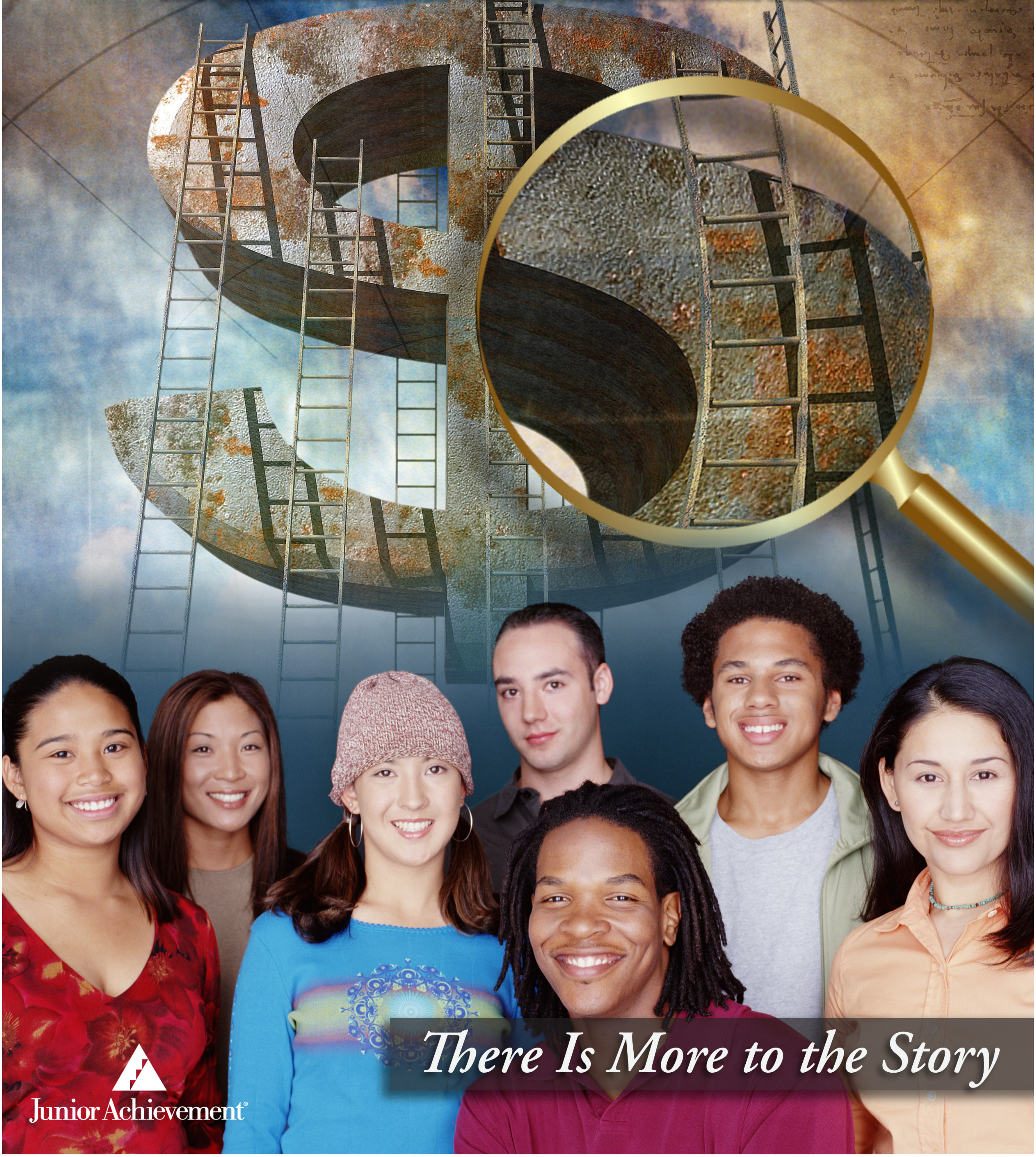
Economic Investigations

Investigation #12: Imports: Does U.S. Employment Decline Because of International Trade?



There Is More to the Story

Junior Achievement®

Economic Investigations: There Is More to the Story

"Economic Investigations: There Is More to the Story" was a National Science Foundation funded project, which began in September 2003. The Social Science Education Consortium (SSEC) of Boulder, Colorado, was the grantee agency. James Davis, Executive Director of the SSEC, was the project director, and Donald Wentworth, Professor Emeritus of Pacific Lutheran University, was project co-director.

