

# Most Americans produce services, not stuff. Trump ignores that in talking about trade

By Neil Irwin

March 16, 2018 – *The New York Times*

You probably work in the service sector. This seems like a safe assertion, as 84 percent of private-sector jobs in the United States are in services.

By contrast, “goods-producing” jobs like logging, mining, construction and manufacturing accounted for only 20.5 million jobs last month, in a nation with 148 million total positions.

If we’ve guessed right about your occupation, the question for you and 105 million fellow service workers — a very broad category that includes retail clerks, truck drivers, architects, bankers, doctors and more — is whether the Trump administration cares about your economic fate.

The most recent reason to wonder is President Trump’s repeated assertion this week that the United States maintains a trade deficit with Canada — a claim contradicted by United States government data. Mr. Trump’s spokeswoman, Sarah Huckabee Sanders, said in a Twitter message that numbers showing a trade deficit with the country “reflect trade in goods.”

In other words, it’s true the United States runs a trade deficit with Canada as long as you don’t include service industries — the industries that account for the vast majority of jobs.

President Trump has made this mental leap numerous times, most notably by referring to the nation’s “\$800 billion” trade deficit with the rest of the world. It was actually \$568 billion in 2017; the \$800 billion number refers only to trade in goods, not counting the United States’ healthy surplus in services trade.

One could chalk this up to a verbal tic that allows the president to exaggerate the scale of

the trade deficit. But it could matter in crucial negotiations.

The risk is that if trade negotiators follow the president’s lead and focus entirely on obtaining more advantageous treatment for American goods-producing industries, it could come at the cost of concessions that damage industries that employ far more people.

So what are these service exports that help put the United States’ trade relationships somewhat more in balance?

The biggest is travel, which accounted for \$204 billion last year. This is an area that the president should know well. When a Canadian couple stays in a Trump hotel in New York, the money they spend counts as a service export.

The next biggest category is “charges for the use of intellectual property,” a category that includes foreigners who pay to watch movies or music made in the United States, as well as licenses of patents and trademarks.

Other big ones include financial services, insurance, telecommunications and information technology, and a wide range of engineering and other consulting services.

If you have a mental model in which the only valuable jobs involve making steel or mining coal, it’s easy to lose sight of some of the middle-income jobs that are more common in the 21st-century service economy. Examples include the blackjack dealer in a Las Vegas casino, the nurse at a hospital renowned for its cancer treatments, the audio technician on a movie set, the engineer who advises companies worldwide on the best way to extract oil.

The share of global spending that went toward services rather than goods rose from 50 percent

in 1970 to 80 percent in 2015, researchers from the Federal Reserve found in a recent paper. Those service-producing jobs are more the economic present than most types of goods-producing jobs. And all signs point to that being more true in the future.

That's because even in many industries that make physical goods, information makes up a bigger and bigger part of the content of that good. A car isn't just a chassis and an engine, but millions of lines of computer code that make it all work efficiently. The advent of driverless cars will accentuate this. In the future, few people may buy cars; instead, they may rely on transportation services.

Some of these lines are a little arbitrary. A worker in a Campbell's Soup factory works in

manufacturing, and when that soup is shipped to Canada, it counts as an export of goods. If that same worker instead made soup in a restaurant that sold it to a Canadian tourist, it would become a service export instead.

Given that the Trump administration is planning trade actions against China for some of its companies' theft of American firms' intellectual property, it's clear that the importance of service industries to the United States economy is known to some of the key negotiators.

But for that great majority of people who work in service industries, it might be reassuring if the president himself acknowledged more readily that there's more to a modern economy than making physical stuff.