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## Manufacturing Death Greatly Exaggerated

Jobs have been lost, but manufacturing is still strong in U.S., despite misconceptions, says Cato's Griswold.

*Monday, December 27, 2010*

*By Peter Alpern*

At a time when the United States is still struggling to shake off the doldrums of the worst global recession since the Great Depression, the growing economic might of China has served as a humbling contrast. Its economy recently passed Japan's as the second-biggest in the world, while several noted economists have pointed out that China is currently on pace to overtake the U.S. within 15 years.

In fact, America's view of its economic future—and, more specifically, domestic manufacturing in general—is that of a crumbling empire. And that just isn't so, says Daniel Griswold, director of trade-policy studies at the Cato Institute in Washington.

The U.S. industrial base has been plagued with image problem, says Griswold, caused by two primary misconceptions: the notion of equating a country's manufacturing weight by the number of its manufacturing workers; and that global trade has crippled U.S. industry.

At a time when the U.S. economic recovery has been sputtering at a glacial pace, manufacturing has been one of its bright spots, as output has expanded for 16 straight months and exports have grown steadily. According to Griswold, output has grown exponentially from recent decades, but because of technological advances, it has required fewer workers to achieve heightened production.

"Manufacturing employment peaked in 1979 at 21 million," says Griswold. "It's been trending down since then. We're locked into the same trend that every advanced nation has seen, which is that manufacturing employment and output peaks as a share of output, then it starts to decline as the service sector becomes more important."

That doesn't mean America's middle class manufacturing employees have traded unionized jobs to flip burgers at McDonalds. Since the early 1990s, Griswold says, two-thirds of the net new jobs added to the U.S. economy have been in service sectors, which include education, health care and business, financial and professional services.

"The future of U.S. manufacturing is not in the kind of jobs we've lost, which were manual work and assembly line," says Griswold. "It's in the design and engineering and management of the supply chain."

To achieve that evolution in manufacturing requires a fundamental shift in the way we think about industry. Of course, that's cold comfort for the 2.2 million manufacturing workers that have lost their jobs since the start of the recession.

"It's a painful transition and it's hit a lot of regions of the country harder than others and it's impacted a ton of families," says Griswold. "There are certain workers that are just never going to get their old job back at the wages and benefits they had enjoyed. A lot of those positions were unionized and artificially high."

"We can smooth this transition with trade adjustment assistance or early retirement, but remember that this is a move toward a more information-based, technology-driven economy," he adds. "We don't want to slow that down. That's where our future lies."

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