

Commentary: Manufacturers Know All About Economic Collapse

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It is sad what has happened to the United States.

For years, as editor of Manufacturing & Technology News, I have heard dozens of domestic manufacturing company CEOs talk about an impending "collapse" of the U.S. economy. These were the men who were in the unenviable position of having to close their companies or shut down factories and watch as most all of their competitors did the same thing.

These were the men who implemented Six Sigma, lean, ISO 9000, and the Baldrige National Quality and Shingo Prize criteria. They were leaders who agonized over having to move the world's most efficient production capacity from the United States to Mexico and China in order to stay in business, because no matter how good they were, it wasn't good enough to survive. They could compete with other companies, but they could not compete against other COUNTRIES -- countries that cheated in every way imaginable.

These manufacturing company CEOs were men who loved their employees. Who grew up with their employees. Who knew their families. Who knew in their hearts the economic, cultural, moral and physical destruction that was being wrought upon their communities.

U.S. manufacturing company CEOs died many deaths, watching as Wall Street mavericks and their economic ideological apologists in the U.S. federal government, in Congress and their high-paid agents in Washington, D.C., forced hundreds of thousands of dedicated, hard-working Americans into the street, to fend for themselves in a game that was rigged against them.

Has the financial class driven through the heartland of America lately? Have they not taken AMTRAK between New York City and Washington, D.C., passing through the industrial back lots of Baltimore, Wilmington, Philadelphia, Trenton and Newark? Have they not seen an American landscape stretching for thousands of square miles that looks like it has been bombed out?

There are places in America that are "healthy," but these places are even worse: shopping and strip malls located on the edges of America's deteriorating towns and cities, lined with vast parking lots and national chain stores: Applebees, Home Depot, Wal-Mart, Wendy's, Days Inn, Outback Steak House. They are soul-less places -- "Anywhere USA" -- as depressing as the crumbling inner city cores of hundreds of American cities and towns. This is what has become of

America. Wall Street had a lot to do with this. As part of the financial bail out bill, they needed to include a provision on teaching ethics and civics.

The heroic men running companies that made durable goods wept on the phone when I called to ask about why they closed their factory after it had been in operation for 80 years or more.

These people were not selling financial paper or making products that were obsolete and no longer in demand, like buggy whips. And yet when I speak with economists about manufacturing, they invariably rationalize the loss of America's wealth-generating sector by claiming the companies that are dying are making "buggy whips." It is wrong and it is infuriating. We're talking about the United States economy, which has just suffered a massive financial heart attack.

I remember writing about the manufacturing job situation in early 2004. It was the 35th consecutive month of manufacturing employment layoffs, with the latest BLS figure coming in at 135,000 production workers being told to go home and not ever come back. This was a crisis. I wondered why in the hell not a single person in the Bush administration and only a handful of people in Congress cared about the collapse of the wealth-generating sector of the American economy. As is happening with the financial sector today, manufacturing five years ago was being disassembled in front of their eyes. There were no bailouts -- manufacturers weren't looking for them -- there weren't even bromides.

I remember thinking as Bush invaded Iraq that it was America's last great hurrah. As America's military hardware was being shipped to the Middle East, America's industrial base was being shipped in the opposite direction to China. The war was happening at the same time that "outsourcing" became a big story in the media. But the business press got bored and started covering the incredible run-up of housing prices. "Whoopee," said all the journalists and economists. "Who needs industry when we've got finance and housing!"

But the manufacturing industry's plight continued. I wanted to rename my publication "One Outrage After Another." I was constantly questioning whether I should continue writing all the stories of companies dying, of industries leaving, of workers being laid off, of trade deficits skyrocketing, of China cheating, of the perverse reaction among Washington elites to rationalize the destruction. I wondered if I was the problem. If being Irish meant fixating on the negative. But I had covered manufacturing through the 1990s, and the story wasn't depressing. I even wrote a book about U.S. companies' adoption of the Toyota Production System and lean manufacturing and the good it was doing. It was not me. It was the story that could not be ignored.

I got to know other people who couldn't sleep at night fretting over what was happening to the United States industrial base. These were patriotic people who started to coalesce around these issues, who were utterly perplexed by the federal government's total unwillingness to act on behalf of American producers and their workers.

The government knew what was going on. But its political appointees made nonsensical ideological arguments concerning "free trade" and "free markets." "We've got a war going on, we

can't support U.S. manufacturing" was a refrain I heard over and over again by political appointees at the "Commerce" Department and White House.

