



Leading Innovation. Creating Opportunity. Pursuing Progress.

Testimony

of Jay Timmons

President and CEO

National Association of Manufacturers

before the Joint Economic Committee

on The State of U.S. Manufacturing

June 22, 2011



**COMMENTS OF THE NATIONAL ASSOCIATION OF MANUFACTURERS
BEFORE THE**

JOINT ECONOMIC COMMITTEE

JUNE 22, 2011

Chairman Casey, Vice Chairman Brady and Members of the Committee,

Thank you for the opportunity to testify on behalf of the National Association of Manufacturers (NAM) at the June 22, 2011, Joint Economic Committee hearing on the State of U.S. Manufacturing.

The NAM is the nation's largest industrial trade association, representing small and large manufacturers in every industrial sector and in all 50 states. Manufacturers very much appreciate your interest in and support of the manufacturing economy.

Overview

Manufacturers are proud to be leading our nation's current economic recovery with increased productivity, renewed investment, employment, exporting and innovation. Even after the economic downturn, the United States remains the top manufacturing economy in the world, accounting for 21 percent of global manufacturing wealth.

The manufacturing sector employs nearly 12 million Americans earning 22 percent more in wages and benefits than the rest of the workforce. Since December 2009, manufacturers have been responsible for 14 percent of the net growth in employment, even though manufacturers account for roughly nine percent of the total nonfarm workforce.

U.S. manufacturers are twice as productive as workers in the next 10 leading manufacturing economies and perform two-thirds of all R&D in the nation, driving more innovation than any other sector. Indeed, manufacturing in America is the engine that drives the U.S. economy by creating jobs, opportunity and prosperity.

Nonetheless, the NAM remains concerned about the significant challenges faced by manufacturers in the United States. Despite the critical role the industry plays in the economy, taxes, legal costs, energy prices and burdensome regulations make it 18 percent more expensive to manufacture a product in the United States than in any other country.¹ That's without even taking into account labor costs.

Layered on top of these higher costs is the broad uncertainty faced by American businesses that includes "on-again, off-again" tax policy and an unpredictable regulatory

¹Leonard, Jeremy, "[The Tide Is Turning](#)," November 2008, Manufactures Alliance and The Manufacturing Institute.

environment. Manufacturers also increasingly are concerned about the impact of the historically-high levels of the federal deficit and the national debt on manufacturing and the overall U.S. economy.

Manufacturers very much appreciate the bicameral, bipartisan support for manufacturing in Congress including this Committee's focus on the state of U.S. manufacturing. NAM members also appreciate the strong interest in manufacturing expressed by the Administration. At the same time, the current support for our industry needs to be translated into specific policy changes.

The NAM's Manufacturing Strategy for Jobs and a Competitive America, is a comprehensive view of what is needed for manufacturing to succeed in the global market-place. The Strategy makes the case for a broader, more far-reaching and strategic approach toward manufacturing to help ensure that the United States will be:

- the best country in the world to headquarter a company and to attract foreign investment;
- the best country in the world to innovate and perform the bulk of a company's global research and development; and
- the best country in the world to manufacture both to meet the needs of the American market and serve as an export platform for the world.

We strongly urge the Committee to support NAM's Strategy and other policy changes outlined in more detail below that are designed to address many of the challenges faced by manufacturers and the broader U.S. economy.

A Pro-Manufacturing Tax Climate

The United States is no longer the dominant global player that it was in the 1960s and 1970s. American manufacturers today operate in a fiercely competitive global marketplace. A pro-manufacturing tax system is critical to their ability to compete. Our nation's high tax rates, worldwide tax system, and an unpredictable and less competitive R&D incentive pose significant burdens on U.S. manufacturers.

The United States has the second highest statutory corporate tax rate among the major industrial countries (OECD), trailing only Japan. Furthermore, other countries have been regularly lowering their tax rates to encourage economic growth.

