TRADE RESTRICTIONS AND ORGANIZED LABOR**

I. General Discussions and Background Material


This article traces the recent shift in Congressional and public opinion away from a liberal trade policy. Organized labor has played a leading role in calling for protectionist trade legislation. The foreign policy case for a liberal U.S. trade policy has been undercut by the regional preferential trade and industrial policies of the European Community. Equally important are the barriers raised by the restrictive Japanese trade stance.

The author urges the United States to take an active role in working for a liberalized trade policy.


Krause, using techniques similar to those employed by Salant and Vaccara, estimates that the net direct and indirect loss in jobs in the U.S. attributable to the adverse shift in the trade balance in 1970-71 was only 17,000.


Argues that protectionists would sacrifice long-run social gains to avoid short-term costs. He rejects the claim that American industry is victimized by the unfair trading practices of foreign competitors.


A quantitative analysis of the short-run effects of import liberalization

* Prepared by Helen Fairbanks, Librarian with the assistance of Professors Daniel S. Hamermesh and Peter B. Kenen.

** Items from this list should be ordered directly from the publisher. Addresses are given in connection with each reference.
on the level of employment in the U.S. Using 1953 data for 72 industries the authors estimate: 1) the direct effects on employment in the industry, 2) the indirect effects traced through interindustry relations data, 3) the effect of liberalization on industries connected with importation such as ocean freight and, 4) the direct and indirect effect of higher foreign incomes and employment on U.S. exports. They found that the employment effects of trade liberalization are slight in comparison with those caused by economic growth, cyclical changes and normal turnover in the labor force.


The Commission was given the task of reevaluating U.S. foreign economic policy. The Commission believes that a major series of negotiations should begin immediately to cope with current international economic problems and to prepare the way for the elimination of all barriers to international trade and capital movements within the next 25 years. It recommends a major effort to strengthen and restructure the present program of adjustment assistance to workers, including larger benefits and greater emphasis on retraining, upgrading and relocation of displaced workers. The Commission issued 2 volumes of background papers. Among those concerned with the impact of trade and investment on the domestic economy are papers by Irving B. Kravis, Stanley D. Metzner, Eugene Stewart, George A. Stimson, Robert Lynn, Marvin M. Foeks, Harry H. Bell and the staff of the Bureau of Labor Statistics.


Arthur F. Burns, Chairman of the Board of Governors of the Federal Reserve System, characterizes the Burke-Hartke Bill as unfortunate legislation which can only injure the country and the international economy. He believes that the proposed legislation would impose an unfair tax on the foreign affiliates of U.S. companies. The imposition of quantitative restraints on imports would create severe rigidities and inequities in the world trade picture and might cause massive retaliation by many countries against U.S. exports.

2. Theoretical Considerations

pp. 69-90. $3.00.

Analyzes optimal trade policy when production for domestic or foreign
markets departs from pure competition. In the presence of unionized
labor markets, domestic taxes and subsidies can improve efficiency, but
so too will tariffs or trade subsidies. The existence of union effects on
relative wages can itself be an economic justification for trade restric-
tions.

Kenen, Peter B. and Roger Lawrence, editors. The open economy: essays
on international trade and finance. New York, N. Y. 10025. Columbia

A collection of essays which summarize the research sponsored by the
International Economics Workshop at Columbia University. The essays
are concerned with three major themes: 1) the determinants of mer-
chandise trade patterns, 2) relationships between the structure of foreign
trade, economic growth and factor movements and, 3) international
monetary policies and the international monetary system. The first sec-
tion of the book examines the influence of labor skills and human capital
on national trade patterns. Of particular interest are the papers by
Donald B. Keeling, "Labor skills and the structure of trade in manu-
facturers" and by Helen Waechter, "Wage rates, labor skills and United
States foreign trade." Keeling shows that trade patterns can be classi-
fied according to the skill needs of each industry. Countries that export
skill-intensive goods tend to import commodities that are low-skill in-
tensive. Waechter finds that interindustry differences in wage levels of
export and import competing groups are due to a difference in skill
intensities. U.S. export industries are skill-intensive and pay higher wages
than the less skill-intensive import competitors.

Travis, William P. "The effective rate of protection and the question
of labor protection in the United States." Journal of Political Econ-
omy (University of Chicago Press, 6801 Ellis Ave., Chicago, Ill.
60637), May/June 1968. pp. 443-461. $4.00, institutions; $3.00,
individuals.

A critical analysis of the theory of effective tariff protection and of the
methods and results of studies by Baeve and Belassa. The author shows
that the structure of nominal tariff depends upon the rates of protection
applied to primary factors including natural resources. He argues that
the American tariff protects labor by supporting its high wage and by
protecting products whose domestic manufacture uses relatively large
amounts of labor. A rebuttal by Bela Balassa, Stephen Guisinger and
Daniel Schydowsky appears in the September/October, 1970 issue of
the Journal of Political Economy (pp. 1150-1162). They refute Travis' 
argument that the theory of effective protection is invalid and that the
concept is a theoretically and empirically useless tool for tariff analysis.
3. The Labor Viewpoint


These papers by labor officials, academics and government representatives present a broad range of views and information on the causes, effects and implications of foreign trade policy.


This study assesses the growth of the nation's and the world's trade volume and the changing composition of U.S. export and import trade. Among the forces influencing the country's trade position are the development of preferential trading blocs, the rise of investments by U.S. companies abroad and the growth of U.S.-based multinational corporations. The report finds that between 1966 and 1969 U.S. foreign trade produced the equivalent of a net loss of half a million American jobs. Proposed is a trade policy which would impose additional controls and new taxes on multinational corporations, restore true reciprocity to the international trade scene, and establish an international system of fair labor standards.


The author examines the reasons why organized labor has taken a more active interest in foreign trade policy since 1965. Job losses, due to foreign trade competition, have been largely concentrated in a few industries and have occurred in the context of rising general unemployment. The special interests of workers as producers, not as consumers, are not consistent with a liberalized trade policy.


Reviews the history of labor's changing attitudes on trade restrictions. The pre-World War I period was marked by a policy of neutrality, which gave way to a stronger protectionist view during the interwar years. During the 1930's and early 1960's labor supported trade liberalization on condition that government assistance be given to workers and firms injured by imports.