Testimony

Of

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Before

The House Select Committee on Economic Disparity and Fairness in Growth

Field Hearing

Lorain Ohio

October 18, 2021

Chairman Himes and Members of the Select Committee:

I am honored by your invitation. I view the mission of this Committee to be of great importance and your forthcoming recommendations have the potential to be of historic importance to the United States.

In these comments I address three basic questions.

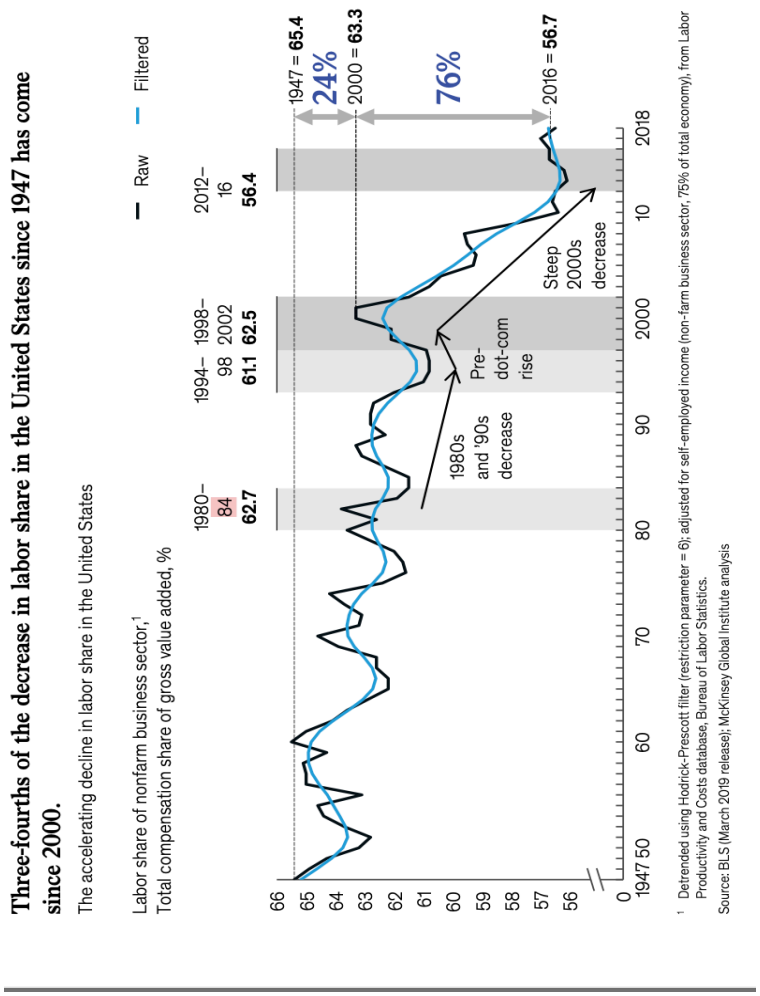
1. Is there a large, growing and accelerating economic disparity and unfairness within the United States economy? My answer is yes. I document why herein.
2. What is the principal source of this disparity and unfairness? At its heart, the cause is a four decades shift in U.S. policy to favor economic efficiency over economic equality. I provide an analysis of how that came to be and what that means to the people of this nation.
3. What can be done to reduce economic disparity and fairness to growth? I present several recommendations on how to achieve greater equity while simultaneously increasing efficiency. Inclusive high economic growth rates are the key. Instant opportunities for such are being created by the crisis in climate change, drought, and supply chain vulnerabilities.

Question One: Is the U.S. Undergoing a Widening Economic Disparity and Inequity?

American workers' share of national income – that is, the amount of GDP paid out in wages, salaries, and benefits – is in sharp decline and has been so since the 1980s.

The reality of this economic disparity and inequity is measured in many ways. One way is to calculate over time American workers' share of the Gross Domestic Product. To that point, McKinsey and Company released a discussion paper in May 2019 titled "A new look at the declining labor share of income in the United States." Their paper, based on the Bureau of

Labor Statistics database,[1] reports that U.S. worker's share of the GDP had declined from 62.7 percent in 1980 to 56.7 percent in 2016.



[1] https://www.mckinsey.com/featured-insights/employment-and-growth/a-new-look-at-the-declining-labor-share-of-income-in-the-united-states

More disturbing, three quarters of that 36-year loss happened between 2000 and 2016 as the pace of decline steepened. (Exhibit 1)

Another way to measure this expanding economic inequity is to show over time how income is distributed among U.S. households. In September 2021, the Census Bureau released a report titled "Income and Poverty in the United States: 2020" that provides detailed documentation of the growing inequality of household incomes in the United States.[2] (Exhibit 2)

This Census data shows that after 1980 the inequity between rich, middle class and poor households first increased slowly but then more quickly over the last two decades. In 1980, for example, those households making $200,000 or more annually (In 2020 dollars) received 1.9 percent of total U.S. household income. But In 2020, that increased to 10.3 percent.

Simultaneously, those making $35,000-50,000 annually dropped from 14.5 percent of the whole in 1980 to 11.4 percent in 2021. Indeed, as Exhibit 2 documents, every household group making less than $100,000 annually lost share between 1980-2020, and every household income group making more than $100,000 annually gained share.

These household income inequalities are also reflected in regional disparities. A measure of the disparity of income between regions in the United States as documented by Phillip Longman in a 2015 article in the Washington Monthly show how a rapidly growing U.S. regional inequality was getting out of control.[3]

For context, Longman noted that since the country's founding, U.S. government policy had worked to ensure that towns, cities, and regions would not gain an unwarranted competitive advantage. The structure of the Senate, he notes, reflects a compromise among the Founders meant to balance the power of densely and sparsely populated states. For more than a century, for instance, the nation struggled with how to keep the railroads from discriminating against some places and favoring others. The Sherman Antitrust Act and its enforcement prevented oligopolies or duopolies from dominating an industry. The anti-chain store legislation passed in 1936 (Robinson-Patman Act) prohibited chains from extracting price concessions from suppliers or from gobbling up markets to ensure that local vendors could survive. Airlines had to serve small towns if they wanted to serve big ones. Trucking rates were kept regionally non-discriminatory. Defense jobs were spread out nationally. By these and dozens of other means, the national government worked to ensure that jobs and income were regionally distributed specifically to minimize Regional Economic Inequality.

