Rather than blaming China for deindustrialization, the US should look at its own domestic policies.

*There is increasing concern in the United States about Chinese "overcapacity" and that its dominance of the international supply of industrial goods may have implications at home for both American jobs and national security.* **Elizabeth Ingleson** *argues that Chinese overcapacity is a symptom, not a cause, of US domestic problems. Giving an overview of her new book,* Made in China: When US-China Interests Converged to Transform Global Trade, *she writes that US corporate interests from the 1970s – aided by policymakers in Washington – increasingly internationalized capital and manufacturing at the expense of labor.*

- *Dr Elizabeth Ingleson will be speaking at the in-person and online Phelan US Centre Event, '*Made in China: When US-China interests converged to transform global trade*', on May 7th 2024 from 5-6:30pm. More details and registration.*

US concerns about Chinese overcapacity

"Overcapacity" has become a new buzz word in US-China relations. Referring to the international supply of industrial goods produced by China, it suggests that there are industries where too many goods are being made in China and sold abroad. Electric vehicles, solar panels, lithium batteries, and semiconductors have become some of the key targets of US concern in this area.

Earlier this month, when US Treasury Secretary Janet Yellen travelled to China, she warned of the impact of overcapacity: "when the global market is flooded by artificially cheap Chinese products, the viability of American and other foreign firms is put into question."

Yellen framed the problem in terms of economic competition, but some US policymakers fear that relying too heavily on Chinese goods raises national security risks as well. In January, the US House of Representatives' Select Committee on the Chinese Communist Party cautioned, "if the United States becomes dependent on the PRC for foundational chips (a type of semiconductor), our military and economic well-being may run the risk of being overly reliant on the CCP." They warned of "PRC industrial overcapacity."

As overcapacity has taken center stage in how US policymakers frame US-China trade relations, policymakers are increasingly turning to industrial policy as the solution. President Biden's CHIPS Act and other policies have aimed to boost domestic manufacturing against the backdrop of China's industrial dominance.

Overcapacity reflects the shifting global economy

But Chinese overcapacity is not a cause of US domestic problems. Rather, it is a symptom of a much larger shift in the global economy towards neoliberal globalization that began to take shape in the 1970s. And the history of US-China trade has been at the heart of this transformation.

Seeing Chinese overcapacity today as a symptom, not a cause, of US domestic problems makes clearer what might be achieved through Biden's renewal of US industrial policy—and what will not. While national security and economic benefits may indeed result from Biden's manufacturing policies, there are crucial outcomes that won't be achieved. Foremost among them: jobs.

For as much as Biden speaks of the middle-class, the turn towards manufacturing is not going to help grow it. As economist Dani Rodrik put it recently, "boosting manufacturing employment is like chasing a fast-receding target." And this is because US manufacturing is less labor intensive than it once was. Manufacturing employment in the United States began to decline in the 1970s—at the very moment the United States and China reopened trade relations—and it has never recovered.

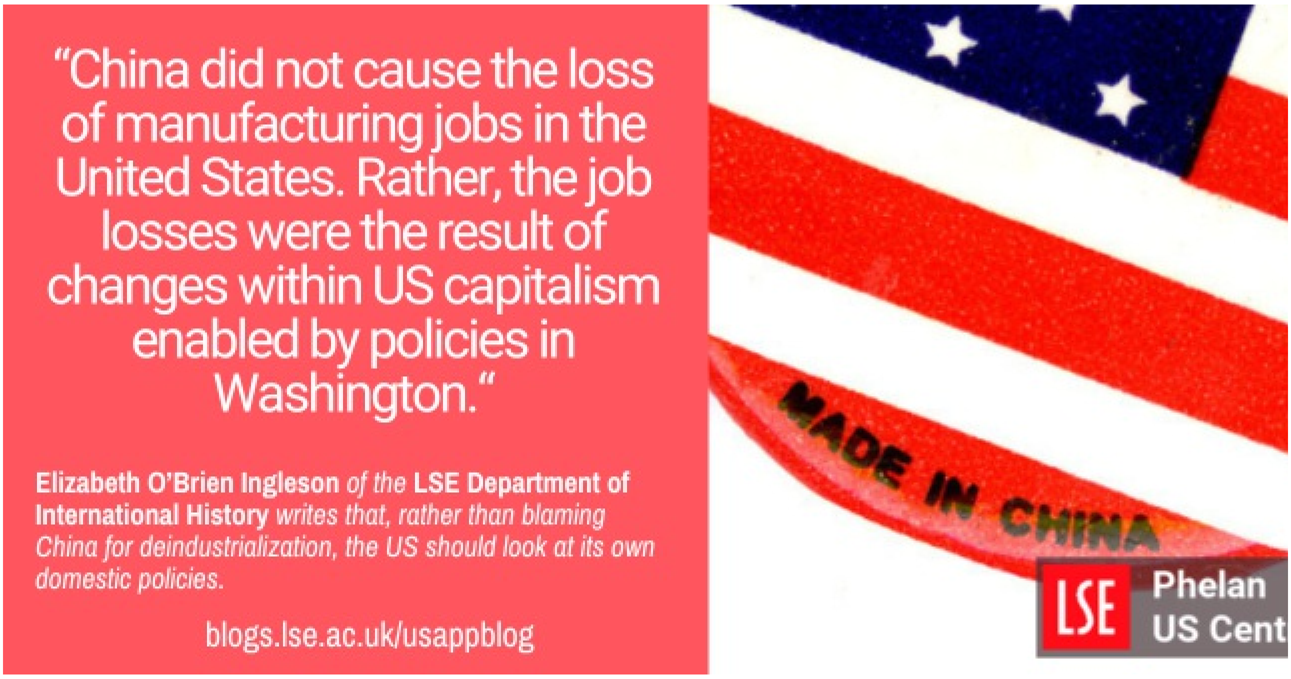
Understanding the larger structural shift in global capitalism of the 1970s and its impact on workers both in the United States and China helps explain both why Chinese overcapacity has emerged and why today's US industrial revival won't help working Americans.

