

## No More Detroits

Scott Paul, President, Alliance for American Manufacturing

The city of Detroit's [bankruptcy](#) [1] is an American tragedy and an entirely preventable one. The downward spiral began decades ago when deindustrialization led to depopulation, crime and declining public revenues. Corruption and mismanagement may have exacerbated the problem, but they weren't the root cause. The gravest mistake we can make today is to believe that Detroit is an anomaly. It isn't. The economic threats that brought down Detroit are present in other great American cities. The question is: Will we learn our lesson and prevent future harm elsewhere?

Deindustrialization - in Detroit or elsewhere - is neither desirable nor inevitable. But as any physician will tell you, an ounce of prevention is worth a pound of cure.

I believe that same maxim applies to economies. With smart public policies, cities, states, and nations can maintain diverse, sustainable economies that may bend with the business cycle but will never break.

Nations with a [manufacturing strategy](#) [2] have a greater percentage of their economy and employment in industry than we do in America today.

In many cases, our competitors now have a stable or growing middle class and fewer budget challenges than our own cities, states, and federal government.

What do they know that we don't? Manufacturing matters.

As I point out in our new book, [ReMaking America](#) [3], the idea that deindustrialization in America is nothing to worry about has been conventional wisdom for several decades. Thought leaders often tell us why we should be so lucky that America can just design while leaving it to the developing world to produce.

But they ignore vital examples like the high-wage German economy with its sizable manufacturing sector. They say cheap imports are great for our economy, a slogan that ignores the fact that one's buying power is limited, even at Wal-Mart, when they can't find a job. We hear that outsourcing is a good thing, which fails to take into account that a day may come when America [can't supply](#) [4] its own troops. And we're told that trade deficits don't matter, except that they, too, have to be financed somehow and that this obligation has cost the middle class its jobs and wealth.

Clearly, the conventional wisdom has not served the people of Detroit, or any city in America for that matter, very well at all. And it has been widely ignored by our competitors - both the high-road models (Germany) and the more mercantilist versions (Japan and China).

But is it too late for Detroit? And what of the other cities teetering on the brink? Or of America's fiscal imbalances? If our leaders take certain lessons to heart - and voters demand this change - we can adopt policies that will grow exports, rebuild the middle class and put us on a path to a better fiscal position.

Here are a few:

1. Cut the [trade deficit](#) [5] in goods in half over the next three years. This means more exports, and fewer subsidized imports from China and Japan that dislocate workers in cities like Detroit. It does us little good to double exports, as President Obama stumped for during his re-election campaign, if imports are rising at an even greater rate.
2. Restore the balance of power between the industrial park and Wall Street. Financial deregulation in the late 1990s made the financial sector the master of manufacturing. That, along with the creation of CDOs and other get-rich-quick "innovations," was a huge mistake. Ensure that our small- and mid-sized manufacturers have access to affordable, patient capital.
3. Rebuild the connection between innovation and production. Our tax dollars fund research that helps create amazing products -- that are made overseas and sold back to us. We should insist that federally supported R&D is channeled into the design, engineering, and productions of goods in America. Congress should fund the \$1 billion proposed by the Obama Administration to create a network of national innovation institutes.
4. Adopt policies to boost demand. That means infrastructure investment and tax policies geared towards higher levels of production and consumption of domestic goods. Even with automation and productivity, higher demand means we'll be supporting more manufacturing jobs. Don't allow Wall Street and retailers to hijack corporate tax reform when only manufacturers face real global competition.
5. Scrap the "strong dollar" policy that helps U.S. businessmen find cheaper hotel rooms overseas in favor of a competitively valued dollar that will boost our exports. The Institute for International Economics estimates that the dollar is overvalued, while China's and Japan's currencies are undervalued. We should insist those governments end policies that deliberately lower the value of their currencies.
6. Adopt smart energy policies that will position the United States as the global leader in renewable energy equipment manufacturing and boost our emerging energy cost advantage. Exporting loads of domestic natural gas to countries that subsidize their own industries makes little sense.
7. Encourage small-scale manufacturers to embrace "urban manufacturing," the "cloud," and additive manufacturing. This will localize manufacturing, reduce imports, and establish a new generation of makers.
8. Rebuild our system of vocational education. Creating a seamless system of training from high school, to community college, and on to the factory floor for a new generation of manufacturing workers will boost American manufacturing's competitiveness and provide a viable career path for millions of Americans.

## No More Detroits

Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

---

Make no mistake: This isn't about rebuilding manufacturing the way it was in America, but rather about how we can restore American manufacturing leadership in this century. We need to get smart. With the right policies -- including those above, which are outlined in great detail in [ReMaking America](#) [3] -- manufacturing can see a new dawn in Detroit and all across America. We can see renewed wealth and growth opportunities necessary to keep the American dream alive. And we'll certainly see fewer headlines like we had on Friday.

*Scott N. Paul is President of the Alliance for American Manufacturing (AAM), a partnership established in 2007 by some of America's leading manufacturers and the United Steelworkers union.*

*The [Alliance for American Manufacturing](#) [6] (AAM) is a non-profit, non-partisan partnership formed in 2007 by some of America's leading manufacturers and the United Steelworkers. Our mission is to strengthen American manufacturing and create new private-sector jobs through smart public policies. We believe that an innovative and growing manufacturing base is vital to America's economic and national security, as well as to providing good jobs for future generations. AAM achieves its mission through research, public education, advocacy, strategic communications, and coalition building around the issues that matter most to America's manufacturers and workers.*

*Scott's blog previously appeared in [The Huffington Post](#) [7].*

### Source URL (retrieved on 03/29/2015 - 9:51pm):

[http://www.impomag.com/blogs/2013/07/no-more-detroits?qt-digital\\_editions=0](http://www.impomag.com/blogs/2013/07/no-more-detroits?qt-digital_editions=0)

### Links:

- [1] <http://www.impomag.com/videos/2013/07/detroit-leaders-defend-bankruptcy>
- [2] <http://americanmanufacturing.org/files/SOTU%20Policy%20Recs%20-%20One%20Page2.pdf>
- [3] <http://americanmanufacturing.org/remake-america/>
- [4] <http://www.americanmanufacturing.org/content/remaking-american-security>
- [5] <http://www.census.gov/foreign-trade/balance/c5700.html>
- [6] <http://wfc2.wiredforchange.com/dia/track.jsp?v=2&c=GRT6APqfr399lpLxMrYI6q33bx3lfhzV>
- [7] [http://www.huffingtonpost.com/scott-paul/detroit-manufacturing-jobs\\_b\\_3624937.html](http://www.huffingtonpost.com/scott-paul/detroit-manufacturing-jobs_b_3624937.html)