

# The State Role in U.S. Manufacturing Revival

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Boston, MA

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# About ITIF

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- 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

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This



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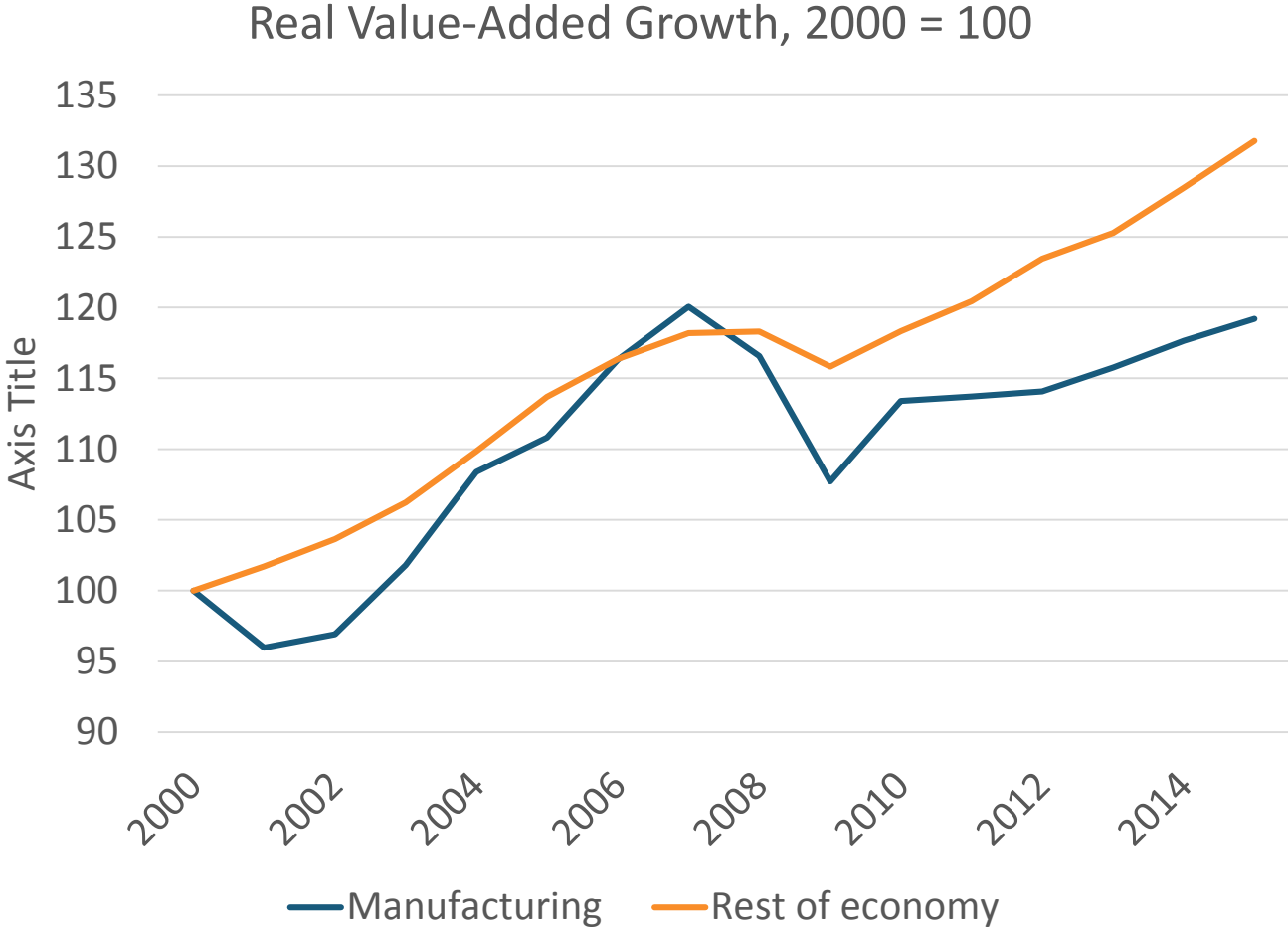
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Depends  
on That