One of the most important ways policymakers can create a competitive U.S. tax climate is to reduce the corporate tax rate to 25 percent or lower without imposing offsetting tax increases. An analysis last year by the Milken Institute, *Jobs for America*², concluded that reducing the U.S. combined (federal and state) corporate income tax rates to the average of OECD countries (27 percent) would stimulate growth in the manufacturing sector. By 2019, real GDP would rise by 2.2 percent (or \$376 billion) and 2.13 million private sector jobs would be created.

²[Jobs for America](#), Ross DeVol and Perry Wong, Milken Institute, January 2010.

Lowering the corporate tax rate is only part of the solution. More than 70 percent of manufacturers are organized as “S” corporations or other “flow-through” entities and pay income taxes at individual rates. Lower individual tax rates in effect through 2012 have played an important role in helping these companies survive challenging economic times and in retaining and creating jobs. It is critical to smaller manufacturers that lower individual tax rates are extended and made permanent to create the certainty needed for long-term planning and free up resources needed for capital investments and jobs.

Investment abroad by U.S. companies generates U.S. exports and supports jobs in the United States. Despite the benefits to the U.S. economy of having American companies expand beyond our shores, U.S. tax laws make it more difficult for U.S. worldwide companies to thrive and compete in the global marketplace. Most OECD countries impose little or no tax on the income their resident companies earn from active businesses in other countries. In contrast, the United States has a worldwide system that taxes income regardless of where it is earned.

As a result, U.S. multinationals generally have a higher tax burden than non-U.S. multinationals—a significant disadvantage when U.S. companies are competing against non-U.S. multinationals and local firms for business in a global marketplace. If U.S. companies cannot compete abroad, where 95 percent of the world’s consumers are located, the U.S. economy will suffer from both the loss of foreign markets and domestic jobs that support foreign operations.

In order to make U.S. worldwide companies more competitive, the NAM supports moving to a territorial tax system similar to systems in most industrial countries, structured to enhance U.S. competitiveness, not to raise additional revenue.

Innovation also is important to competitiveness and the R&D credit—first enacted 30 years ago— is a proven incentive for spurring private sector investment in R&D and domestic, high wage, R&D jobs. Unfortunately, the credit, which is used by small and large companies, is set to expire for the 15th time at the end of 2011. The uncertainty of an on-again, off-again credit influences companies’ future R&D budgets, particularly when manufacturers are courted by other countries with more generous and permanent R&D tax incentives and lower corporate tax rates.

Given the critical role of the R&D credit in spurring innovation, one of NAM’s top tax priorities is a strengthened, permanent R&D tax credit to make the United States a more attractive place to perform research. The R&D credit also is a jobs credit: Seventy percent of credit dollars are used for salaries of high skilled R&D workers. According to the Milken Institute’s report, *Jobs for America*, if the credit were strengthened and made permanent, total manufacturing employment would increase by 270,000 within a decade.

A Progressive International Trade Policy

Even though the United States remains the world’s largest manufacturer, producing one in every five dollars of all manufactured goods in the world, we steadily are losing ground in world markets. Manufacturers believe we need a trade policy that will strengthen manufacturing in America, improve our competitiveness and stimulate job creation at home. These objectives can best be achieved by limiting costs and other impediments imposed on U.S. manufacturers, opening foreign markets to our products,

leveling the playing field for American exporters in terms of exporter support and supporting effective and enforceable compliance to transparent rules of fair competition.

More than one in every five manufacturing jobs currently is dependent on exports and increasing exports is key to U.S. job creation. In order to create new jobs, production has to grow more rapidly than productivity. The U.S. domestic market for manufactured goods however, is not expected to grow more rapidly than it has in the past 20 years when manufacturing productivity exceeded the growth of output³. So if production is to outpace productivity and create new jobs, we will have to rely more on exporting to the more rapidly-growing markets overseas, particularly in Latin America and Asia.

