A MANUFACTURING RENAISSANCE

FOUR GOALS FOR ECONOMIC GROWTH

NATIONAL ASSOCIATION OF
Manufacturers

A MANUFACTURING RENAISSANCE

- With 21 percent of global manufactured goods produced here, the United States is the world's largest manufacturing economy. But our own policies are threatening that leadership position. China is second at 15 percent and Japan is third at 12 percent.
- Because of our policies on taxes, energy, tort and trade, it is 20 percent more expensive to do business in the U.S. than it is in the countries which are our nine largest trading partners — and that is *excluding* the cost of labor.
- Federal regulation costs $1.7 trillion annually, according to the Small Business Administration.
- The U.S. has the second highest corporate tax rate among the major industrial countries, trailing only Japan.
- 70 percent of manufacturers pay income taxes at individual rates. Therefore, any tax increase on individuals is a tax increase on manufacturers.
- Direct tort costs total almost 2 percent of GDP in the United States — the highest level in the world.
- Health care costs have increased an average of 12 percent over the last 10 years.
- 95 percent of consumers live outside the U.S., making it critical for manufacturers to have access to global markets through free trade agreements.
- Currently, there are dozens of free trade agreements being negotiated around the world, but the U.S. is a party to just one.
- Through inaction on free trade agreements, we are ceding market share to our competitors.
- Manufacturing supports an estimated 18.6 million jobs in the U.S. — about one in six private sector jobs. Nearly 12 million Americans (or 9 percent of the workforce) are employed directly in manufacturing.
- In 2010, the average U.S. manufacturing worker earned $77,186 annually, including pay and benefits. The average worker in all industries earned $56,436.
- The R&D credit is a jobs credit. 70 percent of credit dollars are used for salaries of high-skilled R&D workers. Some 510,000 new jobs would be created if the credit were strengthened and made permanent.
- All of these factors and more are hurting American competitiveness. The 20 percent cost differential is caused by policies created in Washington, not in some far away capital.

The NAM has a four-point plan for economic growth and jobs, which will enable the U.S. to compete and succeed in the global economy.

Goal 1: The United States will be the best place in the world to manufacture and attract foreign direct investment.

Goal 2: The United States will expand access to global markets to enable manufacturers to reach the 95 percent of consumers who live outside our borders.

Goal 3: Manufacturers in the United States will have the workforce that the 21st-century economy requires.

Goal 4: Manufacturers in the United States will be the world's leading innovators.

Visit www.nam.org for more information.

Goal 1

The United States will be the best place in the world to manufacture and attract foreign direct investment.

- Embrace an “all of the above” approach to energy production.
- Promote policies that encourage stewardship, drive innovation and recognize the global scope of many environmental issues.
- Ensure that the benefits of regulations justify their costs to manufacturers in the United States.
- Create a national tax climate that enhances the global competitiveness of U.S. manufacturers.
- Modernize and invest in infrastructure to help manufacturers in the United States more efficiently move people, products and ideas.
- Implement common-sense, fair legal reform.
- Reduce health care costs for both patients and providers.

Goal 2

The United States will expand access to global markets to enable manufacturers to reach the 95 percent of consumers who live outside our borders.

- Promote a global trade policy that opens international markets and reduces regulatory and tariff barriers.
- Modernize the United States’ outdated export control system to strengthen national security, promote American competitiveness and encourage exports.
- Boost exports through improved export promotion programs and export credit assistance for both small and large manufacturers.

Goal 3

Manufacturers in the United States will have the workforce that the 21st-century economy requires.

- Address regulations and mandates that undermine employer flexibility and ultimately discourage the hiring of new employees.
- Develop a more productive workforce and encourage innovation through education reforms and improvements.
- Attract the best and brightest to the United States.

Goal 4

Manufacturers in the United States will be the world’s leading innovators.

- Strengthen and make permanent the R&D tax credit.
- Support federal research agencies and public- and private-sector research.
- Recognize intellectual property (IP) as the basis of America’s innovative economy.

