We can reshore manufacturing jobs, but Trump hasn’t done it

Trade rebalancing, infrastructure, and climate investments could create 17 million good jobs and rebuild the American economy
While the Trump administration has claimed that the era of U.S. offshoring is “over,” the reality is that the United States has not begun to address the root causes of America’s growing trade deficits and the decline of American manufacturing. Decades of trade, currency, and tax policies that incentivized offshoring, combined with an utter failure to invest adequately in infrastructure and good jobs at home, have contributed to growing inequality and an eroding middle class.

President Trump’s erratic, ego-driven, and inconsistent trade policies have not achieved any measurable progress, despite the newly combative rhetoric. On top of that, COVID-19—and the administration’s mismanagement of the crisis—has wiped out much of the last decade’s job gains in U.S. manufacturing.

Unless steps are taken now—to reform our trade policy, to curb dollar overvaluation, to eliminate tax incentives for offshoring, and to rebuild the domestic economy—there won’t be a comeback.

As this policy report makes clear:

- Offshoring and the loss of manufacturing plants have continued under Trump, notwithstanding U.S. Trade Representative Robert Lighthizer’s claim that the administration’s trade policy is helping U.S. workers (Lighthizer 2020a).
- The strong and rising U.S. dollar is a major cause of the continuing growth of U.S. trade deficits.
- While manufacturing employment rose steadily between 2010 and 2019, the COVID-19 shutdown has wiped out more than half of the jobs gained in the past decade.
- The U.S. economy is in the midst of a historic collapse due to the uncontrolled coronavirus pandemic and recession.
- Restructuring and rebuilding the economy will require a coordinated and comprehensive strategic policy response that includes rebalancing of U.S. trade, as well as massive public investments in infrastructure, clean energy, training, R&D, and other industrial policies. These investments can create millions of skilled, high-wage jobs for non-college-educated
workers in the U.S., who have been hard hit by the coronavirus downturn—especially Black, Latinx, and women workers—who have been left behind as manufacturing employment shrinks.

- Under current government procurement policies and trade rules, much of the public spending for infrastructure and clean energy systems would leak away to foreign providers, in the form of increased imports. Thus, new public investments should all include strong “Buy America” clauses.

- Joe Biden has recently proposed major investments in infrastructure, climate, and rebuilding manufacturing. These proposals could make a substantial contribution to meeting U.S. investment needs and generating a strong, sustainable, broadly shared recovery.

The Trump administration has not succeeded in reshoring manufacturing

In recent congressional testimony, U.S. Trade Representative Robert Lighthizer praised several companies that have scrapped offshoring efforts or have announced plans to move production to the United States, and he has further claimed that the “era of reflexive offshoring is over” (Lighthizer 2020b, 2020c). He also praised both the U.S.-Mexico-Canada Trade Agreement (USMCA)—which took effect July 1—and the current “Phase One” China trade deal. These are supposed to be signature accomplishments for the administration, contributing to a purported “blue-collar boom.”

It is important to note that the Trump administration has a habit of issuing press releases citing plans for major foreign investments in the U.S. that never materialize. In July 2017 Foxconn announced—to great fanfare from the White House—plans to invest $10 billion and bring “thousands of new American jobs” to Wisconsin and elsewhere in the United States (White House 2017). News reports indicate that Foxconn’s buildings in Wisconsin were still empty as of April 2020 (Dzieza and Patel 2020).1

But offshoring has in fact continued throughout this time, as reflected in changes in the total number of U.S. manufacturing plants, shown in Figure A. Overall, the U.S. has suffered a net loss of more than 91,000 manufacturing plants and nearly 5 million manufacturing jobs since 1997. Nearly 1,800 factories have disappeared during the Trump administration between 2016 and 2018 (BLS 2020; U.S. Census Bureau 2020a, 2020b). The U.S. has experienced a net loss of manufacturing plants (establishments) in every year between 1998 and 2018 (the most recent year for which data are available).

Employment per plant has ebbed and flowed, increasing during recoveries and dropping much more sharply in downturns, as shown in Figure A. Massive job losses in just six years—during the 2001 recession and the China import surge of 2002–2004, and during the Great Recession of 2008–2009—account for more than all of the net loss of nearly 5
More than 5 million manufacturing jobs and 91,000 plants have been lost since 1998

Change in number of manufacturing establishments (actual), and change in manufacturing employment (thousands), 1998–2018


Economic Policy Institute
million manufacturing jobs in this period.