Ten years ago the United States had a 13 percent share of world exports of manufactured goods. Last year the U.S. share was only 9 percent. If our share of world exports of manufactured goods had stayed at the 2000 level, last year our exports of manufactured goods would have been \$400 billion larger, and we would have eradicated our manufactured goods deficit.

The Administration's goal of doubling exports by the end of 2014 is a good starting place and we need effective policies and programs to achieve that goal. The NAM laid out a detailed plan for how the goal could be accomplished in our "Blueprint for Doubling Exports",⁴ which includes the major elements of a progressive trade policy for the United States.

The most important element of a progressive trade policy is a strategy that embraces market-opening bilateral and regional trade agreements. As our competitors race to negotiate barrier-reducing agreements for their companies, U.S. manufacturers are falling further and further behind in their ability to secure markets. Key to implementing that strategy is for Congress to provide the President with trade promotion authority (TPA). Our negotiating partners need the assurance that what is agreed to at the negotiating table will be what the Congress is asked to approve.

Many policy makers oppose trade agreements in the mistaken belief that these agreements are the cause of the U.S. manufacturing job loss. The opposite is true. Trade agreements have never been a major factor in our manufactured goods deficit, and over the past three years we have had a manufactured goods \$70 billion *trade surplus* with our trade agreement partners. During that same period, our manufactured goods trade deficit with countries without trade agreements with us was \$1.3 trillion.

A critical first step in addressing this problem is to pass and implement immediately the three pending trade agreements with Colombia, Korea, and Panama – agreements that are estimated to generate \$13 billion of new exports and support 100,000 jobs. These agreements have been pending in Congress for four years and during this time our competitors have not been idle. There are hundreds of trade agreements and many more being negotiated while the United States has FTAs with

³ Over the past 20 years real gross manufacturing product growth has averaged 2.6 percent a year (about the same as overall GDP) while manufacturing productivity increased an average of 3.7 percent a year

⁴ <http://www.nam.org/nei>

only seventeen countries. We need to get the pending agreements approved and then must move to complete the Trans-Pacific Partnership, and set our sights on agreements with commercially significant markets such as Brazil, India, the European Union, and others. The United States also needs to keep pressing for meaningful multilateral agreements in the World Trade Organization (WTO) as well, but we must not let that delay us from obtaining the quicker and deeper liberalization that bilateral and regional agreements provide.

In order to increase U.S. exports, it also is imperative that we modernize our outmoded export control system, which severely hampers the export of products that should no longer be controlled and does not provide effective protection of our security. The Administration has been very supportive of our efforts and we strongly urge Congress to act on the major changes needed. A study sponsored by the NAM concluded that we lose some \$60 billion of exports annually because of the existing export control system.

We also need to provide U.S. exporters with the kind of support received by companies in other developed countries. The Department of Commerce's export assistance programs are underfunded and pale in comparison to assistance provided by other countries. Similarly, even though the U.S. Export-Import Bank provides valuable support, its annual level of support of about \$25 billion is significantly lower than export support provided by banks in other countries including the \$80 billion in support provided by their Canadian counterpart and the \$150 billion in support provided by their Japanese counterpart.

Increasingly, U.S. companies are earning a significant share of their income from their overseas operations, and those affiliates are export magnets. Policies that protect our overseas investors like Bilateral Investment Treaties, and policies to welcome foreign investment in the United States are important elements in achieving our job, export and economic growth objectives.

Non-tariff barriers also need to be dealt with more effectively. Arbitrary standards, duplicative testing and certification rules, restrictions not based on risk or scientific evidence, and other barriers need to be addressed in our bilateral agreements and in a more forward-looking WTO. Strong intellectual property protection must also be part of our trade strategy. Innovation, product uniqueness, cutting-edge design, and other products of U.S. innovation make us competitive and this intellectual property must be protected. Better enforcement of existing agreements and stronger forms of cooperation to root out counterfeiters and intellectual property pirates are essential.

