

# NATIONAL REVIEW

## Conservatives Yearning for the 1950s

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It is an article of faith in the Trump campaign that he will “bring our jobs back from China, from Mexico, from Japan, from so many places.” (To be sure, at the cost of raising prices on American consumers — but his campaign doesn’t mention that part.) And The Donald is hardly alone in making this promise. While visiting a factory in Ohio last month, Hillary Clinton assured the audience that she had “always been committed to bringing back manufacturing.” Similar promises can regularly be heard from Bernie Sanders, John Kasich, and even Ted Cruz. There’s hardly a politician out there who doesn’t want to “bring back American jobs.”

But here’s an unwelcome bit of reality for Trump and all his emulators: Those jobs are not coming back.

It is true that manufacturing is a much smaller portion of the American economy than it was in, say, the 1950s. Manufacturing’s share of the U.S. economy is just 12.1 percent of GDP, compared with a peak of 28.1 percent in 1953. But that’s not because, as anti-trade zealots would have it, “we don’t make things any more.” U.S. manufacturing’s value added in 2014 hit an all-time high of \$2.1 trillion, compared to just \$110 billion in 1953 (in constant dollars). Yes, a lot of the things you find at your local Wal-Mart are made somewhere else, but that’s because U.S. manufacturing has shifted toward high-end products. The U.S. manufacturing sector is so robust that the stock of foreign direct investment exceeds \$1 trillion, far more than foreigners invest in our competitors.

Manufacturing has declined as a share of the overall U.S. economy, not because our manufacturing sector has been “hollowed out,” but because other industry sectors have grown even faster. This includes industries, like information technology, that barely existed in the 1950s. For instance, in terms of value added, professional, scientific, and technical services contribute four times more to GDP today than they did in 1955.

That’s a good thing. It’s called progress. After all, do American parents really aspire to have their children sitting at a sewing machine making shirts? Or do they want their children to become doctors, computer programmers, or technology specialists — good jobs with good futures.

Manufacturing jobs have been declining for 40 years or more, a trend that started long before NAFTA or any of the other trade agreements that Trump so hates. There are many reasons for

this decline, but they have little to do with China or Mexico “stealing our jobs.” Rather, the single biggest reason that the manufacturing sector has shed so many jobs is that American workers are increasingly productive. Simply put, it takes fewer workers to produce the same thing.

Even when manufacturers have been bringing factories back to the United States — a small but positive trend in recent years — that doesn’t mean they are bringing back *jobs*.

Robots and automation have changed everything. The biggest threat today to low-skilled workers is not China, but automation. As detailed in the 2016 Economic Report of the President, jobs with an hourly wage of less than 20 dollars have a median probability of being automated 2.7 times higher than jobs paying 20 to 40 dollars. And robots are steadily getting smarter and able to handle more tasks. Think what self-driving cars could mean to everything from taxis to long-haul trucking.

Again, that’s a good thing. There is a story, likely apocryphal, about Milton Friedman. While touring China, he came upon a team of nearly 100 workers building an earthen dam with shovels. Friedman pointed out that with a bulldozer, a single worker could create the dam in an afternoon. A Communist official replied, “Yes, but think of all the unemployment that would create.”

“Oh,” said Friedman, “I thought you were building a dam. If it’s jobs you want, then take away their shovels and give them spoons.”

Trying to preserve low-skilled manufacturing jobs in America today makes little more sense than Friedman’s spoon brigade. And such jobs are only going to become less viable in the face of government policies that make workers even more costly compared to the amount of value their labor provides. This week, Governor Jerry Brown and the California legislature seem to have reached a deal to impose an increase in the minimum wage from its current \$10 an hour to \$15 an hour by 2022. California is currently home to some 600,000 low-skilled manufacturing jobs. The new minimum wage will put many of those jobs at risk. It makes little difference whether they are taken by robots or outsourced to China or simply eliminated. Those jobs will be gone.

Moreover, many of the manufacturing processes moving overseas are designed to build products not to ship back to this country, but to better serve foreign markets. Shortening shipping distances, avoiding foreign trade barriers, and creating an on-the-ground presence in emerging markets can help U.S. firms sell more products to those countries. In fact, studies suggest that more than 90 percent of outsourcing jobs involves foreign-market considerations rather than labor costs. Slapping tariffs on foreign goods is not going to change that calculation. Indeed, all it would mean is that companies would sell still more of their products overseas and fewer here.

Of course, the change in American manufacturing has been far from painless. Certain cities, regions, and individuals pay a disproportionate price. I was born in a small New England town that was once a center of the textile industry. But within a decade of my birth, that industry and

its jobs were mostly gone. At that time they left not for Mexico or China, but for Southern states that had lower wages, lower taxes, and fewer regulations. The destination didn't matter much, though, for the people left behind. Losing that industry was devastating for the entire community.

But it was also inevitable and had nothing to do with foreign trade.

Instead of false promises about returning us to the 1950s, we would be better served if the candidates focused on how to create a climate for economic growth and entrepreneurship that will lead to *new* jobs — jobs that will fit with today's economic reality. Our rate of new-business creation is half what it was in the 1980s, and we are only 33rd in the World Bank's rankings of how easy it is to start a business. Yet we see candidates like Hillary Clinton and Bernie Sanders promising to pile new taxes and regulations onto American businesses. Similarly, Donald Trump's proposal for 45 percent tariffs will not just hurt consumers; it will mean less investment in new jobs and new industries.

There's a strange perversity to promising to bring jobs back from overseas while destroying the jobs that are here today. And, when you take into account that the promise of returning jobs is nonsense, while the job destruction is real, you realize that looking backward is more than just bad political rhetoric.

We can't climb into a time machine and return to the 1950s even if we wanted to. What we can do is prepare for a vibrant new economic future. That means cutting taxes and regulations to boost entrepreneurship. It means breaking the stranglehold that the teachers' unions have over our schools so that we can educate future workers for future jobs. It means embracing economic growth as a goal. And it means understanding that free trade contributes to that growth and ultimately produces more winners than losers.

Unfortunately, it is far easier for politicians to make promises that they know they can't keep.

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