

# Make It in America

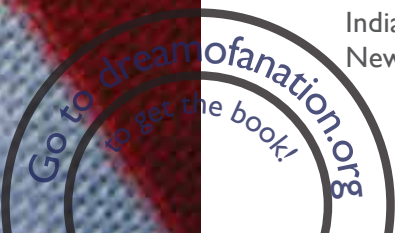
**M**ade in America is more than just a slogan. For over 200 years and millions of Americans, it was a way of life. From the Model-T Ford to the Arsenal of Democracy, production was at the heart of our national identity.

**But something has changed in recent years.** Today our manufacturing sector is half the size it was in 1960, while our financial sector is twice its size. In 2001, the first full year of the new millennium, 24 factories closed without being replaced every day—a factory loss every hour for the entire year, 24/7/365.<sup>1</sup> First we lost rudimentary industries like textiles, furniture and paper. Next we started to lose core industrial capacity like shipbuilding and machine tools, and now we are losing high-end manufacturing like pharmaceuticals, aerospace and semiconductors. There are over 5 billion mobile phones in use worldwide and virtually none were made in the US.<sup>2</sup> Solar cells were invented in America, but in recent years, we produced only a third as many solar cells as Japan or Germany, and a quarter as many as China.<sup>3</sup>



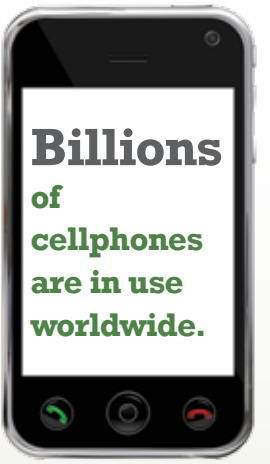
Photo courtesy Laura Padgett

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Campaign for America's Future



**Each manufacturing job supports four other jobs in the rest of the economy.**

**Exported goods bring new wealth into the country, and producers of goods buy meals, haircuts, legal services and advertising from other sectors, spreading the wealth through the economy as a whole.**



**Virtually none were made in America.**

**This is not natural economic evolution.**

Our economy has not simply matured, replacing old industries like manufacturing with new industries in which America has the “comparative advantage”—high-end services like investment banking, software design or telecommunications. This is a loss with nothing in line big enough to replace it.

No matter what happens with top-end services, a country still needs things. Whether it is cars, computers or refrigerators, if we don't make them here, then someone else gets our money. Yes, we ran a \$146 billion surplus in services in 2010. But we ran a \$645 billion deficit in goods in the same year. Between 2000 and 2010, America imported almost \$7 trillion more goods than we exported.<sup>4</sup>

**The changes were the result of policy choices that can be made differently.**

Our tax code, for example, allows US companies to defer taxes on income earned overseas. This deferral not only reduces US tax revenues, it creates an incentive to move production abroad. In President Obama's own words: “It's a tax code that says you should pay lower taxes if you create a job in Bangalore, India, than if you create one in Buffalo, New York.”<sup>5</sup>

Other countries make choices that work to their advantage, like offering subsidies to induce strategic industries to relocate away from America. China started with textiles and consumer electronics but quickly moved up the value chain to aerospace and now semiconductors. In 2007, Intel accepted China's \$1 billion subsidy to open its new chip plant in Dalian. China knows that the advanced manufacturing techniques will follow the factory, along with the personal expertise, the R&D and, soon enough, the software design for the computers that use the chips.

Some foreign countries have the advantage of lower costs because of cheaper labor and lower standards for environmental protection or workplace safety. Yet other countries with high wages and high standards are also outperforming us in global markets. Germany generally has higher wages and better benefits than America, and highly advanced production technologies. But Germany ran a trade surplus of \$200 billion in 2010, the same year America ran a trade deficit of \$500 billion.<sup>6</sup> Germany has simply made a long-term

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**Countries with high wages and high standards are also outperforming us in global markets.**

**Germany ran a trade surplus of \$246 billion in 2008, the same year America ran a trade deficit of \$706 billion.**

**We need to restore our productive capacity for the next generations of America in the new world economy.**

commitment to remaining an industry leader, investing in its research, its machinery and its people.