All nations need to be held accountable for their obligations under international trade rules, and the United States needs to take effective steps when needed against unfair trade practices under the dispute settlement procedures available to us. We need to ensure that we get what we bargained for in the WTO and in bilateral agreements, and must also ensure that the effectiveness of our laws against unfair trade practices is not diminished.

The issues outlined above are key components of an effective trade strategy. We also encourage the committee to look carefully at the NAM's "Blueprint for Doubling Exports" for the full range of steps and initiatives that are needed.

A Comprehensive Energy Strategy

Affordable and reliable energy also is essential to manufacturers, the prosperity of American workers and our nation's overall economy. The manufacturing sector uses more than one-third of the energy consumed in the United States, and even more when product transportation is factored into the equation. Energy is indeed the lifeblood of manufacturing —manufacturers convert fuels to different forms of energy to manufacture all the products of daily life and the intermediates from which those products are made. However, a number of regulations including the greenhouse gases (GHG), ozone and those under the Clean Water Act will increase the cost of energy for manufacturing. This will decrease the manufacturers' ability to retain jobs and to remain globally competitive.

A comprehensive energy strategy is essential to the long term economic health of the United States and we urge Congress to craft a concise, comprehensive and thoughtful plan that addresses the energy needs of this country for the next 30 to 40 years.

It is critical that any comprehensive plan expand access to our nation's domestic energy supply in order to meet current needs for affordable energy. Manufacturers support an energy strategy that embraces all forms of domestic energy production while expanding existing conservation and efficiency efforts. Manufacturers and consumers will continue to rely upon all sources of fuel and energy for decades to come.

Oil, natural gas and clean coal remain essential contributors to America's energy security. The U.S. nuclear energy industry is well-positioned to expand its critical role in providing safe, affordable and reliable power. Alternative fuels and renewable energy sources like wind energy and solar power will also gain increasing importance in the future. Therefore, more of our energy needs to come from domestic sources and NAM believes it would be unwise to exclude any form of energy from our energy strategy.

One example of a domestic source of energy that needs to be continuously explored and developed is the oil and gas in the Outer Continental Shelf (OCS). We thank the distinguished members of the White House Jobs Council, Commerce Secretary Locke and others in the Administration for their commitment to advancing the permitting process for offshore drilling. However, the permitting process is slow and at times confusing. Permits need to be issued for manufacturers to continue to return to the OCS and to begin to safely explore and drill again. Not only will this provide a reliable and affordable source of energy for manufacturing, it will also generate jobs and revenues.

Off the coast of Alaska alone, there are an estimated 27 billion barrels of oil and 132 trillion cubic feet of natural gas. The Beaufort and Chukchi OCS have a great deal of potential in terms of domestic supply of energy, job growth and government revenues. It is estimated that they have the potential to create an annual average of 54,700 new jobs nationwide for the next 50 years. Also, drilling in these areas can generate an estimated \$193 billion in federal and state government revenues.

National energy policies should also rely on the marketplace and its proven ability to meet the nation's energy needs. The NAM is opposed to the imposition of taxes levied on particular sectors of the economy. The ramifications of singling out energy or

any other particular sector for tax increases would introduce a series of distortions in the economy.

Beyond these domestic sources of energy, manufacturers are doing their part in innovation and energy efficiency. There is no sector of the economy more supportive of energy efficiency than manufacturers. Manufacturers perform 50 percent of the research and development in the United States and are the leaders in developing and deploying innovative solutions across the manufacturing economy. No segment of American society has as much to gain from efficiency and waste reduction measures as the manufacturing sector and the consumers they serve. In fact, over the past 30 years, the energy efficiency of U.S. industry has improved remarkably. Energy intensity, the amount of energy it takes to produce one dollar of goods, has been cut in half, from 9.13 thousand Btu in 1970 to 4.32 thousand in 2003. Roughly half of the reduction in energy intensity can be attributed to energy efficiency improvements—using less energy to do the same amount of work.

A Pro-growth Regulatory Environment

Another significant challenge facing manufacturers is the costly burden of regulatory compliance in the United States. The burden of regulation falls disproportionately on manufacturers, particularly on small manufacturers because compliance costs typically are not affected by economies of scale.

