**How Much Do We Really Know About Global Trade’s Impacts?**

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By Nathaniel Popper

Donald Trump’s campaign has at times resembled a whistle-stop tour of broken-down manufacturing towns. Places like Monessen, Pa., and Hickory, N.C., have come to be seen as central to his rise — and that of Bernie Sanders, before he bowed out — as well as symbols of a national preoccupation during this election season: the downsides of globalization. Earlier this year, research that led to an academic paper from several economists titled “The China Shock” found that between 1999 and 2011, the growth in imports from China killed about 2.4 million American jobs, one million or so of them in manufacturing. That’s a much greater impact than most economists had been assuming, and the 2.4 million figure has come up again and again in debates over global trade.

There’s much less specificity when it comes to the other side of the ledger, however. For all the talk about winners and losers in the global trading game, an actual accounting of what’s happening on the winning side overseas is surprisingly elusive. Even as economists point to cheaper consumer goods and new jobs that trade brings to the United States, they’re unable to say how many jobs are created in, say, Asia. Among friends and in the news coverage I see, the dismissive assumption tends to be that the big winners in the game are the same elites, here and all over, who seem to profit from everything. But the fact is, there’s no deep understanding of what the gains are in other countries. How many and what sorts of jobs are created? To what extent are lives and nations changed?

There are many reasons that the disadvantages have received more attention than the gains. In American political discussions, after all, the focus is understandably on domestic losses rather than foreign benefits. Trade also presents a classic case of concentrated costs and diffuse benefits — the lower prices and higher employment that trade can produce are generally distributed thinly over many beneficiaries, while the loss of jobs falls hard on a smaller number of people. But there is a less-obvious reason as well: Economists haven’t done a particularly good job of pinning down the virtues of trade. In “The China Shock,” the authors David Autor, David Dorn and Gordon Hanson chastise their discipline for its relative silence on this front: “It is incumbent on the literature to more convincingly estimate the gains from trade.”

I have come across one paper, though, that provides a good starting point for thinking about what trade can mean for people overseas. A young Canadian economist at Wilfrid Laurier University, Brian McCaig, studied what happened in Vietnam immediately after the United States slashed tariffs on goods from that country in 2001 — a bilateral trade agreement similar to many others before and since that have opened up the United States to manufactured goods from Asia. He found that over the next three years, as the value of apparel and clothing accessories going to the United States from Vietnam rose by 277 percent, the poverty level in Vietnam fell to 19.5 percent from 28.9 percent, twice as fast as it had fallen in the preceding four years and enough to lift about seven million people out of poverty. This wasn’t American food-stamp poverty those Vietnamese were escaping; it was malnourished, dollar-a-day poverty.

McCaig does not claim that these changes were produced solely by the surge in exports to the United States. By his estimate, only about 250,000 jobs were created in export-based manufacturing in Vietnam during those two years. But those jobs, which were better-paying than almost anything else available before, had an enormous ripple effect: Every new factory position led to several other new jobs nearby. In general, the more specialized a region was in producing exports, the faster poverty declined. In districts with the most exposure to manufacturing, like Tien Giang, near Ho Chi Minh City, the poverty rate fell about twice as fast from 2002 to 2004 as it did in more rural areas like Ha Tinh, in the north. Even in the rural areas, living standards rose as workers in the cities sent money back home. According to McCaig, this came to account for 15 percent of the total income in those regions. Productivity on the farms also improved as landowners adapted to fewer workers.

**McCaig says it** is hard to do the kind of analysis he did on Vietnam elsewhere — few developing countries keep reliably detailed data on employment and poverty. He also points out that economists in America and Europe tend to be more interested in studying their own economies. But McCaig told me that Vietnam’s transformation resembles what other Asian countries have experienced after gaining access to Western markets in the last few decades. He assumes that other countries would have had similar benefits.

I asked him if there was a way for some back-of-the-envelope math to convey at least a sense of how China benefited from the global trade that led to the loss of 2.4 million jobs in the United States. It is not a straightforward calculation, because the increasing American openness to trade has by no means been the only catalyst behind China’s economic growth; among other factors, its government has also been changing economic policies and making enormous domestic investments. With that caveat, however, McCaig noted that if Chinese exports really did lead to the elimination of one million American jobs in manufacturing, as estimated in David Autor’s work, China would have had to replace them in proportion to how productive Chinese workers were compared with their American counterparts. Given that it took roughly 10 Chinese workers to match the output of one American worker over the last two decades, McCaig said he assumes that China would have needed about 10 million new jobs to replace one million manufacturing jobs in the United States. (It made sense for companies in China to expand on this scale because Chinese workers made less than one-tenth what Americans did.) That accounts for just under half of the new manufacturing jobs that China gained between 2003 and 2011, following China’s entry into the World Trade Organization in 2001, which gave the country’s exporters preferred access to American consumers.

Last year, economists at the University of Groningen, in the Netherlands, said that by their very rough estimates total foreign demand for Chinese goods may have led to the creation of as many as 70 million jobs in China in the five years after China joined the W.T.O. This “export shock” has been described by economists as the most important factor in China’s economic development in the 2000s; foreign consumers were able to support higher wages than Chinese consumers could. The overall growth in the period described by “The China Shock” helped raise 350 million Chinese above the country’s poverty line of $1.90 a day.

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**Of course, trade** liberalization is not always a boon for poorer countries. During an earlier era of American trade agreements, especially in Latin America, countries often agreed to lower tariffs on their own protected industries, like textile manufacturing in Brazil and India. Those changes often ended up hurting poor workers in those industries. But by 2000, McCaig and other economists told me, most countries had lowered their tariffs, and the growth of global trade mostly meant that developing countries got better access to wealthier consumers in the United States and Europe.

Other costs have emerged, however. Urban Chinese are choking on pollution and confronting growing income inequality. In the United States, jobs have disappeared, and there is social unrest. Our exposure to foreign markets is partly to blame, but economists attribute many of the job losses to changes in technology and productivity. (American manufacturing output has grown even as the number of manufacturing workers has shrunk.)

On the other hand, as an article in the current Quarterly Journal of Economics points out, the cheaper products coming into the United States have particularly benefited the poorest Americans, who spend more of their income on imported goods and thus save more when trade makes goods cheaper. But when I spoke with David Autor, he told me that whatever the virtues or costs in the United States, they pale in comparison with the basic humanitarian benefits that people in places like China and Vietnam have experienced as a result of trade with the United States. “The gains to the people who benefited are so enormous — they were destitute, and now they were brought into the global middle class,” Autor says. “The fact that there are adverse consequences in the United States should be taken seriously, but it doesn’t tilt the balance.”

Autor told me that he does not hold out hope that American politicians will bring this sort of calculus to the election debate. But if the rest of us want to consider trade in moral and humanitarian terms, not just as a political and economic matter, it seems important to contemplate how to assign and compare the values of a new job to someone who would otherwise be stuck in dire poverty and a lost job for someone with at least some version of a safety net, which Americans have compared with many of the poor people in the developing world. Undoubtedly there are ways to soothe the hardship on both sides, and we should try to figure them out. But trade inevitably involves some trade-offs. If we want to determine if they are worth it, we can’t just look at one side of the transaction.

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