

# Global Manufacturing 2025

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**Charlottesville, Virginia**  
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*The miracles of science™*

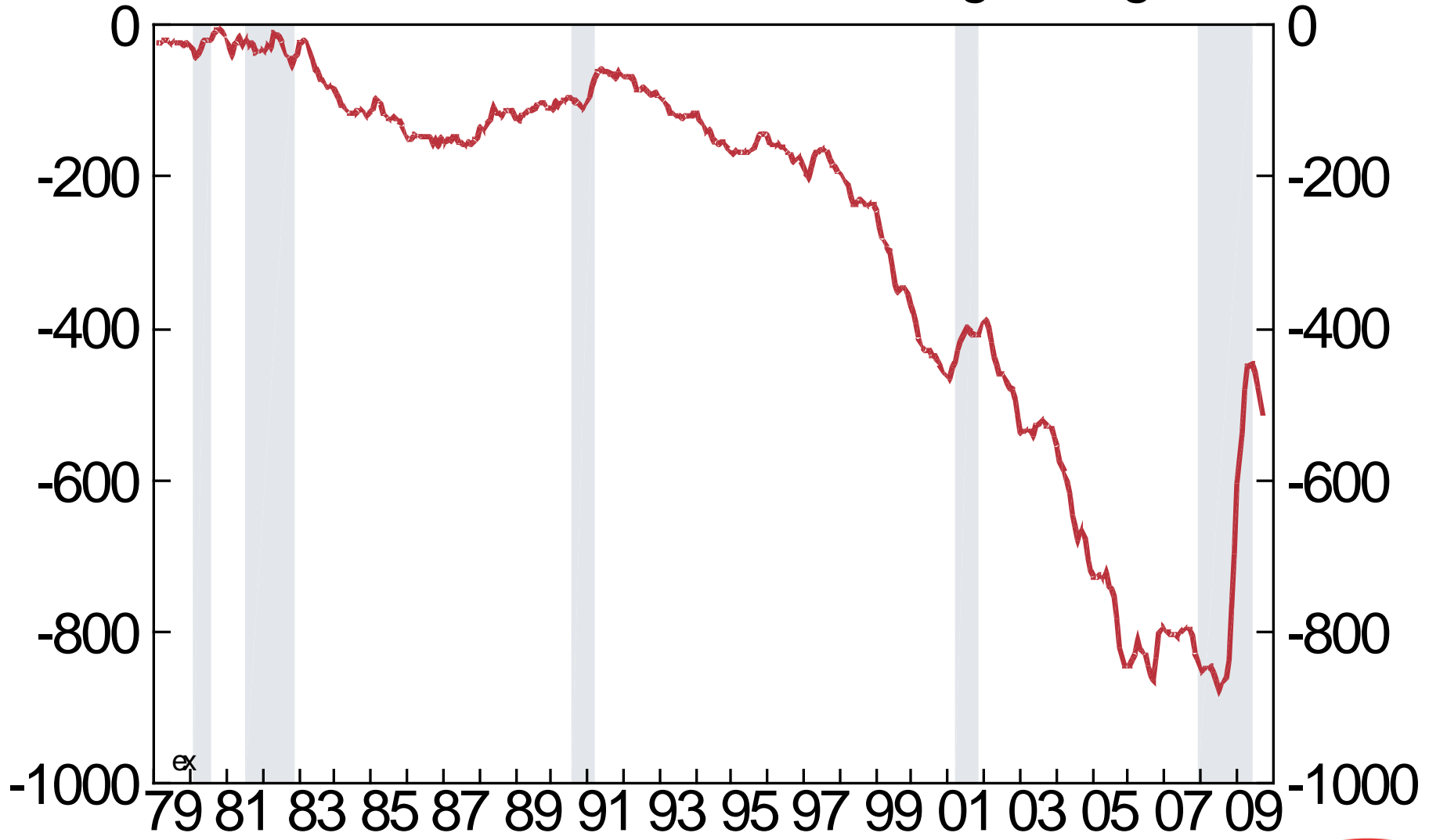


Anything that can't go on forever will stop.