Between 1930 and 1980 the result was what Longman called the creation of a "Single American Standard of Living." As Exhibit 3 displays, the regional per capita income as a percentage of national average income merged between 1929 and 1979. These policies to reduce regional inequality worked well and satisfied a larger national purpose of a more equal

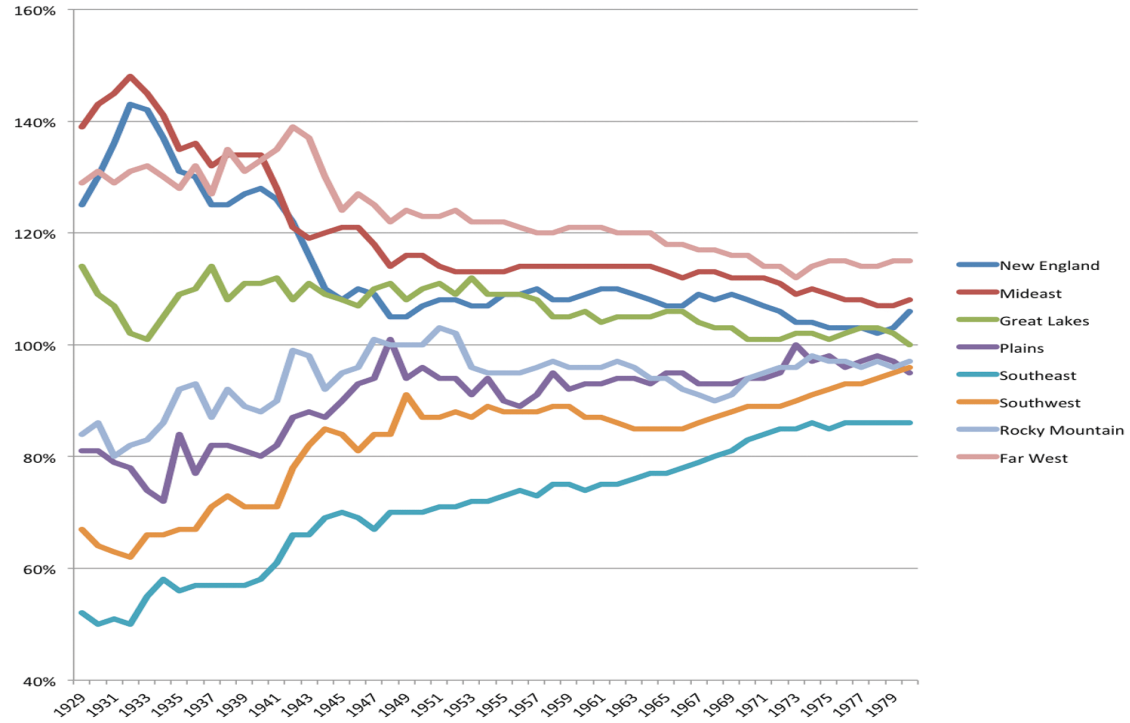
[2] https://www.census.gov/data/tables/2021/demo/income-poverty/p60-273.html
[3] https://washingtonmonthly.com/magazine/novdec-2015/bloom-and-bust/

