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Commentary: Manufacturers Know All About Economic Collapse

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.

BY RICHARD McCORMACK

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 —

(Continued on page five)

An Inside Look At The U.S. Printed Circuit Board Industry

BY MIKE DuBOIS

A recent article in *Manufacturing & Technology News* entitled "Printed Circuit Boards To Become Part of DOD's Trusted Production Program" (March 14, 2008) states that the National Security Agency and the Department of State agree with a National Research Council report dated in 2005 that the industry was in decline. In the printed circuit board industry, 2005 was MANY years ago, and it is not a good thing to be basing decisions on a report that is obsolete. Decisions must be based on the current state of affairs and they must be made quickly.

(Continued on page four)

New Coalition To Press For Policies That Favor America

A broad group representing domestic manufacturers, farmers, labor unions, trade associations and concerned citizens has formed a new coalition aimed at telling the next U.S. government to put America's economic interests first. The "Coalition to Fix America's Economy" has been organizing over the summer and will unveil a one-page "demand for a change in economic direction" document on Capitol Hill on Oct. 2.

The group includes organizations and individuals who have questioned federal economic policies that have favored foreign companies, importers, retailers, multinational companies that have outsourced their production and Wall Street investment houses that have induced them to do so through intense pressure on increasing profits over the interests of the country.

Among the principal organizations involved in forming the Coalition to Fix America's Economy are the Coalition for a Prosperous America, the American Manufacturing Trade Action Coalition, the Organization for Competitive Markets, the United States Business and Industry Council, the AFL-CIO and the Tooling Manufacturing and Technologies Association, among others. The coalition expects more than 100 different organizations, companies and individuals to be involved in the Capitol Hill event, including banks and steel companies.

The group wants domestic interests to have a seat at the table when the new government is putting together its international economic agenda. It says the policies of the U.S. government have done severe damage to American manufacturers, farmers and workers, and that the trade deficit is the primary cause of Wall Street's financial collapse. The group wants the U.S. government to fight illegal mercantilist trade policies, enforce trade laws, eliminate tax disadvantages to U.S. producers and farmers and require full reciprocity and transparency in trade agreements.

Air Force Science Board Worries About DARPA's Lack Of Mfg. R&D

The U.S. Air Force's Scientific Advisory Board isn't pleased with the Defense Advanced Research Projects Agency's (DARPA) diminishing support of manufacturing technologies. In response to a Defense Science Board report about the Department of Defense's Manufacturing Technology (ManTech) program in 2006, the Air Force Science Board noted that DARPA was active in the 1980s supporting the production processes that made possible the deployment of very large scale integration (VLSI) and microwave monolithic integrated circuits. Reducing costs and increasing performance of those electronics systems enabled a new generation of weapons systems.

"The dramatic decrease of DARPA manufacturing research funding has inevitably slowed down insertion of new materials such as Indium Phosphide and Gallium Nitride into advanced electronics," wrote Heidi Shyu, chief of the U.S. Air Force Scientific Advisory Board. "We strongly concur that DARPA's investment portfolio should re-institute manufacturing R&D."

Shyu's comments were the result of a May, 2006, Defense Science Board report on the Manufacturing Technology (ManTech) program run by the Defense Department and the military services. That report said the ManTech program was not robust enough to address a myriad of "pervasive" problems associated with reducing the production costs of new weapons.

Shortly after the report was issued, the Deputy Director of Defense for Research and Engineering sent a request to the services asking them to describe how they intended to respond to the report. *Manufacturing & Technology News* sought to receive copies of those submissions, but the services said they were not allowed to provide them. *MTN* filed a Freedom of Information Act request on June 26, 2006. Only recently has MTN received a response.

The only service that provided any feedback of substance was the Air Force.

In its evaluation of the DSB Task Force report entitled "The Manufacturing Technology Program: A Key to Affordably Equipping the Future Force," Shyu said that the ManTech program "must become integrated within the S&T management process and closely linked to acquisition management."

