Rebuilding American Industry: Should Labor Fight to Revive U.S. Manufacturing?

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Every social movement faces countless obstacles by those in power. Although brute force is used to stifle movements when they become especially effective, more subtle methods are typically employed. Diverting movements to adopt ineffective strategies and "safe" ideas is the normal way people in power keep others powerless. When applied to the barely-moving labor movement, these methods are becoming increasingly important, as workers strive to defend themselves against attacks on their wages, benefits and social programs such as Social Security, Medicare and Medicaid. Before working people can become powerfully independent, they must first shake off the shackles of bad ideas and fake solutions.

What are these misleading ideas and who benefits from them? In response to the non-functioning economy, an idea becoming popular in the mainstream media — and echoed among some labor leaders — is for the U.S. government to adopt strategies that will re-vitalize domestic manufacturing. At first sight such an idea appears "progressive," since industrial manufacturing was the basis for the U.S. labor movement. But times have changed. The policies being proposed that would breathe new life into U.S. manufacturing would suck the life from the labor movement.

What are these policies? There are two general ideas to "boost manufacturing," both ineffectual for working people: 1) Obama's free-trade approach, where wages in the U.S. are driven down far enough to compete with lower-wage countries like China and India on the international free market, combined with signing bi-lateral free-trade agreements with smaller economies like Colombia, Peru, South Korea, etc. 2) Protectionist trade policies, where foreign imports are shut out of the U.S. market, giving U.S. corporations monopoly domination of the market. Sadly, U.S. labor leaders have supported both ideas to varying degrees.

For example, Obama's anti-worker free-trade approach was displayed by his "nationalization" of General Motors and Chrysler. This move is now celebrated by labor unions as having "saved the auto industry," but at what expense? A key aspect of the "restructuring" of the companies was the insistence that workers make far less money, so that they could be "competitive" on the global market. The result is that new hires at automobile plants — as part of the "two-tier wage system" — make $14 an hour, with far fewer benefits on the side than do incumbent workers who make twice as much. This is not a temporary measure, but the "new normal." A recent article in the New York Times was revealingly titled: Detroit Sets Its Future on a Foundation of Two-Tier Wages:

"The new [lower wage] jobs, which are seen as long term, are being watched closely by economists, executives in other industries and Washington policy makers eager to increase employment in manufacturing and other areas…What was once seen as a desperate move [the two-tier system] to prop up the struggling auto industry is now considered an integral part of its future…" "This is not going away," said Kristin Dziczek, a labor analyst at the Center for Automotive Research in Ann Arbor, Michigan. "It has allowed the Big Three to reduce labor costs without cutting the pay of incumbent workers. Is it good for the health and competitiveness of the companies? Yes." (September 12, 2011).

These ideas are applicable to the entire manufacturing sector and are an integral piece of Obama's approach to revive U.S. manufacturing. "Auto Czar" Ron Bloom — a former Steelworkers employee — oversaw the above auto-restructuring plan. Bloom was also nicknamed Obama's Manufacturing Emissary, meaning that his approach towards the auto restructuring was to apply to the wider economy as well. In an article about Bloom and the Obama administration's manufacturing strategy, The New York Times reported:

"The Obama administration is counting on sharp increases in exports to buoy the nation's manufacturers. The president has set a goal of doubling exports in the next five years." (September 9, 2010). What the article doesn't mention is that, for the U.S. to double its exports, U.S. workers will likely have to shrink their wages in the way that GM workers were forced to, all in the name of "competitiveness."

The recession is performing this task of wage shrinking with amazing efficiency. Wages are shriveling as corporations and state governments use the threat of unemployment to demand concessions. Bloomberg reports:

"More than half of U.S. workers were either unemployed or experienced reductions in hours or wages since the recession began in December 2007… The worst economic slump since the 1930s has affected 55 percent of adults in the labor force…" (June 30, 2010).

This is one reason that nothing of substance is being done about the massive unemployment problem in the U.S.: it effectively drives down wages which, in turn, is good for exports and manufacturing.

The not-so-radical alternative to Obama's free-trade approach is its opposite, restricting free-trade via protectionist trade policies. Within this category the three most frequently demanded policies from liberal economists and labor leaders are:

1) increasing taxes on foreign imports (especially China).
2) Demanding that China re-value its currency, so that U.S. corporations can increase their exports on the world market, since China's exports will no longer be as cheap as they have been.
3) Demanding that U.S. government contracts go to U.S. corporations, instead of the bidding system that aims for the cheapest price.

