



Donald Trump and American steel: Another story of economic nostalgia

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Given that Donald Trump gave his big trade-bashing economic speech in Pennsylvania, it's not so surprising he talked about steel. American steel, dadgummit!

Trump:

A Trump Administration will also ensure that we start using American steel for American infrastructure. Just like the American steel from Pennsylvania that built the Empire State building. It will be American steel that will fortify American's crumbling bridges. It will be American steel that sends our skyscrapers soaring into the sky. It will be American steel that rebuilds our inner cities. It will be American hands that remake this country, and it will be American energy – mined from American resources – that powers this country. It will be American workers who are hired to do the job. We are going to put American-produced steel back into the backbone of our country. This alone will create massive numbers of jobs.

So this was, I guess, both an attack on subsidized Chinese steel and a “buy American” pitch.

Now the entire US steel industry directly employs just 142,000 American workers, according to the American Iron and Steel Institute. Or only twice the headcount of Apple alone.

Which is not to say it is an insignificant industry. The US steel industry is the world's fourth-largest. Indeed, the total value-added output of the entire US metal manufacturing industry is some \$60 billion, employing some 400,000 workers.

But here's the thing: the manufacturers that use steel generate nearly \$1 trillion in value-added output, according to the [Cato Institute](#), using government data. And they employ some 6.5 million people. What's more, as Cato argues, “low-priced steel imports provide a substantial net benefit to the US economy” as an input to other manufacturing. This is a good thing for most American manufacturing and is in effect a net transfer of wealth to the US from China.

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Steel is an intermediate good. When you raise protectionist barriers against imported steel as Mr. Trump threatens, you temporarily help U.S. steelworkers. You also raise input prices for American firms that use steel to build bridges and buildings and make cars, and trucks, trains and train tracks, appliances, ships, farm equipment, drilling rigs and power plants, and tools and packaging. Higher input costs hurt American workers in those factories and on those construction sites.

Mr. Trump should ask the workers who make dishwashers at Whirlpool's plant in Findlay, Ohio whether they're in favor of more expensive steel. Or he can ask the John Deere workers who use steel at their factories in Iowa, Kansas, Louisiana, North Carolina, North Dakota, Tennessee, and Wisconsin. Or the auto workers at almost any U.S. car and truck assembly line. Raising prices for imported steel hurts all of these American workers.

The New York Times offers some value-added of its down on the long-term decline of American steel manufacturing, not forgetting the role of automation and technological progress as Trump typically does:

[Trump] is right that the number of steel industry jobs — more precisely “iron and steel mills and ferroalloy manufacturing,” in government data-speak — is down by 44 percent in the Pittsburgh area since 1990, a span in which the United States entered the North American Free Trade Agreement and engaged in much more extensive trade with China.

But two things are worth knowing. **Before Nafta was even a gleam in a trade negotiator's eye, Pittsburgh had already lost the biggest chunk of its steelworking jobs. The culprit in that era was both international competition and the introduction of mini-mills, which allowed the production of steel with far fewer man-hours.** Because of that and other technological innovations that improved productivity, total American steel output is about the same now as it was in 1990, even with far fewer workers.

That steep contraction in steel production jobs has been more than counterbalanced by a rise in other types of work. The 5,100 steel production jobs lost in Pittsburgh are dwarfed by the 66,000 health care jobs gained in the same time span. Pittsburgh has often been viewed as the very model of a city moving beyond its heavy industrial history to find new prosperity in areas like health care, banking, and professional services.