The Fallacies We Live By

THAT ALL IS WELL WITH AMERICA'S TOOLS OF PRODUCTION

The backbone of the productivity—the muscle and the clout—of all industrialized nations is their metal forming power tools. A shortage of modern efficient units is the most serious of all shortages because it reduces production, raises the unit costs, retards wage increases, and lowers the nation's competitive position, not only in the world markets but right here at home where high quality, lower priced imports are storming our gates.

Every five years since 1945, the magazine, *American Machinist,* has taken a national inventory of metalworking tools dividing them into three groups: those under 10 years of age; those from 10 to 20; and, those over 20.

Tools do the labor formerly done by men. Their age is like that of men; younger tools do more work. The American Machinist Survey shows that only 33% of America's tools are young. 28%, probably an all-time high, are old.

This may sound unimportant, but it is a tremendous threat against the amount of world leadership that we have left. World power is based on economic strength, meaning efficient productivity. We already have a second-rate currency. Compared with our leading competitors, we also have a second-rate stock of tools. In "young" machine tools, the United States is at the bottom of the six nation list. Japan and West Germany lead the field and lead the world in productivity. In metal cutting tools, the Soviet Union is 54% "young" against our 33%.

The chief reason for our decline is so simple that few people will believe it—*American corporations have not been making enough money.* Here are the latest Department of Commerce figures:

Year	Profit before taxes	Profit after taxes
1966	6.1%	3.6%
1967	5.5%	2.9%
1968	5.5%	2.9%
1969	4.6%	2.3%
1970	3.7%	1.9%
1971	3.8%	1.9%

While profits were going down, inflation has increased replacement costs. An "old" tool, that cost $10,000, now costs about $25,000. The original cost was deducted from taxable income (for depreciation) but the extra cost must come out of the profit after taxes.

The amazing thing about this is that almost nobody seems to care. The economy is losing its lifeblood and nobody has sounded the alarm. Management should care. Stockholders should care. Government should care. And the members of labor unions, whose wages and job security depend upon good tools, should care.