The State Role in U.S. Manufacturing Revival

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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
Manufacturing Matters to State Economies

This
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Depends on That
But U.S. Manufacturing is Not Fully Alive and Well

- Real manufacturing value added grew 2% from 2008 to 2015
- Rest of economy grew 11%
But U.S. Manufacturing is *Not* Fully Alive and Well

- 14 of 19 manufacturing sectors lost output from 2008 to 2015
Why Did Manufacturing Jobs Go Overseas?

- Aggressive foreign “innovation mercantilism”
- High U.S. corporate tax rate
- Limited industrially relevant R&D
- Poor workforce training
- Limits on export financing
- No manufacturing strategy
Manufacturing Policy Must Get the 4 “Ts” Right

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There is more than one “production recipe.” The “high road” recipe involves greater use of capital equipment, more reliance on skilled workers and their knowledge, and greater focus on innovation.

– 0.7 correlation between payroll per employee and value-added per employee
– 0.6 correlation between payroll and capital expenditures
– Firms with higher payroll per employee have more skilled workers.

[Source (Susan Helper and Ryan Noonan, “Taking the High Road: New Data Show Higher Wages May Increase Productivity, Among Other Benefits, U.S. Department of Commerce, Aug 4, 2015)]
What Should States Do? Support Innovative Skills Programs

- More engineering in high school (e.g., Purdue’s High School evGrandPrix; FIRST; SkillsUSA; SMU’s Infinity Project; Purdue Polytechnic Charter High School)
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- Regional Skills Alliances (e.g., Southwest Virginia Alliance for Manufacturing, Wauskesha County Manufacturing Alliance [WI]; Manufacturing Alliance of Hillsborough County [FL].
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- Support manufacturing R&D centers at universities
- CEO self-learning networks.
- Fund state match for the NIST Manufacturing Extension Partnership and the Manufacturing USA program and the Manufacturing Universities program.
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– Manufacturing “401K-s” (CT)
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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