

Comeback of the Blue-Collar Guys

Industry: Manufacturing in the United States has long carried the image of being a dying sector. Now it has to protect the county from economic failure.

By Jens Korte, New York

The much-feared “R” word is everywhere: “Waking Up to the Recession” declares the cover of the magazine, “BusinessWeek.” The “New York Times” sees the U.S.’s economy sinking deeper. The tabloid “New York Post” detects a wave of fear, a veritable tsunami and a threatening economic collapse. Even the magazine for retirees, “AARP” asks: “How will we survive the recession?”

The most recent economic data do indeed give a gloomy picture. Sixty-three thousand jobs were lost in February alone, the first loss in five years. In the housing market, prices fell in some regions as much as 30 percent. Nationwide, housing prices dropped as never before – down 8.2 percent. On Wall Street, some bankers are already speaking of the worst financial crisis since 1929’s Great Depression.

Still, it wouldn’t be America without the optimism. "Yes, there are certain sectors where it's not going well, such as homebuilding and auto manufacturing, but there are other branches of industry such as heavy construction that can barely keep pace with deliveries," said Hank Cox of the National Association of Manufacturers, the largest industrial trade association. For decades, the boys in blue were said to be in a dying sector. And yet now industry is supposed to stave off the nation’s economic crisis. "Manufacturing is back -- no joke," said Dave Rosenberg, economist with the investment bank, Merrill Lynch.

And it's not just the big corporations that feeling the spring air. "I'm very bullish," says Drew Greenblatt, owner of [Marlin Steel](#) in Baltimore. Bullish in the sense of, headed in the right direction. Marlin Steel produces wire baskets and employs 27. It wasn't always that way. “When I took over the company about 10 years ago, we were close to calling it quits because of the competition from Asia,” Greenblatt reports. He invested in new machinery and began to specialize – in such products such as antibacterial baskets for industrial kitchens. Since then, Marlin Steel’s list of customers has come to resemble a “Who’s Who” of American industry: Boeing, Caterpillar, DuPont, Ford, Honeywell and Johnson & Johnson. Drew Greenblatt is especially proud that he’s now shipping overseas – “Just recently to Taiwan.”

The talk of manufacturing’s imminent death is a myth, maintains Mary Andringa, CEO of [Vermeer Manufacturing](#). The business from Pella, Iowa, specializes in manufacturing machinery for construction, agriculture and drilling. “Over the last 12 months the falling

dollar has helped us more than anything else,” relates the daughter of the company’s founder, Gary Vermeer.

And that IS the trend in the United States. Yes, the level of imports still substantially exceeds that of exports. But exports have been rising significantly for a while now. According to the latest statistics from the trade office, 16.6 percent more goods were shipped overseas than in the previous year. That alone was enough to add a percentage point to the country’s economic growth. Without the weak dollar and the associated increase in exports the Supertanker USA would have been long run aground.

On top of that: Foreign enterprises have never been able before to build U.S. facilities at such a reasonable cost. In October 2000 a single Euro was worth just 85 cents. Today, that figure has doubled. Thyssen-Krupp last May announced that it was going to build a steel mill in Mobile, Alabama – on the Gulf Coast – employing about 2,700. Rheinmetall landed a munitions contract with the U.S. Marines.

According to Peter Esser of the Bundesverband der Deutschen Industrie (BDI) in Washington, the weak dollar is not the only thing drawing foreign businesses back to the United States. “The German middle class is very familiar with the U.S. market. We’ve observed a trend that German operations are increasingly withdrawing from Asia and moving more toward the United States.”

Many firms had their fingers burned in the Far East. Trade secrets and intellectual property went missing. With the American market the middle class can better judge what to expect. “On top of that, there’s the shipping costs,” says the lobbyist, Esser. With oil topping \$110 a barrel, freight costs are also exploding. “That’s contributed to the comeback of manufacturing in the United States.”

Many customers are also sensitive to the advantages of “Made in the USA.” And for that reason Pacific Plastics & Engineering (PPE), a contractor for custom work and medical technology, is doing quite well. “Our customers want to be sure that we can meet their required specifications,” says Stephanie Harkness, chairwoman of PPE. The 100-man company sits in the middle of Silicon Valley. Many of the new customers are start ups, for which PPE develops prototypes. “So a lot of development directors are coming our way.” Harkness, too, is seeing the return of those who are turning away from Asia. “America is still the place where most of the ideas and new technologies are being born, and now we have the chance to use that.”

Not just oil but also gold, copper silver and even wheat prices have reached record prices this year. “That doesn’t sound very sexy, but the farm sector is experiencing a real boom. The prices are shooting off the charts,” says Richard Yamarone, chief economist of Argus Research in New York. And from the boom in raw materials and farming you find companies like Caterpillar profiting from manufacturing farm and construction equipment. The company headquartered in Peoria, Illinois, expects a doubling of profits over the next four years.

David Little, international business director for Al-Jon, a middle-sized producer of scrap-metal and garbage compactors, is collecting more frequent flier miles than ever. “We’re seeing customers who are extending their contracts, and we’re seeing customers who had ordered from Eastern Europe now coming back to us.” Until now [Al-Jon](#) was particularly strong in Great Britain, and now Little is planning for expansion to Spain and Portugal. The company based in Ottumwa, Iowa, has doubled its production space in the past year. And it’s searching for workers. “We’re short of engineers and experienced welders.”

Illinois, Alabama, Iowa: Can America’s Mid-West protect the country from a serious recession? “We still depend about 72 percent on consumer demand,” warns Yamarone, the economist. “For 64 quarters in a row, since 1991, we’ve seen consumer goods continually rise – despite the recession, despite the bust of the Internet bubble, despite the terrorist attacks.” And...despite the Iraq war, that according to the research organization, the National Priorities Project, has cost more than \$500 billion.

Yet how long can America’s consumers keep up the pace? With the financial markets in crisis, banks are becoming more reluctant to lend. That could eventually disable the appetite for buying. The U.S. economy is finding itself in the worst condition since the Second World War, Howard Schultz claimed early this month. The head of the coffee chain, Starbucks, has been experiencing his own, deep decline. Fewer and fewer customers are ready to shell out four or five dollars for a cup of coffee, which explains why Starbucks has dropped its prices up to a dollar in some test markets. Its stock has dropped by half within a year’s time.

There’s an old Wall Street saying: “When your neighbor loses his job, that’s a recession. When you lose your job, that’s a depression.” The American consumer has always saved the world economy before. Now there’s the possibility of turnabout fair play: The hope rests on foreign investors and the comeback of the American blue-collar guys.

Photo caption: The much sought-after land movers from Caterpillar came in for the President’s close attention a year ago.