THE KERRY-EDWARDS PLAN TO REVITALIZE MANUFACTURING AND INVEST IN THE JOBS OF THE FUTURE

Under President Bush, America has lost 1.8 million private-sector jobs. Manufacturing has been especially hard-hit, with 2.7 million jobs lost. Despite these historic losses, President Bush has done nothing about jobs, and has even proposed virtually eliminating important programs like the Manufacturing Extension Partnership (MEP). In George Bush's America, making businesses more competitive means more outsourcing – not more innovation to ensure more jobs at higher wages.

Summary of The Kerry-Edwards Plan

John Kerry and John Edwards have a three-part plan to invest in the jobs of the future – making America more competitive and innovative, increasing jobs at better wages and combating outsourcing.

1. **Jumpstart job growth**

   - **New Jobs Tax Credit** to encourage hiring by manufacturers, other businesses affected by outsourcing, and small businesses in 2005 and 2006.
   - **Enforce our trade agreements and trade laws** to ensure that our partners are playing by the rules and that China and other countries do not manipulate their currencies.

2. **Make America more competitive**

   - **End tax breaks for companies creating jobs overseas and cut taxes for 99 percent of taxpaying corporations.**
   - **Cut the deficit in half in four years** to free up more capital for private investment without increasing record borrowing from abroad.
   - **Enact health care reform to cut premiums by up to $1,000.**
   - **Move towards energy independence** to cut energy costs for businesses and create the energy-efficient jobs of the future.

3. **Invest in the jobs of the future**

   - **Move towards universal broadband access** to ensure that America's technological infrastructure is the best in the world.
   - **Unleash innovative small and medium-sized businesses** by establishing Manufacturing Business Investment Corporations (MANBIC) and doubling the Manufacturing Extension Partnership (MEP).
   - **Secure universal access to college and expanded job training** to prepare workers for the high-wage jobs of the future.

I. THE JOBS DEFICIT AND THE WAGE RECESSION

- **1.8 million private-sector jobs lost under President Bush.** Since the Bush administration began, 1.8 million private-sector jobs have been lost. Manufacturing has lost 2.7 million jobs. [BLS]

- **7 million jobs short of President Bush's prediction.** Annual projections in the 2002 Economic Report of the President implied about 6 million new jobs between January 2001 and June 2004. Instead, we have lost more than 1 million jobs. As a result, we are 7 million jobs short of the prediction which President Bush made after 9/11, the tech bubble, and the recession. [BLS and Economic Report of the President, 2002]

- **Outsourcing has grown while insourcing has collapsed.** Between 2001 and 2003 American foreign direct investment abroad rose from $104 billion to $136 billion – exporting American jobs. At the same time, insourcing has collapsed with foreign direct investment in the United States falling in half from $144 billion to $72 billion. As a result, the United States moved from a net inflow of $40 billion of foreign direct investment in 2001 to a net deficit of $64 billion in 2003. [BEA]

- **Jobs in growing industries pay $9,000 less than jobs in contracting industries.** A study by the Economic Policy Institute found that jobs in industries that are expanding as a share of the workforce pay $9,000 (or 21 percent) less than jobs in contracting industries. [EPI, "Jobs Shift From Higher-paying to Lower-paying Industries," 1/21/04]

- **A record $490 billion trade deficit in 2003.** The trade deficit last year reached a record $490 billion ($549 billion in goods or $401 billion in goods excluding oil). The overall trade deficit was 5 percent of GDP – also a record. Forty percent of our public debt is now held outside the United States; with more than 20 percent in Japan and China alone. Bush's record budget deficits have helped cause these record trade deficits. [BEA & Census, Treasury]

- **Record $124 billion trade deficit with China.** The United States had a $124 billion trade deficit with China in 2003, a 20 percent increase in the trade deficit last year and the largest bilateral trade deficit of any country. [Census]

- **Exports are down under President Bush – the first decline under any president since the Great Depression.** Exports have fallen in inflation-adjusted terms under President Bush – the first drop under any president since Herbert Hoover in the Great Depression. In contrast, most presidential terms since then have seen 15 to 30 percent real export growth. [BEA]

- **Surpluses in advanced technology products have turned into rising deficits.** From 1989 through 2000 the United States had a trade surplus in advanced technology products. This has since turned into a growing deficit: rising from $17 billion in 2002 to $27 billion in 2003 – a 66 percent increase in one year alone. [BEA and Census]

II. WHY MANUFACTURING IS CRUCIAL FOR THE AMERICAN ECONOMY

Manufacturing is the backbone of the American economy. A strong manufacturing sector is in the interest of the entire economy, helping to create jobs in everything from mining to services, increasing productivity growth, and producing the large majority of exports.

