

May You Live in Interesting Times

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Forging a New Path in North American Trade and Immigration
September 2019

Points to take away:

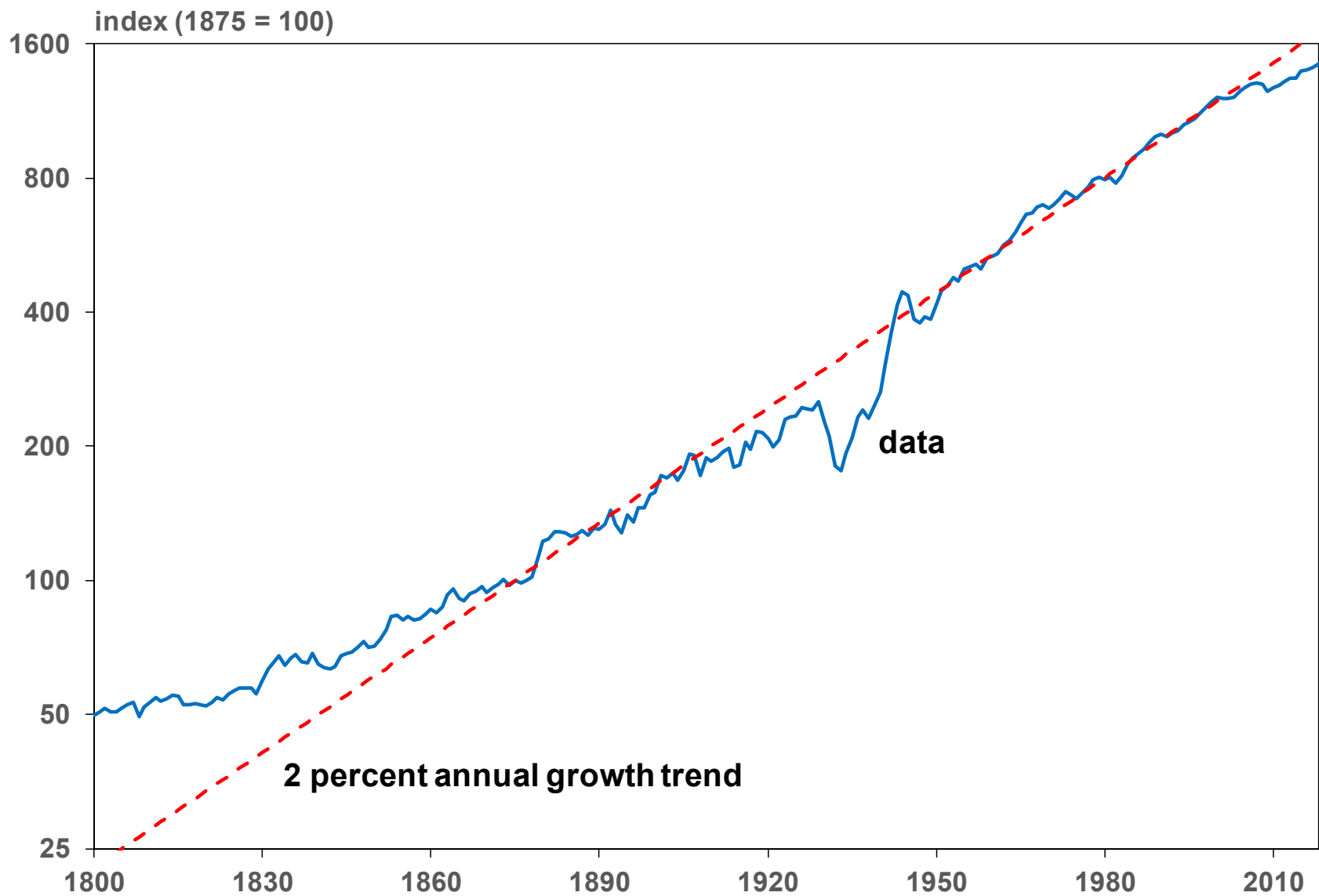
The Industrial Revolution, which began in U.K. around 1800, has spread rapidly throughout the world, especially since the 1960s. This has significantly reduced extreme poverty and income inequality, especially since 1990.

Multilateral liberalization of trade, foreign investment, and migration has stagnated, leaving unilateral liberalization and regional liberalization as the drivers of globalization. Populism has put liberalization in danger.