The overall project goal was to help students achieve a deeper understanding of puzzling economics questions so they could explain and provide thorough, supported, and justifiable accounts of economic phenomena, facts, and data. Three objectives guided project development:

- Create a classroom laboratory orientation for the investigations similar to those students would encounter in a laboratory science course.
- Develop quantitative skills in students—more so than they would acquire in a standard high school economics course.
- Focus the investigations on intriguing economics questions to spark student and teacher interest.

The Investigations

Twelve investigations were created by teams of economics curriculum materials developers and high school economics teachers. The titles of each investigation identify its content area followed by the main question addressed in the investigation. The investigation titles are:

Microeconomic Investigations

1. Women's Wages: Do Women Earn Less Money Than Men?
2. Organ Transplants: Where Are the Missing Kidneys?
3. Minimum Wage: Does Raising the Rate Help Younger Workers?
4. Poverty: How Can a Family Be in Poverty and Not Be Poor?
5. Health Care: Who Should Pay the Cost?

Macroeconomic Investigations

6. Performance of the National Economy: How Do We Measure the Economy's Health?
7. Inflation: Are Higher Prices the Only Problem?
8. Employment and Unemployment: How Can Both Rates Rise at the Same Time?
9. Fiscal Policy: Can Congress Diagnose and Treat an Ailing Economy?
10. Monetary Policy: Can the Federal Reserve Diagnose and Treat an Ailing Economy?

International Investigations

11. African-U.S. Trade: What's in It for Africa?
12. Imports: Does American Employment Decline Because of International Trade?

Investigation and Field Test Results

The investigations were field-tested by high school teachers in the spring semesters of 2004 and 2006. Field test locations included Jefferson County Colorado; Milwaukee, Wisconsin; Sioux Falls, South Dakota; Scottsdale/Mesa, Arizona; and Plano, Texas. Based on this field test, the investigations were found to promote deeper student understanding of economic issues through the use of effective instructional methods. Students acknowledged that they learned a great deal from the investigations and teachers stated they would recommend the investigations to other teachers.

Cooperative Publishing Agreement

The Social Science Education Consortium has transferred the copyright of these investigations to JA Worldwide. JA Worldwide is making them available to teachers by posting them on the JA Worldwide website (www.ja.org) and distributing them in CD-ROM format. The investigations also will be posted on the SSEC website (www.socialscience-ed.org). Ultimately, the investigations will support the revised Junior Achievement high school program, JA Economics.

Authorship and Consultants

The project was fortunate to have an excellent group of authors and consultants. These individuals are listed below.

Colorado Development Team

Laura Burrow, Jefferson County Public Schools
James Davis, Social Science Education Consortium
Lewis Karstensson, University of Nevada, Las Vegas

Washington Development Team

Penny Brunken, Sioux Falls (SD) Public Schools
Donald Wentworth, Professor Emeritus, Pacific Lutheran University

Wisconsin Development Team

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The economics consultant to the project was Norris Peterson, Professor of Economics, Pacific Lutheran University, Tacoma, Washington.

The project evaluator was William Walstad, Professor of Economics, University of Nebraska, Lincoln.

Nancy Baldrica, Excelsior, Minnesota, served in an editorial and desktop-publishing capacity on the project.

Field-Test Teachers

Below are the teachers who completed field tests during the second year of the project.

Arizona

Amy Willis, coordinator, Arizona Council of Economic Education
Dan Korzec, St. Johns High School, St. Johns, AZ
Bridget Olson, Mesa High School, Mesa, AZ
Debbie Henney, Highland High School, Gilbert, AZ
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Colorado

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Jeanette Remily, Britton-Hecla High School, Britton, SD
Kellie Schultz, Washington High School, Sioux Falls, SD
Erika Vont, Akron-Westfield High School, Akron, IA

Texas

Julie Meek, Plano East Senior High School, Plano, TX

Wisconsin

Tom Fugate, Homestead High School, Mequon, WI
Mark Cywinski, Brown Deer High School, Brown Deer, WI
Andy Bosley, Homestead High School, Mequon, WI

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Investigation #12:
Imports: Does U.S. Employment Decline Because of International Trade?

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Investigation #12: Imports: Does U.S. Employment Decline Because of International Trade?

