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Buy American Issue Raises Its Thorny Head

The first important test as to whether U.S. economic policy will change with a new presidential administration is unfolding in Washington. "Buy American" provisions being included in the massive economic stimulus packages have raised the ire of the multinational business community and their representatives in Washington, while hardening the resolve among companies and organizations lobbying on behalf of domestic manufacturers and workers.

The debate has raised emotions to a fevered level among implacable adherents on both sides of the free trade debate.

The scuttle was kicked off by the U.S. Chamber of Commerce after it learned of provisions in the American Recovery and Reinvestment Act of 2009 requiring that stimulus funds be used to buy only American-made iron

and steel and textiles. That provision passed in committee by a vote of 55 to zero. A much broader provision that includes all manufactured goods did not make it into the House version of the bill, but it did in the Senate, due to the work of Sen. Byron Dorgan (D-N.D.), author of the book "Take This Job and Ship It."

Those supporting the Buy American provision have been stupefied by the opposition from the Chamber, the National Association of Manufacturers, editorial writers and companies such as General Electric and Caterpillar, which just announced job layoffs for 20,000 workers. They claim that the Chamber and big multinational companies that have shipped production offshore are raising red herrings about "protectionism," and are wrongly questioning the legality of the provisions under international rules. None of this is germane, argue the Buy American proponents, because it has already been addressed in law and through WTO government procurement agreements. Moreover, they ask, what is an

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WASHINGTON JOURNAL

The Obama Inauguration: A Revolution Won, Another Begun

There were two different inaugurations for President Obama taking place in Washington, D.C., on January 20. One was watched on jumbotrons by two million people on the Mall; the other was experienced by a very small group of the country's political elite sitting on or just below the presidential podium. If ever there was a moment in my life that I realized there are two distinct Americas, it was then. The gulf between them was wide and, yet, there they were, in the same place at the same time, one group looking at the other.

As a member of the Congressional Periodical Press Gallery, I received a coveted ticket for the event in the "green" section. My seat was immediately beyond the paved portion of the Capitol Building on

BY RICHARD McCORMACK

the first few feet of the west Capitol lawn. From my post 30 rows from the podium that rose 15 feet above me, I

could turn my head 80 degrees to the left and just discern the image that was being broadcast on the first jumbotrons.

For those seated immediately in front of me, which included the podium upon which President Obama took the oath of office, the event was experienced without jumbotrons. They were the ones being broadcast ON the jumbotrons.

And it was surreal. As millions of people on the Mall were looking at the U.S. Capitol, those on The Hill were looking down at the multitudes on the Mall, marveling. Marveling!

From the confines of the "inner sanctum" you could hear the broadcast echoing through the jumbotrons down the Mall, phrases

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New Commerce Secretary Pick Has Heads Spinning

Here is something that could never have been predicted upon the election of liberal Democratic Sen. Barack Obama to the presidency of the United States: The National Association of Manufacturers hailing the appointment of a new Commerce Secretary while the United States Business and Industry Council — arch enemies — calling it “baffling.”

The appointment of conservative Sen. Judd Gregg (R-N.H.) to be Commerce Secretary should be of great help to the U.S. manufacturing sector “with respect to international trade and innovation,” says NAM president John Engler.

Not so, says USBIC. The appointment “completely contradicts what domestic manufacturers understand to be the president’s stated views on U.S. trade policy,” says USBIC president Kevin Kearns. Gregg has voted “non-stop for bad trade deals that have shipped overseas thousands of factories and large numbers of high-wage jobs, helping to create today’s economic crisis.”

Not so, says NAM. “Gregg’s 100 percent voting record with the NAM demonstrates that he has a true understanding of manufacturing’s key role in the strength of the American economy and how to keep U.S. manufacturing globally competitive,” says Engler.

Not so, says USBIC. “The choice of Sen. Gregg makes sense only if the president wants a Secretary of Outsourcing to continue production-destroying and job-killing trade policies.”

Not so, says NAM: “All signs point to Sen. Gregg providing strong leadership in shaping the competitive environment for American manufacturers and their employees,” says Engler.

Not so, says USBIC. “The president should have chosen a domestic manufacturer to reinvigorate our industrial base so

we can produce our way out of the current economic mess. How will another Washington insider accomplish this all-important goal?”

Others in the manufacturing community note that Gregg voted in 1995 to abolish the Commerce Department. “That was not a long

time ago in the Senate world,” says one Washington manufacturing lobbyist. Gregg sat on the Appropriations Committee overseeing the Commerce Department’s budget. Those involved in the agency’s Manufacturing Extension Partnership program never recall hearing Gregg voice support or opposition to the program. “He was definitely not a champion” of MEP, says one Washington manufacturing lobbyist.