Exhibit 2
Households by Total Money Income – 1973-2020

Race and Hispanic origin of householder and year	Number (thousands)	Percent distribution									
		Total	Under $15,000	$15,000 to $24,999	$25,000 to $34,999	$35,000 to $49,999	$50,000 to $74,999	$75,000 to $99,999	$100,000 to $149,999	$150,000 to $199,999	$200,000 and over
ALL RACES											
2020	129,931	100	9.4	8.7	8.1	11.6	16.5	12.2	15.3	8.0	10.3
2019	128,451	100	8.9	8.0	8.3	11.6	16.5	12.2	15.7	8.4	10.5
2018	128,579	100	10.0	8.7	8.4	12.0	16.9	12.5	15.1	7.3	9.0
2017 [2]	127,669	100	9.9	9.0	9.2	12.0	16.3	12.2	14.9	7.3	9.2
2017	127,586	100	10.0	9.1	9.1	11.9	16.2	12.4	15.1	7.5	8.8
2016	126,224	100	10.2	9.1	9.1	12.3	16.3	12.5	15.0	7.4	8.2
2015	125,819	100	10.5	9.7	9.7	11.9	16.2	12.4	15.0	7.2	7.4
2014	124,587	100	11.3	10.1	9.5	12.6	16.5	12.1	14.1	6.7	7.0
2013 [3]	123,931	100	11.3	10.2	9.3	12.0	17.2	12.0	14.1	6.7	7.2
2013 [4]	122,952	100	11.2	10.4	9.7	12.3	17.5	12.4	13.9	6.4	6.2
2012	122,459	100	11.3	10.5	9.9	12.6	17.2	12.2	14.0	6.3	6.1
2011	121,084	100	11.2	10.3	10.1	13.1	17.1	11.9	13.9	6.3	6.0
2010 [5]	119,927	100	11.1	10.6	9.4	13.1	16.8	12.2	14.3	6.3	6.1
2009 [6]	117,538	100	10.3	9.9	9.4	13.4	17.3	12.5	14.5	6.5	6.2
2008	117,181	100	10.3	9.8	9.5	13.1	17.1	12.4	15.1	6.5	6.2
2007	116,783	100	9.5	9.6	9.4	12.1	17.4	12.8	15.6	7.0	6.6
2006	116,011	100	9.5	9.4	9.4	12.7	17.6	12.7	15.2	6.8	6.7
2005	114,384	100	10.0	9.5	9.6	12.5	17.6	13.0	14.9	6.5	6.4
2004 [7]	113,343	100	10.0	9.7	9.8	12.7	17.1	12.9	15.1	6.5	6.2
2003	112,000	100	10.1	9.7	9.1	12.9	17.3	12.6	15.5	6.5	6.3
2002	111,278	100	9.8	9.7	9.1	12.8	17.5	12.7	15.8	6.5	6.1
2001	109,297	100	9.5	9.6	8.7	13.1	17.6	12.8	15.8	6.4	6.4
2000 [8]	108,209	100	8.9	9.4	8.8	13.1	17.2	13.6	15.5	7.1	6.4
1999 [9]	106,434	100	8.9	9.5	9.1	12.9	17.4	13.4	15.6	6.7	6.5
1998	103,874	100	9.6	9.8	8.9	13.1	17.4	13.7	15.4	6.4	5.7
1997	102,528	100	10.1	10.0	9.5	12.8	18.1	13.2	14.9	6.0	5.3
1996	101,018	100	10.4	10.5	9.5	13.4	17.8	13.5	14.7	5.6	4.7
1995 [10]	99,627	100	10.3	10.4	10.1	13.1	18.8	13.2	14.4	5.3	4.5
1994 [11]	98,990	100	11.2	10.7	10.0	13.3	18.5	12.7	14.2	5.2	4.4
1993 [12]	97,107	100	11.6	10.6	9.7	14.0	18.5	13.0	13.6	5.2	4.0
1992 [13]	96,426	100	11.7	10.5	10.0	13.5	18.8	13.4	13.7	4.9	3.5
1991	95,669	100	11.4	10.1	9.6	13.9	19.2	13.4	13.9	5.0	3.4
1990	94,312	100	10.9	9.9	9.7	13.5	19.5	13.8	14.1	4.9	3.8
1989	93,347	100	10.6	9.9	9.5	13.0	19.3	13.8	14.6	5.3	4.0
1988	92,830	100	11.3	9.6	9.9	13.0	19.2	14.1	14.4	4.8	3.7
1987 [14]	91,124	100	11.4	9.9	9.7	13.4	19.1	14.2	14.2	4.8	3.4
1986	89,479	100	11.8	9.9	9.8	13.6	19.2	14.1	13.8	4.5	3.2
1985 [15]	88,458	100	11.9	10.3	10.2	14.0	19.8	13.7	13.3	4.0	2.7
1984 [16]	86,789	100	12.0	10.8	10.1	14.5	19.8	13.6	12.9	3.9	2.5
1983	85,407	100	12.5	10.8	10.6	14.6	20.1	13.5	12.2	3.5	2.3
1982	83,918	100	12.5	10.7	10.8	14.4	20.7	13.4	12.0	3.4	2.2
1981	83,527	100	12.2	10.8	10.9	14.3	20.4	14.1	12.1	3.3	1.9
1980	82,368	100	11.9	10.7	10.2	14.5	20.8	14.4	12.1	3.4	1.9
1979 [17]	80,776	100	11.6	10.1	10.1	13.9	20.8	14.9	12.8	3.5	2.3
1978	77,330	100	11.4	10.4	10.0	14.2	20.9	14.9	12.7	3.3	2.1
1977	76,030	100	11.7	11.2	10.0	14.5	21.1	14.8	11.9	2.9	1.9
1976 [18]	74,142	100	11.8	11.1	10.2	14.7	21.6	14.6	11.5	2.6	1.8
1975 [19]	72,867	100	12.2	11.2	10.3	15.0	22.0	14.2	11.0	2.5	1.6
1974 [19, 20]	71,163	100	11.6	10.6	9.9	15.2	21.9	15.0	11.3	2.8	1.7
1973	69,859	100	11.4	10.6	9.5	14.0	22.1	15.1	12.1	3.1	2.0

distribution of jobs, incomes, and opportunities. There was a uniform and uniformly achievable path to the "American Dream" – in essence and understandably a fair social pact for Americans.

Exhibit 3. The Emergence of a Single American Standard of Living: Regional Per Capita Income as a Percentage of National Average, 1929-1979



Phillip Longman, "Bloom and Bust" – Washington Monthly, December 2015

But since the late 1970s the inequality between a few locations at the expense of other entire regions has widened at a growing pace. Longman measures this by comparing the per capita income of selected regions and that of the prosperous New York Metropolitan Area. While the Far West Region had a per capita income almost equal to New York's in the early 1980s, that fell to 75 percent by 2011. Every other region had the same experience of comparative decline. (Exhibit 4)

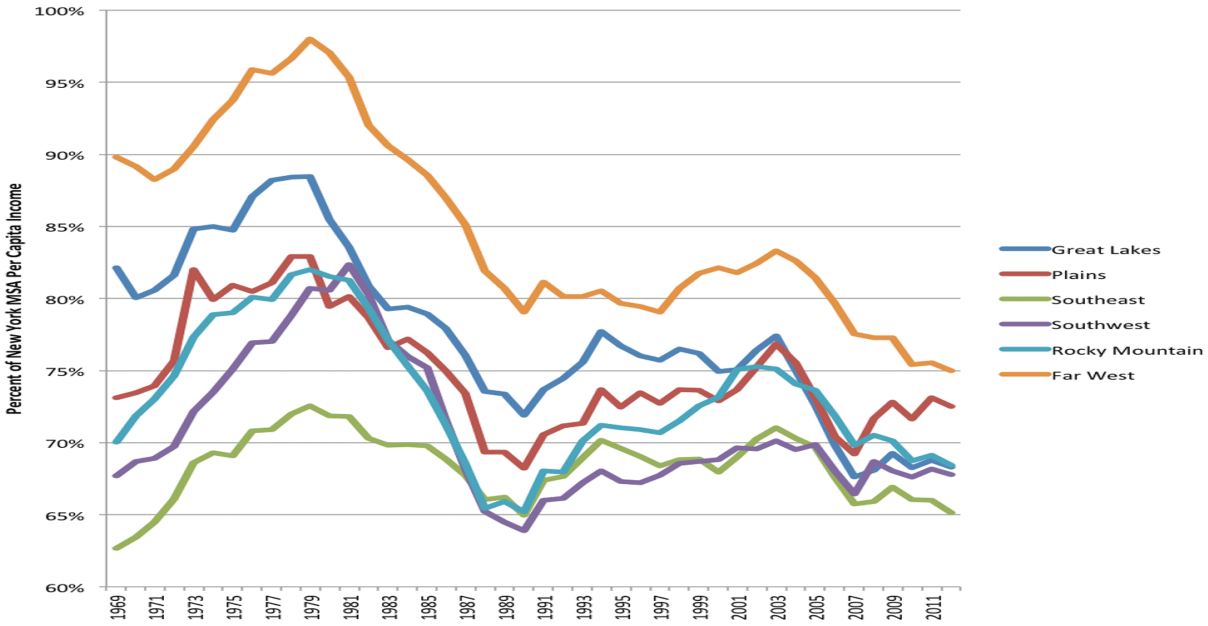
A decade ago, the per capita incomes in New York City, San Francisco and Washington DC had grown since 1980 to be significantly greater than the average for the whole of the American population. For New York City it was more than 260 percent greater, for San Francisco – almost 180 percent and Washington DC more than 160 percent. (Exhibit 5) Regional inequity continues to expand today.