The Air Force Advisory Board also agreed with the recommendation to integrate so-called Manufacturing Readiness Level (MRL) assessments with Technology Readiness Level (TRL) assessments. This is "an excellent idea which can reduce overall program risk and cost by identifying immature technologies that lack a manufacturing transition plan in the early phases of a program," wrote Shyu. The MRLs bring "an important awareness currently lacking in technology developers and program managers." MRLs are currently being deployed throughout the services.

"The study did not appear to address transition of manufacturing technology from small businesses to bigger industrial companies," wrote Shyu. "Often small companies that develop innovative manufacturing processes do not have the capacity to scale up to large quantity production. This is a critical area that also needs attention and coordination."

Will Lehman's Fate Be America's? U.S. Economy Is Rudderless And Reeling From Direct Hits

BY PAUL CRAIG ROBERTS

We were promised a "New Economy" of high-tech tradable services to take the place of the offshored manufacturing economy. Wondering what had become of the "New Economy," Duke University's Offshoring Research Network searched for it and located it offshore. Yes, the activities of the "New Economy" are also outsourced offshore.

Call centers, IT operations, back-office operations and manufacturing have long been moved offshore. Now high-value-added proprietary activities such as research and development, engineering, product development, and analytical services are being sent offshore. All that's left is finance, and it is crumbling before our eyes.

Independent broker-dealers are disappearing: Merrill Lynch, Bear Stearns, Lehman Brothers. These venerable institutions were too thinly capitalized for the risks that they took. Merrill Lynch is now part of the Bank of America, and Lehman Brothers is history.

Ill-advised financial deregulation led to financial concentration and not to more efficient markets. Independent local banks, which focused on financing local businesses, and Saving and Loan Associations, which knew the local housing market, have been replaced with large institutions that package unanalyzed risks and sell them worldwide.

Regulation over-reached. The pendulum swung. Deregulation became an ideology and a facilitator of greed.

Deregulating electric power gave us Enron.

Deregulating the airlines destroyed famous American brand names such as Pan Am, shrank the number of companies, and caused a decline in service. When airlines were regulated, they could afford standby equipment, and cancelled flights were rare. Today, the bottom line prohibits standby equipment, and mechanical problems result in cancelled flights. When economists calculated the benefits of deregulation, they left out many of its costs.

There are no longer any blue chip companies, which means that investing for retirement has become a crapshoot. People realize this; thus, the privatization of Social Security has no support.

If we look realistically at the U.S economy, we see that what is not moved offshore is being bailed out. Last year, the U.S. Department of Energy was authorized to make $25 billion in loans to auto manufacturing firms and suppliers of automotive parts. Last week the Secretary of the Treasury took $5 trillion dollars in Fannie Mae and Freddie Mac home mortgages under its wing.

The Congressional Budget Office says this action by the Treasury means "that the operations of Fannie Mae and Freddie Mac should be directly incorporated into the federal budget" (http://cboblog.cbo.gov/). Their revenues would be treated as federal revenues, and their expenditures as federal expenditures. If the former were greater than the latter, there would be no reason for the takeover.

The open question is: what do these new liabilities do to the Treasury's own credit standing?

For now, this question is submerged. The traditional practice of fleeing to the U.S. dollar and U.S.

(Continued on page eight)

Commerce Secretary And NAM President Got It Wrong

It wasn't long ago that Secretary of Commerce Carlos Gutierrez believed the U.S. economy was on the verge of an upswing. At his National Summit on American Competitiveness held in Chicago in May, Gutierrez said that stimulus checks totaling $130 billion were being sent to millions of Americans and that, combined with Federal Reserve actions, the U.S. economy "should be in a lot better shape in the second half of the year."

Then he added: "Most economists agree — there is consensus — that the first half of the year will be more difficult than the second half of the year and we're right in the middle of it now."

There should be a new "consensus" that the country's top-most "commerce" official and "most economists" don't know squat.

Here's another one. In November 2006, *Manufacturing & Technology News* interviewed John Engler, president of the National Association of Manufacturers. Engler was asked why NAM had not backed legislation favored by many domestic manufacturers aimed at addressing China's manipulation of its currency. He replied that he preferred to allow the Bush administration to continue its talks with the Chinese. Engler was comfortable with the new Treasury Secretary Hank Paulson's approach: "This is a guy who has been to China some 70 times. He knows their top leaders. He's got a dialogue underway."

