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Outsourcing Myths

Posted 11/01/2010 06:50 PM ET

Trade: In the 2004 election, with the economy in full recovery mode, Democrats launched an all-out attack on outsourcing to win votes. It didn't work. This year, in a much weaker economy, they're trying again.

When Democrats made outsourcing a big issue in 2004, the economy was growing at a 3.6% annual rate, thanks to the Bush tax cuts the year before, and unemployment had fallen to 5.5% — on its way to below 4% two years later.

The arguments about outsourcing costing Americans their jobs just didn't resonate. The GOP not only added seats in the House and Senate, President Bush won a second term.

This year things are different. Economic growth has averaged a tepid 2.5%, while unemployment has hovered above 9% for 17 straight months during our so-called "recovery."

In such an economy, fear of outsourcing is a way to win votes.

In September, with just days to go before hitting the campaign trail, desperate Senate Democrats pushed a bill to penalize companies that outsourced jobs to other countries. It failed.

If it had passed, "job losses would have accelerated," former Intel CEO Craig Barrett and former Assistant Commerce Secretary James Moore Jr. argued in the Wall Street Journal. "The U.S. government once again would have misunderstood how jobs are created and caused even more companies to relocate jobs overseas."

In California's senatorial election, Republican Carly Fiorina, former CEO of Hewlett-Packard, has been hammered by Sen. Barbara Boxer for firing 30,000 workers and defending outsourcing.

Meanwhile, President Obama is expected to raise the issue of outsourcing when he travels this week to India for talks with that fast-growing nation's leaders.

All this is premised on the idea that when U.S. businesses create jobs overseas, it leads to fewer jobs here. It's a zero-sum game.

But that's false. A 2005 study of the high-tech industry by Global Insight Inc., for instance, found that outsourcing was a "net positive for American workers and the U.S. economy," responsible for creating hundreds of thousands of U.S. jobs and boosting pay here.

And as Dan Griswold, a trade expert at the Cato Institute, recently noted, 90% of what U.S. companies make overseas is sold abroad — not imported to the U.S. In 2008 alone, U.S. firms sold $6 trillion in goods and services abroad — three times what we exported.

Nor is it all a one way street. From 2005 to 2009, foreigners poured an average of $87 billion year into U.S. manufacturing. We invested just $45 billion a year overseas. So who's outsourcing?

Yes, some people suffer from outsourcing. But overall, it's a benefit. Our real problem is Washington's excessive spending, taxing and regulating, which have hamstrung economic growth and encouraged U.S. companies to look abroad for growth.