Here's how Thea Lee, deputy chief of staff to the President of the AFL-CIO, explains it:

"There are two pieces to what it would take to rejuvenate manufacturing. One is trade policy, a more restrictive approach than the free trade, open borders arrangement that we now have. The other is to reward domestic production. When the government makes a purchase, for example, the presumption should be that the first crack goes to manufacturers who stay within the United States."

There are many reasons why these ideas are false solutions for working people. Protectionist policies fail economically because they trigger economic retaliation: if we shut out Chinese goods, then China shuts out U.S. goods, blocking the exports that were supposed to result from the action. Such a trade war implies a lower standard of living for both countries, since economic cooperation and exchanging resources — no matter how unequal — is superior to sealed borders. By blocking cheap Chinese imports, consumer goods in the U.S. would skyrocket in price, while workers wages would remain low. Also, history shows that trade wars and military wars are closely linked. Working people would end up suffering most from all of these unintended consequences.

One myth about trade is that all corporations are pro-free-trade. In fact, only the most successful multi-national corporations are for free trade, so that they can ship and sell their products with ease around the globe. There are many U.S. corporations that are anti-free trade — less competitive companies — none of which deserve working people's support. Both free-trade and protectionist corporations are anti-worker, meaning that their profits depend, in large part, on low wages and weak benefits.

The best example of how being anti-free trade is not "progressive" is that the political far-right — including self-proclaimed fascists — eagerly advocate protectionist policies. These groups view the world through corporate-colored lenses; their trade policy is not a "progressive" exception to an otherwise reactionary worldview. They blame foreign countries and immigrants — and unions — for U.S. economic problems, but never the corporations inside their countries who dominate the economy and politics.

Why are trade policies incapable of resurrecting both manufactures and higher wages like the post World War II era? After World War II the U.S. had near-monopoly status over many industries, since their competitors had been obliterated by warfare. Now, numerous big multinationals in various countries have equal levels of capital and technology, creating a dog-eat-dog competitive struggle on the world marketplace, with low wages being the trump card for a successful manufacturing sector.

The recession has heightened the competitive tension between corporate-dominated nations in their quest to dominate foreign markets, a goal that can be achieved through free-trade agreements, military intervention, and lower domestic wages (the U.S. uses all three tactics at once). Currency manipulation — done by the U.S. and China — is becoming the new trend in this fight for markets, signaling a desperateness that comes from exhausted options. It's possible that, during this struggle for markets, U.S. corporations may switch to protectionist policies in order to monopolize the U.S. market if they feel uncompetitive on the world market. Such a move will not be "progressive." Whatever the trade policy, working people cannot support "their" nation's corporations over foreign ones, since working people do not own corporations, but suffer under them.

This is the worst part about the labor movement advocating protectionist trade policies. It assumes that working people have a stake in the corporate battle for global markets. This assumption disarms the labor movement from having an independent strategy, funneling working-class energy into supporting domestic corporations against foreign competition.

If free trade and protectionism are both bad, what is the alternative? This question automatically triggers a greater questioning of capitalism itself, since both free trade and protectionism are based on the assumption that giant corporations will continue to dominate the economy, and consequently politics. As long as corporations own the economy, workers cannot overly concern themselves with how these corporate products are bought and sold. The best way for workers to challenge corporate power is not through lobbying politicians to restrict free trade, but by waging battles at the work sites and in the streets for demands that resonate with all workers. And in the final analysis, workers of each country must come to the realization that workers in other countries are their real allies, not the corporations in their own country. Until workers realize this, they will be caught in the web of the corporate agenda that has workers of each country competing against workers in other countries by accepting increasingly lower wages. But when workers in one country go on strike in support of workers in another country who are demanding higher wages, then all workers will benefit. The race to the bottom will be replaced by the race to the top.

The issue of the day for U.S. workers is how to fight for jobs, better wages, benefits, and how to save their social programs. If workers fight for these demands and ignore diversions such as trade, a powerful movement can erupt that could actually unite the majority of working people, including on an international level, and thus render the corporations powerless.

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