Manufacturing Workers Are Hit Hardest By Mass Layoff Events

Among all American industries, the manufacturing sector is getting hit hardest by mass layoffs. Although manufacturing workers constitute only 12 percent of the total U.S. workforce, in December manufacturing workers accounted for 49 percent (105,402) of the 226,117 workers laid off in events that involved 50 or more people, according to the Bureau of Labor Statistics. The manufacturing sector accounted for 41 percent (871) of the 2,275 mass layoff actions that took place.

For the full year, manufacturing workers accounted for 41 percent of the 2,130,200 people who lost their jobs in mass firings. Of the 21,137 layoff events, 33 percent involved manufacturing organizations.

For the year, the number of workers impacted by mass layoffs was highest in transportation equipment manufacturing, 323,676; followed by food manufacturing, 72,081; and wood product manufacturing, 56,374. “Among the major industry sectors, manufacturing had the largest over-the-year increase in mass layoff-related initial claims (+260,213) from 2007 to 2008,” says BLS. “Within manufacturing, transportation equipment (+95,463), plastics and rubber products (+24,638), and fabricated metal products (+23,083) experienced the largest increases from the previous year.”

Not Enough New Jobs For Those Who Need Them

The job market for the unemployed isn’t looking very good. The number of online help wanted ads fell by 506,000 in the month of January to 3.35 million, according to The Conference Board. The January loss, combined with the 507,000 decline in December (a drop of 23 percent), “are clearly making it increasingly hard for those who are unemployed to find new positions,” says Conference Board economist Gad Levanon. “In December, the number of unemployed looking for work already exceeded the number of advertised vacancies by 7.3 million. The outlook for the coming months is continued large job losses.” In January, there were 348,500 online advertised vacancies for management positions, a decline of 175,800, or 34 percent from last January’s level. Demand for office and administrative support jobs dropped by 156,900 to 274,700, a decline of 36 percent from a year ago. The occupational field with the smallest decline in demand for workers was healthcare support.

United States Printed Circuit Board Industry Enters Survival Mode

The U.S. printed circuit board industry is in trouble. A precipitous drop in demand over the past two months "is an event we haven't seen before and it's on top of events we haven't seen before," says Douglas Bartlett, chairman of Bartlett Manufacturing Co., in Cary, Ill. "The circuit board industry is a poster child of disaster."

In discussing the current business situation with other printed circuit board manufacturers in the Chicago area, the birthplace of the industry, Bartlett hears that there are only 325 circuit board shops remaining in the United States. The expectation is that another 100 will go out of business by the end of this year. "We are way past the danger point," says Bartlett. "We hope to stay alive, but we also hope that our competitors die quickly to spread the remaining business around — that's how terrible the situation is right now."

Conditions will not improve in the PCB industry in the near future, which means the survivors are companies sitting on cash. "I haven't invested in the business for a while so I have staying power," says Bartlett. "But I'm not going to be stupid either and keep pumping cash in for losses." Companies that invested heavily in upgrading their shops with expensive equipment are really struggling.

Bartlett recently received a letter from one of his automotive customers telling him that they could not pay invoices. "Everybody quit buying," says Bartlett. "It's a terrible scenario. I don't see any reason to be optimistic and a lot of reasons to be fearful."

The market is continuing its decline and there is no bottom yet in sight. The looming question is what will be left of the industry when it's over. "No invention has replaced circuit boards, and Moore's Law is alive and well, so the more dense they become the tougher it is to make them and the fewer people there are who can make them," Bartlett explains.

At some point, investment has to be made in order to manufacture boards with additional complexity. "I just don't see anybody who wants to make that investment in the United States because even people who make that investment are questioning their wisdom," he says. "That does not speak well for our industry overall, and circuit boards aren't the only industry. It is

manufacturing in general."

There will be large suppliers that remain viable, such as Sanmina and DDI. But those big companies have moved most of their production and research to China. The smaller shops are stuck in America.

"I have done everything within reason I can in the industry to survive," says Bartlett. "I might not be the highest tech guy, but watching the news every day I am prepared to get out of the business if I have to and liquidate it. But I am also prepared to reinvest in it and buy machines if I can get a good deal, but long-term planning is out the window."

Bartlett does not see the \$850-billion government stimulus bill as helping stem the tide. He is also concerned with President Obama's choices for his economic team, stating that "one is as bad as the next."