**But even with the losses there is much to preserve.** Manufacturing still constitutes 12 percent of US gross domestic product, 60 percent of US exports and 70 percent of private sector research and development.<sup>7</sup> America still exports Ford trucks, Boeing airplanes and Gordon & Smith surfboards. We need to fight for our existing industries and expand into the next generation—solar cells, nanotechnology, titanium surgical tools. We need to restore our productive capacity for the next generations of America in the new world economy.

The American people understand this. A 2010 survey found 66 percent support for the proposition that “manufacturing is a critical part of the American economy and we need a manufacturing base here if this country and our children are to thrive in the future.” The finding held across party lines—67 percent among Democrats, 66 percent among Republicans, 64 percent among independents. It had twice the level of support

of a competing proposition that America can leave manufacturing and move into “new areas like high-tech or services.”<sup>8</sup>

**The path ahead is straightforward.**

First, we need to rebuild our infrastructure, the backbone of our economy. The US will not thrive in the 21st century unless we lift our economic infrastructure up to 21st century standards, and we can do it with American workers and parts made in America.

Other countries do it this way. When Canada or European Union members buy steel, coal, construction or telecommunications equipment for public purposes, they make every effort to buy it from producers in their own countries, and they negotiate that option into trade agreements.<sup>9</sup> America does not.<sup>10</sup> China exports more than 95 percent of its solar energy products to the US and Europe—but China requires that at least 80 percent of the equipment in its own solar power plants and 70 percent of its wind turbines be made in China.<sup>11</sup>

In some areas, we may need to be patient, as domestic manufacturers are not presently operating at scale or at capacity, and start-up costs may be incurred as they become more competitive. But Americans will be better off if taxpayer-funded projects take a little longer or cost a little more—if more of the money stays at home than disappears overseas.