The NAM welcomed the clear, new direction on regulation announced by President Obama in January in his op-ed in *The Wall Street Journal*, through his Executive Order 13563 and his memorandum on small business regulatory flexibility. With this new direction, Congress and the Administration should scrutinize the past two years of regulations and those currently under consideration to determine if they are consistent with a national mission of jobs and economic growth. Regulatory agencies must be held accountable to the principles for rulemaking articulated in the President's Executive Order.

Manufacturers applaud some recent actions that are completely aligned with this Executive Order and this new direction, in particular the recent decision by the Environmental Protection Agency (EPA) to stay the regulation of industrial and commercial boilers (the Boiler MACT rules) and accept a petition for reconsideration of several unnecessarily costly proposals. If implemented in its original form, the Boiler MACT rules would have cost thousands of manufacturing jobs and devastated sectors like the forest and paper products industry, which has been hit especially hard by the recent recession.

Despite some encouraging developments, some agencies are still pursuing costly and unjustified proposals. As noted above, EPA's regulation of greenhouse gas emissions and proposed ozone air quality standards will drive up energy costs, hurting domestic manufacturers' competitiveness in the global economy.

Manufacturers are particularly concerned with the EPA's proposal to make the National Ambient Air Quality Standard (NAAQS) for Ozone implemented by the previous Administration even more stringent, despite the fact that compliance with the current rule is enormously expensive for companies and reconsideration was not required by law. This action by the EPA is tantamount to moving the goal posts in the middle of the

game. According to the Manufacturers Alliance/MAPI, a more stringent ozone proposal would result in the loss of 7.3 million jobs by 2020 and add \$1 trillion in new regulatory costs per year between 2020 and 2030.

The NAM encourages Congress to work with the Administration and the EPA to defer this reconsideration altogether and devote resources to the five-year review mandated by law and required in 2013. This would send a strong signal to the marketplace of a common-sense approach to regulation and a step toward increasing certainty.

As part of this effort, policy makers should reform the design of our regulatory system to produce a more competitive economy. Several institutions in government already are dedicated to analyzing the impacts of regulation on the economy and the public; these institutions should be strengthened and given additional resources.

The Office of Information and Regulatory Affairs (OIRA) at the Office of Management & Budget (OMB) is the central clearinghouse for significant rulemaking by non-independent agencies. Despite its critical function, OIRA has shrunk as the rest of the federal government has grown in size and scope, with the number of employees at OIRA dropping from 90 to 50 employees and the federal government staff dedicated to writing, administering and enforcing regulations increasing from 146,000 to 242,000.

Within the Department of Commerce, the Office of Industry Analysis assesses the cost competitiveness of American industry and the impact of proposed regulations on economic growth and job creation. Unfortunately, there is an on-going attempt to redirect the efforts of this office and undermine its ability to participate effectively in a competitiveness review of regulation at a time the role of this office should be strengthened.

The Small Business Administration's (SBA) Office of Advocacy helps federal agencies implement the Regulatory Flexibility Act (RFA) and its amendments. The RFA requires agencies to consider the needs of small businesses when drafting regulations. Currently, under the RFA only a small number of regulations require this analysis because "indirect effects" cannot be considered and the small business panel process only applies to three agencies. In the past, this process has saved billions of dollars in reduced regulatory costs for small businesses. The NAM supports reforms to the RFA.

On a broader note, while Congress plays an important role in the regulatory process, it does not have a group to develop cost estimates of proposed or final regulation. A Congressional office for regulatory analysis under the Congressional Budget Office could result in a more thoughtful analysis of the regulatory authority granted by Congress, provide Congress with better tools to analyze agency regulations and allow Congress to engage in some more holistic reviews of overlapping and duplicative statutory mandates that have accumulated over the years.

In addition, Congress should confirm the President's authority over independent regulatory agencies. Consistency across the government in regulatory procedures and analysis would only improve certainty and transparency of the process.