A strong, healthy manufacturing sector requires a strong, healthy country. We have learned that the nation's foundation is more fragile than we had thought.

For years, politicians have made the easy choice of borrowing from future generations to pay for what they desire today. Years of deficit spending and generous promises made by entitlement programs are straining our nation's finances and threatening the economic recovery and our future prosperity. The nonpartisan Congressional Budget Office has estimated that if Congress fails to enact reforms, federal spending will total almost 34 percent of GDP by 2035. As federal spending consumes a larger and larger share of the economy, it crowds out the private sector, hurting job creation and economic growth.

We have time to reverse our current course, but Congress and the Administration must make tough choices. We have yet to see that resolve in our nation's capital. Despite high unemployment and sluggish to nonexistent growth, Washington has yet to produce a bold, meaningful economic agenda. Too many of our elected leaders are being guided by politics, not policy.

Manufacturers have a plan — *Four Goals for Economic Growth* — that focuses on investment, trade, the workforce and innovation. This plan puts policy above politics. It sets a path for sustained global competitiveness.

We can bring about a manufacturing renaissance. We have to. A thriving manufacturing sector benefits our country, putting people to work and driving the economic growth that is necessary if we are to bring down our debt.

Manufacturers urge Congress and the Administration to make this blueprint for economic growth and jobs their top priority and to enact all of its policy recommendations without further delay.

Jay Timmons
President and CEO
National Association of Manufacturers

Goal 1

The United States will be the best place in the world to manufacture and attract foreign direct investment.

The United States must create a dynamic environment that supports jobs and economic growth.

Manufacturers have an array of options around the world when deciding where to invest, conduct research, build new facilities and create jobs, yet U.S. policymakers too often choose policies that disadvantage manufacturers in America.

Embrace an "all of the above" approach to energy production. Manufacturing accounts for one-third of the energy consumed in the United States. A dynamic and growing economy requires dependable and affordable energy supplies.

► Authorize research, development and deployment of technologies that improve efficiency, reduce emissions and support domestic energy production and manufacturing.

► Standardize and streamline regulations, policies and permitting to provide access to traditional energy resources, electricity generation and the expansion of renewable and alternative energy, such as nuclear, wind, solar power and hydropower.

► Expedite the permitting process on the Outer Continental Shelf to allow greater access to oil and gas reserves, and encourage the development of shale gas and oil sands.

Promote policies that encourage stewardship, drive innovation and recognize the global scope of many environmental issues.

► Ensure federal environmental regulatory policies allow manufacturers to compete in the global economy.

► Stop proposals by the Environmental Protection Agency (EPA) that are unachievable, have untenable compliance costs, or would otherwise damage the ability of manufacturers to create jobs and compete globally.

► Pre-empt the inefficient patchwork of state and local regulations and remove market barriers to achieving energy efficiency through investment and innovation. A proliferation of state and local laws, regional programs and related litigation puts manufacturers at a significant competitive disadvantage.

► Encourage the development and deployment of new energy-efficient and environmentally-friendly technologies.

Ensure that the benefits of regulations justify their costs to manufacturers in the United States.

► Hold government agencies accountable for the quality of information used in regulatory determinations and require them to consider the indirect economic costs of regulations.

► Strengthen and codify Executive Order 12866, which provides guidance for the development and review of federal regulations and calls on agencies to consider the costs and benefits of proposed rules.

▸ Require consistent adherence to regulatory standards by affirming Executive Branch authority over independent regulatory agencies.

▸ Reform the 65-year-old Administrative Procedure Act to require agencies to select the least-cost alternative among regulatory options, use the best science and write more rational rules.

▸ Strengthen the Regulatory Flexibility Act, which requires federal agencies to consider the impact of rules on small business.

▸ Sunset existing rules to encourage agencies to regularly review whether major regulations remain effective and necessary.

▸ Prevent agency overreach by increasing oversight of guidance documents and legal settlements used in place of rules.

Create a national tax climate that enhances the global competitiveness of U.S. manufacturers. A pro-manufacturing tax policy must first acknowledge that tax increases make manufacturers in the U.S. less competitive.