What government can do for the printed circuit board industry is invest in technology, research and developing in their own printed circuit board facilities and share the knowledge with the industry. "They have board shops with good know-how: just pass that knowledge down to us," says Bartlett.

Downturn In Exports Spells Trouble For Manufacturing

The export boom that has sustained the U.S. economy over the past year has suddenly subsided, and the implications might be grave. U.S. exports in November 2008 declined by \$7.6 billion to \$97 billion, a month-to-month downturn never experienced in modern history, and far sharper than what occurred in the 2001 recession.

For American goods exporters, the numbers are "scary," says Franklin Vargo of the National Association of Manufacturers. "I had thought with the continued favorable value of the dollar that it would have served us better, but this, frankly, has surprised me." The dollar strengthened when the financial sector collapsed, as other economies dependent on exporting to the United States for their growth suddenly didn't look so stable. Imports of goods into the United States in November dropped by even a larger amount. They were down by \$24.2 billion to \$150 billion.

"The economic conditions for industrial production and the drop in demand overseas is more powerful than exchange rate changes," says Vargo. "But the exchange rates were so significant and with a long lag — and since we are a capital goods exporter the downturn has come about much more quickly than I had thought it would."

November marked the second month in a row of declining export "so I don't think it's a blip," adds Vargo. "The only question is how deep and how long will this last."

Making matters worse for manufacturers is the fact that they never really recovered from the last recession, which was largely confined to manufacturing. Since then, the United States has accumulated \$5-trillion in current accounts deficits — the U.S. has bought that much more from the world than it sold. Former Treasury Secretary Hank Paulson mentioned these asymmetrical trade imbalances as being the cause of the collapse and that "we're not going to get out of this until the global imbalances stop," says Vargo.

Buy America...(Continued from page one)

emergency economic stimulus intended to do? Stimulate the manufacturing sector of overseas competitors?

"We have the worst economic circumstances we've had since the Great Depression and manufacturing in America is in a total and complete free fall," says United Steelworkers Union president Leo Gerard. "If the objective is to use taxpayer dollars — those are my dollars — to put people back to work in America and put the economy back on its feet, then the last thing we should be doing is buying products that are made offshore."

In a conference call with members of the press, Gerard twice repeated Obama's campaign pledge when the presidential candidate "hit the nail right on the head and said that this [financial sector collapse] is the final verdict on a failed economic policy."

But virtually all of Obama's choices for his economic team are of the "free-trade" persuasion. Obama told ABC News on Feb. 3 that including Buy American provisions in the stimulus "would be a mistake right now" and that it would be "a potential source of trade wars that we can't afford at a time when trade is sinking all across the globe."

Obama's thinking aligns closely with traditional Washington corporate interests. In a Feb. 2 letter to the Senate leadership, National Association of Manufacturers president John Engler wrote: "[E]ven though this section may be well intentioned, NAM members are very concerned that the new 'Buy American' provision in the bill will potentially backfire on the United States and end up harming American workers and companies across the entire U.S. economy."

On Feb. 3, Sen. John McCain, echoed that sentiment, and said when the debate over the Buy American provision hits the Senate floor he will bring with him pictures of former Sen. Reed Smoot and Rep. W.C. Hawley, sponsors of the Tariff Act of 1930 because protectionism was the reason a recession turned into the Great Depression. The same thing will happen again if not stopped. "Consult any historian," McCain said of the Smoot-Hawley legislation. "It is a matter of history" that protectionist legislation put the country into economic turmoil (although there are many people, including economic historians and Nobel Laureates, who refute the claim).

The Chamber of Commerce isn't sitting still, either. "Some have slammed the U.S. chamber for opposing 'Buy American' provisions, calling our position 'economic treason,'" says chamber president Thomas Donohue. "Try economic patriotism." Donohue was so worked up over the allegations, he called in his quotes for the press release from Davos, Switzerland, where he was attending the World Economic Forum. A U.S. Chamber of Commerce spokesman said the chamber has received a "really positive" response for its opposition to the Buy American proposal. "Our members are so aware that these types of measures are not the type of route we should be going," he said. "This is a pretty huge step toward protectionism."

That is not the case, say those in support of the

legislation. The Buy American provisions are not tariffs on imported products. "I want to be clear that our efforts are in no way to stop or slow international trade," says Sen. Sherrod Brown (D-Ohio), and a supporter of the provision. "Enforcing Buy American already on the books and applying them to the stimulus bill is without a doubt the right thing to do — it is what people all over my state talk about."