Finally, the Economic Innovation Group of Washington DC has mapped economic distress on a county basis and publishes a map of its Community Distress Index (CDI).[4] The CDI Index is calculated by using seven metrics to determine the Distress Score. They are (1) Number of High

[4] https://eig.org/dci/interactive-map

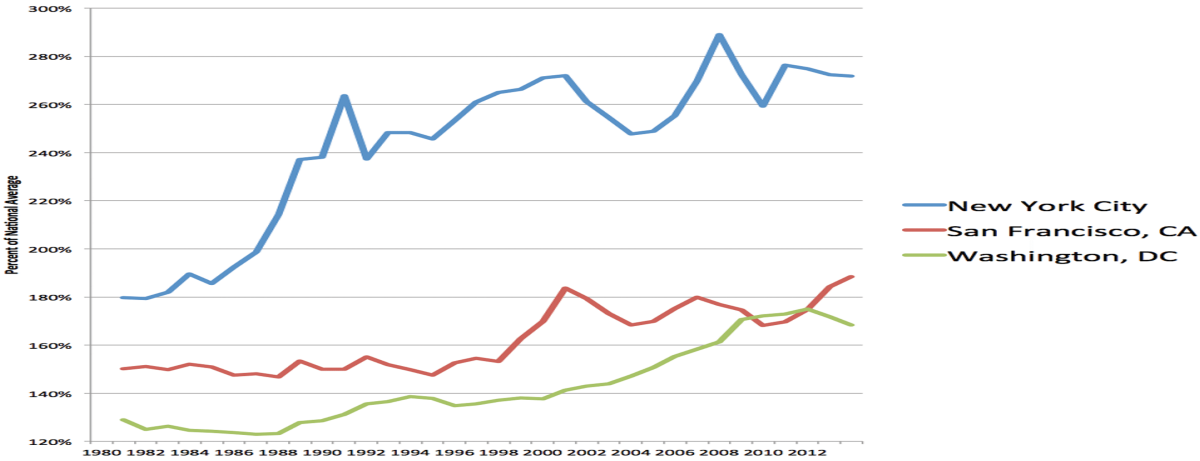
School Diplomas, (2) Housing Vacancy Rate, (3) Adults Not Working, (4) Poverty Rate, (5) Median income, (6) Change to Employment, and (7) Change in Businesses.

Exhibit 4. Per Capita Personal Income of Selected Regions Compared to the New York Metropolitan Area – 1969-2011



Phil Longman, Bloom and Bust, Washington Monthly, December 2015

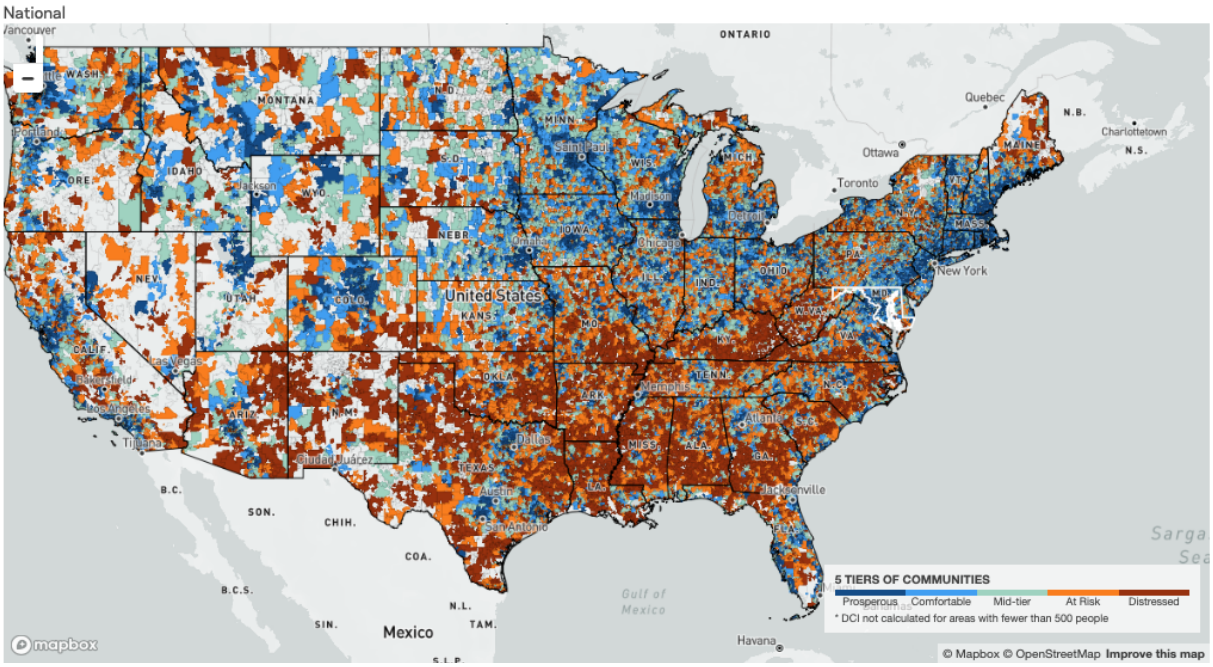
Exhibit 5. Rise in the Per Capita Income of Selected Coastal Cities Compared to the Per Capita Income of Americans



Phil Long, Bloom and Bust, Washington Monthly, December 2011

The CDI reveals great regional inequality across the United States. Note the distress in the Great Lakes Region, the Mississippi Delta, the Crescent Region in the Southeast U.S., the Southern Border and Eastern Parts of the Northwestern U.S. They are significant and involve tens of millions of workers and families. These inequalities lead inevitably to discontent and social polarization. In turn, this discontent has been exacerbated by those purveying ideological discord and disinformation for profit and/or political advantage.

