

Macro Roundup Article

Headline: [Trade and the Manufacturing Share](#)

Article Link: <https://www.phenomenalworld.org/analysis/trade-and-the-manufacturing-share/>

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Tweet: [. @michaelxpettis](#) notes that “the manufacturing share of GDP is 3.4pp above the global average for surplus economies and 3.5pp below the global average for deficit economies,” and argues for capital controls to revive US manufacturing.

Summary: On average, the manufacturing share of GDP is 3.4pp above the global average for surplus economies and 3.5pp below the global average for deficit economies. There is no mystery, in other words, as to why advanced economies with persistent surpluses are also economies in which manufacturing plays a larger role in the economy, and why advanced economies with persistent deficits are those in which manufacturing plays a smaller role. In either case, global manufacturing is simply migrating to where the subsidies are greater, while consumption must migrate in the opposite direction. The most likely way the US might opt out of its outsized role in absorbing global imbalances would be by imposing across-the-board tariffs on US imports or—more effectively—by restraining unfettered access to US financial markets. The net impact of limiting access to claims on US assets is that countries who repressed domestic demand in order to subsidize their manufacturing industries would not be able to externalize the cost of those subsidies by acquiring US assets to balance their trade surpluses.

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Primary Topic: Trade (not deficits)

Topics: Database, GDP, Op-Ed/Blog Post, Savings Glut/Trade Deficit, Trade (not deficits)

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