

TRADE, MANUFACTURING & UNEMPLOYMENT IN THE U.S.

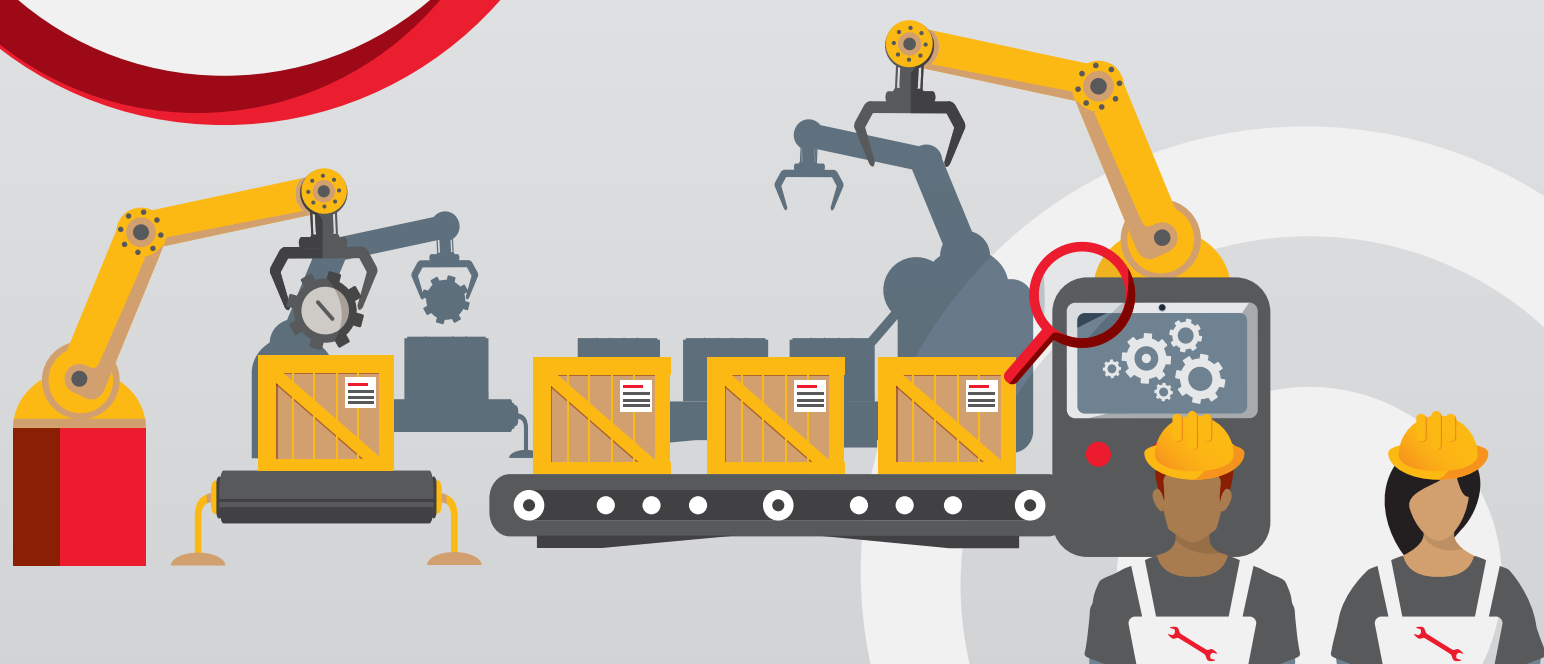
NAFTA MYTH DEBUNKED

MYTH:

