

MR. WEINTRAUB: Thank you.

I'll try to be brief. I have to be, but I'll try to be even briefer.

Let me start with a macro point, but I won't dwell on it. I'll start with it because it's the same point that Claude Barfield made, and Herb Stein was making, that you can't really deal with the trade deficit separately from the capital flows.

VICE CHAIRMAN PAPADIMITRIOU: If you can speak in the microphone, it would be --

MR. WEINTRAUB: I'm sorry. I'll put it closer.

One, you can't deal with the trade deficit separately from the capital flows. Just keep that in mind.

So if you want to cut the trade deficit, you can impose capital controls, this is one way. And, obviously, that is not a solution, I just say. I can think of other ways. I won't dwell further on that macro point, unless you want to talk about it.

Two, as we look at the U.S. economy today, we have what is for all practical purposes full employment. If unemployment went down sharply, the Fed would act to make sure the economy were slowed down. And if we have full employment, that means that trade,

while it may have some effect on jobs -- I'll come to that in a moment -- really can't be creating unemployment, by definition. I don't see how you can quarrel with that for the economy as a whole. Three, workers in particular industries are obviously affected by imports. Not by the trade deficit but by imports.

If Boeing exported a lot more airplanes, if our information technology industry exported double/triple what they are now doing, that wouldn't save the jobs of people in the needles trade, or many other industries.

In other words, to equate a trade deficit with a loss of jobs misreads exactly what goes on in the economy, I believe. But I would go even further than that and say that trade plays a very minor part in job loss and job creation in the United States. What creates jobs or loses jobs in the United States for the most part is what happens in the vast U.S. economy and the use of our macroeconomic policy to generate employment.

Trade has an effect on wages, and I'll come to that in a moment because it cuts both ways. But I do not think the equation -- the equating of deficits or trade with job creation or job loss in the United States can be demonstrated. Nor can it be in most other countries where trade is n more important a component of

the total GDP as in the United States.

I cited in my paper a study recently completed by the International Trade Commission where it was concluded, based on the year 1996, that if all protection were removed from all industries then protected that the loss in U.S. jobs that year would have been 135,000. And most of those would have been temporary losses, and the people would get other employment.

I don't want to trivialize 135,000. But we are creating well over two million jobs a year every single year, and the turnover in jobs in the United States is about eight million a year. In other words, I want to get these figures -- job losses from trade -- into some context.

The cost to protect jobs is immense. The study I cite in my written presentation, and I could cite others, was one by Gary Hufbauer and a colleague some years ago. They put the cost of consumer loss from protection at roughly \$70 billion a year. In other words, we can protect jobs in one way or another, but the cost to protect jobs is very, very great. And in point of fact, we would probably lose other jobs along the way because exports would be adversely affected.

I am concerned, as a good many others are,

about the gap between the high wage people and the low wage people, between the managers and the workers. I think all of us are concerned with that issue.

I think it is amply demonstrated that this is an educational phenomenon. More educated people earn more. Less educated people earn less. And I think trade follows that pattern, too. In those industries where we're technologically advanced, we export a great deal. In those industries where we're not particularly technologically advanced, where we have no comparative advantage, people earn less.

The low-wage imports may depress U.S. wages somewhat or may exacerbate the wage gap. The economics profession, as many of you who are sitting around this table know as well as I do, is not in agreement as to how important that effect is in explaining the wage gap.

Some say it's nil; other economists have put the imports of low wage goods, combined with immigration of low-skilled people, up as high as 25 percent of the explanation; and other economists put it at less than two or three percent of the total in explaining the U.S. wage gap.

Most of you know what has happened to U.S. wages over the last 10, 15 years, as well as I do. Real wages are finally going up. They are finally going up

in real terms, and I'll give you some data. I don't know how long this will last.

But that really is explained largely by the tightness of the U.S. labor market. In other words -- I'll make my final point once again -- I don't see how anybody can argue that the economy as a whole, as opposed to individual workers, would have more employment today if there were no trade deficit.

Thank you.