- **Manufacturing jobs pay 50 percent more than non-manufacturing jobs.** In 2002 the average compensation for manufacturing jobs was $55,000 – compared to $35,000 for non-manufacturing private-sector jobs. That is more than 50 percent higher. An important part of the higher compensation in manufacturing is in the form of better health and retirement benefits. [Bureau of Economic Analysis]

- **Each manufacturing job supports 4.2 additional jobs throughout the economy – a strong manufacturing sector helps boost the entire economy.** Manufacturing jobs create jobs in everything from the mining needed for raw materials to the transportation industry that moves the goods and the retail stores that sell them. In total, each manufacturing job supports 4.2 additional jobs throughout the economy – nearly three times the rate for the business and personal services sector. [EPI]

- **Each dollar spent on manufacturing results in an additional $1.43 in spending on other products and services.** In contrast, the comparable multiplier for spending on information products is $0.80 and for spending on financial & business services is $0.50. [Joel Popkin and Company, *Securing America's Future: The Case for a Strong Manufacturing Base*, 2003]

- **Productivity growth in manufacturing is 50 percent higher than the economy wide average.** Productivity growth in manufacturing from 1989 to 2003 was 3.6 percent annually – compared to 2.2 percent annually for non-manufacturing. [Bureau of Labor Statistics]

- **Manufacturing is responsible for two-thirds of all private-sector R&D – $127 billion in 2002.** [Popkin based on NSF data]

- **Manufacturing is responsible for 90 percent of patents.** [NAM]

- **Manufacturing is critical to America's national defense.** Manufacturing is not only critical for America's economy, it is also responsible for producing the national security systems that keep America safe. But America is becoming increasingly dependent on foreign suppliers for critical parts and components of those systems, including laser diodes, high-performance semiconductor chips, and charge-coupled devices – the heart of modern digital imaging equipment and missile guidance systems. Last year we learned that an Indiana plant manufacturing a key component for "smart bombs" was closing down and moving its production to China.

III. GEORGE BUSH'S FAILURE TO FIGHT FOR JOBS

- **Failing to enforce our trade agreements and trade laws.** Some of Bush's failures:
  - The United States has been the target of nearly one-third of all WTO cases filed since January 2001.
  - After finding scores of Chinese WTO rule violations in 2001, 2002, and 2003, the administration waited until March 2004 to file its first case against China.
  - The Bush administration has sought to gut funding for U.S. efforts to support workers' rights and combat abusive child labor around the world.
  - The Bush administration has only made a belated token effort to stand up to China on its currency manipulation.
- **No strategy for manufacturing.** George Bush has stood by while nearly three million manufacturing jobs have disappeared without producing anything more than a token strategy for manufacturing. <u>In fact, they would even make the crisis worse by cutting the MEP by 90 percent and moving to eliminate the Advanced Technology Program (ATP)</u>.
- **Record budget deficits have crowded out investment and triggered record trade deficits.** Under President Bush the budget has gone from record surpluses to record deficits. As a result, the United States has been forced to borrow more from abroad – running a trade deficit – and private investment in productive plant and equipment has been crowded out.
- **Pushed tax cuts for the wealthy rather than targeted stimulus for job creation.** The president's proposals have low bang-for-the-buck stimulus:
  - <u>No stimulus in the 2001 tax package</u>. The administration's original 2001 tax proposal did not include any stimulus – the partial rebate was only included at the insistence of Democrats.
  - <u>Ineffective corporate giveaways in the 2002 tax package</u>. After 9/11 the Bush administration ignored the growing jobs crisis and pushed for a retroactive repeal of the corporate Alternative Minimum Tax (AMT). The Congressional Budget Office wrote that repealing the corporate AMT "does little by itself to change the near-term incentive for businesses to invest." [Congressional Budget Office, Economic Stimulus: Evaluating Proposed Changes in Tax Policy, January 2002.]
  - <u>Ineffective capital gains and dividend cuts in the 2003 tax package</u>. In the 2003 the administration opted for capital gains and dividend tax cuts judged by independent organizations to be extremely poor stimulus. The <u>Congressional Research Service</u> found that a "capital gains tax cut appears the least likely of any permanent tax cut to stimulate the economy in the short run; a temporary capital gains cut is unlikely to provide any stimulus." [Jane G. Gravelle "Economic and Revenue Effects of Permanent and Temporary Capital Gains Tax Cuts" updated January 29, 2003]

