Handwringing over how to slice the pie when USTR should be focused on growing it

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The U.S. International Trade Commission (ITC) recently released its report on the distributional effects of trade and trade policy on U.S. workers and "underrepresented and underserved communities." The report catalogs a host of information gathered from a literature review and several roundtables on the adverse effects of U.S. manufacturing imports. But the report's laser focus on manufacturing imports leaves a huge gap for readers interested in the distributional effects of trade.

Manufacturing imports are an important part of trade, but they aren't all of trade. Trade is imports *and* exports, goods *and* services, inputs *and* final goods. Trade is manufacturing, but it's also agriculture and services. And you need to look at the full picture to understand the distributional impacts of trade and trade policy.

While trade can mean wage or job loss for a worker with skills specific to an import-competing industry, it can mean other things, too. Trade can be the average American household's budget going further at Christmastime. Trade can be importing the widgets that used to be made here and exporting new high-tech manufacturing goods that use those imported widgets. Trade is what has helped one mom from Lithonia, Georgia, start her own online accessory and consignment store. Trade is the lifeline for much of U.S. agriculture. But the ITC report focused narrowly on the workers competing with manufacturing imports.

Per the U.S. Trade Representative's request, the ITC held seven roundtables to gather information and each one was organized around a theme such as race, gender, and disability/age/education. Two of the roundtables were centered around a specific region—one on the agricultural community of the San Joaquin Valley in California, and another on the urban areas of Detroit. The ITC heard from workers across the country on a variety of topics not all explicitly connected to trade. Workers voiced frustrations about factory closings, the loss of manufacturing jobs in the United States, lack of childcare availability, barriers to relocation, challenges in gaining access to training or education, and disparate access to transportation, technology, internet connection, and health care, among other concerns.

The report also included a literature review, and a few relatively strong threads emerged:

- First, greater import competition in manufacturing has been associated with a decline in the gender wage gap (not by rising wages among female workers, but rather largely driven by decline in the wages of men who switch out of import competing sectors).
- Second, higher skilled workers experienced little or no wage or income loss.
- Third, nonwhite workers fared worse than white workers following periods of sharp increases in manufacturing imports. Specifically, increased trade with Japan during the 1970s and 1980s led to a large drop in Black manufacturing employment, job losses associated with NAFTA were worse for nonwhite workers—particularly those without college degrees and in certain regions of the country—and Black workers moved from import-exposed manufacturing sectors to non-exposed sectors following increased trade with China during the 1990s and early 2000s.

In understanding worker outcomes from increased import competition, the dominant role of education, skills, and experience across these studies is inescapable. While outcomes from increased manufacturing imports differ across racial groups, once you control for educational attainment, skills, and occupation, the racial disparity shrinks. So, while there are worthy efforts to be made to eliminate the racial gap in wages and employment outcomes, the research demonstrably shows that policy efforts would be more effective on improving education and skills among certain racial and ethnicity groups. Workers with a more pliable skillset will be more resilient to increased trade, changes in technology, or even business cycles when they happen.

This is not to trivialize the adjustment costs from trade liberalization and technology advancements. Adjustments can take time—even decades as Alan Berube and Cecile Murray's 2018 analysis shows. The authors identified 185 U.S. counties that were home to mostly older industrial cities with relatively large shares of manufacturing jobs in the 1970s. They found that 115 of them had managed to switch successfully away from manufacturing by 2016, and 70 of them can even be characterized as "strong" or "emerging" economic performers between 2000 and 2016.

Economic policymakers have been wringing their hands over how to slice the pie for centuries. But efficient income redistribution is separate from trade policy. While growing imports can impact the distribution of income, import restrictions will just make the pie smaller. Increased trade opportunities, on the other hand, can make the pie larger.

Hence, for trade negotiators, the way forward is to help facilitate a more open U.S. economy and expansion in growth sectors by locking in better market access abroad for U.S. goods, agriculture, and services. Ambassador Clayton Yeutter knew this all too well. In a 1991 memo to a colleague who wanted him to pursue more protections for U.S. farmers, Yeutter wrote, "In a capitalistic society we will always have attrition, among farmers and all other businesses." He continued, "That is the way it should be, and that's what made this country great."

More than 30 years later we find ourselves struggling with many of the same issues. There are winners and losers from trade. Adjustments can be painful. Economic policymakers can and

should debate about efficient income redistribution. But the path forward for trade policy and for the U.S. economy to retain its dynamism remains: our trade negotiators must keep pursuing more market access abroad and better trade deals.