The loss of these jobs was particularly costly for women, Black, and Latinx workers, who were left behind as employment collapsed and many of the remaining manufacturing plants shifted to rural locations in right-to-work states in the West and South (Madland, Walter, and Eisenbrey 2012).

Here’s what the data actually show about the purported “blue-collar boom” under the Trump administration: The U.S. gained roughly 500,000 U.S. manufacturing jobs from 2016 to 2019. But these gains are exactly on par with gains across the entire economic recovery period from 2010 to 2019, during which 166,000 manufacturing jobs were gained each year, on average. The 2016–2019 gains did not represent an improvement over prior years in that decade, and even the decade’s overall gains had managed to restore only a fraction of the jobs lost in the prior decade.

And recent years’ manufacturing gains were abruptly wiped out by the COVID-19 crisis—with a staggering 740,000 manufacturing jobs lost this year, as shown in Figure B (BLS 2020). If President Trump wants to take credit for the job growth at the tail end of a decade of recovery from the Great Recession, then he must also own this collapse, thanks to his administration’s mismanagement of the pandemic—including a refusal to organize an effective national response (Scott 2020b). And while the June 2020 data show an upswing in manufacturing jobs, more recent jobs data indicate that the nascent and partial recovery in manufacturing is at risk due to recurrence of COVID-19 in states that have reopened, including many in the South and Western United States (Hannon and Kiernan 2020; WSJ Pro 2020; Bartash 2020).

Contrary to popular myth, growing trade deficits, and not automation, are responsible for the vast bulk of manufacturing job and plant losses in the past two decades (Guilford 2018). Growing trade deficits with China between 2001 and 2018 (2.8 million manufacturing jobs lost) and the U.S. trade deficit with the Trans-Pacific Partnership countries in 2015 alone (1.1 million manufacturing jobs lost) account for more than three-fourths of the U.S. manufacturing jobs lost in the past 20 years (Scott and Mokhiber 2020; Scott and Glass 2016). This is confirmed by Susan Houseman’s extensive review of the research literature, “which finds that trade significantly contributed to the collapse of manufacturing employment in the 2000s, but finds little evidence of a causal link to automation” (Houseman 2018).

The rising dollar is responsible for growing trade deficits

U.S. manufacturing was struggling long before COVID-19. Starting in 2014, the U.S. dollar has appreciated in fits and starts, climbing nearly 23%, as shown in Figure C (Fed 2020b). More than half of that rise has come since the Trump tariffs were first imposed in March 2018. This stronger dollar keeps making U.S. exports more expensive and imports cheaper. Equally problematic, the 2017 Trump tax cuts on corporate profits incentivized
Manufacturing employment is down 740,000 jobs since February 2020 amid the coronavirus crisis

U.S. manufacturing employment (thousands), January 2010–July 2020


Economic Policy Institute

offshoring for certain types of production while also raising after-tax profits. This has attracted more foreign capital to U.S. stock markets, spurring the dollar even higher. The dollar has also been driven higher during the coronavirus recession by “safe haven” effects, with foreign capital surging into the U.S.—as it does during most global downturns.

Unfortunately, the Trump administration has simply ignored the linkage between these policies and a rising U.S. trade deficit, despite the fact that as a candidate, Donald Trump promised to declare China a “currency manipulator” on “day one” of his administration (Talley 2016). While the Treasury did, finally, name China a currency manipulator last year, it was too little, too late (Scott 2019). China’s currency, the yuan (or RMB), has continued to fall relative to the U.S. dollar since March 2018, despite the inclusion of a “currency clause” in the Phase One U.S.–China trade deal (Fed 2020a). Notably, the agreement was neither a binding constraint on Chinese monetary policy nor a real commitment to action on the part of the U.S. Treasury.

Overvaluation of the dollar is one of the most important structural causes of growing U.S. trade deficits. In order to help rebalance U.S. trade flows, the dollar needs to fall 25–30% overall on a real trade-weighted basis, and more against the currencies of surplus countries and areas such as China, the European Union, Japan, and Korea (Scott 2019). The strength of the dollar was sustained by massive currency manipulation between 2000 and 2014 (Bergsten and Gagnon 2017), but since then large private capital inflows to U.S. financial markets have continued the trend.

There are several tools that can be used to address dollar overvaluation. Perhaps the
The real value of the U.S. dollar has risen 22.7% since July 2014

Real value of the U.S. dollar, January 2006 to July 2020 (indexed to January 2006)

Note: Rates in currency units per U.S. dollar except as noted. Index January 2006=100, monthly, not seasonally adjusted.


