



The Daily Dish

Manufacturing Boom?

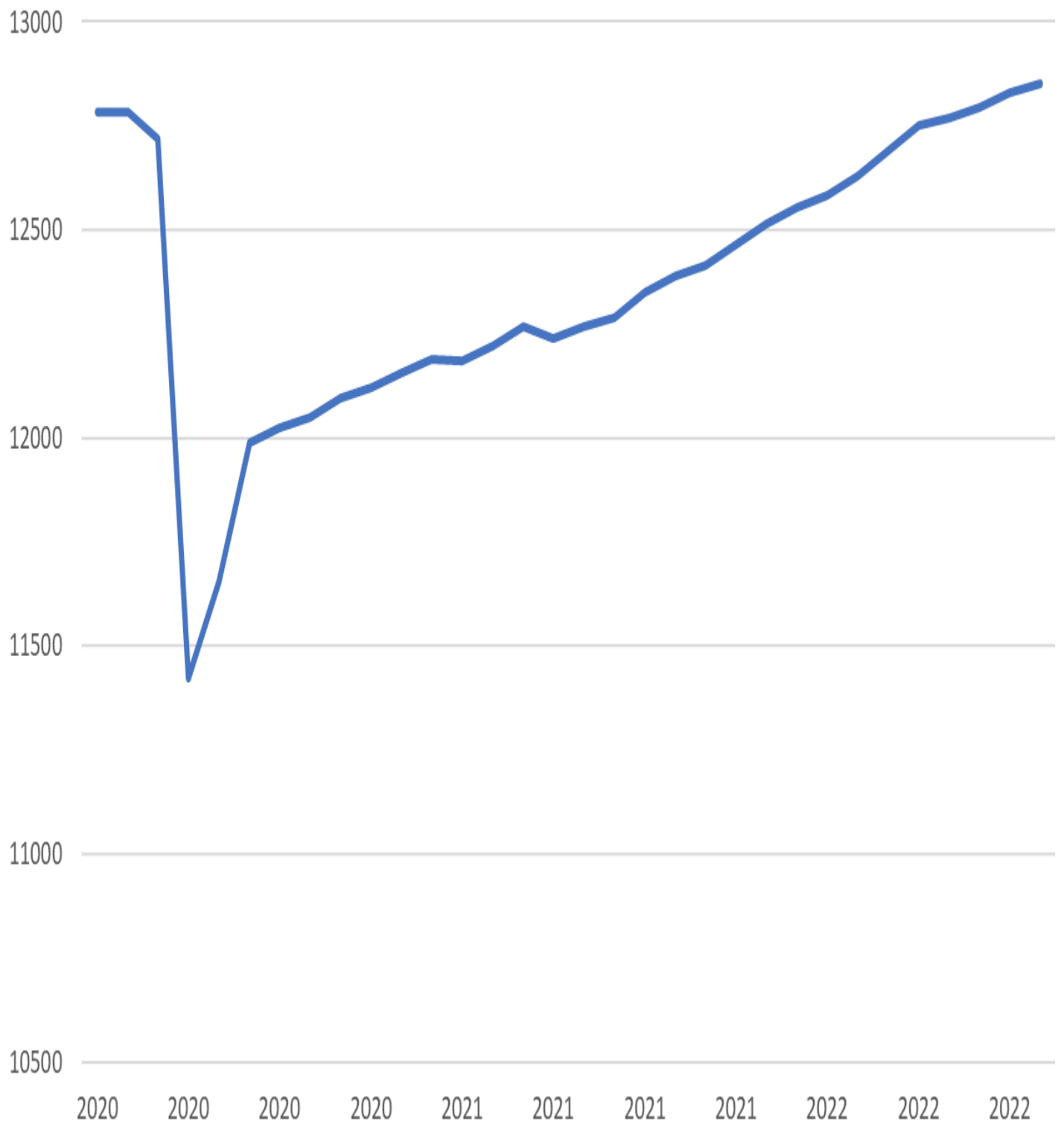
DOUGLAS HOLTZ-EAKIN | SEPTEMBER 27, 2022

To hear *The New York Times* tell it: “[Factory Jobs Are Booming Like It’s the 1970s](#).” That’s a strong claim. “Ever since American manufacturing entered a long stretch of [automation](#) and [outsourcing](#) in the late 1970s, every recession has led to the loss of factory jobs that never returned. But the recovery from the pandemic recession has been different: American manufacturers have now added enough jobs to regain all that they shed — and then some.”

This makes it sound as if some economic magic has occurred. It is a lot less striking than that. Let’s see why.

First, let’s put this in perspective. This is the recovery in manufacturing employment from the pandemic downturn in early 2020.

Manufacturing Employment and the Post-Pandemic-Recession Recovery



Indeed, the recovery is just as advertised. But it is hardly the 1970s all over again. Here is manufacturing employment since 1960. The basic narrative has been loss in employment.

Manufacturing Employment



The *Times* pins the employment loss on recessions, but there is another candidate: manufacturing productivity. During the period in which the bulk of the employment was lost, labor productivity was high and rising. Put another way, output in manufacturing did not suffer, it just took fewer workers to create it.



More recently, productivity growth has stagnated or even turned negative. It is easy to add workers if demand is growing (and we have enormous inflation because demand is red hot) and productivity is flat.

This points to a second key feature of the recent recovery: This wasn't a typical recession. This recession was unlike any other in the postwar period. Indeed, the downturn was concentrated in the service sector; demand for goods and services remained strong in 2020 and into 2021.

The manufacturing recovery is more a tribute to bad productivity growth (which is not a good development) and a lopsided, virus-driven recession than some dramatic change in the laws of economics.