

Book Reviews

Edited by Robert Herren

Offshoring of American Jobs: What Response from U.S. Economic Policy? BHAGWATI, JAGDISH AND ALAN S. BLINDER. Edited and with an introduction by Benjamin M. Friedman, Cambridge Massachusetts: The MIT Press. 2009. xiv + 141 pp. \$18.95.

The book is a collection of papers and comments of the participants at the May 2, 2007 Harvard University's Alvin Hansen Symposium on Public Policy (do not be scared by the Symposium date, the discussion and arguments are as actual as they come). Professor Benjamin M. Friedman, who also writes the Introduction, edited the volume. The two main contributors are, as expected, Jagdish Bhagwati and Alan S. Blinder, while Richard B. Freeman, Douglas A. Irvin, Lori G. Kletzer and Robert Z. Lawrence provided in-depth comments. The book ends with responses by the two main authors to the comments, as well as, to each other.

As Professor Friedman states in the Introduction, the main issues discussed during the symposium are "does 'offshoring' actually represent a new, or different, kind of threat to the livelihood of American workers?" and "how this country's public policy should respond?". As in any great debate, the two main authors have equally strong and convincing arguments for their opposite views, while the discussants do a great job adding even more insights to the topic. At the end, however, the reader is left to draw the conclusions, but this is, by all means, nothing new in economics.

Professor Jagdish Bhagwati's paper entitled "Don't Cry for Free Trade" is an interesting read, to say the least. The paper adopts a chronological approach to the issue of outsourcing as reflected by the rhetoric of researchers, politicians and the media. While very well organized and eloquent, the paper is also a fascinating insight into the careers of several of Professor Bhagwati's former students, such as Paul Krugman, Laura Tyson and Gene Grossman as well as of quite a few other well-known opinion makers. The author skillfully summarizes these renowned authorities' standpoints regarding free trade throughout the years. Moreover, one cannot escape the delightfully colorful style that the author uses throughout the paper. Indeed, eloquent phrases such as "pari

passu” are used aside words such as “moron” and urban expressions such as “there was no beef”.

Professor Blinder’s paper, equally eloquent and convincing, adopts a more formal approach by looking at and citing current and past research, and even describing some of his recent findings. Indeed, Professor Blinder starts with a definition aimed at making clear what the debate is about while also helping the reader discerning between “outsourcing”– contracting out of the company and “offshoring” – contracting out of the country (the main topic of the debate). Then, after setting things clear, the author progresses in his quest to analyze the status quo, by revising the current state of the debate and research. The paper ends with an analysis of three possible responses that the policymakers could create, further enforce, or adjust in the future.

Those readers familiar with the debate and the work of the two authors guessed already that Professor Bhagwati’s standpoint is that free trade is alive and well. In his opinion, only a handful of economists (such as Professor Blinder) consider limiting it even if only slightly. On the other hand, Professor Blinder seems to believe that some government intervention is needed and that economists should advise as to what would be the appropriate policies to apply. Nevertheless, after reading the papers, one can debate if these two equally renowned economists have really, very opposite views. Let us see where they agree and disagree.

It appears that both authors (as well as the participants) agree that offshoring has some impact on the United States economy. For example, Professor Bhagwati mentions two main schools of thought, one showing that the negative effect of offshoring is negligible (citing work by Avinash Dixit) but also one suggesting that not only government intervention in the matter would not help, but it could also make things worse (with, amongst others, Krugman as its proponent). Therefore, one can summarize his opinion as being aware of the negative effects but either considering them insignificant or holding the belief that nothing can be done about it. On the other hand, Professor Blinder clearly states that the debate is not about the existence of the negative effects offshoring has but about the magnitude of these effects. And, at least one participant (Lori G. Kletzer) openly agrees when writing: “The debate is about the size, scope, and impact of services offshoring” (page 83).

Accordingly, on one side, we have Blinder, Freeman and Kletzer believing that offshoring will adversely affect United States jobs to the

extent that government intervention should be required. On the other side Bhagwati, Irwin and Lawrence, doubt any policies should be changed or put in place to counter offshoring's effects. Moreover, some believe that not only is this debate unhelpful, but also potentially harmful. As Lawrence puts it (maybe a little too personal): "But is Blinder Paul Revere or just Chicken Little? Is he not warning us that the sky is falling when in fact there is little reason to panic? I believe that he is excessively pessimistic and, precisely because his paper is superficially persuasive, I am concerned that he could endanger unnecessary alarm and provoke the very protectionist responses that he says he'd like to avoid" (page 92).

However, a more down to earth reader could put the debate in nonprofessional terms. Such a reader could ask: "How many Americans are losing their jobs to offshoring?" Because there are Americans losing their jobs (again, the debate is about how many they are and not about their existence), the next question would be "Are there any "programs" that would be available to those workers, and could these programs be extended to all those who are affected?" Obviously, the last issue can be addressed only after (and only if) we will be able to quantify the impact offshoring has on the United States economy with at least some degree of accuracy. Of course, the debate will then move on again, towards assessing the existing programs' efficiency and designing new better ones. Yes, it never ends.

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Parentonomics: An Economist Dad Looks at Parenting. GANS, JOSHUA. Cambridge, MA: The MIT Press, 2009. Pp.xvi, 235. \$22.95.

As economists we are familiar with the general public's opinion about the field of economics and, by implication, us! Economists have the reputation of having no sense of humor, and many people typically regard economics as a boring subject. Students often complain that they don't really see the relevance of economics to the real world. And, oh yes those graphs.....especially in the first course in Microeconomics. In fact in most universities, to soften the blow, the curriculum is set such that the first course is Macroeconomics (rather than Microeconomics). This is based on the general belief that Macroeconomics is "closer to home" and