Exhibit 6
Distressed Community Index



Source: https://eig.org/dci/interactive-map

Question Two: Why is economic inequality expanding in the U.S.?

Arthur Okun, one of the most influential economists of the 20th Century, did a series of lectures at Harvard in 1974 that he consolidated into a classic book that was published by the Brookings Institute in 1975 and updated in 2015: **Equality an Efficiency – The Big Tradeoff**.

While expressed in many ways, the heart of the equity vs. efficient tradeoff is whether policymakers should tradeoff less economic equity for more economic efficiency or trade off less efficiency for more equity.

For the past four decades, public policy through several Presidential Administrations sacrificed equity for efficiency. My answer to question one reveals just how much equity was lost.

Okun notes in his book:

> Contemporary American society is, in a sense, a split-level structure. Its political and social institutions provide universally distributed rights and privileges that proclaim the equality of citizens. But its economic institutions rely on market-determined incomes that generate substantial disparities among citizens in living standards and material well-being. The differentials in income are meant to serve as incentives – rewards and penalties – to promote efficiency in the use of resources and to generate a great, and growing, national output.

Looking backward from today's vantage point, we can define three distinct Big Tradeoff eras since 1900. Between 1900 and 1932, efficiency dominated. In the Roosevelt era between 1933 and 1980, equity prevailed. In the Reagan era between 1981 and today, efficiency dominated.

While this trade-off involved many decisions and changes in social, educational, income, economic, foreign, and international policy, I will focus on the policies on trade and manufacturing that have favored efficiency over equity for the past three decades.

Trade and Manufacturing – The 40-year Reagan era is distinguished by U.S. trade policy. It was created by a bipartisan coalition of Republicans, Democrats, academics, and business leaders. It was supported by four of the five Presidents in this era. These trade and manufacturing policies created the greatest unilateral transfer of national wealth in world history, destroyed millions of good paying U.S. jobs, and wrecked the economies of hundreds of small U.S. factory towns. Most significantly, those policies resulted in a hard social and political alienation of tens of millions of U.S. citizens from their own government. It is the primary source of the political turmoil and chaos we are now experiencing.

In part, the loss of many U.S. industries can be traced to the subordination of trade policy to foreign policy. For more than a century, a succession of Presidents followed President Woodrow Wilson's dictum that the U.S. role in international affairs was to "make the world safe for democracy." In pursuit of that goal, the U.S. in the post-World War II era has repeatedly sacrificed domestic industries and jobs for foreign policy objectives. In the 1950s, for example, the U.S. agreed to European tax policies based on the Value Added Tax that allowed multinational tax rebates on exports on VAT taxes but denied rebates for direct corporate taxes. This is the single largest trade disadvantage faced by U.S. manufacturers that export.

In the 1960s, the U.S. sacrificed its consumer electronics industry to secure Japan's support for U.S. policy in Vietnam. In the 1990s, we sacrificed millions of jobs in the textile and apparel industries to secure the U.S. wars in the Mideast and to gain global support for the Uruguay GATT negotiations. A decade ago, we enacted a non-reciprocal auto pact with South Korea by which the U.S. is limited to the export of 50,000 vehicles annually into their market, while Korea automakers have unlimited access to the U.S. market. To secure China's membership in the World Trade Agreement in 2000, the U.S. sponsored its membership in the World Trade

Organization and allowed China to be treated as if it were a small developing nation. These are just a few of such tradeoffs, many of which remain state secrets.

Equally significant, United States' trade policy since World War II has been focused on encouraging other nations to adopt the Anglo-American free-trade, rules-based model. While other nations claim acceptance of rules-based free trade and market economies, they organize their economies very differently. Europe has a democratic socialist system of mixed economies and soft mercantilism. Japan, China, South Korea use a plan-driven, hard mercantilism economic system. The Russian system is that of gangster economies.

The advanced industrial nations undergird their economies with national industrial policies whose purpose is to support national output, national security, technology independence, wealth creation, local jobs, and a better living standard for their people.

In this economic competition among nations, the United States has been failing. (Exhibit 7) The evidence of that failure includes the large and growing net trade deficits, the rising loss of vital U.S. industries, and the growing dependence on other nations for the technologies required for our national security. The U.S. net trade deficit in 2020 was almost $676 billion and is on a path to be near $800 billion in 2021. The U.S. Trade policy strong favors efficiency over equity.

Simply put, the U.S. buys more than it sells and has done so for almost 40 years. This has shifted the U.S. from being the world's largest creditor nation in 1981 to the world's largest debtor in 2021. Buying more than what is produced and sold is ruinous for an individual, a business and certainly for a nation. The only difference is that a nation can borrow more than any individual or business and continue the losses longer.

These trade deficits are translated into massive U.S. manufacturing job losses. (Exhibit 8) In the beginning of the Reagan Era (January 1980), the U.S. had 18,639 manufacturing jobs. By September 2021 that had declined by more than 6 million to 12,446 jobs.

Throughout the United States more than 90,000 U.S. factories closed and people were left to their own devices. Hundreds of communities throughout the country were one or two factory towns. Often, these factories had been in operation for decades and jobs flowed from one generation to another and then to another. When the factory closed and its jobs left, the entire local economy was deeply harmed and often destroyed.

To add insult to injury, workers in a closed factory were often forced to train their successors from Mexico or some other penny-wage country where the factories were being transferred. The anguish for factory owners was often as great as it was with workers. The owners faced a situation in which they either moved abroad to secure the efficient advantages of lax regulation and cheap, compliant labor or would be destroyed by imports from their foreign-based competitors. It was a tragedy for millions of American workers and thousands of small business owners.

