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“What Happened to the Great U.S. Job Machine? The Role of Trade and Electronic Offshoring”

*Brookings Papers on Economic Activity*, no. 2 (Fall 2004), pp. 201-60

International trade has been blamed for the loss of U.S. jobs after 2000, particularly because the trade-exposed manufacturing sector experienced by far the largest job losses. Using input-output analysis to determine the full effect of trade on employment, this paper concludes that only 12 percent of the manufacturing job loss during 2000-03 was due to trade. Moreover, the losses were due primarily to weak exports, not a flood of imports. A stronger dollar was the most important reason for the export decline. The number of service jobs offshored to India is found to be tiny compared with overall U.S. services sector employment. Offshoring contributed significantly to the decline in computer programming jobs, although this was offset by increases in employment in other computer service occupations. A macroeconomic simulation finds that offshoring should contribute to U.S. productivity growth in future years. Increased domestic demand is the solution to continued job weakness.

JEL classification code: F16.