Rebutting the “U.S. Manufacturing Has Never Been Healthier, So Don’t Blame Trade” Argument

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About ITIF

- One of the world’s top science and tech think tanks
- Formulates and promotes policy solutions that accelerate innovation and boost productivity to spur growth, opportunity, and progress
- Focuses on a host of issues at the intersection of technology innovation and public policy:
  - Innovation processes, policy, and metrics
  - Science policy related to economic growth
  - E-commerce, e-government, e-voting, e-health
  - IT and economic productivity
  - Innovation and trade policy
The Problem

- We need a robust national manufacturing competitiveness strategy.
- However, that requires a consensus that there is a competitiveness challenge for U.S. manufacturing.
- Unfortunately, the Washington trade establishment engages in willful disregard of the data and evidence of the competitive challenges facing U.S. manufacturing. They go out of their way to assert that U.S. manufacturing has never been healthier and the all or the vast majority of job loss is from superior productivity, not competitiveness challenges.
- The trade establishment worries that if the evidence shows that there is a competitiveness challenge for manufacturing, that support for globalization and increased trade will fall.
- The problem is that their “denialism” means that the support for needed solutions (e.g., more trade enforcement, a stronger domestic manufacturing strategy) is weakened. Why act when all is well?
Washington Trade Establishment: “All is Well”

Their Claims:

- Manufacturing output and exports at all-time levels
- U.S. global share unchanged
- Manufacturing job loss due to technology, not trade
CLAIM: Manufacturing Exports At All-Time High

REALITY:

- GDP at all time high, imports even higher
- Exports have grown, but imports have grown faster
- Manufacturing trade deficit up 35% since 2012
CLAIM: Manufacturing Output At All-Time High

“U.S. factories produce twice as much stuff as they did in 1984.”
—Rex Nutting, MarketWatch, 3/28/2016

REALITY:

- GDP grew even faster (up 230 percent)
- Manufacturing output down 1% since 2007, while GDP is up 10%
CLAIM: U.S. Share Unchanged

“The U.S. share of global manufacturing has held at around 20 percent for 40 years.”
—Robert Zoellick, WSJ, 8/7/2016

REALITY:

- In fact, it has declined by 7 percentage points since 2000.
CLAIM: Productivity Killed Jobs

“Manufacturing employment has fallen because of productivity growth, not a decline in output.”
—Congressional Research Service

REALITY:

- Then why did we lose 2.4% of manufacturing jobs in the 90s when manufacturing productivity growth was similar?
REALITY: Most Industries Are Producing Less

- Real manufacturing value added grew 2% from 2008 to 2015
- Rest of the economy grew 11%
- 14 of 19 manufacturing sectors lost output
REALITY: USG Overstates Output Growth

- Computers and electronics (NAICS 334) accounted for 111% of U.S. manufacturing value added growth from 2005 to 2015
Relevant ITIF Reports

- “A Critique of CRS’s ‘U.S. Manufacturing in International Perspective’”
- “Worse Than the Great Depression: What the Experts Are Missing About American Manufacturing Decline”
Thank You!

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