

Topic: the US government should incentivize US manufacturing companies to bring production back to the US.

Position: Nay

### **Main arguments**

Traditional manufacturing jobs are becoming obsolete in industrial nations, so attempting to bring them back would stifle evolution of the American job market.

- Virtually all industrialized nations have seen similar decreases in manufacturing as a share of total employment and GDP, while productivity has remained at a similar rate in the United States. This controls for levels of government intervention, with nations such as Japan and Germany showing the same trend despite having interventionist industrial policy (Lincicome and Zhu, 41).
- Over 60% of both working hours and full-time employees in manufacturing industries across developed and developing nations can be automated with current technology, and over half of labor wages are able to be eliminated or repurposed (Chui et al.). Further, Teresa C. Fort et al. write that “innovations in production techniques, such as automation, that have dramatically increased output per worker” could potentially be at least part of the decline in manufacturing jobs. Further, they note that “an increase in labor productivity means fewer workers are needed to meet demand for those goods” (49).
- The number of jobs may be declining because our current jobs are more efficient per worker because of automation. Ball State professor Scott Simon discussed this on NPR, saying “in 1990, the average American autoworker made 13 cars a year. In 2010, the average American autoworker made 18 cars a year. So we don't need as many auto workers as we did a generation and a half ago” (NPR). Further, he says that in the past few decades “we're down about 7 and a half million manufacturing jobs, but we're up about 9 and a half million logistics jobs (NPR.) These quotes support the point that jobs are shuffling away from manufacturing due to increased productivity requiring fewer workers to account for the same level of productivity, and instead moving into logistics, or other industries that support the rise in automation.

Federal subsidies of manufacturing jobs are not worth it.

- The Semiconductor Industry Association reports that the CHIPS incentive act awarded about \$29.5 billion to boost manufacturing, adding 33,000 jobs (Semiconductor Industry Association). This means each new job costs almost \$900,000. Per the Federal Reserve of St. Louis, the average hourly wage for a US manufacturing job is about \$33 to \$34 per hour (Federal Reserve of St. Louis). A 2000-hour work year at this hourly wage is approximately \$67,200. This highlights that government subsidies to a degree are effective but are so expensive as to be cost-prohibitive in that they help a lucky few at the cost of everyone.
- Research of Chinese subsidies and industrial policy by Branstetter et al. found that “evidence suggests that direct subsidies tend to flow to less productive firms rather than more productive firms” and “subsidies support slightly higher levels of employment, at least temporarily” (Branstetter et al., 1197). As with the CHIPS act, we see incentives resulting in a nominal employment increase, but here Branstetter et al. overall conclude that the subsidies granted by the Chinese government were largely ineffective and poorly administered.

American investment in foreign manufacturing jobs helps nations to develop, while benefitting domestic consumers via lower prices for manufactured goods.

- Van T. C. Ha et al. found that off-shoring to Vietnam had both direct and indirect positive results. They write that “direct impacts occur when it contributes to the host country’s gdp” (Van T. C. Ha et al., 527). Additionally, they conclude that their “analysis confirms that positive spillovers are likely to occur through both backward and forward linkages” (548). The US utilized a developing nation’s relative comparative advantage in manufacturing to create a mutually beneficial trade situation where Vietnam saw increased GDP and positive spillovers while American consumers got products cheaper than if domestically produced.
- Study of spillover effects in manufacturing outsourced to China shows positive outcomes in technological advances and firm productivity as a result of spillovers garnered from developed industrial nations investing in the economy through outsourcing (Ding et al., 135). This broad idea of increased productivity can be applied to other nations as well, highlighting how American outsourcing can be mutually beneficial, particularly in terms of helping developing economies evolve.

### **Potential Counter Arguments**

CHIPS is a very new program, so we may not see the full impact for a longer period of time.

Rebuttal: Even if 10 times as many jobs are created and wages don't decrease due to increased supply, the cost per job would still exceed the wage earned by each worker (Semiconductor Industry Association). It is unlikely that we will see such a large payoff.

The focus on insourcing labor distracts from a nation's development needs.

Rebuttal: While insourcing nations may shift resources to suit the change in the employment dynamic, this is shown to have a largely positive effect. Research conducted on the impacts of Indian insourcing that the "Indian economy has gained a lot from outsourcing which has helped increase economic growth and reduce unemployment in India" (Akinyemi, 51). Both of these are fundamental components of a strong developing economy, so the data indicates that insourcing has a net positive effect on these nations.

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