Engler said that Paulson understands that if China were to allow its currency to float and appreciate by 35 to 40 percent, then "he — better than anyone — can say that the Chinese problem is going to lead in the near future to social unrest. Some of it is going to come from the banking system that will collapse."

Surprise! It is the U.S. banking system that has collapsed, not the Chinese banking system.

PCB Industry…

(Continued from page one)

The state of this industry has gone further downhill from what seems to be eons ago in 2005. The bare printed circuit industry is extremely sick in North America. Many equipment manufacturers have disappeared or are a shallow shell of their former selves. Many have opted to follow their customers to Asia, building machines there. Many raw material vendors have also gone. What is basically left in the United States are very fragile manufacturers, weak in capital, struggling to supply OEMs at prices that do not contribute to profit.

The majority of the remaining manufacturers should be called "shops." They are owner operated and employ themselves. They are small. They barely survive. They cannot invest. Most offer only small lot, quick-turn delivery.

There is very little R&D if any at all. They can't afford equipment. They are stale. The larger companies simply get into deeper debt loads. The profits aren't there to reinvest. Talent is no longer attracted to a dying industry and the remaining manufacturers have cut all incentives.

PCB manufacturers need raw materials with which to produce their wares. There is hardly a copper clad lamination industry. Drill bits are coming from offshore. Imaging materials, specialty chemicals, metal finishing chemistry, film and capital equipment have disappeared from the United States. Saving a PCB shop isn't saving anything if its raw materials must come from offshore. As the mass exodus of PCB manufacturers heads east, so is their supply chain.

It's the BIG picture that needs to be looked into. There isn't ONE SINGLE vertically integrated North American shop that could independently supply a circuit board. Almost every shop stays in business supported solely by revenues from "brokering" Asian boards.

The Department of Defense is likely getting these Asian products unknowingly. Vendors of the raw materials import the majority of the products from offshore to supply the few remaining manufacturers. Should a sudden need ever occur that the United States must depend on itself to supply its own printed circuit boards, it would take a miracle to get this business started up again.

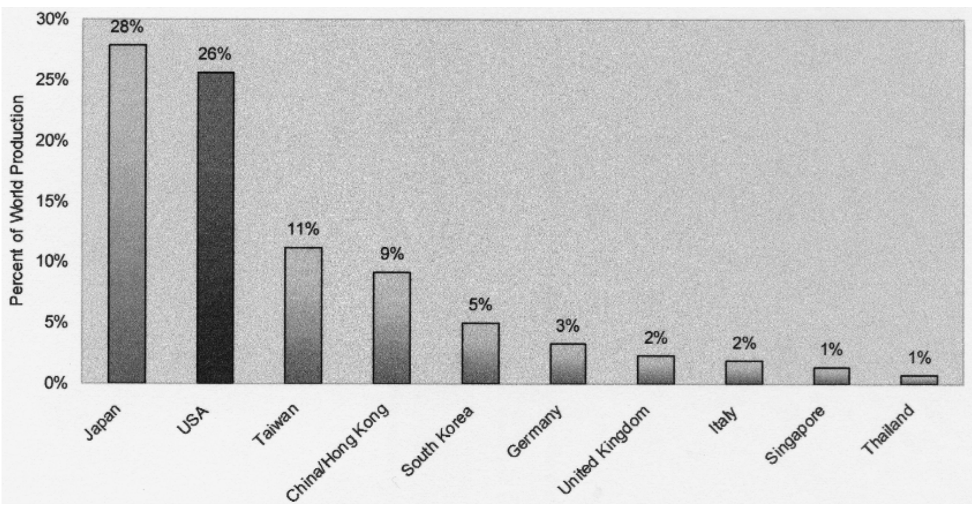
That's scary considering that a simple device like a circuit board could bring America's national defense to its knees.

History repeats itself yet we don't learn. Wasn't the United States bombing the heck out of Germany in the hopes of shutting down its ball bearing plants? Printed circuits are the ball bearings of today considering that almost everything that does anything has some form of circuit in it.

So, since 2005, a lot has changed. It's a rolling snowball. It's a sad state of affairs indeed.

