

June 27, 2012

# Do We Need a National Manufacturing Strategy? (Yes, We Do!)

Presentation to WIRE-Net's  
Annual Meeting

Dr. Rob Atkinson, President, ITIF



The Information Technology and Innovation Foundation (ITIF) is a Washington, D.C.-based think tank at the cutting edge of designing innovation policies and exploring how innovation will create new opportunities to boost economic growth and improve quality of life. ITIF focuses on:

- Innovation “verticals”: energy, life sciences, telecom, manufacturing, and Internet and IT transformation
- Innovation “horizontal”: trade, tax, talent, and tech policy
- “Innovation economics” as an alternative to mainstream economics

## ■ Today's Presentation

■ 1

■ Is Manufacturing Special?

■ 2

■ What's Happened to U.S. Manufacturing?

■ 3

■ Why Have We Lost So Many Manufacturing Jobs

■ 4

■ Poised for Manufacturing Renewal?

■ 5

■ What Should We Do?

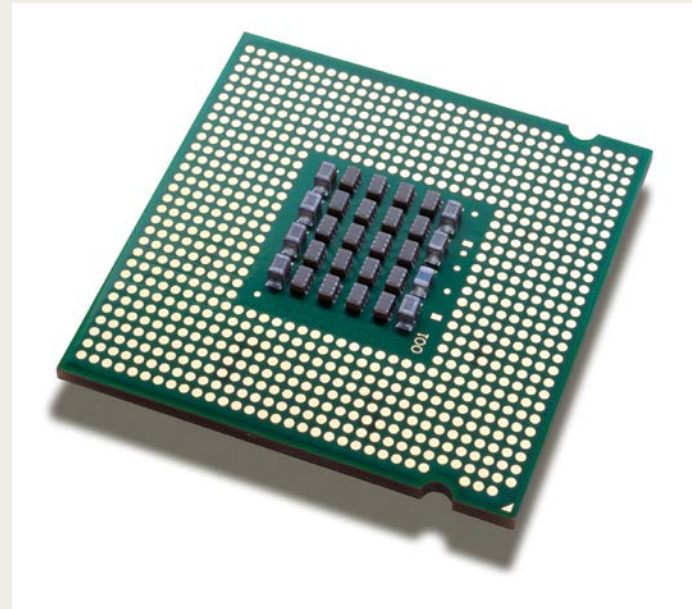
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■ Can We Do It?

# ■ Is Manufacturing Special?



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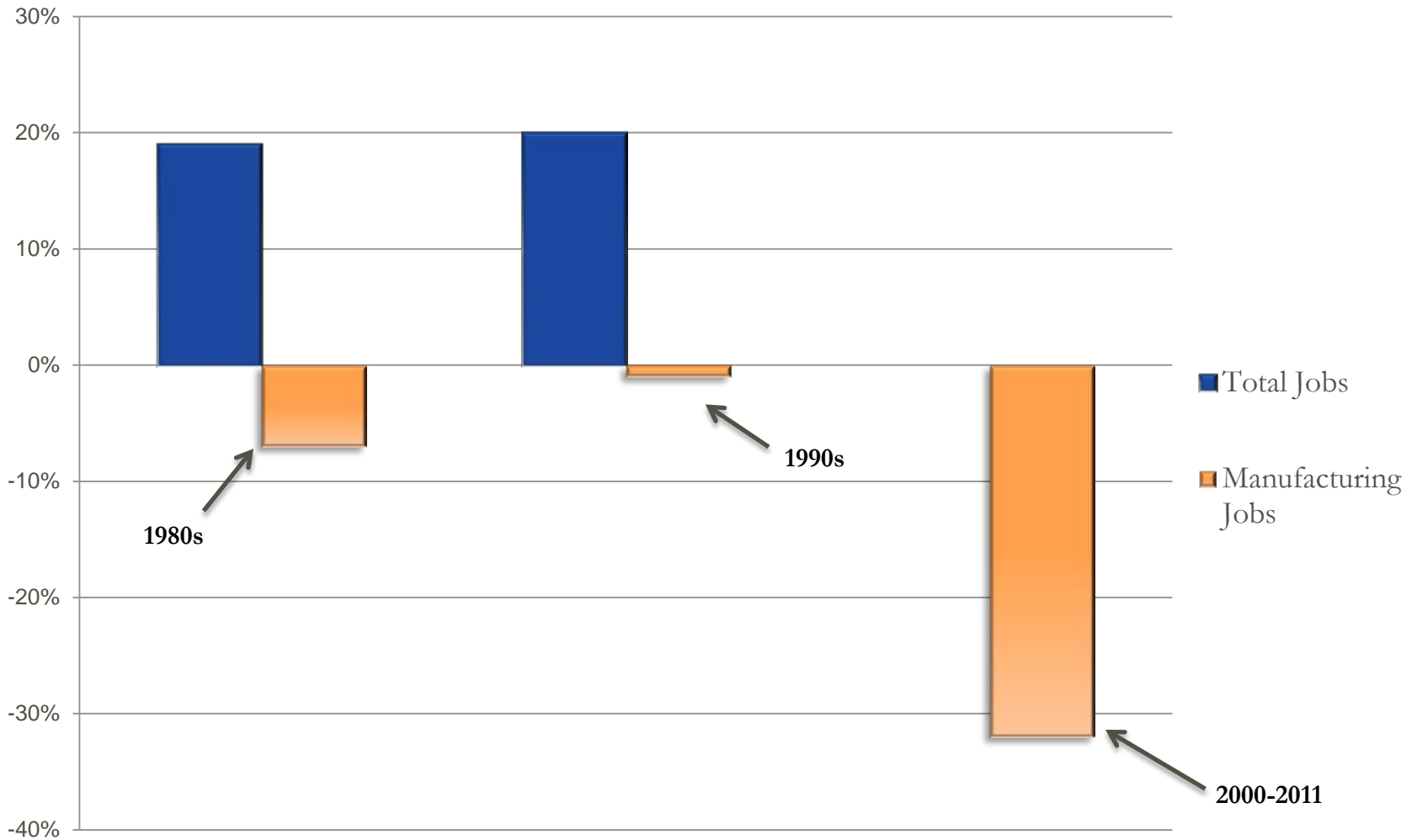
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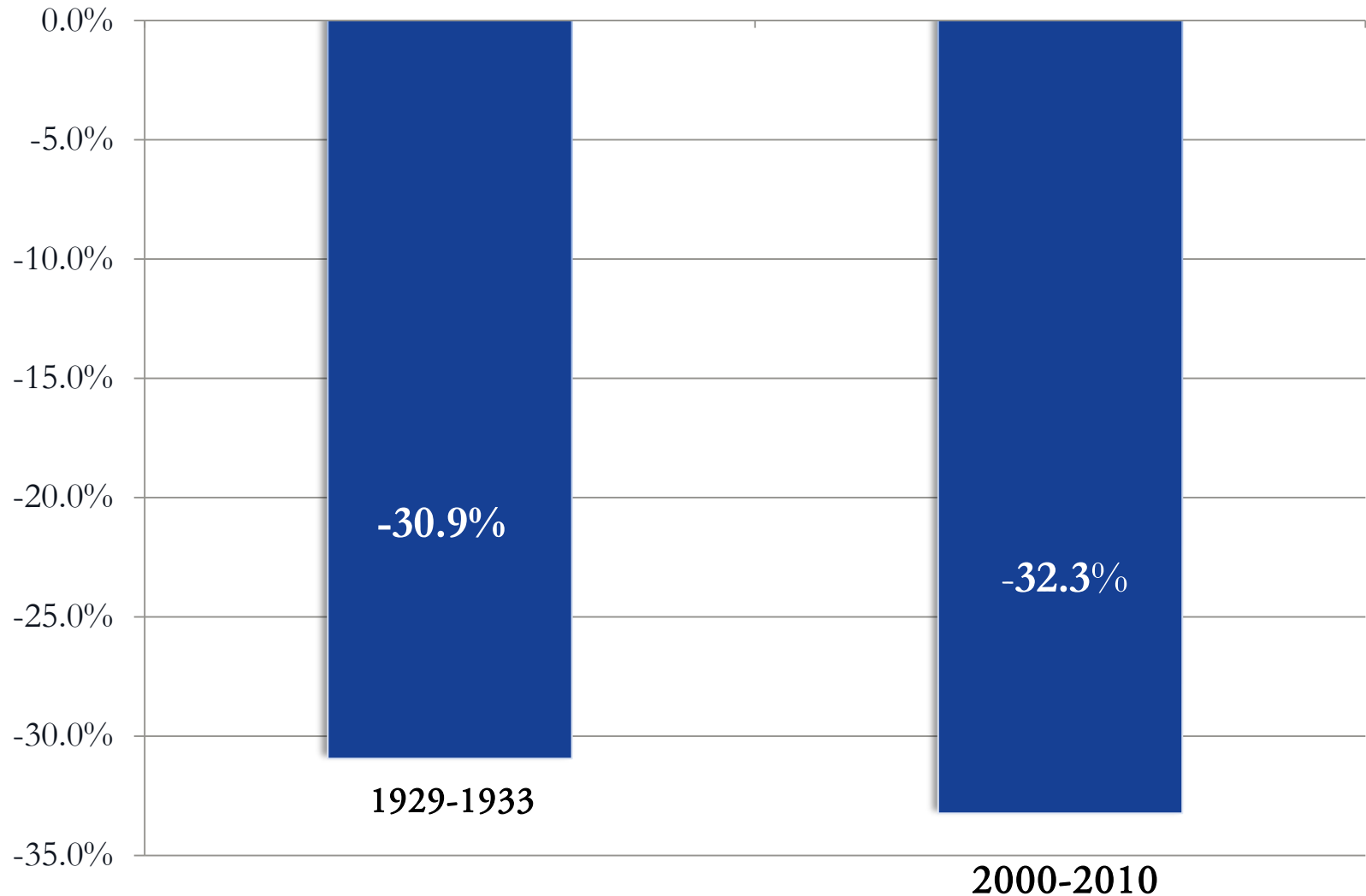
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■ Can We Do It?

