rates) increase sharply after the current normal retirement age, perhaps because employer hiring practices do not change when the normal retirement age changes. This, too, would lead to a lower employment and output effect than that simulated here. The book would have benefited by calling these caveats to the attention of the reader.

(3) A third issue concerns the choice of discount rate in calculating the work incentive effects and worker responses. A 3% discount rate is uniformly used, without any discussion. But empirical evidence suggests that many people have a much higher discount rate. If a higher discount rate is used, the work disincentive measures will be greater because the loss of the present year's benefit will be weighted more heavily relative to expected future incremental benefits. But if these disincentive measures are larger, the estimated response coefficients on the incentive measures would probably be smaller, to produce the same observed work and retirement outcomes. In that case, the simulated impact of policy changes on labor supply might be smaller. It would have been useful to demonstrate the sensitivity of the analysis to alternative discount rates.

Despite these caveats, there is no doubt that the Gruber and Wise study of retirement behavior—both in the first volume and in this one—is path-breaking and must influence our thinking about when and why people retire. They combine a broad sweep—across twelve countries and long time periods—with careful methodology. They show that incentives matter, that the details hidden in policies create incentives, and that these have a strong influence on behavior.

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Job Creation, Job Destruction, and International Competition. By Michael W. Klein, Scott Schuh, and Robert K. Triest. Kalamazoo, Mich.: Upjohn Institute for Employment Research, 2003. 216 pp. ISBN 0-88099-272-7, $40.00 (cloth); 0-88099-271-9, $17.00 (paper).

> "Outsourcing is just a new way of doing international trade," Mankiw told reporters. "More things are tradable than were tradable in the past and that's a good thing."
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> ("Bush, Adviser Assailed for Stance on 'Offshoring' Jobs," by Jonathan Weisman, *Washington Post* Staff Writer, Wednesday, February 11, 2004)

Received economic wisdom and popular opinion often conflict, but nowhere more than in discussions of the effect of international trade on economic well-being. The remarks by Greg Mankiw cited above, which express a view that is taught in most basic economics classes, were excoriated by the popular press, and not supported by the White House. Whether economists like it or not, there is a clear perception that international trade leads to lost jobs for American workers, and perceptions generate political responses. The release of this book, which painstakingly investigates the effect of international trade on the reallocation of jobs in the U.S. economy, provides welcome empirical evidence to inform the political debate.

A key contribution of this research, as the title indicates, is to provide a detailed analysis of what the data tell us about the effect of international competition on the reallocation of jobs within and across detailed industries, rather than net employment change. The analysis of firm-level micro data by Steven J. Davis, John C. Haltiwanger, and Scott Schuh in *Job Creation and Destruction* (MIT Press, 1996) demonstrated very clearly that there are enormous amounts of job creation and destruction in the economy, and that this is often a productive reallocation of resources. Yet in times of economic downturn, a great deal of political attention is paid to lost jobs—particularly jobs lost to foreign competition—while job creation goes largely ignored.

What do the authors find? They find that the U.S. economy has become substantially more open to trade. Not surprisingly given their exhaustive use of micro data, they also find that these changes in international competition affect jobs and employment in more complex and substantive ways than was previously understood. Their examination of almost 20 years of manufacturing data (1975–93) provides strong evidence that the U.S. economy's openness has increased substantially over time. However, their econometric analysis of the effect of this international openness on jobs finds that the impact is much more complex than a simple examination of net employment change would reveal. For example, exchange rate changes affect both job creation and destruction, but these effects differ depending on whether the exchange rate change is cyclical or trend. A cyclical appreciation increases job destruction, but not job creation, leading to net employment loss, while a trend appreciation increases both job creation and job destruction, not net employment change. In the second part of the book, the authors use what they refer to as case study analysis to examine the effect of NAFTA on three industries—textile and apparel, chemicals, and automobiles—in which there is strong international competition and a substantial reallocation of bilateral trade toward Mexico. Despite the expectation of substantial trade effects, they find little evidence of a strong impact on job reallocation.

The authors are much less compelling when they move away from data-driven analysis and toward policy recommendations that are not based on their empirical research. While they make a strong case that analysis should focus on job reallocation rather than net employment change, they unfortunately feel compelled to go further. In particular, although they find that changes in the real exchange rate can have substantial adjustment costs, they warn against both exchange rate management and industrial policy. Surprisingly, given the empirical nature of the book, this conclusion is not based on any evidence derived from their analysis, but rather on a review of the literature and economic principles. Similarly, their recommendations to invest in worker assistance programs—both because they may help workers, and because they may help generate political support for necessary trade-related adjustments—while intuitively appealing, are not empirically based. Indeed, the rationale relies on related work by Lori Kletzer in this Upjohn series of books (*Imports, Exports, and Jobs: What Does Trade Mean for Employment and Job Loss?*, 2002), which is based on data that are inappropriate for the analysis.

Assembling the right set of empirical evidence is a daunting task, and the authors have clearly put Herculean effort into creating a very detailed industry-level dataset on international trade and job reallocation. Yet, as always, the devil is in the details, and the reader is left with a number of disappointments. In particular, probably because of the compelling policy interest in the topic, the authors oversell their results by overstating their policy relevance, and this detracts from the solid quantitative analysis.

First, and most obviously, the empirical analysis covers data more than a decade old (the period ends in 1993), which reduces its policy relevance. Second, the authors only examine the manufacturing sector, which accounts for less than 13% of employment. Since many of the gains from trade are likely to occur in the service sector—which is where the United States has a strong comparative advantage—the analysis is necessarily limited. Imagine a similar analysis of the effects of international trade that focused only on the U.S. agricultural sector over the past 100 years!

Finally, as noted above, the authors make a number of statements about the effects of job destruction on workers without adequate empirical support. Their establishment-based dataset's detailed information on establishment-level employment permits the calculation of job creation and destruction, but does not reveal the associated worker flows, so there simply is no information about what happens to workers who work for firms either adversely or positively affected by trade. Relying on the Kletzer work is similarly inappropriate, because that research is based on worker-based surveys providing information about workers but little information about the firms that employ them. Identifying the effects of international trade and job reallocation on workers requires linked employer-employee data, which are not used in the analysis (although, to be fair, the authors note the need for such data to further advance the literature).

Overall, however, the quality of the empirical work makes this book a useful read. It is well documented, well written, and obviously very timely. The Upjohn Institute has done both the policy community and the academic community a service by publishing it.

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History

Southern Struggles: The Southern Labor Movement and the Civil Rights Struggle. By John A. Salmond. Gainesville: University Press of Florida, 2004. xiv, 212 pp. ISBN 0-8130-2703-9, $55.00 (cloth).

Southern Struggles wears its heart on its sleeve. It identifies with the courageous attempts of southern textile workers to organize unions in