# *American Made: Ensuring a Strong Economy*

## Office of Congressman Ron Kind

## Representing Wisconsin's Third Congressional District

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A healthy U.S. manufacturing sector is essential to a healthy economy. As a country, America must continue building, constructing, and growing goods here at home, in order to maintain our role as a leader in the developing global economy. Despite the challenging economic environment that we face today, I am more confident than ever that America can continue to boast the most vibrant middle class in the world and retain our economic power for generations to come.

As a nation, we need to harness our entrepreneurial spirit and capitalize on existing American strengths – a well-educated and well-trained labor force, innovation, and a competitive spirit. Building on these core foundations will allow our nation to seize opportunities that renew our commitment to manufacturing so that we are not just consumers, but are producers as well. By creating a targeted strategy, and rebuilding our American manufacturing base, we will maintain our nation's role as the world leader in the global economy. Supporting the improvement and growth of America's manufacturers to move into the markets of the future can be achieved through collaboration and coordination with federal, state and local governments and private partners.

## CREATING THE WORKFORCE AND JOBS OF TOMORROW

The U.S. is renowned for producing highly skilled workers and first-rate labor standards. However, over the past 15 years our manufacturing sector has continued to decline. In 2011, the manufacturing sector experienced its largest jobs growth since 1994.[i] And job growth has continued through 2012;[ii] however, there are still 31% fewer manufacturing jobs than there were at the start of 1994.[iii] America must implement policies that will put these workers back to work now. In creating short-term jobs, we also need to recognize the long-term transformation in the manufacturing industry and promote areas of future growth.

- **Expand Worker Training.** There is a growing mismatch between the kind of skilled workers needed and the skills of the unemployed. We need to expand current training efforts to meet new demands for high tech manufacturing jobs. The manufacturing industry is transforming, requiring individuals to operate more sophisticated machinery and have a higher proficiency in math and technology than previously necessary. We must support and encourage both public and private programs that provide technical training and retraining of the manufacturing labor force. Programs offered throughout university systems and technical colleges allow participants to learn best practices through interactive, practical content and proven strategies people can put to use immediately.
- **Training and Consultation for Employers.** We must also encourage public-private programs like the Manufacturing Extension Partnership Program, which provide technical assistance and training that help small- and medium-sized manufacturers improve their efficiency and profitability. We must continue efforts to strengthen job creation in existing companies by developing marketing and sales skills to help small- and medium-size manufacturers build capacity and grow demand.
- **Grow and Attract Scientific Talent**. Many of the world's top scientists and engineers are trained here in America. In 2007, a National Science Foundation study showed that 43% of students receiving science and engineering doctorates in the U.S. were non-U.S. citizens.[iv] In order to retain this talent, we must nurture and grow talent here at home, so that new innovations feedback into our vital manufacturing base. We must focus on early education that nurtures math and science proficiency. We must also keep that talent in America and work to reform our H1B visa program. In nurturing research and production talent, we can positively impact manufacturing innovation and increase our global competitiveness in areas such as micromachining, design and computer-aided-machining. In addition,

we must support programs that build links between the classroom and workplace and grow our technical and core manufacturing skills.

- **Encourage Infrastructure Investment and Utilize our Work Force Now.** Infrastructure is important for transporting and providing access to goods in a cheap and efficient manner. Infrastructure investments should focus on rebuilding and growing our current systems. We must invest in infrastructure to rebuild bridges, replace outdated sewer systems, repair roads/highways, as well as expand our railways, smart grid and broadband systems.
- **Incentivize Domestic Manufacturing.** American manufacturing is vital to our economy, and those who produce American goods and hire American workers should be a priority. Manufacturing is also an essential source of innovation that is critical to our continued prosperity in an increasingly competitive global economy. In order to continue leading in competitiveness and innovation, domestic manufacturing should be incentivized through targeted tax benefits.

***LEGISLATION (For steps already taken, see Enacted Laws section below)*:**

*Rebuilding American Manufacturing Act of 2012 (Author)*, would spur job growth and promote economic stability by making American manufacturing a priority. It reduces the effective tax rate for domestic manufacturers to 20%.

*Rural Microbusiness Investment Credit Act of 2011 (H.R. 2858, Author),* would generate investment in both start up and expanding rural microbusinesses by providing a 35% tax credit to entrepreneurs who invest in their businesses and is specifically targeted to those operating businesses in economically distressed rural areas where access to capital has always been a challenge.

*Building American Jobs Act of 2011 (H.R. 992, Original Cosponsor),* would extend the Build America Bonds program, provide additional funding for the Recovery Zone bonds program, and make improvements to existing bond and credit programs to help states and local governments leverage private capital to create jobs today and build the infrastructure that is the backbone of future economic growth.

