

Opening Statement of Senator Sherrod Brown
Economic Policy Subcommittee
Hearing, "Restoring Credit to Manufacturers"

This hearing of the Economic Policy Subcommittee will come to order.

This is the fourth in a series of hearings on the challenges facing manufacturers.

Let's face it. Our manufacturing sector is in crisis. While key productivity indicators have shown recent signs of growth, both manufacturing output and employment have dropped precipitously over the past year.

We must act now to move from continuous erosion to consistent expansion, because US manufacturing isn't optional, it is indispensable. As manufacturing goes, so go our national security, our global economic leadership, and our stability as a democracy. Our democratic nation needs a strong, stable middle class, and a stable middle class needs manufacturing jobs.

Manufacturing equips our military and accounts for 12 percent - \$1.6 trillion - of U.S. Gross Domestic Product (GDP). It generates nearly three-fourths of the nation's research and development. It employs nearly 12 million Americans.

Compromised access to credit is the newest threat to American manufacturing. It's not a minor problem, it's a major concern. As one manufacturer I spoke with put it, "credit makes this country great."

But the credit stream has slowed to a trickle. The Federal Reserve Board's flow of funds accounts have shown a consistent reduction in net lending to manufacturing sectors.

Everyday there are more small and medium-sized manufacturers—like those in Ohio—at risk of going out of business because they cannot get the loans they need.

For manufacturers in the auto supply chain, the struggle to find a lender is even tougher.

I heard from one Ohio manufacturer who has been in business for 25 years and has had access to credit through a trusted lender. The manufacturer has a strong credit history.

The bank recently capped their credit line at \$5 million because a percentage of their business involves auto supply components. Almost 100 percent of the manufacturer's customers pay their invoices within 60 days.

The company feels penalized in spite of the fact that they have a strong record.

To be clear, this hearing is not about vilifying banks or anyone else. I realize that some banks are only just beginning to rebound from the financial meltdown and are concerned about taking on too much risk.

We also have the problem of the frozen debt-securitization markets, which allow banks to repackage loans and sell them to

investors. Banks are finding it increasingly difficult to repackage their loans to free up capital.

This problem of access to credit is unfortunately not unique to Ohio, Indiana, Michigan and other manufacturing states.

As I mentioned, the goal of this hearing is not to lay blame on anyone's doorstep.

This is an opportunity to take stock of where manufacturers and lenders are given the harsh economic conditions.

Despite the challenges I have outlined, we must find a way to get credit flowing again.

In that vein, I hope this hearing helps answer the following questions:

Are there signals that show credit is easing?

How have steps the Administration has taken worked and evolved? What new mechanisms should Congress and the Administration consider to bridge the gap?

I look forward to the testimony of our witnesses.