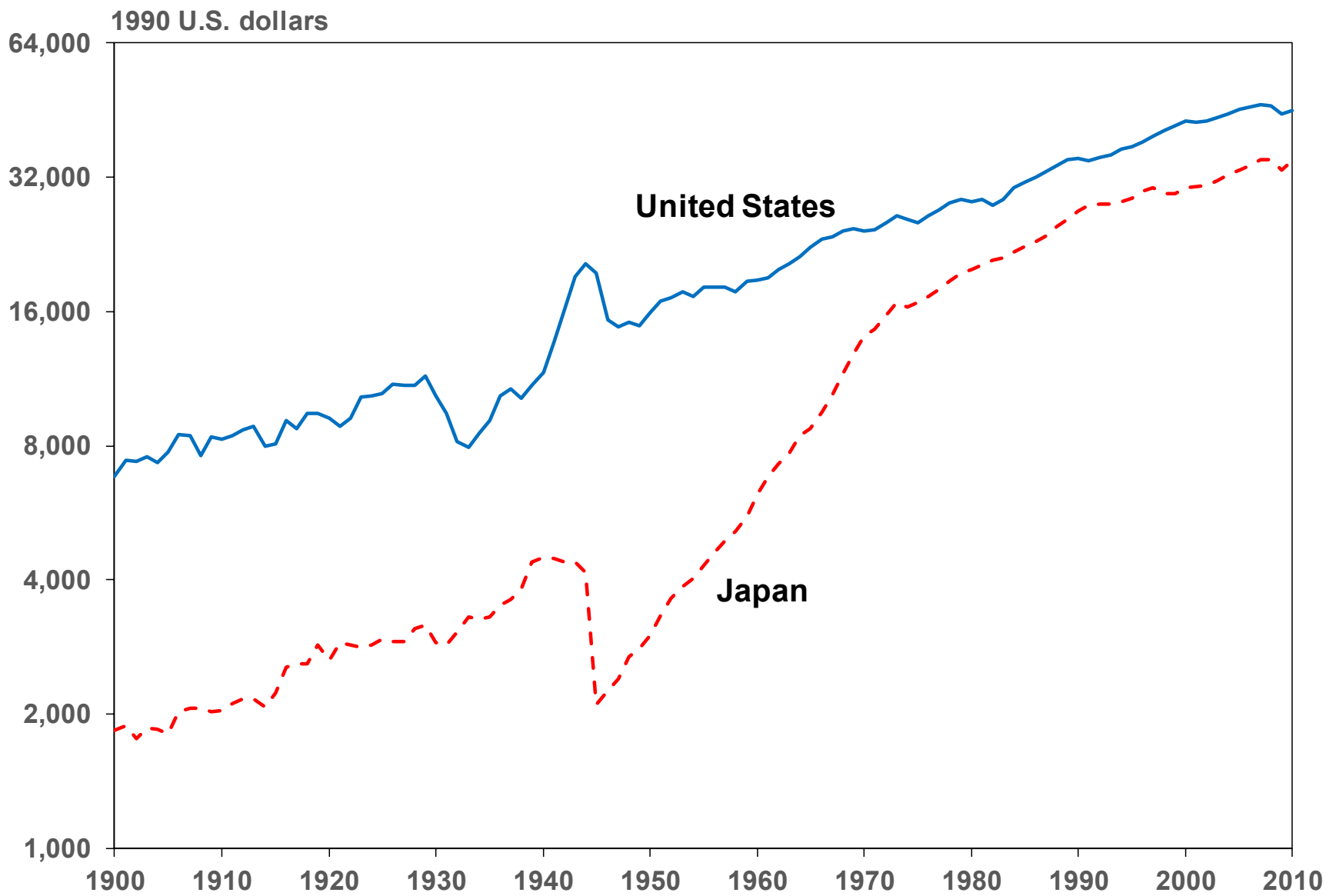
Real output of manufactured goods in the United States increased faster than real GDP even as manufacturing employment has fallen. Trade deficits caused only a small fraction — 15 percent at peak — of the drop in manufacturing employment, and this fraction has fallen as the trade deficit has fallen.

The Trans-Pacific Partnership was an opportunity to limit the growing influence of China in international trade and investment. It is not clear that U.S. bilateral approach will be more successful.

Real GDP per working-age in the United States



Real GDP per working-age in the United States and Japan



Stages of Economic Growth Revisited

(with Daniela Costa and Gajen Raveendranathan)

