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Trump's Plan to Bring Back Manufacturing Isn't Crazy

Reshoring production would be good for the economy. Just don't expect a boom in blue-collar jobs.

By [Noah Smith](#)

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The head of President Donald Trump's National Trade Council, Peter Navarro, has been making waves recently, with [an op-ed](#) in the Wall Street Journal and [a speech](#) to the National Association of Business Economists.

The bad news is that Navarro still uses some dodgy economics when arguing for lower trade deficits. As I [explained](#) last December, lowering trade deficits doesn't necessarily give gross domestic product a boost. Navarro should stop using this talking point.

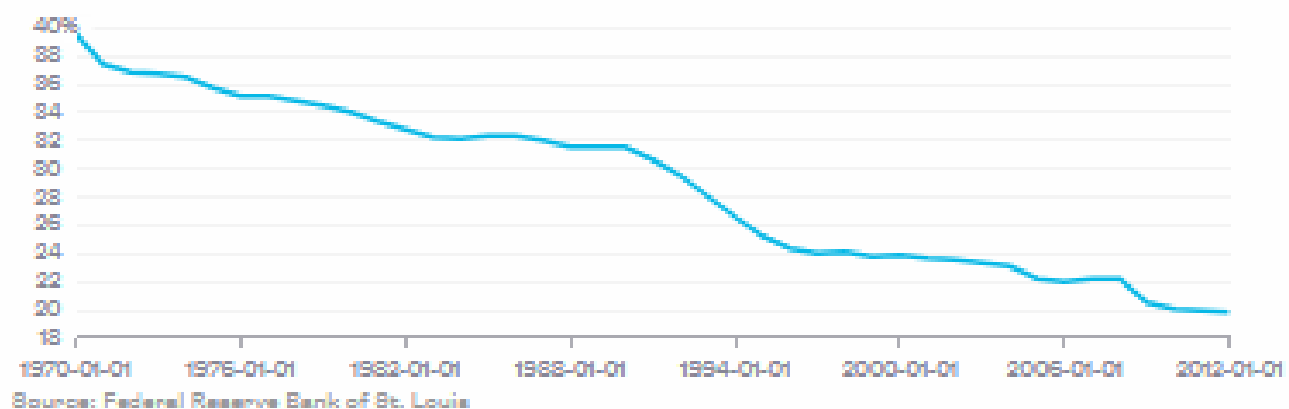
That said, Navarro's vow to "reclaim all of the supply chain and manufacturing capability" that the U.S. has lost in recent decades isn't necessarily a bad thing. There are good reasons to want to revitalize U.S. manufacturing and lower the trade deficit -- as long as it's done in the right way, and as long as expectations are appropriately modest.

What a manufacturing revival definitely *wouldn't* do is bring back good old-line manufacturing jobs. The U.S. is a rich country, meaning that its comparative advantage in manufacturing lies in capital-intensive, high-value-added goods -- semiconductors, industrial machinery, aircraft and pharmaceuticals. Those are the kinds of things that are mostly made by machine tools and robots, not by human beings working on an assembly line.

To see what a U.S. manufacturing export boom would look like, we need only consider Germany. Germany is a rich, productive country with a very large [trade surplus](#). It's succeeding at doing exactly the kind of thing Navarro wants. But the percentage of German workers employed in the manufacturing sector has gone down and down, just as it has in the U.S.:

Where Have All the People Gone?

Percentage of German work force in manufacturing.



So even if the U.S. manages to bring manufacturing back, it wouldn't recreate the widespread industrial employment of the 1950s and 1960s.

But there are plenty of other reasons to want to bring supply chains back to the U.S. High-value-added manufacturing -- robot factories pumping out goods -- creates jobs for Americans in other ways. As economist Enrico Moretti explains in his book "[The New Geography of Jobs](#)," high-tech manufacturing creates higher-paying service-sector jobs in a local area. The dollars that come into a town with a robot factory get spent on doctors and waiters and personal trainers, and the money circulates throughout the community, leaving everyone better off.

Manufacturing might also have some special properties. Productivity [growth is usually higher](#) in manufacturing than in other industries. Part of that is because it's easier to automate the production of goods than the provision of services. And as engineers like Intel Corp. co-founder Andrew Grove were fond of [reminding us](#), manufacturing also creates knowledge spillovers via the supply chain -- the place where electronics are made is also probably going to have an edge in advanced battery technology.