Economic Policy Institute

most effective proposal to reduce and manage excessive private capital flows on a sustained basis is a bipartisan bill, the “Competitive Dollar for Jobs and Prosperity Act,” introduced last year by Senators Baldwin (D-Wis.) and Hawley (R-Mo.) (S.2357). Their legislation would impose a small tax, or “market access charge” (MAC), on all foreign capital inflows (Hansen 2017). Their proposal would direct the U.S. Federal Reserve Board of Governors to set this tax at a level needed to rebalance trade and capital flows, giving the Fed both a new mandate—to achieve balanced trade—and a new tool to achieve that goal. Millions of good, high-wage manufacturing jobs can be created by rebalancing trade flows, something that would contribute to recovery from the COVID-19 recession.

If Trump’s trade policy really encouraged reshoring, America’s trade balance would have improved in the past three years. But the U.S. trade deficit in manufactured goods rose significantly between 2016 and 2019, as shown in Figure D. In fact, the real U.S. trade deficit has increased in every year since 2016, reducing GDP growth by roughly one-quarter of one percent annually over the past three years (USITC 2020; BEA 2020).

Furthermore, the strong dollar has also decimated farmers, and it is a much more significant driver of the decline in farm incomes than Trump’s China trade war. There is a single world price for commodity products like wheat and soybeans, as Dean Baker has noted (Baker 2018, 2019). If the dollar rises relative to those of our competitors, then the dollar price of U.S. farm products must fall. Thus, there is a strong, negative correlation
The U.S. manufacturing trade deficit has been growing above trend since 2016

U.S. manufacturing imports, exports, and trade deficit, 1997–2019 (annual)


Economic Policy Institute

between soybean prices, for example, and exchange rates, as shown in Figure E.

When the real (price-adjusted) dollar declines, as it did between 2002 and 2012, soybean prices increase. Grain and soybean prices started falling as soon as the dollar began to rise in 2014. Movements in the dollar alone explain nearly 80% of the change in soybean prices, with the rest having to do with changes in weather conditions, incomes, farm decisions (e.g., crop allocations), and other factors.

We need to realign the dollar to rebalance trade. Manufacturing and the farm sector will both benefit directly from dollar realignment. President Trump has utterly failed to address this core issue, despite his baseless and self-serving promises to address currency manipulation and rebuild manufacturing by getting “tough on trade.”

Trump’s trade deals have not helped U.S. workers

The USMCA—which was touted as a replacement for NAFTA—is unlikely to resolve longstanding U.S.–Mexico trade issues. America’s trade deficit with Mexico increased by
Exchange rates explain nearly 80% of the movement in soybean prices

U.S. soybean prices and the real value of the U.S. dollar, January 1997–May 2020

Note: The Real Broad Dollar index (Goods only) was extrapolated to May 2020 using the percentage change Real Broad Dollar index (Goods and Services) for each corresponding month.


Figure E

more than 29% in 2019 alone (U.S. Census Bureau 2020c). And when it comes to important sectors like autos and auto parts, General Motors has been closing assembly plants in Ohio, Michigan, and Maryland while increasing its reliance on imports from Mexico (AP 2019; Samilton 2019; Mirabella 2019). In fact, GM has been ceding market share to foreign producers for decades, and has grown increasingly reliant on imports from Mexico and other countries. Meanwhile, market share has been captured by foreign producers. Recently, BMW, Mercedes/Infiniti, and Kia opened plants in Mexico—a missed opportunity to reshore production to the United States (Szczesny 2019; Mexico Now 2018a, 2018b). And the supplier networks for these plants will be built in Mexico, not the U.S.—further eroding America’s auto industry.

Offshoring to Mexico is also taking place in aerospace and other sectors, with aerospace exports from Mexico increasing 10% in 2019 (Krause 2020). While the USMCA significantly improves domestic labor protections in Mexico compared with the earlier version of NAFTA, its overall provisions are inadequate to stem these offshoring trends.

The Phase One China trade deal is a bust, too. China promised to increase purchases of U.S. goods and services by $200 billion over 2017 imports. But Beijing is unlikely to meet these targets (Craymer and DeBarros 2020). And the deal doesn’t even address China’s egregious, systematic labor rights violations.
Beijing has also strategically adjusted to the Trump tariffs. China is simply exporting more goods elsewhere, and the U.S. trade deficit with China's trading partners rose rapidly in 2019. In fact, China's overall trade surplus with the world climbed significantly in 2019 (Setser 2020a). China also reduced the value of its currency by 10.0% against the U.S. dollar since March 2018, helping to offset the tariffs (Fed 2020a).