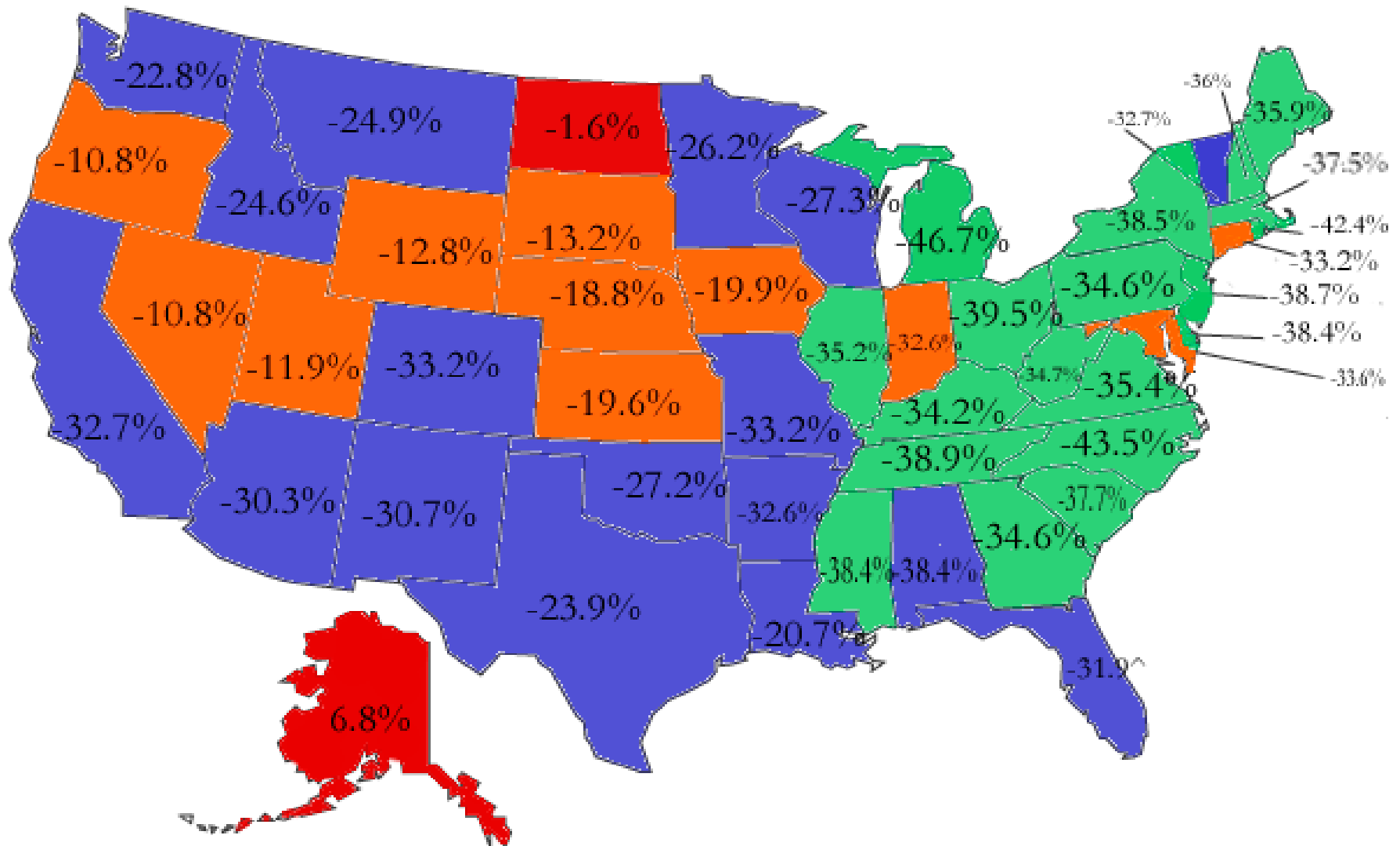
## ■ Dramatic Manufacturing Job Losses in the 2000s



