

Will Anyone Stand Up for American Industry?

By Aaron M. Renn

“Esau for one morsel of meat sold his birthright. For ye know how that afterward, when he would have inherited the blessing, he was rejected: for he found no place of repentance, though he sought it carefully with tears.”

— Hebrews 12:16-17

Built from 1933-1936, the Bay Bridge linking San Francisco to Oakland was an engineering marvel of its day. A complex series of multiple spans, when it opened — six months ahead of the more famous Golden Gate Bridge — it was the both longest suspended bridge deck in the world and the longest cantilever bridge in the world. The western suspension bridge section, technically two bridges in one, had to settle for being only the second and third longest suspension bridges in the world.

The 1989 Loma Prieta earthquake badly damaged the Bay Bridge. The iconic western suspension span was seismically reinforced, but the eastern steel truss section required replacement. San Francisco wanted another iconic span, not just a functional one. A striking self-anchored suspension structure was selected and is under construction.

The dubious part of this new span isn't the usual matter of being way late and massively over budget — though it is — but where's it's being made. The steel for the bridge is not being built in America but in China.

Why is this bridge being fabricated in China? The troubling answer, according to a lengthy article in the *SF Public Press*, is that no American company can do the job. America, a country that once pulled off the most audacious of engineering projects with panache, one that put a man on the moon in the 1960s, now can't even build a bridge to replace one it constructed with ease in the 1930s.

What's more disturbing, is that China can't really build it either — but we are teaching them, and paying for them to learn how.

When you drive across that new Bay Bridge, your tolls will literally be helping to finance the advancement of China's industrial base and the evisceration of America's.

I believe in free trade, strongly. I believe America can compete in a free market. But the United States is a country curiously uncommitted to industry. Other countries build, promote and protect industrial champions. They blockade their markets against American competitors. India freely sells us software and BPO, but passes laws to hamper Wal-Mart and other American firms. China

demands many foreign companies do business there only through joint ventures, and transfer technology to local partners. It also intervenes to keep its currency artificially low. Many countries outright ban foreign involvement in many sectors such as energy. They view even their privately owned firms, many of which have close and corrupt ties to the state, as instruments of national and foreign policy.

These places see Japan as a model to follow, a country that used its closed market to build industrial champions, even in high technology markets. Perhaps in time the same problems that hobbled Japan — asset bubbles, debt, demographic collapse, or an inflexible economy — will similarly afflict these emerging markets. But by that time it might be too late for American industry. And those problems are just as likely to affect us as them.

This raises difficult questions about the future of America. Can we thrive as a purely post-industrial economy? Can we have a long term prosperous society built on little more than selling each other ever more exotic pieces of financial paper, creative consultancies, typing away at computers, serving up caffe lattes, and the like? Can we have a just social order as a two-tier society of only highly-paid elite knowledge workers and a low end service class, but not the robust middle class a manufacturing economy — along with agriculture and energy — supported?

Can America even retain its military industrial strength under such conditions? In the past, military technologies launched spin-offs to the commercial world. Today, the reverse is as likely to happen. Already the only major ship builders left in America are captive suppliers to the US Navy. Only the anomalous Jones Act has kept a tradition of small and medium sized commercial shipbuilding alive.

There's a positive reinforcement cycle at work. The less we manufacture, the less we can manufacture. We slowly lose the skills, the facilities, the institutions, and the culture that enable a robust manufacturing economy to thrive. Eventually, we won't be able to recover.

Maybe we won't even want to. The less we make, the less we want to make. As we become unmoored from our agro-industrial roots, we fail to see them as central to our national identity and frequently treat them with hostility. As Douglas and Wildavsky put it in *Risk and Culture* (1982):

A larger proportion of the population of working age was disengaged from the production process than had been before. The economic boom and educational boom together produced a cohort of articulate, critical people

with no commitment to commerce and industry.

Increasingly, Americans have no personal experience with industry, and even no family experience with it. What was once common is just another niche, much like military service has become. This means most people have little familiarity or affection for industry, agriculture, or energy production. Many, especially urban dwellers, view most productive industry as a negative, as a source of blight where once others saw jobs and a strong tax base.

Portland provides the perfect example. It views its waterfront as prime territory for residences and recreation, but not for industry. As the *Oregonian* reports:

The question makes Jay Zidell uncomfortable. When will he stop building barges on the waterfront and start building high-rises? The room goes silent ... Oregon power brokers have nudged the Zidell family for decades to do more with their prime Portland real estate ... In the 1970s, Gov. Tom McCall called Jay Zidell's late father, Emery, to suggest he stop adding industrial buildings. As Jay Zidell has told the story, McCall said: "We have big plans for the waterfront."

Those big plans don't include manufacturing. Portland is the perfect example of where America is heading. It's a place where thousands of highly educated but often underemployed young people sip lattes by the light rail while on the waiting list for a job at Starbucks. Meanwhile people in third world countries, hungry for more, hustle to build an ambitious future for themselves and their nation. Americans increasingly view manufacturing as an undesirable activity, particularly in an urban context, when in fact we should be looking to build new industrial cities — updated, re-imagined, and re-designed for a 21st century economy.

Also, too often industry is viewed only a source of pollution. Many industrial expansions are opposed on environmental grounds. But from a global, not local perspective, an ever stricter regime of regulation is sending firms offshore where pollution standards are usually far laxer. Corporations put a green gloss on their branding campaigns while building their products in China, where they get electricity from one of the new coal fired power plants that open at a rate of more than one per week. They also escape independent unions, anything like the Environment Impact Statement process in the US, and operate in a regime of weak property rights, questionable worker health and safety conditions, and a limited ability for the public to dissent. It's not just cheap labor, it's regulatory

arbitrage. It's like inverse colonialism, only this time the joke's on the West. And the end result is a global environment that ends up worse, not better.

To really protect the environment, we should be doing more manufacturing at home, where we can keep an eye on it and prevent the worst abuses. It's like the Steak 'n Shake boast about their open kitchens: "In sight, it must be right".

The sometimes exception to this negative take on manufacturing is, of course, "green" industry, notwithstanding that the concept does not exist except as a transitory state. In a decade there will just be "manufacturing", and virtually all will adhere to green standards. But if America can't succeed at traditional manufacturing, why would anyone think it will be different with green manufacturing? Even if so, by then there might not be many major American producers left to succeed.

American firms and labor have made many mistakes over the years, but more often today they are adopting the new approaches needed to compete in tomorrow's world. American labor can compete, even against cheap foreign workers, since it is the best and most productive workforce in the world. But not when public policy implicitly favors shipping manufacturing overseas.

The answer is not protectionism, it's freeing American labor to compete and developing policies designed to advance American manufacturing interests. Alexis de Tocqueville talked about Americans knowing the difference between raw, naked self interest, and "self-interest well-understood". Likewise, we need to find a new approach to create "free trade, well understood", a modern day trade equivalent of speaking softly, but carrying a big stick. Billions for American infrastructure, but not one \$4 Bay Bridge toll to finance China's technology ambitions.

Alas, this seems unlikely. American industry is trapped between a political right that can't see beyond instinctive anti-federalism and an overly ideological vision of free trade, and a political left that, while paying lip service to labor interests, no longer embraces industry. Almost alone among nations, America today lacks political champions for its industry. That, more than anything, is why it is being left to wither. Will anyone stand up and be counted before it's too late?

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