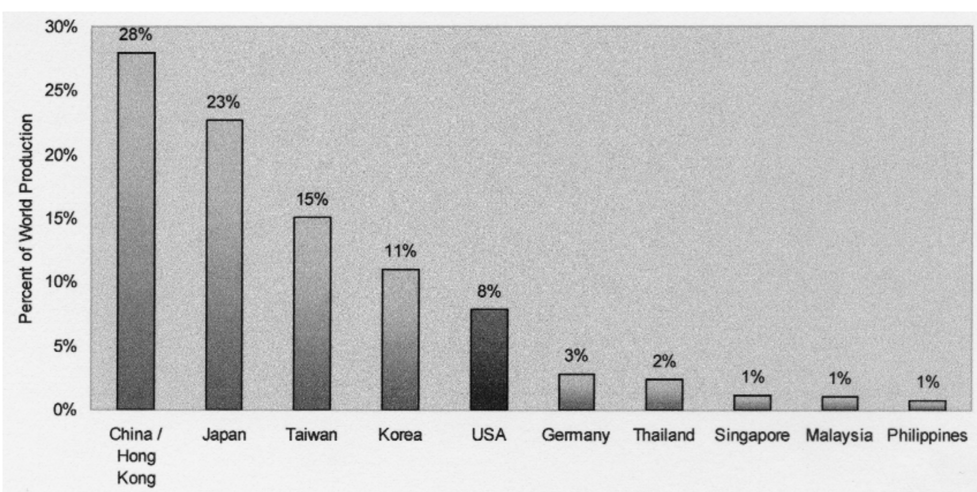
— Mike DuBois works for Caledon Controls, mdubois@calendon controls.com.

Top Printed Circuit Board Producers In 2000



2000 Worldwide PCB Production: $42.6 billion
2000 U.S. PCB Production $10.93 billion (26 percent)

Top Printed Circuit Board Producers In 2007



2007 Estimated Worldwide PCB Production: $50.7 billion
2007 Estimated U.S. PCB Production $4.01 billion (8 percent)

(Source of Charts: IPC — Market Researh)

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Commentary...

(Continued from page one)

"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 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. Within a blink of the eye, the United States financial services industry has been socialized. It didn't even happen with health care.

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

(Continued on page six)

Attendance Holds Up At Machine Tool Show

The Association for Manufacturing Technology's big machine tool show in Chicago Sept. 8 through 13 was a success. The International Manufacturing Technology Show (IMTS) attracted 92,450 attendees, up a half percentage point from the last show held two years ago, and higher than the low of 85,000 attendees in 2002. The show, which has been running since 1927, had peak attendance in 1998 with 121,000 attendees. The event provides AMT with about 90 percent of its revenues, with the remaining coming from dues from 437 members. "We saw less tire kickers and more people coming with their check books ready to buy," says John Krisko, director of exhibitions of AMT. With fewer people working in the U.S. manufacturing industry, AMT was especially pleased with attendance. There were 1,803 companies exhibiting and attendees from 119 countries.

COMMENTARY...

(FROM PAGE FIVE)

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.

'The Country is now paying the real price of saving a few bucks at Wal-Mart.'

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 somnambulance. 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.

States Are Offering Billions To Attract Foreign Producers

States are throwing hundreds of millions of dollars at European companies to entice them into opening new manufacturing facilities, according to a report in the *Financial Times*. The state of Tennessee provided Volkswagen with $577 million in incentives to lure the company to build a new $1-billion manufacturing plant in Chattanooga. German steelmaker ThyssenKrupp received more than $811 million in incentives to build a new steel plant in Alabama "and it turned down even more from Louisiana, which reportedly offered as much as $2 billion, as well as an additional $900 million in cheap debt from Alabama, which it declined as it wished to remain debt-free," according to the Sept. 8 *Financial Times* story entitled "U.S. Becomes the Low-Cost Site of the Moment for Manufacturers." A senior executive with Fiat told the *FT* that "with the amount of money U.S. states are willing to throw at you, you would be stupid to turn them down at the moment. It is one of the low-cost locations to be in at the moment."