The tariffs remain a “signature” element of the Trump trade agenda. And they’ve helped sectors like steel and aluminum (Scott 2018a, 2018b). But the president misses a key point: If you increase tariffs without taking steps to prevent the dollar’s appreciation, the overall benefits can be simply neutralized.

**Trump’s tax policies have encouraged outsourcing**

America’s trade problems have been exacerbated by mistakes and/or malfeasance in Trump’s tax policymaking. U.S. multinational corporations continually engage in massive, international tax avoidance—with some paying no U.S. income tax at all. The 2017 tax cut exacerbated this problem by creating a new, lower corporate tax rate for “global intangibles income.” The pharmaceuticals industry has since reaped major rewards and has moved plants to countries with the lowest possible corporate tax rate (Setser 2020b). As a result, the U.S. now has a massive trade deficit in pharmaceuticals, which exceeds the trade surplus in aerospace products, the strongest U.S. export industry. Leading suppliers of pharmaceutical imports—many produced by U.S. firms, such as Pfizer, which had no taxable U.S. income over the entire decade from 2007 to 2016 (Rice, Kitson, and Clemente 2017)—include Ireland, Germany, Switzerland, India, and China.

The U.S. trade deficit is likely to shrink during COVID-19 simply because of the decline in consumer income and spending. But unless steps are taken to address dollar overvaluation and the tax incentives that encourage offshoring, these deficits will simply reemerge when recovery occurs (Scott 2020a).

**Manufacturing job loss was a key issue for voters in the 2016 election**

Voters from manufacturing states have been hardest hit by growing trade deficits and failed trade and investment deals. In 2016, Donald Trump ran on a nationalist campaign platform, based in part on a critique of globalization that cited EPI research (Trump 2016). Hillary Clinton and Bernie Sanders have also cited EPI research on, for example, jobs lost due to growing trade deficits with China (Clinton 2007; Sanders 2020). Globalization is clearly an issue of bipartisan concern.

In 2016, voters from the top 25 manufacturing states, ranked by share of total employment in manufacturing, gave nearly 80% of their electoral votes to Donald Trump, as shown
In states where manufacturing composes a larger share of overall employment, Trump garnered more electoral votes in 2016.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Manufacturing share of employment</strong></td>
<td>0.0%</td>
<td>17.1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note:** Manufacturing data are for 2019.

**Source:** EPI analysis of Bureau of Labor Statistics Current Employment Statistics, State and Metro Area (BLS-CES/SAE) Employment, Hours and Earnings Data; and Politico, “2016 Presidential Election Results.”

Economic Policy Institute

In **Figure F**, the manufacturing electoral heat map. (View the interactive map online at epi.org/202757.) Hillary Clinton prevailed in the bottom 25 manufacturing states, by a margin of 61% to 39%, but it was not enough to offset Trump’s advantage in the manufacturing states. However, Trump’s policies have failed to stop offshoring or the erosion of the U.S. manufacturing base.

The restoration of manufacturing in the United States will be essential to the COVID-19 economic recovery. It is time to consider a progressive alternative for rebuilding manufacturing. The components of such a plan are described in the following section.
The COVID-19 recovery will require major investments in infrastructure and clean energy

The coronavirus crisis has devastated the U.S. and global economies. Black, Latinx, and women workers have been hardest hit, and without special efforts made for low-income communities, they will be the last to recover (Gould 2020b). With the economy in freefall, the U.S. needs to engage in massive and widespread relief.

America also needs a plan for economic reconstruction in the wake of the COVID-19 pandemic, one that is specifically designed to address the needs of those hardest hit in the economy. Millions of jobs and small businesses have been lost in sectors such as retail trade, travel, tourism, and restaurants, and many will never come back. The economy must be restructured—new and better jobs are needed for displaced workers. Properly done, the required investments can create good jobs with excellent wages and benefits for Black, Latinx, and women workers who have suffered from racism or discrimination and economic inequality (Gould 2020a; Gould and Wilson 2020). Thus, any relief and rebuilding plan must address the following core issues.

