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Bernard L. Weinstein is director of the Center for Economic Development and Research and a professor of applied economics at the University of North Texas in **Denton**. The Center was established in 1989 to provide economic analysis and consulting services to university constituents in the private, non-profit and public sectors. He also serves as director of the Institute of Applied Economics, which offers masters degree programs in economic development.

Dr. Weinstein studied public administration at Dartmouth College and received his A.B. in 1963. After a year of study at the London School of Economics and Political Science, he began graduate work in economics at Columbia University, receiving an M.A. in 1966 and a Ph.D. in 1973.

He has taught at Rensselaer Polytechnic Institute, the State University of New York, the University of Texas at Dallas, and Southern Methodist University. He has been a research associate with the Tax Foundation in Washington, D.C. and the Gray Institute in Beaumont, Texas. He has worked for several U.S. government agencies including the President's Commission on School Finance, the Internal Revenue Service and the Federal Trade Commission.

Dr. Weinstein has authored or co-authored numerous books, monographs and articles on the subjects of economic development, public policy and taxation, and his work has appeared in professional journals such as LAND ECONOMICS, CHALLENGE, **SOCIETY**, POLICY REVIEW, ECONOMIC DEVELOPMENT QUARTERLY, POLICY STUDIES JOURNAL and ANNALS OF REGIONAL SCIENCE. His work has also appeared in THE NEW YORK TIMES, THE WALL ST. JOURNAL, THE LOS ANGELES TIMES and a number of regional newspapers and magazines. He is a former member of the editorial board of SOCIETY magazine and currently serves on the DALLAS MORNING NEWS Board of Economists.

Dr. Weinstein has been a consultant to many companies, non-profit organizations and government agencies, and he testifies frequently before legislative, regulatory and judicial bodies. His clients have included AT&T, Southwestern Bell, Texas **Instruments**, **Conoco**, **Entergy**, **Central** Power and Light, the Nuclear Energy Institute, the US. Conference of Mayors, the Western Governors Association, the City of San Antonio, and the Joint Economic Committee of the U.S. Congress.

Dr. Weinstein was director of federal affairs for the Southern Growth Policies Board from 1978 to 1980 and served as director of the Task Force on the Southern *Economy* of the 1980 Commission on the Future of the South. From 1984 to 1987 he was chairman of the Texas Economic Policy **Advisory** Council and from 1987 to 1988 served as visiting scholar with the Sunbelt Institute in Washington, D.C. In 1992 he was appointed by Lieutenant Governor Bob Bullock to the Texas Partnership for Economic Development. He is currently a senior fellow with the Southern Growth Policies Board and the Texas Public Policy Foundation, and he serves on the boards of the Dallas Business Finance Corporation and **Metroplex** Citizens Against Lawsuit Abuse. He is also a director of **Beal** Bank and **AccuBanc** Mortgage Corporation in Dallas, Texas.

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TRADE AND ITS IMPACTS: A NATIONAL AND STATE PERSPECTIVE

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A Perspective on the Trade Deficit

Yesterday, the U.S. Department of Commerce reported that America's trade deficit widened to a record \$26.5 billion in November, driven by higher oil prices and rising imports of foreign cars and consumer goods. Through the first 11 months of 1999, the deficit was running at an annual rate of \$267 billion, far surpassing 1998's record deficit of \$164 billion.

An Associated Press story referred to the trade imbalance as a "blot" on America's otherwise superior economic performance. It's too bad most business reporters have little knowledge of economic fundamentals. In fact, in today's intertwined global economy, the widening deficit is testimony to America's industrial strength. Often forgotten in the hand wringing over the trade deficit is the remarkable growth in U.S. exports, which came in at a record \$82.9 billion in November despite the increasing strength of the dollar. At an estimated \$958 billion in 1999, the value of American exports will have nearly doubled in a decade (see Exhibit 1). And with prospects improving for the economies of Western Europe, Latin America and Southeast Asia, the pace of U.S. export growth should pick up this year with a consequent narrowing of the deficit.