Manufacturers firmly believe that the President's effort to review old, outdated regulations should be made permanent. The best incentive for high-quality retrospective

reviews of existing regulation is to automatically sunset those rules that are not affirmatively chosen to be continued. The federal government imposes on the public more than 9.9 billion hours of paperwork burden annually and this burden continues to grow. Although a large number, this underestimates the total time spent on compliance. Despite some successful efforts to limit these burdens they will never be substantially reduced without sun setting the underlying regulatory requirements. Congress has considered sunsets and retrospective reviews in the past and we support common-sense regulatory reform that forces agencies to modernize or eliminate outdated rules.

Another step in regulatory reform is to update the 65-year old Administrative Procedure Act (APA). Specifically, the NAM recommends that Congress incorporate the principles and procedures of President Obama's Executive Order 13563 and President Clinton's Executive Order 12866 into the APA to create greater certainty and improve regulatory outcomes. Since the APA applies to all agencies, including independent regulatory agencies, this is another way to ensure more uniform accountability across the government

A 21st Century Infrastructure

As the world's largest manufacturing economy, the United States also requires long-term investments in transportation and a comprehensive 21st infrastructure strategy to help ensure our future competitiveness in international markets. Competitors in Asia, Europe, and South America continue to ramp up investments in all types of infrastructure while we struggle to maintain crumbling highways, obsolete bridges, aging public transit, overstressed water and wastewater systems and outdated air traffic control technology.

While our nation faces many fiscal challenges, making key investments in infrastructure should not be delayed. Manufacturers rely on a productive system of roads, rails, ports, inland waterways and airports for receiving raw materials and shipping finished products to customers throughout the United States and the world. The nation loses 4.8 billion hours of extra time a year due to traffic tie-ups and traffic congestion costs Americans \$115 billion a year in wasted time and fuel.

The needs of the system are enormous and require innovations that include capital budgeting and planning, prioritizing and funding transportation projects of regional and national significance, a welcoming climate for private infrastructure investment, new federal bonding approaches, environmental permit streamlining and elimination of redundant state and federal regulations that promote greater flexibility to the states.

A Skilled Workforce

According to employers, one of the key issues for manufacturers is the need for a skilled workforce. Manufacturers applaud President Obama's support for strong partnerships between manufacturers and community colleges to make manufacturing credentials available nationwide and help close the skills gap. This supports NAM's goal, driven by The Manufacturing Institute, to provide 500,000 more skilled workers for the manufacturing industry within the next five years.

The NAM also is encouraged by recent developments to reauthorize the Workforce Investment Act. This long-awaited, bi-partisan effort to reauthorize these programs is an important first step in improving and strengthening employment, education, training and vocational rehabilitation services in our country. The NAM believes Congress should continue the process of refining this legislation to meet the needs of employers and employees by promoting and emphasizing nationally portable, industry-recognized skills credentials within WIA as well as other workforce development programs.

With respect to achieving and maintaining an appropriate balance in labor relations, the NAM is very concerned about the effects of a recent complaint filed by the Acting General Counsel of the National Labor Relations Board (NLRB) against the Boeing Company. While I do not wish to argue the merits of the case, which are clearly in dispute, from a policy standpoint the remedy sought by the NLRB in this case is causing a great deal of uncertainty among NAM members. In fact, the decision could have serious negative impacts on capital investment and hiring across the United States until this situation is resolved.

Other cases and actions being taken by the NLRB also bring up questions of the proper role this agency plays in the workforce. For example, the NLRB has undergone a proposed rulemaking that would require all employers to post “unionization rights” in their workplaces and send the same notice to employees through electronic means. The NAM filed comments with the NLRB questioning whether they even have the authority to require all employers to do anything since the National Labor Relations Act is conspicuously silent on this matter. This concerning trend continues. On June 21, the NLRB proposed new regulations that will limit employees’ ability to make informed decisions by drastically shortening the time frame for union elections to just a few days.