The U.S. must continue to provide massive and widespread relief

Relief spending must be continued and expanded. The U.S. has recently encountered a Wile E. Coyote moment—it just ran off the edge of a cliff—with the expiration of an expanded unemployment compensation program that was giving 33 million workers a $600 weekly unemployment insurance boost (Shierholz 2020). The failure to renew this and other relief programs will cause a collapse in consumer spending and business investment, resulting in an economic tsunami that threatens to deepen the coronavirus recession into a depression in the fall, while potentially exacerbating the health crisis by pushing people to go back to work before it’s safe to do so (Bivens 2020b).

We need expanded relief for all workers in the next coronavirus bill, and we also need to add at least $1 trillion in federal aid for state and local governments, support for public health measures (testing, tracing, and isolation, with paid leave), unemployment, and continuing income supports for the tens of millions who are furloughed or unemployed and for businesses that are shuttered (Bivens 2020a). Without aid for state and local governments, in particular, 5.3 million jobs are at risk by the end of 2021, which threatens to further deepen the coronavirus recession (Bivens and Cooper 2020).
The U.S. must rebuild a sustainable, resilient, manufacturing-based economy

Even if the coronavirus pandemic is successfully controlled, we are likely to experience recurrent infections and hot spots (as has already occurred in the South and West) until vaccines and more effective treatments arrive. Meanwhile, massive effort is needed, starting today, to rebuild and restructure the economy in ways that will address the needs of Black, Latinx, and women workers.

Millions of low-wage service jobs are unlikely to return. As we rebuild our economy, these jobs can and should be replaced with higher-wage jobs in manufacturing and construction that provide excellent benefits and afford workers the right to organize and bargain collectively. Planning and organizing these rebuilding efforts—including design, permitting, and purchase of materials and rights-of-way—should begin now, so that funding, projects, and employment can flow in earnest once the pandemic has been brought under control.

There are three essential components of a sustainable U.S. economy

Looking forward, the three pillars of building a sustainable, resilient, manufacturing-based economy are: (1) rebalancing trade flows; (2) rebuilding U.S. infrastructure; and (3) supporting the transition to efficient and clean energy systems.\(^5\)

In 2017, the American Society of Civil Engineers estimated in its Infrastructure Report Card that the United States needs $4.6 trillion in infrastructure spending over 10 years for sorely needed repairs and modernization (ASCE 2017). This exceeds planned spending by $2 trillion. Similarly, Robert Pollin at the University of Massachusetts-Amherst suggests that the U.S. needs to devote roughly two percent of GDP annually to increased energy efficiency and clean energy conversion, or roughly $400–$500 billion per year (Drollette 2019). Thus, for infrastructure and clean energy transition, the U.S. needs additional investments of $650–$750 billion per year in rebuilding the economy.

The U.S. goods trade deficit exceeded $860 billion in 2019. By rebalancing trade and expanding U.S. public investment as described above, we can increase overall demand for U.S. production by up to $1.5 trillion per year, directly stimulating the manufacturing and construction industries while rebuilding the economy. This could generate massive increases in overall demand for goods and services produced in the United States that would support and create more than 17 million good jobs.\(^6\) These steps alone would absorb more than half of the 33 million workers who were drawing unemployment benefits or have applied and are waiting for benefits as of August 1 (Shierholz 2020).

Joe Biden has recently proposed a $2 trillion initiative for clean energy and infrastructure (Glueck and Friedman 2020; Erickson 2020). He has also proposed investing $300 billion in manufacturing R&D and implementing policies designed to maximize the domestic content of infrastructure investments through “Buy America” policies (Goldmacher and
These proposals could make a substantial contribution to meeting U.S. investment needs and generating a strong, sustainable, broadly shared recovery.

**The U.S. must rebalance trade flows**

Realigning the dollar, as described above, could help to eliminate U.S. trade deficits and prevent the reemergence of larger trade gaps in the future. Rebalancing trade can also generate millions of good manufacturing jobs and prevent the offshoring of more manufacturing plants in the future.

**We must revise government procurement policies and trade rules to ensure that public infrastructure investments actually benefit U.S. workers and the U.S. economy**

Steps must be taken to ensure that public investments maximize domestic bang-for-the-buck—in terms of job creation and GDP support—in the states and cities where they are needed most, providing good jobs for those who have been excluded from the economy of the past. Under current trade rules, much of the public spending for infrastructure and clean energy systems would leak away to foreign providers, in the form of increased imports. Thus, these proposals should all include strong “Buy America” clauses in state and federal procurement policies. Doing so will require modification of or withdrawal from the World Trade Organization government procurement agreement (Miller & Chevalier 2020).

