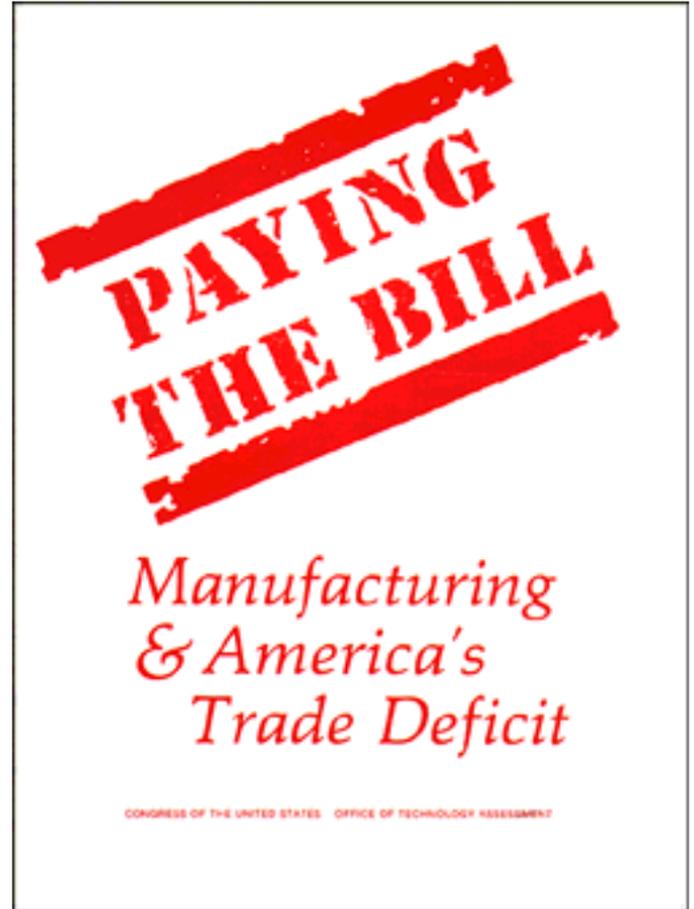


*Paying the Bill: Manufacturing and  
America's Trade Deficit*

June 1988

NTIS order #PB88-229539



**Recommended Citation:**

U.S. Congress, Office of Technology Assessment, *Paying the Bill: Manufacturing and America's Trade Deficit, OTA-ITE-390* (Washington, DC: U.S. Government Printing Office, June 1988).

Library of Congress Catalog Card Number 88-600548

For sale by the Superintendent of Documents  
U.S. Government Printing Office, Washington, DC 20402

## Foreword

In the 1980s, the United States has experienced large current account deficits, particularly in manufactures trade. This special report analyzes the causes of the deterioration in America's trade performance and examines the importance of U.S. manufacturing in helping the nation improve its position in international trade. The report was requested by Senator John Heinz as part of an assessment of technology, innovation and U.S. trade requested by the Senate Committee on Finance; the Senate Committee on Banking, Housing and Urban Affairs; and the House Committee on Banking, Finance and Urban Affairs. A final report will be published in 1989.

In recent years, the Federal budget deficit, the overvalued dollar, and high real interest rates have helped to boost domestic consumption and increase imports. Some countries have concentrated on exporting to the U.S. market, while keeping their own markets relatively closed. Another very important factor is that the United States has lost its once substantial edge in manufacturing technology. Reversing these trends will not be easy.

The relative decline of U.S. manufacturing is worrisome. Although services trade and employment is growing, manufacturing remains vitally important to the U.S. economy. Manufactured goods continue to dominate in international trade, many service industries depend heavily on manufacturing, and manufacturing remains an important source of well-paid jobs. The United States has to improve its manufacturing performance if it is to maintain its economic strength.

A weaker dollar has helped to increase exports of U.S. manufactures in the first quarter of 1988, but counting on the lower dollar alone to sell American manufactured goods is a shaky strategy with risks of painful adjustments. Changes in fiscal and trade policies will be needed. Additionally, improved manufacturing competitiveness – the ability to make high-quality goods at reasonable costs, without sacrificing our standard of living to get costs down – will be crucial for the United States to eliminate the trade deficit.

OTA thanks the panel members, reviewers and other individuals in government, business, labor, and academia who provided data and advice. As with all OTA reports, the responsibility for content is OTA's alone.

JOHN H. GIBBONS  
*Director*

## Technology, Innovation, and U.S. Trade Advisory Panel

Lewis Branscomb, *Chairman*  
Harvard University

Michael Aho  
Council on Foreign Relations

Ray Marshall  
University of Texas

Ralph Gomory  
IBM

Regis McKenna  
Regis McKenna, Inc.

Joseph Grunwald  
The Institute of the Americas

Richard S. Morse  
Consultant

Thomas Hout  
Boston Consulting Group

David Mowery  
National Academy of Sciences

Ramchandran Jaikumar  
Harvard Business School

Paula Stern  
Carnegie Endowment for International Peace

Franklin P. Johnson, Jr.  
Asset Management Company

Brian Turner  
AFL-CIO

Lester C. Krogh  
3M

Gus Tyler  
International Ladies Garment Workers  
Union

Paul R. Krugman  
National Bureau of Economic Research

Lewis C. Veraldi  
Ford Motor Company

Alvin P. Lehnerd  
Steelcase, Inc.

Ezra F. Vogel  
Harvard University

Ann Markusen  
Northwestern University

NOTE: The Advisory Panel provided advice and comment throughout the assessment, but the members do not necessarily approve, disapprove, or endorse the report for which OTA assumes **full** responsibility.

## OTA Project Staff - Paying the Bill: Manufacturing and America's Trade Deficit

Lionel S. Johns, *Assistant Director, OTA*  
*Energy Materials, and International Security Division*

Audrey Buyrn  
*Industry, Technology, and Employment Program Manager*

Julie Fox Gorte, *Project Director*

Katherine Gillman, *Deputy Project Director*

Philip Shapira, *Analyst*

Brenda A. Brockman, *Analyst*     Carol Henriques, *Research Assistant*

*Administrative Staff*

Edna M. Thompson, *Administrative Assistant*

Diane White, *Secretary*

### Acknowledgments

This special report was prepared by the staff of the Industry, Technology, and Employment Program of the Office of Technology Assessment. The staff wishes to acknowledge the contribution of the Advisory Panel, and to thank the following organizations for their generous assistance:

Congressional Budget Office  
Congressional Research Service  
U.S. Department of Commerce  
Bureau of Economic Analysis  
Office of Trade and Investment Analysis  
U.S. Department of Labor  
Bureau of Labor Statistics