## ■ Manufacturing Job Losses Greater Than in the Great Depression

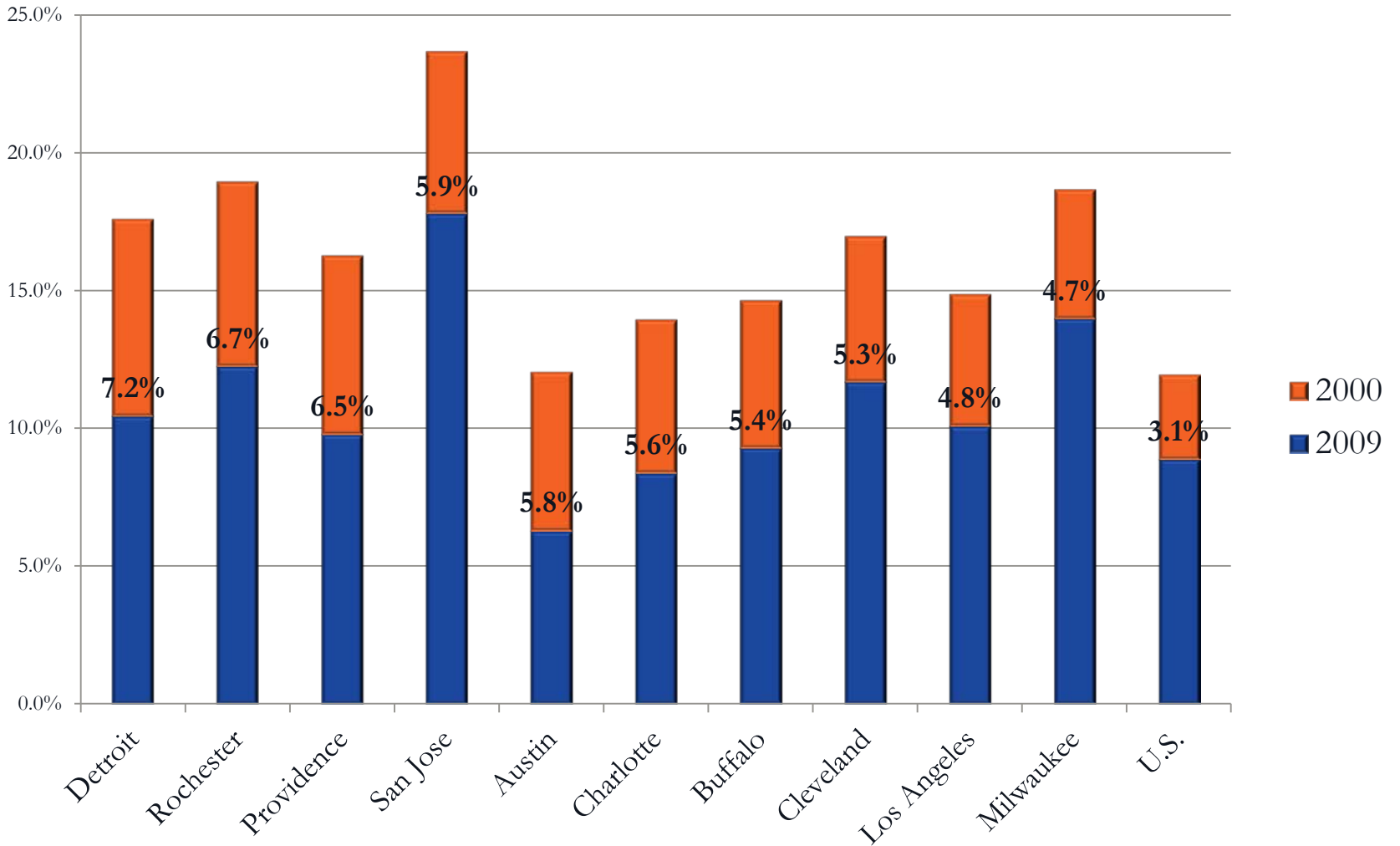


■ All States But One had Manufacturing Losses, 2000-2010





## ■ Most Metropolitan Areas Saw Manufacturing Job Losses



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# The Conventional Wisdom on Manufacturing Job Loss:

- It's the Agriculture Story



# The Conventional Wisdom on Manufacturing Job Loss:

## ■ It's the Agriculture Story

“Manufacturing employment has fallen because of productivity growth, not a decline in output.”

*Congressional Research Service*

“The majority of manufacturing job losses are due to productivity increases.”

*Robert Reich*

“Manufacturing remains robust, but only because it has ... become much more productive—by learning how to add more value with fewer workers.”

*Bill Galston, Brookings*

“Strong growth in productivity and a slower rate of growth in the demand for manufactured goods have necessarily entailed a decline in manufacturing’s share of total employment.”

*Congressional Budget Office*

“Computers have made manufacturers more productive by automating many routine tasks. American manufacturers now employ fewer workers to produce more goods.”

