

The Little Blue Collar Fact Book

What Your Friends,
Family and Elected Leaders
Need to Know
About Manufacturing

ALLIANCE FOR
american
manufacturing



Turn on cable news or read a newspaper opinion page these days, and **you've probably been told by some self-anointed expert that America's manufacturing jobs aren't coming back,** free trade is always good, and factory closures are part of a “natural” economic process.

There's also a pretty good chance that you've been lectured by politicians about how we'll start a mythical “trade war” if our nation starts stand up to cheating by our trading partners.

We're here to give you some help setting the record straight. The next time you hear a whopper regarding American manufacturing, break out your blue collar fact book.



MYTH

Manufacturing doesn't matter anymore.

It can't be denied: **Manufacturing workers in America have taken a big hit since the turn of the century.**

We've seen tens of thousands of factories close since 2000, and worse, we've lost millions of jobs. But the U.S. manufacturing sector still accounts for **two-thirds** of our country's private-sector research and development; still accounts for more than **12 percent** of U.S. GDP; and it still employs about **12 million** of our fellow Americans in good-paying jobs. **A typical manufacturing job supports four or five jobs elsewhere in the economy.** And manufacturing jobs pay better, especially for workers who may not possess a four-year college degree.

TRUTH:

Just look at the numbers: Manufacturing in America means jobs, industrial innovation, and economic growth.



MYTH

China's no longer a trade problem.

Tell that to the tens of thousands of workers in steel mills across America who have seen pink slips over the past year. The U.S. steel industry and its huge supply chain are crucial to our economic health and national security — we need reliable American-made steel to arm our military. While we can offshore production of cheap clothes and TVs, we need our steel to be homemade to keep us safe.

But a flood of cheap, heavily subsidized imports from China have put the American steel industry in jeopardy. China's economy is slowing, but its government-funded industry isn't slowing down. China has to do something with all that steel it doesn't need, so it's shipping it to the United States with a rock-bottom price tag.

It's not just steel. Industries like aluminum are facing the same problem. It's vital that we level the playing field for U.S. manufacturers and workers by properly enforcing our trade laws in a timely manner.

TRUTH:

**China is a major American
trading partner, and its
cheating is a major problem.**



MYTH

Big trade deficits aren't that big of a deal.

A lot of business flows across the Pacific between China and the United States. So much business, in fact, that in 2015 American companies exported more than \$116 billion worth of goods to China **alone**.

Can you guess how much China sold **here** that same year?

It's a big number. Roughly **\$482 billion**, which makes a **\$365 billion deficit for America**. In 2014 the deficit was **\$343 billion**, and in 2013 it was **\$318 billion**.

The U.S. trade relationship with China is one-sided. America's growing trade deficits with countries around the world, not just in China, have had serious

consequences for our manufacturing base and the jobs it supports. We've lost millions of factory jobs since 2000, when we normalized trade with China, while our trade deficits have shot up.

That's no coincidence; that's deindustrialization.

That's a lot of money flowing out of the United States every year. That's a lot of economic activity, up and down the manufacturing supply chain, that now takes place elsewhere instead of in American communities. In fact, the trade deficit alone shaves a percentage point or two off of our GDP.

It's not just jobs, mind you. There's a lot of manufacturing innovation and know-how taking place overseas, making it less likely that the future's big-ticket products and gizmos will be invented and made in America.

TRUTH:

**Trade deficits make it harder to
Make it in America.**



MYTH

If we “get tough on trade” we’re going to start a trade war!

Have you heard this one before? Whenever lawmakers consider legislation that will either promote U.S. manufacturing or put rules in place to go after trade cheats, the naysayers come out of the woodwork. And “we’re going to touch off a retaliatory trade war” is one of their most common criticisms.

They’re calling smoke when there’s no fire. Critics said a trade war was coming when Maryland passed a Buy America bill in **2013**. They said one was coming when West Virginia considered a similar one in **2014**. And they say the same thing whenever Washington, D.C. thinks about legislation to curb currency manipulation.

But just look at our deficits and lost manufacturing jobs. **We’re in a trade war right now, and we’re losing it.**

By offshoring a chunk of our manufacturing sector, we might have got a tiny markdown on the price tags at big box stores. But our trading partners – **and especially China** – need America’s big market to make their own economy work.

TRUTH:

Our trading partners need America. That’s why getting tough on trade hasn’t caused a trade war in the past, and it won’t in the future.



