

De- vs. re-industrialisation: is structural change reversible?

Topic: I-O Concepts: New and Old

Author: Michael Peneder

Co-Authors: Gerhard Streicher

We introduce new measures of "induced value added chains"™ to investigate the causes of de-industrialization and potential for re-industrialization. Using WIOD data, the relative decline of prices and domestic expenditures on manufacturing value added turns out to be the main driver of de-industrialization. International trade has a very limited impact, though differences in comparative advantage between countries matter. Paradoxically, if national policies raise productivity growth of manufacturing, they also foster its global decline of relative prices. Contrary to the objective of re-industrialisation, they accelerate de-industrialisation. To raise the income share of manufacturing, policies must target e.g., productivity growth of services.