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# How Regulations Harm U.S. Manufacturing

**By Dan Ikenson**
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**DAN IKENSON:** “Revival” is probably not the right word for a sector that has been trending upward with respect to every relevant performance metric since the nadir of the recession. The most recently published U.S. government data reveal all-time highs for manufacturing sector output, value-added, revenues, exports, profits, and foreign direct investment. Business is good for manufacturers in the U.S., but it could be better still.

Rather than focus exclusively (or even most of the time) on producing goods efficiently and competing in the marketplace, U.S. manufacturers are compelled to incur a variety of uneconomic costs and navigate a maze of regulatory burdens simply for the “luxury” of creating value, providing jobs, anchoring communities, and fortifying the tax base.

Manufacturers, indeed all U.S. businesses of at least a certain size, endure a heavy tax burden; are compelled to offer health insurance and other costly benefits to employees; are vulnerable to frivolous product liability lawsuits; must contend with the time and expense of workers’ compensation claims; are subject to work stoppages and inefficient work rules demanded by organized labor, and; must account for rapidly proliferating and often superfluous or incongruous health, emissions, and worker and consumer safety rules, all of which raise the costs of doing business.

The U.S. business environment, combined with growing perceptions that crony capitalism is pervasive, has grown increasingly inhospitable to manufacturers. While the U.S. still boasts the largest share of the world’s foreign direct investment stock, that share declined from 39% in 1999 to 17% in 2011. Part of that decline is attributable to economic growth and related investment opportunities in the rest of the world, but another well documented reason for the shift is worsening perceptions of the U.S. business environment, as described in a 2013 Cato Institute analysis.

Can more be done to bolster manufacturing potential? Yes, but the solution doesn’t call for more top-down policy. It involves streamlining regulations, making sure the rules of the road are coherent and consistent, and adopting less contentious policies to encourage investment and production.

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