

Bringing back manufacturing jobs

Fort Myers, Feb 7, 2019 (IssueWire.com) - Bringing back manufacturing jobs and industry means changing our healthcare system and the way we pay for it.

Compared to other industrialized nations, manufacturing in the United States cannot compete. Often, the cost of manufacturing goods here is higher than the price of similar products sold by other countries. Over the last three decades, our manufacturing costs have risen steadily due to increasingly high national healthcare expenditures. All the while, our international competitors have maintained significantly lower healthcare costs.

The main reason is this: they are in a single-payer healthcare system, and we're not. Single-payer is a system in which healthcare is paid by the government. Because the majority of America's healthcare costs are paid for by employers, national healthcare expenditures amount to 18% of the gross domestic product. Conversely, other industrialized nations only spend an average of about 7% of their GDPs. In short, American companies bear the costs of healthcare, whereas international competitors do not—and the price of American manufactured goods reflects this.

Healthcare Costs

Employer healthcare costs fall into two categories: direct and indirect costs. Direct costs are those that go toward employee benefits, while indirect costs include purchased goods and services consisting of the costs of their healthcare plans and Social Security expenditures. Each manufactured good, and service has both direct and indirect healthcare costs built into the final price.

Manufacturers need to sell products at a price point above their break-even cost line; therefore, any incurred costs force companies to mark up prices to stay profitable. Markups help cover taxes, product overruns and, of course, healthcare. Being that 18% of the GDP is spent on healthcare, when the price of a good is marked up by, say, an additional 40%, the direct and indirect costs add up to nearly 25%.

Since 1982, the healthcare industry's share of American GDP has increased nearly six-fold. Correspondingly, the manufacturing industry's GDP share decreased from 34% to just 23%. As the marginal costs of manufacturing increased, so did healthcare costs. Consequently, many American companies lost their competitive pricing in the global market and either closed or filed for bankruptcy. The Federal Trade Commission and the Department of Justice neglected the fact that one industry was severely affecting the other. In this case, antitrust laws are not only meant to prevent any one company from dominating an industry but also to protect entire industries from being cannibalized by competing sectors.

The legislative branch of the US government got into the healthcare business in 1965, but failed—from the beginning—to control costs. There is an axiom that states: when the government goes into business it never fails, but instead passes on its losses to the people by increasing taxes. That is what happened with Medicare and Medicaid; therefore, strong regulations must be built for the sake of controlling costs. An early warning sign of this surfaced in 2006 when the amounts listed on beneficiaries' bills began to cause problems. The General Accounting Office was responsible for determining the costs for Medicare Part B hospital out-patient services. In their report to Congress, General Accounting noted that if it were allowed to recompute the Medicare Part A hospital in-patient services, Medicare could save a whopping 72% for this program. But from this study, no significant action was taken. If implemented today, the overall savings would be closer to 85%.

We're ready to be competitive again

To bring back our manufacturing industry, create new companies, and increase the production of goods for export, we must eliminate the high costs of private-pay healthcare and government healthcare costs. These costs are currently incurred below the break-even point for most firms and need to be borne above that considerably. In addition to healthcare costs, all other mandated costs, including the Federal Insurance Contributions Act (FICA) and the tax funding for the programs must be incorporated into the general business and personal income taxes. Other industrialized nations have already done this and, as a result, their goods are competitively priced.

We can produce goods at lower prices than our competitors. The fact is that the United States still has a high productivity rating, due to the adaptation of automation, a highly trained labor force, a stable and business-friendly infrastructure, and overall low energy costs. We've been investing in better technology and moving toward greater automation. Our international competitors have been investing in the same things. However, the United States has trillions of dollars just waiting for the dawn of the second industrial revolution!

Lowering corporate taxes is a benefit to existing businesses, giving them short-term profits. Reducing taxes does not lower the cost of manufacturing since it only affects the revenues above the cost break-even line. The Congressional Budget Office has just revised the forecast with a downward trend for the creation of new jobs due to the latest tax refund legislation and an increase in the national debt from \$11.5 billion to \$13.5 billion over the next ten years.

How it will work

Implementing my recommendations will create many changes—some good, and some bad. On the positive side, everyone will have healthcare. Employees with existing illnesses or disabilities will be able to get jobs and hold on to them. Companies can use these employees' skills to produce rather than have them stay home. The money allocated to employees for healthcare will be paid to them in the form of higher wages, at about \$10 thousand per employee. This salary increase will be the largest recorded in our nation's history, while creating a huge consumer group flush with money. The 1.7 million bankruptcies—personal bankruptcies due to healthcare costs—will be no more. It will eliminate 25% of administrative healthcare expenditures for billing and collecting unpaid bills. The national healthcare expenditure will be cut in half, or perhaps even lower. The state's Medicaid expenditures will be a thing of the past, and would instead be more effective if immediately allocated to offset the cost of higher education, like every other industrialized nation, such as those in Europe.

On the downside, based on a comparison with the insurance companies' employees per capita of Canada, 250,000 sales jobs will be lost, as such positions will be deemed unnecessary. Taxes needed for The Federal Insurance Contributions Act (FICA) will be increased and added to the corporate and personal income rates. The total FICA tax is 15.3%: this tax presently comes from the employee's gross pay, but in the future, it will come out of the individual's adjusted gross income and companies' profits. The employer and employee will no longer pay 7.65%. Here is the breakdown of these taxes:

- Within the 7.65%, the OASDI (Old Age, Survivors, and Disability program, a.k.a., Social Security) portion is 6.2%, up to the annual maximum wages subject to Social Security.
- The Medicare portion is 1.45% for each employee, on all employee earnings.

The new amounts will have to be determined by the General Accounting Office and added as a flat tax on all earned income levels. The medical portion should only rise 3% to 4%, increasing each contribution from 10.65% to 11.65%. Included will be the government's obligation to our military veterans.

Our progressive personal income tax system is fair. We realize certain individuals will make more than others, keeping most of it, since it is a strong incentive for success. Understand that when an individual earns more under our capitalistic system, more has to be given back to the government for the maintenance of the country, of our financial system as a whole, and the benefit of its citizens who make it possible. After the transition is complete, we must allow market forces to stabilize in all industries and keep government interference to a minimum, but still support our antitrust and consumer protection laws.

A call for action

The country must make the changes, which I have advocated. We will be facing financial ruin if we do otherwise. Manufacturing creates wealth; without a strong manufacturing industry, we will lose our place among developed countries, have a lower standard of living, and rely on agriculture as the primary industry for export. The cost of our agricultural products will keep rising because other wealthy nations will be buying our food, which will inflate our prices.

Every elected legislator, no matter which party, needs to support these recommended changes. Any elective official who is unwilling to bring about these changes should not be re-elected.

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