Other organizations, such as the Public Citizen Global Trade Watch, are busy countering the chamber's arguments, stating that the business groups are engaged in a "fact distorting PR and lobbying effort" that has led to front-page newspaper stories about the potential launch of a global trade war. Such claims are "false" and "ridiculous," says Public Citizen's Lori Wallach.

The argument that Buy American provisions will trigger retaliation from foreign countries "is a fool's game," adds USW president Gerard. "I think there is a substantial level of hypocrisy in that. The president of France said unequivocally that France was going to help France's auto industry, but France's money is going to be spent in France. I didn't hear anybody over here yelling and screaming about that. You're going to get the Caterpillars and Wal-Marts standing up waving their red flag trying to scare the hell out of people and my response to that is really quite simple: if a huge domestic manufacturing trade deficit is so good for the economy, why doesn't any other nation want one? In America, we try to tell American citizens that having a trade debt is good for America...No other nation wants the economic mess America has created."

The only opposition to the proposal comes from newspaper editors, a few senators and "the companies that have outsourced so much of their work and have cost American jobs," claims Sen. Brown. "This whole corporate-driven agenda clearly hasn't worked for American workers and the American economy."

The debate is even quite entertaining. Lou Dobbs on his CNN program on the evening of Feb. 2, said that it was "absolutely stupefying" that the U.S. Chamber of Commerce would be "brazen" enough to come out against the Buy American provisions. "Anybody who thinks the U.S. Chamber of Commerce represents small business in this country, you're hallucinating, let me assure you," he said. The chamber, he continued, "represents multinationals without any allegiance whatsoever to the national interests and without any apparent interest to the common good of the American people."

Dobbs asked reporter Bill Tucker on the live broadcast if NAM had weighed in on the issue. At that time, NAM had not. "Where are the little darlings?" Dobbs asked. "I think people are starting to figure out...how hoodwinked they've been" by groups purporting to represent the interests of America.

Dobbs then asked viewers to go to his Web site and participate in a poll: "Do you believe the fact that the U.S. Chamber of Commerce believes 'Buy American' is a bad idea shows just how much trouble our nation is in?" By early the next day, 4,216 people had voted; 90 percent of them (3,782) in the affirmative.

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Republicans Worry About DOD Budget Cut

Republican members of the House Armed Services Committee are circulating a report from Fox News that says the Obama administration has asked the Joint Chiefs of Staff to cut the military budget by more than 10 percent for fiscal year 2010, or by \$55 billion. Not including the emergency supplemental appropriations to fight wars in Iraq and Afghanistan, the Defense Department budget in 2009 is \$512 billion. The Republicans on the House Armed Services Committee sent out a "pop quiz" about the proposed budget cuts. "A \$55-billion cut in defense spending during a time of war and tough economic times will: 1. Improve America's ailing economy; 2. Hurt America's ailing economy even more; 3. Haven't considered the economic implications or number of jobs that will be lost yet, or; 4. Not sure."

Troubled Bank Backlash Impacts Aviation Industry

A provision in the bill to reauthorize the Troubled Assets Relief Program (TARP) that calls for financial companies receiving a bailout to divest their private jets has raised the ire of the General Aviation Manufacturers Association (GAMA).

"Targeting our industry is an unacceptable and counterproductive response to our nation's economic situation," said GAMA president Pete Bunce. "If passed, this provision will have an adverse impact on our industry and jeopardize high-paying manufacturing jobs at a time when general aviation manufacturers are already suffering from a weak economy." The industry employs more than 1.26 million workers and generated \$150 billion in revenue in 2007.

Buy American... (From four)

The letter opposed to the Buy American provisions was developed by the Emergency Committee for American Trade and was signed by the following organizations:

- Aerospace Industries Association
- American Business Conference
- American Council of Engineering Companies
- Associated Builders and Contractors
- The Associated General Contractors of America
- The Association of Equipment Manufacturers
- Business Roundtable
- The Coalition for Government Procurement
- Coalition of Service Industries
- The Information Tech. Association of America
- National Defense Industrial Association
- National Foreign Trade Council
- United States Council of International Business
- U.S. Chamber of Commerce

Showdown Looms Over Chinese Trade Surpluses In Manufactured Goods

BY ERNEST PREEG

The Chinese merchandise trade surplus in November 2008 set a record of \$40.1 billion, but far more important was the \$56-billion surplus in manufactured goods, up 26 percent from November 2007.