New Report Card Ranks Colleges Based On Sustainable Practices

The nation's universities are beginning to adopt "sustainable" policies and practices, but most of them have a long way to go. Only 15 out of 300 of the nation's largest universities (or 5 percent) managed to achieve an "A-minus" rating in the third "College Sustainability Report Card" published by the Sustainable Endowments Institute, a project of Rockefeller Philanthropy Advisors. Only 38 percent (114 universities) had a "B" rating or better, while 44 percent earned "Cs" and 17 percent earned "Ds."

But many universities are substantially improving their "sustainability practices," with two out of three schools evaluated having increased their performance. The report card assesses 300 public and private colleges and universities with the largest endowments. Grades were determined by assessing performance across 43 indicators in nine main categories. "The Report Card is designed to identify colleges and universities that are leading by example in their commitment to sustainability," says the Sustainable Endowments Institute. "The aim is to provide accessible information for schools to learn from one another's experiences, enabling them to establish more effective sustainability policies."

The nine main categories include administration, climate change and energy, endowment transparency, food and recycling, green building, investment priorities, shareholder engagement, student involvement and transportation. The rankings are located at http://www.greenreportcard.org/.

Here are the top universities:
A- Oberlin College, Oberlin, Ohio
A- University of New Hampshire, Durham, N.H.
A- University of British Columbia, Vancouver, B.C.
A- Columbia University, New York, N.Y.
A- Dickinson College, Carlisle, Penn.
A- Harvard University, Cambridge, Mass.
A- Middlebury College, Middlebury, Vt.
A- University of Washington, Seattle, Wash.
A- Brown University, Providence, R.I.
A- Carleton College, Northfield, Minn.
A- University of Colorado, Boulder, Colo.
A- Dartmouth College, Hanover, N.H.
A- University of Pennsylvania, Philadelphia, Penn.
A- Stanford University, Stanford, Calif.
A- University of Vermont, Burlington, Vt.

Here are the worst performers:
D- Catholic University of America, Washington, D.C.
D- Lawrence University, Appleton, Wisc.
D- Saint Louis University, St. Louis, Mo.
D- Spelman College, Atlanta, Ga.
D- Ohio Wesleyan University, Delaware, Ohio
D- Quinnipiac University, Hamden, Conn.
D- University of South Alabama, Mobile, Ala.
D- Carleton University, Ottawa, Ontario
D- Chapman University, Orange, Calif.
D- College of the Ozarks, Point Lookout, Mo.
D- Hope College Holland, Mich.
D- Ohio Northern University, Ada, Ohio
D- The New School, New York, N.Y.
F Brigham Young University, Provo, Utah
F Howard University, Washington, D.C.
F Bryant University, Smithfield, R.I.
F Hillsdale College, Hillsdale, Mich.

Mass Layoffs Plague Manufacturers

The number of mass layoff events in the United States is climbing steadily. The number of mass layoffs involving more than 50 people and reported to the Bureau of Labor Statistics skyrocketed during the month of August, increasing to 1,772 events involving 173,955 workers (on a seasonably adjusted basis). "Layoff events reached a program high for the month of August (with data available back to 1995), and associated initial claimants reached its highest level for the month since 2001," reports BLS. The number of mass layoff events in August increased by 260 from July, and the number of people impacted increased by 22,784. The sector hit hardest was manufacturing, where there were 72,244 people impacted in 599 mass layoffs. For the eight months ending in August, there have been 12,542 mass layoff events in the United States reported by the BLS, impacting 1,274,765, the highest total for that period since 2003.

Your Factory Can Be A Television Star

A Canadian television documentary company is looking for factories that are planning major renovations or overhauls within the next two years to be showcased on its TV show. The "Factory Renovations" show will highlight manufacturing plants that are going through a major renovation or overhaul, "giving viewers an inside look at factory renovation, how new machines and processes work and showcasing how these factories are having a positive impact on their towns," according to Tricon Films & Television, one of Canada's largest independent production companies. "The factories will be portrayed as the unsung heroes of the community, while the towns will have the chance to be put on the map and show what they have to offer."

