

GRISWOLD: Congress ignores middle-class service sector

By Daniel Griswold

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The Washington Times

4:56 p.m., Monday, August 2, 2010

ANALYSIS/OPINION:

[Congress](#) busied itself last week with legislation designed to boost [U.S.](#) manufacturing. By a wide margin, the House passed a law on July 28 that requires the president to formulate a national manufacturing strategy. That same day, it approved a law by unanimous consent that is to establish a commission to study ways to reduce America's trade deficit, blamed by many for the loss of millions of manufacturing jobs.

Both laws are a triumph of symbolism over substance. With unemployment hovering near 10 percent and economic growth slowing, [Congress](#) should be passing legislation to generate economywide growth rather than engaging in hollow gestures aimed obsessively at one sector of the economy whose woes are greatly exaggerated.

Despite worries about deindustrialization, 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 and the [World Trade Organization](#).

A common lament is that "we just don't make anything anymore." To see how wrong that is, consider the latest numbers from the [Commerce Department](#): In 2008, [U.S.](#) workers in [U.S.](#) factories on [U.S.](#) soil manufactured 5,000 civil aircraft; 14,000 aircraft engines; 8.7 million motor vehicles; 27 million computers; 44 million heavy household appliances such as refrigerators, washing machines and kitchen ranges; 25 million short tons of chlorine gas, hydrochloric acid and other chemicals; more than a billion square yards of rugs and carpeting; more than a billion gallons of paint; and billions of semiconductors, pills and books.

American factories can churn out all that stuff with fewer workers because the typical worker is so much more productive than in decades past. Workers today are better educated and armed with cutting-edge equipment, computing power and production methods that enable them to produce far more in an hour of work than their predecessors. Rising productivity is the essence of progress and the foundation of rising living standards.

Manufacturing does represent a smaller share of total employment and output than in decades past, but this is inevitable in an advanced economy. Every rich nation in the world has followed the same path. Manufacturing tends to peak as a share of the economy when per capita income reaches about \$15,000. Beyond that, every nation can be said to be deindustrializing.

Although [Congress](#) seems to be in denial, America is a middle-class service economy. 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, and 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.

Americans should not fear our transition to a postindustrial society. We made a similar transition in the past century as America "de-agriculturalized." In 1900, 40 percent of American families earned their living on the farm. Today, fewer than 2 percent of Americans are employed in the agricultural sector. Yet we remain a global leader in agricultural production.

Despite the loss of millions of agricultural jobs in the past century, our fantastically more productive farms continue to produce record output. American farmers today produce twice as much milk as they did in 1900, more than three times as much pork, more than three times as many eggs, nearly four times as much wheat, more than four times as much beef, five times as much corn and eight times as much chicken as a century ago.

Soaring productivity in agriculture and manufacturing has made the goods produced in those sectors more affordable for all Americans. The relative decline of those sectors has freed workers and capital to fuel an expanding service sector driven by the rising demand of American households for a broad range of services supplied by the large majority of their fellow workers.

In crafting economic policy, [Congress](#) and the president should seek policies that benefit all Americans, not just the more politically influential but declining minority still employed in manufacturing and farming.

• *Daniel Griswold is director of the Cato Institute's Center for Trade Policy Studies and author of the 2009 book "Mad About Trade: Why Main Street America Should Embrace Globalization."*

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