During the first nine months of 2008, the soaring Chinese surplus in manufactured products was obscured and offset by high-priced imports of oil and other raw materials, but this has now changed. With oil for January delivery at below \$40 per barrel, or less than half the level in 2007, the overall trade surplus will continue to rise, likely to the \$50-billion per month range by the beginning of 2009, led by the much larger surplus for goods.

Chinese exports of manufactured goods declined by 2 percent in November and will likely continue to decline. Imports of goods, however, were down by a stunning 27 percent and will also continue at a much lower level as the domestic Chinese economy, including the export industry, falters. Merely to level off the current very large trade surplus, manufactured imports would have to decline at a much slower pace than exports, which is almost unthinkable. Therefore, the Chinese surplus in manufactured goods will continue to grow.

The annual trade surplus in manufactured goods will rise from \$444 billion in 2007 to a projected \$575 billion in 2008, or by \$130 billion, and China shows no interest in allowing it to decline. Appreciation of the yuan to the dollar has been halted since July 2008, and tax rebates for exports have recently been increased.

The Chinese objective of continued export growth is to maintain jobs in the manufacturing sector, but when the jobs result from an ever larger trade surplus, the direct result is fewer jobs in export markets abroad, most importantly in the United States and Europe. Economists call a trade surplus policy objective "mercantilism," and it is a zero-sum gain for jobs on a global basis.

The \$130 billion larger Chinese surplus in 2008 means a couple of million more jobs in China, offset by job losses in the United States, Europe and elsewhere.

A showdown over the Chinese trade surplus in manufactured products, which has risen steadily from \$45 billion in 2000 to close to \$600 billion in 2008, will be triggered in early 2009 by the global economic recession, with the manufacturing sector being especially hard hit.

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Global Showdown... *(Continued from page five)*

Until now, other governments have had their heads in the sand about the growing Chinese surplus and its impact on domestic jobs for various reasons. Finance ministers at the October International Monetary Fund (IMF) meeting, preoccupied with the banking crisis, ignored the Chinese currency misalignment issue, and the November 15 Group of Twenty Summit Communiqué made no mention of the growing global imbalance in trade. This will no longer be possible, however, as unemployment rises in the manufacturing sector in the United States and Europe, while the Chinese trade surplus sets global records each month.

All eyes will turn to the new Obama Administration and how it responds. Presidential candidate Obama complained about Chinese currency manipulation, whereby China holds its exchange rate far below market-based levels through massive purchases of foreign exchange by the central bank. Will Obama's Secretary of the Treasury officially designate China a currency manipulator, as required by U.S. trade law? And if not, why not?

The Europeans are in an even deeper quandary. They have skirted the currency manipulation issue for years, and yet they are now bearing the principal brunt of the rising Chinese trade surplus. From January to November 2008, Chinese exports to the European Union were up by 21.8 percent, to \$271 billion, while exports to the United States were up by 12.1 percent to \$233 billion. (These Chinese figures do not include exports through Hong Kong, which would raise the levels by 10 to 15 percent.) Moreover, the largest and most rapidly growing European trade deficits with China are with Spain and Italy, the most threatened economies within the Eurozone.

The Europeans called for the November G-20 summit meeting to create a new Bretton Woods for bank regulation, but what about the

old Bretton Woods requirement that members should not manipulate their currencies to gain an unfair competitive advantage? The follow-up summit in April 2009 will be hard pressed to continue avoiding or ignoring this question.

It is in the longer-term interest of China as well as the United States and Europe to reduce the growing trade imbalance, including through a much larger appreciation of the yuan. The time to start is now.

The 2009 showdown over the

The historical record is replete with protracted government inaction until the markets take charge in forcing the outcome.

surging Chinese trade surplus will also have impact on trade policy, and the protracted World Trade Organization (WTO) Doha Round impasse in particular. The impasse is over complicated formulas for reducing tariffs, whereby China, as a "developing country," would be largely exempt from reductions compared with the United States and Europe. This makes little sense as China is now the number one exporter of manufactured products and runs larger and larger trade surpluses.

On November 19, National Association of Manufacturers president John Engler stated, "The current Doha Round industrial tariff proposals now on the negotiating table from other nations do not lead to enough market opening opportunities or balance." The most practical way of adding the missing market access is by having countries, especially the rapidly emerging economies of

Brazil, China and India, agree to cut their trade barriers further by participating in major sector-specific agreements that would slash trade barriers.