Recent enforcement activities by the Occupational Safety and Health Administration (OSHA) also are a concern for our members who have noticed a shift in posture or attitude from compliance assistance to a “gotcha” enforcement approach. We believe by assisting employers in complying with what can often be complex regulations is a more productive approach to creating safe workplaces.

Addressing Our Nation’s Fiscal Challenges

Manufacturers also are focused on the long-term impact of the federal deficit and the national debt. In fact, the debt and the deficit were topics of sessions at several recent NAM meetings of our Board of Directors and Executive Committee.

A strong manufacturing sector provides reliable, good-paying and reliable jobs and adds to the tax base at all levels of government. As business owners and job providers, NAM members are fearful that our nation’s fiscal situation will put upward pressure on interest rates, which in turn will raise the cost of capital, discourage business investment and reduce capital per worker, productivity, real wages, and living standards. In light of what has happened overseas, manufacturers also are concerned about the negative impact of our deficit and national debt on foreign direct investment in the United States.

NAM members firmly believe that our nation cannot resolve its fiscal problems on the backs of business and that we must take a long hard look at federal outlays and how

we can control federal spending. NAM members have long maintained that Congress and the Executive Branch should work to control spending so that the federal revenue gain from economic growth and good tax policy can decrease future projected federal deficits. An important part of this effort should be to investigate ways to get government spending in sync with federal revenue receipts, which has averaged 18.5 percent of GDP in non-recessionary years since 1950. The most significant factors contributing to future deficit growth are the run-away costs associated with U.S. entitlement programs.

It is critical for policy makers to review entitlement programs, including Social Security. The beginning of the Baby Boom retirements, and a decline in payroll taxes because of high unemployment rates, are cutting into the Social Security trust fund. In fact, more people filed for Social Security in 2009—2.74 million—than ever before. In addition, 2010 was the first year since 1983 that the federal government paid out more in Social Security benefits than it collected in payroll taxes.

We also urge Congress to take a hard look at Medicare and Medicaid, particularly in light of the demands on these programs under the new healthcare legislation. Manufacturers believe cost savings can be achieved through reforms that include value-based purchasing and other incentive programs to encourage evidence-based medicine. These programs should integrate efforts to help consumers make better health decisions, which will drive down costs. In addition to these changes, manufacturers recognize that in order to achieve long term stability, tough choices will need to be made about eligibility criteria, indexing of benefits and the overall scope of these programs.

Discretionary spending, while a much smaller part of the federal budget, also warrants close scrutiny. Spending programs should be subject to continuous review so that budget outlays can be controlled by reducing, restructuring or terminating outmoded or non-essential programs.

Conclusion

After the deepest recession in seven decades, America's economy is beginning to recover, striding the long way back toward expansion and employment. Manufacturers are proud to be leading the way. Indeed, now is American manufacturing's moment and we cannot take these recent improvements for granted. If we are to set a path for sustained economic growth, job creation and long term competitiveness, policy makers must embrace a comprehensive strategy. As outlined above, more can and must be done to make the U.S. manufacturing sector more competitive, more productive, and better able to create even more high-paying jobs.

The policy objectives outlined above - pro-competitiveness tax rules, a 21st century trade policy, a viable and globally competitive domestic energy industry, common-sense regulatory reform, critical infrastructure improvements and a skilled workforce that is able to understand new technologies and manufacturing processes - will go a long way to creating a climate that is more suited to the global competitiveness challenges that manufacturers face. At the same time, a serious effort to get our nation's fiscal house in order will lead to much needed stable and durable economic growth.

Thank you for the opportunity to share our views on the opportunities and challenges facing manufacturers in the United States. As the preeminent U.S.

manufacturers association and the nation's largest industrial trade association, representing small and large manufacturers in every industrial sector and in all 50 states, we are committed to working with you to advance legislation that, will allow manufacturers in the United States to compete effectively in the global marketplace.

Supplemental Sheet

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