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GUEST EDITORIAL

U.K. Leads; U.S. Lags

KENAN PATRICK JARBOE

Faced with China's challenge to domestic manufacturers, the responses of the United States and United Kingdom contrast starkly. The U.K. is seeking a position of leadership in post-industrial manufacturing. Rather than abandoning the sector or surrounding it with protectionist barriers, Chancellor of the Exchequer Gordon Brown has laid out a strategy for using government to help transform it.

In his budget speech earlier this year, Brown called for a package of measures aimed at increasing the contribution of creativity to productivity growth. "Britain's economic destiny cannot be founded upon a low-skilled, low-tech economy but depends upon establishing British leadership in skills, science and the knowledge economy," said Brown. Many politicians around the world echo this rhetoric, but Brown is backing his words with actions.

Numerous studies in the U.S. — including the Council on Competitiveness's National Innovation Initiative — have highlighted the importance of government spending on research and development and on the education of scientists and engineers. The U.K. plans a 10-year program of increased investment in science and technology that, as a key feature, would provide £2.5 billion over three years for biotechnology, including stem-cell research.

The budget also includes many steps that in the U.S. would span the ideological spectrum: regulatory reform, simplified business-tax filings, increased assistance to workers and increased funding for regional-development agencies.

This year's budget, in fact, goes beyond what the Labour government was proposing just a few years

ago. With it, the U.K. breaks out of the "post-Sputnik" response of focusing solely on S&T, broadening its vision to include the linkage of manufacturing with design and creativity. Brown was justifiably impressed by a British Design Council research report that showed design-intensive companies outperformed the FTSE 100, London's version of the S&P 500, by more than 200 percent over a 10-year period.

His budget proposes a comprehensive review of how small- and medium-sized businesses might improve their creativity, as well as funding for a new design center that would give businesses access to creative talent and design skills. It would also expand the U.K. Arts Council budget to develop commercial and business leadership skills in cultural organizations and to create new opportunities for business-arts collaborations.

This view goes beyond the traditional focus on the business of the arts in both the U.S. and the U.K. For example, in the U.S., Americans for the Arts already publishes a report on the contribution of art-centric businesses to the economy. In the U.K., a new Louise T. Blouin Center for Creativity is planned for London which will, among other things, look at economic importance of the arts.

What the Labour government is proposing is radically different from the traditional notions of business and the arts. Amounts in the proposed budget are modest by U.S. standards; the Arts Council's raise, for example, would come to \$12 million. Paramount is the recognition of how creative industries can help manufacturing and the resolve to move ahead with programs to facilitate these linkages. With these steps, the government is signaling that it understands that the country's economy will rise or fall on how well it utilizes its creative talents in all sectors of the economy,

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especially manufacturing.

What has been the U.S. response to the same challenge? The President's proposed budget for fiscal year 2006 almost eliminates the Manufacturing Extension Partnership — the premier program for helping small- and medium-sized manufacturers better compete — and flatlines nonmilitary R&D spending. Moreover, while the private-sector gets it — as evidenced by the newly created Stanford Institute of Design that combines business, engineering, social sciences and the arts — the link between manufacturing and creativity is an unknown concept in Washington.

There seems to be a blind belief that, as part of an Ownership Society, the U.S. can exist as a royalty economy. The argument goes that the U.S. will pay for imported manufactured goods by collecting royalty payments from abroad for all its intellectual property. This vision of the U.S. as intellectual landlord to the rest of the world is a chimera. Yes, the U.S. runs a surplus in royalty payments, but imports of intellectual property, in the form of royalties paid to others, are rising about as fast as exports. Clearly, the U.S. is not the sole possessor of intellectual property.

Whether the British strategy will work is unknown. Re-inventing manufacturing for the information economy will require much more than a couple of design schools. Manufacturing will need to become much more thinking-intensive. But the British understand that

creativity and design can give birth to new services and industries, as well as reinvigorate old ones. At least they recognize the challenge and are moving to implement a strategic response. In the U.S., we simply drift.

We can end that drift. We can take a page out of Gordon Brown's playbook and craft a new economic strategy for our new economic situation. The first step might be to revive Sen. Joseph Lieberman's idea put forward last year of establishing a Commission on the Future of the U.S. Economy. This wouldn't entail massive new spending. Nor would it even require legislation. President Bush could bring it about with the stroke of a pen, the same way President Reagan created the President's Commission on Industrial Competitiveness.

The Young Commission, as that panel was known, crafted a bipartisan strategy and framework that guided our economic competitiveness strategy for two decades. It is time for us to update that work and extend it into the new century. The political leadership in London understands the challenges ahead. Let's hope that the leadership in Washington can do the same.

— *Kenan Patrick Jarboe is president of Athena Alliance, a non-profit organization dedicated to educational and research efforts focused on the emerging Information, Intangible, and Innovation (I-Cubed) Economy. Details are available at www.athenaalliance.org.*

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Editor & Publisher: Richard A. McCormack (richard@manufacturingnews.com)

Senior Editor: Ken Jacobson (202-462-2472, ken@manufacturingnews.com)

Web Technical Coordinator: Krishna Shah (krishna@manufacturingnews.com)

Business Manager: Anne Anderson (anne@manufacturingnews.com)

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