While more and more companies are moving production back to the U.S., I see it as more of a company-specific issue, not one of general macro-economics.

It's true that the wage gap between the U.S. and other developing countries—*particularly China*—is getting smaller, but the quality and types of products those countries can produce are getting better. For instance, 10 years ago, to compensate for quality and supply-chain risks, U.S. companies typically wouldn't source products from China unless they were 30% lower in price. Today, many are willing to do so with just 3% to 5% savings.

Several factors are contributing to manufacturing costs rising faster in foreign countries than back home. Salaries and wages in China have been increasing 12% to 14% annually (compared to 3% in the U.S). China's appreciating currency has also helped boost U.S. competitiveness. That said, we shouldn't think China is no longer competitive—*and that the U.S. is on the brink of becoming the world's most prolific manufacturer.*
China is rapidly improving its manufacturing capabilities and can now produce good quality high-end products at competitive cost. They have an abundance of intelligent, well-trained workers. (China graduates over half a million engineers per year; the U.S. rate is only about 1/8-1/10 of that).

Don't be mistaken: America is still a manufacturing superpower—*particularly in areas like airplanes, factory automation, process control, oil & gas drilling and heavy-construction equipment.* Although we are becoming more competitive versus China, we cannot compete only on wages and labor costs alone. The game has to be played on a higher level going forward. Our current and future labor force must be prepared academically and institutionally for the demands of the global marketplace in the 21st century. Education (particularly in science and engineering) and on-the-job training are the keys for our future.

Government needs to help industry compete. Many U.S. competitiveness issues are due to matters over which manufacturers have no control. Government should do what it can to control healthcare costs, while not over-regulating and over-taxing to the point where it's economically unfeasible to produce goods in this country. Businesses will always try to allocate capital and human resources to where they can make the highest returns.

Certainly, the next decade looks to be more promising for U.S. manufacturing than the last. What's becoming increasingly important in the global marketplace is not who can best compete in the "structural" arena, but who can dominate the "intellectual" competition. **MT**