

Remarks at “The Future of Manufacturing” Conference at MIT

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Commerce Secretary John Bryson

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It is an honor to be here at MIT with faculty and students, as well as with business, government and labor leaders. MIT is certainly, by any measure, among the most distinguished science, engineering, and research universities not just in the U.S., but in the world.

And it’s among only a handful of the premier institutions which are committing substantial leadership to thinking hard about the future of manufacturing – as evidenced by the new Production in the Innovation Economy project, which you discussed yesterday.

And I might note that all of this praise is coming from someone whose personal engagements have been heavily at Stanford and Cal Tech.

You may have seen a recent edition of the Economist focused on manufacturing with a report entitled “A Third Industrial Revolution.” It quoted President Hockfield, and it highlighted many times the work of the MIT research community.

It’s true that we have seen a robust national dialogue emerge on what American manufacturing can and should look like in the 21st century. This dialogue is driven by significant progress over the past 2 years, as manufacturing has helped lead us out of a major economic recession.

After a decade in which we lost too many manufacturing jobs, in the past two years we’ve added back nearly half-a-million. At the same, the number of job openings in manufacturing has more than doubled.

And those who thought that American manufacturing was gone for good have been forced to reexamine their views. This brings to mind again of the well known Mark Twain aphorism: “Reports of my death have been greatly exaggerated.”

I strongly believe that manufacturing – particularly advanced manufacturing based on new technologies – is a matter of fundamental importance to America’s economic strength in the 21st century.

There is a powerful link between America's ability to make things and America's ability to innovate, compete, and create good jobs.

Today, there is much more work to do to build on the positive trends we see, and to create more jobs right here in the United States. That's what I'd like to discuss today.

Let me start with a piece of news.

The Commerce Department is releasing a report today called The Benefits of Manufacturing Jobs. It provides fresh evidence that manufacturing jobs support economic security for America's middle class.

For example, the report shows that manufacturing workers earn pay and benefits about 17 percent higher than average. It also shows, not surprisingly, a substantial overlap between the manufacturing workforce and those employed in the science, technology, engineering and math fields.

And the report builds on what we already knew: Manufacturing is responsible for 70 percent of our private sector R&D, 90 percent of our patents, and 60 percent of our exports.

The President himself has understood the importance of manufacturing and manufacturing jobs from Day 1.

When he took office, we were at risk of losing over 1 million auto industry jobs. The ripple effect on the supply chain and other local businesses would have been devastating. We could have permanently lost part of our manufacturing base. And some say that it could have driven our country from a deep recession into depression.

Instead, due to the President's leadership, the auto industry has not only survived – but is thriving. The auto industry as a whole has added more than 200,000 jobs.

The lesson learned here is that smart, strategic actions to support American manufacturing can work. And those actions can help ensure that our economy is indeed built to last.

So our question today is this: What are the next smart, strategic steps we need to take?

First and foremost, we need to build on partnerships that already work to enhance competitiveness and innovation. The Commerce Department is a crucial partner to both universities and large and small manufacturers.

A quick example. A few years ago, MIT collaborated with our National Institute of Standards and Technology. MIT measured the mass of certain atoms, and NIST measured the energy emitted by those atoms.

Those results showed 55 times more accurately than ever – that “E” does – in fact – equal “M C squared.”

Einstein's theory of relativity – of course – supports technologies like GPS. Clearly, basic research can translate into economic opportunity – in this case, a multi-billion-dollar industry with products and services we depend on every day.

Without it, half of us might not have made it here today – perhaps even some of the local Bostonians.

So it's clear that we need an all hands on deck approach to manufacturing and the research that supports it.

That's why the President has called for an all-of-government, all-of-academia and all-of-industry approach. He launched the Advanced Manufacturing Partnership – an effort co-chaired by President Hockfield. Madame President – I look forward to seeing the Steering Committee's upcoming report on where all of us should focus to improve competitiveness.

That's also why the President tapped me and Gene Sperling to lead the White House Office of Manufacturing Policy. We're providing coordination across all of the federal government's manufacturing programs.

In addition, the President understands the essential link between innovation and manufacturing.

That's why he has called for Congress to double the basic research budgets at several agencies, including NIST lab programs, the National Science Foundation, and the Department of Energy Office of Science.