We often forget that trade flows are only part of our international financial accounts and that the balance of payments always balances. In an article appearing in the latest issue of the Dallas Fed's Southwest Economy, Michael Cox and Richard Alm point out that in 1998 foreigners invested \$503 billion in the U.S. while Americans invested \$293 overseas-leaving us with a healthy capital surplus of \$210 billion. Indeed, the net inflow of investment capital has been a near mirror image of the trade deficit for the past

twenty years (see Exhibit 2). Without question, these net capital inflows have created millions of jobs for U.S. workers, far exceeding any that might have been “lost” as a result of the trade deficit.

Why Texans Love Trade and Foreign Investment

We Texans are free traders and strong advocates of open markets for several reasons. First, we understand that trade and foreign investment have been at least partly responsible for our economic good fortune in recent years. Among the ten most populous states, Texas posted the greatest percentage gains in employment during the 1990s. Among the ten largest metropolitan areas in the country, Dallas-Fort Worth and Houston ranked first and second in absolute job growth during the decade though they currently rank 8th and 9th in population (see Exhibit 3).

Second, the Texas economy today, as in the past, is driven by industries with a strong export or import-competing orientation. Thirty years ago, energy and agriculture ruled the roost. Though still important, most of Texas’ economic expansion over the past two decades can be traced to our fast-growing information technology industries such as computers, electronics, telecommunications, software and the like. Today, Texas ranks second only to California in high-tech employment (see Exhibit 4).

In 1998, Texas exports totaled \$87 billion, with electronic equipment and computers leading the pack. Using the rule-of-thumb that \$1 billion in exports directly supports 20,000 jobs, 1.74 million Texans owe their livelihood to export activity. Import-related businesses probably support another half-million jobs in the state. Together, we’re talking about one-in-four Texas jobs. In short, open markets and two-

way investment flows are absolutely critical to the current and future health of the Texas economy and, most especially, our fast-growing high tech industries.

Third, Texans are free traders because of our unique position, and location, within the North American Free Trade Agreement. Arguably, Texas has benefited more than any other state from the NAFTA. For instance, Texas exports to Mexico and Canada—our largest trading partners—jumped from \$25 billion in 1993 (pre-NAFTA) to \$47 billion in 1998, which represented about 54 percent of all Texas exports. Texas is also the core of major road and rail corridors between Canada, the U.S. and Mexico. Interstate 35, sometimes referred to as the “NAFTA Highway,” runs through the heart of Texas and links up with virtually every major east-west Interstate in the nation. The UP-SP, BNSF and KCS-TexMex railroads all enter Mexico through Texas, and Laredo is the nation’s busiest inland port.