Companies will be able to feature their products and promote their brand names. The hour-long program will highlight factories planning to implement major changes aimed at becoming more environmentally friendly, increasing output capacity, creating new products or improving employee satisfaction. "The bigger the overhaul and the bigger the positive impact on the community, the better the show," says the company. Interested factory owners can send an e-mail to camille@triconfilms.com.

Paul Craig Roberts...

(Continued from page three)

Treasury bonds during periods of financial stress and uncertainty has boosted the dollar and kept interest rates low. But sooner or later the large U.S. budget deficit, worsened by recession and bailouts, and the large trade deficit, which requires constant recycling of dollars held by foreigners into U.S. financial and real assets, will result in renewed effort on the part of foreigners to lighten their dollar holdings.

When this time arrives, U.S. interest rates will have to rise in order for the government to be able to continue to rely on foreigners to recycle the dollars acquired in trade to finance the U.S. government's annual budget deficit.

The current financial problems have pushed into the background the larger problems of the U.S. budget and trade deficits. Goods and services for American markets that U.S. corporations outsource offshore return as imports, which widen the U.S. trade deficit. Moving production offshore reduces U.S. GDP and employment and increases foreign GDP and employment. Moving production offshore reduces the export capacity of the U.S. economy while raising the import bill.

Therefore, how is the trade deficit to be closed? One way is through the dollar's loss in exchange value, which would reduce American consumers' real incomes and leave them too poor to purchase the offshored goods and services.

How is the budget deficit to be closed when jobs are disappearing and GDP (tax base) is being relocated offshore?

Not by higher taxes. Higher taxes are problematic for a recessionary economy in which unemployment, properly measured, is already in double digits (www.shadowstats.com).

Some people have speculated that the budget deficit will be closed by dismantling entitlement programs such as Medicare. However, considering the cost of medical insurance, this would be catastrophic for tens of millions of older Americans.

The more likely avenue will be a raid on private pensions. The Clinton administration's appointee, Alicia Munnell, as Assistant Secretary of the Treasury for Economic Policy, argued that private pensions should face a capital levy to make up for the fact that their accumulation was tax free. I expect that the federal government, faced with its own bankruptcy, will resurrect this argument, as it will be preferable to printing money like a banana republic or Weimar Germany.

In the 21st century, the U.S. economy has been kept going by debt expansion, not by real income growth. Economists have hyped U.S. productivity growth, but there is no sign that increased productivity has raised family incomes, an indication that there is a problem with the productivity statistics. With consumers overloaded with debt and the value of their most important asset — housing — falling, the American consumer will not be leading a recovery.

A country that had intelligent leaders would recognize its dire straits, stop its gratuitous wars, and slash its massive military budget, which exceeds that of the rest of the world combined. But a country whose foreign policy goal is world hegemony will continue on the path to destruction until the rest of the world ceases to finance its existence.

Most Americans, including the presidential candidates and the media, are unaware that the U.S. government today, now at this minute, is unable to finance its day-to-day operations and must rely on foreigners to purchase its bonds. The government pays the interest to foreigners by selling more bonds, and when the bonds come due, the government redeems the bonds by selling new bonds. The day the foreigners do not buy is the day the American people and their government are brought to reality.

This is not the financial position of a superpower.

Will what happened to Lehman Brothers today be America's fate tomorrow?

— Paul Craig Roberts was Assistant Secretary of the Treasury in the Reagan administration. He was Associate Editor of the Wall Street Journal editorial page and Contributing Editor of National Review. He is co-author of "The Tyranny of Good Intentions." He can be reached at PaulCraigRoberts@yahoo.com.

Customs Creates An Anonymous Reporting System For Illegal Imports

The Customs and Border Protection has created a program that allows companies to report illegal import and export activities. The program is aimed at preventing international trade violations, and allows American manufacturing companies to anonymously initiate investigations into imported merchandise that might be misclassified, have false country of origin markings, pose threats to health and safety, have violated intellectual property rights or are not correctly valued.

"To report a possible violation, an individual must submit the following information: the type of trade violation, description of what has occurred, the products or goods involved and the alleged violator's name and or company," says the Customs bureau. The so-called "e-Allegations" system "will provide a means to report a possible violator who is importing substandard steel, claiming that it is of a higher value, therefore creating a potential safety issue," says Customs. Another example is of an importer stating that its merchandise is from one country when it is from another country in order to avoid quota restrictions.