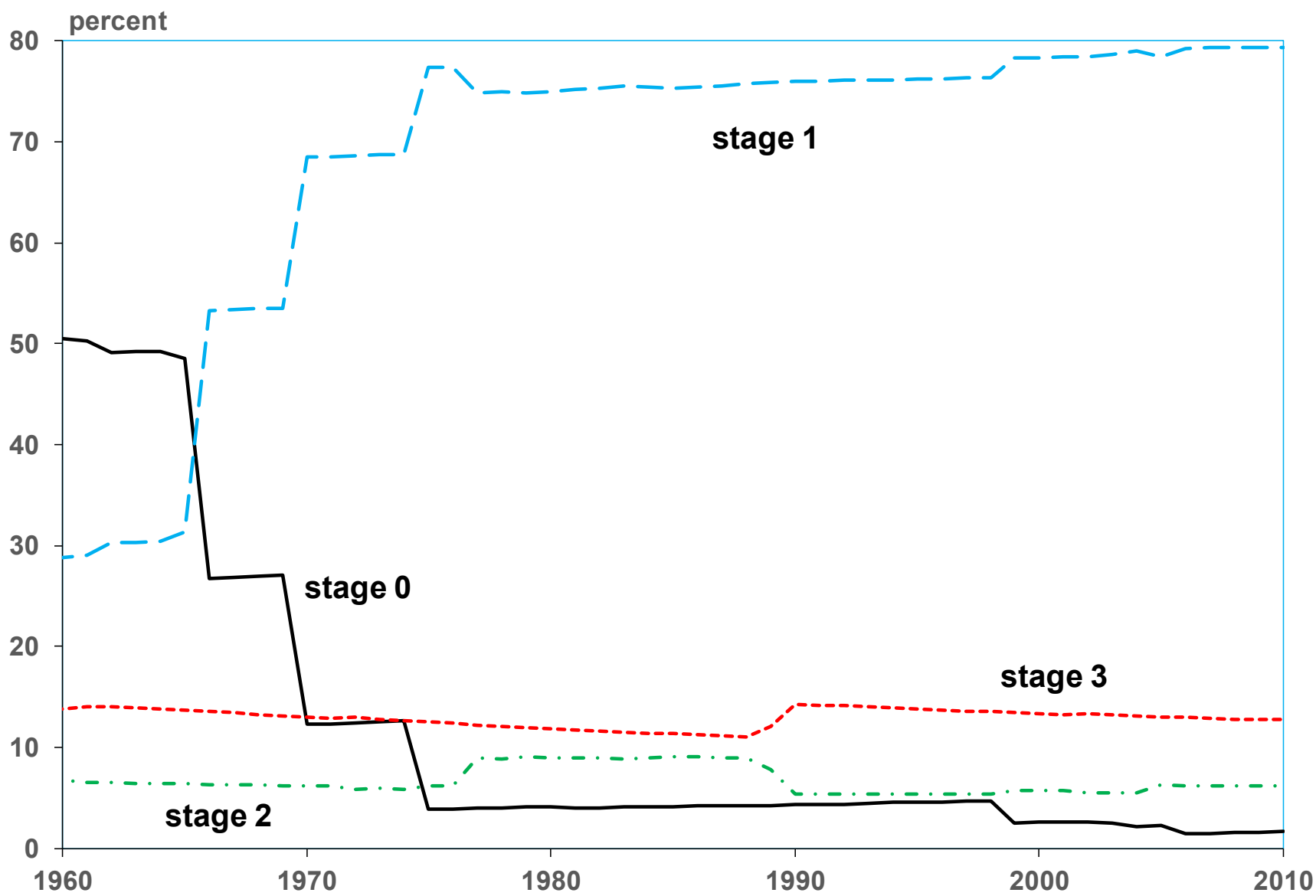
Stage 0: Malthusian trap

Stage 1: Growth like that of U.K. in the Industrial Revolution

Stage 2: Real GDP per working-age person at least 35 percent of industrial leader (U.K. in 19th century, U.S. in 20th, 21st centuries)

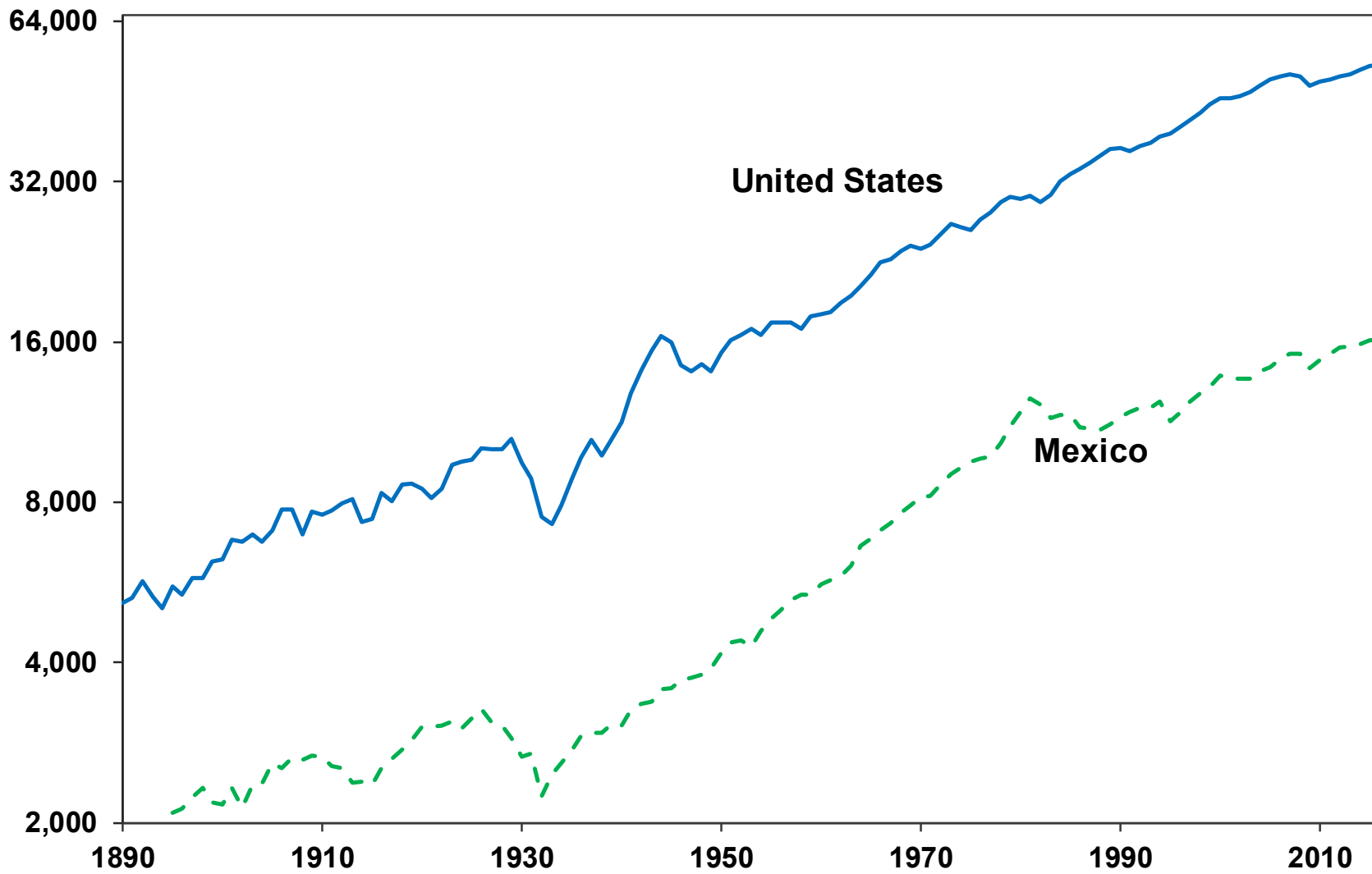
Stage 3: Real GDP per working-age person at least 65 percent of industrial leader