▸ Reduce the corporate tax rate to 25 percent or lower to make the U.S. competitive with our major trading partners. The United States now has the second highest statutory corporate tax rate among the major industrial countries in the Organization for Economic Cooperation and Development (OECD), trailing only Japan.

▸ Reduce taxation on foreign income of U.S.-based businesses by moving from a worldwide tax system to a territorial system that is structured to enhance competitiveness, not raise additional revenue. The United States is unique among major industrial nations in taxing a company's global income.

▸ Institute permanent lower income tax rates for individuals and small businesses. Seventy percent of manufacturers pay income taxes at individual rates. Lower tax rates would strengthen manufacturers by increasing resources with which they make capital investments, expand their businesses and create jobs.

▸ Institute permanent lower tax rates on investment income to encourage savings.

▸ Institute permanent lower tax rates on estates to protect family manufacturing businesses and prevent double taxation.

Modernize and invest in infrastructure to help manufacturers in the United States more efficiently move people, products and ideas.

▸ Encourage approaches such as capital budgeting, private investment, bonding, environmental permit streamlining and flexibility for states as part of a comprehensive and long-term infrastructure strategy that

An analysis for the NAM by the Milken Institute, "Jobs for America," concluded that reducing U.S. corporate income tax rates to the current average among OECD countries would stimulate growth in the manufacturing sector and create more than 2 million jobs by 2019.

includes highways, bridges, rail, airports, seaports, inland waterways, water and wastewater systems.

- Adopt a multi-year surface transportation reauthorization that creates certainty and prioritizes future competitiveness, trade facilitation and job creation.

- Accelerate the transition to a modern, satellite-based Next Generation Air Transportation System.

- Promote spectrum reform to enhance the expansion of wireless networks.

- Encourage private sector investment in the development of high-speed communications and broadband infrastructure.

- Modernize the electric grid to improve efficiency, reduce costs and create the infrastructure needed for our advanced economy.

Implement common-sense, fair legal reform. Direct tort costs total almost 2 percent of GDP in the United States — the highest level in the world — and our system of "jackpot justice" injects damaging risk and uncertainty into the business climate.

- Restore basic fairness in our legal system by providing clear standards for liability, including specific statutes of limitations and limits on punitive damages.

- Reinstate mandatory penalties for lawyers who file frivolous lawsuits, which harm businesses of all sizes.

- Preserve federal pre-emption for federally approved products in national commerce to prevent litigation through which state courts can function as *de facto* regulators.

- Oppose special-interest legislation that incentivizes and subsidizes litigation against manufacturers, such as a tax deduction for contingency lawsuits.

- Preserve manufacturers' ability to settle disputes fairly and efficiently and oppose efforts to prohibit mandatory arbitration clauses in employment, consumer and business-to-business contracts.

Reduce health care costs for both patients and providers. Ninety-seven percent of NAM members offer health benefits to their employees. Since 1999, employer-sponsored health care premiums have increased by nearly 120 percent, and these rising health care costs siphon resources away from investment in new technologies and facilities and job creation.

- Repeal the 2010 health care law.

- Rein in new health care regulations that add new employer mandates and costs.