*James Sherk, The Heritage Foundation*

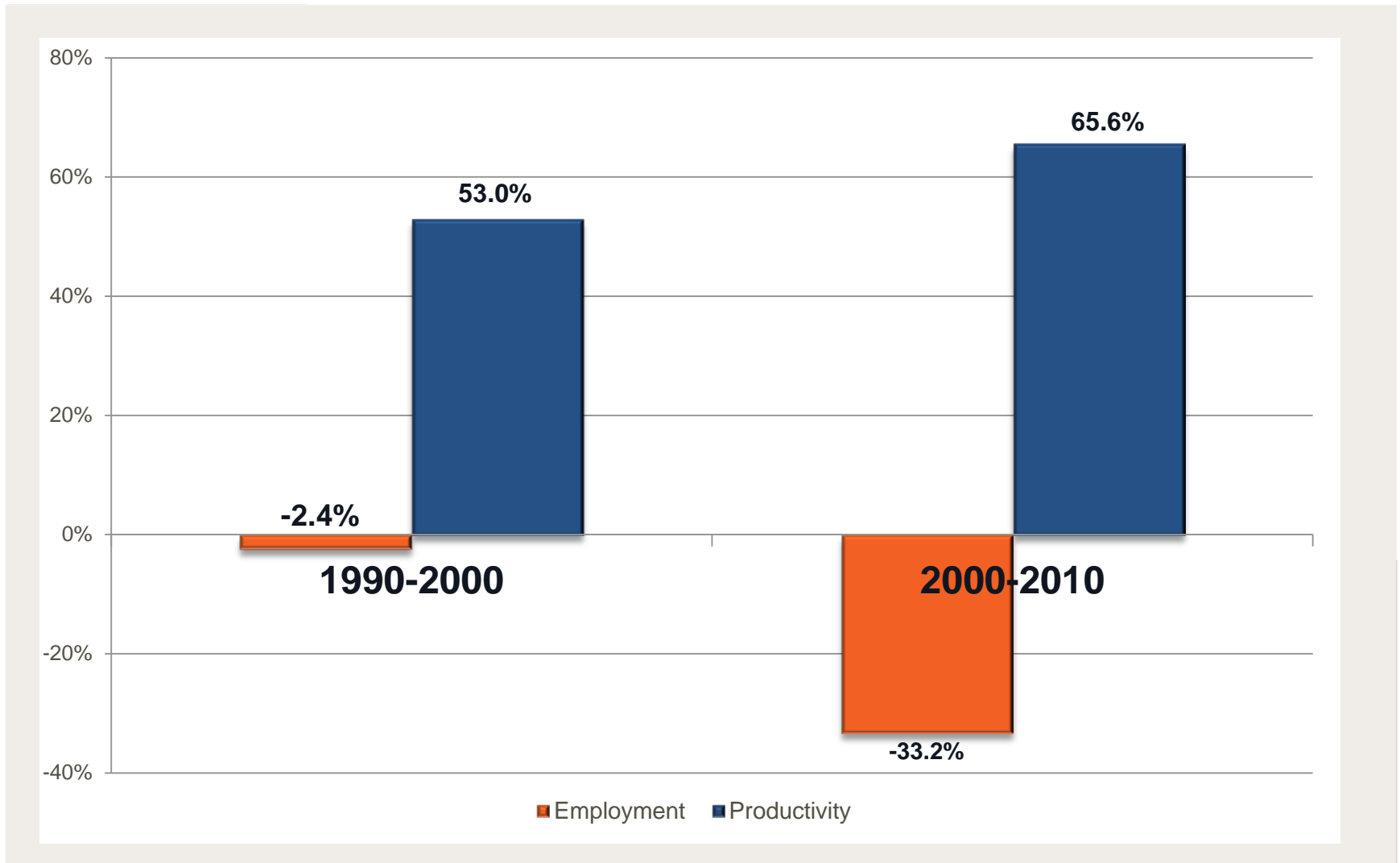
“The decline in US manufacturing employment is explained by rapid growth in manufacturing productivity.”

*Glen Hubbard, Columbia University*

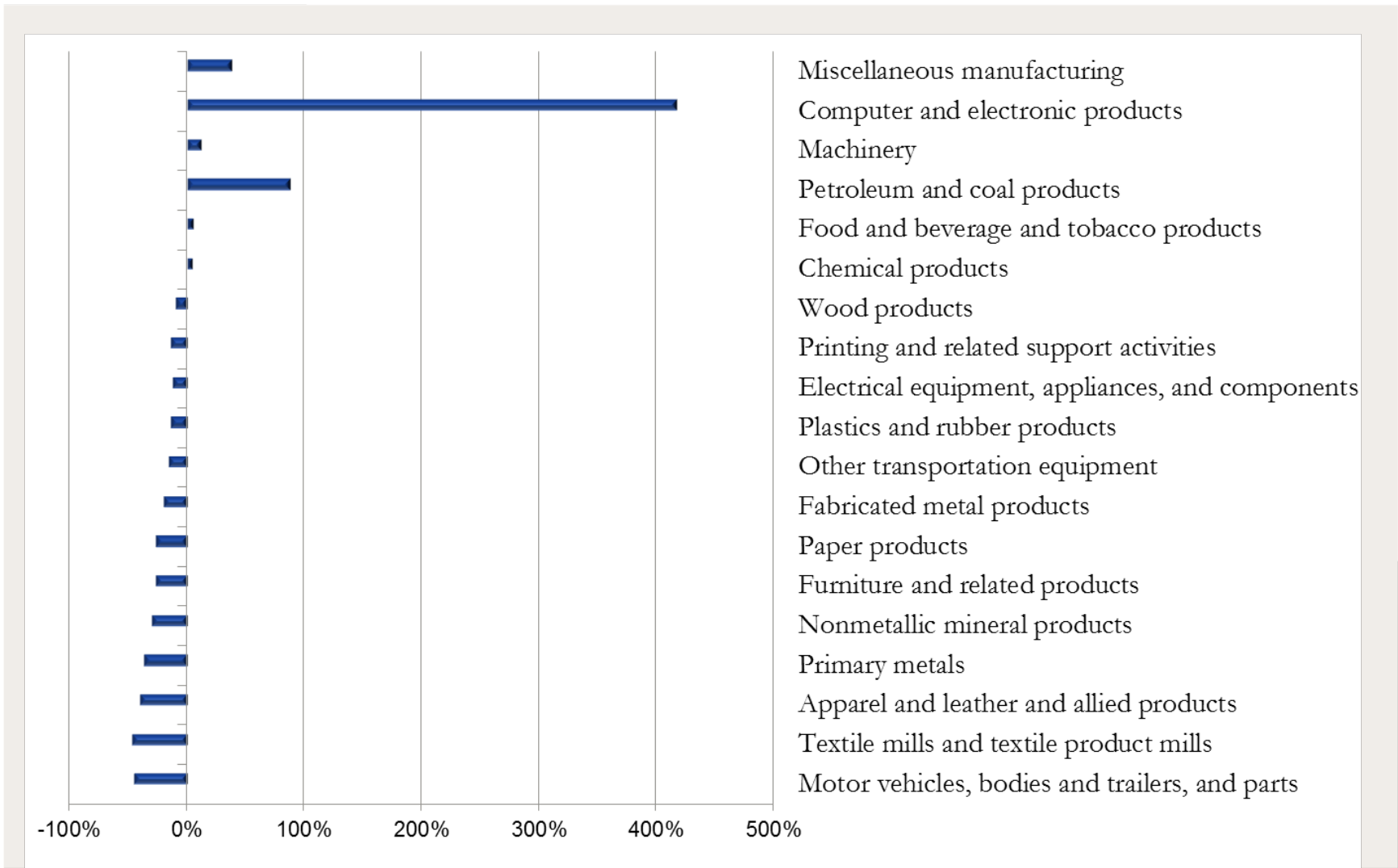
## ■ In Fact, It's the “Rust Nation” Story