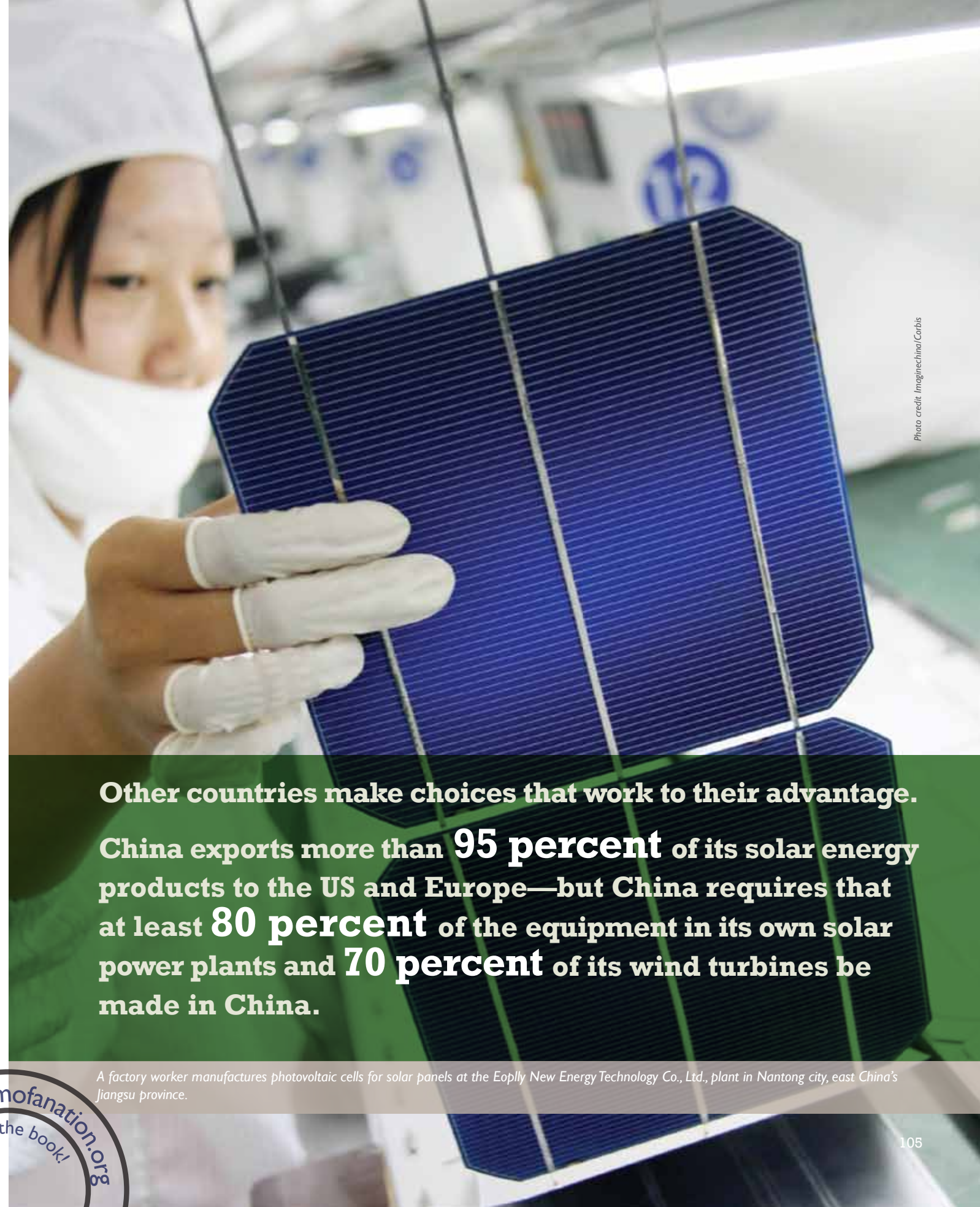


Photo credit: Imagineschina/Corbis

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*A factory worker manufactures photovoltaic cells for solar panels at the Eoply New Energy Technology Co., Ltd., plant in Nantong city, east China's Jiangsu province.*







Photo courtesy United Streetcar

United Streetcar manufactures modern streetcars in America, with parts made in America, and plans to be a pioneer in this new urban transit option. Employees are seen here with a completed car for Portland, Oregon's new streetcar system.

In some cases, of course, American companies are ready and waiting. United Streetcar, a subsidiary of Oregon Iron Works, Inc., manufactures modern streetcars in America, with parts made in America, and plans to be a pioneer in this new urban transit option. United Streetcar's first customer was the City of Portland, soon followed by the City of Tucson. United Streetcar is betting that Americans will turn to streetcars as a form of urban transit, and that it can compete with the dominant manufacturers in other countries that enjoy advantages of experience, scale and consistent demand.

When Republic Windows closed its factory in Chicago in 2008, workers protested the wrongful denial of severance benefits. The protest caught the attention of Kevin Surace, CEO of Serious Materials of California, who was in the market for a window manufacturing facility. Surace anticipated that the Obama administration would enact an economic stimulus package featuring investments in weatherization and energy efficiency, and he was right.<sup>12</sup> Surace bought the plant, rehired the workers and honored the agreement of the previous owner. Serious Materials is still expanding, fulfilling new market demand for high-performance, thermally efficient windows.

Exxel Outdoors, headquartered in Haleyville, Alabama, makes sleeping bags in America. Exxel produced 1.4 million bags in 2009, 30 percent of the nation's market share. It uses environmentally friendly material and a highly efficient manufacturing process. Add in the cost of shipping from overseas, and Exxel comes out ahead of foreign rivals—even though it pays its workers fair wages with affordable healthcare.

Pittsburgh instituted a whole host of changes all at once. It reinvented itself in the 1990s from a Steel City in decline into a combination economy with high-end services in research and medicine, as well as cutting-edge manufacturing. The change grew from an active collaboration between business and government. Local leaders devised a comprehensive economic strategy that matched Pittsburgh's local strengths with global opportunities. State leadership behind Governor Ed Rendell devised an economic stimulus package focused on infrastructure, transportation and research.

