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EDITORIAL



The myth of free markets

Consumer confidence is at a 10-month low and the job situation isn't much better. Meanwhile, pundits on TV seem to behave as though the loss of U.S. manufacturing jobs to Asia is like the law of gravity: It is a certainty we have to accept.

That's not what you'll hear coming from John Hofmeister, once the president of Shell Oil Co. and now heading up an organization called Citizens for Affordable Energy. Hofmeister has taken part in what he calls the globalization of four different companies, and as such, has lived an appreciable amount of time outside the U.S. The experience has given him no patience with the idea that U.S. manufacturing resources must inevitably move offshore. In fact, he feels the migration of jobs is a result of the way governments treat manufacturing industries.

"What I have seen in every country other than the U.S. is a determined effort by government to help manufacturers site, build, and operate new facilities. There is a deliberate design of public policy to help manufacturers with their costs as they invest in jobs," he says. "The national tax code ought to take into account that investments in manufacturing are creating value and growing jobs."

Hofmeister says it is no accident that the strongest U.S. industries are those having modest capital-equipment needs. "The financial industry doesn't have the capital expenditures you find in manufacturing industries. Most IT companies do their capital investing outside this country," he says. These practices aren't so much because of labor costs as from penalties imposed on companies that must spend money on tools, buildings, and numerous other brick-and-mortar items before they can make their first widgets.

Outside the U.S., on the other hand, tax codes are more likely to favor manufacturers. Among the favorite methods: Tax incentives to rehabilitate old facilities, writing-down investments rapidly to give a faster payback, and reducing corporate income taxes of companies that make investments within the country's borders.

Such shenanigans don't exactly sound like the free markets preached by economic purists. "The only people who believe in the free market are a very few who have had it pretty good throughout their lives," says Hofmeister. "Every other government in the world knows there is no such thing as a free market. We perpetrate the myth of free markets because a few people can make a heck of a lot of money talking about them. And the myth of the free market comes at the expense of American jobs."

The frustrating thing about U.S. manufacturing is that it needn't be this way. "We have outsourced or closed whole industries where we can still pay a competitive wage and stay in business," insists Hofmeister. "Manufacturing can be a primary absorber of people who are looking for purposeful work. Our government has a responsibility to just do what other governments have done in this area."

Certainly true, but it would take a change in mind-set at the federal level toward creating private-sector jobs rather than more government bureaucracy.

— Leland Teschler, Editor



World's Smartest Design Engineer — GAME UPDATE

WSDE is off and running and player "jerkbucket" is out to an early lead toward this month's prize with 19,420 points. Mr. or Ms. Jerkbucket is followed by john maer with 12,630, carlagE with 10,790, and kingph with 12,520. But we are in the early innings. Still plenty of time for some scoring fireworks.