

North American Management Briefs

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You Should Know...

Rocky Mountain High

The city of Denver has reduced the fine for possession of marijuana to \$1 per possession. California and 16 other states have also decriminalized the substance.

The Point: The city prosecutor, Mason Tvert, states “prosecuting the crime is simply not worth the city’s time or resources.”

Imitating Art

Police arrested a model posing naked for a photographer at New York City’s Metropolitan Museum of Art. Her defense attorney called the public-lewdness charge “ridiculous” as the museum is chock full of art depicting nude women.

The Point: I guess it’s all about perspective.

Sense of Humor?

A Saudi Arabian cleric denounced the beloved Disney character Mickey Mouse as “one of Satan’s soldiers” who was trying to trick Muslim children into loving mice. Islamic law dictates all mice should be killed.

The Point: Well, I guess humor is indeed cultural.

Jackpot

The New York Times reports more than 20 state lotteries across the nation are experiencing record sales. “It seems that many people are counting on the lottery to get their 401Ks back in shape,” said Emily Haisley of the Yale School of Management.

The Point: Wow...just wow.

December’s Quote

“Success seems to be largely a matter of hanging on after others have let go.”

Publisher, William Feather

US Manufacturing Myth Versus Reality

It seems that most media outlets, political pundits, and even the business press is constantly mourning the decline of the US manufacturing sector. Most blame cheap foreign labor, protectionist policies by foreign governments, or just plain poor management by American manufacturers.

These are all misconceptions, dangerous ones, and if uncorrected could lead to a trade war, restrictive tariffs (Hawley-Smoot), etc. which would impede our economic recovery.

The facts are unambiguous. The US is the world’s largest manufacturing nation accounting for over 22% of the world’s GDP in 2006, the most recent year for which data is available.

Furthermore, it’s been that way for the last 25 consecutive years with our global manufacturing dominance reaching a peak in the late 1990s (with 27% of world GDP) largely due to the Y2K boom in sales of US-made computers.

What about unemployment in the manufacturing sector? The unemployment data is accurate but its cause is misunderstood.

- *Employment in the manufacturing sector has indeed declined.* 17 million workers were employed in manufacturing in 1979 compared to only 13.5 million today. The greatest job losses were in the automobile and textile industries. These losses, however, were created by advances in process engineering and automation, not by a decline in the value of US manufactured goods.

- *American productivity.* The productivity (as measured by GDP divided by total number of hours worked) of the American worker increased dramatically, by over 160% in the past 30 years. The US is the most productive manufacturing nation on earth.
- *Exports, however, are a problem.* The US exports only 7% of its GDP. A remarkably low number compared to other industrialized nations like Germany, which exports 40% of its GDP even though it’s a high wage, high tax nation.

The Point: No, everything is not great. Unemployment is high, real estate and 401Ks have been devalued, and the future looks uncertain. Nonetheless, we need to understand that a major cause for unemployment is the lack of exports, lest we apply the wrong solution.

Gasoline Prices Around the World*

Country	Price \$/US gal
Netherlands	\$6.25
Norway	\$6.21
United Kingdom	\$5.94
Germany	\$5.87
Italy	\$5.72
France	\$5.56
South Korea	\$5.38
Japan	\$4.54
Singapore	\$4.09
Australia	\$3.32
South Africa	\$3.24
Bangladesh	\$2.42
Russia	\$2.38
Mexico	\$2.36
Vietnam	\$2.27
United States	\$2.23
China	\$1.93
Malaysia	\$1.93
Nigeria	\$1.85
Indonesia	\$1.67
Iran	\$0.33
Venezuela	\$0.12

* Reuters