

Refloating The Boats

Mike Collins



The old adage that a rising tide lifts all boats used to apply to the American economy. It used to mean that good economic policy could grow all sectors of the economy, which would raise the living standards of all Americans. It was a time when the American Dream was truly attainable by any American worker with determination.

This adage has a new meaning in the globalized economy of the 21st century. With foreign competition, offshoring, deindustrialization, trade deficits, and the collapse of Wall Street, fewer boats are rising with the tide.

Before the recession, the economy had strong GDP growth, high productivity, and the upper middle class was able to enjoy a little growth. In this situation, the elegant yachts of the educated elite rose even higher than the tide, the small canoes carrying service workers stayed afloat in choppy seas, and the row boats of manufacturing workers sank by the millions.

In the new hurricane of recession, bank bailouts, foreclosures, and rising unemployment, all boats seem to be in jeopardy, and even the elegant yachts of Wall Street are taking on water. Instead of bailing water and securing their lifeboats, these elite yachtsmen are huddled in the cabin drinking 1922 Navarra County champagne while waiting for the American Navy to come to their rescue. This ocean parable begs the question: Is the American Dream and the great middle class in danger?

Should the workers of America give up on the compact of the American dream? I don't think so, because I think there are things that we can still do to be more competitive and I think there are also things the government can do to help.

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The first and most important thing is for government and society to not give up on manufacturing and not accept some economist's prediction that transitioning to a "post industrial" economy is inevitable (and a good thing). So what can the government do to help refloat our boats?

1. **Create an industrial policy** that explains the absolute necessity of maintaining a manufacturing base for the economy. In addition to committing to building our manufacturing sector, the government needs to admit that the accepted notion of transitioning to a post-industrial service economy with enough good paying jobs for middle class workers is a pipe dream.

2. **Reduce health care costs.** America has the most expensive health care system in the world with the highest percentage of people not covered by any insurance. This costs employers at least \$7,500 per worker, and premiums grew 75 percent in 7 years. If premiums continue to climb at this rate they will sink manufacturing and any many other businesses.

3. **Balance the trade deficit.** Balancing the trade deficit could mean creating millions of new jobs that were lost to offshoring.

4. **Extend benefits** for the unemployed and create a better safety net for the families that will be unemployed for a long time. This should include health insurance and food stamps.

5. **Job Training Initiatives.** The purpose of this initiative sponsored by the Department of Labor is "to grow industries with advanced manufacturing occupations." It is a strategic effort to prepare workers to take advantage of new and increasing job opportunities in the high growth and high demand, economically vital sectors and industries in the U.S. economy. However, if you go to the Department of Labor website (www.doleta.gov/BRG/HGJTIGrantees) you will find that this initiative also issues grants to retail, hospitality, financial services, and other non-manufacturing sectors. Manufacturers need to get involved to make sure they get their share of this training money and that the institutions who are supposed to do the training focus on manufacturing skills. I found a list of \$75 million in grants for manufacturing listed by state and the institution who received the money.

6. **Advanced Manufacturing Initiative.** This is a series of investments of more than \$43 million to address the workforce needs of the advanced manufacturing industry. This act is supposed to "help workers find good jobs with good wages and promising career pathways in the advanced manufacturing industry." These grants are from \$750,000 to \$1.5 million. You can find out about the grants at www.doleta.gov/BRG/Indprof/manufacturing.cfm.

7. **Bureau of Apprenticeship and Training.** This program is supposed to assist private industry in developing and improving apprenticeship and other training programs designed to provide skilled workers needed to compete in today's global economy. Because most jobs in manufacturing are very technical and the shortage

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of these workers is already upon us, we need to push the apprenticeship type training now. You can contact the Office of Apprenticeship Training, at 202-693-3812 or go through their website at www.doleta.gov/OA/aboutus.cfm. In the new economy, kids are going to have to learn skills that will get them some kind of a job, and credits for practical skills need to be extended to community and 4 year colleges.

8. State involvement. It is going to be tough getting any reduction of taxes from the states now that we are in a recession and all of the states are in trouble with deficits. But all states need to create new jobs. I think for the time being, a good tax policy would be to give tax credits to those manufacturers who create manufacturing jobs in the U.S. or bring manufacturing back from overseas. It would also be a good idea to give tax breaks to manufacturers who will outsource to rural communities. And, there should be no subsidies or tax breaks for any manufacturer who is committed to offshoring.

We are going to have to suffer through the pain of the recovery in terms of unemployment, bankruptcies, bailouts, deficits, and the reality of competing in the global economy. I am hopeful that the new administration sees the value of a strong manufacturing sector that will provide the growth and jobs to refloat all of the boats.

Mike Collins is the author of *Saving American Manufacturing*.

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