Herbert Stein, 1916-1999

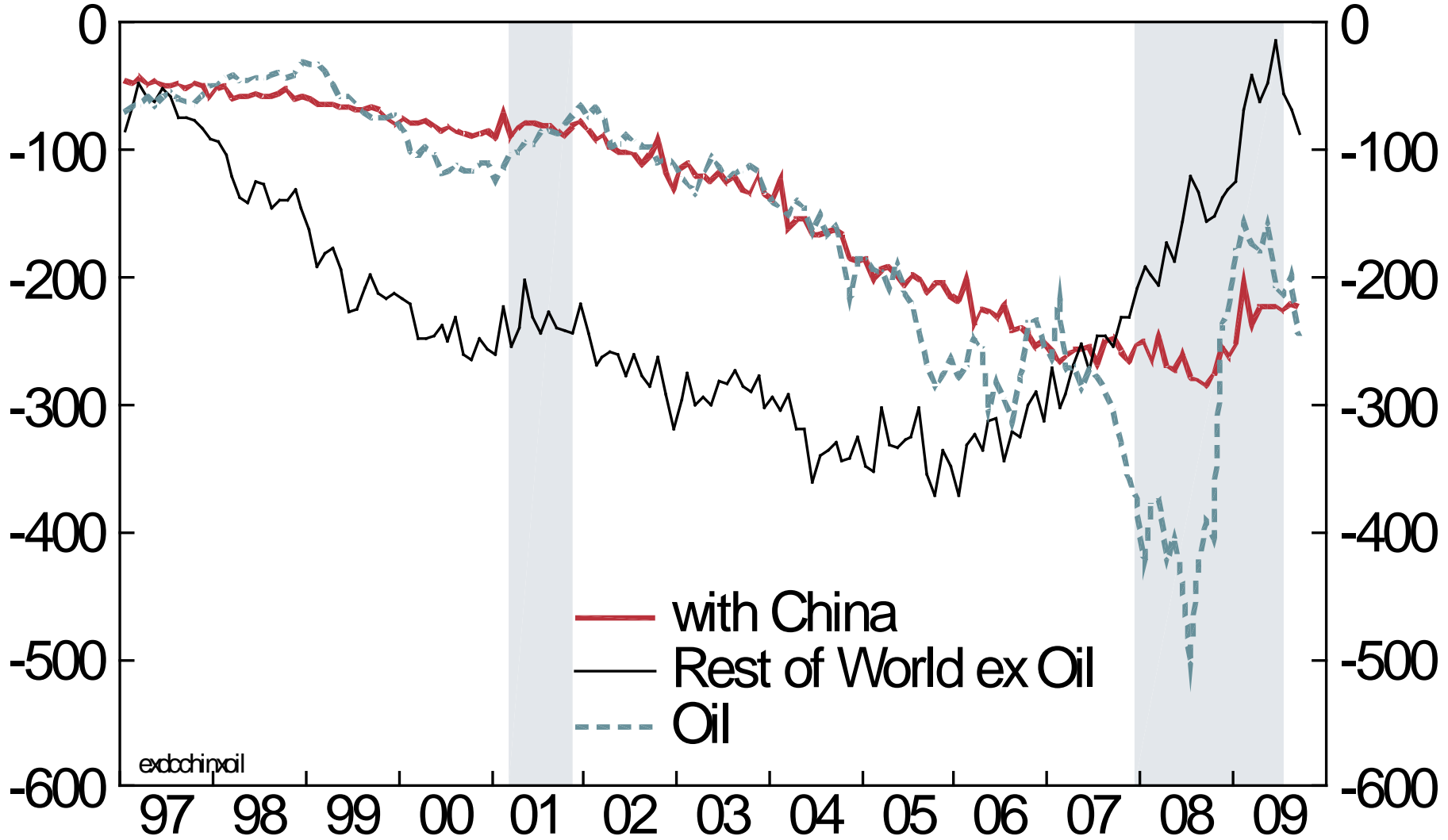
# US Merchandise Trade Balance

*Billion \$, Annual Rate, 3-Month Moving Average*



# US Merchandise Trade Balance

*Billion \$, Seasonally Adjusted Annual Rate*

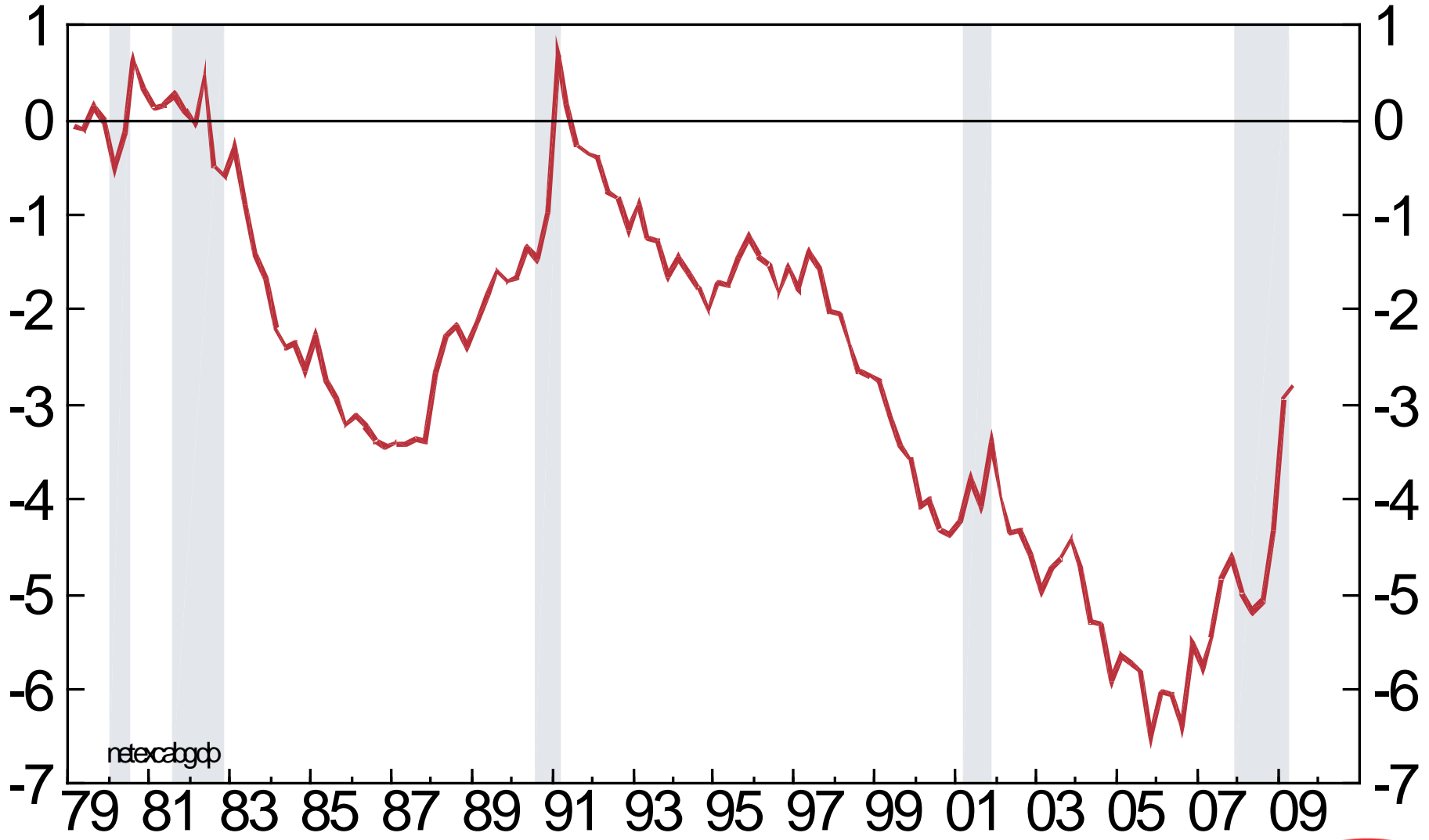


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# US Current Account Deficit

*Percent of GDP*



netexcbgdp

# Some accounting identities

**Current account balance  $\equiv$  national savings – national investment**

**National savings  $\equiv$  Personal savings + retained earnings + govt “surplus”**

**Investment includes investment in nonresidential structures, equipment & software, inventories, and residential structures.**

**Any action that reduces the US current account deficit must do one or more of the following:**

- Increase personal savings (reduce consumer outlays, given income)
- Increase retained earnings (profits minus dividends)
- Reduce the government budget deficit
- Reduce nonresidential investment (plant, equipment & software, inventories)
- Reduce residential investment