## ENCOURAGE AND INVEST IN NEW IDEAS

For America to effectively compete, we must continue to be on the forefront of innovation. To do this, we need to foster innovation and encourage our businesses and entrepreneurs to build, construct, and grow cutting-edge manufacturing here in the U.S. Competitive policies are important for transforming industries in a global marketplace. We must reassert the value of investing in the talent of our nation's labs and businesses; investments which promote the growth of high-tech manufacturing of the future.

- **Improve Research and Development Tax Incentives.** We need to make research and development tax credits reliable and permanent so that firms are encouraged to make long-term R&D investments. By increasing the public and private returns on R&D investment, we will encourage lasting manufacturing growth. The U.S. pioneered tax credits for R&D, yet its renewal is caught up by delays in passing a broader tax extenders bill and is also becoming less generous when compared with similar benefits offered by other countries. In 2008, companies reported $346 billion of company-performed R&D worldwide; 82% of this activity was performed in the United States.[v]
- **Provide Tax Incentives to Encourage a Sustainable Path.** We need to focus on using energy efficient materials so that as we rebuild our infrastructure, it is done in a sustainable way that has long-term

benefits. Investing in renewable energy facilities and technologies today will help create high-paying manufacturing jobs right now and will also help wean America from our addiction to foreign oil.

- **Promote Collaboration between R&D and Production**. R&D activities have a direct impact on innovation and economic growth. Collaborative efforts are often facilitated by clustering, which enhances spillovers that help provide entrepreneurs the ideas that generate new businesses. R&D from academic institutions often spills over to industries who can best take advantage of the educated workforce in the region. It is important to encourage a bridge between education and manufacturing so that the right skills are honed and developed to the benefit of students, manufacturers and the local economy as a whole. Bridging the gap between research and creation can be done through fostering regional "cluster" programs as well as establishing mechanisms to help local researchers bring their ideas to reality.
- **Encourage Long-Term Capital Investments**. While the government can play a role in increasing investment, the majority of small business funding comes from the private sector. By encouraging banks to boost lending to businesses of all sizes as well as expanding government loan programs, manufacturers can more easily obtain capital. Easing financing will help companies obtain the tools necessary to invest in new projects and ultimately create a more vibrant manufacturing sector. This includes expanding government loan guarantee programs to encourage lending institutions to fund small business ventures.
- **Promote Innovation at the Small Business Level**. In 2007, the National Science Foundation estimated that 19% of all R&D was performed by businesses with 5 to 400 employees.[vi] Small firms are important incubators for ground-breaking innovations and their R&D byproducts often allow them to become niche suppliers of components and parts for finished goods manufacturers. In fact, small firm patents tend to outperform large firm patents as a result of their close link to original research.[vii] By funding grants and programs that stimulate technological innovation and increase private-sector commercialization of R&D innovations, we can promote the health of small business manufacturing. Promoting connections with different opportunities is also important; for example, the Wisconsin Procurement Institute helps connect businesses with government contract opportunities.

***LEGISLATION (For steps already taken, see Enacted Laws section below)*:**

*National Manufacturing Strategy Act of 2011 (H.R. 1366, Cosponsor),* directs the president to work with industry, labor leaders, and other stakeholders to develop a national strategy to increase manufacturing.

*Create Jobs by Expanding R&D Tax Credit of 2011 (H.R. 132, Cosponsor),* increases the R&D tax credit from 14% to 20% for two years and allows small businesses to sell their unused credit to generate seed capital that will allow them to invest in research jobs now.

*Investment Tax Credit for Biogas Energy (Author),* provides an investment tax credit for use of clean renewable energy bonds to advance the use of anaerobic digesters to convert biomass into cleaner gas. Wisconsin leads the nation in the agricultural use of anaerobic digesters. The bill simultaneously promotes infrastructure investment and the use of home-grown energy.

## MAKE GLOBAL PRESENCE A PRIORITY

Over 6,000 Wisconsin companies export goods – 87% of these companies are small- and medium-sized Wisconsin businesses with fewer than 500 employees.[viii] In 2008, American exports accounted for nearly 7% of our total employment, one in three manufacturing jobs, and supported 10.3 million jobs in all.[ix] Exporting

manufactured goods is an important vehicle for strong market growth and plays a significant role in boosting the overall domestic economy. Businesses small and large need assistance with tapping into these markets and ensuring that once there, products are treated fairly.

- **Enforce International Trade Agreements.** Trade agreements provide a valuable framework to guarantee market access on clear terms and provide critical protections for businesses operating in foreign markets. We must consistently enforce bilateral and regional agreements and press governments to uphold labor, environmental and other commitments.
- **Create New Trade Agreements and Find New Markets.** To increase exports we must pass trade agreements with other nations that will benefit domestic manufacturers. In 2009, 44.1% of U.S. exports were conducted with countries where a Free Trade Agreement (FTA) was established.[x] FTAs can create opportunities and access for American companies, which allow them to grow their domestic business. We must also help small- and medium-sized manufactures with the technical expertise to export their products.
- **Improve our Tax Competitiveness, Close Foreign Tax Loopholes and End Currency Manipulation.** We must help U.S. businesses compete by ensuring that we have a competitive tax structure. We also need to make certain that companies are paying their fair share and not simply off-shoring their corporate tax liabilities. Further, and most importantly, we must stop illegal manipulation of currencies that injure the ability for American manufacturers to compete fairly.

