

ALLIANCE FOR  
american  
manufacturing

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# Wall Street: Hollowing Out American Manufacturing

- Impact of Repeal of Glass-Steagall Act
- Role in Economic Policymaking
- Short-termism
- Capital Availability for Small & Mid-Sized Manufacturers
- Outliers
- Supplementary Policy Options

# Impact of Glass-Steagall Repeal

- From servant of manufacturing to master of manufacturing
- Substantial overseas investment
- One of two nails in the coffin of 2000s manufacturing

# Wall Street's Bias Against Manufacturing

- Strong Dollar
- Eliminate barriers to investment & trade
- VC to innovate, but not to produce
- Want a free market America, but tolerate government intervention overseas
- Talent, Administration Personnel, Management

# Short-termism

- Evidence of short-termism across all industrial sectors
- Trend is increasing
- Economic impact seen in evidence of excess discounting
- Subject of a Senate Banking Committee subcommittee hearing (2010)
- (Haldane & Davies, Bank of England, 2011)

# Capital Availability

- Needed a \$5 billion line of credit for auto supply chain in 2009
- Lending has declined \$4.2 trillion since Fall of 2008; 9 straight quarters of decline in lending to non-financial businesses (Treasury)
- Credit-worthy small businesses experience difficulty obtaining loans (Fed)
- Commercial & industrial loans down from \$1.6 trillion (2008) to \$1.24 trillion (2011) (Fed)
- Small business lending down 8.3% 2008-2010 (SBA)
- 43% of small businesses reported challenges in gaining access to credit; 57% of applications to large national banks rejected, compared with 41% for community & regional banks (Atlanta Fed)
- Banks holding \$2 trillion in cash uncommitted to loans

# Some exceptions to the rule...

- Patriarch Partners: committed to American manufacturing
- Wilbur Ross: positive role in restructuring steel & auto parts industries to make competitive

# Policy Options

- Require more transparency in long-term strategies
- Compensation package adjustments
- Sliding scale of shareholder voting rights
- Link tax breaks/subsidies to duration of holdings
- Enhance SBA/Treasury loan guarantee programs
- Manufacturing finance facility
- National Infrastructure Bank
- On with the great rebalancing, internally and globally