

Contents

1 An Overview of the Issue	1
Notes	14
2 Globalization and Labor: The View from Main Street to Mainstream	17
Globalization and Unemployment	17
Globalization and Income Distribution: A Labor-Market Approach	21
Globalization and Income Distribution: A General-Equilibrium Approach	27
The General-Equilibrium Effects of Technical Progress	35
Globalization and the Factor Content of Trade	39
Summary	41
Notes	42
3 Some Simple Models of Trade and Unemployment	45
Turnover Rates and the Pattern of Trade	46
Trade, Unemployment, and the Distribution of Income	70
Discussion	75
Notes	77
4 Some Empirics	79
Job Turnover and the Pattern of Trade: Existing Evidence	80
Some Simple Correlations	84
Beyond the Simple Correlations	86
Turnover and Canada-U.S. Trade	88
Job Turnover and Political Leaders	89
Conclusion	92
Notes	93
5 Policy Analysis	97
The Model	100
Liberalization and Adjustment	105
Choosing Parameters	107
Compensating the Movers: Theoretical Considerations	110
Compensating the Movers: Quantifying the Costs	113
Compensating the Stayers	117
Conclusion	121
Notes	122

References	125
The Authors	133
Index	135
About the Institute	145

Figures

2.1a Labor-Market Equilibrium	24
2.1b Labor-Market Equilibrium after Increased Demand for Skilled Labor	25
2.2 Derivation of General Equilibrium	28
2.3 The Factor Price Frontier	30
2.4 The Stolper–Samuelson Effect	31
2.5 Full-Employment Distribution of Workers across Sectors	34
2.6 Skill-Biased Technical Progress and Relative Wages	35
2.7a Skill-Biased Technical Progress in Only One Sector	37
2.7b Skill-Biased Technical Progress in Only One Sector	38
3.1 Labor-Market Dynamics in the Search Sector	50
3.2 Autarkic Equilibrium	52
3.3 The Equilibrium Allocation of Labor	56
3.4 Equilibrium Unemployment	57
3.5 The Equilibrium Allocation of Labor with Efficiency Wages	63
3.6 Equilibrium Unemployment with Efficiency Wages	64
3.7 Autarkic Equilibrium with Efficiency Wages	67
3.8 The Equilibrium Allocation of Labor with a Minimum Wage	68
3.9 Relative Supply with a Minimum Wage	69
4.1 Normalized Net Exports and Job Destruction	85
4.2 Estimated Coefficient on Job Destruction and 95 Percent Confidence Interval	85
5.1 Labor-Market Dynamics within a Sector	101
5.2 Discounted Lifetime Income from Training	104

5.3	The Value of Output Net of Training Costs over Time	106
5.4	Effects of an Employment or Training Subsidy	112
5.5	Effects of a Wage Subsidy or Unemployment Compensation	113

Tables

4.1	Job Creation and Job Destruction by Measures of Foreign Trade Exposure Mean Annual Rates	82
4.2	Ordinary Least Squares Regression Results	88
4.3	The Fraction of PAC Contributions Given to Free Trade Proponents	92