

June 26, 2009

Subj: JOBS! Now

President Barack Obama  
The White House  
1600 Pennsylvania Avenue  
Washington, D.C. 20500

Dear Mr. President:

Over 26,000 members of the International Association of Machinists and Aerospace Workers have been laid off in the last eight months. Our union has not been hit as hard by this mega-recession as other unions have but I know that more lay offs are planned in the industries where IAM members work. So I am acutely aware of the unprecedented levels of joblessness and the equally unprecedented duration of this economic crisis.

The broadest measure of unemployment – the Department of Labor’s U-6 statistic – now stands at 16.4 percent. According to the DOL press release dated June 5, 2009, the United States now has 30.2 million unemployed, involuntarily part-time workers or workers who want a job but cannot find one. And that number will grow over the next twelve months.

To those who see “green shoots,” I urge them to look closer. They may notice how the soil seems to be drying out and cracking across the entire corn field. No one should expect the crop to be “knee high by the Fourth of July” – this year or next.

Granted, nonfarm employment was down only 345,000 in May, 2009. But unemployment shot up by 787,000 workers that same month to raise the national unemployment rate to 9.4 percent. (DOL uses two different surveys – one for establishments and the other for households – to arrive at those disparate numbers.)

To me, the loss of a single job is nothing to cheer about. The loss of 345,000 jobs in a month cannot be cause for jubilation. And the fact that 787,000 workers were laid off last month should be sobering. Those numbers define an economy that is shrinking, still.

There is a momentum to that shrinkage that cannot be ignored. In physics, momentum equals mass times speed. Our unemployment is massive. The speed of our job losses may be slowing, for now. But every additional American who loses a job, has their hours cut, is furloughed for even few days each month adds to that downside momentum.

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Nouriel Roubini, who presciently called this financial crisis, believes the unemployment rate will rise to 11 percent next year. That percentage translates into an *average* of 250,000 more unemployed each month for the next nine months. Eleven percent means over 17.1 million Americans will be unemployed in 2010. Involuntary part-time works will exceed 12 million by then. Those who want a job but cannot find one will number about 6.1 million. Added together they total 35.2 million Americans idled to some degree!

America has never had 35.2 million citizens on the sidelines – not in the Recession of 1981-82 and not even in the Great Depression. This is new territory for policy makers, legislators and opinion leaders. Ignoring this challenge is not an option.

To borrow one economist's memorable line, there is a "ton of pain in the pipeline." Even as WARN notices continue to go out for factory closings, it is imperative that we understand not just the momentum and magnitude of this challenge but also see how it differs from past experience.

According to the Department of Labor, we have lost 2.3 million construction and manufacturing jobs. The pain, however, was not limited to blue collar workers nor was it evenly distributed. In the last year, the number of self-employed has shrunk by 390,000, 966,000 management jobs have vanished, and so have 930,000 service jobs. But the biggest losses occurred in the sales and office occupations where over 1.3 million jobs disappeared.

Unlike the 1981-82 Recession when relatively few white-collar employees were laid off and the massive lay-offs were concentrated among construction and manufacturing workers, this is a dramatically different pattern of joblessness. It holds both peril and opportunity for the political party that first recognizes this isn't your father's recession – or your grandfather's depression, for that matter – and acts to alleviate that "ton of pain."

I believe that a second stimulus package is required. The Machinist Union has been arguing that point since February, even before the first stimulus package was enacted. And my conviction – more must be done – has only grown firmer in the intervening months.

Not surprisingly, I believe that a second stimulus must target the manufacturing sector. And while there is an all too obvious self-interest at play, I am certain that we cannot grow the real economy unless we begin to make products that the world and our own citizens will buy. For much of the last decade, our banks and investment firms printed commercial paper, stamped it "Made in America," and lived off the commissions and interest generated by those now toxic assets. We cannot go down that path again.

To re-ignite the engines of growth, we cannot rely on "off the shelf" appropriations based on existing authorizing legislation. Instead we must devise new policies and more carefully targeted programs that can generate jobs now. Fortunately,

there are historical precedents for the kind of massive job creation that is needed immediately.

For example, I would recommend that we employ a Works Progress Administration approach. Harry Hopkins proved that the Roosevelt Administration could put 3.4 million Americans to work in one year – 1935 – in thousands of projects that had a lasting impact on our national life. And I am convinced the Obama Administration and a Democratic Congress can surpass that record.

President Roosevelt's basic strategy can be re-engineered for the modern manufacturing sector. Today's unemployed can be put to work renovating factories and installing new equipment; devising new financing, marketing and sales packages for local businesses; and reinventing our decaying skills-delivery system. We can jump-start depressed local economies by letting counties and communities hire the unemployed with federal dollars.

An effective manufacturing sector stimulus package cannot stop there. In the recession of the 1980s, then-Senator Howard Metzenbaum (D-Ohio) proposed a 10 percent investment tax credit for the rehabilitation of existing stores and businesses. Crafted to encourage businesses to renovate older downtown buildings, his legislation used \$40 billion in tax expenditures to generate nearly \$400 billion in private investment.

A similar 10 percent investment tax credit for the rehabilitation and renovation of existing manufacturing facilities could pump billions of dollars into modernizing America's plants. With an additional investment tax credit for new equipment, businesses could retool their factories. If those two investment tax credits could be banked to offset downstream profits, millions of new jobs would be created.

As America revitalizes its industrial base, it must do the same for its technical knowledge base. Two years of technical training should be offered to recent high school graduates and recently unemployed adults. Tuition at community colleges, universities and high-tech institutes should be heavily subsidized by the federal government as it was after World War II.

We tend to forget that FDR's GI Bill covered more than college tuition. The Greatest Generation got a chance to hone their skills for careers of their choice. A similar investment in America's newest generation of workers and the recently unemployed will pay dividends for decades.

America's manufacturing jobs are worth fighting for. These jobs are the key to a middle-class life for millions. A second, targeted stimulus package will give America's manufacturing sector—and all those whose livelihoods are tied to it—the fighting chance it deserves. And it will ignite the long-term growth and sustained job creation that our nation so desperately needs.

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Mr. President, America needs jobs now! The first stimulus package took nearly four months to craft and enact. Four months after becoming law, less than seven percent of its appropriated funds have been spent. The wheels of government grind too slowly to reverse the momentum of such massive unemployment in the coming year -- unless new and far more aggressive measures are taken.

I urge you to make JOBS Now! the highest priority of your Administration. And I pledge to you an unprecedented level of political activity by the Machinists Union in support of such an initiative.

Respectfully yours,

R. Thomas Buffenbarger  
INTERNATIONAL PRESIDENT

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