IV. THE KERRY-EDWARDS THREE-PART PLAN TO REVITALIZE MANUFACTURING AND INVEST IN THE JOBS OF THE FUTURE

John Kerry and John Edwards have a three-part plan to revitalize manufacturing and invest in the jobs of the future. First, they will push for steps to immediately jumpstart job creation. Second, they will push to make America's businesses more competitive by bringing down the cost of healthcare and energy, ending rewards for companies that ship jobs overseas, and cutting corporate tax rates. Finally, they believe that America has a strong future in manufacturing using new processes and technologies to create high-wage jobs and will support government efforts to encourage innovation and investment by America's companies and education and training for America's workers.

Part 1: Jumpstart Job Growth. Employment has collapsed under President Bush, especially in manufacturing, and immediate steps are needed to halt this decline and start to recover our vital manufacturing jobs. John Kerry's plan to jumpstart manufacturing includes:

- **New Jobs Tax Credit.** As president, John Kerry would jumpstart manufacturing job creation with a New Jobs Tax Credit that would pay the employer share of the payroll taxes for any *net* new jobs created by manufacturers, other businesses affected by outsourcing, and small businesses in 2005 and 2006.
    - For example, a medium-sized manufacturing company employs 1,000 workers. If this company hires an additional 100 employees at $40,000 – bringing the total to 1,100 workers – they would get a tax cut of $3,060 per worker $306,000 in total. *Note, the New Jobs Tax Credit would roughly offset the additional cost of health premiums which have risen $2,630 under President Bush.*

- **Six-point plan to enforce our trade agreements and trade laws.** The Kerry-Edwards plan includes:

    1. Immediate reinstatement of the "Super 301" process to force the Bush administration to report and act on foreign trade barriers.

    2. A 120-day review of all existing trade agreements.

    3. Immediate investigation into China's worker rights abuses, and stepped up funding for worker's rights and anti-abusive child labor efforts.

    4. Increased resources for trade enforcement and action at the WTO.

    5. Structural reforms to enhance small business and high-tech trade enforcement capacity.

    6. More forceful efforts to stop illegal currency manipulation by China and other countries.

- **Include enforceable labor and environmental standards in new free trade agreements.** The Bush administration has moved us backward from the progress we made in the Clinton administration in getting to the labor provisions included the Jordan Agreement. John Kerry believe we should build upon and strengthen the progress made in the Jordan agreement by including strong and enforceable labor and environmental standards in the core of new free trade agreements.

- **Break down barriers in key export markets.** This administration has done little to open key export markets in places like Japan and Korea. For example, auto exports to Japan are still essentially blocked by complicated rules. As president, John Kerry would use the available tools, including Section 301 of the 1974 Trade Act, WTO remedies, and diplomatic measures to open these markets.

- **Expand Trade Adjustment Assistance Programs.** We need to expand the Trade Adjustment Assistance (Department of Labor) and Trade Adjustment Assistance for Firms (Economic Development Administration) programs to provide immediate relief for manufacturers, workers, and communities hurt by manufacturing imports, and integrate these programs with other workforce training programs.