The new Obama administration thus also faces an immediate challenge for trade policy: continue the existing Doha Round unbalanced approach, vis-à-vis China in particular, or pursue new policy directions, including full reciprocity by China and other highly competitive, newly industrialized countries. Candidate Obama talked of considering his options for trade policy before taking a stand, and he would be wise to do so carefully before continuing down the Doha Round unbalanced path.

These predictions of imminent showdown over trade imbalances and exchange rate misalignment may appear to have excessive Cassandra-like overtones. After all, Chinese currency manipulation and the Doha Round impasse have gone on for seven years while governments have not seen fit to take decisive remedial action. The historical record, however, is replete with protracted government inaction until the markets take charge in forcing the outcome. This is now happening and will intensify as global recession and trade imbalances take a heavy toll, particularly for the manufacturing industry, in China as well as in the United States, Europe and elsewhere. It is much more difficult to ignore the trade imbalance and the related job loss issue in a time of extreme economic duress than it is during periods of steady growth.

And what will governments do? Hopefully not a repeat of Smoot and Hawley. But something more is needed than continuing to rearrange existing IMF and WTO deck chairs, with no significant impact on trade imbalances and currency misalignment.

— Ernest Preeg is Senior Fellow in Trade and Productivity at the Manufacturers Alliance/MAPI and author of "India and China: An Advanced Technology Race and How the United States Should Respond" (MAPI and CSIS, 2008).

Inauguration... *(From page one)*

like “the Lord is one...” repeating itself within fractions of a second a half dozen times, each less distinct, disappearing two miles into the background of the city.

Strangely, those in the inner sanctum had little idea of what was happening at their own event. I wrote in my reporter’s notebook: “A whole world unto itself.”

Inconceivably vast roars came from the legions on the Mall — based on the images of celebrities being broadcast on the giant jumbotrons. Upon each colossal ovation, the majority of those seated in the inner sanctum — those not facing West — immediately turned and witnessed hundreds of thousands of red specs fluttering for a mile below, looking like a soft peach fuzz. Many of the people sitting next to me did not know that the reddish veneer was hand-held American flags that had been given out for free on the Mall. The flags were set amidst a sea of bubble-gum ball heads of people so tightly packed it turned into a tight-mesh carpet of color. A mass of people in one place never before experienced in American history.

A huge roar — what for? I craned my neck to my left: I could make out the visage of Colin Powell on the jumbotron. Presently, another roar — I could not see quite what was happening on screen. Was it the motorcade? The inner sanctum was removed from the masses. By contrast, small cheers among the gathered elite on the podium — audible only to those seated immediately below — would greet the arrival of notables within their sect: members of Congress, the Supreme

Court and the President’s Cabinet.

The live music being played by the military band directly below the podium reminded me of the scene on the deck of the sinking Titanic. When Sen. Dianne Feinstein said, “Please be seated,” the select few who had seats thought nothing of it. “Okay. I’ll sit.” Back on the Mall, I learned later that the “Please be seated” request was met with snide remarks, and chuckles.

There were two messages all of those people standing in the brutal cold were sending. The first was the country had put a black man in the nation’s highest office, the fruition of centuries’ of struggle: Alleluia! (Combined with the departure of George W.) The second was intended for those occupying the inner sanctum — the people who arrived by limo and had electric warmers set below each of their chairs: you have led the country to ruin and you better not continue business as usual. America’s ruling class was being put on notice: change your ways. A revolution won, another begun. Do you think the inner sanctum got the message?

Sitting among them my sense was no. There might be minor reforms, but it is business as usual. We have already since seen the evidence: political nominees for the nation’s most important government agencies not paying taxes; a defense lobbyist being named to a top position at the Pentagon; members of the president’s economic team who are among the world’s largest proponents of offshore outsourcing of American jobs and apologists for Wal-Mart. I wrote in my reporter’s notebook: “Be forewarned. This gathering is not what you might think it is.”

The masses of humanity — two million common people from every race standing for hours in the indescribable cold — should have convinced America’s elected representatives that they do not have many more opportunities to get it right. Americans are fair-weather fans. They will cut the new president slack; they will like the feel-good Obama family story being broadcast on the Oprah show. But not for long. Not when they can’t find a job due to a fundamentally changed economic system that is incapable of producing millions of good-paying jobs. Not when they start to scrutinize Obama’s economic team. Not when they realize that the stimulus package — the latest in a long series of economic infusions of trillions of dollars — isn’t working and may be making matters worse. The next such massive gathering in Washington, D.C., might not be so cordial.