Introduction

As the United States becomes more involved with international trade, economic changes occur that influence employment. Imported goods compete with goods produced by domestic companies. Some domestic companies cannot match the imported goods for quality, price, or public popularity. In these situations, domestic companies either reduce production, stop production, or switch to other products. Each of these alternatives may negatively affect the employment of their workers. Estimates of job loss due to import competition vary widely, yet it is very difficult to determine which jobs are lost because of import competition, which to changing technology, and which to changes in the economy. Even so, many people think the U.S. economy should be less involved in international trade. They fear Americans' jobs are being lost forever and the number of work opportunities are being decreased in the United States.

Student Comprehension

This investigation helps students examine the issues related to worker employment and international trade:

- Did jobs decline or increase in the U.S. economy from 1992-2002?
- Which people are most negatively affected by international trade?
- Which people are most positively affected by international trade?

In this investigation, students will be asked to examine total changes in employment that occurred during a time of increasing international trade, and evaluate whether trade had a negative impact on employment.

Concepts

Imports
Exports
Unemployment
Job Loss
Job Creation

Objectives

After completing this investigation, students will be able to:

- Compare the percentage change in jobs with the percentage change in trade activity.
- Evaluate the accuracy of statements regarding international trade and job losses.
- Identify which groups tend to gain and which groups tend to lose when imports increase.

Economic Principles

International trade tends to benefit an economy by providing more goods at lower costs to consumers and by providing larger markets for domestic producers. It encourages specialization according to comparative advantage, which leads to more efficient production. Trade also reorganizes total employment in sectors where the United States has a comparative advantage. It introduces more competition into the economic system, which also benefits the consumer and leads to efficient production. The costs of trade are borne by those companies and workers who cannot successfully compete with the imported products and services. The benefits of international trade tend to be diffused and widespread, while the costs (job loss, market-share loss) tend to be concentrated. Therefore, it is easy to see the negative consequences of trade, and difficult to see the positive consequences.

Investigation

Description

Students are introduced to controversial statements about the value of international trade and the importance of preserving U.S. jobs in the face of increasing foreign imports. They are asked to (1) consider evidence at the micro level on employment and imports during a 10-year period; (2) to look for a causal relationship between import growth and job loss; (3) to consider evidence at a macro level on employment and imports during the same 10-year period; and (4) evaluate who is likely to favor increased trade and who is likely to see increased trade as a threat to employment.

Time Required: 60 minutes

Technology: This investigation requires Internet access.

Materials

Visual #1	Imports and Job Loss in Import-Competing Industry
Visual #2	Job Changes per Month in the United States
Visual #3	Job Loss and Gain in the Economy, 1992-2002
Activity #1	Total Employment, 1979-1994

Procedure

1. Tell students this investigation will examine a controversial issue in the United States. Explain that they will look at evidence and draw their own conclusions about the issue. Tell them they will investigate whether international trade, specifically imports, causes Americans to lose jobs and whether it is a serious threat to employment opportunities.

2. Display **Visual #1 – Imports and Job Loss in Import-Competing Industry.** Ask students if they believe this information suggests that increased trade with other countries is good for the American economy. Discuss any concerns about the United States losing jobs as a result of international trade.

3. Display the first part of **Visual #2 – Job Changes per Month in the United States.** Ask students to compare the number of job losses per month in the United States with the number of job losses associated with import competition. Point out that more job losses occurred per month than were lost in 21 years of import competition.

4. Display the second part of **Visual #2 – Job Gains.** Ask students to compare the number of jobs created in one month to the number of job losses. Tell students that the important idea here is net job gains. Ask them to consider whether the number of jobs increased or decreased over time. Explain that a dynamic economy should change and create new opportunities instead of preserving obsolete work. Use the example that many people no longer work at creating typewriters and horse buggies, but many people are now employed creating airplanes and computers.

5. Hand out **Activity #1 – Total Employment, 1979-1994**. Ask students to evaluate the impact of imports on U.S. jobs. Discuss how imports have risen and jobs have declined in some specific industries. Have students compare that information with the data on national employment levels during the same time period.

   The information can be found by searching the Department of Labor Statistics beginning at www.bls.gov/data/home.htm. Click on "Overall Most Requested BLS Statistics." Check the box beside "Civilian Employment (Seasonally Adjusted)-LNS 12000000." Click on "Retrieve Data." On the page that opens near the top at "Change Output Options," ask for data from 1979-1994. Click on "Go." Look for the information on employment for the month of December in each year to match the numbers in the answer key below.