- **Support jobs in America through "Buy American" guidelines.** John Kerry believes that U.S. federal contracts where possible should be performed by American workers. John Kerry supports stronger "Buy American" guidelines for defense and homeland security – a smart policy that will help retain and strengthen domestic manufacturing capabilities in strategic manufacturing industries. John Kerry would require companies give at least three months of advance notice before laying off employees and shipping their jobs overseas. Finally, John Kerry supports the consumer's "Right to Know" where the call center calls they are receiving are originating from.

<u>Part 2: Make America More Competitive</u>. John Kerry believes that we need to make America more competitive – reducing costs for American businesses creating jobs in America while ending special tax breaks for companies creating jobs overseas.

- **End tax breaks for companies creating jobs overseas.** Currently companies get special tax breaks when they create jobs overseas. Specifically, under the deferral rules companies do not pay taxes on income they earn abroad until they bring in back to the United States. This encourages companies to create jobs overseas and reinvest the profits overseas to permanently avoid U.S. taxes. John Kerry will end deferral, except where a company is locating a factory overseas to produce for the local-country market.

- **Cut corporate taxes for 99 percent of taxpaying corporations.** John Kerry will use the savings from deferral and closing other international loopholes to cut the corporate tax rate by 5 percent – providing a tax cut for 99 percent of taxpaying corporations. This will lower costs for companies producing in America.

- **Cutting the deficit in half to free up more capital for investment and reduce the trade deficit.** Under George Bush, America has gone from record surpluses to record deficits – with deficits continuing as far as the eye can see. This threatens to raise interest rates and reduce confidence in the economy. In addition, it has led to a record trade deficit and unsustainable borrowing. As president, John Kerry will restore fiscal discipline, pay for all his proposals, and cut the deficit in half in his first term as president. This will help give America's businesses the confidence they need to start hiring again, keep interest rates from rising, and avoiding the looming crisis that could result from ballooning foreign borrowing.

- **Health reform to end runaway premium growth and help make employers more competitive – saving up to $1,000 on health premiums.** Under George Bush healthcare premiums have risen 40 percent – making it harder for employers to hire new people. The National Association of Manufacturers has stated that "the rising cost of health care coverage is one of the biggest impediments to sustained recovery in the manufacturing sector." The AFL-CIO's manufacturing agenda features health care reform as a central element. John Kerry has a plan to make healthcare more affordable for America's families – and cut the costs for businesses. His plan includes tax credits to help small business pay for health insurance and a swap where the government would assume the costs of catastrophic healthcare (above $50,000) in exchange for companies extending high-quality health coverage to their employees. The Kerry-Edwards plan would cut premiums by up to $1,000.

- **Lower the cost of energy and move America towards energy independence.** John Kerry supports a comprehensive agenda to advance the use of renewable energy sources and promote more energy-efficient cars and buildings – reducing the pressure over the long run. To immediately relieve the pressure on gas prices he would temporarily suspend filling the Strategic Petroleum Reserve, would work more effectively to ensure that OPEC increases production, and would enact a simpler and cleaner national fuels strategy.

- **Implement regulatory reforms that are pro-market and pro-consumer.** Too often, the Bush administration has used regulatory reform to bail out corporations rather than promote true competition. As a result, regulations are standing in the way of efficiency improvements in many industries that would benefit consumers and businesses. As president, John Kerry will implement regulatory reforms that use market-based incentives while protecting the environment and consumers against abuses.

<u>Part 3: Invest in the Jobs of the Future</u>. The Kerry-Edwards plan will insure twenty-first century leadership in innovation and translating innovation into new jobs. George Bush's policies have already squandered the U.S. position in both areas. The Kerry-Edwards plan will make America more competitive through innovation that benefits workers, not outsourcing and off-shoring that costs them.

