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Free Trade Didn’t Kill the Middle Class

Populists cherry pick the data to support their claim that tariffs will bring manufacturing back.

Vice President JD Vance in the Rose Garden of the White House in Washington, April 2. PHOTO: MARK SCHIEFELBEIN/ASSOCIATED PRESS

Full text:

Populists such as Vice President JD Vance argue that free-trade agreements cause middle-class wages to fall, hollowing out towns across America. Yet the only way to make this argument is to cherry-pick the data to death.

The U.S. middle class has thrived over the past 40 years. In fact, Americans of all economic backgrounds have done well. The share of households earning more than $100,000 has tripled over the past five decades, and the share earning less than $35,000 fell by 25%. For most of this period, workers in the bottom 10% of income distribution experienced stronger wage growth than those with higher incomes.

The middle class has shrunk only in the sense that former middle-income earners have moved up the income ladder. Materially, Americans are much better off than they were in 1970. Over the past 40 years, 70% of working-age Americans spent at least one year among the top 20% of income earners. And 80% never spent more than two consecutive years in the bottom 10%.

One populist gimmick from the Vance playbook is to show that income stagnated from 1975 to 2015 by taking production and nonsupervisory employees and adjusting their average hourly earnings for inflation. This calculation seems to show that real wages grew by less than 1%.

But it’s a mathematical trick. With consumer-price-index-adjusted income, using 1975 as a starting point produces the lowest-possible growth rate of any of the years that could have been chosen between 1964 and 2000. Examining the same data from 1964—the first year available from the Bureau of Labor Statistics—to 2015, shows that real wages grew by 39% using the personal consumption expenditures price index.

The populist story of the death of U.S. manufacturing is nonsense. Mr. Vance and his cohort maintain that increased free trade with countries such as China in 2000 or Mexico in 1994 killed American jobs. It’s true that the number of manufacturing jobs is lower than it was in 1970. But that’s because we can make so much more with fewer people. Blame technology, not trade.

Real hourly output per manufacturing employee has been on an upward trend since 1959. Real U.S. manufacturing value-added—the sector’s contribution to gross domestic product—reached its highest recorded level in 2022. Manufacturing output was close to its all-time high in 2022, and the U.S. remained the global leader in manufacturing value-added per worker.

Steel is one example. In 1980, one steelworker could produce 0.083 tons of steel in one hour. By 2018, one steelworker could produce 1.67 tons in an hour. This is a good thing. Wage and income data in the U.S. show the rising tide is lifting all boats—especially the smallest.

Americans don’t want their children to have to work punishing jobs in a steel mill, and it’s evident they don’t have to. Manufacturing jobs, as a share of total employment, have been on a downward trend since 1943—falling from 39% to under 25% by the end of 1970 and hitting 20% in 1980. This decline started long before Ronald Reagan ran for office, before China received Most Favored Nation status for outsourcing manufacturing, before Bill Clinton signed the North American Free Trade Agreement and before the World Trade Organization was created. The trends even started five years before the U.S. joined the General Agreement on Tariffs and Trade.

American manufacturers now operate more efficiently, use fewer natural resources, require less backbreaking labor, produce less pollution and employ more highly educated people than ever. No tariff or trade restriction is going to reverse those trends, and the U.S. shouldn’t try to do so.

Populists may want to bring back the factory towns of the 1950s, but most Americans are too busy enjoying the prosperity of the 2020s.

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