

Speech to Maine Trade Policy Commission Apr. 12, 2005

My name is Herschel Sternlieb. I live in Brunswick, Maine and during my working life I ran the W.S. Libbey Company which was located at the falls in Lewiston. We employed about 300 people and manufactured specialty fabrics. I come to you from the real world and what I have to say is fact and not conjecture.

Two years ago, I attended a Small Business and Manufacturing Symposium put on by Senator Snowe in Lewiston. They talked of helping businesses with finances and taxes and leaving job creation to wishful thinking. The Senator and her panel were well-meaning but blind to reality. The reality is that there are a number of structural problems that exist both in the United States and in the world that must be faced and acted upon before there will be any meaningful manufacturing job creation in this country. Let me enumerate:

1. There is not a single business man in the world who would pay \$10 an hour for labor he could purchase for 50 cents an hour or even less.. For example, look around Lewiston, Auburn, Saco, Biddeford and Sanford at all those old, empty mill buildings. Once they were humming with textile manufacturing activity only to see them empty out and move south after the Second World War. Why? Because the companies were guaranteed free land, buildings, job training, lower wages and no unions. The differential in pay was about 50%. Today, in the Global Economy, that differential can be as high as 2,000 percent. **IT JUST DOESN'T PAY TO SET UP FACTORIES IN THE UNITED STATES.**
2. There is not a manager in the world who is not trying to produce more product with fewer workers. There is no economic incentive to hire more people but rather to cut jobs wherever possible. Machines are much more cost effective than people except where the cost of labor is so low that it is less than the depreciation of the equipment. This is already apparent in the low wage production of flatbed knitted sweaters. Most of the recent improvement in productivity is not due to more skilled workers but to lower pay and more efficient machinery and processes.
3. There are over one billion unemployed and underemployed workers in the world. Half of those people have average or above average IQs. Therefore, in the Global Marketplace, half of the American workers who have average or below average IQs (there are 75 million of them) have to compete with 500 million people who are as smart or smarter than they are and are willing to work for wages that are 1/10th to 1/20th of theirs. **THE HONEST, HARDWORKING, SEMI-SKILLED AMERICAN WORKER OF JUST AVERAGE INTELLIGENCE DOES NOT HAVE A CHANCE IN THE GLOBAL MARKET PLACE.**

4. The consolidation of the retail business into fewer and fewer hands has destroyed the small, independent retailer that used to be the natural customer for the small manufacturer. JUST LOOK AT ANY DOWN TOWN SHOPPING AREA IN MAINE TO SEE THE DAMAGE WAL-MART AND K-MART HAVE DONE BOTH TO THE LOCAL RETAILER AND TO THE RETAILER'S SUPPLIERS. Today, most manufacturers who are not large enough to supply the major chains, are out of business. Starting up a small manufacturing company that will supply the retail trade is an exercise in futility, NO MATTER HOW MUCH HELP THE GOVERNMENT CAN OFFER IN LOANS AND TAX BREAKS.

5. Technological innovation is now world-wide. The high-tech jobs of the future are just as likely to be in Europe, Japan, China, India or Brazil, as they are to be in America. WE DO NOT HAVE A MONOPOLY ON BRAINS, EDUCATION OR INNOVATION.

6. One of the great truths of history is that the accumulation of more and more wealth and power into fewer and fewer hands always ends in violence and catastrophe. The continued consolidation of retailing and banking may be called economic efficiency but it is the efficiency of a mortuary.

7. Our trade deficit is huge and if it continues much longer its cumulative effect will be to pauperize the country.

8. The buyers at the large multi-store retailers exert more control over the American economy than the Congress.

9. It is impossible for the United States to monitor the internal activities of other countries to make sure they are living up to decent labor standards. Therefore, all trade agreements based on improved labor rights, etc. are worthless.

