



Made in America Matters

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Four Contributors to the Recent Growth of Domestic Manufacturing

Starting in the 1960s, the rise of globalization and trade liberalization policies led to a number of manufacturing jobs leaving the United States. Back then, the cheaper labor costs and potentially advantageous differences in regulation were seen as a benefit to American buyers.

However, recent changes and trends indicate that this perception is changing drastically as American manufacturing is currently undergoing a historic rise. Specifically, United States-based fabricators, who continue to provide a wide array of services that are not available overseas, are well-positioned to capture the growing American reshoring efforts.

1. Supply Chain Disruption

The first and largest contributing factor to this resurgence was the havoc wrought on the supply chain due to the COVID-19 pandemic. The key factors which continue to negatively affect global suppliers include:

Disruptions to transportation: The pandemic led to a sharp decline in air travel and disrupted shipping routes, causing delays and bottlenecks in the transportation of goods. The infrastructure for shipping and receiving materials from global sources has yet to recover.

Shortages of raw materials: The pandemic disrupted global supply chains for raw materials, such as metals and chemicals, causing shortages and price increases. Although all manufacturers must face these costs, global suppliers' transportation and facilitation costs are much higher.

Labor shortages: The pandemic also caused labor shortages in certain industries, as workers fell ill or were forced to quarantine. Different global reactions caused uncertainty and extreme variation in the labor available to overseas producers. This led to production slowdowns and disruptions in the supply of goods.

Overall, the COVID-19 pandemic highlighted the fragility of global supply chains and the need for greater resilience and flexibility. Many companies are now employing ways to mitigate the risk of

future disruptions. A highly effective solution is to diversify the supply chain by reshoring or near-shoring back to the United States.

2. Increasing Domestic Demand

Total manufacturing shipments increased by 16.8% from 2020 to \$6.1 trillion in 2021 (US Census Bureau). Recently, construction spending related to manufacturing reached \$108 billion in 2022, Census Bureau data show, the highest annual total on record—more than was spent to build schools, healthcare centers, or office buildings. Additionally, existing American manufacturers are investing heavily to support the increased demand and growth. Capital expenditures by manufacturers increased by \$7.2 billion, representing a 4.3% increase (US Census Bureau).

3. Automation's Effect on Labor

As previously stated, inexpensive labor has historically been a driving factor for outsourcing production to other countries. However, the drastic improvements made to automation and artificial intelligence in the United States have allowed domestic manufacturers to increase efficiency and reduce labor requirements. Additional benefits of American automation also include increased productivity, improved quality control, better flexibility, and increased safety.

4. Government Investment in Domestic Manufacturing

The federal government has placed an emphasis on supporting American infrastructure and addressing energy concerns. This push includes a \$1.2 trillion bipartisan infrastructure law and the \$400 billion Inflation Reduction Act. This has led to a drastically increased need for American manufacturers to supply the material needed to meet the demand generated by these investments.

The COVID-19 pandemic highlighted the need for greater supply chain resilience and flexibility, leading to a resurgence of American-made manufacturing. Increased overall demand, innovation in automation, and pro-manufacturing regulation/incentives have only made American manufacturing expand much more rapidly. This resurgence is not only beneficial for the economy but also for those who must now place a higher emphasis on controlling their supply chain. **In this regard, "Made in America" matters.**