Answers to Activity #1, Total Employment, 1979-1994

Civilian Employment (Seasonally Adjusted) 1979-1994

Year	**Employment Level**
1979	99,933,000
1980	99,634,000
1981	99,645,000
1982	99,032,000
1983	102,996,000
1984	106,223,000
1985	108,216,000
1986	110,728,000
1987	113,793,000
1988	116,104,000
1989	117,830,000
1990	118,241,000
1991	117,466,000
1992	118,997,000
1993	121,464,000
1994	124,721,000

1. What is the total change of employment in the economy from 1979 to 1994?
   Answer:
   $$\begin{array}{r} 124{,}721{,}000 \\ \underline{-\ 99{,}933{,}000} \\ 24{,}788{,}000 \end{array}$$

2. What is the percentage change in employment in the economy from 1979 to 1994?
   Answer:
   $$\frac{24{,}788{,}000}{99{,}933{,}000} \times 100 = 24.8\%$$

3. Did the increase in imports from 1979 to 1994 reduce the total employment of people in the economy?
   Answer: No.

6. Ask students to conclude whether imports have reduced the total number of jobs in the United States. Explain that to understand the evidence of job increases, researchers have to look at other parts of the economy – exporting industries and industries not related to international trade. Those areas must have grown fast enough to offset the job losses resulting from import competition.

7. Ask students to interpret the chart in **Visual #3 – Job Loss and Gain in the Economy, 1992-2002.** Ask them why they think the number of U.S. jobs increased in the United States from 1992 to 2000. Point out that the number of job gains exceeded the number of job losses. Tell students that most people were able to find a new job in the economy after they lost an old job. Explain that when the American economy loses jobs faster than new jobs are created, it is called a 'recession'. Ask students if they think the best way to preserve U.S. jobs is to reduce trade or stimulate economic growth. Explain that more jobs are created and preserved during times of U.S. economic growth.

Closure

Ask students to summarize the main points of the investigation on imports and American jobs.

- Do increased imports cause some Americans to lose their jobs?
  Yes, increased imports cause Americans to lose jobs in those industries that cannot compete in the marketplace with imports. Steel and textiles are good examples of such industries.

- Does increased international trade cause total employment to decline in the United States?
  No, increased international trade has occurred at the same time employment has risen in the United States. The exporting industries have helped create new jobs, and the growing economy has created new jobs in numbers that more than offset job losses from imports.

- Is it difficult for workers to find jobs created by other sectors of the economy after they lose their jobs to imports?
  Yes, it is difficult and costly for workers to move to new employment when their skills and experience are suited for their old jobs. These workers bear a large part of the cost for the benefits that result from international trade. Many of them do not think this action is fair; they want to have their jobs protected from foreign competition.

- Does total employment tend to increase or decrease in the U.S. economy? Why?
  Total employment has increased in the United States economy. Even though there were job losses, new jobs were created at a faster rate than were lost.

ANSWER KEY

Multiple Choice (3)
(Answers are shown in bold.)

1. For the last 20 years, imports have increased as part of the U.S. economy. Which of the following answers explains the impact that imports have had on economic activity in the United States?
   a. Consumers have more choices about the products they can purchase and use.
   b. Workers in other countries have lost jobs because of imports to the United States.
   c. Employment totals in the United States have fallen because of imports to this country.
   d. International trade has reduced U.S. living standards.

2. Which of the following industries in the United States have encountered the most competition from foreign imports?
   a. Wheat farmers.
   b. Banking and financial services.
   c. Software productions.
   d. Steel and textile production.

3. Which of the following creates the most unemployment in the United States?
   a. Imports.
   b. Recession.
   c. Economic growth.
   d. Exports.

ANSWER KEY

Essay (2)

1. From 1974 to 2003, the United States increased its imports from other countries. At the same time, the economy and the number of people employed in the United States grew dramatically. Explain how employment can grow when it is faced with increased foreign competition.

   Answer: Parts of the economy have been impacted negatively by import competition. Textiles and steel are two examples. Yet production in other areas of the economy has grown. Labor resources shifted to these areas, and production and employment, as a whole, increased in the economy.

