

# The Telegraph

## Corbyn's manufacturing fetish parallels Trump's obsessions

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This week's George Orwell award for doublespeak goes to Jeremy Corbyn.

The Labour leader has repeated ad nauseam that he's "for the many, not the few". But this apparently does not apply to business policy. His economic speech this week – trailed misleadingly as about opportunities from Brexit – focused on the small 10pc of the economy and 8pc of employment in manufacturing. The growing service sector which dwarfs it was largely ignored.

Corbyn's certainly not the first politician to hold a manufacturing fetish. Whereas economists are usually indifferent towards industrial structure, many MPs seem to prefer physical "stuff". But Corbyn's romanticism is more deep set.

Though he pays lip service to Britain being a hub for future industries, his proposals prioritise propping up domestic shipbuilding, train production, and passport producers through tilting public procurement in favour of domestic firms. The very title of his speech – "Build it in Britain again," an echo of Donald Trump's "Make America Great Again" slogan – is a paean to reviving traditional manufacturing jobs.

Corbyn didn't advocate new post-Brexit tariffs thankfully, although he would maintain a UK-EU protectionist customs union.

But the parallels with Trump do not stop with desired reshoring of manufacturing. Corbyn wants to water down World Trade Organisation rules, sung the virtues of a cheaper pound, wishes to relax restrictions on state aid and riffed off a "Buy British" mentality. Like Trump, underpinning it all was an assumption that malign forces were to blame for hollowing out industry. Whereas Trump's villains are weak former presidents and cunning foreign governments, Corbyn blames the traditional bogeymen of the hard Left: the Tories, in hock to dastardly bankers.

So convinced of his ideology of economic planning, Corbyn thinks the growing economic share of services was somehow designed by financiers and their Conservative mates in Parliament.

True, policy can be important. Tax and environmental laws may well have raised manufacturing costs and could be re-examined.

But broadly, global trends show Corbyn is badly mistaken. The decline in manufacturing employment owes everything to changing demands and resources flowing according to comparative advantages.

As the economist Robert Lawrence has shown, innovation and productivity growth has been easier in manufacturing, as machines have replaced workers. Over time, factories therefore produced more for lower cost. But as we get richer due to this, we tend to spend the additional income on services and not goods, and pocket the savings from cheaper manufactured products for other spending. Subsequently, manufacturing falls as a share of the overall economy.

This trend can be seen both in the UK and around the developed world. Manufacturing output was actually 6pc higher in 2017 than 1990, even as manufacturing employment fell from 22 to 8pc of the overall workforce. But during that time, service sector output rose a whopping 97pc.

Manufacturing's declining share of the economy is a result of growth in other sectors. In France, New Zealand, and the US, manufacturing shares of output have fallen as well, to 10pc, 11pc and 12pc, respectively.

This does not mean manufacturing has been neglected or is not important.

It means that as an open, non-interventionist economy, and one which shed the abysmal industrial planning seen in the post-war period, market demands shaped the British economy towards things that we were relatively good at. We are left with very high value-added manufacturing and services for export, while maintaining domestic manufacturing in food and transport that needs to be close to market.

To seek widespread re-shoring of lower value-added manufacturing activities would amount to chucking taxpayer resources at things we are relatively less good at producing. In short, it would make us poorer.

If we spent decades re-orienting our whole economy around technical skills, and threw continuous subsidies, we could probably lift that manufacturing share of GDP, or at least resist its decline. But reverse engineering the economy would throw away the great opportunity to tap into the tidal wave of demands for high-end goods and services we specialise in as the global middle class expands.

Neither Theresa May nor Jeremy Corbyn seem to truly get this. Jacob Rees-Mogg was castigated this week for saying "the overwhelming opportunity for Brexit is over the next 50 years." But as Trade Secretary Liam Fox told a Heritage Foundation audience in DC on Wednesday, China is expected to have 220 cities with populations of one million or more by 2030. There are likewise expected to be 1.1bn middle-class Africans by 2060. Our trading success will depend on how well we fulfil these demands as economic gravity shifts east and south.

Yet May seems determined to tie goods regulation to the EU. This will simultaneously throw away our more permissive regulatory instincts for new technologies, and jettison a key bargaining chip to open up service sectors in free trade agreements with fast-growing economies. This will become more important as the lines between goods and services blur with

improvements in IT. May, in effect, risks tying Britain's hands in future to insulate existing goods producers from Brexit today.

Worse than May being imprisoned by the present though is Corbyn's obsession with the past. His speech, in effect, proposed a grand bargain with traditional industries. He'll give them protections, and the taxpayer funds and investments to both keep them in business or bring manufacturing activity back to Britain. But in return, they will be expected to swear fealty to socialist goals in pay structures, training, and environmental activity.

In essence, Corbyn's economic offer is this: take an economy that is shaped and adapts to global trends and demands, and replace it with planning by governments towards favoured manufacturing industries. Therein lies the path to a less dynamic, poorer Britain.

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