A new U.S. war: Restoring our competitiveness

Gordon Zuckerman

If the United States economy is to restore itself to earlier levels of full employment, prosperity and financial soundness, the American manufacturing community must engage in a national effort to resurrect its global competitiveness.

Today, we are threatened by a new brand of economic imperialism. While the form of the threat is different, the results could be as destructive as the earlier dangers of previous problems from Fascist military imperialism, the spread of Communism and the more recent Jihadist terrorist attacks. The restoration of the competitiveness of the American manufacturer is a new kind of war we need to win.

In 1970, the domestic manufacturer began to outsource its manufacturing component to lower-cost, off-shore labor markets. For the next 37 years, the expanding of service employment and the raising of credit-consumptive capacity of the American household succeeded in expanding the nation's GDP by a factor of 14 times, fully employing its labor force, and materially improving the public's standard of living. Unfortunately, the strategy masked the longer-term consequences of sacrificing the economic stimulation of growing the manufacturing component of its labor force.

This myth was exploded in 2007 when household credit exceeded $100,000. Consumers were no longer able to service their debt. Mortgages were defaulted, consumer-credit contracts were breeched and non-payment of credit card obligations increased. Following the bursting of the credit bubble, discretionary spending declined by $682 billion dollars, eight million jobs were lost and annual federal government deficit spending exceeded one trillion dollars.

Today, the question no one wants to answer is: “How long can the American economy continue to properly function when 23 million people are under-employed and the public debt is rising annually at a rate in excess of one trillion dollars?”

Before our economy can return to its prior level of prosperity, the addition of 25

million jobs needs to be accomplished over the next ten years. This needs to be done without further burdening the balance sheets of the consumer or the federal government with additional debt. Clearly, the return to a more sensible balance of new employment formation and the use of consumer credit is indicated.

If we were to retrace our economic history in search of a period in time when our economy was able to grow at aggressive rates, reduce unemployment and reduce the public debt without materially increasing household debt, we would return to the decade beginning in 1960. During this ten year period, discretionary income and GDP grew at the average annual rate of 6.5 percent, 18 million jobs were added, three new service jobs were required to support the addition of each new goods producing job, federal debt declined and house hold debt remained relatively unchanged.

In 1970, before we started to export our manufacturing labor, we might of have chosen to take a closer look at the prevailing, under-lying economics. Had we done so, we might have learned that for each goods-producing job transferred from the rolls of the employed to the ranks of the unemployed, three more service-oriented jobs would have been lost. Correspondingly, the loss of four jobs would have required the United States government to incur a loss of two dollars for every dollar of wage previously earned by the departed worker.

Today, we can still recognize and take advantage of this important economic relationship. The addition of each new manufacturing job should generate three additional service jobs, and improve government cash flow by two dollars for every dollar paid to the new production worker. After subtracting the 35 percent employer rebate, the government would still enjoy an increase in revenue of $1.30 per dollar paid to the production worker.

Expressed in terms of today's manufacturing annual pay scale of $40,000, in addition to reducing unemployment by four million people, the introduction of each one million new goods-producing jobs would improve government cash flow by $52 billion annually.

The introduction and passage of the necessary tax legislation required to create the suggested sharing arrangement will not solve the entire problem. Its establishment could provide the catalyst needed to initiate the solving of:

- A long-term affordable supply of affordable 'green energy,' private national labor recruitment and training programs.
- Lower-cost, private capital source to fund ‘state-of-the-art' retooling capital.
- A national recruitment and training program,
- Material reductions in industrial insurance premiums.
- The support and cooperation of the American labor movement.

Equally important, the implementation of a successful working example might create the template needed to encourage similar programs in other suitable locales in the United States. Not only would the growth contribute to the wellness of our

economy, but would resurrect a more confident public assurance that the America we respect is making measurable progress in solving its problems.

The implementation of such a program will not be easy. If we can't depend on our ideologically-polarized government or vested interest corporations to provide the necessary leadership and problem solving, we need to encourage qualified private entrepreneurs to step forward. Don't they represent the same source of spontaneous energy that has been responsible for so much of the progress that has characterized America's economic heritage?

If Congress, out of its renewed appreciation for the value of re-introducing goods-producing employment, were persuaded to introduce and pass the needed tax legislation, their efforts could provide the 'spark' needed to ignite the process.

Given all of the above, why shouldn't a local coalition of local political leaders and experienced entrepreneurial problem-solvers, armed with the 'right plan,' initiate their persuasive influence to focus Washington's attention on the proposed solution?

Gordon Zuckerman is the author of the acclaimed historical fiction series, The Sentinels. Each of the three books in the series are set during periods of collide between government and greed and, through the books' principal characters, provide applicable solutions to the problems of the time period. These problems include military turmoil, international financial devastation, big oil monopolies and, in his most recent book, A Matter of Importance, a failing U.S. economic system. Zuckerman is a life-long history buff with a success career expanding the realms of finance, business development, banking and real estate. He earned a BS in Mechanical Engineering from the University of California and an MBA from Harvard Business School. Now retired, Zuckerman worked on Wall Street for over 10 years and later owned and operated his own real estate development company for 30 years. Today, he is a director of The Brubeck Institute and several private companies. For more information, please visit www.gordonzuckerman.com *[1].*

Source URL (retrieved on *07/23/2014 - 12:40pm*):
http://www.ecnmag.com/blogs/2013/02/new-us-war-restoring-our-competitiveness?qt-recent_content=0

Links:
[1] http://www.gordonzuckerman.com/