World population by stage of economic growth



Real GDP per working-age in the United States and Mexico

2011 U.S. dollars



Mexico versus China

(with Kim Ruhl 2011)

Why did Mexico grow so rapidly 1950–1980?

Urbanization

Industrialization

Basic education

Same reasons China has grown rapidly 1990–present

Why has Mexico stagnated since 1980?

Problems in financial markets

Problems in labor markets

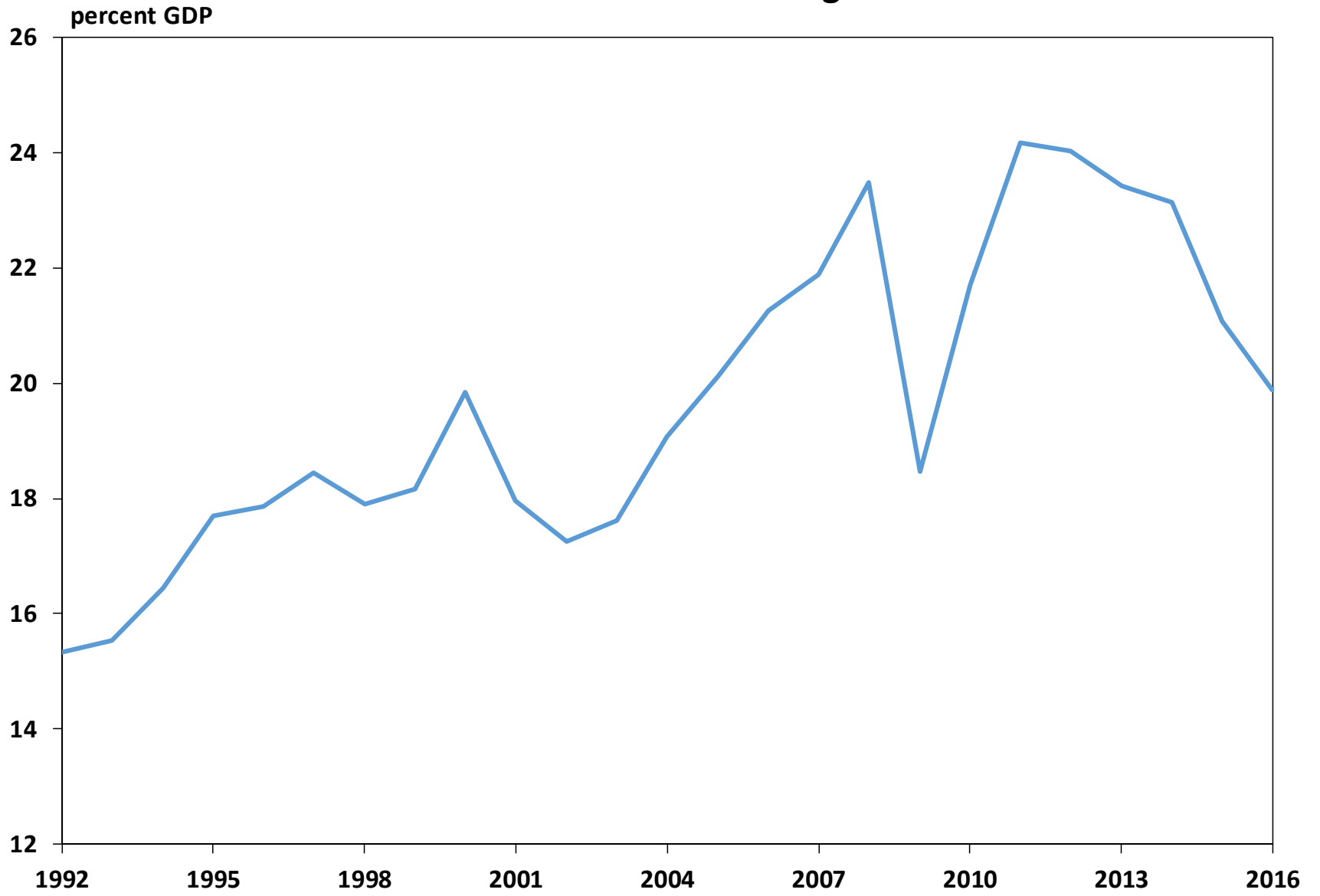
Lack of rule of law

China has similar problems

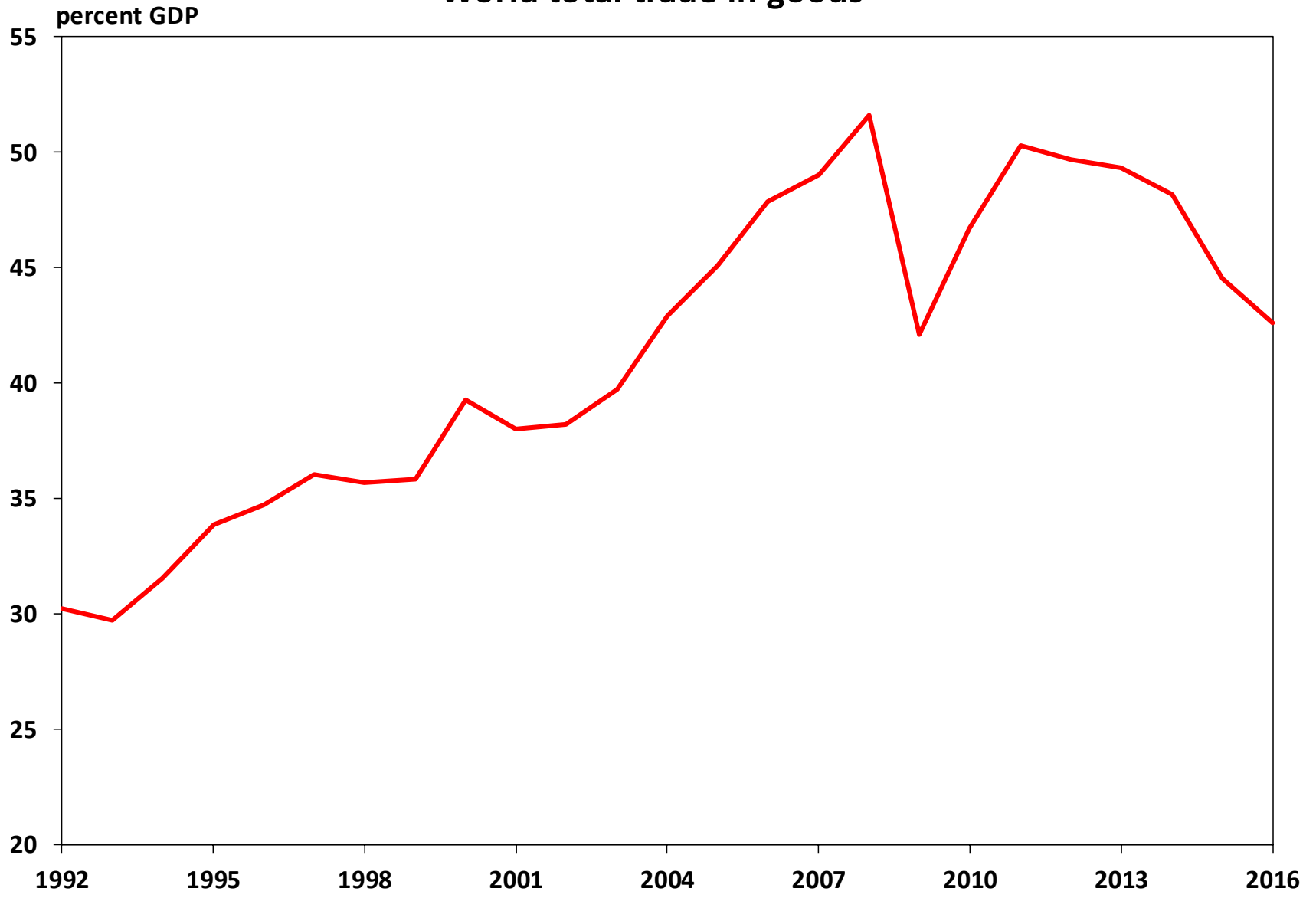
Significant difference between Mexico and China: Mexico was closed to trade and foreign investment during its rapid growth period while China was open.

