

# MARLIN



## Sheet Metal Fabrication

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### Revive economy through tax policy, trade and technology

By Drew Greenblatt

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This **Labor Day** finds almost 17 percent of Americans unemployed or no longer looking for work. We must get them into the economy. They are prevented from working by government policies, and that is just not fair. Plus, we need them to help us handle our global competitors. Our country needs to create an economic and educational culture that welcomes our unemployed back in the fold and makes it easy for companies to invest in equipment that will lead to growth.



What is the problem? Today, job-creating companies are at a massive disadvantage. Now is the time to alter bad government policies, so we can make the U.S. a job-creating powerhouse again. Specifically, our tax rates are too high; students graduating from our schools are not prepared well for the work force; outdated trade policies are cutting us off from big markets overseas; and uncertainty persists over tax rates and regulations. Let's look at each these issues.

•Taxes: We face major headwinds building a factory in the U.S. Paul Otellini, CEO of **Intel**, declared the U.S. is falling behind foreign competitors in innovation, observing "ultimately we will face an inevitable erosion and shift of wealth." He says our nation is losing its "culture of investment" because our "tax rate (38 percent) is the second highest in the industrial world."

<http://www.baltimoresun.com/news/opinion/oped/bs-ed-jobs-20100906,0,2609902.story>

#### Full story:

Almost seventeen percent of our fellow Americans are unemployed or have given up looking for a job. We have to get them engaged into the economy fast, for two reasons. First, they are being held back from working because of government policies, and that is just not fair to them. Second, we need their efforts to help us compete with our global economic competition. In summary, our country needs to create an economic and educational culture that welcomes our unemployed back in the fold and makes it easy for companies to invest in equipment that will allow them to grow.

What is the problem? Today, our job-creating companies are at a massive disadvantage. Now is the time to alter government policies, so we can make the USA a job-creating powerhouse again. This will bring us back to the old days of surging job growth and rising wages. But right now, we are not going in the right direction. Specifically, our tax rates are too high; students graduating from our schools are not prepared well for the work force; outdated trade policies are cutting us off from big markets overseas; and uncertainty persists over tax rates and regulations. Let's look at these issues: taxes, education, trade agreements; and uncertainty.

TAXES: We face major headwinds growing a factory in the USA. Paul Otellini, CEO of Intel, the largest manufacturer of computer chips in the world, said that the USA is falling behind our foreign competitors. We are making it hard for companies to innovate here. He observed "the next big thing will not be invented here. Ultimately we will face an

inevitable erosion and shift of wealth – much like we are witnessing today in Europe.” He continues that the USA is losing its “culture of investment” since our “tax rate (38%) is the second highest in the industrial world.” Is it any wonder that we are beaten by Chinese and European competitors, who can keep more of their profits for re-investment in their businesses? Only Japan has a higher tax rate, and they have gone nowhere for 20 years.

Instead, we need the most competitive tax structure, to compel investors to invest in our country and take a chance on us, not overseas. If the investors feel that they will make AND KEEP a good profit on their USA investments, then we will have more **factories in Baltimore** and job creation in our region.

Otellini continued that it “costs \$1 billion more to build, equip and operate a semiconductor manufacturing facility in the USA [than overseas]. Ninety percent of the cost difference is the result of tax and incentives policies.” This encapsulates why investments are going overseas. We have to compete and make our region and nation more open for business than Mexico or China. We have to have a tax policy that makes it a no-brainer to build factories in Baltimore City and not Shanghai.

**EDUCATION:** We also need to improve our schools, by getting our students to study more STEM (Science, Technology, Engineering and Math). This will result in more job-seekers who can read blueprints and operate on a higher level. Our high schools are pumping out kids who cannot do high-level math and science. That sure makes it hard for Marlin Steel and other local job creators to handle our foreign competition. Their schools overseas are doing a better job than ours and we cannot tolerate our local schools dropping the ball on this generation of students.

**TRADE AGREEMENTS.** Negotiators for the US have signed deals with Colombia, South Korea, and Panama to open up their markets so American manufacturers can sell US-built products to their 120,000,000 consumers. The Senate has dilly-dallied about ratifying these treaties for years, and yet we have 17% of our adults out of work. Does this make sense?

**UNCERTAINTY.** Here is another problem causing job creators to pause in their expansions. They are worried about the rules of the game changing. Tax rates for 2011 are going to change, or won't they? Estate taxes, which matter to small business owners who want to pass their plumbing business or dry cleaning operation to their children, don't know if they have to sell now or plan for an orderly succession to their kids. If you are 75 years old, that is a big uncertainty. And regulations, from environmental laws to labor laws to a whole host of parts of the economy are all big unknowns. When people do not know what change is coming down the pike, they retreat and pause until they can see what is happening. Delay means too little of the good things get done, like hiring. Our economic policies should instead embrace these job creators and make them comfortable that the rules are not changing.

So what should happen?

**Maryland and the USA should encourage manufacturing jobs because they are great jobs for our region** and because they pay better than alternative jobs (restaurants, retail, hospitals, etc). Plus, they provide better benefits (we have a 401k plan and Blue Cross and Blue Shield at Marlin Steel, and we pay the first \$1200 of any medical costs per year). Maryland Manufacturing jobs create a positive virtuous cycle of other local jobs that other industries do not offer. For example, when we buy sheets of steel, we purchase from vendors that buy from Sparrows Point. A local truck driver moves the material from Dundalk to the City. **Then Baltimore City robots (at my factory) bend and form the material**, thanks to the hard work from residents of Pasadena and Lutherville. We electropolish the steel at our vendor just off Kelso Drive on the East Side of Baltimore. We will put the **precision sheet metal parts** in boxes made by another local box manufacturer. **We ship these parts all over the world**, so it will be picked up by our local UPS driver. Each of these people buys gasoline at local gas stations, shop at the local Giant and Safeway (and root for the O's and Ravens). You can see we create many local jobs. We need more factories like ours in our region because the positive ripple effects will lift our economy.

Take my **sheet metal fabrication** and **wire basket** factory in Baltimore City. We are investing in the city. In the last three months, we bought the two most expensive robots in company history in anticipation of an economic turnaround. In addition, we are hiring locals. Two recent graduates from the University of Maryland were recently hired to run these robots and design new products that we anticipate our customers needing soon. This plan is pretty contrarian – we are getting ready for growth, not hunkering down in a foxhole. This plan is happening because of our

“animal spirits” that are being unleashed as we hope to exploit the opportunities as the economy turns. However, most job creators are hesitating. They need to see the government is not working against them.

What is the action plan? We should provide:

- Instant expensing of investments in the USA so that if you commit to buy a \$300,000 robot and are on the hook NOW for the expense, you can deduct it NOW. No more waiting seven years. As a result, people might build more factories and buy more robots stateside now,
- Making the R&D tax cuts permanent so businesses can deduct the expense of developing new products,
- Extending the Bush tax cuts permanently (so we can make three-year plans that have no big question marks in the middle of the document),
- Bring the corporate income tax rate down to the average of our competitors in Germany, France, China, England, and Italy, which is 25%, so we are not at a disadvantage compared to the people we compete with. Why should I have my arm tied behind my back against a foreigner?
- Ratify the trade agreements with Panama, South Korea, and Colombia,
- Make a stronger commitment to the sciences in our schools, at all levels K-12
- etc

Improving our local schools and making the USA a more worthy place to invest will attract investments. It will allow us to strengthen manufacturing employment in our city. These activities will send the signal to job creators that now is the time to invest and grow jobs.

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