

# Issue Brief

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## Debunking the China Shock Hoax

The “China Shock Hoax,” a perversion by many U.S. politicians and protectionists of legitimate academic research, alleges that trade with China cost the United States [millions of jobs](#) and [wiped out](#) American manufacturing.<sup>1</sup> This hoax has spawned a resurgence of mercantilist trade policies from the Biden administration and on Capitol Hill, yet it is easily debunked by examining the facts.

### Importing Goods From China Did Not Displace U.S. Manufacturing

Tariff cuts and economic reforms adopted by China followed by its entry into the WTO corresponded to a surge in U.S. imports of manufactured goods from China. These imports did not displace overall U.S. manufacturing production.

Government statistics show that from 2000 to 2021 imports of Chinese manufactured goods increased by \$391 billion, but the value of U.S. manufacturing output increased by \$947 billion.<sup>2</sup> In other words, for every dollar increase in imports of manufactured goods from China, U.S. manufacturing output increased by \$2.42.<sup>3</sup>

<sup>1</sup> Sen. Bernie Sanders (I-VT). “Washington’s Dangerous New Consensus on China.” *Foreign Affairs*, June 17, 2021, and Sen. Josh Hawley (R-MO). “Hawley Announces First Bill in Worker’s Agenda to Rebuild America: Ending Normal Trade Relations with China Act.” March 20, 2023.

<sup>2</sup> U.S. International Trade Commission. “Imports for Consumption.” Retrieved from: [dataweb.usitc.gov](https://dataweb.usitc.gov) (Accessed May 11, 2023), and Bureau of Economic Analysis. “Value Added by Industry.” Retrieved from: <https://www.bea.gov/itable/gdp-by-industry> (Accessed May 11, 2023).

### Key Facts:



According to China Shock researchers David Autor, David Dorn, and Gordon Hanson: “The lesson of the China trade shock isn’t that trade is bad for America — it’s that the concentrated and long lasting impacts of job loss require our attention.”

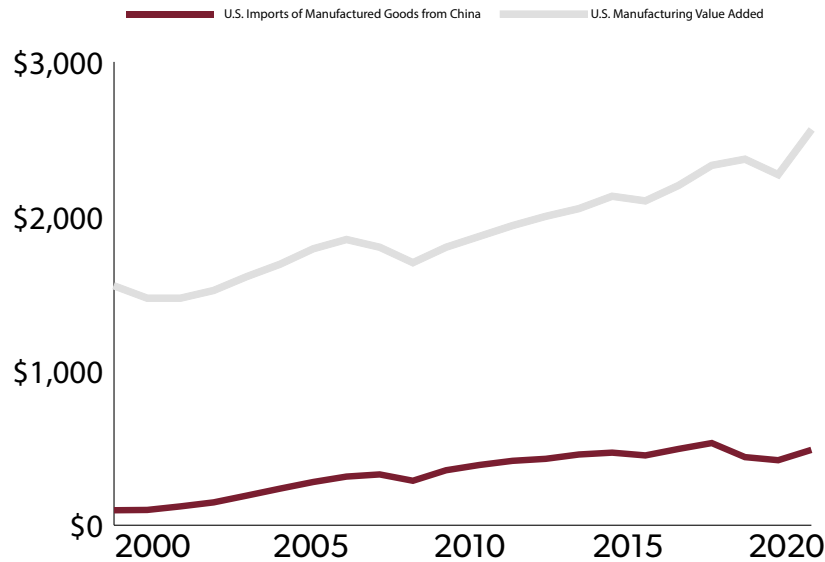


From 2000 to 2021, for every dollar increase in imports of manufactured goods from China, U.S. manufacturing output increased by \$2.42.



To Biden administration policymakers who think trade harms U.S. workers, there is no inherent difference in the economic impact of an import from China and an import from Canada.

**Figure 1: U.S. Manufacturing Output and Imports of Manufactured Goods From China**



Source: Bureau of Economic Analysis, U.S. International Trade Commission.