Stagnation in trade growth in United States and in the world

United States total trade in goods

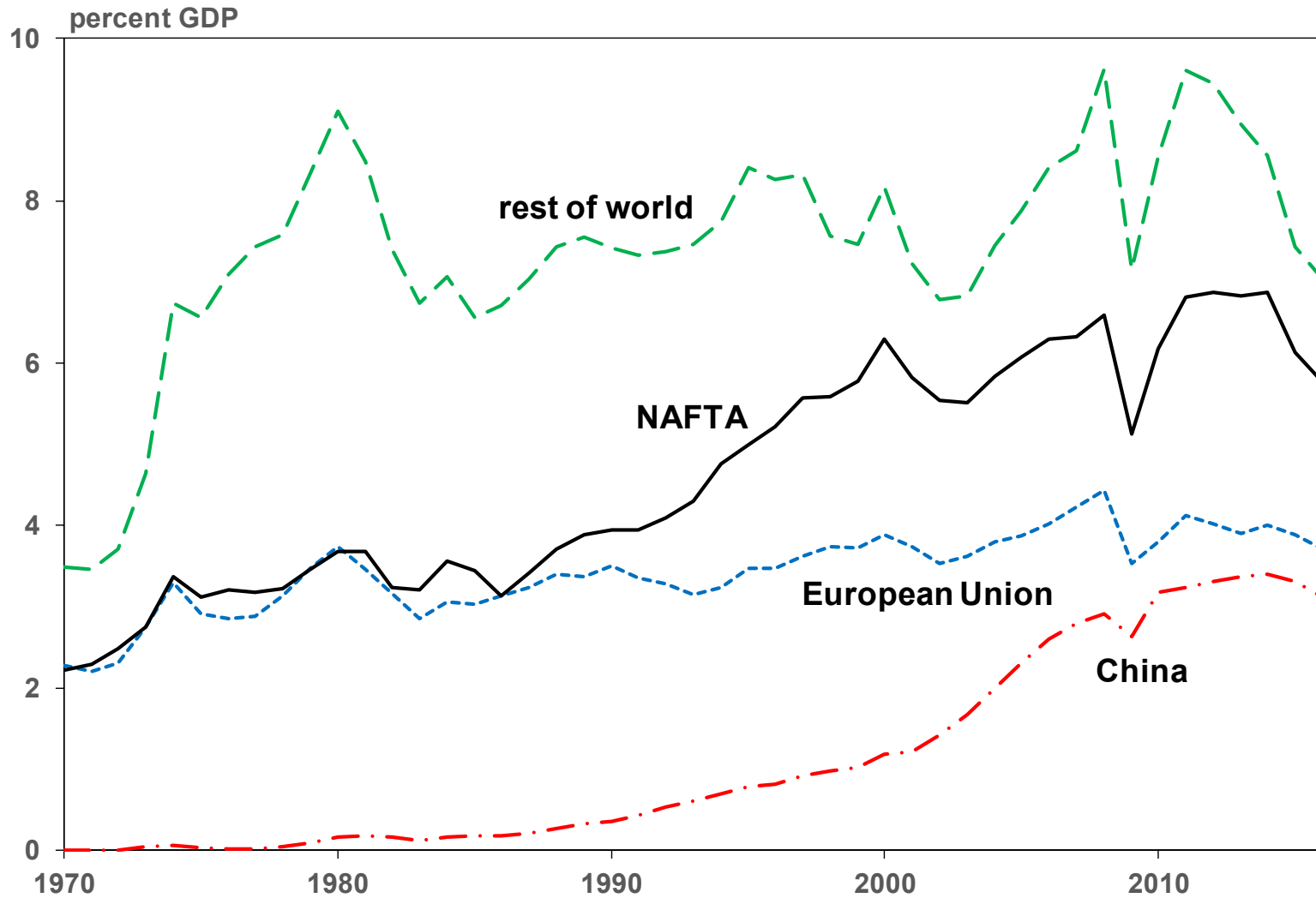


World total trade in goods



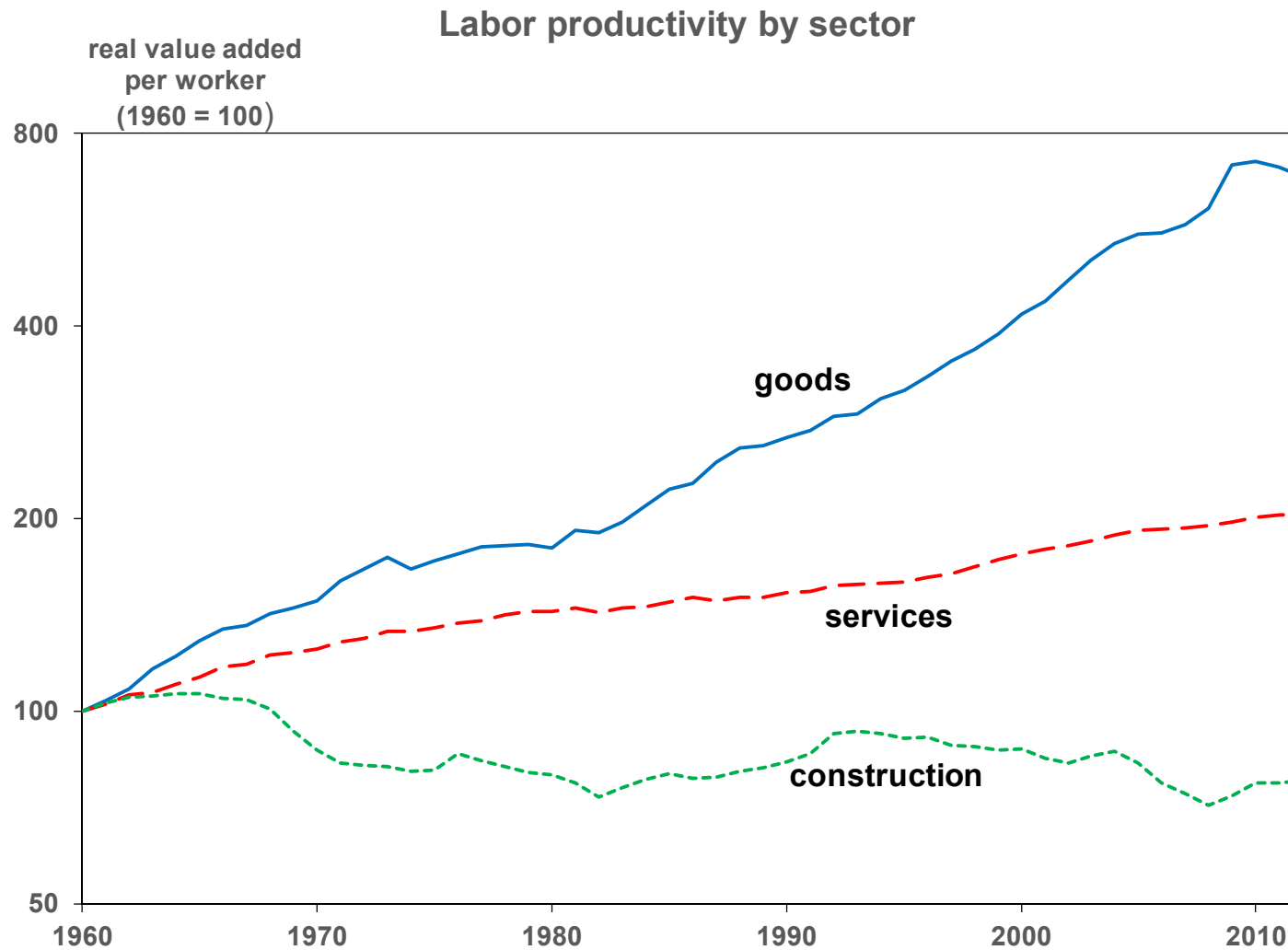
Increasing importance of regional trade blocs

