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Imbalance costly to Georgia job market

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Things have been so bad the past couple of years that we've stopped talking about the trade deficit.

Although the gap between imports and exports is still huge, it has largely gone unnoticed, thanks to massive unemployment, sluggish growth, a foreclosure epidemic and soaring government debt.

But even if it's been absent from the Sunday morning talk shows, the trade gap hasn't stopped reshaping the U.S. economy.

Or damaging it — and Georgia may be one of the losers. About 2.8 million jobs have been lost in the past decade because of the trade deficit just with China, according to a study by the Economic Policy Institute. Georgia was the 10th-hardest hit, losing an estimated 87,700 jobs.

Imports nationally have outweighed exports for more than three decades — with a tidal surge matching each burst of growth and consumer borrowing. Economists argue about how much harm the trade gap has done, and the debate hinges on how much blame it deserves for problems from the loss of U.S. manufacturing jobs and dislocation of American workers to the erosion of research advances and undermining of growth.

That last effect was a special problem as the economy plunged into a deep recession, then struggled for traction in its aftermath. Federal efforts at stimulus combined spending on bridges and roads, support of state budgets and tax breaks. The idea was to prop up and spur the economy — what economists call a "multiplier effect" in which each dollar spent stimulates other spending.

But if spending goes overseas — for instance, if consumers take tax cuts and buy televisions made in China or autos made in Germany — that reduces the impact at home. Economists call that "leakage."

In the America of a generation ago, leakage was much less of an issue. More products of all kinds were made here, so spending rippled through the local economy. A dollar of stimulus could mean two or even three dollars of other spending at home, said Gary Hufbauer, senior fellow at the Peterson Institute for International Economics.

"Those kinds of multipliers do not exist anymore," Hufbauer said.

In Georgia, too, the manufacturing multiplier isn't what it used to be. The state has been battered harder than most because it had leaned more than most on housing. And when tens of thousands of real estate jobs vanished, manufacturing and exports weren't as quick to fill the vacuum as in the past.

Since 2000, the state's manufacturing sector has shrunk by a painful 36 percent — dropping to about 346,000 workers, according to the state Labor Department. Manufacturing in metro Atlanta also slid — by 30 percent — to 143,000 jobs.

Meanwhile, unemployment in Atlanta and Georgia is still in double digits — more than 1 percentage point above the national average.

The bulk of Georgia's manufacturing and export business is in food and beverage, textiles, metals and transportation equipment, which combined account for nearly 60 percent of the sector, said Alison Tyrer, spokesman for the state Department of Economic Development.

Georgia last year exported more than $28.7 billion worth of goods. That compared to imports valued at $60.2 billion, according to the department.

But some economists say the trade deficit can't be blamed for the slow recovery. They shrug off the connection between the trade gap and jobs, arguing that the more trade the better.

"An examination of the past 30 years of U.S. economic performance offers no evidence that a rising level of imports or growing trade deficits have negatively affected the U.S. economy," wrote Daniel Griswold, director of the Stiefel Center for Trade Policy Studies at the Cato Institute, in an online post.

Money that flows out of the U.S. to buy imports is balanced by foreign capital coming in to buy U.S. assets, wrote Griswold, author of "Mad About Trade: Why Main Street America Should Embrace Globalization." "This capital surplus stimulates the U.S. economy while boosting our productive capacity."

But that misses the point, argued Charles W. McMillion, chief economist of MBG Information Services. U.S. output is below its level of 1999, while American growth has lagged global rates for 13 consecutive years, he said.

"It's not that we are consuming too much," he said. "We are producing too little."

Though the trade deficit fell during the recession, it still represents about 3.1 percent of the economy — larger than it ever was in the 20th century, he said. "Right now, it is probably costing us 5 [million] or 6 million jobs."

Adding that many jobs would bring the workforce almost back to where it was before the Great Recession began in late 2007. The void has meant fewer — and worse — opportunities for job-seekers.

"Those who lose jobs — particularly in manufacturing — go to jobs that are lower wage and less productive," McMillion said.

Ultimately, in a complex, $15 trillion-a-year economy, it's impossible to prove that job losses are caused by the trade deficit, he said. "But it's important to note that the past 11 years has seen the worst of both."