

Manufacturing Employment, Trade and Structural Change*

Guillermo Gallacher[†]

November 4, 2018

[Click here](#) for the most recent version

Abstract

By using a growth accounting framework I provide quantitative estimates of the impact of international trade on sectoral employment shares, in the presence of structural change. I find that in the USA between 1995 and 2014, international trade accounts for 16 percent of the decline in the goods sector employment share. Across countries, the impact of trade on the goods sector employment share is heterogeneous in sign and magnitudes, and is correlated with comparative advantage in the goods sector. I then introduce a Ricardian model of trade with structural change, to shed light on the comparative advantage mechanism. In the data and in the model, international trade mitigates structural change forces in countries with a comparative advantage in the goods sector, while it magnifies structural change forces in countries with a comparative advantage in the service sector. The framework and results I present suggest that trade policy has a limited role in "bringing the manufacturing jobs back".

*I thank my advisor Fabio Ghironi for comments, guidance and encouragement. This project has benefited from conversations with Alessandro Barattieri, Yu-chin Chen, Phil Brock, Mu-Jeung Yang, Giuseppe Berlingieri, Marcos Gallacher, and participants at the ITM workshop and UW brownbag seminars. I thank the Washington Center for Equitable Growth and the UW Ensley Fellowship for funding. Any errors are my own.

[†]Ph.D. Candidate. Department of Economics, University of Washington, Seattle. Email: ggall@uw.edu. URL: guillgall.github.io