

CHARLES R. FRANK, JR.
with the assistance of Stephanie Levinson

Foreign Trade and Domestic Aid

Int'l Fra

TECHNISCHE HOCHSCHULE
DARMSTADT
Inv.-Nr.:
H5889
WIRTSCHAFTSPOLITIK
(VWL II)

THE BROOKINGS INSTITUTION
Washington, D.C.

Contents

1. Introduction	1
2. The Issues	7
Targets and Forms of Adjustment Assistance	8
The Economic Security Rationale	10
Encouraging Mobility of Resources	12
The Compensation Principle	12
Broad Approaches to Adjustment Assistance	21
3. Import Competition and American Jobs	23
Output and Trade in Import-Competing Industries	23
Factors Affecting the Growth of Employment	27
Trade with Less Developed Countries	33
Summary and Conclusions	36
4. Early Experience with Adjustment Assistance	39
Assistance Provisions of the Trade Expansion Act of 1962	40
Action under the 1962 Act	45
The Canadian-American Automotive Agreement	55
Conclusions	57
5. Assistance under the Trade Act of 1974	59
Eligibility Criteria	60
Benefits for Workers and Firms	63
The Older Worker	64
Assistance for Communities	66
Encouraging Workers to Move	67
Early Warning and Timely Delivery of Benefits	68
A Two-Tier System of Assistance	69
Conclusions	70

6. Aid to Communities and Regions	72
The Defense Department's Economic Adjustment Program	72
The Studebaker Adjustment Program	79
Aid to Depressed Regions	82
Conclusions	88
7. Helping Workers Adjust	90
Manpower Training	90
Income Maintenance Programs	94
Additional Security through Collective Bargaining	100
Conclusions	108
8. Industry Approaches to Adjustment	110
The Railroad Industry	110
The Meat Packing Industry	115
Conclusions	122
9. Adjustment Assistance in Other Countries	124
The European Community	125
Canada	129
The United Kingdom	134
The Federal Republic of Germany	139
Sweden	141
Japan	144
Conclusions	146
10. A Program for the Future	148
Trade Adjustment Assistance	148
A Comprehensive Program of Assistance	150
Conclusions	157
Appendixes	
A. The Cost of Adjustment Assistance Programs	158
B. Statistical Data	170
Index	174
Text Tables	
3-1. Trade Ratios for Selected Import-Competing Industries, 1963, 1967, and 1971	25
3-2. Trade, Output, and Employment Data for Selected Import-Competing Industries, 1963, 1967, 1970, and 1971	26

3-3. Growth of Rates of Trade, Output, and Employment in Selected Import-Competing Industries, 1963-71	26
3-4. Sources of Growth of Employment in Selected Import-Competing Industries, 1963-71	29
3-5. Components of Growth in Employment in Selected Import-Competing Industries, 1963-71	30
3-6. Effect of Foreign Trade on Employment in Selected Import-Competing Industries, 1963-71	32
3-7. Annual Rates of Growth of Imports in Selected Import-Competing Industries in Less Developed Countries, 1964-71	34
3-8. Imports from Less Developed Countries as a Percentage of Total U.S. Output in Selected Import-Competing Industries, 1964 and 1971	35
3-9. Change in Number of Jobs Available Due to Increased Imports from Less Developed Countries in Selected Import-Competing Industries, 1964-71	37
4-1. Department of Commerce Action on Adjustment Assistance to Firms, December 1969 to April 2, 1975	50
4-2. Department of Commerce Authorizations for Trade Adjustment Assistance, through April 2, 1975	51
4-3. Adjustment Assistance Certifications by Department of Labor, October 1972 to April 2, 1975	54
6-1. Employment Attributable to Defense Expenditures, 1965 and 1968-76	74

Appendix Tables

A-1. Results of Regression Analysis of Import Competition in Selected U.S. Industries, 1963, 1967, 1970, and 1971	162
A-2. Number of Workers Eligible for Adjustment Assistance under Various Projected Trade Conditions, 1973-80	168
A-3. Estimated Cost of Worker Readjustment Allowances under the Trade Act of 1974	168