

## What reshoring may mean for the Hudson Valley's economic growth

by Geddy Sveikauskas/May 3, 2017



*Laurie Perrone with Betsy Ross American flag*

President Donald Trump has said that his America First policies can significantly — hugely! — increase the rate of growth of America's gross domestic product. The average annual growth of GDP over the past decade has hovered around two per cent. Trump is sure he can increase that to four per cent. In fact, he recently told Fox News that with better trade deals the United States should be able to lift it to five per cent in a few years.

It's a central tenet of the president's thinking. Get America moving again. Bring manufacturing back to the United States.

The proof will be in the pudding. Either he will or he won't succeed.

A three percent American GDP growth rate hasn't been consistently achieved since the 1960s. Last week the Commerce Department reported the economy's growth for the first quarter slowed to 0.7 percent annually, the lowest level in three years.

"Through eight years of a fundamentally tepid recovery," economics reporter Nelson Schwartz wrote in last Friday's edition of *The New York Times* about the Obama years, "the promise of stronger economic growth that is always just around the corner has had a waiting-for-Godot quality."

In his first hundred days Trump has been more disruptive than transformative. But that doesn't necessarily mean that the self-professed dealmaker's most important goals are unachievable. Raising the economy's growth rate would make a lot of good things possible. Trump is willing to place all his chips on that card.

I met last Wednesday afternoon at the Poughkeepsie Marriott with John Boyd, a Princeton-based site-selection consultant who counts dozens of Fortune 500 companies among the clients with whom his company has worked. Boyd's opinion is that the Hudson Valley can share in the opportunities America First will create through reshoring, the bringing back of manufacturing and services to the U.S. from overseas, particularly from China and Mexico but also from other places.

The belief is that a generous helping of presidential moral suasion, augmented by a wide variety of other business-friendly policies such as substantial tax cuts, revised environmental rules, elimination of governmental overregulation, pro-business labor policies and a one-time substantial reduction of taxes for repatriated capital, will initiate a flood of reshoring that will revive the American economy.

What we've seen so far is just the beginning, according to Boyd. The big cost efficiencies of offshoring American manufacturing jobs have been eroding. "You can't hire workers for 30 cents an hour anymore," Boyd said. "It's more like three dollars an hour in China."

Trump won the 2016 presidential election largely because of the shift of lifelong blue-collar workers to his cause. His promise to bring back the manufacturing jobs that his angry supporters had been told were gone forever proved a potent political asset. Now he has to deliver.

"In our mind's eye, Trump is standing up for American blue-collar workers and redeeming his campaign promises to revive the industrial base," Robert J. Samuelson explained in the *Washington Post*. But jawboning would backfire, the economist said, if it saddled business with uncompetitive costs. With twelve million jobs in a 145-million labor force, "manufacturing can't sustain strong U.S. job growth."

What will reshoring do for the Hudson Valley? From the standpoint of his clients, Boyd said, the region had significant competitive advantages. Its proximity to and interconnection with the New York City economy was very important. New York State had a better workforce training and vocational education system than most of its competitors. And the state has an abundance of

fresh water, three percent of the world's supply. New York State also "takes industrial attraction seriously," said Boyd, providing a robust system of incentives and marketing.

For dealmaking, access to important leadership on both sides of the political fence — which New York State has — is also a plus. A well-crafted state strategy to strengthen business connections and reduce business operating costs, Boyd suggested, is more important than corporate giveaways.

Though it's still early, there's scant evidence so far that the reshoring has helped bring manufacturing jobs back home to the Hudson Valley.

The Reshoring Institute, which describes itself as a one-stop shop for all things reshoring, writes case studies about firms that have reshored or are promising to do so. There's an ideological — or, if you prefer, a patriotic — component in its cause: "It's hard to imagine a prosperous future if most of your neighbors are unemployed and can't afford to buy the things they need, even if those products are made in China."

An outfit called the Reshoring Initiative keeps track of companies that are reshoring, have been dissuaded from offshoring, or have made or announced foreign direct investment in the United States. As of January 1 of this year, there were about 1540 firms of all three categories in its data base, ranging from small outfits to Fortune 500 corporations.

I ascertained the number of New York firms on the list. By my count, 70 were identified. They included Ametek, which has an Ulster County plant, and GlobalFoundries, which is a foreign investor with big New York plants in Malta and East Fishkill. (Only the Malta plant was on the list.)

Farm2fashion in Cornwall and Charlie Dog & Friends in Rye are the only two other Hudson Valley companies on the New York list. The former's website shows owner Laurie Perrone running through a field carrying an American flag. It boasts its products are "100% made in the USA." It's hard to imagine why this manufacturer, which advertises a \$165 American flag blanket, is listed as "kept from offshoring." For its part, Charlie Dog & Friends, an ecommerce enterprise founded by Suzy Allman, claims to be "the first to produce stuffed animals based on real-life adoption success stories." It is listed as reshored.

If reshoring is to fulfill its promise to bring manufacturing jobs back to America, it will be through the decisions of large corporations — Boyd's clients — to sign on. Though the average number of employees per manufacturing establishment has steadily declined nationally in the past several decades, firms with over 500 employees still account for almost half of total employment, and much more in manufacturing establishments. Even in New York State, where statistics show a continued decline of manufacturing employment from 2010 through 2013 (unlike in most non-Northeastern states), the numbers justify continuing efforts at attraction.