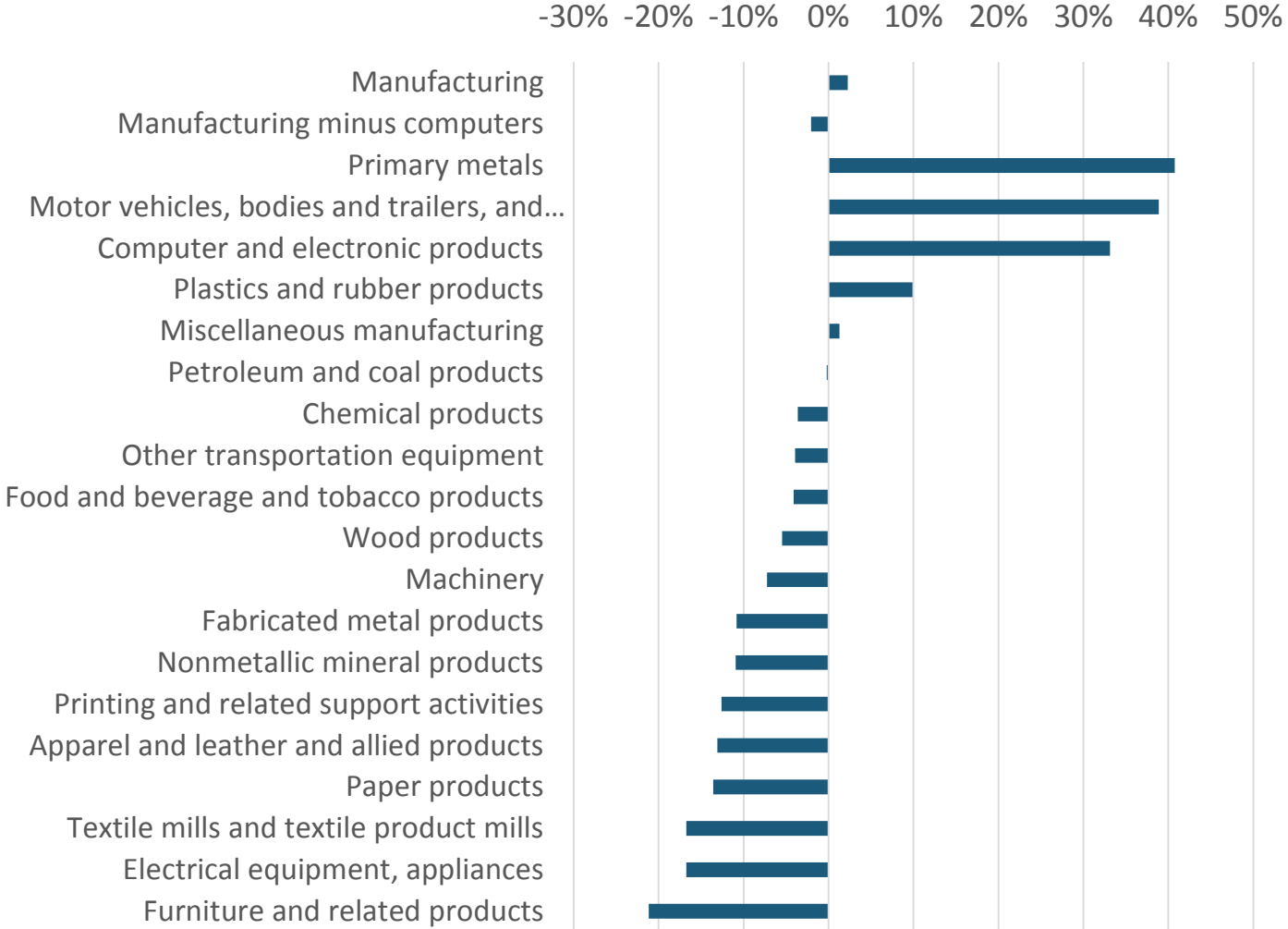
# But U.S. Manufacturing is *Not* Fully Alive and Well

- 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?

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- 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

Macro

Trade

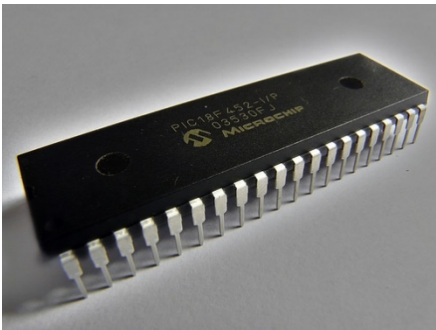


Tax



Micro

Technology



Talent





# What Should States Do? Encourage the High Road



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)]

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- University programs that emphasize manufacturing (e.g., Haley Barbour Center for Manufacturing Excellence at University of Mississippi; Georgia Tech's Manufacturing Center; University of Louisville engineering Co-op program).

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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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- CEO self-learning networks.

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- **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

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- “The Myth of America’s Manufacturing Renaissance: The Real State of U.S. Manufacturing”
- “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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