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CONTACT:

LAURA NARVAIZ (202) 637-3104

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Manufacturing is Essential for Economic Growth And Prosperity but Faces Big Challenges, According to New Report

Report Recommends Strategies to Create Manufacturing Jobs

WASHINGTON, D.C., Jan. 21, 2010 – As U.S. manufacturers struggle to recover from the recession, a new report finds that manufacturing fuels economic prosperity but requires pro-growth policies to create jobs and remain globally competitive. The report released by the National Association of Manufacturers (NAM) and the Council of Manufacturing Associations (CMA) was written by economists Joel Popkin and Kathryn Kobe, noted experts on issues related to prices, wages, productivity and technology.

“Policymakers must recognize that a vibrant manufacturing sector is important to our nation’s economic recovery and long-term growth and prosperity,” said Lori Anderson, chair of the CMA and president and CEO of the International Sign Association. “Manufacturing generates more economic activity per dollar of production than any other business sector in the country. Manufacturing industries perform almost two-thirds of the private sector research and development (R&D), driving America’s leading edge in innovation and break-through technologies. But manufacturers in America face serious challenges that threaten to undermine their contributions to U.S. prosperity.”

“America’s capacity to generate wealth and long-term economic growth and jobs depends on the enactment of federal policies that encourage manufacturing innovation, productivity and competitiveness,” stated NAM President John Engler.

The report offers a number of specific recommendations to create jobs and enhance U.S. manufacturing innovation, productivity and competitiveness including the following:

- Reduce the corporate income tax rate on profits earned from production in the United States to match those of our major trading partners.
- Make the research and development (R&D) tax credit permanent to provide more certainty for private sector decisions to undertake R&D.
- Make the commitments now that will guide private sector decisions on R&D investment for cleaner energy technologies and more varied energy sources.
- Continue to improve our education system to enhance the pool of science, technology, engineering and math (STEM) graduates and support programs of technical training and certification.
- Assure the health of small businesses, for example, by widening the lowest corporate income tax bracket. They are niche suppliers of components and parts for finished goods

manufacturers. And they are also important investors in and initiators of high-risk, ground-breaking innovative endeavors.

- Invest in all levels of infrastructure – transportation, communication channels and the energy grid.

“The large U.S. trade deficit is one of the starkest reminders of why a strong, productive and innovative U.S. manufacturing base is essential to our country’s economic future,” said economist Dr. Joel Popkin. “In 2008, U.S. manufacturers produced and exported \$918 billion worth of goods to other countries. Those exports helped pay for more than half of our manufactured imports, but that’s not enough to slow our indebtedness to foreign countries.”

Dr. Popkin cited the erosion of America’s leadership in R&D as another major challenge facing U.S. manufacturers. “The United States is still the leader in the absolute number of dollars spent. Its strong R&D position, however, is being eroded by the impact of the economic downturn and the rapidly expanding R&D programs in other countries. When the data is available, we expect to see the U.S. share of world R&D fell in 2009.”

“America’s future prosperity depends on policies that accelerate and strengthen manufacturing production here in the United States,” noted William E. Gaskin, president of the Precision Metalforming Association and former CMA chair. “To remain strong players in a competitive world, U.S. manufacturers need government policies that encourage continued innovation and productivity gains. In particular, we need policies that encourage public and private investments to enhance productivity, such as those in R&D, capital goods, worker training and early education that nurtures math and science proficiency.”

The new report, “Manufacturing Resurgence – A Must for U.S. Prosperity,” is available at www.nam.org/popkinreport. It is the third in a series of reports by Dr. Popkin featuring data and analysis about the importance of U.S. manufacturing to the nation’s economy.

About the NAM

The National Association of Manufacturers is the nation’s largest industrial trade association, representing small and large manufacturers in every industrial sector and in all 50 states. Visit www.nam.org for more information.

About the CMA

The Council of Manufacturing Associations represents 230 manufacturing trade associations across all sectors allied with the NAM. Visit www.nam.org/council.

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