Manufacturers weren't looking for a hand out or a bailout. They only wanted one thing: for the United States government to put the interests of American producers above the interests of foreign countries, foreign producers, importers and the multinational companies that were taking advantage of mercantilist practices in China. American manufacturers wanted the U.S. government to put the interests of American producers ahead of the law firms representing foreign shipping companies, the lobbyists representing Wall Street and, again, the multinational companies that were swimming in record profits by sending their production offshore; all while the critical manufacturing sector was left for dead. "Good riddance," said the financial elite and its power structure: "those jobs sucked anyway."

Those same free-market, capitalist, anti-government, anti-regulation ideological zealots are now begging -- demanding -- that taxpayers give them a trillion dollars for destroying the American economy.

I never once reported about the dire warnings of an economic meltdown -- about the inevitable financial catastrophe being caused by the asymmetrical global trade imbalances that were mounting by the day. I had my own 401k to worry about along with three older children, and I was not going to be a reporter who stoked the possibility of economic Armageddon.

I guess I was wrong. I guess I should have been reporting on the impending collapse because President George Bush, Treasury Secretary Hank Paulson and Federal Reserve Chairman Ben Bernanke sure haven't had any such reservations about scaring the bejesus out of us.

What strikes me as particularly sad, however, is the clear FACT that in all of the discussion about bailing out the financiers and their agents who killed the American economy, there has not been one mention of the real reason for America's collapse, nor of what is needed to start the long process of restoring the country back to some semblance of economic health.

The housing bubble and sub-prime loans are only part of the problem.

The real culprit is the fact that almost everything Americans buy is made somewhere else. The country continues to ship all of its wealth overseas. Did the economic policy makers not watch the opening ceremony of the Olympic Games in Beijing? Have they not seen the 200-story skyscrapers going up in Dubai?

The core of America's economic problems stem from the trade deficit and the elimination of tens of thousands of factories and millions of jobs that were creating the wealth the country needed to pay for everything. Without that wealth, the financial sector invented playthings and the nation borrowed until it could borrow no more.

Oh, but wait! The answer to the problem is to borrow more to bail out the people who over borrowed. The Paulson proposal, unexpectedly defeated on Monday September 29 in a

harrowing live television broadcast, was to allow the U.S. government to pay off bad debts by going deeper into debt. It did not sit well with anybody.

September 29, 2008, will be an important day in the history of the American Republic. It is the day the American era ended. Watching the live pictures on CNBC of the traders in the pits watching the television monitors above their heads as the vote on the House floor was tallied was like watching New Yorkers standing in horror as they watched the burning World Trade Center towers in 2001. The congressional vote count was simulcast with the Dow, and they were crashing in unison. There was shock in the eyes of the traders, and a panic among the CNBC broadcasters, who couldn't believe what they were witnessing. These men and women are consummate professionals and are not prone to panic. But there they were barking out: "What's happening with gold?" "Look at the oil markets!" The market did what the towers did and what our President predicted: it collapsed. For the second time in seven years, the energy was visibly drained out of Lower Manhattan and the country at large, as it realized a scary new era had begun.

Yet, there is still NOT ONE mention from anyone in power -- especially not the two presidential candidates, nor of a single congressional leader -- of what is really needed to bail out the United States.

The only way out of this mess is for the United States do everything it can to make the country what it was until 30 years ago: a nation that valued manufacturing.

The U.S. economy long ago collapsed around domestic manufacturers. Now it's collapsing around the financial wizards who either forget or didn't know that their livelihoods depended on a robust industry and workers making livable wages.

As someone who works in Washington, attends press conferences, government meetings, congressional hearings and who asks questions of the power elite, I can assure you from first-hand experience that the United States government did not do a single thing -- nothing -- to re-set the global ground rules to allow U.S. industry and its millions of workers to be competitive. In fact, all the rules were changed to favor the foreign and financial interests. The country is now paying the real price of saving a few bucks at Wal-Mart.

The United States government and its elected representatives long ago stopped representing the interests of American workers and American producers. If there is any silver lining in the historic House vote on the Bailout Plan on September 29, it is that maybe Congress has woken up to the power of the people. Unfortunately it was the wrong time to wake up. "The people" must now pay the consequences of their elected representative's somnambulism. They must now prepare to confront the "dire" consequences caused by decades of Wall Street's short-term focus on quarterly profits at the exclusion of everything else.

The country has a lot to learn from American manufacturers and their workers, and it will not like what's coming one bit.