10. The object of our trade policy must be to insure the manufacturing jobs we have and to create new jobs so that EVERY AMERICAN WORKER IS GUARANTEED A SAFE, SECURE AND WELL-PAID LIVING WAGE JOB. IT MUST NOT BE LEFT TO CHANCE OR WISHFUL THINKING.

GLOBALIZATION AND FREE TRADE AS THEY ARE CURRENTLY STRUCTURED WILL NOT INCREASE MANUFACTURING JOBS OR JOBS IN GENERAL BUT RATHER DECREASE THEM. I PROPOSE TWO SIMPLE STEPS THAT WOULD CREATE MILLIONS OF MANUFACTURING JOBS AND RESTRUCTURE THE RETAILING OF GOODS SO THAT JOB CREATION WOULD CONTINUE.

1. THE USA BY LAW WOULD NOT BE ALLOWED TO RUN A TRADE DEFICIT WITH ANY OTHER COUNTRY.

2. BREAK UP THE LARGE RETAILERS. Just as Standard Oil and the Bell System were broken up, so should Wal-Mart, Target, JC Penney, Costco and every other multi-store company. Everything possible must be done to bring back and revitalize the small independent retailer.

I would suggest limiting the size of any retail operation to a maximum of one store in each congressional district. This would mean a maximum of 435 stores. This should certainly be of a sufficient size to satisfy the greed of any human being.

FABLES FOR AUGUST 2008

THE FREE MARKET ZOO

The Free Market Zoo was awash in blood as the carnivores over-indulged in a feeding frenzy. The zoo-keeper responded by forcing the ravenous meat eaters into cages surrounded by impassable moats.

The zoo soon returned to relative peace and tranquility until the Guru Swami Friedman and his disciples began preaching the efficiency and enormous benefits that would accrue from a totally free and open zoo. They argued that the old economic paradigms of caution, self-sufficiency and solvency no longer had any meaning in the new global economy now managed by super-computers. Far and wide they preached total freedom for the carnivores, heaping scorn and derision on all those opposing them. They were especially beloved by the caged animals who despite being over-fed, by a considerate keeper, demanded more.

Finally, the zoo keeper no longer able to withstand the assault of the free marketeers, opened all the cages. But the carnivores were still irate for they had been given only a taste of freedom. They demanded the moats be bridged,

With a considerable degree of palm greasing, this was accomplished and the carnivores, now totally free and drooling in anticipation, poured out into the zoo proper.

The feeding frenzy that followed was the greatest in recorded history and only ended when the carnivores had run out of prey, consumed the zoo-keeper and started eating one another. When last visited, the zoo consisted of barren fields, empty cages, and moats swarming with leeches looking in vain for some warm blood.

INSTANT GRATIFICATION

In her youth, Instant Gratification, armed with a wallet full of credit cards, spread joy in every store she entered. Most elated of all, however, were the friendly credit card companies that profited mightily from her interest and late payment penalties.

Whenever she found payments too difficult to make, she filed for bankruptcy. But no sooner did she have her debt written off than she was bombarded with new credit cards from other companies. Thus her indulgences were continually satisfied.

She died a true American heroine, intestate, in a dwelling luxurious beyond her means and surrounded by rusting, rotting and useless gratifications.

THE GREAT PUPPET SHOW

The Master Puppeteer was anxious to see how his two untested dummies would perform in a standard drama with a new twist. It was the story of a battle between an over-age, overly-ambitious dolt and a young, overly-ambitious triangulator.

As the show opened the two puppets appeared on stage with their fingers raised testing the direction of the wind. Then they retreated to the same side of the stage and as they did so, flung garbage at one another.

The finale had them wrestling hip-deep in swill, while the puppeteer's agents roamed the audience picking pockets.

HISTORY REPEATS ITSELF

In 1941, the Japanese bombed the United States, then the greatest industrial power on earth, and the United States responded with a massive effort that overwhelmed both the Japanese and their German allies with an avalanche of manufactured goods and armaments.

Sixty years later, the United States, the greatest services economy on earth, was sold short by the rest of the world and responded with a gigantic barrage of sit-coms.