

The Revival of American Manufacturing and the Middle Class

Mike Collins, Saving American Manufacturing



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America has been a very weak competitor in the game of globalization and has not used its power or legal rights to improve American manufacturing. The following describes the key issues facing American manufacturers that need to be addressed with action (not rhetoric). I think that the solutions offered by Scott Paul, President of the [Alliance for American Manufacturing \(AAM\)](#) [2] make a lot of sense.

Enforcing our Trade Agreements

AAM – “Keep our trade laws strong and strictly enforced. Refocus the trade agenda by giving American businesses new tools to counter currency manipulation, industrial subsidies, intellectual property theft, and barriers to market access by our trading partners.”

My Take – The problem is that neither Democrats nor Republicans in Washington seem to be willing to take on China regarding any of these problems. Polls show however that the U.S. voters want tough action on China.

Keeping it American-Made

AAM – “Direct the Department of Defense to leverage existing procurement to contractors that commit to increasing their domestic content of our military equipment, technology, and supplies.”

My Take – If the new Trans Pacific Agreement gets passed as written the U.S. will be forced to give all 12 countries in the partnership equal access to all of our government contracts. This would negate the American Made proposal put forth by AAM.

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New Trade Agreements

AAM – “Ensure that the proposed Trans-Pacific Partnership includes measures to prohibit trade-distorting currency manipulation.”

My Take – It is true that the TPP will increase overall trade between the U.S. and the other countries, but supporters never discuss the downside. Just as happened with NAFTA jobs will be off shored to the lower cost countries, like Vietnam where workers earn 28 cents and hour. And if their imports are far greater then our exports it will simply increase the trade deficit.

Reshape the Tax Code

AAM – “We should lower tax rates for manufacturing activity in America and expand up-front expensing for plant and equipment purchases. Research and development tax credits should help firms that not only innovate in America, but also make their products here. “

My Take – If creating manufacturing jobs in the U.S. is the objective, then the incentive for receiving tax reductions should be based on this objective. Any tax reductions or tax credits for R and D should be based on creating jobs and investment in the U.S – not overseas.

Education & Training

AAM – “Devote additional educational investment to rebuilding our vocational and technical skills programs, which would address potential shortages of qualified workers needed in the manufacturing sector.”

My Take – To get our bright young people to be interested in a manufacturing job will require a commitment to long-term apprentice type training and an agreement to pay them for skills learned. The Fortune 500 corporations are not going to continue their relentless drive to lower labor costs and get multi-skilled people.

Trade Deficit

AAM – “Our goal should be to cut the U.S. goods trade deficit in half by 2017. This can be accomplished by tackling Japanese and Chinese currency manipulation and by ensuring our workers and businesses aren’t forced to compete with state-supported industries abroad.”

My Take – A recent report from the Economic Policy Institute states that “Currency manipulation has increased global trade imbalances by between \$700 billion to \$900 billion per year, but the United States has absorbed the largest share. Halting global currency manipulation by penalizing or offsetting currency manipulation is the best way to reduce trade deficits, create jobs, and rebuild the economy.”

Infrastructure Investment

AAM – “AAM strongly supports infrastructure investment to boost American jobs and improve our economy, as well as strong Buy America preferences to ensure our tax dollars aren’t outsourced.”

My Take – In an earlier article I wrote that a comprehensive plan to upgrade or

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repair our infrastructure should include water, sewer, highways, bridges, electric grid, and waterways and will cost more than \$1 trillion or \$200 to \$300 billion a year. But, it would create millions of manufacturing and construction jobs for the middle class.

What's Our Plan?

Globalization was inevitable but we have been a poor competitor in the game. We can't really count on the multi-national companies to improve wages and benefits, or to stop off-shoring jobs, to quit doing their R&D overseas, or to give more than lip service to job creation.

It appears that just like in the 1930s we will have to rely on government to help us create good jobs in the "New Economy" - particularly for those problems that require a political solution like currency manipulation and the trade deficit. Depending on government may be hard for many small and midsize manufacturers to swallow but I think the proposed solutions from Scott Paul and the AAM are the only reasonable way forward if manufacturing job creation and the prosperity of the middle class is the goal.

Our total support for the free market has allowed countries like China to use protectionism and deliberate violation of trade law to maintain surpluses in their economy while the U.S. sinks into an expanding trade deficit year after year. If we truly support American manufacturing, then we should demand that all of our trading partners play by the same rules, and that is what our federal government should insist on. So if the government can't or won't do anything about it, then what are the alternatives?

- We can depend on the market forces and large corporations to decide our fate.
- We can hope that the labor costs in China continue to rise to a point where American corporations begin bringing back jobs and product lines.
- Or we can ask government to give the large corporations the tax breaks, reductions in regulations, and the Trans-Pacific Trade agreement in the hope that they will find it in their hearts to reward us with good paying jobs.

But hope is not a plan. And from my perspective, American manufacturing is still treading water in an open ocean with no land in sight.

Mike Collins is the author of the Growth Planning Handbook for SMMs. You can find him on the web at www.mpcmgt.com [3].

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[1] <http://www.impomag.com/digital-editions/2014/07/july-2014-energy-intelligence-report>

[2] <http://americanmanufacturing.org/>

[3] <http://www.mpcmgt.com/home.asp>