Since I had family in the throngs, I was able to be part of both the masses and the elite. Prior to my arrival at my seat below the podium, I was among those waking up at 3:30 a.m., hustling to the Metrorail in Northern Virginia, and arriving at L’Enfant Plaza a little

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No jumbotrons are inside the “Inner Sanctum.”

(Photos by Richard McCormack)

Inauguration... (From page seven)

past 6:00 a.m. I thought we were too early: senseless planning. I could have used another hour of sleep. Boy was I wrong. Thank goodness we were early.

I got my parents stationed amidst a shoulder-to-shoulder crowd in front of the 9th Street jumbotron in the middle of the Mall. From there, all that could be seen by most people in the crowd — at least all the women — was the dome of the Capitol Building. There was not a chance that somebody could discern with naked eye a speaker at a podium.

I stayed with my parents through a welcome sunrise until 7:30 a.m., and then I was off to Capitol Hill. As I was leaving them I thought, “Wow, this is crazy: here it is, colder than can ever be imagined with a biting wind that could penetrate any breach in clothing, leaving my parents to wait five hours, standing on their feet the entire time, again — it has to be repeated — in cold not meant for human exposure — colder than anyone from California can ever imagine, with an Arctic wind pushing the temps into the single-digits. I had seven layers of clothing on the upper part of my body, yet the cold still felt dangerous.

I thought I could walk forward on the Mall to 7th Street, but the street was closed. I had to go backward toward 12th Street, through a crowd of tens of thousands of people, and I got panicky: maybe I won't be able to get to my entrance at the Rayburn House Office Building on South Capitol Street. But the crowd was relaxed. I pushed my way through thousands of spirited souls without raising the ire of a single person.

I emerged on Independence Avenue.

Oh - My - God. I had never ever seen anything like it

and I may never see such a sight again for as long as I live. So here is an analogy: The most interesting place in anyone's house on the East Coast is the basement. All of the life support systems are located there — along with the real character of the people who occupy the upper floors.

And so it was the case when I got to the streets behind the Mall — where all the movement was taking place — and witnessed an incomprehensibly vast number of people walking west down Independence Ave., all seeking to find a spot somewhere on the Mall.

It was stupendous. Completely, utterly, insanely unbelievably incomprehensible. An unfathomable magnitude of Americans heavy in clothing on the move, from every conceivable race and place. All I could think as I strode against this unstoppable tide in the early morning in the bitter cold on a Tuesday in January is that this IS a revolution.

Almost every one of these people did not know that the Mall had already filled to 12th Street, and that the only place left was beyond — the outer edges of the Mall itself to 14th Street and then the grounds of the Washington Monument.

I arrived at the base of Capitol Hill on Independence Avenue, which was closed at the Congressional Botanic Garden. I showed my green ticket to a Capitol Hill police officer and he directed me to 2nd Street, S.W. “Take a left on D Street and go up to South Capitol Street,” he said.

It sounded good, except that D Street, S.W., headed in the direction of the Capitol turns into an entrance ramp for the I-395 freeway 20 feet below, and the southern entrance to and exit from the Third Street Tunnel that goes under the Mall. I stood on D Street above 395 and looked down and around in every direction. There were massive lines of people EVERYWHERE; people

streaming in from EVERY direction, headed in EVERY direction.

A line of thousands of people coming out of the tunnel was headed in the wrong direction for 200 yards, disappearing somewhere behind the Ford House Office Building, which is pretty much in the middle of nowhere. From within the tunnel, I could hear a mass chorus signing “The Truth is Marching On.” I thought: “They are going to need a jumbotron in the tunnel.” As it turned out, they needed a jumbotron in the tunnel — dubbed the “Tunnel Of Doom” — where thousands of people were stranded while Obama was taking his oath of office.

I crossed over the highway complex of on-ramps and off ramps and six lanes of the car-less freeway. Police officers standing on the Capitol Hill side of 395 were yelling at a massive



The Obama inauguration filled the Mall. If you Google pictures of President Reagan's inauguration, you will see that the Mall is empty.

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Inauguration... (From page seven)

group of people: "Go Back The Other Way!" The "other way" was toward the Capitol Hill power plant and the Anacostia River. There was no other way.

Since I was still headed against the flow, people were asking me where they should go. An older couple from Albany who told me that they had slept in their car was sitting perplexed on a guardrail. I pointed to the top of the Washington Monument visible above the Health and Human Services Department building on Independence Ave., and said: "Go straight for that, and don't turn right onto the Mall until you see an opening."

I called my father and left a message on his cell phone: "You are in a great spot. Whatever you do, don't leave it!" After that call, my cell phone stopped working for the remainder of the day.

