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FOUNDED IN 1895



A Manufacturing Symposium Abstract¹ The Engineering Society of Detroit Institute

“Manufacturing: The Indispensable Pillar”

BACKGROUND STATEMENT

The United States economy is built on manufacturing. In the twentieth century the U.S. claimed its place as a global economic superpower based on global demand for American-made products, from automobiles to clothing to infrastructure componentry. Michigan emerged as a primary center of U.S. manufacturing and industry due to access to resources and its proximity to navigable waterways; as a result, the state became crucial to national economic prosperity and led the way in tradable goods and related jobs. As the twenty-first century begins, manufacturing industry in the United States is in transition. In 1960, foreign goods made up just eight percent of Americans' purchases. Today, nearly sixty percent of everything we buy is made overseas. Modern manufacturing is global and mobile. Companies are presented with a range of attractive choices when deciding where to locate headquarters, do research or build new facilities. While the use of government incentives is routine today, a national or state business climate itself ultimately determines where a company will be located. As a springboard for future economic growth, investment and jobs, the United States must seek to be the best country in the world in which to locate a manufacturing company's headquarters; and Michigan must be the leader in manufacturing climate policy.

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There are only four economic sectors that generate material wealth: agriculture, mining, manufacturing, and construction. Other sectors, such as services and trade, redistribute this wealth, and are built on the products created by the “wealth generators.” Of the four wealth-creating sectors, manufacturing plays a distinctive role because, unlike agriculture and mining, it is not directly limited by natural resources and, unlike construction, most manufacturing products are easily transportable across national and international borders. In addition, a recent University of Michigan study concluded that more than 6.5 “spin off” jobs (including trade, service, and indirect manufacturing) are created for every direct (automotive) manufacturing job. As a result, manufacturing is and will continue to be the foundation for the economic health and security of the United States.

In the past, it has been Michigan’s climate of innovation that has made the state fertile ground for manufacturing growth; this innovation has long helped manufacturing in the United States maintain its global leadership. U.S. manufacturers perform half of all research and development (R&D) in the nation, driving more innovation than any other sector. Between 2000 and 2006, manufacturing productivity increased annually by an average of 3.8 percent, primarily due to innovation and technological advances spurred by R&D. Strategy for the most advanced global industrial policy will further investment in the research, ideas and people who produce innovation. Michigan is in a very critical period in terms of its manufacturing contribution. While there has been high documentation of its shrinking base, Michigan is in a position to grow and regain its competitive advantage.

Threats to the global position of American manufacturing have been well documented. There was a loss of 2.8 million manufacturing jobs between 2000 and 2003; unprecedented layoffs occurred in 2005. However, the United States is still the world’s largest manufacturing economy, producing 21 percent of global manufactured products (Japan is second at 13 percent and China is third at 12 percent). Manufacturing employment rose by 33,000 in February 2011; almost all of the gain occurred in durable goods industries, including machinery (+9,000) and fabricated metal products (+7,000). Manufacturing has added 195,000 jobs since its most recent trough in December 2009; durable goods manufacturing added 233,000 jobs during this period, and account for about 14 percent of total output of goods and services for the United States. While the overall unemployment rate has slowly declined, manufacturing's recovery continues to be the most stagnant on record. Concerns over higher energy prices, misguided federal regulations, and policies that do not support global competitiveness contribute to an air of uncertainty surrounding the sector’s future.

Why is this an opportunity for Michigan? By identifying and eliminating competitive barriers for manufacturers, we can retain our manufacturing base and attract new capital investment that will diversify the industry and boost our economy. Manufacturing will continue to be an imperative piece of national prosperity. In fact, if every American spent an extra \$3.33 on U.S.-made goods, it would create nearly 10,000 new American jobs. And despite the significant challenges accompanying an ever-

changing national and global economy, manufacturing has continued to remain the largest sector of the Michigan economy. Even with fewer auto plant jobs, technological improvement is one of the main ingredients of economic growth: it means increasing wages and a higher standard of living for workers and consumers. Displaced workers may learn new skill sets, and a new generation of workers could find its skills are put to more productive use. With reinvention and recognition of the strength of the manufacturing sector, significant opportunities can be realized.

A CALL TO EXAMINATION & IMPLEMENTABLE ACTION

This Manufacturing Symposia Series will focus on its core Mega Question:

“How can divergent stakeholders create a consensus to identify and implement concrete, sustainable action steps toward the most advanced global industrial policy to serve the needs of the 21st Century national economy?”

The Engineering Society of Detroit has a long and significant history and has a board of directors that has discussed the potential role that the Society can play in the development of a consolidated approach to the many manufacturing issues that Michigan faces, both in the present and the future. Under the direction of the ESD Institute, an attempt will be made to pull together the various manufacturing stakeholders in Michigan to develop a comprehensive plan in a form of a final report, identifying critical future steps for organizations within and outside of the society. Of particular interest to the Society are areas of taxes and fiscal policy, health and pension benefits, regulatory policy, civil justice, energy policy, and education transformation. The common goal for all is the objective of having Michigan a world leader in pro-industrial policy for manufacturing to rejuvenate the US economic base. This will lead to the implementation of innovative solutions to solve problems and enhance business opportunities.

Next steps include the identification of the diverse stakeholders groups that should be invited to the symposium. Stakeholder groups would represent these interests:

- Manufacturers
- Distributors and Retailers
- Transportation and Logistics Companies
- Community Associations
- Foundations
- Government (all levels)
- Labor
- Legal
- Financial
- Nonprofits
- Academic
- Legislators
- Taxpayers

CONCLUSION

There has been much discussion around policy as it relates to Michigan manufacturing, but implementable policy from a body consensus has yet to emerge. ESDI's approach provides a neutral forum where consensus-based actionable deliverables can be conceived.

This Abstract has been prepared as an informational piece. It is intended to start the process and not to limit it in any way. Our goal is to report new and achievable ideas that can be implemented to benefit all. These symposia will be conducted in accordance with the process and peer review procedures of the ESD Institute. More regarding the Institute is available at its website link of www.esdinstitute.net. If you have any questions concerning this symposium, please do not hesitate to contact us at the Institute. We thank you for your consideration in expressing an interest to join us.

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