Conclusion

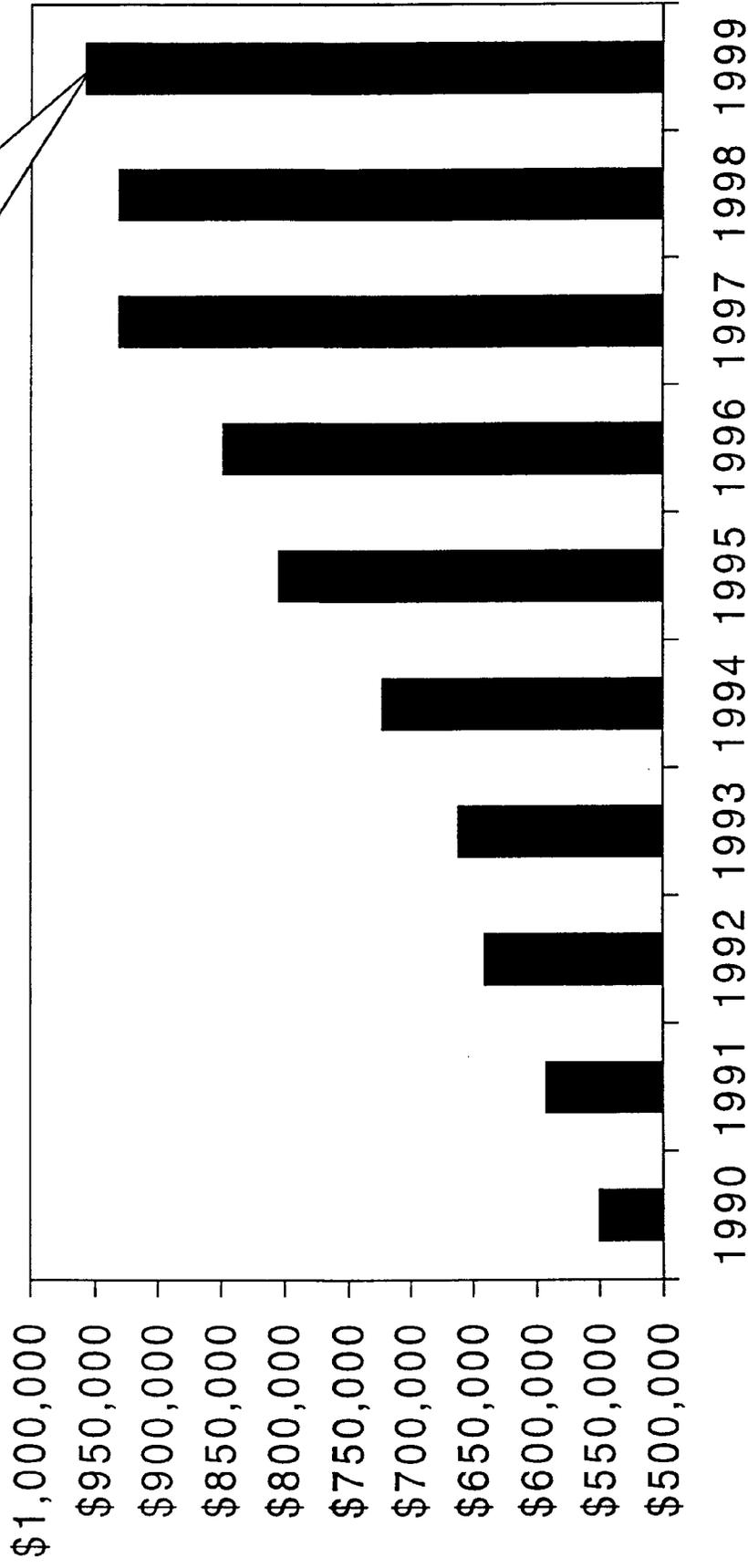
We are extremely concerned in this state about the rising tide of protectionism and anti-globalism. The recent failure of the World Trade Organization to agree on an agenda for further liberalization of trade does not bode well for export-oriented economies like Texas. A slowdown in world trade, more than any other factor, could derail both the U.S. and Texas economies. I hope the U.S. Trade Deficit Review Commission will become an advocate for free trade and a vocal critic of protectionism.

EXHIBIT 1

U.S. Exports of Goods and Services

(\$ millions)