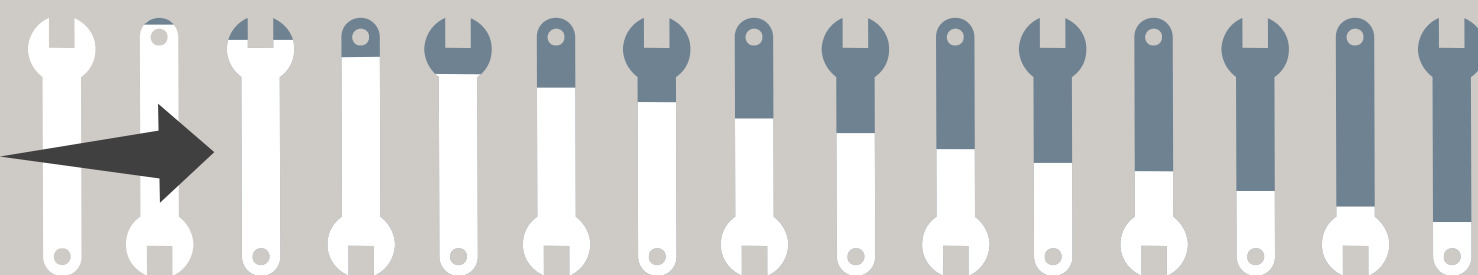
NAFTA is responsible for the decline in U.S. manufacturing jobs.

FACT:

Technological progress and enhanced productivity – not NAFTA – has been responsible for the downturn in manufacturing jobs in the U.S. over the past several decades.



The decline of manufacturing jobs in the U.S. started in the 1950s, long before the rise of NAFTA. The decline has followed a straight line that has remained **unchanged** despite the creation of a number of international trade agreements over the following decades.



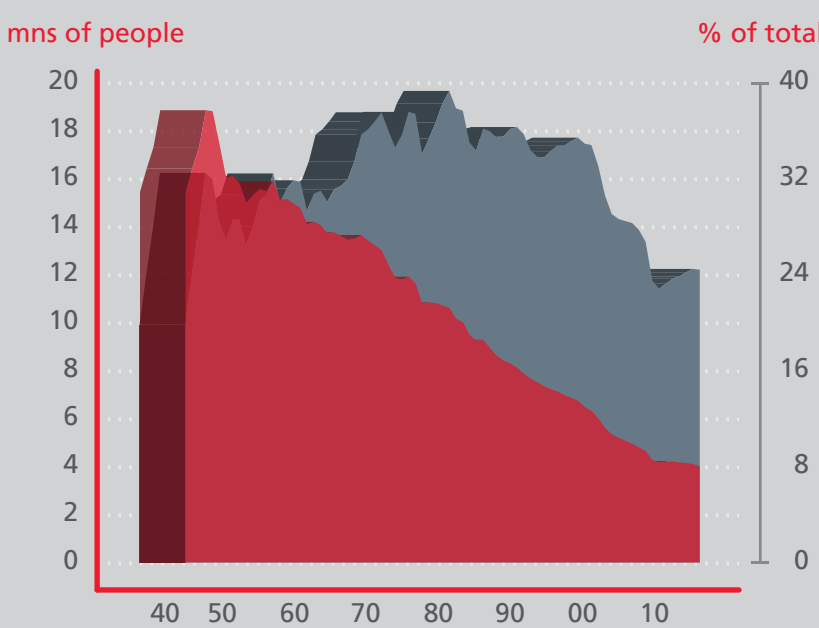
1940 |-----| 2017



Manufacturing jobs in the U.S. peaked in 1979 and have since slid by 37% to levels not seen since the 1940s, even though today's economy-wide labour force is **three times larger** than it was 75 years ago.

