

Manufacturing ain't great again. Why?

By Paul Krugman

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For many supporters it meant restoring the political and social dominance of white people, white men in particular.

For others, however, it meant restoring the kind of economy we had a generation or two ago, which offered lots of manly jobs for manly men: farmers, coal miners, manufacturing workers. So it may matter a lot, politically, that Trump has utterly failed to deliver on that front — and that workers are noticing.

Now, many of Trump's economic promises were obvious nonsense. The hollowing out of coal country reflected new technologies, like mountaintop removal, which require few workers, plus competition from other energy sources, especially natural gas but increasingly wind and solar power. Coal jobs aren't coming back, no matter how dirty Trump lets the air get.

And farmers, who export a large fraction of what they grow, should have realized that Trump's protectionism and the inevitable retaliation from other countries would have a devastating effect on their incomes. Somewhat ironically, Trumponomics has effectively turned rural Americans, who are far more conservative than the nation at large, into wards of the state: This year almost 40 percent of farm income will come from trade assistance, disaster assistance, the farm bill and insurance indemnities.

However, Trump's promise to bring back manufacturing wasn't, on the face of it, completely absurd. America runs a large trade deficit in manufactured goods; surging imports did play a significant role in displacing industrial jobs after 2000. So it wasn't crazy to imagine that protectionism would bring some

of those jobs back, even if it made America as a whole poorer.

Furthermore, while the overall U.S. economy did very well during Barack Obama's second term, there was a 2015-16 dip in manufacturing — what *The Times's* Neil Irwin has called a mini-recession. This dip had nothing to do with Obama's policies; it was mainly about a slump in energy investment caused by a global plunge in oil prices. Still, it probably contributed to Trump's win. And again, it didn't seem impossible that Trump could provide some boost to the manufacturing heartland.

Instead, however, we're experiencing another mini-recession. Over the past year, manufacturing employment has fallen significantly in Wisconsin, Michigan and Pennsylvania — precisely the states Trump unexpectedly won by tiny margins in 2016, putting him over the top.

So why has Trump failed to make manufacturing great again? There are, I'd argue, multiple reasons.

First, while Trump's enthusiastic embrace of protectionism — “trade wars are good, and easy to win” — is a break with generations of U.S. policy, his domestic economic agenda has been pure, orthodox Republican voodoo. That is, it was all based on the belief that cutting taxes on rich people and corporations would have a magical effect on the economy.

But the magic failed, as it always does. The Trump administration repeatedly promised that the 2017 tax cut would produce a huge boom, with long-term growth above 3 percent; nothing like that is happening.

And to the extent that we are seeing growth, it's being driven by consumer spending.

Business investment, which the tax cut was supposed to promote — and which is a key source of demand for U.S. manufacturers — is actually falling.

What's holding back investment? Many analysts blame Trump's trade war. His tariffs have the direct effect of disrupting global supply chains on which U.S. producers have come to depend. What's probably even more important, however, is the uncertainty created by Trump's erratic actions, which gives both businesses that depend on imports and businesses that compete with imports a strong incentive to put any plans they might have for expansion on hold.

I'd add that Trump's trade war isn't the only source of destructive uncertainty. He's a promoter of crony capitalism across the board, constantly threatening to punish businesses he sees as political enemies while rewarding businesses that do him political or personal favors. So even businesses that aren't much affected by his trade actions have to wonder

whether they're going to get Christmas presents or a lump of coal, which has to discourage them from making investments that might be devalued by a presidential tweet.

Finally, in many cases Trump's tariffs on China haven't benefited U.S. producers; instead, they've just shifted the source of imports to other countries, like Vietnam.

Could Trump have been more successful at boosting manufacturing? Well, things might look very different if he had actually followed through on his campaign promises to make big investments in infrastructure, which would have created a lot of sales for U.S. manufacturing.

As it is, however, Trump is presiding over an economy that, despite low unemployment, doesn't feel like a boom to most Americans. And he has utterly failed in his politically crucial promise to make manufacturing in key swing states great again.