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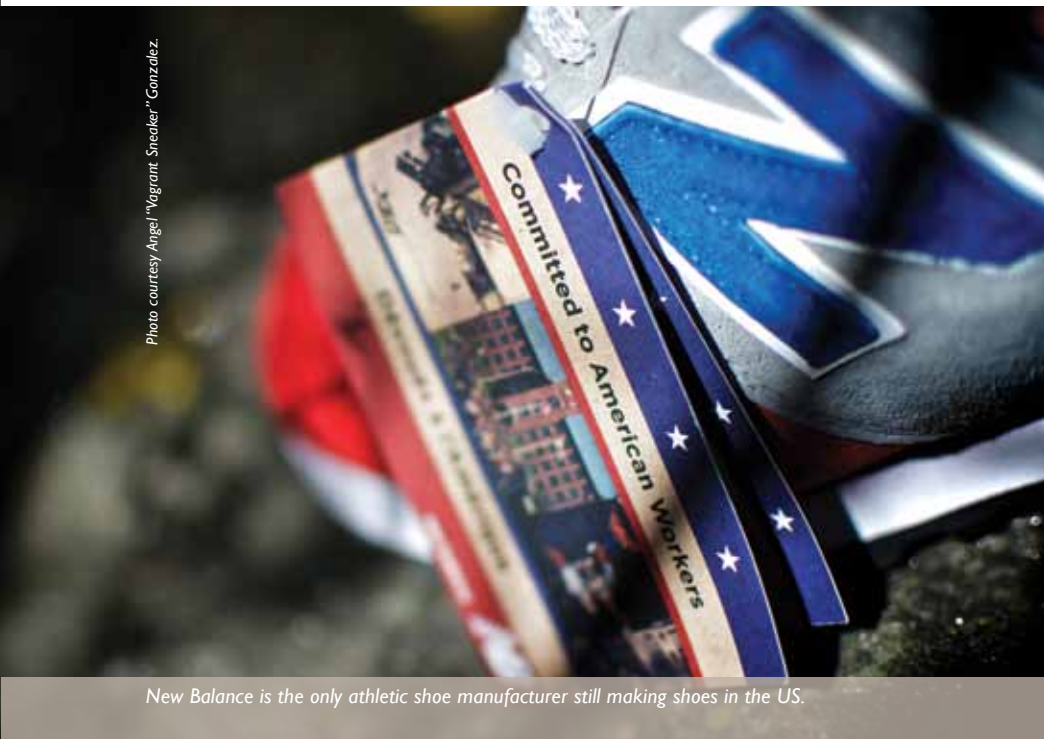


Photo courtesy Angel "Vagrant Sneaker" Gonzalez

New Balance is the only athletic shoe manufacturer still making shoes in the US.

**Next time you see something labeled "Made in America," consider using your money to support your people and your vision of a better world.**

Pennsylvania enticed Gamesa, a Spanish leader in wind energy production, to open a factory in the Pittsburgh area to anchor a US expansion. Pittsburgh's turnaround shows what can happen when our historical partnerships come back together.

**Lastly, we need to stop getting fooled.** "Free trade" isn't an international ideology. It is a sales line and a political theory that's entirely optional for every country. We need our government

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to look out for our people like the governments of other countries do. Far too often, our government seems to take the side of multinational corporations that benefit from foreign subsidies and foreign labor rates, but can still sell in America at American prices. Thus the interests of many nominally American businesses diverge from the interests of the American people.

American consumers go last but they are not without power. Next time you see the cheap goods labeled "Made in China," know nearly half of the price advantage comes from currency manipulation, which lowers the cost of imports from China and raises the cost of our exports. Question whether the children's toy has lead-based paint, the pet food has melamine or whether Chinese workers had fair conditions in the plant. Then consider whether there's a differ-

ent product you can buy with advantages other than price, and whether you can choose differently.

And next time you see something labeled "Made in America," consider using your money to support your people and your vision of a better world. We're all in it together.

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