2. Read the following statement and respond by using the knowledge you gained about job losses and gains.

   > "Economists have very poor judgment, or they are not very smart. They report that the United States loses 25,000 jobs every month because of foreign imports, yet they also say that this number is very small. What's the matter? Even an average guy like me knows that 25,000 jobs a month are a lot of jobs!"

   Answer: True, 25,000 jobs seem like a lot until you realize how big the U.S. economy is and how it constantly changes. On average, the economy loses 8.2 million jobs every month, so a total of 25,000 are like a drop in the bucket. The good news is that the U.S. economy creates about 8.6 million new jobs each month, so job losses due to import competition can be overcome.

   Note to Teacher: These data can be found at www.bls.gov/bdm/home.htm, in the Business Employment Dynamics press release.

ANSWER KEY

Open-Ended Assessment (5)
(Most economists would answer "A" as the correct response to each of these questions.)

Ask each student to give this test about export misconceptions to two adults. Pool the class results; then have students summarize the results.

World Trade Quiz

1. The purpose of economic activity is:
   a. To improve consumer well-being.
   b. To create jobs and economic growth.

2. Work is a:
   a. Cost.
   b. Benefit.

3. Imports are a:
   a. Benefit.
   b. Cost.

4. Exports are a:
   a. Cost.
   b. Benefit.

5. The objective of international trade is to:
   a. Acquire goods cheaply.
   b. Create jobs.

Investigation #12 – Assessment #1

Multiple Choice (3)

1. For the last 20 years, imports have increased as part of the U.S. economy. Which of the following answers explains the impact that imports have had on economic activity in the United States?
   a. Consumers have more choices about the products they can purchase and use.
   b. Workers in other countries have lost jobs because of imports to the United States.
   c. Employment totals in the United States have fallen because of imports to this country.
   d. International trade has reduced U.S. living standards.

2. Which industries in the United States have encountered the most competition from foreign imports?
   a. Wheat farmers
   b. Banking and financial services
   c. Software productions
   d. Steel and textile production

3. Which of the following creates the most unemployment in the United States?
   a. Imports
   b. Recession
   c. Economic growth
   d. Exports

Investigation #12 – Assessment #2

Essay (2)

1. From 1974 to 2003, the United States increased its imports from other countries. At the same time, the economy and the number of people employed in the United States grew dramatically. Explain how employment can grow when it is faced with increased foreign competition.

2. Read the following statement and respond by using the knowledge you gained about job losses and gains.

   "Economists have very poor judgment, or they are not very smart. They report that the United States loses 25,000 jobs every month because of foreign imports, yet they also say that this number is very small. What's the matter? Even an average guy like me knows that 25,000 jobs a month are a lot of jobs!"

Investigation #12 – Assessment #3

Open-Ended Assessment (5)

Directions: Give this test about export misconceptions to two adults. Pool class results, and summarize the data.

World Trade Quiz

1. The purpose of economic activity is:
   a. To improve consumer well-being.
   b. To create jobs and economic growth.

2. Work is a:
   a. Cost.
   b. Benefit.

3. Imports are a:
   a. Benefit.
   b. Cost.

4. Exports are a:
   a. Cost.
   b. Benefit.

5. The objective of international trade is to:
   a. Acquire goods cheaply.
   b. Create jobs.

Imports and Job Loss in Import-Competing Industry

In the period from 1979 to 1999, the dollar value of imports purchased by businesses, consumers, and government in the United States increased in dollar value from $252.7 Billion to $1, 239.2 Billion, a 490% increase.*

*2002 Economic Report of the President

Import-competing industries are electrical machinery, apparel, motor vehicles, nonelectrical machinery, and blast furnaces. From 1979 to 1999, job losses in these industries equaled 6.4 million workers.**

Note: There are many import-competing industries. This testimony only deals with five industries. This testimony also refers to total job losses. Some of these losses would have occurred due to changes in technology and productivity, even if import competition did not exist.

**Source: Lori G. Kletzer, Institute for International Economics Testimony, prepared for the Committee on Finance, U.S. Senate, July 20, 2001

On average, how many jobs are lost in these five import-competing industries, every year from 1979 to 1999?

$$\frac{\text{6.4 million}}{\text{21 years}} = \text{approximately 305, 000 jobs lost per year}$$

On average, how many jobs are lost in these five import-competing industries, every month from 1979 to 1999?

$$\frac{305{,}000}{\text{12 months}} = \text{approximately 25,000 jobs lost per month}$$

How can America's economy stay strong when it is losing so many jobs in these five import-competitive industries?

