



## Sticker shock: 'Made in China' ranks as only 2.7 percent of U.S. spending

By Alana Semuels / Los Angeles Times | Sunday, August 14, 2011 | <http://www.bostonherald.com> | Business & Markets

LOS ANGELES - Convinced that everything you buy these days has a Made-in-China label?

Then you aren't paying attention. Things made in the USA still dominate the American marketplace, according to a new study by economists at the San Francisco Federal Reserve.

Goods and services from China accounted for only 2.7 percent of U.S. personal consumption spending in 2010, according to the report titled "The U.S. Content of 'Made in China.'" About 88.5 percent of U.S. spending last year was on American-made products and services.

How can this be, considering that many of the toys, electronics, housewares, shoes and other goods we use daily come from the Middle Kingdom?

One word: services. Services, which account for about two-thirds of spending, are mainly produced locally. Your dry cleaner, accountant, mechanic and manicurist most likely are right in your neighborhood.

Then there's groceries and gasoline. Most of the food Americans eat is produced domestically. And although the U.S. imports about half of its petroleum, China is not a major supplier. About 90 percent of all gasoline sold in the U.S. is refined in the United States.

"Although globalization is widely recognized these days, the U.S. economy actually remains relatively closed," economist Galina Hale and researcher Bart Hobijn wrote in the report. "The vast majority of goods and services sold in the United States is produced here."

Foreign-made products are most prevalent among so-called durable goods, which are big-ticket items such as cars, furniture and appliances. About one-third of all durable goods Americans purchased last year were made abroad; 12 percent came from China.

But even merchandise made in China can contribute to the U.S. economy. Consider a pair of Chinese-made sneakers that retails in the U.S. for \$70. Most of what a consumer pays goes to cover trucking costs, rent for the store where the shoes are sold, profits for shareholders of the U.S. retailer, as well as the cost of marketing the brand. Included in these costs are the salaries, wages and benefits paid to the U.S. workers who staff these operations.

"On average, of every dollar spent on an item labeled 'Made in China,' 55 cents goes for services produced in the United States," the report said.

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