Exhibit 7

U.S. Trade in Goods and Services - Balance of Payments (BOP) Basis

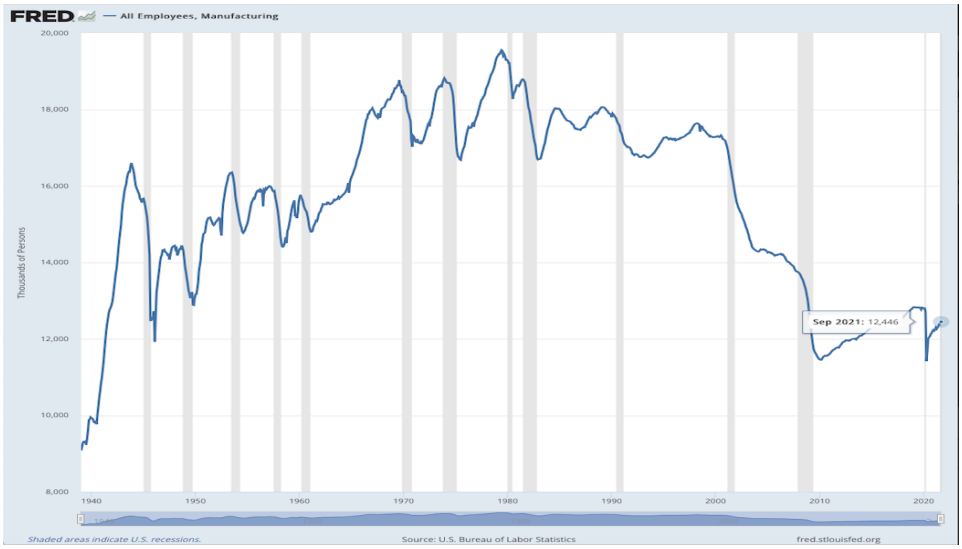
Value in millions of dollars
1960 through 2020

Period	Balance			Exports			Imports		
	Total	Goods BOP	Services	Total	Goods BOP	Services	Total	Goods BOP	Services
1960	3,508	4,892	-1,385	25,939	19,650	6,289	22,433	14,758	7,675
1961	4,194	5,571	-1,377	26,403	20,108	6,295	22,208	14,537	7,671
1962	3,371	4,521	-1,151	27,722	20,781	6,941	24,352	16,260	8,092
1963	4,210	5,224	-1,014	29,620	22,272	7,348	25,411	17,048	8,363
1964	6,022	6,801	-780	33,340	25,501	7,839	27,319	18,700	8,619
1965	4,664	4,951	-287	35,285	26,461	8,824	30,621	21,510	9,111
1966	2,939	3,817	-878	38,926	29,310	9,616	35,987	25,493	10,494
1967	2,604	3,800	-1,196	41,333	30,666	10,667	38,729	26,866	11,863
1968	250	635	-385	45,544	33,626	11,918	45,292	32,991	12,301
1969	90	607	-517	49,220	36,414	12,806	49,130	35,807	13,323
1970	2,255	2,603	-348	56,640	42,469	14,171	54,385	39,866	14,519
1971	-1,301	-2,260	959	59,677	43,319	16,358	60,980	45,579	15,401
1972	-5,443	-6,416	973	67,223	49,381	17,842	72,664	55,797	16,867
1973	1,900	911	989	91,242	71,410	19,832	89,342	70,499	18,843
1974	-4,293	-5,505	1,212	120,897	98,306	22,591	125,189	103,811	21,378
1975	12,403	8,903	3,500	132,585	107,088	25,497	120,181	98,185	21,996
1976	-6,082	-9,483	3,402	142,716	114,745	27,971	148,798	124,228	24,570
1977	-27,247	-31,091	3,845	152,302	120,816	31,486	179,547	151,907	27,640
1978	-29,763	-33,927	4,164	178,428	142,075	36,353	208,191	176,002	32,189
1979	-24,566	-27,568	3,003	224,132	184,439	39,693	248,696	212,007	36,689
1980	-19,407	-25,500	6,093	271,835	224,250	47,585	291,242	249,750	41,492
1981	-16,172	-28,023	11,851	294,399	237,044	57,355	310,570	265,067	45,503
1982	-24,156	-36,485	12,330	275,235	211,157	64,078	299,392	247,642	51,750
1983	-57,767	-67,102	9,335	266,106	201,799	64,307	323,874	268,901	54,973
1984	-109,074	-112,492	3,418	291,094	219,926	71,168	400,166	332,418	67,748
1985	-121,879	-122,173	294	289,071	215,915	73,156	410,951	338,088	72,863
1986	-138,539	-145,081	6,543	310,034	223,344	86,690	448,572	368,425	80,147
1987	-151,683	-159,557	7,874	348,869	250,208	98,661	500,553	409,765	90,788
1988	-114,566	-126,959	12,394	431,150	320,230	110,920	545,714	447,189	98,525
1989	-93,142	-117,749	24,607	487,003	359,916	127,087	580,145	477,665	102,480
1990	-80,865	-111,037	30,173	535,234	387,401	147,833	616,098	498,438	117,660
1991	-31,136	-76,937	45,802	578,343	414,083	164,260	609,479	491,020	118,459
1992	-39,212	-96,897	57,685	616,882	439,631	177,251	656,094	536,528	119,566
1993	-70,311	-132,451	62,141	642,863	456,943	185,920	713,174	589,394	123,780
1994	-98,493	-165,831	67,338	703,254	502,859	200,395	801,747	668,690	133,057
1995	-96,384	-174,170	77,786	794,387	575,204	219,183	890,771	749,374	141,397
1996	-104,065	-191,000	86,935	851,602	612,113	239,489	955,667	803,113	152,554
1997	-108,273	-198,428	90,155	934,453	678,366	256,087	1,042,726	876,794	165,932
1998	-166,140	-248,221	82,081	933,174	670,416	262,758	1,099,314	918,637	180,677
1999	-255,809	-337,068	81,258	976,525	698,524	278,001	1,232,335	1,035,592	196,742
2000	-369,686	-446,783	77,096	1,082,963	784,940	298,023	1,452,650	1,231,722	220,927
2001	-360,373	-422,370	61,997	1,015,366	731,331	284,035	1,375,739	1,153,701	222,039
2002	-420,666	-475,245	54,579	986,095	698,036	288,059	1,406,762	1,173,281	233,480
2003	-496,243	-541,643	45,401	1,028,186	730,446	297,740	1,524,429	1,272,089	252,340
2004	-610,838	-664,766	53,927	1,168,120	823,584	344,536	1,778,958	1,488,349	290,609
2005	-716,542	-782,804	66,262	1,291,503	913,016	378,487	2,008,045	1,695,820	312,225
2006	-763,533	-837,289	73,756	1,463,991	1,040,905	423,086	2,227,523	1,878,194	349,329
2007	-710,997	-821,196	110,199	1,660,815	1,165,151	495,664	2,371,811	1,986,347	385,464
2008	-712,350	-832,492	120,142	1,849,586	1,308,795	540,791	2,561,936	2,141,287	420,650
2009	-394,771	-509,694	114,923	1,592,792	1,070,331	522,461	1,987,563	1,580,025	407,538
2010	-503,087	-648,671	145,584	1,872,320	1,290,279	582,041	2,375,407	1,938,950	436,456
2011	-554,522	-740,999	186,477	2,143,552	1,498,887	644,665	2,698,074	2,239,886	458,188
2012	-525,906	-741,119	215,213	2,247,453	1,562,630	684,823	2,773,359	2,303,749	469,610
2013	-446,829	-700,539	253,710	2,313,237	1,593,708	719,529	2,760,066	2,294,247	465,819
2014	-484,144	-749,917	265,773	2,392,268	1,635,563	756,705	2,876,412	2,385,480	490,932
2015	-491,261	-761,868	270,607	2,279,743	1,511,381	768,362	2,771,004	2,273,249	497,755
2016	-481,475	-749,801	268,326	2,238,337	1,457,393	780,944	2,719,812	2,207,195	512,617
2017	-512,739	-799,343	286,603	2,390,778	1,557,003	833,775	2,903,517	2,356,345	547,172
2018	-580,950	-878,749	297,799	2,538,638	1,676,913	861,725	3,119,588	2,555,662	563,926
2019	-576,341	-861,515	285,174	2,528,367	1,652,072	876,295	3,104,708	2,513,587	591,121
2020	-676,684	-922,026	245,342	2,134,441	1,428,798	705,643	2,811,125	2,350,825	460,301