Job Changes per Month in the United States

Jobs Lost

YEAR	JOBS LOST PER MONTH
1992	6,850,000
1993	6,800,000
1994	6,850,000
1995	7,300,000
1996	7,540,000
1997	7,600,000
1998	7,900,000
1999	8,200,000

*Source: The Bureau of Labor Statistics

Question:

It appears the U.S. economy normally loses more jobs per month than all jobs lost by five import-competitive industries over a period of 21 years. How does it maintain its strength?

Jobs Gained

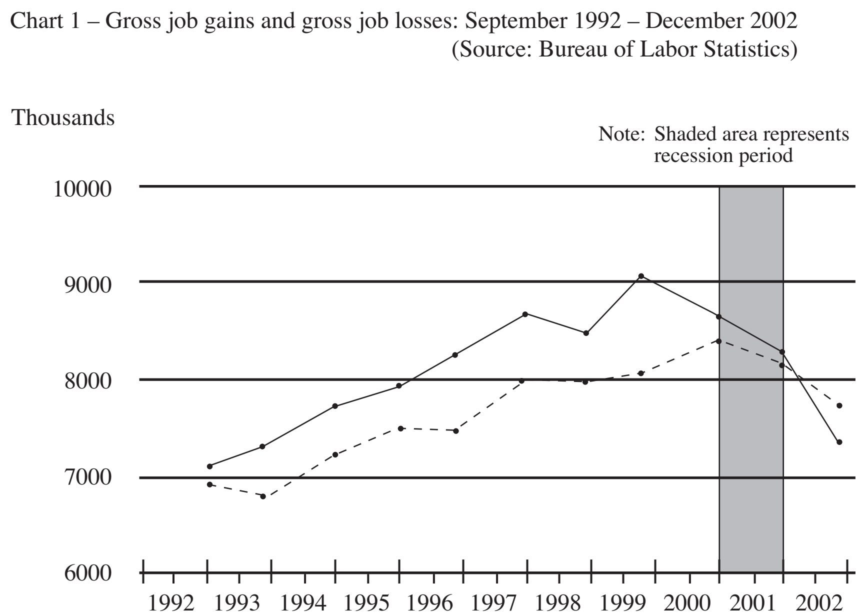
YEAR	JOBS GAINED PER MONTH
1992	7,200,000
1993	7,400,000
1994	7,600,000
1995	7,800,000
1996	8,100,000
1997	8,400,000
1998	8,600,000
1999	8,800,000

*Source: The Bureau of Labor Statistics

Conclusion:

The U.S. economy is creating new jobs faster than it is losing jobs to market changes and import competition.

Job Loss and Gain in the Economy, 1992-2002



- Why does the number of jobs increase in the United States from 1992 to 2000?
- When does the American economy lose jobs faster than new jobs are created?

Civilian Employment, 1979-1994

Directions: Read the following information. Imports increased dramatically from 1979 to 1994. The Kletzer report raised concern that the increase in imports was harming employment opportunities in the United States. Find out what happened to total employment in the years 1979 to 1994 by searching records from the Bureau of Labor Statistics at www.bls.gov.

International Trade and Job Loss 1979-1994

Industry	Workers Displaced
Electrical Machinery	688,300
Motor Vehicles	618,900
Apparel	617,700
Printing, Publishing	522,100
Machinery (except electrical)	509,200
Electronic Computing Equipment	337,900
Fabricated Structural Metals	313,300
All Manufacturing Industries	11,380,000

*Source: Lori G. Kletzer, Institute for International Economics Testimony, prepared for the Committee on Finance, U.S. Senate, July 20, 2001

Civilian Employment (Seasonally Adjusted) 1979-1994

Year	Employment Level
1979	99,933,000
1980	____________
1981	____________
1982	____________
1983	____________
1984	____________
1985	____________
1986	____________
1987	____________
1988	____________
1989	____________
1990	____________
1991	____________
1992	____________
1993	____________
1994	____________

Question #1:
What is the total change in employment in the economy from 1979 to 1994?

Question #2:
What is the percentage change in employment in the economy from 1979 to 1994?

Question #3:
Did the increase in imports from 1979 to 1994 reduce the total employment of people in the economy?