DECLINE OF U.S. MANUFACTURING JOBS

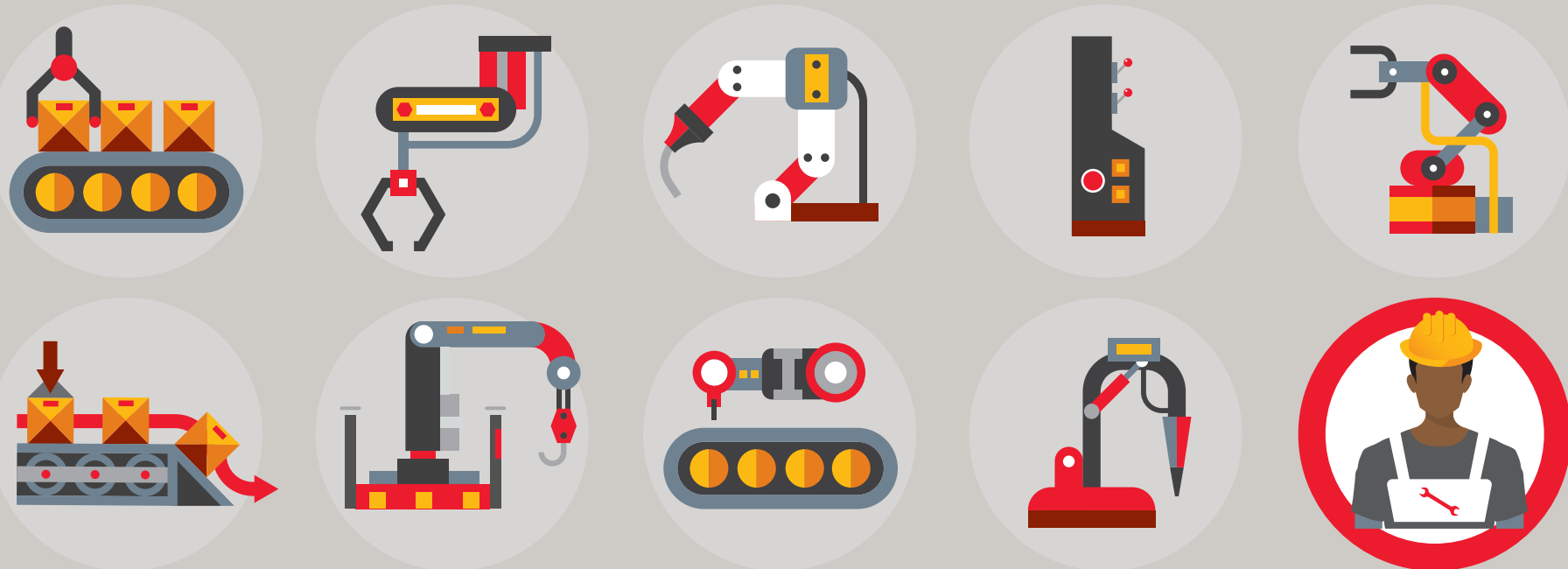
- U.S. manufacturing employees (Left hand axis)
- Manufacturing as share of all employees (Right hand axis)



Sources: Scotiabank Economics, Haver Analytics.

About **9 out of 10 manufacturing jobs** lost in the U.S. have been **eliminated by mechanization**, not trade.*

*Hicks and Devaraj (2015)

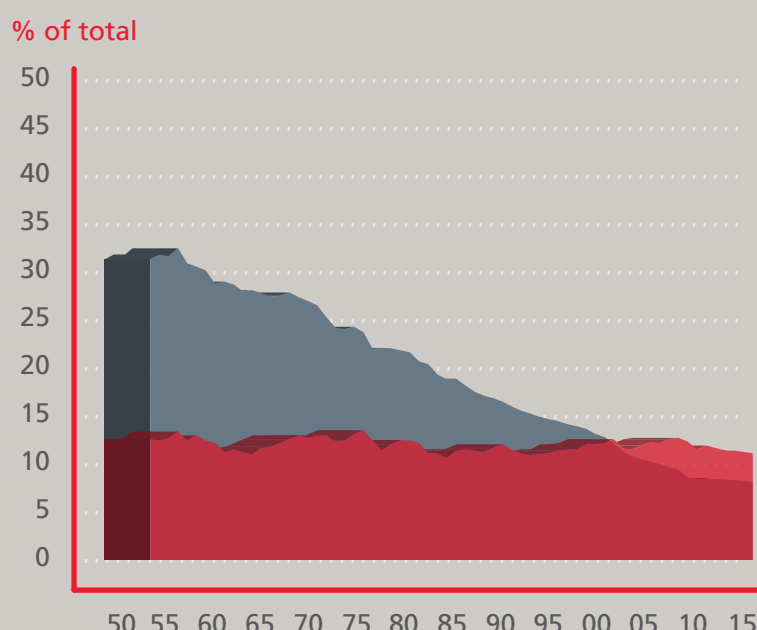


Most **high-income economies** and even some **developing countries** have seen a **similar slide** in manufacturing jobs.



Despite the decline in manufacturing jobs, **technological innovation is likely helping to retain industrial production in the U.S.** that has been lost elsewhere.

- Manufacturing industry employment
- Real manufacturing value added



MANUFACTURING VALUE ADDED & EMPLOYMENT, SHARE OF U.S. TOTAL

Sources: Scotiabank Economics, Haver Analytics.