

## Bush Policy On Jobs Is a Shift

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A day after President Bush promised concrete steps to arrest the loss of manufacturing jobs, concerned people inside and outside the administration said that previous White House policy decisions have had only marginal impact, and that some may have done more harm than good.

In his Labor Day address, Bush signaled that the loss of 2.6 million manufacturing jobs during his administration had moved to the top of his list of domestic policy concerns. Until now, administration economists have focused on policies -- especially tax cuts -- that they believed would expand the overall economy, hoping such initiatives would bring manufacturing employment up, too.

But with the 2004 presidential campaign looming, the White House has decided such broad policies may not be enough.

Some economists allied with the administration said yesterday that the question of what to do about manufacturing-job losses fundamentally challenges the administration's opposition to the kind of government assistance to business it considers "industrial planning" or "corporate welfare," and could lead to short-term decisions with negative consequences.

"The best thing the government can do for manufacturing is to get overall economic growth moving," said R. Glenn Hubbard, a past chairman of Bush's Council of Economic Advisers. "There will be structural decline in manufacturing employment. There's nothing that can stop that. . . . What you do want to do is provide funds for [job] training and let the economy work."

Grant Aldonas, the undersecretary of commerce for international trade and the administration's point man on manufacturing, said the president had no intention of imposing "a specific industrial policy."

"The president has a set of principles he will adhere to," Aldonas said. "The government's job is not to favor one industry over another. It is to set the conditions to let all industries grow."

To many economists, Bush's decision last year to impose tariffs of as much as 24 percent on imported steel was a clear violation of those principles. Even Hubbard said the decision was a classic misfire, costing more jobs outside the steel industry than it saved inside it by raising the cost of raw steel for other manufacturers.

"The steel tariffs did hurt manufacturing, no question about it," Hubbard said. Aldonas also said the tariffs have probably cost jobs in other manufacturing sectors.

Wilbur Ross, chairman of the International Steel Group Inc., a major steel producer, called such charges "a ridiculous oversimplification."

It is not the only policy under fire from manufacturers.

Money for the Advanced Technology Program, a public-private research partnership designed to accelerate the commercialization of manufacturing technologies, has been cut since Bush took office. Funded at nearly \$200 million in 2002, the White House has proposed just \$31 million for the program in 2004, enough to shut down an effort started by President George H.W. Bush.

The Manufacturing Extension Partnership, an outreach program championed by President Bill Clinton, is also to be eliminated next year.

"In the past, the government put of substantial amount of R&D into developing the next generation of factory production equipment," said Paul Freedenberg, vice president for government relations at the Association for Manufacturing Technology, which represents the machine-tool industry. "We really hope to see a turnaround in that area."

Bush did propose the creation of "personal re-employment accounts" with as much as \$3,000 that could be used by the unemployed for job training, child care, transportation, moving costs or other expenses tied to finding new work. But Congress ignored the proposal, and even its architects conceded that the president did little to promote it. Meanwhile, the White House has pushed deep cuts to traditional federal job training programs.

"This is something he could be championing," said Hubbard, who said he worries that the new focus on manufacturing will lead to damaging sector-specific policies. "If the concern is employment, this is the right policy."

Aldonas said the administration is reexamining those budget cuts. But even a reversal of such policies would not create jobs. Tax cuts to encourage the purchase of new manufacturing equipment already hold the promise of doubling or even tripling the output at some plants, Freedenberg said. But in the short run, they could lead to more job losses, as manufacturers produce more with fewer workers, he said. Research into even more advanced techniques would only continue that trend.

Commerce Secretary Donald L. Evans will begin announcing the specifics of the administration's manufacturing recovery plan Sept. 15 in Detroit, but hints have emerged that they largely will reemphasize previously announced proposals with a rhetorical focus on manufacturing.

Those proposals include rules to alleviate the economic strain that undervalued pension funds are placing on all companies, but especially on old-line manufacturers. Tax credits for individually purchased health insurance policies will be touted as relieving manufacturers of rising health-care costs. Limits on legal judgments -- especially from class-action suits and asbestos litigation -- will be framed in terms of the impact that court judgments and liability insurance has on manufacturers' costs.

Aldonas said the administration will also boost funding for investigations into international violations of free-trade agreements. Officials are pressing China to revalue its currency, which is artificially deflated by as much as 40 percent by some estimates.

There are signs that the U.S. economic recovery is spreading to the manufacturing sector. The Institute of Supply Management reported yesterday that manufacturing expanded in August at its highest rate since December. The Commerce Department last month said orders for U.S. factory goods rose 1.7 percent in June, the second consecutive monthly gain.

But in the political sphere, such gains may not be coming quickly enough, especially if they are not accompanied by a rapid rise in employment. Even congressional Republicans -- especially those in manufacturing districts -- are demanding dramatic action directly benefiting manufacturers.

"He's made his position clear on tort reform. He's made his position clear on fair and reasonable regulations, and on the tax structure," said Rep. Donald A. Manzullo (R-Ill.) "There are fresh areas out there where he will have to begin to exert himself."

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