MYTH

Currency manipulation isn't a big deal.

Defenders of the status quo argue that countries like China are no longer manipulating their currencies to discount the price of their goods in the global market.

And while it is true that China takes an occasional break from undervaluing its currency, manipulation has been its habit over the past two decades. That really hurts American manufacturers and workers who play by the rules of international trade, fair and square. **Some** economists have called it the world's most protectionist trade policy tool. **Others** say it's one of the biggest contributors to our trade deficit with China. **Others still** tie it to the loss of **millions** of American factory jobs.

It's for these reasons that Congress is roused every few years to consider a rule that would punish countries—like China—for artificially depressing their currencies. An anti-currency manipulation bill beat a Senate filibuster in 2011 and another passed the House of Representatives with more than 300 votes in 2010.

None of these currency bills has ever made it to the president's desk. And every time, the “we'll cause a trade war” nonsense comes up. Yet every time, China has let its currency rise closer to its natural equilibrium.

Unless Congress passes legislation that allows us to push back against currency manipulation, bet on it: **China and other protectionist nations will not kick this habit.**

TRUTH:

**Currency manipulation will
continue to put American
manufacturing jobs at risk until
we do something about it.**



MYTH

Robots are chiefly responsible for America's lost manufacturing jobs.

There's no doubt that technological breakthroughs since the assembly line days of Henry Ford have meant that we can now **make more** with **less people**. But robots are not the factory job killers they've been made out to be.

Economic recessions, a wave of offshoring, and America's shrinking share of global exports have had a larger effect on manufacturing employment over the last 15 years than a robot revolution.

Productivity growth and automation always mean doing more with fewer workers. But in the past — when America's economic growth was steady, new products were made here rather than in China, and our export

share was expanding — those whose jobs were affected by automation could cycle back into industry elsewhere.

That changed in the 2000s. Since Y2K, the United States has shed a third of its manufacturing employment — **nearly 5.5 million jobs** — thanks to two recessions and weak economic growth, while China emerged as an industrial powerhouse.

Automation comes for everything, but it's not the end of history. Heck, your grandkids may not even need drivers' licenses for their autonomous vehicles.

TRUTH:

Don't accept widespread manufacturing job loss as inevitable. It's not, as long as America's share of the "global economic pie" is growing.

How do we get a bigger piece of that "global economic pie?" **By leveling the playing field for American manufacturers when it comes to trade.**



MYTH

But America lacks the skilled workforce to support manufacturing.

There is no doubt that small and mid-sized manufacturers have challenges finding some workers with a particular skill set, particularly in spots around the country that have very low unemployment rates or have experienced rapid flight of young people over the past several decades. But it's simply not true that somewhere between 600,000 and 1 million factory jobs are unfilled across America, as some claim.

Nope. Here's what happened: When millions of manufacturing jobs left America starting in 1998, that sent the signal to a whole generation of workers to train in careers that cannot be offshored, like health care, retail, or hospitality.

America's vocational training infrastructure – our community colleges and apprenticeship programs – responded accordingly, by training workers in **those** fields. And that infrastructure doesn't change back to a manufacturing footing overnight.

TRUTH:

If you want a skilled workforce, build a factory in an American town. The workforce – and training programs – will follow.



MYTH

We can't compete! Wages are too high in America.

If you believe that, I've got a bridge to sell you. How does Germany, which has **higher** wages than the United States, still have more than 23 percent of its economy in manufacturing, **and** a trade surplus to go along with it? It's all about trade and pro-manufacturing policy, **not** wages.

Consider this: When you factor in productivity, labor costs in China are **only** 4 percent cheaper than they are here in the United States. But the Chinese government heavily subsidizes its industries, protects them from foreign competition, and manipulates its currency. **All of this gives China an artificial manufacturing advantage.**

But what kind of advantage is it? Bear in mind: There's a cost to shipping goods, from production to market, halfway around the world. And there's also a cost associated with doing business in China: Beijing often requires foreign companies to partner up with a Chinese one, so it can learn how to manufacture similar products on its own.

Those costs add up, significantly. And those costs don't exist for companies that make it in America.

TRUTH:

Currency manipulation will continue to put American manufacturing jobs at risk until we do something about it.



MYTH

Manufacturing isn't coming back. Get over it.

Tell that to some of the companies that are moving jobs back to the United States. Or to Elon Musk, founder of Tesla and Solar City, who has built massive factories in California, Nevada, and New York.

