The Post-Industrial Myth

By Mike Collins, author of Saving American Manufacturing

In 1973, Daniel Bell wrote a book entitled The Coming of the Post Industrial Society, in which he correctly predicted the global diffusion of capital, trade deficits, and the decline of the manufacturing sector in the economy.

In a recent article on this phenomenon, The Economist makes the case that we can transition to a “post industrial” service economy with continued ecic growth. Says the article: “Neither manufacturing nor services is inherently better than the other; they are interdependent. Computers are worthless without software writers; a television has no value without programs. The issue is not whether people work in factories or not, but whether they are creating wealth. In developed economies today, telecomm, software, banking and so on can create more wealth than making jeans or trainers. Before long, no one will much care whether firms are classified under manufacturing or services. Future prosperity will depend not on how economic activity is labeled, but on economies’ ability to innovate and their capacity to adjust.”

State Of Transition
I think that most Americans have given up on manufacturing and have accepted the Post Industrial Society as an inevitable transition to a service economy. There are a variety of reasons for this acceptance:

There are now 135 million service workers and 14 million manufacturing workers. For the first time in American history, fewer then 10 percent of American workers are employed in manufacturing. So if 90 percent of the people don’t work in manufacturing it stands to reason that they also don’t know very much about manufacturing except what they read in the papers.

We live in a country ruled by a political class who are mostly attorneys or lifelong politicians. Right now they have many other issues on their plates, and manufacturing issues like the trade deficit, declining manufacturing jobs, and off

shoring are low priorities.

Parents, teachers, and school counselors still view manufacturing as a world of dirty, dark, sweatshops offering long hours and low pay. Recent studies show that manufacturing's image was found to be heavily loaded with negative connotations and universally tied to the stereotype of the assembly line. It was also viewed by most people to be a dying industry that was moving offshore.

Parents have not viewed working in a factory as an acceptable career goal. In a recent survey "Public Viewpoint on Manufacturing," only 17 percent named manufacturing as among their top two industries in which to start a career, and only 30 percent of parents would encourage their children to pursue jobs in manufacturing. Most parents still want their kids to go to college and get a white-collar job, and they still see college degrees as the key to getting their children a piece of the American Dream.

The Post Industrial Myth
It is my contention that it is a myth that we can transition to a post industrial service economy that will provide continued economic growth and enough family wage jobs to sustain current living standards. In my book, Saving American Manufacturing, I try to make the case that America must halt the decline of manufacturing because it will lead to higher unemployment, fewer family wage jobs, and the decline of living standards for most workers. Wages and household income peaked in 1972 when manufacturing was 23 percent of U.S. GDP. The decline of manufacturing to 12 percent of GDP has coincided with a steady decline in wage income levels for most of the middle class. There is no economic evidence to prove that the trend will be reversed, but there is a lot of evidence to support the notion that the middle class living standards could worsen with the decline of manufacturing.

In Bell's book, he also said that the importance of blue collar (manual work) will decline. But what he didn't anticipate is that 10 million people will retire from manufacturing by 2020 and that these are skilled jobs that pay more then $60,000 a year. Contrary to what David Bell and many economists believe, working with your hands or in a trade will pay more and probably be a better option than spending the money on a general college degree.

The Resignation
It seems as though thought leaders are quite mixed on their analysis of the situation:

Senator Dick Durbin of Illinois said, "Most Americans have resigned themselves to the loss of U.S. manufacturing and believe the country can survive on its service jobs. But China, India, and Russia are training large groups of students for the information technology, engineering, and other highly trained service jobs." Durbin goes on: "Manufacturing jobs are the best paying jobs in Illinois and once they're gone, they're not likely to come back."

The Economist magazine suggests that industries like telecomm, software, and

banking create more wealth than making things. After the financial meltdown of the banking and financial industries I would say that many people are now questioning whether this is really creating wealth. I think that real wealth is created in 3 ways: manufacturing, mining, and agriculture. After a product has been created, all other transactions seem to be about wealth transfer and interest. Real growth in the economy will be driven by making things and investing in continued innovation, not in generating paper.

In his annual letter to the shareholders, General Electric CEO, Jeff Immelt, took issue with the concept of the post industrial society. “I believe that a popular, 30 year notion that the U.S. can evolve from being a technology and manufacturing leader to a service leader is wrong. In the end, this philosophy transformed the financial services industry from one that supported commerce to a complex trading market that operated outside of the economy. Real engineering was traded for financial engineering.” Immelt goes on to say that “We must discover new technologies and develop a productive manufacturing base. Our trade deficit is a sign of real weakness and we must reduce our debt to the world.”

I do not believe that it's possible to continue economic growth without a strong manufacturing base. We cannot transition to a manufacturing-free, post industrial service economy without enormous problems. If we turn our backs now and depend on just the service economy for the future, we will end up a nation of lawyers, consultants, and temporary workers looking for someone to invoice.

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