That's why his 2013 budget includes \$2.2 billion in R&D specifically for advanced manufacturing, a 19 percent increase. And that's why the budget also includes \$100 million in new funding for NIST overall, a 14 percent increase.

The support for NIST is particularly crucial because our experts work in cutting-edge fields like flexible electronics, robotics, and biomanufacturing. Each day, they work with companies to make yet better chemicals, cars, computers, and more.

We need to make sure that they can continue to powerfully assist in finding even more discoveries that support advanced manufacturing and improve our daily lives.

Day-to-day collaboration through places like NIST is crucial. But equally important is that we ensure an overall environment where U.S. manufacturing can flourish.

For example, our manufacturers deserve a tax system that works for them.

Of course, that starts by renewing crucial provisions like the R&D tax credit. The President has repeatedly called on Congress to make that tax credit simpler – and yet more importantly – permanent.

In addition, as we all heard yesterday, the President wants Congress to give small businesses a 10 percent tax credit for new hires and extend the Production Tax Credit.

Overall, more broadly, it's time to reform our corporate tax code.

Right now, it's broken. The U.S. has one of the highest statutory corporate tax rates in the world at 35 percent. It hasn't changed significantly since the 1980s.

The President has called to drop the corporate tax rate to 28 percent, with an effective rate of 25 percent for manufacturers.

Repairing our broken tax code is something that Democrats and Republicans should be able to agree on.

Importantly, it will also help us attract more investment to the U.S.

Already, both foreign and U.S.-based manufacturers are finding more and more reasons to point to America and say, "That's where I want my next factory to go." This is due to our powerful R&D base, our deep supply chains, and – of course – our very talented workers.

To build on the insourcing trend by U.S. businesses, the President called yesterday in his speech to stop rewarding companies that ship jobs overseas – and start rewarding those who bring jobs back to the U.S. with a 20 percent tax credit for moving expenses.

And to attract more foreign direct investment, we launched SelectUSA – the first coordinated effort across the government to encourage even more investment in the U.S.

Through it, our foreign commercial service officers in 25 fast-growing markets are working more closely with foreign businesses that want to locate facilities and create jobs here. They're giving these investors the information they need, and helping them overcome barriers that get in the way.

In this global economy, we can't leave any jobs on the table. We want American manufacturers to keep jobs here – like I saw recently at a new, million-square-foot Whirlpool facility in Tennessee. And we want to help American workers prove that they can be a strong part of any international manufacturing team – like I saw on that same trip to Tennessee at a Volkswagen plant that is hiring nearly 1,000 people this year.

But it's not just a matter of building things here. We also need to sell things everywhere.

In 2011, we had an all-time record of \$2.1 trillion in U.S. exports. About \$1.5 trillion of that was goods.

We are going to build on that with the Korea trade agreement that just went into effect. Nearly 80 percent of the costly tariffs on our goods to Korea are gone – on everything from chemicals to aerospace equipment. That's important because Korea imports about \$250 billion worth of goods

each year from around the world.

On top of that, I'm pleased to say that the new Colombia trade agreement goes into effect next Tuesday. More than 80 percent of our exports to Colombia will become duty-free immediately.

We're getting the word out to manufacturers about these new market opportunities as part of World Trade Month – which is happening now.

And we can't let up. The fact is, many of our trading partners are facing major economic challenges this year. This could result in decreased demand for products from countries like ours.

So we need to continue to empower our manufacturers to start, sustain, and increase exports.

Two quick examples: One, we need to help manufacturers make the important person-to-person connections that result in deals getting done – through efforts like trade missions. And two, we need to ensure that manufacturers have a fair shot at selling Made-in-America goods. Our new Interagency Trade Enforcement Center is addressing unfair trade practices to help them do just that.

Overall, I'm convinced that when American businesses have a level playing field, they can compete and win.

And while tax reform, investment, and exports are all critically important, let me bring us back to something that hits yet closer to home at MIT. And that is education and training. As a former CEO, I know first-hand that having highly-skilled workers to power a company is critical.

I've heard great things about Leaders for Global Operations. Your mission to train technically-oriented leaders in manufacturing and operations – is a great example of where we should focus.

And it parallels the President's Community-College-to-Career Fund which aims to train 2 million workers for good jobs in high-growth industries.

