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## No Manufacturing ‘Renaissance’ Because Decline Is Overblown

By: Timothy Aeppel – May 2, 2013

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Now it’s Cato’s turn.

The libertarian Cato Institute yesterday released its own response to the “Is it a U.S. manufacturing renaissance or not?” question. The debate has been sparked mainly by falling U.S. energy prices and rising wages in China, along with a string of U.S. companies noisily announcing they were moving some production back to the U.S. from overseas.

The problem is that there isn’t yet any proof of a deeper structural change in the economic numbers. High-profile reshoring is happening here and there, but not enough to suggest a structural change, say most economists.

Cato’s take is quite different: There isn’t a renaissance, says economist Daniel J. Ikenson, because there was never a decline in the first place. “With the exception of a handful of post-WWII recession years, U.S. manufacturing has achieved new records, year after year, with respect to output, value-added, return on investment, exports, imports, profits (usually), and numerous other metrics appropriate for evaluating the performance of the sector,” he writes.

Mr. Ikenson says the myth of decline is being pushed by those who want the U.S. to adopt an industrial policy and trade barriers. He acknowledges that manufacturing has declined as a share of the U.S. economy — falling from a 1953 peak of 28% to 11.5% in 2011 — but considers that a testament to the relative growth of the U.S. service sector, not to a decline in manufacturing.

Even job figures don’t tell the story. Manufacturing employment has been falling for three decades and has ticked up over the last few years. “But manufacturing employment is not a barometer of the health of the sector,” he writes.