Meanwhile, the Maker Movement shows that there's huge interest in manufacturing here in America in new, innovative ways. Established American companies like Whirlpool are even reshoring jobs, because they've found it makes sense to make their products in a place where they can **better monitor production** and **develop new products** in a timelier fashion.

While we likely aren't going to see a return to the assembly line days of the early 20th century, there's still a huge future for manufacturing in this country. Smart policy can help the sector grow and create middle-class jobs.

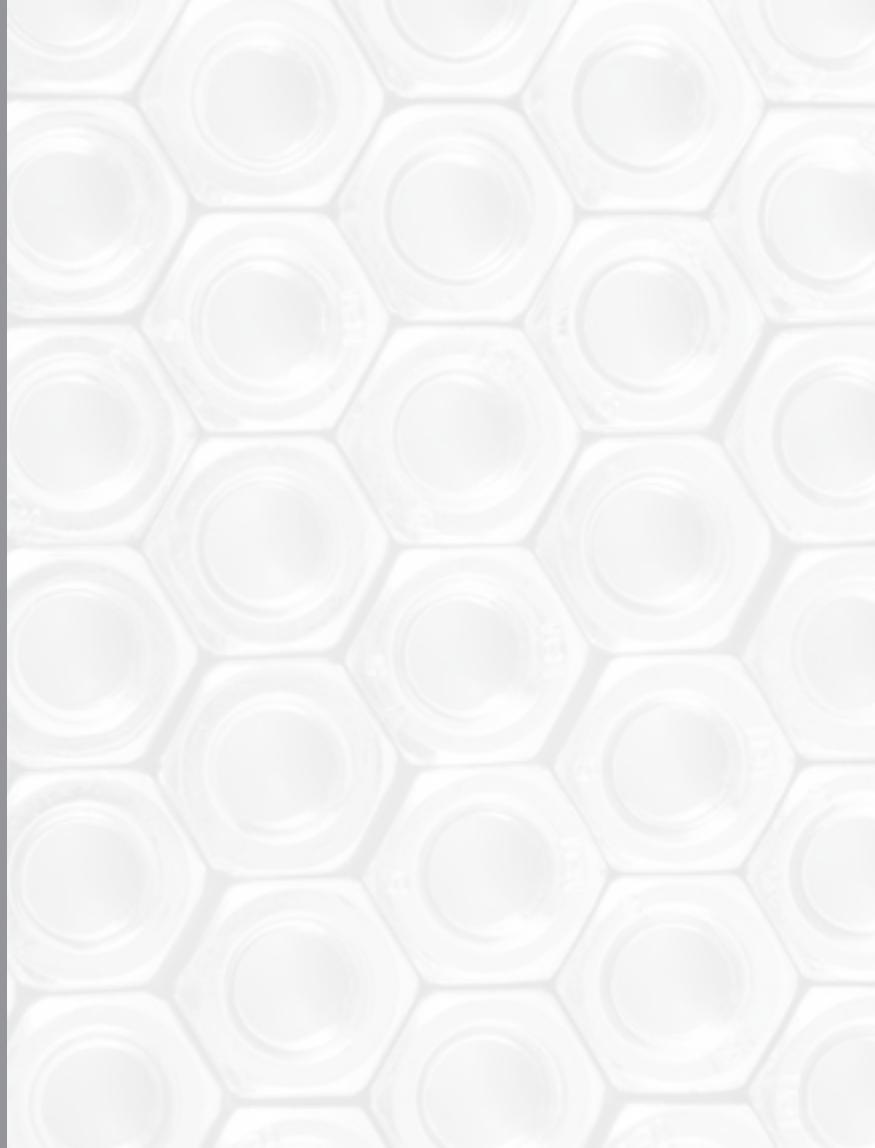
TRUTH:

**Manufacturing can come back,
and it will.**

The Alliance for American Manufacturing (AAM) is a

non-profit, non-partisan partnership formed in 2007 by some of America's leading manufacturers and the United Steelworkers.

Our mission is to strengthen American manufacturing and create new private-sector jobs through smart public policies. We believe that an innovative and growing manufacturing base is vital to America's economic and national security, as well as to providing good jobs for future generations. AAM achieves its mission through research, public education, advocacy, strategic communications, and coalition building around the issues that matter most to America's manufacturers and workers.



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