I'll never forget my trip to the Community and Technical College in inner-city Minneapolis. A service member came back after serving two tours of duty in Afghanistan. He went through their training program and got a good-paying job as a result.

Clearly, we need the right people with the right skills to fill the thousands of good jobs that are open – right now – especially in advanced manufacturing. And the key to that is in STEM education.

STEM workers are at the forefront of inventing and producing new technologies. Over the last decade, STEM job openings climbed three times as fast as jobs in other sectors.

However, in recent years, only about 13 percent of U.S. college graduates got STEM degrees. That is much lower than other countries like Korea and Germany, which are at about 25 percent.

The President's new budget requests an overall increase to about \$3 billion to support STEM programs nationwide.

And, looking forward, I think we need to do three things. We need to ensure that women and minorities have stronger paths to STEM degrees. We need to “staple” green cards to the STEM degrees of foreign students who have job offers here and who can help us drive innovation. And – as the President has said repeatedly – we must do everything possible to ensure that student loan interest rates don't double for 7.5 million students on July 1 – including students here today. Am I right?

Before I close, I'll say something I've said many times before: Washington doesn't have all the answers when it comes to supporting business. Instead, it's critically important that we direct the bulk of our energy and our efforts into manufacturing communities “out there” across the country.

Already, the Commerce Department has a long track record of doing just that. For example, our Manufacturing Extension Partnership has 1,400 experts across 50 states. The MEPs help small manufacturers get started, find partners and customers, and integrate themselves into supply chains. Notably, for every dollar we invest, the MEP program generates about 30 dollars in sales growth.

Today, we can do even more to invest in vibrant manufacturing communities throughout the nation.

So I want to make three quick announcements about how we are going to do just that.

First, the President has called for a new public-private partnership – the National Network for Manufacturing Innovation. This would create up to 15 Institutes around the U.S., each concentrated on particular areas of advanced, manufacturing-related research.

These institutes would help close the gap between R&D and product development – finding new ways to reduce the cost and the risk of commercializing new technologies. The institutes would also give small businesses access to expensive, cutting-edge equipment. And they would create places where students and workers could learn new skills to get good jobs.

To make this happen, we need your help. Our Advanced Manufacturing National Program Office is asking for advice from experts like you: How should these institutes be structured? What fields we should focus on? How do we attract partners to sustain it, along with the \$1 billion federal investment that the President proposed?

Thank you in advance for helping answer those questions – and many more – which were just posted online in the Federal Register a few days ago.

A second announcement will formally come next week, but I want to give you a sneak peek.

Over the past few years at the Commerce Department, we've focused on building on the unique strengths and assets we see in different regions. Many of you have heard of clustering.

Clusters happen when a particular part of the country says something like: "Hey, we're really good at this. Let's do it better than anyone else in the world."

Next week, we will announce a call for proposals to support clusters specifically in advanced manufacturing – through a competition called the Jobs and Innovation Accelerator Challenge.

Importantly, these funds are not targeted to create clusters – because that's not the government's role.

Instead, we want to give a boost to existing clusters that have already formed on their own, and which show strong potential to drive innovation and create good jobs. So stay tuned.

My third and final announcement is that over the course of the next several weeks, leaders throughout the Commerce Department will fan out across the country. We're calling it Commerce Comes to Your Town.

At this important moment in our recovery, it's crucial that the Commerce Department's tools are highly visible and accessible to all U.S. manufacturers. We must do everything we can to help them grow, compete, and create jobs.

We want to equip entrepreneurs and businesses with practical tools from across our Department's 12 bureaus: From our new, fast-tracked patent applications for small businesses, to our Advocacy Center's work to help businesses compete abroad, and everything in between.

We're "coming to town" because if there is anything I've learned in business, it's that there is no substitute for face-to-face interaction when it comes to getting things done.

And as I close, it occurs to me that this is the same exact reason that we are all here today at MIT.

The time is now for all of us to come together and find new ways to support American manufacturing.

We must find and share the best ideas for bolstering American competitiveness and innovation.

We must ensure that the next generation of advanced manufacturing takes root right here at home.

And we must pave the way for tomorrow's manufacturing leaders – including the students here in this room today.

If we are successful, I'm confident that U.S. manufacturers will indeed lead us toward a renaissance in American manufacturing in the years ahead.

Let's get to work.