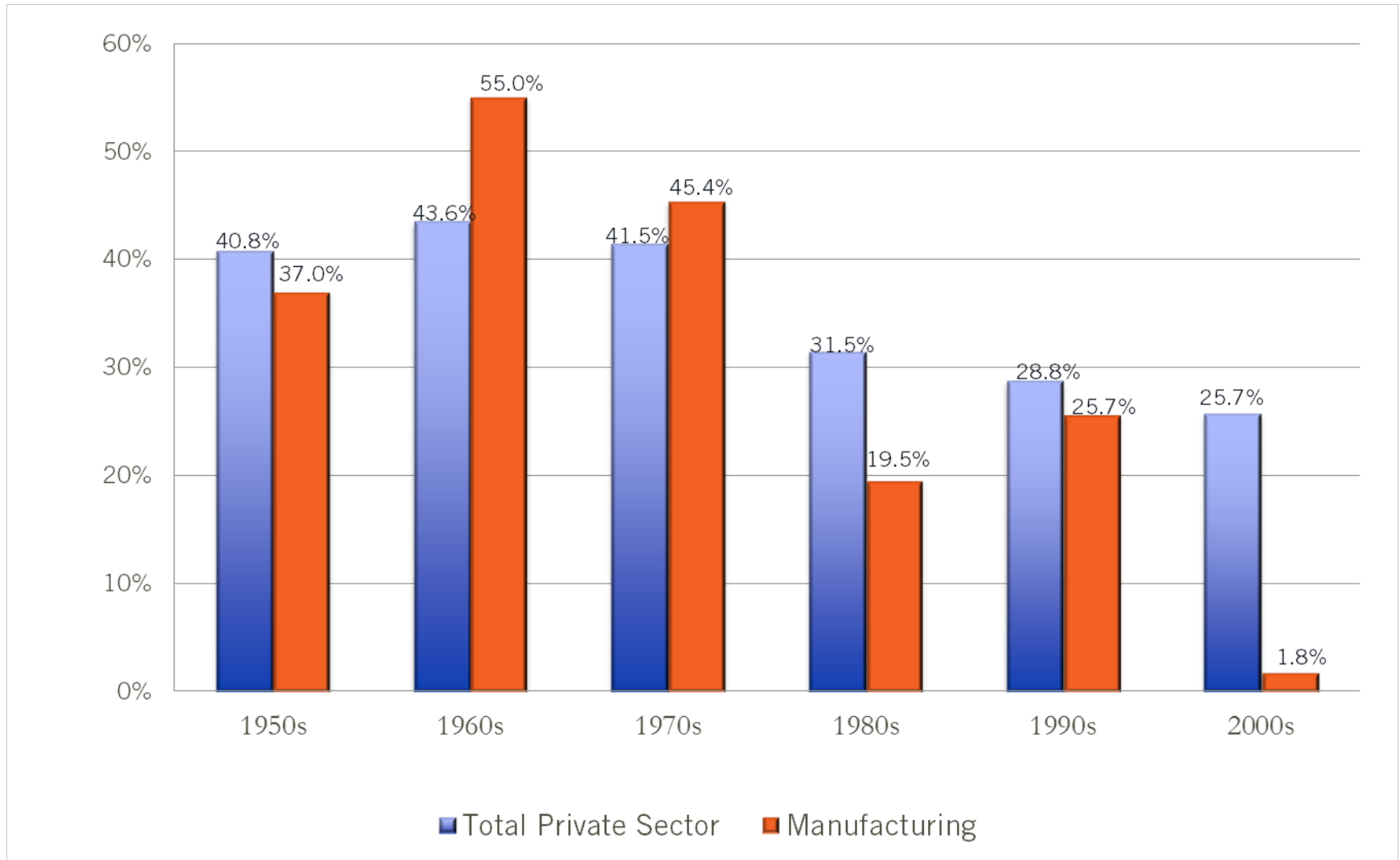
■ **If Productivity Was the Cause of Job Loss, Why Did the U.S. Lose Just 2.4% of Manufacturing Jobs in the 1990s When Manuf. Productivity Growth Was Similar?**



■ **If Productivity Was the Cause, Why Were 13 of 19 Manufacturing Industries Producing Less in 2010, Than in 2000?**