Weeks before the inauguration I told my friends and family coming to Washington that even if they got stuck on a bridge or on a back road unable to get to the event because of too many people, then they would have a funny story to tell and that it would be an indication of the importance of the event. Those stuck in tunnels, on side streets and somewhere in the trees near the Lincoln Memorial were the most important people of the day.

Imagine how much more crowded it would have been had the temperature been 10 degrees warmer?

My many family members occupying ground on the Mall said that Obama's jumbotron image caused the most positive crowd response. Ted Kennedy received among the loudest roars along with Oprah, Joe Biden, and Michelle Obama and kids. Other roars: Jimmy Carter, Dustin Hoffman and Bill and Hillary. The biggest boo — can you guess? Sen. Joe Lieberman. Apparently the reactions to Vice President Cheney and George W. Bush were muted, though there were plenty of boos for them. Later, the Bush invective was much more acute — and highly entertaining — when he was circling above the crowds in his helicopter.

In talking with friends and family afterwards, they said what surprised them was the demeanor of the event itself. It was serious and dignified. Groups would try to get rallies going, "Yes We Can!" or "O-Ba-Ma!" None of them worked.

For me, the inauguration ceremony itself did not live up to the magnitude of the moment. It sounded like Obama bungled the oath; that he immediately forgot the line that he was directed to repeat, though it was Justice Roberts who screwed up. I thought, "Uh-oh, we've been had. The most articulate man in

American politics in a generation messed up his first official task as president. What are we in for?" It was not a good thought, and Roberts' mistake made the most important moment of the day anti-climactic.

From where I sat, not being able to view it on jumbotron, Obama's speech was flat. It didn't generate much enthusiasm. Maybe he felt reserved because President Bush was sitting next to him. Perhaps it was because he did not realize the number of people who were on the Mall, the sacrifice made by every individual in attendance of having to deal with crowds, the impossibility of the logistics caused by all the bridges being closed into the District from Virginia; and especially, more than anything else, the cold that every person in attendance had to endure for long hours. The speech made no reference to the overjoyed people standing on the frozen grounds below. He lowered expectations.

My family members thought the speech appropriate:

(Continued on next page)



On the grounds of the Capitol. Can you name the movie star? I couldn't.

Inauguration... (From page nine)

subtle yet powerful. My mother said of the day: "There were no rough edges. There must have been 10,000 angels. The whole thing was exhilarating. I loved the attachment I had with my neighbors in the crowd. It was like we were personal friends. I am glad I was part of that crowd." She said the whole event "was chaos you could live with."

My cousin's wife from San Clemente Calif., said it was among the best days of her life, perhaps "the best day I've ever lived." My son said, "I loved it." My father said, "It was like the feeling you get when you are on the top of a mountain and are about to ski down. It was a top life experience."

It was an exhilarating celebration. But there was also a commanding statement being made to the new commander along with those with him atop The Hill.



One tunnel over from the "Tunnel of Doom."
A lot of people with nowhere to go.

Export Dependence Hurts Japan Economy

Japan's manufacturing sector has fallen off a cliff. The country's manufacturing Purchasing Managers' Index dropped for the 11th straight month in January to 29.6, down from 30.8 in December. It was the lowest level recorded since the index started in October 2001. Anything under 50 means an economy is in contraction.

"Japan's current recession is unfolding more rapidly than previously projected," says Minoru Nogimori, an economist at Nomura. "The Japanese economy's precipitous downshift is attributable to an unexpected and rapid deterioration in overseas economies." Japan's economy is still dependent on exports.

Manufacturing production is "rapidly deteriorating," says the survey. Orders placed in January contracted at the second sharpest rate recorded by the series to date, with new orders from abroad contracting at the fastest pace in the series history."

Economic Stress Leads To CEO Turnovers

Last year was a tough one to be a CEO. Turnover reached an all-time high with the departure of 1,484 CEOs, according to Challenger, Gray & Christmas Inc. "That is an average of nearly 124 CEO departures each month or roughly six every business day," says the outplacement firm. The total for the year was 9.4 percent higher than 2007.

The health care industry led all others in CEO departures for the fourth year in a row with 285. The technology sector followed with 221 and the financial industry lost 169.

"While the financial sector did not see the highest CEO turnover, it definitely saw the highest number of executives forced out of their positions in corporate shake ups related to the weak economy and the devastating credit collapse," says John Challenger, CEO of the firm. American companies announced more than one million job cuts last year, with 260,000 coming in the financial services sector.

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