- **Establishing Manufacturing Business Investment Corporations (MANBIC).** The new Kerry-Edwards MANBIC initiative is modeled on the Small Business Investment Company (SBIC), which provides venture capital and start-up financing to small businesses, a program that John Kerry has strongly supported and will champion as president. SBICs have provided start-up capital in many successful businesses, including Intel, America Online, Apple Computer, Staples, Federal Express, and Sun Microsystems. John Kerry's new MANBIC proposal will create added incentives for investments by venture capital funds in medium-sized manufacturing firms, which are crucial for developing and sustaining new production methods, new products and emerging markets. The MANBIC proposal increases the investment ceiling

- **Double the funding for Manufacturing Extension Partnership (MEP).** As president, John Kerry will double the funding for the Manufacturing Extension Partnership from it's pre-Bush level. This will speed the adoption of new technology by small and medium-sized manufacturers. 350,000 small manufacturers account for over half the total value of U.S. industrial production. They employ 11.1 million people in high-skill, high-wage jobs, with production employees earning 50 percent more than retail employees. In 2002, the MEP helped small manufacturers create or retain $2.8 billion in sales and 35,000 jobs. Unfortunately, the Bush administration has proposed slashing the MEP budget by 90 percent.

- **Restore funding for the Advanced Technology Program (ATP).** The Bush administration has proposed eliminating the Advanced Technology Program, the only federal program that is designed to promote civilian technological innovation whether or not linked with government missions, such as defense. As president, John Kerry would reform the ATP so that it supports the growth of regional high-technology "clusters" that spring up around research institutions, and funds university-industry consortia that benefit broad sectors of our economy.

- **Develop 21st Century manufacturing technologies at the Defense Advanced Research Projects Agency (DARPA).** Past investments in defense research have provided military superiority to the men and women in America's armed forces, with capabilities such as stealth technology, precision-guided munitions, and night vision goggles. This year, the Bush administration has proposed cutting the long-term portion of the defense R&D budget by 15 percent. Under the Kerry-Edwards plan, investment in long-term, high-risk defense research through agencies such as DARPA and the Office of Naval Research would be increased. Some of this increase would be targeted to advanced manufacturing technologies, such as flexible manufacturing that can produce custom products in low volumes at competitive costs. This will benefit not only the Defense Department's suppliers but U.S. manufacturing as a whole.

- **Revitalize defense manufacturing.** Many key innovations in manufacturing, ranging from computer-controlled machine tools to fabrication of advanced integrated circuits, stem from defense R&D and procurement. Yet manufacturing-oriented technology development has atrophied in DOD even as spending on military R&D and procurement has skyrocketed. Under President Kerry, DOD would aggressively support defense manufacturing technologies both to provide our troops with equipment of the highest quality in the volumes needed and because the "spinoffs" to non-defense industries would help other U.S. industries strengthen their competitiveness. industries that would benefit consumers and businesses. As president, John Kerry would implement regulatory reforms that use market-based incentives while protecting the environment and consumers against abuses.

- **Move towards universal broadband access.** The United States has fallen to 11th in the world in broadband penetration. John Kerry believes we must reverse this trend and regain the lead. As a senator, John Kerry has championed expanded access to broadband, especially to rural and other underserved areas. He is committed to releasing policies to achieving this goal.

- **Investing in energy independence and creating the jobs of the future.** John Kerry supports ambitious investments in energy independence, helping to create the high-tech, high-wage jobs of the future in producing new energy efficient technologies. This will not only reduce costs for America's families and businesses, it will also help to create entire new industries of the future like producing hybrid and hydrogen-powered cars.

- **Improve America's K-12 math and science education.** America will only prosper in the global economy if we give every child a world-class education. For America's high-tech competitiveness and national security, excellence in math and science education is particularly important. Currently, more than half of high school students taking physical science have instructors that don't have a college major in the subject they are teaching. The situation is even worse in low-income urban schools. John Kerry is committed to giving states and local communities the resources they need to recruit and retain high-quality teachers, and provide existing teachers the professional development they need to excel.

- **College Opportunity Tax Credit to make four years of college universally accessible.** John Kerry support a tax credit on up to $4,000 of tuition for four years of college. This would make college universally accessible for all Americans, helping to train the workforce of the future – and create good, high-paying jobs.

- **Enhance training.** George Bush has proposed more than $1 billion in cuts to worker training over the last three years. As president, John Kerry will fight to expand training and lifelong learning, including expanding training as part of the Trade Adjustment Assistance, supporting regional skills alliances, and protecting training conducted at community colleges.