**We must also implement supply-side policies to ensure jobs go to those U.S. workers who were left behind by the decline in manufacturing**

An array of supply-side policies are also needed to ensure that these investments generate jobs where they are needed most, for women, Black, and Latinx workers here in the United States. These workers have been hurt by the decline of these industries, which generate good jobs with excellent benefits, especially for non-college-educated workers. Supply-side policies include:

- An end to tax policies that encourage firms to offshore production, including all tax preferences for foreign investment and production. The U.S. should consider implementing a system of sales factor apportionment to fairly tax the global profits of all foreign and domestic companies, based on their total sales in the United States, and to further discourage offshoring (Stumo 2016).

- Substantial investments in R&D, training, school-to-work transition, job creation programs, expanded extension, and other industrial policies, including expanded financing of small and medium-sized manufacturing firms. The U.S. should also support improvements in labor rights in all 50 states (Madland, Walter, and Eisenbrey 2012) and measures to include workers, banks, and other community stakeholders on
corporate boards, to improve their performance in local economies.

- Aggressive but strategic use of anti-dumping and enhanced safeguard measures to prevent surges of primary commodity imports, especially in sectors subject to chronic excess capacity (but with no across-the-board tariffs). The coronavirus has worsened a global metals glut, in part because China, the top producer of aluminum and steel, has kept up production as demand fell (Tita 2020). Aggressive enforcement of trade laws will be needed to limit damage to domestic producers during the coronavirus recession.

Investments should be financed with public debt until the economic crisis has subsided

Last, infrastructure and clean energy transition investments should be financed, at least during the COVID-19 recovery, by increasing public debt—including heavy borrowing until long-term interest rates begin to rise well in excess of a 2% inflation target (Bivens 2019). Then, and only then, can these needed investments be paid for by taxing capital, starting with the wealthy and those who can afford to pay, and with user fees as necessary and appropriate (offset by income transfers to low-income families). It is important to note that rebalancing trade will generate new federal revenues (through increased incomes), along with new revenues from the taxes imposed on foreign capital inflows, as referenced above. These revenues could also be used to pay off public debt.

Conclusion: Progressives must reshape their approach to trade

The coronavirus crisis is causing unprecedented damage to the U.S. economy and to the lives of tens of millions of Americans. This crisis will change the national economy in untold ways. Life in America will never be the same. But “in the midst of every crisis, lies great opportunity.”8 The need to rebuild America has never been greater, and the time to rebuild is now.

For the past three decades, mainstream Democrats have tied their fates to the twin mantras of free trade and globalization, which have cost millions of jobs and many thousands of factories. Bill Clinton campaigned for and signed NAFTA in 1993. He also negotiated and signed the agreement that created the World Trade Organization in 1994. And he negotiated the agreement that resulted in China’s entry into the World Trade Organization in 2001. Barack Obama negotiated and campaigned for the failed Trans-Pacific Partnership agreement. It is time for progressives to own and reject these failed policies, and to build and campaign on a plan to develop a 21st-century New Deal for the domestic economy.

In 2016, Donald Trump campaigned against globalization and these failed trade deals—which have clearly hurt U.S. manufacturing. It worked. He captured nearly 80% of the electoral votes in the top 25 manufacturing states, as shown above. But he has since
failed to deliver for working Americans. Now the wheels are coming off. It’s time for a meaningful rewrite of failed U.S. trade and economic policies—all urgently needed to revive the U.S. economy at a critical time.

Acknowledgments

The author thanks Thea Lee for comments, Krista Faries for editorial guidance, and Daniel Perez for research assistance.

Endnotes

1. For more on Foxconn’s history of announced intentions to invest in the U.S., see Frankel 2017.

2. See the “Fair Globalization and Balanced Trade” section of EPI’s Policy Agenda (EPI 2018).


4. Global intangibles income is “income earned by foreign affiliates of U.S. companies from assets such as patents, trademarks and copyrights” (TPC 2020).

5. See the “Climate Change” section of EPI’s Policy Agenda (EPI 2018).

6. Author’s calculations based on model in Scott and Glass 2016.

7. For example, through the U.S. Manufacturing Extension Partnership Program (Shapira 2001; NIST 2020).

8. This quote is frequently attributed to Albert Einstein, but the actual source cannot be verified.

References

American Society of Civil Engineers (ASCE). 2017. 2017 Infrastructure Report Card.


Employment and Reduced Inequality Are the Most Important Targets of Fiscal Policy. Economic Policy Institute, September 2019.


Mexico Now. 2018a. “KIA to Increase Production 40% at Its Mexican Plant This Year.” January 30, 2018.


