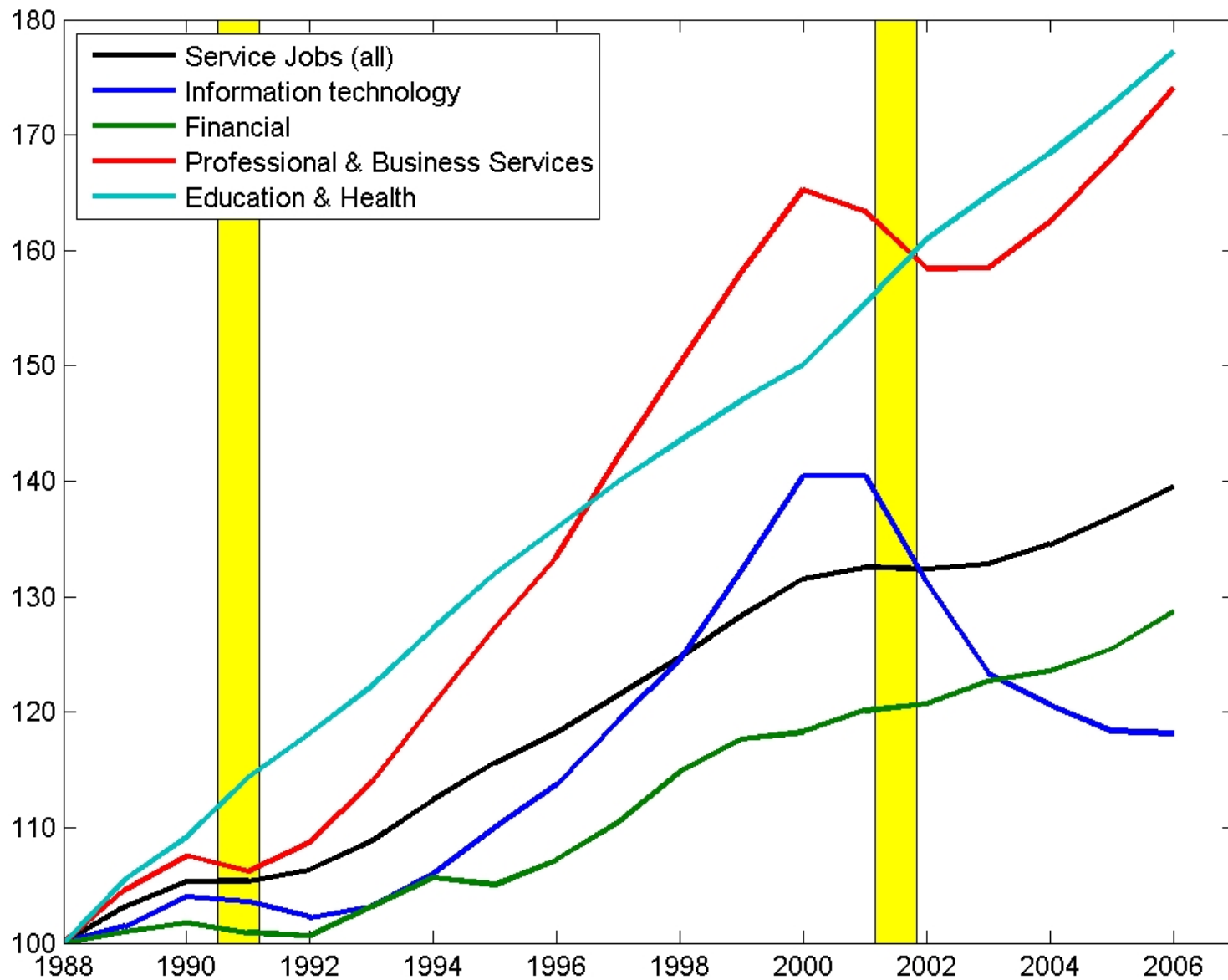
How about manufacturing wages?



How about outsourcing of service jobs?



Effect on Service Industry



Conclusion

- Globalization – Trade in the international marketplace
- Trade increases during economic expansions
 - Most of the expansion in the trade deficit occurred during the roaring 1990s!
- A look at employment data
 - Trade deficits occur when unemployment is low!
 - Manufacturing employment: Trade is not the threat, Productivity is!
 - Outsourcing is a red herring.
- View the global economy as an opportunity, not a threat.

I am looking forward to
your questions and
comments!