# Advantages for US Manufacturing (from ISI)

**Restrained labor costs**

**Low dollar**

**Labor market stability**

**Educated labor force**

**Economic and accounting transparency**

**Rule of law**

**Absence of major corruption**

**Deep/liquid capital markets**

**Well-developed infrastructure**

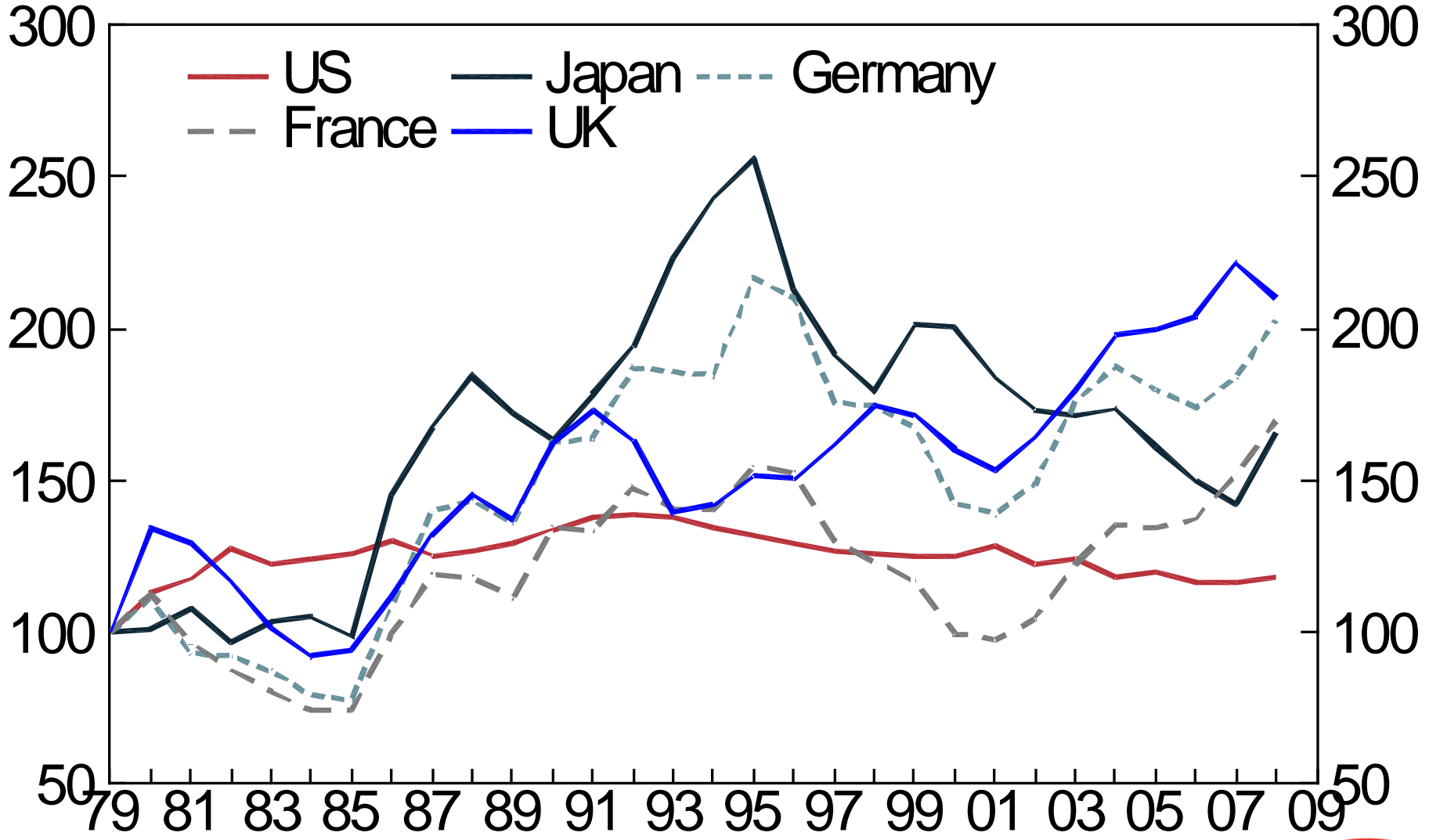
**Favorable shipping costs**

**Targeted tax incentives**

**Booming