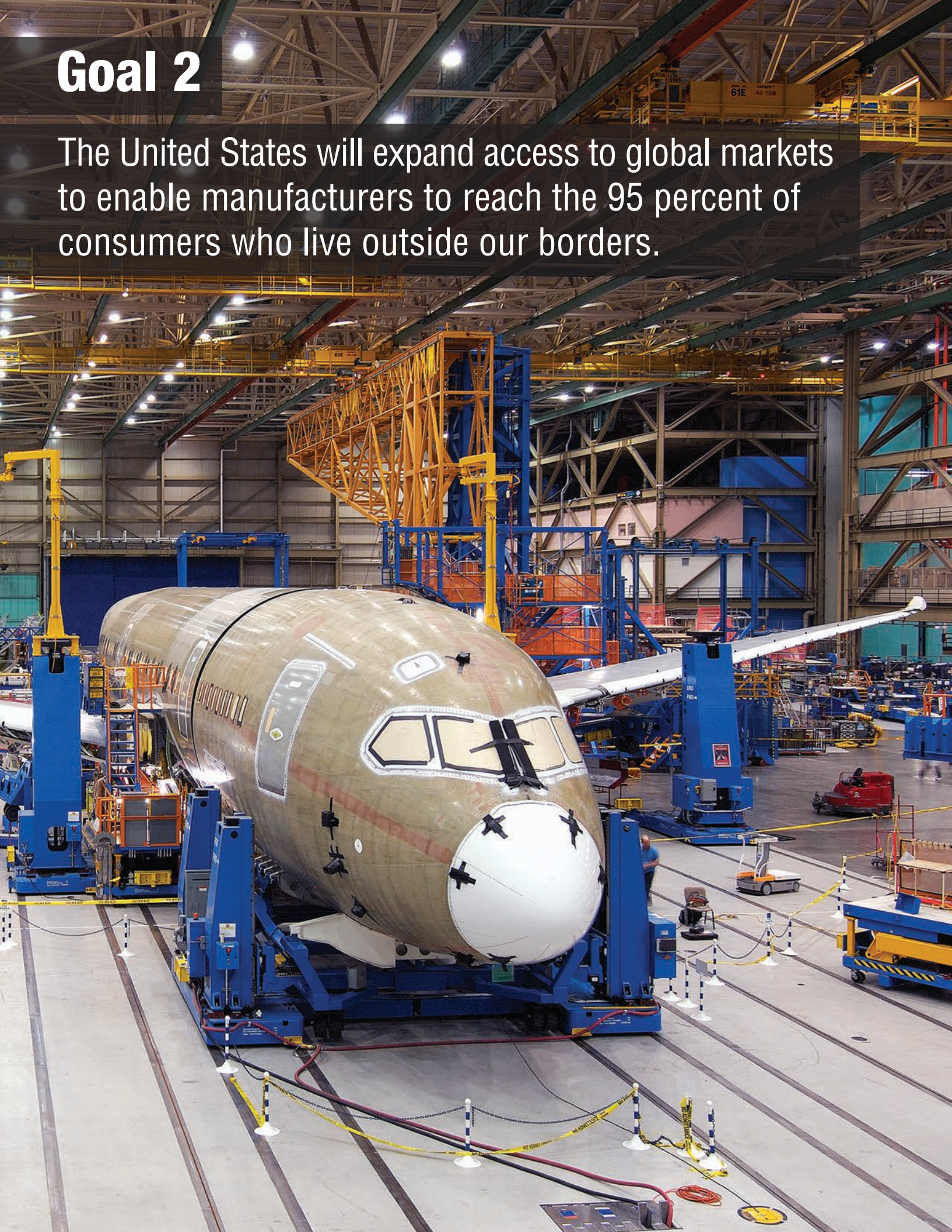
- Allow consumers to purchase the health care plan that fits their needs by permitting the purchase of health plans across state lines.

- Increase transparency to allow consumers to compare health care plans and providers on the basis of cost and quality.

- Support health information technology to reduce administrative costs and increase efficiency in the delivery of health care.

Goal 2

The United States will expand access to global markets to enable manufacturers to reach the 95 percent of consumers who live outside our borders.



The United States must adopt policies that enhance access to new markets and expand existing ones.

Manufacturing today is global. As the economies of other countries grow, more consumers will want products that are "Made in America."

Promote a global trade policy that opens international markets and reduces regulatory and tariff barriers.

► Enact pending trade agreements and quickly negotiate additional agreements. The United States is falling behind our competitors in adding new free trade partners.

► Provide the President with Trade Promotion Authority to negotiate new trade pacts.

► Work with the World Trade Organization to reduce trade barriers to exports of manufactured goods and address the trade problems of the 21st century, including customs costs and the rise in state-owned or influenced enterprises.

► Use all the trade tools at our disposal to defend U.S. innovators through effective intellectual property rights enforcement.

