



The Daily Dish

Manufacturing and Economic Policy

DOUGLAS HOLTZ-EAKIN | SEPTEMBER 25, 2024

Candidate Trump was busy dreaming of dealmaking while on the stump. Bloomberg [reports](#): “Trump Vows to Take Other Countries’ Jobs During Georgia Rally.” Specifically:

Trump vowed to personally recruit foreign companies to move their manufacturing hubs to the US, dangling a further reduction in the corporate tax rate from the current 21% to 15%, low regulations and the ability to use federal land as incentives to produce domestically. He said he would appoint a manufacturing ambassador to recruit overseas companies to move to the US. He pledged to impose steep tariffs on companies that make products elsewhere who seek to sell into the US.

Before moving to the specifics of the policy (if there are any), let’s do a little setting of the context. This is particularly useful as Trump’s misguided promises simply amplify more than three years of the Biden Administration’s distortion of the facts on manufacturing.

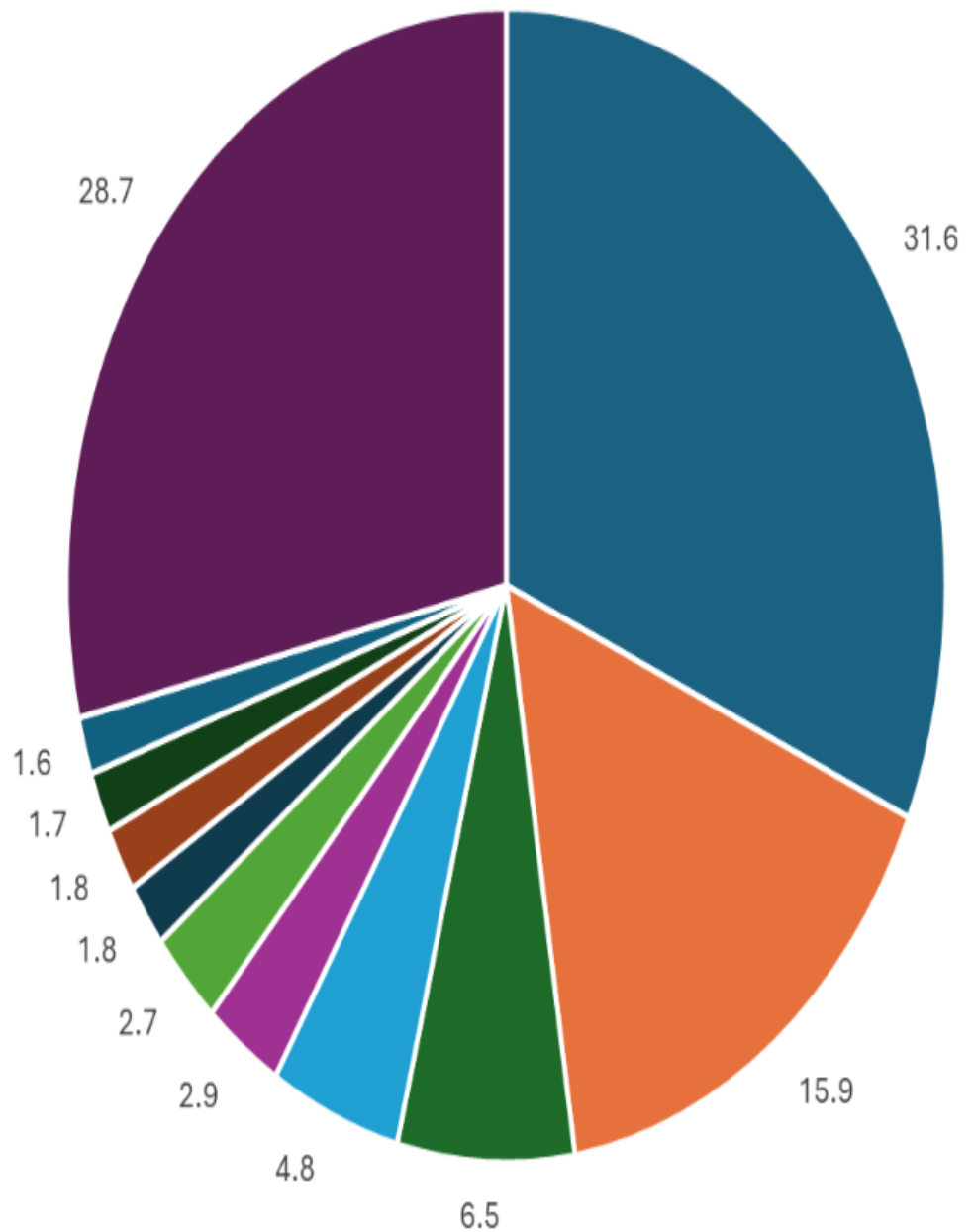
First, the United States is not a manufacturing backwater. As one can see (below), the country has the second-largest share of manufacturing output – 15.9 percent – trailing only China at 31.6 percent. Indeed, the U.S. share is greater than the combined output of Japan, Germany, and India. It dwarfs such supposed threats as Mexico. Policymakers have been so busy trying to save manufacturing that they have not noticed it can take care of itself.

