



Metropolitan Policy Program at BROOKINGS

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The new Brookings manufacturing policy paper is available at:
http://www.brookings.edu/papers/2012/0222_manufacturing_helper_krueger_wial.aspx

BRINGING BACK AMERICA'S MANUFACTURING SECTOR

*New Brookings paper argues manufacturing is essential to economic security
Policies determine the health of manufacturing, smart investments and greater inclusion are key*

WASHINGTON, D.C.—Policy choices, not uncontrollable market forces, have caused the decline of American manufacturing and the loss of millions of jobs, according to a new paper from the Brookings Institution Metropolitan Policy Program.

The new paper, “Why Does Manufacturing Matter? Which Manufacturing Matters?” describes why manufacturing is important to our economy, explains which types of industries and business strategies are most important, and makes recommendations aimed at reviving an economic sector that was once the envy of the world.

“We didn’t have to lose so many manufacturing jobs,” said Howard Wial, Brookings Fellow and one of the report’s authors. “It’s often assumed that greater productivity and high wages meant fewer jobs, but our research shows otherwise. We made policy choices, and the decline in our manufacturing base was the product of those choices.”

Among the report’s findings:

- Manufacturing provides high-wages jobs, is a major source of innovation, is key to reducing our trade deficits, and makes a disproportionately large contribution to environmental sustainability.
- The manufacturing industries that make the largest contributions to those four areas are also those that have the greatest potential to maintain or expand employment. Computers and electronics, chemicals (including pharmaceuticals), transportation, and machinery are especially important.
- American manufacturing needs to be strengthened in several areas, including research and development, where its historic advantage is eroding; access to financing; worker training at all levels; and greater engagement of workers and communities.

“Manufacturing makes significant contributions to our nation’s economic goals,” said Susan Helper, Professor of Economics at Case Western Reserve University and an author of the report, “and smart policies could increase those contributions.”

“It’s wrong to think we can’t make things to sell to the world,” Wial said. “We need to put smart, targeted policies into place that help stimulate innovation, develop a skilled workforce, and create a reliable financing platform. At the same time, we need to pay careful attention to which industries give us a competitive advantage.”

Wial and Helper stressed the U.S. should promote “high-road” production, in which skilled workers make innovative products, and that public policy needs to be aligned at the local, state, and national levels.

“Germany is one of several examples of countries that are leaders in this area of policy,” Helper said. “They have integrated policies in R&D, finance, and labor that promote innovative, high-wage manufacturing.”

The new paper is being released amid an energetic and high-level public debate about the role of manufacturing in America’s economic future. It argues for a manufacturing policy that addresses the challenges facing the manufacturing sector, promotes “high-road production,” works on multiple levels through the economy and at local, state, and national levels, and includes more stakeholders.

The new policy paper was released Wednesday at an event hosted in partnership with CONNECT, a San Diego-based policy organization. CONNECT presented papers on production models, production financing, and production workforce development by four scholars—Danny Breznitz, Associate Professor, Georgia Institute of Technology; Elisabeth Reynolds, Executive Director, Industrial Performance Center, Massachusetts Institute of Technology; Erica Fuchs, Assistant Professor, Carnegie Mellon University; and Josh Whitford, Associate Professor, Columbia University—as part of its *Innovation, Production, and Sustainable Job Creation: Reviving U.S. Prosperity* project.

The keynote address was given by Irwin Jacobs, co-founder and former Chairman of Qualcomm, Inc.

*CONNECT has assisted in the formation and development of more than 3,000 companies in the San Diego region. The program has been modeled in more than 50 regions around the world. Key to CONNECT’s success has been San Diego’s unique “culture of collaboration” between research organizations, capital sources, professional service providers and the established industries. In July 2010, the CONNECT established the **CONNECT Innovation Institute**, a think tank to develop and publish white papers on innovation policy and competitiveness in the global economy.*

<http://www.connect.org/>

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