► Oppose requirements to use locally developed technologies or force the transfer of U.S. technologies.

► Address foreign trade subsidies, export taxes and restrictions and other distortions of market-based trade.

► Enforce the provisions of multilateral and other trade agreements.

Modernize the United States' outdated export control system to strengthen national security, promote American competitiveness and encourage exports.

► Lift restrictions that limit the development and export of U.S. high-tech products that do not affect national security.

► Reform the export control system to promote cooperation with our closest friends and allies.

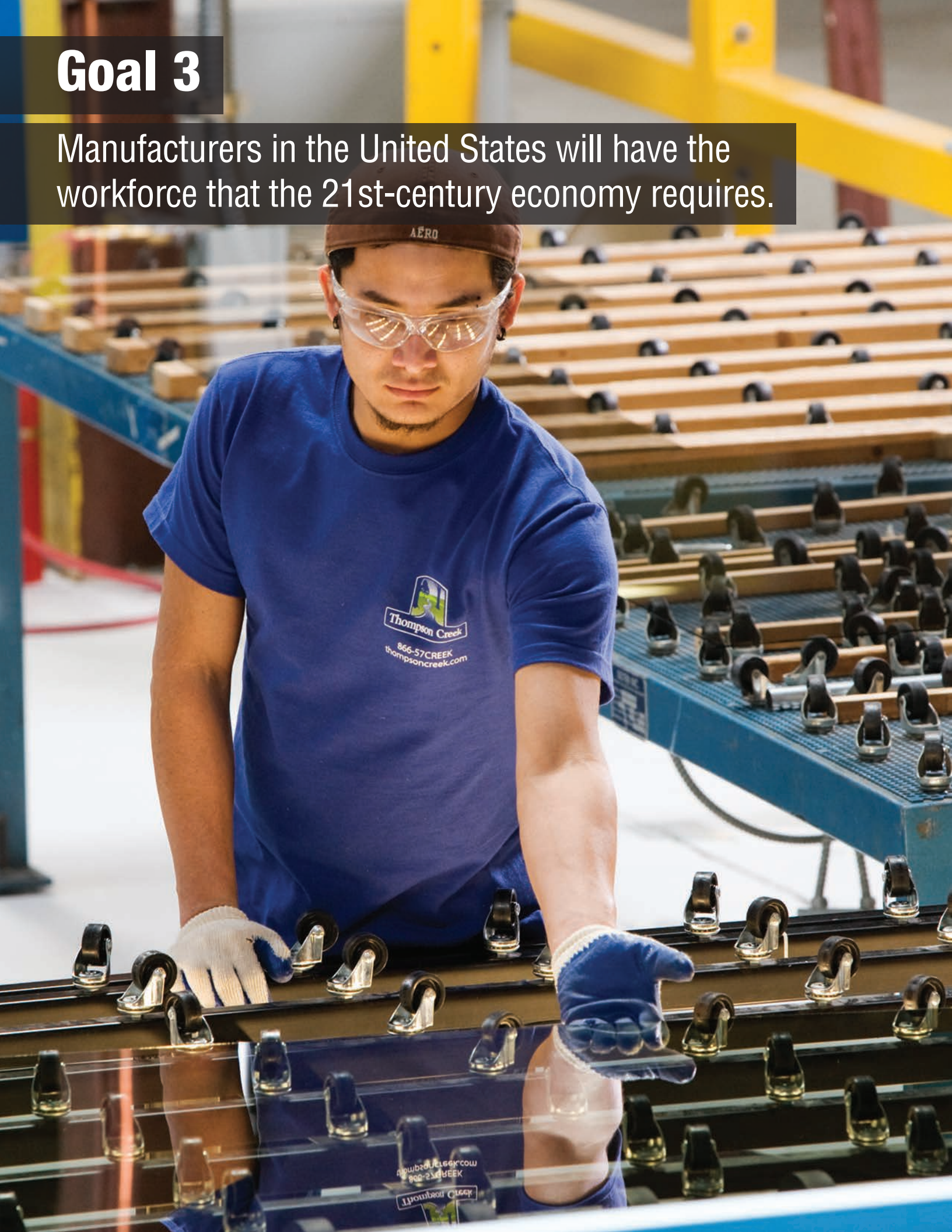
Boost exports through improved export promotion programs and export credit assistance for both small and large manufacturers.

