

Making It In America

The Challenge

America is the world's largest debtor. Between 2000 and 2009, we've run trade deficits totaling over \$5 trillion dollars, borrowing money largely from Chinese and Japanese central bankers to cover the cost. We're borrowing money to pay for the goods that they make with the jobs our companies have moved over there.

We lost nearly 6 million, or about one-third, of the nation's manufacturing jobs in the last decade. Not surprisingly, working families have lost ground. Since the Reagan years companies have been closing factories and putting millions of middle-class people out of work in pursuit of low-wage labor and lax regulation overseas. Conservative lawmakers and corporate lobbyists have encouraged companies to do this with tax incentives and trade policies that end up favoring giant multinational corporations over American manufacturers.

We need to change course. Like other countries, we need to develop a serious plan to revive cutting-edge manufacturing in this country – as part of putting America back to work.

The Argument

The new American economy must be built on a solid foundation. Manufacturing is that foundation. It creates the goods that bring in the income that supports the service economy. As a nation, we either manufacture or we borrow, and borrowing cannot go on forever.

We need to renew our manufacturing base, rebuild our infrastructure and educate our people. We need a national economic strategy that fits these pieces together through a collaboration between the private sector and the government. And we need an economy in which everyone shares the benefits of the work that gets done, instead of the current

paradigm in which all the incentives work toward eliminating jobs rather than sharing productivity gains with workers.

Let's start with investing in the foundation of a competitive high-wage economy: 21st century infrastructure, world-class education for our children, research and development. We have to move to renewable energy and capture a leading role in the green industrial revolution that is already defining the markets of the future.

A core objective of our global economic strategy must be to end the destabilizing global imbalances in exchange rates and trade. End the tax breaks that create incentives to move production offshore. Instead, let the federal government resume the role it has played in years past: investing in a modern infrastructure and providing seed money for research and development in key sectors whose commercial application will come later—as it did with the Internet 30 years ago and with clean energy today.

Fast Facts

- ☑ The United States lost more than 42,400 factories and one-third of our manufacturing jobs after President Bush took office in 2001. 90,000 manufacturing companies are still at risk.
- ☑ Manufacturing jobs being lost pay an average of \$69,000 while the service jobs gained pay an average of \$43,200.
- ☑ Every dollar spent on manufacturing produces \$1.40 of additional economic activity, a higher “multiplier” than information, business or health care; twice as high as financial services.
- ☑ The U.S. invented solar cells and cellphone technology. But 90 percent of the solar cells we use are imported from China, and none of the cellphones we use are manufactured in the U.S.

The Obstacles

Conservatives, backed by giant multinational corporations and their lobbyists, continue to push for “free trade” agreements that keep us in a race to the bottom. They argue that consumers benefit from cheaper consumer products, but those products come at a high price, not just in American in the form of lost jobs, but overseas in the form of subsistence wages, inhumane working conditions and environmental degradation. Conservatives even fight enforcement of existing agreements when our trading partners refuse to play fair, allowing factories and jobs to continue bleeding away.

Conservatives insist that cutting taxes and regulations will solve everything. But the tax and regulatory breaks that businesses won during the Bush

administration did not reverse the loss of manufacturing jobs. At the same time, conservative anti-government policies cut the education, infrastructure investment, R&D and regulations that made America competitive in the world.

Progressive Solution

We need a national economic strategy that ensures the infrastructure, finance, supply chain, educational, legal, technical and regulatory elements are in place to enable American workers and companies to compete. All of our global competitors have policies that promote domestic manufacturing; the U.S. does not. Because we don't have an active and engaged industrial policy, we're handing business over to those that do.

We need to set clear goals that include:

Buy American. We should maximize the use of domestically-produced goods in government projects, as do other countries.

Change tax incentives to keep factories and jobs here. End rewards for moving jobs overseas such as the law that allows companies to defer paying tax on income earned by their foreign subsidiaries.

Balance our trade relationships, especially with China, whose subsidized and dumped imports, artificially low currency, and lax environmental standards put our workers at a significant disadvantage.

Invest in Infrastructure. About 18,000 new jobs would be created for every \$1 billion in new spending on our nation's transportation, energy and water systems, and our public schools.

Prioritize green-job creation. A comprehensive energy plan that includes tax incentives and renewable energy standards promotes conservation, innovation and new manufacturing opportunities.

Public Pulse

A Mellman Group poll for the Alliance of American Manufacturers found:

- 58% believe the U.S. no longer has the world's strongest economy—a title they want to regain.
- 78% support the creation of “a national manufacturing strategy” for the U.S.
- 86% of voters want action from Washington to revitalize manufacturing.

An Association of Equipment Manufacturers poll found:

- 89 percent agree that “America needs to dramatically increase manufacturing jobs so our economy can keep pace with other countries.”
- 83 percent of voters say it is “very” or “critically” important that equipment manufacturers are “able to prosper and grow: right here in the United States.”

Information sources for this fact sheet and other resources are available at ourfuture.org/makingsense.

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