

## Daily Policy Digest

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### Economic Issues

August 5, 2010

#### Democrats Ignore 80 Percent of Workers In Service Sector

The Democratic plan for increased domestic U.S. manufacturing opens a window for all sorts of government intervention, including trade barriers, higher taxes on U.S.-owned affiliates abroad, and subsidies for "clean energy" and make-work infrastructure projects, says Daniel Griswold, director of the Cato Institute's Center for Trade Policy Studies.

The campaign relies on two major but faulty assumptions, says Griswold: That U.S. manufacturing is in deep trouble, and that creating more manufacturing jobs is the key to prosperity. Neither assumption is true:

- Despite worries about "de-industrialization," America remains a global manufacturing power.
- Our nation leads the world in manufacturing "value-added," the value of what we produce domestically after subtracting imported components.
- The volume of domestic manufacturing output, according to the Federal Reserve Board, has rebounded by 8 percent from the recession lows of a year ago.
- Even after the Great Recession, U.S. manufacturing output remains 50 percent higher than what it was two decades ago in the era before the North American Free Trade Agreement (NAFTA) and the World Trade Organization (WTO).

Manufacturing jobs have been in decline for 30 years, not because of declining production, but because remaining workers are so much more productive, says Griswold:

- More than 80 percent of Americans earn their living in the service sector, including a broad swath of the middle class gainfully employed in education, health care, finance, business and professional occupations.
- It is one of the big lies of the trade debate that manufacturing jobs are being replaced by low-paying service jobs; since the early 1990s, two-thirds of the net new jobs created have been in service sectors where the average pay is higher than in manufacturing.

Members of Congress who belittle the service sector are ignoring the interests of a large majority of their constituents, says Griswold.

Source: Daniel Griswold, "Democrats Ignore 80% of Workers in Service Sector," Mad About Trade, August 4, 2010.

For text:

<http://madabouttrade.wordpress.com/2010/08/04/democrats-ignore-80-of-workers-in-service-sector/>

For Washington Times text:

<http://www.washingtontimes.com/news/2010/aug/2/griswold-congress-shuns-middle-class-service/>

For more on Economic Issues:

[http://www.ncpa.org/sub/dpd/index.php?Article\\_Category=17](http://www.ncpa.org/sub/dpd/index.php?Article_Category=17)