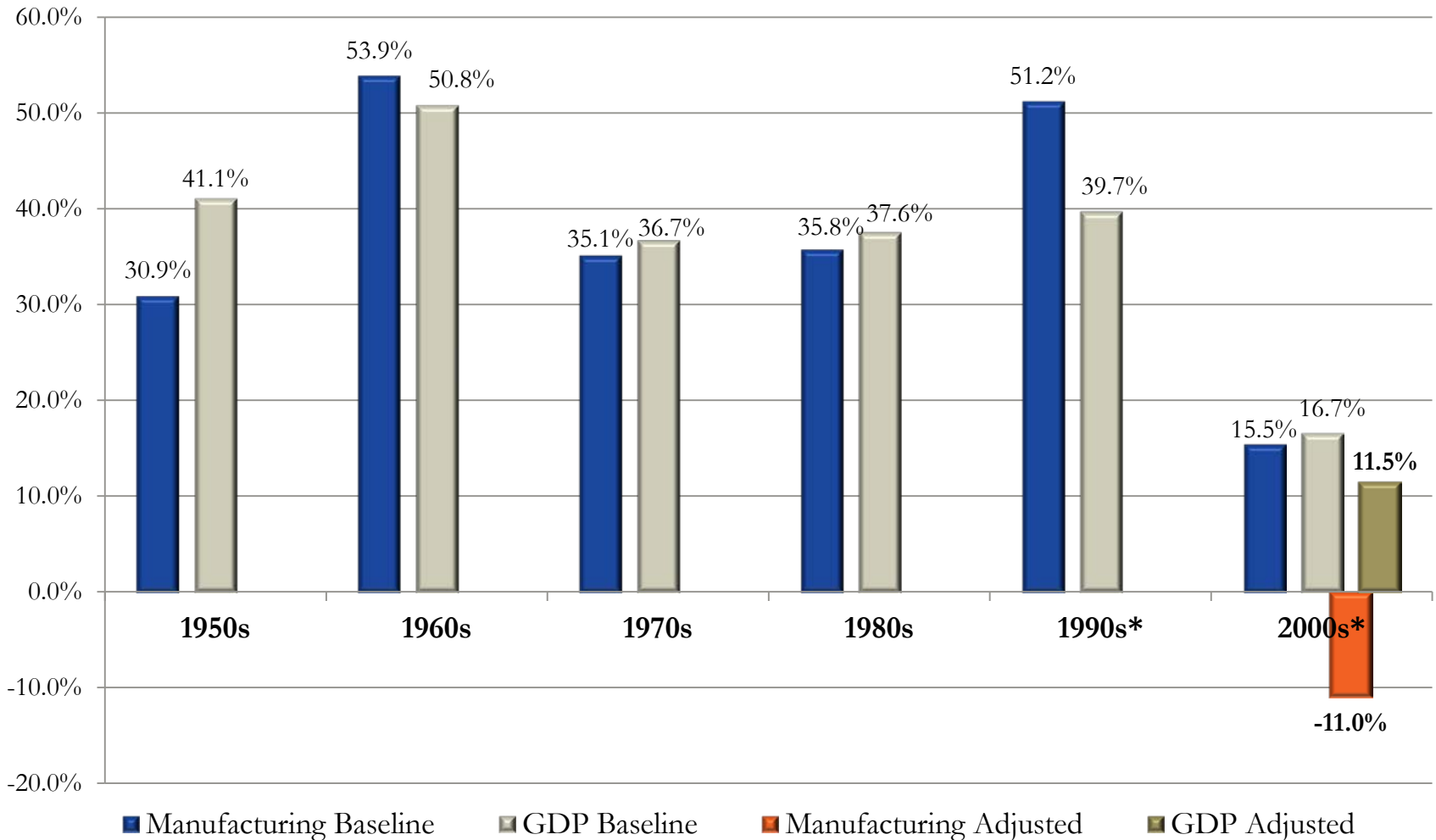


## If Productivity Was the Cause, Why Did Manufacturers' Capital Stock Barely Grow in the 2000s?

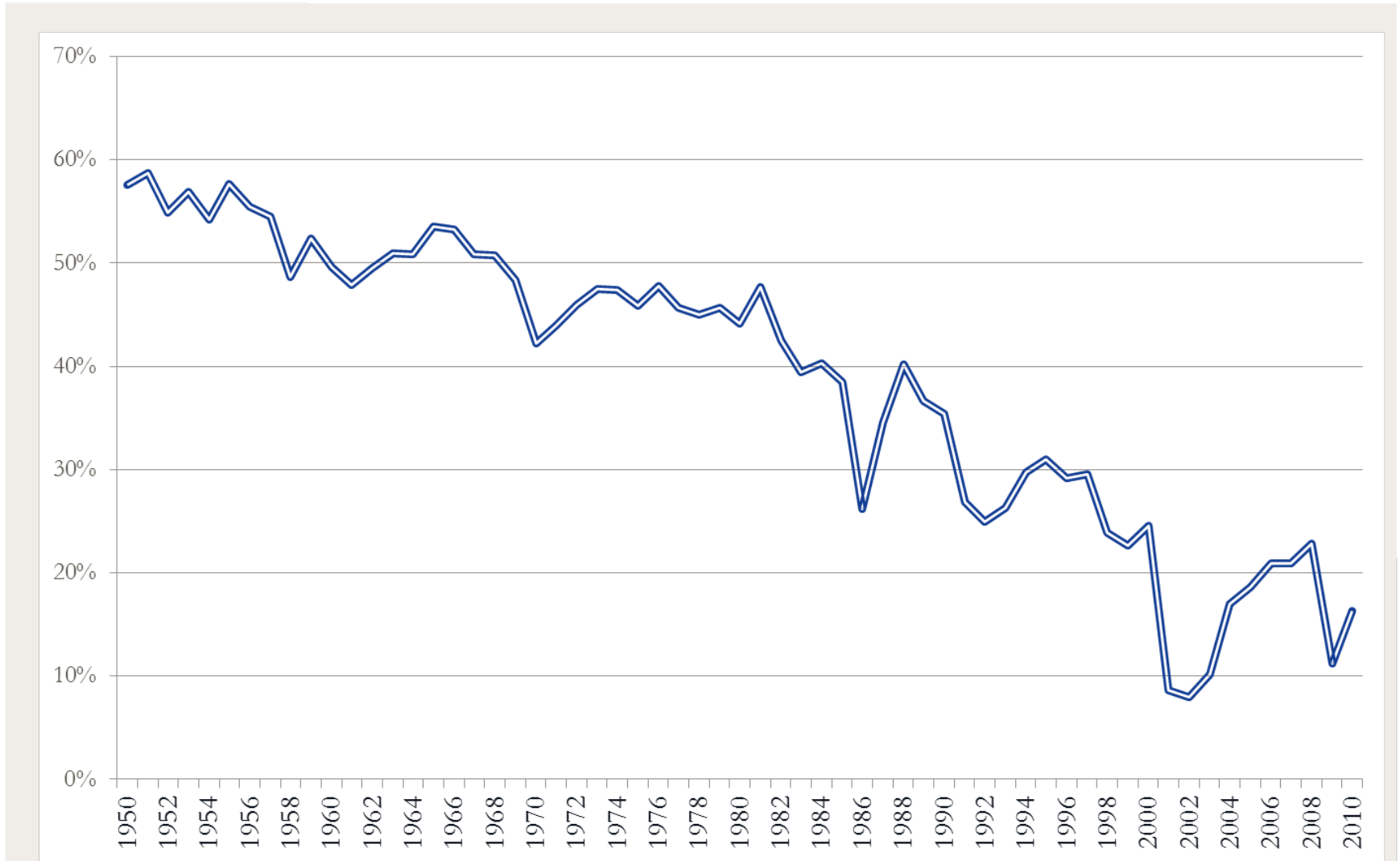




# If Productivity was the Cause why is Real Value-Added is Down



## If Productivity Was the Cause, Why Did Manufacturing's Share of U.S. Profits Fall to Record Lows?