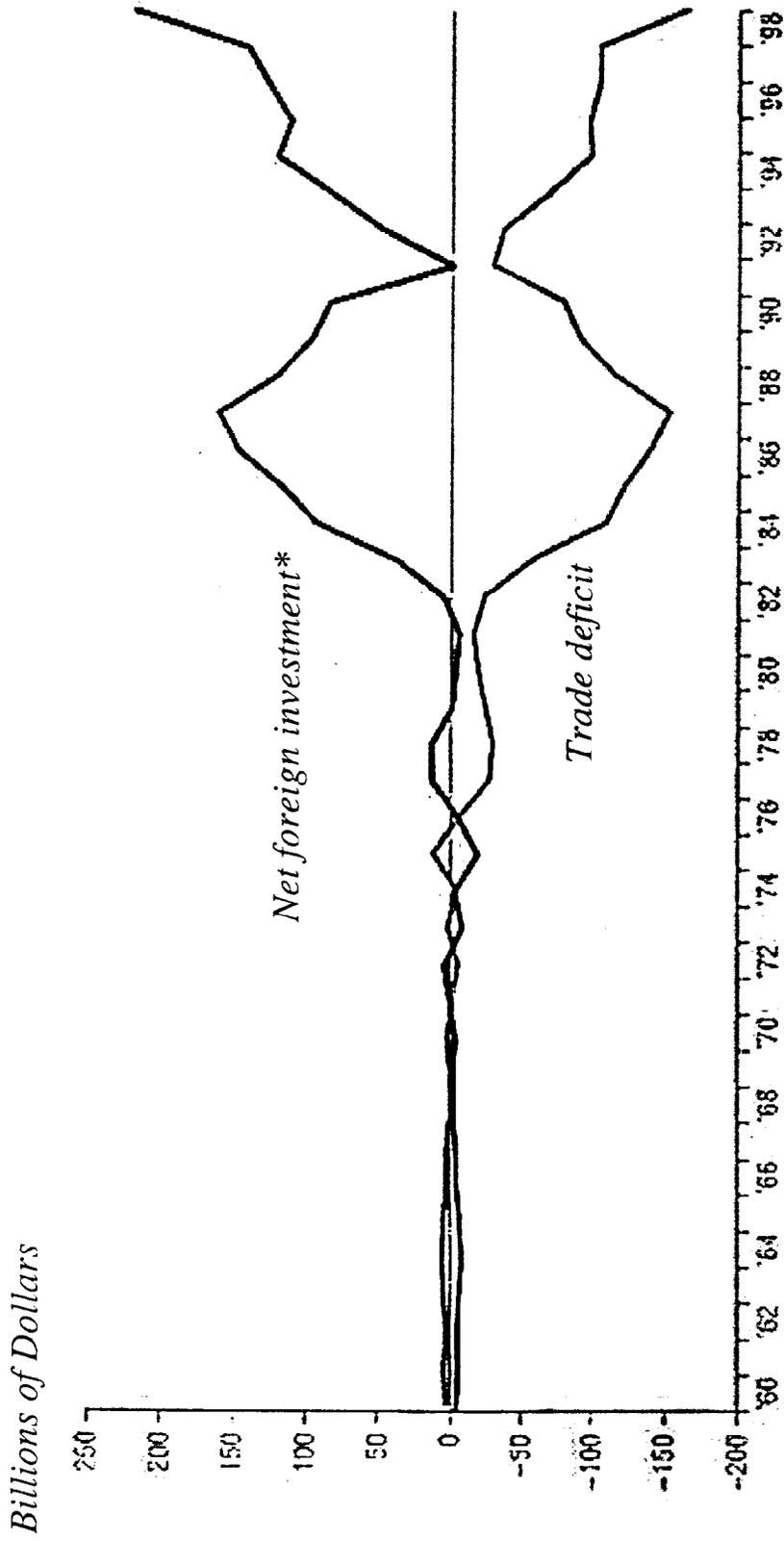
\$958* billion
est.



Source: U.S. Dept. of Commerce

EXHIBIT 2

U.S. Trade Deficit and Capital Flows, 1960-98



*Includes statistical discrepancy.

Source: Bureau of Economic Analysis, Survey of Current Business.

EXHIBIT 3

**Metro Employment Growth (1990-1999)
(in thousands)**

Metro Area	Employment		Absolute Growth		Growth Rate		Annual Growth	
	1990	1999	1990-1999	1990-1999	1990-1999	1990-1999	1990-1999	1990-1999
DALLAS-FORT WORTH	2,015.9	2,710.9	695.0	34.48%	77.2	3.83%		
HOUSTON-GALVESTON-BRAZORIA	1,756.2	2,239.9	483.7	27.54%	53.7	3.06%		
San Francisco-Oakland-San Jose	2,641.0	3,040.2	399.2	15.12%	44.4	1.68%		
Chicago-Gary-Kenosha	3,997.3	4,570.8	573.5	14.35%	63.7	1.59%		
Detroit-Ann Arbor-Flint	2,314.2	2,640.7	326.5	14.11%	36.3	1.57%		
Boston-Worcester-Lawrence	2,168.9	2,388.5	219.6	10.12%	24.4	1.12%		
Washington-Baltimore	2,806.0	3,082.0	276.0	9.84%	30.7	1.09%		
Philadelphia-Wilmington-Atlantic City	2,674.5	2,886.3	211.8	7.92%	23.5	0.88%		
Los Angeles-Riverside-Orange County	6,018.3	6,373.6	355.3	5.90%	39.5	0.66%		
New York-northern New Jersey-Long Island	4,093.8	4,236.0	142.2	3.47%	15.8	0.39%		

Source: Bureau of Labor Statistics

High-Tech Employment by State

<i>Rank</i>	<i>State</i>	<i>1997 Employment</i>
1.	California	784,151
2.	Texas	375,933
3.	New York	320,410
4.	Illinois	207,201
5.	Massachusetts	205,091
6.	Florida	193,559
7.	New Jersey	179,528
8.	Pennsylvania	159,952
9.	Virginia	154,712
10.	Georgia	132,524

Source: American Electronics Association Cyberstates 3.0 Survey