***LEGISLATION (For steps already taken, see Enacted Laws section below):***

*Controlled Foreign Corporation Look-Through (H.R. 2735, Original Cosponsor)*, would make permanent the look-through treatment of payments between related controlled foreign corporations, thus allowing businesses to remain competitive globally.

*Clean Energy Technology Manufacturing and Export Assistance Act of 2011 (H.R. 502, Cosponsor),* would establish a Clean Energy Technology Manufacturing and Export Assistance Fund to assist U.S. businesses with exporting clean energy technology products and services.

*Free Trade Agreements,* would ensure that the issues the United States has concerning pending agreements with South Korea, Panama, and Columbia are resolved and to the benefit of American workers and manufacturers.

## PRO-MANUFACTURING ENACTED LAWS:

*American Recovery & Reinvestment Act (P.L. 111-5),* creates numerous tax incentives for investments in advanced energy projects to support new, expanded, or re-equipped domestic manufacturing facilities as well as key funding for infrastructure developments.

*U.S. Manufacturing Act (P.L. 111-227),* helps U.S. manufacturers compete at home and abroad by temporarily suspending or reducing import duties on products or materials American businesses use to produces goods. The bill only applies to goods that are not made in the U.S. or opposed by U.S. producers, thereby lowering the cost to manufacture goods here.

*America COMPETES Reauthorization Act (P.L. 111-358, Cosponsor)*, invests in the innovators of tomorrow by increasing research and development and improving the competitiveness of the United

States with a particular emphasis on tripling enrollment in math and science courses. Also reauthorizes the Manufacturing Extension Partnership Program.

*Small Business Jobs Act (P.L. 111-240),* expands small business access to capital and creates performance-based incentives to increase lending to this key sector of our economy.

*Energy Jobs and Training for Veterans Act (Veterans Benefit Act 2010 – P.L. 111-275):* Provides grants for programs to provide on-the-job training, apprenticeship, real experience, and long-term employment in all energy fields.

*Protecting American Patents (United States Patent and Trademark Office Supplemental Appropriations Act – P.L. 111-224)*: Helps the Patent Office to begin to unclog the backlog—totaling about 1.2 million pending applications—by giving the agency access to more of the fees it collects so that patent applications can continue to be processed and innovative ideas can continue to move to market.

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[i] PolitiFact.com, "Austan Goolsbee says manufacturing jobs growing fastest in 15 years," June 5, 2011 (http://www.politifact.com/truth-o-meter/statements/2011/jun/06/austan-goolsbee/austan-goolsbee-says-manufacturing-jobs-growing-fa/).

[ii] Bureau of Labor Statistics, "Employment, Unemployment, Layoffs, and Openings, Hires, and Separations," April 2012 (http://www.bls.gov/iag/tgs/iag31-33.htm).

[iii] PolitiFact.com, "Austan Goolsbee says manufacturing jobs growing fastest in 15 years," June 5, 2011 (http://www.politifact.com/truth-o-meter/statements/2011/jun/06/austan-goolsbee/austan-goolsbee-says-manufacturing-jobs-growing-fa/).

[iv] Falkenheim, J. and Fiegner, M., "2007 Records Fifth Consecutive Annual Increase in US Doctoral Awards," NSF *Info Brief*, NSF 09-307, November 2008.

[v] Moris, F. and Kannankutty, N., "New Employment Statistics from the 2008 Business R&D and Innovation Survey," NSF *Info Brief*, NSF 10-326, July 2010.

[vi] Wolfe, R., "U.S. Businesses Report 2008 Worldwide R&D Expense of $330 Billion: Findings from New NSF Survey," *NSF Info Brief,* NSF 10-322, May 2010.

[vii] Breitzman, A. and Hicks, D., *An Analysis of Small Business Patents by Industry and Firm Size,* Small Business Administration Office of Advocacy, November 2008 (http://www.sba.gov/advo/research/rs335tot.pdf).

[viii] U.S. Department of Commerce International Trade Administration, "Wisconsin: Exports, Jobs, and Foreign Investment," June 2010 (http://trade.gov/mas/ian/statereports/states/tg_ian_002761.asp).

[ix] United States, The White House Office of the Press Secretary, "Remarks by the President Announcing the President's Export Council," Press Release, July 7, 2010 (http://www.whitehouse.gov/the-press-office/remarks-president-announcing-presidents-export-council).

[x] U.S. Department of Commerce, International Trade Administration, "Free Trade Agreements," PowerPoint Presentation, March 2010.