

Drivers of Deindustrialisation in Internationally Fragmented Production Structures

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We study the drivers of deindustrialisation in major developed countries over the last two decades. In contrast to some recent studies, we show that the importance of manufacturing for the world economy has not declined during this period. We argue that the observed deindustrialisation measured by direct employment and value-added shares of manufacturing underestimates the importance of manufacturing. Many in-house activities of manufacturing are nowadays outsourced to other industries and are not accounted for in the direct statistics. We show that at least in major developed countries the level of outsourcing reached its limits at the beginning of the new millennia. At the same time, the offshoring of activities interlinked with manufacturing became a dominant driver of deindustrialisation in these countries. We are the first to study the importance of manufacturing in a truly global perspective and final consumption expenditures approach that allows us to consistently analyse the role of i) outsourcing ii) offshoring and iii) changes in final demand, in its development.