U.S. Census Bureau, Economic Indicator Division

NOTE: (1) Data presented on a Balance of Payment (BOP) basis. Information on data sources and methodology are available at http://www.census.gov/foreign-trade/guide/sec2.html#bop.

Exhibit 8
U.S. Manufacturing Employment – 1940-2021

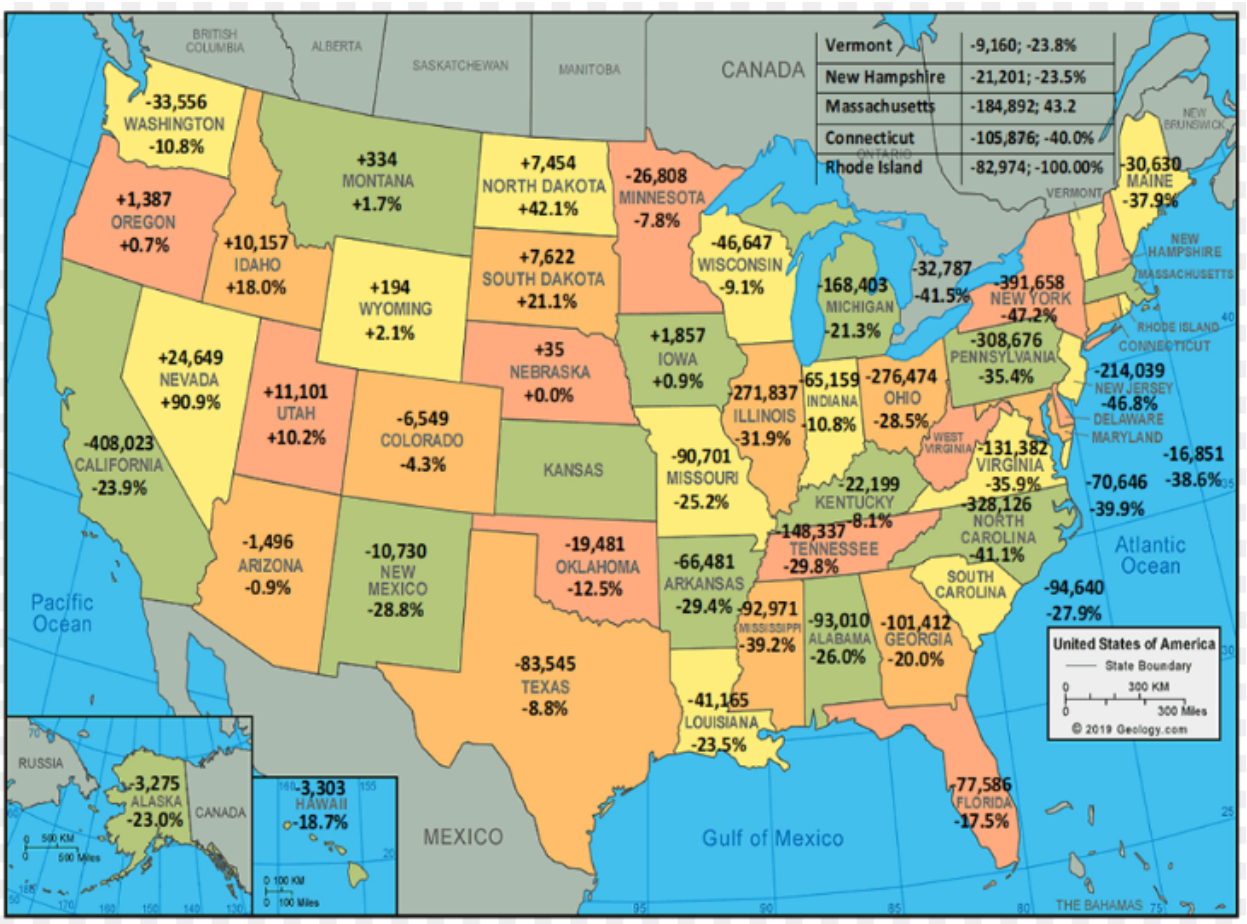


Between 1980 and 2021, the U.S. has lost 6.1 million manufacturing jobs. (Exhibit 8) These job losses have devasted the economies of those states in which manufacturing was a dominant employer. This map created by the Office of Representative Marcy Kaptur (D-OH) reveals that in Ohio almost 29 percent of the manufacturing jobs were lost in the period 1994-2020 after NAFTA was enacted. (Exhibit 9) Pennsylvania lost 35 percent, Michigan 21 percent, Illinois 32 percent, and New York 47 percent. Most of these jobs were union jobs with good pay and benefits. Similarily, the Southern States which had spent the post-World War era industrializing a previous agriculture-based economy lost hundreds of thousands of jobs.