How US-China interests transformed trade – and the US economy

I unpack these transformations in my recent book, *Made in China: When US-China Interests Converged to Transform Global Trade*. In it, I look at the early stages of US-China trade in the 1970s, which unfolded after more than twenty years of Cold War isolation. And I argue that Chinese leaders' ability to lift their population out of poverty came at the expense of minimum-wage textile workers in the United States and later other industries as well. But, crucially, this impact on US workers was fundamentally enabled by the decisions of executives at US corporations searching for cheap overseas labor, aided by legislation in Washington. US corporations and businesspeople were therefore crucial linchpins in both China's industrialization and the United States' *de*industrialization.

American businesspeople had already begun slowly internationalizing their manufacturing before trade with China reopened. In the 1950s and 1960s, they turned to non-communist sources like Japan and Taiwan. In the 1970s, China's leaders began to adapt to these emerging dynamics and in the process they slowly transcended the Cold War divisions that had so long divided China and the United States. China's domestic reforms in the 1970s were experimental and halting, but they ultimately converged with the interests of US corporations looking to increase their supply of outsourced manufacturing.

Chinese overcapacity today is a consequence of this much longer history of the rise of outsourced manufacturing and international supply chains. It was a *neoliberal* vision of globalization because it assumed that cheap goods made abroad would have trickle down positive effects on ordinary Americans who would be able to consume more at lower cost. Yet it also delinked consumption and employment: increasing the number of cheap goods was given greater priority than expanding access to good jobs.



"made in china" (CC BY-SA 2.0) by mandiberg

US capitalism – not China – helped lead to US deindustrialisation.

China did not cause the loss of manufacturing jobs in the United States. Rather, the job losses were the result of changes within US capitalism enabled by policies in Washington. American capital and manufacturing became increasingly internationalized in the 1970s, accelerated by the Nixon economic shock in 1971 and by the Trade Act of 1974. By 1979, two political economists, Barry Bluestone and Bennett Harrison, warned of the recent "hypermobility of capital" that had led to "shuttered factories, displaced workers, and a newly emerging group of ghost towns." As they sought to make sense of the processes they had lived through in the 1970s, Bluestone and Harrison formulated a new term to describe corporate decisions to withdraw capital from factories in cities and towns throughout the country: deindustrialization.

But deindustrialization, it turned out, was rather more complicated than it had first appeared. Between the late 1940s and early 2020s, manufacturing in the United States remained relatively stable as a proportion of real GDP. To this day, the United States continues to make goods. In fact, until 2010 it was the world's largest manufacturing country, after which it remained second only to China. It was not manufacturing that went into decline in the United States, but employment: a result, largely, of new technologies used in the manufacturing process, new kinds of high-tech goods being made, and the movement of labor-intensive industries to factories overseas. Over the same eighty-year period, far fewer Americans held jobs in manufacturing even as US factories churned out goods. It was the impact on labor that Bluestone and Harrison observed in the late 1970s.

By invoking "Made in China" (as President Trump did so often), or "Made in America" as a needed remedy (as President Biden has done since his first week in office), policymakers in Washington peddle the myth that the United States is no longer a manufacturing nation, and they remove accountability from corporate actions that pursue low wages over all else. The problem at the heart of US industrial policy today, then, isn't China. It's a politics that enabled these actions by prioritizing capital over labor.

Redressing the unintended consequences of the US-China relationship

Chinese overcapacity today shines a spotlight on the results that come from a much longer story of the emergence of neoliberal globalization. It is the unintended consequence of a US politics that has for so long focused on national security and economics without also centering the interests of working Americans. To redress the very real problems American workers are facing in today's context, US policymakers need to genuinely tackle what will lead to meaningful change for them. That means, for example, support for a care economy, living wages, and regulations around the impact of AI on employment.

Unlike what happened in the 1970s, national security and economic interests towards China today should not obscure the need to center the interests of American workers as well—the vast majority of whom work in the service sector. They need better working conditions and job protection in the face of AI, not more factories. Without this, US policymakers in ten, twenty, thirty years from now may well find themselves again reacting to other unintended consequences that have emerged from our current moment.