

Café Hayek

Made on Earth

by Don Boudreaux on March 22, 2011

in [Complexity and Emergence](#), [Seen and Unseen](#), [The Economy](#), [Trade](#)

[Writing in the *Financial Times*](#), Gillian Tett muses on the meaninglessness of “Made in...” labels. Here’s the concluding half of Tett’s excellent essay:

But if you peer into the trade statistics, there is another, more subtle, shift under way: the real story behind these “made in” labels is not just that some items are no longer entirely “American”; instead, the bigger issue is that they are now produced in so many places, with such convoluted supply chains, that it is hard to tell where they are “made in” at all.

Take a look, for example, at a fascinating paper recently produced by the Asian Development Bank, which looks at where an iPhone is made. In this case, the company – Apple – is American; however, components for the iPhone are variously assembled in China, Korea, Taipei, Germany and the US, involving almost a dozen companies which are hard to pigeonhole with any ethnic label.

And it is not just in the world of electronics that these labels blur. Two decades ago, Sylvia Yanagisako, a Stanford University anthropology professor, went out to Italy to study the Italian textile and fashion trade – only to realise that so many of the key processes had moved to China that she shifted her research to Shanghai. She also found that Italian fashion designers are now tying themselves up in knots about what being an “Italian” designer really means. After all, the “Made in Italy” label carries cachet among consumers (including, ironically, wealthy Chinese shoppers). Many Italian designers insist that the concept of *italianità* (Italian-ness) is almost sacred. What, in other words, does *italianità* really mean if a product is partly made in China? The cultural contradictions on this new “21st-century Silk Road” – as Yanagisako dubs it – are intense.

The challenge for economists is even more profound. In the old days, they typically measured the output of an economy by watching where goods were “made”; but which country should claim the “value” for an iPhone (or an Italian suit or an American Girl doll)? Where does the real “output” come, in a world where companies can shift profits around?

Indeed, such is the complexity that Pascal Lamy, the head of the World Trade Organisation, recently voiced the seemingly heretical idea that economists should stop paying so much attention to “import” and “export” statistics. Thus, instead of trying to measure what is now “made in America” – or “China” – what economists should do is focus on the global economy as a whole, he insists. “It no longer makes sense to think of

trade in terms of ‘them’ and ‘us’,” he argues; 20th-century-style trade statistics can be too arbitrary in the 21st-century world.

In rational terms, Lamy is absolutely right. But it is unlikely to cut much ice in political terms – or in a world where American unemployment is rising and politicians are muttering about currency wars. So the next time I pop into the American Girl store, I will look for the “Made in China” labels – and both chuckle and fret. This new, 21st-century Silk and Plastic Road is full of artifice on all sides; but, sadly, that does not prevent it from being a potential future flashpoint.

By the way, I first encountered the idea credited by Tett to Lamy in [the writings of the indispensable Dan Ikenson](#).