Companies using the "e-Allegation" system will not learn the results of an investigation due to the Privacy Act and Trade Secrets Act. Information on how to file complaints is located at http://www.cbp.gov/xp/cgov/trade/trade_programs/e_allegations/.

MAPI Worries About Negative Impact Of Tax Bill

The tax reform bill making its way through Congress is going to place a big tax burden on American manufacturers, argues the Manufacturers Alliance/MAPI. The bill, the Tax Reduction and Reform Act (H.R.-3970), will result in "huge job losses," according to a Manufacturers Alliance/MAPI analysis. To offset reductions in the federal corporate tax rate from 35 percent to 30.5 percent the new system would impose a tax increase of $100 billion on manufacturers over 10 years.

In the MAPI analysis, "A Closer Look at the U.S. Corporate Tax Burden: Economic Effects of Fundamental Reform," the trade group says manufacturers "are disproportionate users of the provisions that would be phased out, which more than offsets the relief offered by the rate reduction."

Non-corporate manufacturers would be impacted by the elimination of the last-in, first-out (LIFO) accounting rule and of a domestic production credit. This would be a "double whammy" on manufacturing firms, says MAPI. "Using macroeconomic simulations to measure the potential effect of the Rangel bill, MAPI projects the loss of 4.9 million jobs and over $300 billion in output over 10 years should the base-broadening and other changes be passed into law," according to the analysis. Manufacturers also would lose $130 billion in output and 446,000 jobs.

A better scenario would be to lower the corporate tax rate by 4.5 percentage points "without eliminating major deductions," says MAPI. This would still leave the United States as being the second highest taxed country in the developed world, but "would increase gross domestic product by nearly $460 billion and add 4.9 million jobs over the next decade, including 500,000 good-paying manufacturing jobs."

Ford Motor, Dow To Host National Economic 'Summit'

Here comes yet another national "summit" on what to do about the plight of U.S. manufacturing. This one, planned by the Detroit Economic Club, will take place June 15 - 17, 2009, in Detroit and, like every national summit so far, "will engage prominent leaders and participants in debate and dialog on four issues of vital importance to America's future in the global economy: technology, energy, environment and manufacturing," says the Detroit Economic Club. The goal: "to provide top leaders with a forum to tackle our country's toughest economic challenges."

The intention of this summit is to be "inclusive, interactive and innovative," says the Detroit Economic Club. But manufacturing "nationalists" aren't sure. "The Big 3 auto producers, accounting firms, Dow, et al. Not too many friends there," said one. "At first I was impressed, but in digging deeper I find Deborah Wince Smith and the Council on Competitiveness lurking," said another. "Hence I smell a rat....smoke and mirrors, no doubt." A third said: "We have to make sure that this is not a giant snooker job."

A similar "summit" organized by the Commerce Department in May provided multinational companies with a forum to blame workers and the educational system for America's lack of competitiveness.

The event is being organized by Ford Motor Co. chairman Bill Ford, Dow Chemical Co. chairman and CEO Andrew Liveris and Beth Chappell, CEO of the Detroit Economic Club. The U.S. Chamber of Commerce and the Council of Competitiveness have agreed to participate. Other proponents of offshore outsourcing of production and services — PricewaterhouseCoopers, Ernst & Young and KPMG — are also sponsors.

"So many speakers from the platform have this call to action and themes — technology, energy, environment and manufacturing — kept coming up over and over again," said Chappell as quoted by the Associated Press. "This is not about Detroit, this is not about Michigan and this is not about automotive. It's cross-country and cross-industry."

More than 50 organizations have donated a total of $2 million to sponsor the event, which may draw as many as 5,000 people from business, government and academia. The summit will include a technology exhibition aimed at matching researchers with entrepreneurs and venture capitalists. For information on the event go to www.nationalsummit.org.

