

Sometimes what everyone knows just ain't so

Here is a “Special Report” from Reuters, titled “Special Report: Is America the sick man of the globe?” Reuters, a respected news organization, right? You would expect a little bit of fact checking, wouldn't you? The author states, in passing, ”As U.S. manufacturing declined, starting in the 1980s Congress and successive administrations focused instead on the financial sector and relied on debt — its own and that of the U.S. consumer — to foster economic growth.”

Everyone knows that U.S. Manufacturing has been declining since the 1980s. The problem is, it just is not so. The facts are easy enough to check out. You can go to the Federal Reserve's web page on Industrial Output. Here is the combined data, from 1972 to 2010, using the seasonally adjusted values for January of each year in a time-series graph.

While there are noticeable dips in 2001 and again starting in 2008, the long-term trend since the 1980s has clearly been an increase in manufacturing output.

What has made manufacturing jobs so attractive, their high wages, is the high growth in output possible in manufacturing by the use of equipment to substitute for people. Growth in production means for the same amount of labor we can produce more, so manufacturers can cut costs per unit and pay more to their workers as well. What has declined in the U.S. since the 1980s is the number of jobs in manufacturing, not the amount of manufacturing.

Perhaps the author, while in Michigan, should have talked to one of the University of Michigan's economic professors, Mark Perry, who notes here that the decline in manufacturing jobs is the result of the productivity of American workers, not the reduction of manufacturing in America.

Daniel Ikenson wrote this article in the Pittsburgh Business Times in November of 2007, reprinted here at the Cato Institute website.

Output per worker has dramatically increased over the years. Machines, while replacing some workers, have so increased the productivity of the remaining workers, that those highly productive workers are able to fetch higher pay. The high pay has also contributed to the incentive for manufacturing innovation, as businesses seek to find ways to do without so many expensive workers. Technology and the education and training that make that technology usable have increased the output per worker, raising manufacturing wages.

The lesson is that some things become part of general knowledge that may not be so—check out media claims—go to the data. So much information is publicly available and easy to check out. Be on the lookout for undocumented, “supposed” facts.

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