Manufacturing jobs are important because they are one of the few paths for less educated people to enter the middle class and provide the education their children require for generational economic advance.

Exhibit 9

State Manufacturing Job Loss
1994-2018



Figures reflect number of manufacturing jobs lost per state and the correlating percentage job loss. This figure is for total manufacturing employment, so it takes into account both jobs created by exports and jobs displaced by imports, among other causes of net job change.
https://www.citizen.org/article/rhode-island-job-loss-during-the-nafta-wto-period/

As the Bureau of Labor Statistics data in Exhibit 10 documents, average earnings for goods producing industries are far superior to those in privately-owned service-providing sectors. The average weekly earnings for goods-producing jobs in September 2021 was $1,267, which was 22 percent greater than the average $1,023 paid in service work.

Manufacturing work is significant because it is one of the few industries that hires people with a high school education or less, who constitute one-third of the American work force: that is, more than 50 million workers. The principal source of alternative jobs for millions of displaced American manufacturing workers with limited education is retail trade, which pays 44 percent less than manufacturing, or leisure and hospital work which pays 59 percent less.

Exhibit 10

U.S. BUREAU OF LABOR STATISTICS

Economic News Release

CES CPS

Table B-3. Average hourly and weekly earnings of all employees on private nonfarm payrolls by industry sector, seasonally adjusted

ESTABLISHMENT DATA

Table B-3. Average hourly and weekly earnings of all employees on private nonfarm payrolls by industry sector, seasonally adjusted

Industry	Average hourly earnings				Average weekly earnings			
	Sept. 2020	July 2021	Aug. 2021(P)	Sept. 2021(P)	Sept. 2020	July 2021	Aug. 2021(P)	Sept. 2021(P)
Total private	$29.50	$30.55	$30.66	$30.85	$1,026.60	$1,060.09	$1,060.84	$1,073.58
Goods-producing	30.13	31.10	31.20	31.38	1,205.20	1,244.00	1,248.00	1,267.75
Mining and logging	34.89	35.33	35.53	35.62	1,549.12	1,600.45	1,598.85	1,624.27
Construction	31.82	32.97	33.08	33.25	1,240.98	1,279.24	1,283.50	1,330.00
Manufacturing	28.90	29.78	29.87	30.02	1,164.67	1,206.09	1,206.75	1,212.81
Durable goods	30.31	31.32	31.45	31.60	1,230.59	1,274.72	1,270.58	1,279.80
Nondurable goods	26.55	27.22	27.27	27.41	1,059.35	1,094.24	1,098.98	1,101.88
Private service-providing	29.35	30.42	30.54	30.72	989.10	1,025.15	1,026.14	1,032.19
Trade, transportation, and utilities	25.55	26.48	26.55	26.67	876.37	913.56	913.32	917.45
Wholesale trade	32.52	33.71	33.75	33.77	1,255.27	1,328.17	1,319.63	1,327.16
Retail trade	21.44	21.98	22.11	22.27	660.35	676.98	680.99	683.69
Transportation and warehousing	25.42	26.82	26.85	26.95	983.75	1,037.93	1,039.10	1,042.97
Utilities	44.08	44.89	44.97	45.07	1,886.62	1,916.80	1,924.72	1,906.46
Information	43.93	44.25	44.32	44.30	1,607.84	1,641.68	1,644.27	1,634.67
Financial activities	38.21	40.19	40.05	40.24	1,436.70	1,511.14	1,501.88	1,509.00
Professional and business services	35.35	36.76	36.95	37.02	1,293.81	1,349.09	1,348.68	1,358.63
Education and health services	28.70	29.82	29.93	30.37	961.45	993.01	996.67	1,014.36
Leisure and hospitality	17.10	18.58	18.85	18.95	446.31	492.37	493.87	496.49

Question Three: What can be done to reduce economic disparity and fairness to growth?

Step one in reducing inequality in the United States is to recognize that it exists and secure public and political support to rebalance the equity-efficiency situation that now exists.

This rebalancing need not be a zero-sum exercise if it is accompanied by an aggressive national growth strategy. With a growing economy, the U.S. can have greater equity and greater efficiency from an expanding economic base while reducing the frictions of making those changes.

A way to view the economy in such a transformation is that of traditional political economists such as Adam Smith. It consists of four components: 1. Resources, 2. Technology, 3. Institutions, and 4. Culture.

While there are various types of resources, the most important are the people of the United States. If viewed as the nation's stock of human capital, a different set of social and economic policies is required from those that now exist. Human capital is a national resource to develop with early childhood development, a good education, good food, good health care, safe housing, and a path to a lifetime of productive work that ends with a dignified retirement. Today, we do not have such a set of balanced equity-efficiency policies.

As to technology, it provides the ways and means to greatly increase the efficient production of goods and services and allow a more equitable distribution of gains from that bounty. The climate crisis, for instance, provides a historic opportunity for the United States to become the developers of technologies to save our planet, to manufacture the equipment and software required to create millions of new jobs, and to lead the world in what is probably the most vital mission ever faced by humankind. In our Q&A period, I can identify several technologies that are candidates for meeting this challenge.

Today's institutions of work and life – political, educational, social, business, financial among many others – require reform if they are to meet the challenges of our time. In particular, we need regional institutions that are multi-state in composition and facilitate implementation that transcends state, county and local boundaries and involve the federal government. The work of the Tennessee Valley Authority is a successful model of such that addresses the energy, environmental and economic development needs for parts of seven states.

As to the cultural and political challenges, I defer to the Chair and Members of the Committee.

Again, thank you for the opportunity to share my views with this Select Committee. I look forward to your comments and questions.