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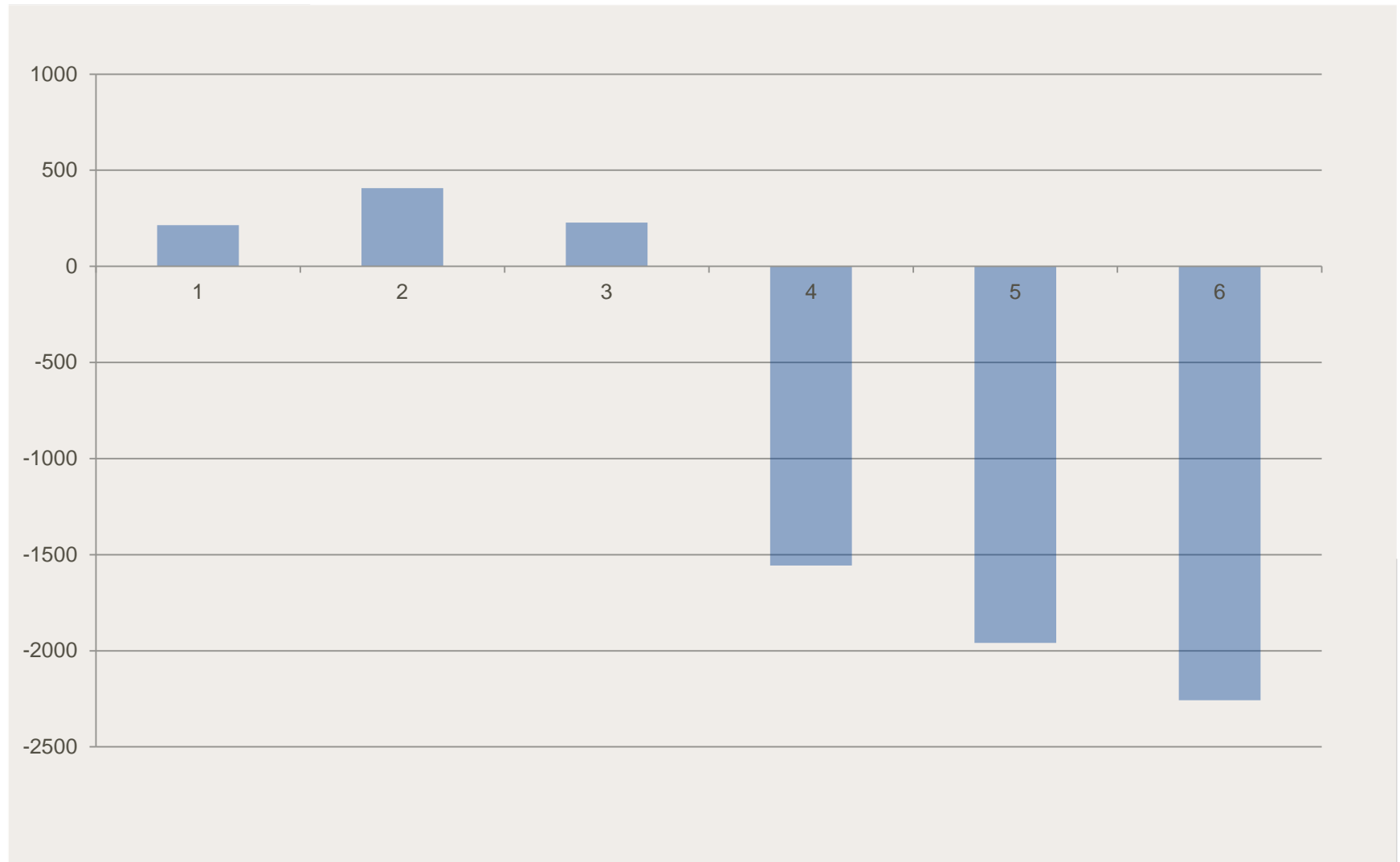
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■ What Should We Do?

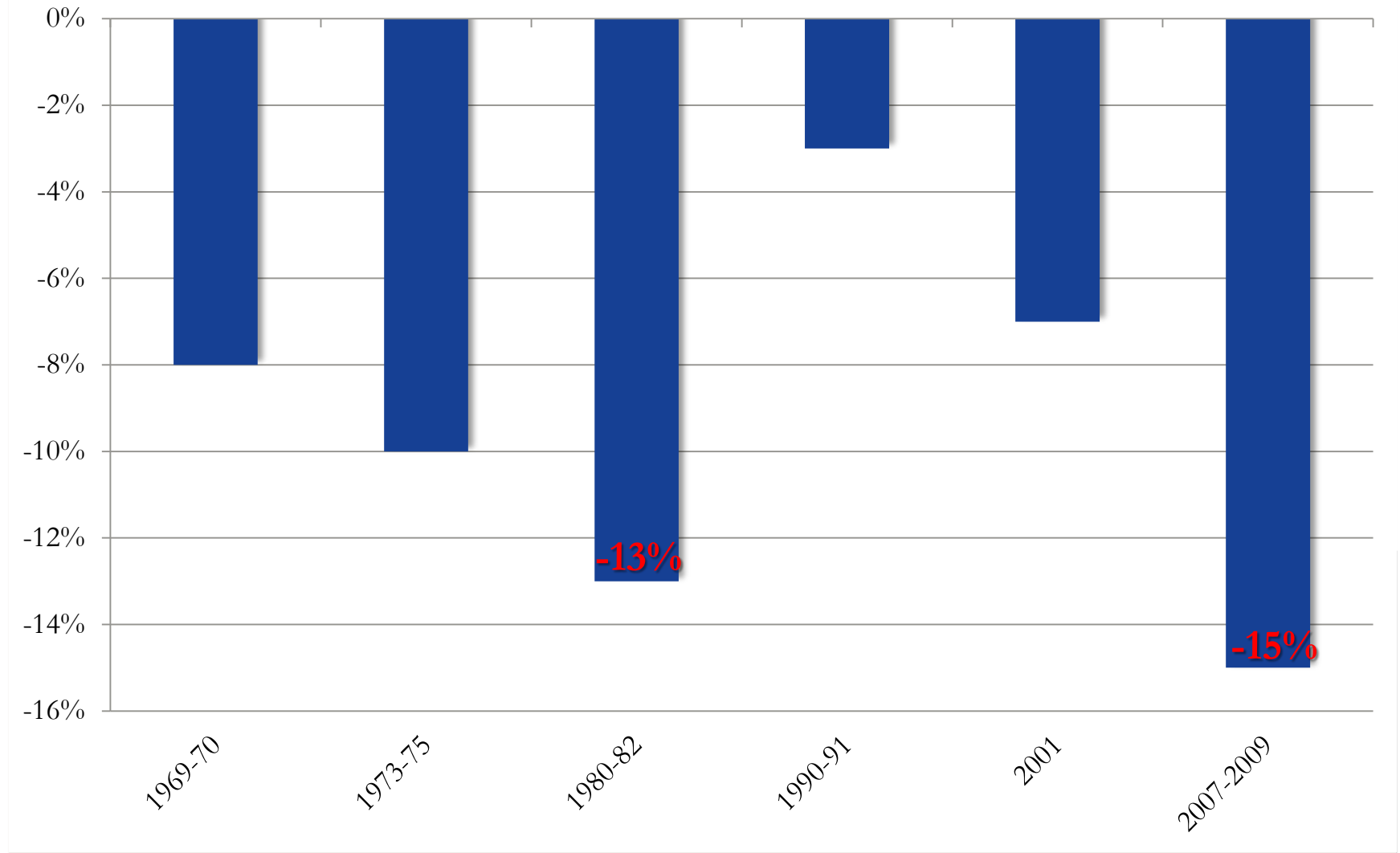
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■ Can We Do It?