## What About Jobs?

Some U.S. workers lost their jobs as a result of the creative destruction resulting from trade with China. However, Bureau of Labor Statistics data show these losses were more than offset by a dynamic American economy that generated 23 million net new [jobs](#) after China joined the WTO in December 2000.<sup>4</sup> American job growth was accompanied by an increase in average [real wages](#) and, according to the Congressional Budget Office, [higher real incomes](#) for all quintiles of American households.<sup>5</sup>

It's also true that the share of total U.S. employment devoted to manufacturing fell after China joined the WTO, but this was just the continuation of a trend that started in the 1950s, [decades](#) before China emerged as a major U.S. trading partner.<sup>6</sup> The Bureau of Labor Statistics reports that U.S. manufacturing layoffs have [trended downward](#) ever since China joined the WTO, and more than half of manufacturing job losses since 2021 were not due to layoffs or plant closures, but due to workers voluntarily leaving for [better opportunities](#).<sup>7</sup> Annual U.S. manufacturing employment has actually [increased](#) in 11 of the last 12 years.<sup>8</sup>

Economic experts reject the version of the China Shock Hoax pushed by many politicians. Acclaimed China Shock researchers David Autor, David Dorn, and Gordon Hanson recently [wrote](#) (emphasis in the original): “The lesson of the China trade shock **isn't that trade is bad** for America — it's that the concentrated and long lasting **impacts of job loss require our attention.**”<sup>9</sup>

## U.S. Trade Policy Should Not Be Driven by Economic Hoaxes

<sup>4</sup> Bureau of Labor Statistics. “Employment, Hours, and Earnings - National.” Retrieved from: <https://www.bls.gov/data/home.htm#employment> (Accessed May 9, 2023).

<sup>5</sup> Bureau of Labor Statistics. “Weekly and hourly earnings data from the Current Population Survey.” Retrieved from: <https://www.bls.gov/data/home.htm#employment> (Accessed May 9, 2023), and Congressional Budget Office. “The Distribution of Household Income, 2019.” November 2022. Retrieved from: <https://www.cbo.gov/publication/58781#>. (Accessed May 9, 2023).

<sup>6</sup> Bureau of Labor Statistics. “All Employees, Manufacturing/All Employees, Total Nonfarm.” Retrieved from: <https://fred.stlouisfed.org/graph/?g=cAYh> (Accessed May 9, 2023).

<sup>7</sup> Bureau of Labor Statistics. “Job Openings and Labor Turnover Survey.” Retrieved from: <https://www.bls.gov/jlt/data.htm> (Accessed May 9, 2023).

<sup>8</sup> Bureau of Labor Statistics. “All Employees, Manufacturing (MANEMP).” Retrieved from: <https://fred.stlouisfed.org/series/MANEMP> (Accessed May 9, 2023).

<sup>9</sup> Autor, David; Dorn, David; and Hanson, Gordon. “Globalization & the China Trade Shock.” Retrieved from: <https://polygraph-harvard-proTOTYPE.netlify.app/story/regional-economics/chapter1> (Accessed May 9, 2023).

Section 301 tariffs imposed by the Trump administration and extended by the Biden administration provide a case study on the impact of tariffs as a policy tool intended to change China's bad actions. The tariffs were a costly failure. Chinese Communist Party intervention in the economy [broadened](#) after the United States imposed tariffs<sup>10</sup> – tariffs that have so far cost [American taxpayers](#) an average of more than \$1,400 per household in hidden taxes.<sup>11</sup>

The China Shock Hoax's influence has spread beyond trade with China and contributed to a broad-based resurgence of mercantilism in the United States. To Biden administration policymakers who think [trade harms U.S. workers](#), there is no inherent difference in the economic impact of an import from China and an import from Canada.<sup>12</sup> U.S. officials should understand that increasing tariffs is not a zero-cost activity. Policymakers should not allow economic hoaxes to drive American trade policy.

## About the Author

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<sup>10</sup> U.S.-China Economic and Security Review Commission. "2020 Report to Congress." November 2021. Retrieved from: [https://www.uscc.gov/sites/default/files/2021-11/2021\\_Annual\\_Report\\_to\\_Congress.pdf](https://www.uscc.gov/sites/default/files/2021-11/2021_Annual_Report_to_Congress.pdf) (Accessed May 9, 2023).

<sup>11</sup> U.S. Customs and Border Patrol. "Trade Statistics." Retrieved from: <https://www.cbp.gov/newsroom/stats/trade> (Accessed May 9, 2023), and U.S. Census Bureau. "QuickFacts." Retrieved from: <https://www.census.gov/quickfacts/fact/table/US/HSD410221> (Accessed May 9, 2023).

<sup>12</sup> U.S. Trade Representative Katherine Tai. "Remarks by Ambassador Katherine Tai at American University Washington College of Law." April 5, 2023. Retrieved from: <https://ustr.gov/about-us/policy-offices/press-office/speeches-and-remarks/2023/april/remarks-ambassador-katherine-tai-american-university-washington-college-law>.



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