► Utilize promotion tools to assist exporters, such as trade fairs, marketing assistance and Export-Import Bank guarantees, insurance and loans.

Over the past three years, the United States has amassed a $70 billion manufactured goods trade **surplus** with countries with which we have free trade agreements. During that same time, the U.S. ran a $1.3 trillion deficit in manufactured goods with countries that do **not** have trade agreements with us.

Goal 3

Manufacturers in the United States will have the workforce that the 21st-century economy requires.



The United States must develop a skilled workforce that includes the best talent from inside and outside the country.

World-class manufacturing demands world-class talent. Our workforce must be proficient in science, technology, engineering and mathematics (STEM) and must possess the skills that manufacturers seek.

Address regulations and mandates that undermine employer flexibility and ultimately discourage the hiring of new employees.

- Roll back actions taken by the National Labor Relations Board (NLRB) to shorten election time lines, limit employers' ability to make basic decisions, or otherwise advance policies that promote adversarial employee relations.

- Recognize the strides employers have made in improving workplace safety. The Occupational Safety and Health Administration (OSHA) and other agencies should assist in employers' continued efforts to make the workplace safer.

- Oppose efforts to achieve the goals of the Employee Free Choice Act, whether through legislation or agency action.

Develop a more productive workforce and encourage innovation through education reforms and improvements.

- Promote an NAM-endorsed system of nationally portable, industry-recognized skills credentials. A national skills certification will provide employers with the certainty that they are hiring a skilled technical workforce and employees with expanded career opportunities.

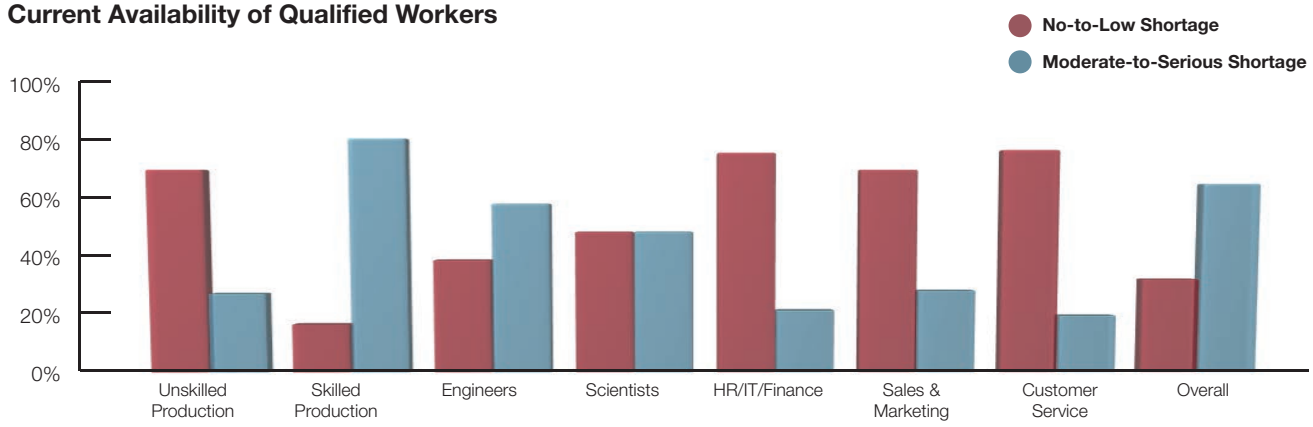
- Invest in STEM education to equip the 21st-century workforce to adapt to new technologies and rapidly changing manufacturing processes.

Attract the best and brightest to the United States.

- Support substantial increases in the number of employer-sponsored visas and streamline and simplify procedures for temporary or non-immigrant visas.