## ■ Robust Recovery? (Manufacturing Job Change in last 1-6 years)



## ■ Steepest Manufacturing Loss in Any Recent Recession



## ■ Renewal or Continued Decline?

### **Reasons for Renewal**

- **increased foreign wages**
- **declining value of dollar**
- **increased global shipping costs**
- **renewed Domestic energy production**

### **Reasons for Decline**

- **lots of low-wage foreign labor still available**
- **U.S. currency is global reserve currency**
- **massive “trade mercantilism” by our competitors**
- **lack of U.S. manufacturing strategy**

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## ■ What Are Our Competitors Doing?

- Cutting business taxes and expanding incentives for investment.
- Funding SME manufacturing technical assistance.
- Funding generic, sectoral-based manufacturing R&D centers.
- Funding manufacturing technician skill development.



# ■ State and Local Action is Needed, But Not Enough



# We Need a Federal Manufacturing Policy Focused on the “4Ts” (trade, tax, talent, and tech).



## ■ Trade Promotion:

- Better support and align programs to boost U.S. exports.
- Promote reshoring.
- Create global knowledge investment zones (GKIZs) to attract foreign direct investment (FDI).

## ■ Trade Enforcement

- We can't hope to win in manufacturing without containing and rolling back growing foreign trade mercantilism, especially from China, but increasingly India, Brazil, and Russia.
- Our trade enforcement system needs more resources.
- We need to form an alliance with Europe, Japan, and Commonwealth nations to press China to become results-oriented (trade deficit, IP theft, forced JVs, etc.).

## ■ Tax

- Corporate tax reform should preserve or expand 3 key incentives for manufacturing (R&D tax credit; accelerated depreciation [MACRS]; and the domestic production deduction [section 199])
- Any corporate tax reform should reduce the *effective* U.S. tax rate as U.S. effective tax rates on manufacturers are the highest of 20 nations.

## ■ Talent:

- Fund engineering co-op programs between universities and industry.
- Reform university engineering curriculum towards more project-based learning and entrepreneurship (e.g. Olin College in MA).
- Increase adoption of industry-recognized, nationally portable credentials, such as those produced by the NMSSC.
  - Reinvent TCE Programs, in part by reprioritizing WIA and Perkins \$ into programs that result in portable skills credentials.

## ■ Technology:

- Support Creation of a Network of National Manufacturing Institutes performing applied R&D across a range of advanced technologies.
- Support the designation of at least 20 “manufacturing universities.”
- Increase funding for the Manufacturing Extension Partnership.
- Fund innovation vouchers that allow SMEs to purchase technical assistance from universities/community colleges.

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## ■ Can We Do It?

- Ban the Industrial Policy “Boogeyman.”
- Get the “Get Government Off Our Back Shibboleth” Off Our Back.



# ■ A Charter for Revitalizing American Manufacturing

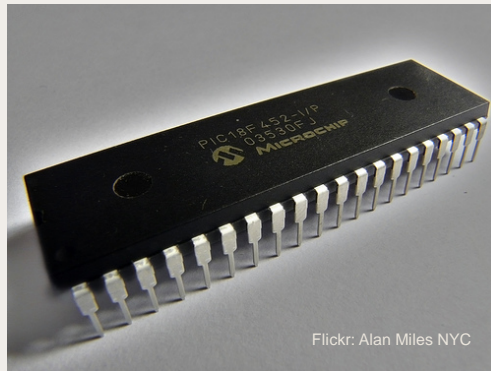
**Tax**



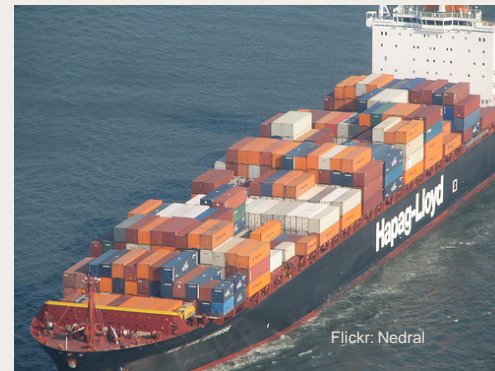
**Talent**



**Tech**



**Trade**



## ■ Signatories to the ITIF Manufacturing Charter

Individual	Organization
<b>Signatories to the Charter</b>	
Bob Baugh	Executive Director, AFL-CIO Industrial Union Council
Scott Boos	Deputy Director, Alliance for American Manufacturing
Doug Woods	President, AMT – The Association For Manufacturing Technology
Howard Wial*	Fellow, The Brookings Institution
Michael Stumo	CEO, Coalition for a Prosperous America
Jack McDougle*	Senior Vice President, Council on Competitiveness
Clyde Prestowitz	President, Economic Strategy Institute
Robert Atkinson	President, Information Technology and Innovation Foundation
Jeff Finkle	President and CEO, International Economic Development Council
Stephen Gold	President and CEO, Manufacturers Alliance/MAPI
Mark Rice	President, Maritime Applied Physics Corporation
Lenny Mendonca	Director of Firm Knowledge, McKinsey Global Institute
Fred Wentzel	Vice President, National Council for Advanced Manufacturing
Emily DeRocco	President, NAM—The Manufacturing Institute
Drew Greenblatt	Chairman of the Board, Regional Manufacturing Institute; President, Marlin Steel Wire Products
Harry Moser	Founder, Reshoring Initiative
Mark Tomlinson	Executive Director/CEO, Society of Manufacturing Engineers
Jerry Jasinowski	Former President, NAM and NAM – The Manufacturing Institute
<b>Advisory Contributors to the Charter</b>	
Bill Bonvillian	Director, MIT Washington Office

# Thank You

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