

Macro Roundup Article

Headline: [Which Country Should Design U.S. Industrial Policy?](#)

Article Link: <https://carnegieendowment.org/china-financial-markets/2024/07/which-country-should-design-us-industrial-policy?lang=en>

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Tweet: [@michaelxpettis](#) argues that the US manufacturing sector is significantly impacted by foreign industrial policies that “improve manufacturing competitiveness by effectively forcing households to subsidize their manufacturing sectors.”

Summary: While manufacturing comprises 15% of global GDP, according to the most recent World Bank data, it comprises a much lower share of GDP for advanced economies that run persistent trade deficits and a much higher share for those that run persistent surpluses. Among the former countries, for example, manufacturing is 11% of U.S. GDP, it is 19% of German GDP, 21% of South Korean GDP, and 34% of Taiwanese GDP (and 26% of mainland Chinese GDP). This lopsided distribution of manufacturing across surplus and deficit economies isn't a coincidence, nor is it the result of decisions made in the United States. It is mostly the result of trade and industrial policies in several major economies that were designed to improve manufacturing competitiveness in these economies by effectively forcing households in those economies to subsidize their manufacturing sectors. These policies have resulted not just in trade surpluses, as domestic demand inevitably has failed to keep up with production, but also in the increasing role of manufacturing in their economies. Over time, global manufacturers have migrated to these surplus economies because that is where direct and indirect manufacturing subsidies were greatest.

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Primary Topic: Growth

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

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