U. S. international merchandise trade (exports plus imports)

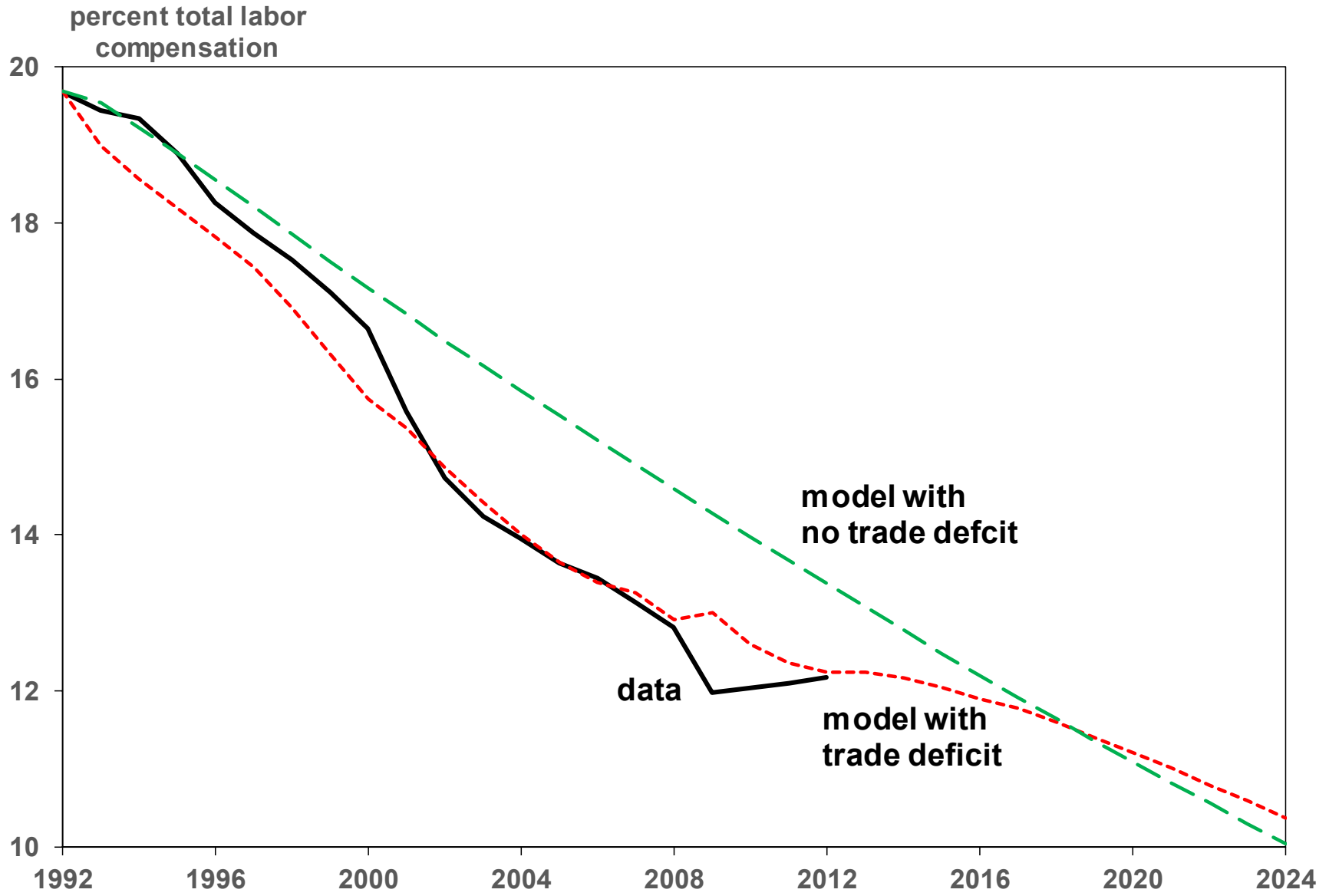


Global Imbalances and Structural Change in the United States

(with Kim Ruhl and Joseph Steinberg 2018)