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Twenty Teams Selected For Final Wearable Battery Competition

The Department of Defense has selected 20 teams to compete for the final $1-million prize for making a "wearable" battery that can provide 20 watts of electrical power for 96 hours and weigh less than 8.8 pounds. After an initial assessment of 196 entries, the batteries for the 20 teams passed a rigorous safety test to make it to the final competition to be held on Sat. Oct. 4 at the Marine Corps Air Ground Combat Center in Twentynine Palms, Calif. The event will be open to the public. Finalists will be wearing their prototypes as they power military equipment at nine stations in the final trial of the competition. "We have many different kinds of batteries and fuel cells being tested and some interesting power generators," said Karen Burrows, the government program manager in charge of the competition. The 20 finalists are:

- Adaptive Materials Inc. (two entries), Ann Arbor, Mich.
- Aviani, Los Alamos, N.M.
- CFXB, Pasadena, Calif.
- DuPont/SFC Smart Fuel Cell M-25 Team, Wilmington, Del.
- EaglePicher Technologies, LLC, Joplin, Mo.
- ETH Wearable Power Project, Zurich, Switzerland
- General Dynamics C4 Systems - Medis/MORE, Taunton, Mass.
- Hyperion, Seattle, Wash.
- Jenny 600S, Middleburg, Va.
- Lockheed Martin, Dallas, Texas
- Look Engineering, Jonesboro, Maine
- Lou & Belle, Fayetteville, N.C.
- Mechanical Knight, Lehi, Utah
- Power2Go4Now, Redding, Calif.
- Ray-O-Vac Power Team, Madison, Wisc.
- Team Arundel, Cheyenne, Wyo.
- Team Lightning, San Antonio, Texas
- Team Ultralife, Newark, N.Y.
- UltraCell Corp., Livermore, Calif.

Senate Passes Anti-Piracy Bill

The U.S. Senate has passed a tough counterfeit enforcement bill that would substantially toughen the penalties for companies and people importing fakes and dangerous products into the United States. The "Enforcement of Intellectual Property Rights Act of 2008" (S-3325) would put teeth into various existing laws to fine and imprison people who knowingly import or produce fake goods such as tainted pharmaceuticals, food and medical equipment among thousands of others. For offenders who "knowingly or recklessly cause or attempt to cause serious bodily injury" from trafficking fake goods, they will be issued fines or imprisonment "for not more than 20 years or both," says the legislation. If a fake results in death "a penalty shall be a fine under this title or imprisonment for any term of years or for life or both," says the legislation.

The bill creates a new "Intellectual Property Enforcement Coordinator" to serve in the Executive Office of the President. The coordinator will head a new interagency intellectual property enforcement advisory committee composed of federal agencies including OBM, USTR, Justice, State, the Patent and Trademark Office, FDA and Customs and Border Protection to oversee policy and enforcement. The House of Representatives has not passed a similar bill.

Steel Industry Continues To Press U.S. For Action Against Chinese Subsidies

The United States steel industry continues to press the United States government to confront China over the unprecedented growth of its steel industry through illegal subsidies, currency manipulation "and non-market behavior," says the American Iron and Steel Institute. These practices are undermining not only the United States steel industry but also American manufacturers, which must compete against Chinese rivals purchasing subsidized steel for below production costs.

In written comments to the federal government's Trade Policy Staff Committee, AISI says that China is not in compliance with the commitments it made when joining the World Trade Organization. The federal government must take "urgent action" by pursuing cases against China in the WTO for illegal subsidies. It must "take immediate and effective steps" to counter China's manipulation of its currency; demand "true rectification of China's market-distorting practices" and ensure that U.S. anti-dumping and countervailing duty trade laws are enforced.

"The Chinese government's massive subsidization continues to provide unfair benefits to Chinese manufacturers while running counter to China's obligations as a member of the WTO," writes AISI. China has been subsidizing its steel industry for years and has no plans to stop doing so. "It is clear that dialogue alone will not be sufficient to solve this problem," says AISI.

The U.S. government should start enforcing Section 421 of the U.S. trade law, which has not yet resulted in a single trade remedy "in spite of repeated affirmative findings of Chinese market disruption by the International Trade Commission," says AISI.

The Chinese government owns 91 percent of Chinese steel production, leading to that nation's position as the world's leading steel exporting nation. China has also increased restrictions on raw materials exports and has placed a 40 percent export tax on coke exports, causing further global price disruptions, argues AISI.