



Analytics

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RE: Reflections on the NAM agenda

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The National Association of Manufacturers (NAM) released their 2010 agenda for manufacturing on June 28

(<http://www.nam.org/Communications/Articles/2010/06/~media/99977BFAD78B4DA1B812C4DD3F3CC94F.ashx>). Some of their ideas clearly would improve the business climate and restore jobs to our economy. However, others appear to be ill-timed, in light of the strong concerns by the public regarding increased government spending and deficits and other external factors. NAM's ideas can be grouped as follows:

Good, plain vanilla ideas:

Reduce the corporate tax rate to 25 percent or lower, promote fair rules for taxation of active foreign income of U.S.-based businesses, and institute permanent lower tax rates for individuals and small businesses.

Make permanent the R&D tax credit.

Oppose new federal regulations that dictate rigid work rules, wages and benefits, and reject regulations that introduce conflict into employer-employee relations.

Implement a common-sense, fair approach to legal reforms, with clear standards for liability and justice for all parties, including specific statutes of limitations, sanctions on frivolous claims and limits on punitive damages.

Regulatory rulemaking must be based on a cost/benefit analysis. NAM opposes regulations (specifically EPA regulations) that circumvent the will of Congress.

Establish federal climate change policies that reflect a multilateral, comprehensive approach.

[Specifically, if the United States enacts greenhouse gas laws that are stricter than China's and India's, then we will be at a huge competitive disadvantage vis-à-vis these major polluters.]

Implement school reforms to increase science, technology, engineering and math education.

[This is easily coupled with the idea of supporting charter schools that emphasize science, technology, engineering, and math education.]

Good ideas that will help Delaware specifically:

Robust enforcement by the Executive Branch of intellectual property rights, both domestically and globally. [This is important for the state's pharmaceutical industry. Countries that engage in counterfeit drug making, such as India and China, are stealing markets, and thereby jobs from Delaware.]

Infrastructure investments. [This would include funds to keep the port of Wilmington viable (and jobs in the Wilmington area) and funds to replace Delaware's bridges that are structurally deficient.]

Ideas Whose Time Has Not Come:

Continue "robust" government spending on basic R&D. [This is hard to justify in light of the need to cut government spending.]

Increase number of visas for employer-sponsored immigrants (with technical skills). [This is hard to justify when unemployment is at 10 percent. Some U.S. engineers and groups critical of

expanded immigration claim that businesses use such immigrants as indentured servants, paying them less than native U.S. engineers because of the employer can threaten to take away the worker's visa and send him home.]

Continue to negotiate trade agreements. [Two free-trade agreements have been stalled in Congress for years. This is another tough sell in a recessionary economy.]

Expand government-funded export promotion programs and government-backed export financing. [In addition to the federal spending/deficit issue, there is evidence that such financing comes with environmental strings attached. Last month's controversy over Ex-Im's denial of a loan guarantee to U.S. firm selling coal mining equipment to India caused the firm to make a commitment to renewable energy in order to have their application reconsidered.]

Comprehensive "all of the above" energy strategy that includes government support of energy efficient and environmentally friendly technologies. [Hard to justify in light of the need to cut government spending. It is also reminiscent of Jimmy Carter's wasteful SYNFUELS initiative.]

Massive additional government spending on infrastructure, roads, broadband, inland waterways, green technologies, etc. [Hard to sell all of this package in light of the need to cut government spending, but see the Delaware-specific ideas in the preceding section.]

Change the U.S. export control system to allow more technology exports. [Currently the United States government controls exports of certain technologies to China, Russia, Pakistan, India and Israel for national security reasons. The Chinese have been pushing for increased access and the Obama administration is cooperating; opponents say that the Chinese can easily convert the commercial technology it seeks to military use.]

Health care reform — the new law needs to be implemented in a way that does not hurt businesses. [Too late! It already does. NAM's

position is not consistent with the conservative calls for 'repeal and replace.']

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Overall, I am a proponent of free markets with limited government and logical but limited regulations. I also believe in fair and free trade agreements.

If we learn from history and understand why we had robust growth after the 1920 recession and why we had a depression after the 1929 Crash, robust growth after 1945 and after Reagan's election and after congress changed power during Clinton's initial term, it would be obvious that lower tax policy and limited government spending stimulates growth and brings in record tax revenues due to increases in employment and GDP.

Another major component to reviving manufacturing and the private sector is the attitude of business leaders across the spectrum. If there is confidence in tax policy and pro growth strategies coming from Washington, business leaders will assume risk and invest to expand their business. In today's environment the attitude among business leaders is that government policy is in flux and not well defined. There is firm opinion that taxes will increase but is undefined, environmental policies will add cost and negatively impact productivity, health care regulation will increase cost and is still not well defined. Everything associated with our present government policies are a catalyst for business to figure out how to limit risk, protect cash flow and limit future liabilities since they have uncertain consequences. The result is a lack of business expansion through investment. These and financial reform impacting lenders and forcing them to be conservative and restrictive in lending policy are what will drive a recession into a depression.

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