- Improve the green-card process for high-skilled workers seeking to become permanent U.S. residents.

Figure 1.
Current Availability of Qualified Workers



Source: Boiling Point? The Skills Gap in U.S. Manufacturing, Deloitte and The Manufacturing Institute (2011).

Goal 4

Manufacturers in the United States will be the world's leading innovators.

The United States must adopt policies that will attract and retain research and development (R&D) activities and promote and protect manufacturers' intellectual property (IP).

Innovation propelled the United States to its global leadership position in manufacturing. But other nations are eager to take our place and are establishing R&D incentives that are far more attractive than those offered by the U.S.

Strengthen and make permanent the R&D tax credit.

▸ Increase the current simplified R&D credit to 20 percent and make it a permanent part of the tax code.

Support federal research agencies and public- and private-sector research.

▸ A continued focus by the federal government on basic R&D expands the knowledge base, spurring private-sector R&D as well as commercial development.

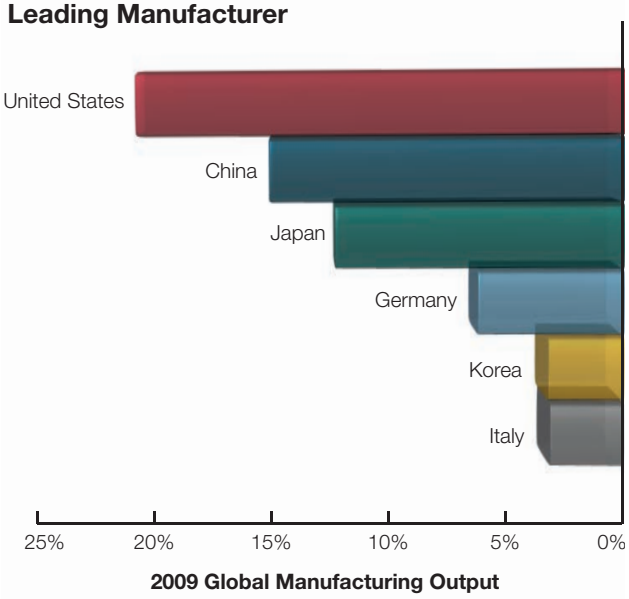
Recognize IP as the basis of America's innovative economy.

▸ Support modernization of the IP system by giving the U.S. Patent and Trademark Office (USPTO) the resources to process patent applications efficiently and promptly.

▸ Strengthen the Office of IP Enforcement. U.S. IP is worth more than $5 trillion. The continuing global trade in counterfeit products results in the loss of hundreds of thousands of U.S. jobs annually.

▸ Empower U.S. manufacturers to work directly with Customs and Border Protection, the U.S. Trade Representative, the Department of Justice and the Department of Commerce to combat counterfeiting.

Figure 2.
The United States is the World's Leading Manufacturer



Source: United Nations Statistics Division, with China data from the World Bank.

The Milken Institute's "Jobs for America" analysis reported that increasing the R&D tax credit by 25 percent and making it permanent would dramatically enhance American innovation: By 2019, real GDP would rise by 1.2 percent (or $206.3 billion) and 270,000 manufacturing jobs would be created.

This Is Manufacturing's Moment

Manufacturing is poised to lead the economy in the 21st century. Not only do Americans believe in manufacturing, they want manufacturing to succeed. These are challenging times for our nation, and it is clear we must act now. We need pro-growth strategies and policies — in some cases major shifts in policies — to move us forward.

Each of the NAM's priorities and policy recommendations included in this plan will improve the ability of manufacturers in the United States to compete in the global marketplace. More importantly, enacted together as a comprehensive strategy, these recommendations can bring about a renaissance in the manufacturing sector.

The United States is the strongest, largest and most productive manufacturing economy in the world. But our competitors want to take our place, and their governments are actively seeking to overtake us.

A Manufacturing Renaissance: Four Goals for Economic Growth outlines the policies that will enable manufacturers in the U.S. to lead our economic recovery and create better standards of living for this generation and future generations.