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The Truth About U.S. Manufacturing

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Is American manufacturing dead? You might think so reading most of the nation's editorial pages or watching the endless laments in the news that "nothing is made in America anymore," and that our manufacturing jobs have vanished to China, Mexico and South Korea.

Yet the empirical evidence tells a different story—of a thriving and growing U.S. manufacturing sector, and a country that remains by far the world's largest manufacturer.

This is a particularly sensitive topic in my hometown of Flint, Mich., where auto-plant closings have meant lost jobs and difficult transitions for the displaced. But while it's true that the U.S. has lost more than seven million manufacturing jobs since the late 1970s, our manufacturing output has continued to expand.

International data compiled by the United Nations on global output from 1970-2009 show this success story. Excluding recession-related decreases in 2001 and 2008-09, America's manufacturing output has continued to increase since 1970. In every year since 2004, manufacturing output has exceeded \$2 trillion (in constant 2005 dollars), twice the output produced in America's factories in the early 1970s. Taken on its own, U.S. manufacturing would rank today as the sixth largest economy in the world, just behind France and

ahead of the United Kingdom, Italy and Brazil.

In 2009, the most recent full year for which international data are available, our manufacturing output was \$2.155 trillion (including mining and utilities). That's more than 45% higher than China's, the country we're supposedly losing ground to. Despite recent gains in China and elsewhere, the U.S. still produced more than 20% of global manufacturing output in 2009.

The truth is that America still makes a lot of stuff, and we're making more of it than ever before. We're merely able to do it with a fraction of the workers needed in the past.

Consider the incredible, increasing productivity of America's manufacturing workers: The average U.S. factory worker is responsible today for more than \$180,000 of annual manufacturing output, triple the \$60,000 in 1972.

These increases are a direct result of capital investments in productivity-enhancing technology, which last year helped boost output to record levels in industries like computers and semiconductors, medical equipment and supplies, pharmaceuticals and medicine, and oil and natural-gas equipment.

Critics view the production of more with less as a net negative—fewer auto plant jobs mean fewer paychecks, they reason. Yet technological improvement is one of the main ingredients of

economic growth. It means increasing wages and a higher standard of living for workers and consumers. Displaced workers learn new skill sets, and a new generation of workers finds its skills are put to more productive use.

Our world-class agriculture sector provides a great model for how to think about the evolution of U.S. manufacturing. The U.S. produces more agricultural output today—with only 2.6% of our work force involved in farming—than we did 100 years ago, when farming jobs represented almost 40% of the labor force. Likewise, we're able to produce twice as much manufacturing output today as in the 1970s, with about seven million fewer workers. That means yesterday's farmhands and plant workers can become today's computer engineers, medical doctors and financial managers.

I don't deny that the transition to this new economy can be a rough one for displaced workers. But turning back the clock to a less efficient economy is not the answer. Instead, let's retrain our work force to participate in this dynamic new economy—an economy that still supports America's status as the world's leading manufacturer.

Mr. Perry, a professor of economics at the University of Michigan, Flint, is also a visiting scholar at the American Enterprise Institute.