Emerging Market economies**

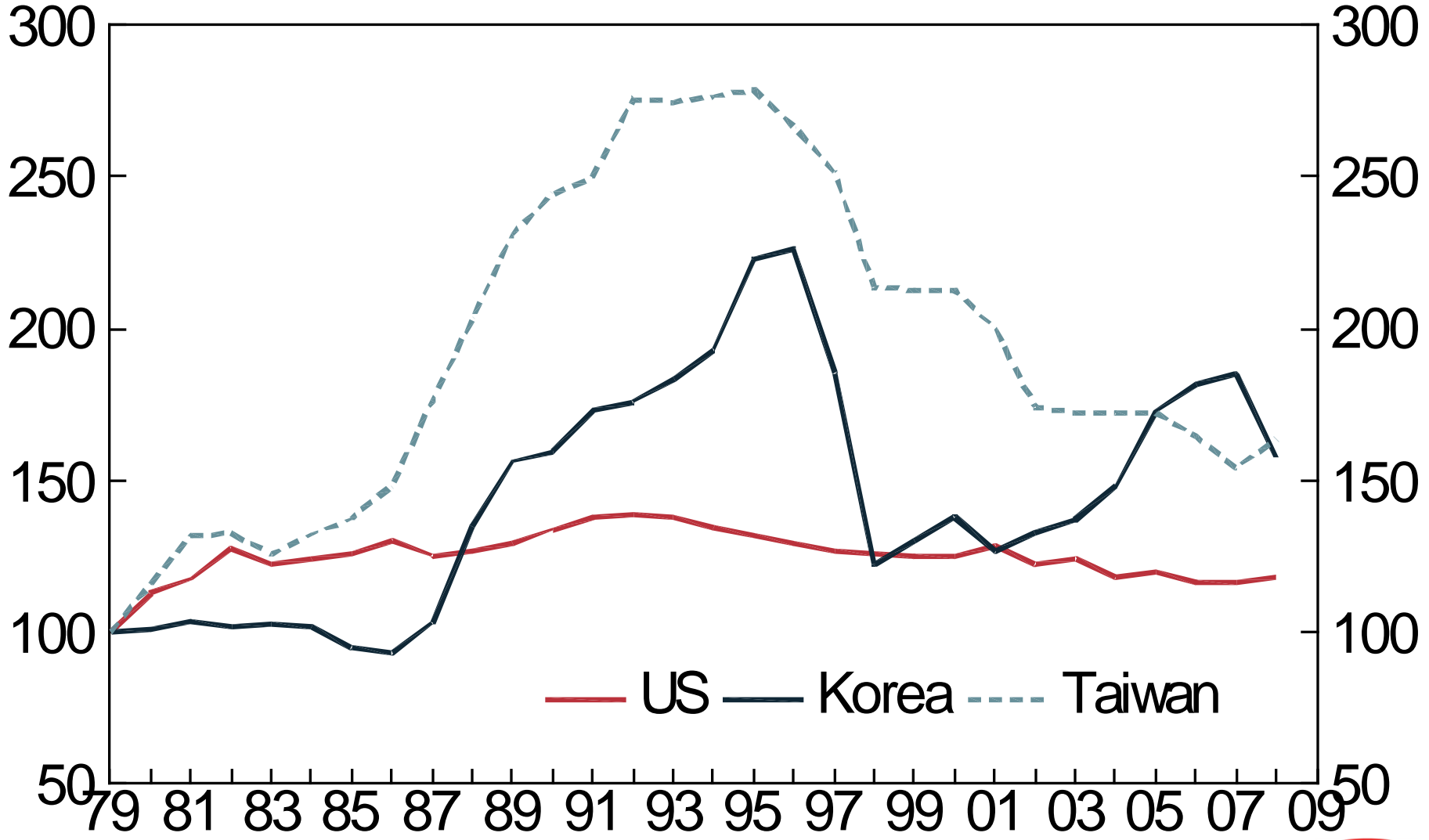
# Unit Labor Costs in Manufacturing

US \$ Basis, 1979 = 100



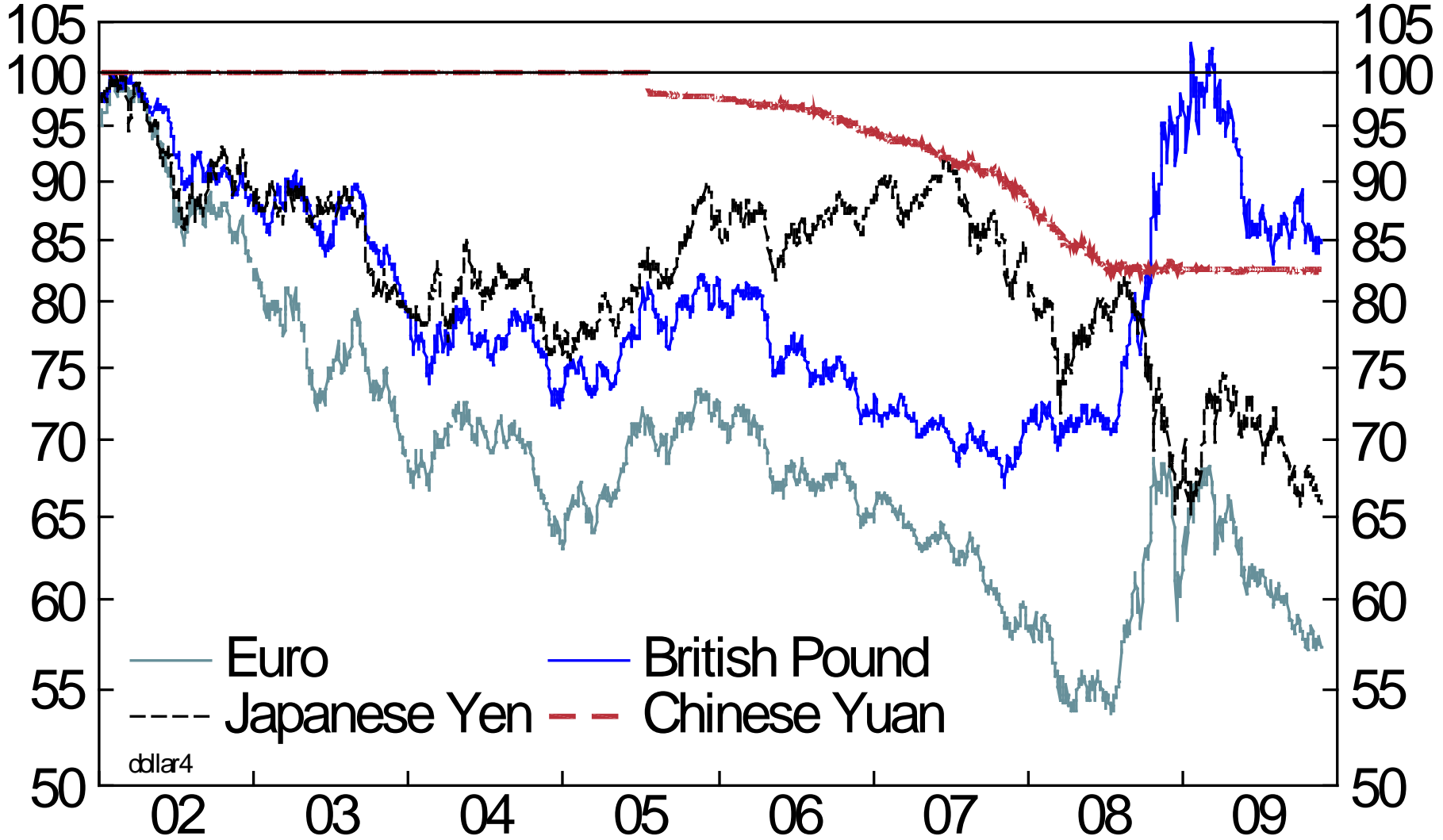
# Unit Labor Costs in Manufacturing

*US \$ Basis, 1979 = 100*



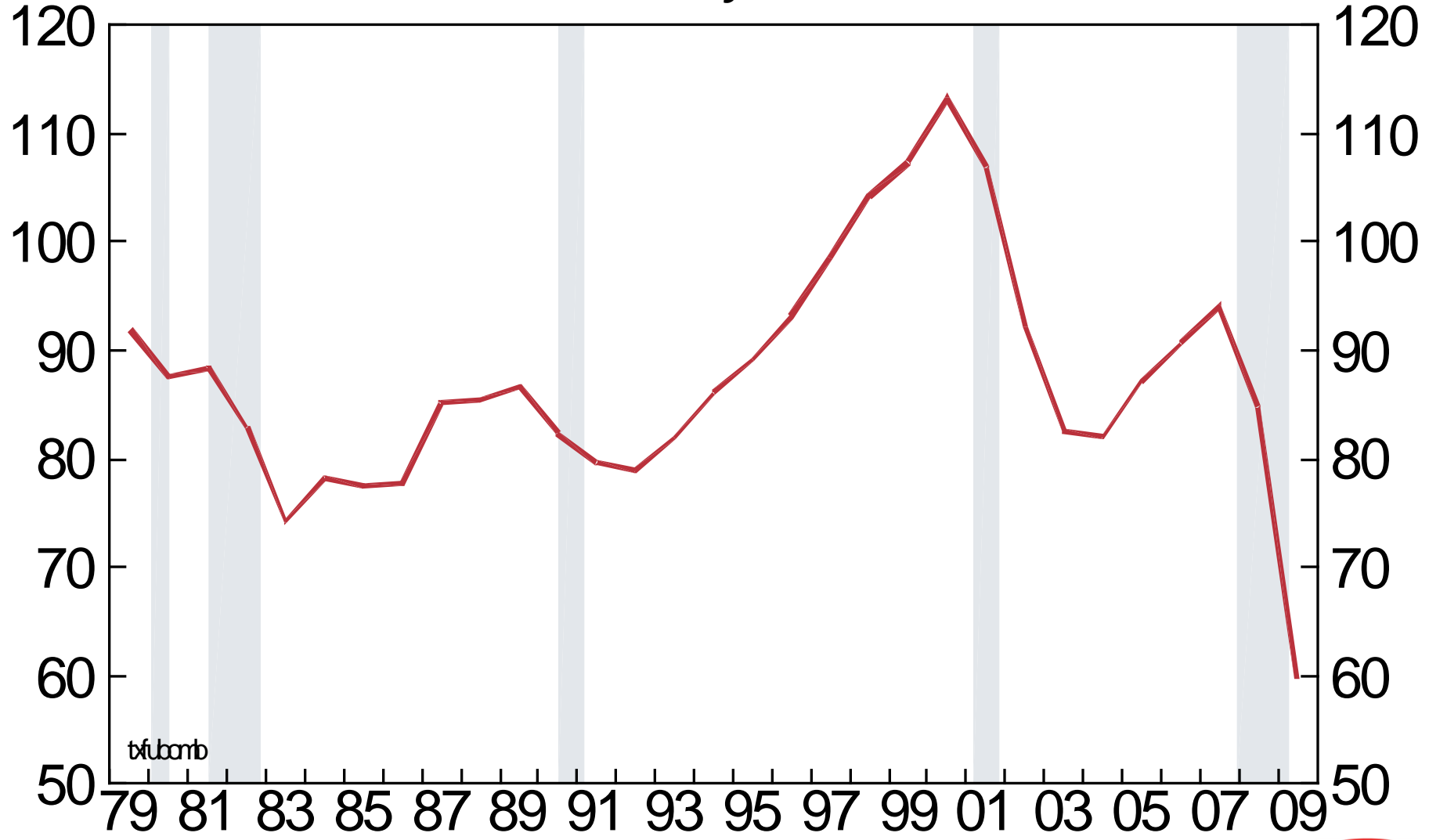
# Value of US Dollar vs Major Currencies

2002 Peak = 100



# Federal Government Net Receipts

## Percent of Government Outlays, Fiscal Year



twfubomb



# Some things to talk about

## **US current account deficit can't remain this large forever.**

- How long will Asian central banks “lend” us the money to buy their goods?

## **Taxes are going up . . . a lot.**

- Unless we stop electing people who bring home the bacon.
- Which taxes we raise matters a lot. (Tax things you want less of, not more of.)

## **On a straight cost basis, US is more competitive than most think**

### **Then why is trade deficit still so large:**

- Uncertainty about healthcare, cap & trade, lawsuits discourage investment in US
- Americans have forgotten how to export (e.g., export-import loans)
- Chinese Yuan is undervalued.

**For diversification (and tax) reasons, foreign companies could lead US manufacturing renaissance while US companies invest abroad.**