Second, the United States is not an industrial economy. As shown in the second graph (orange line, right axis), the share of employment in manufacturing is currently a tad above 8 percent. Most Americans are not in manufacturing, and it would be nice if any of our supposed economic leadership paid attention to their welfare occasionally.

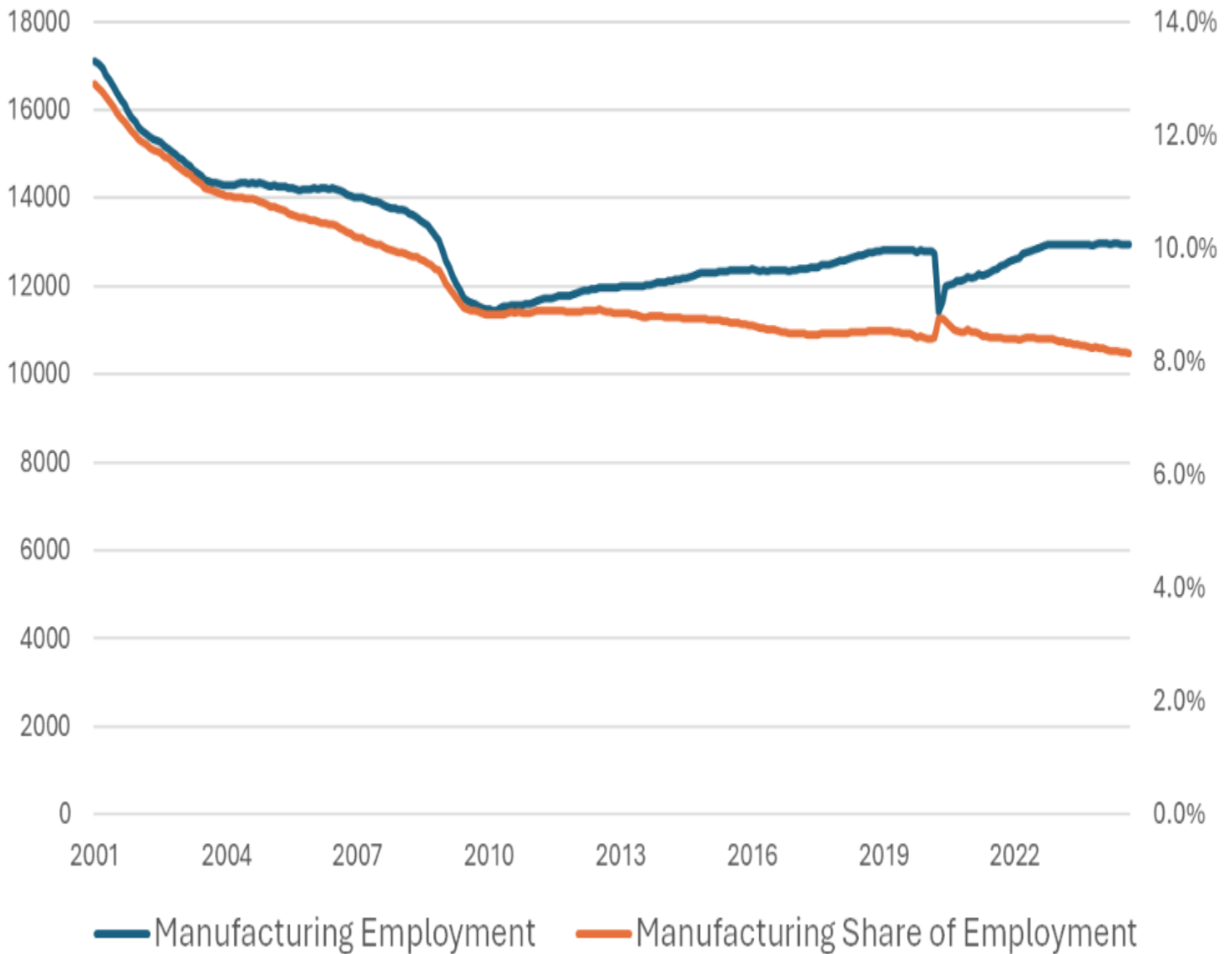
Finally, overall employment in manufacturing has declined in the 21st century (second graph, blue line, left axis). The first widely noted, decline came early in the 21st century with the entry of China into the global trading system. The second decline followed the Great Recession and financial crisis. By comparison, the impact of the pandemic was modest, and employment has recovered. More important, nothing anyone has done since 2017 – the Trump China tariffs, Trump threatening U.S. firms, Biden’s manufacturing largesse – has moved the needle a bit.

Global Manufacturing Output

- China
- U.S.
- Japan
- Germany
- India
- South Korea
- Russia
- Italy
- Mexico
- France
- Other



Manufacturing Employment in 21st Century



Beware of politicians promising manufacturing jobs.

Especially beware if those jobs will come at your expense. Subsidies to entice firms to locate in the United States must be financed on the back of some other U.S. taxpayer. Tariffs are just taxes with another label that would transfer dollars from households to the target firms.

What is missing is a comprehensive view of policy – they may offer benefits, but also carry costs. What is missing is a comprehensive view of the economy – a beautifully heterogenous mix of manufacturing, services, corporations, small firms, not-for-profits, and myriad other activities and entities.

What is needed is a comprehensive, pro-growth strategy for the economy – something neither candidate could produce if you spotted them “pro-growth” and “strategy.”