Share of U. S. labor in goods production



Importance of trade in services

United States is world's largest exporter of services.

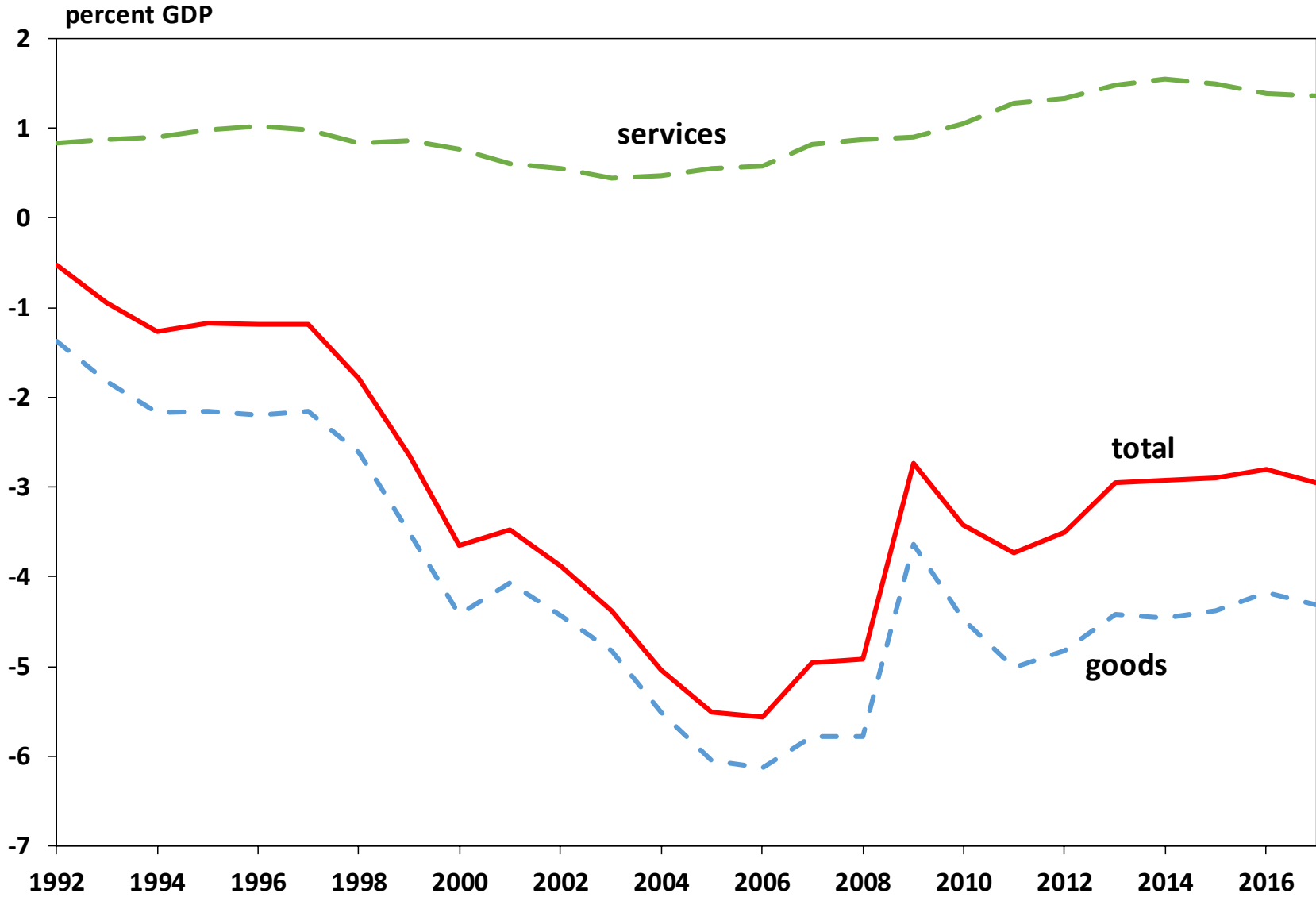
U.S. trade deficit in total trade may be poorly measured.

U.S. bilateral trade deficits with its trade partners are poorly measured.

“Offshore Profit Shifting and Domestic Productivity Measurement”

F. Guvenen, R.J. Mataloni Jr., D.G. Rassier, and K.J. Ruhl.

United States trade balance



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“Quid Pro Quo: Technology Capital Transfers for Market Access in China”
T. J. Holmes, E. R. McGrattan, and E. C. Prescott.