Jobs Data Show U.S. is Outsourcing Its Future

by Paul Craig Roberts

Conservative pundits are incautiously hailing the 277,000 private sector jobs created by the economy in March as the long awaited "jobs turnaround." Alas, the BLS payroll survey indicates a continuation of the jobs malaise.

A look at the composition of the 277,000 jobs reveals that job growth occurred in sectors that do not generate export earnings or face import competition. Construction accounted for 71,000 of the new jobs; retail 47,000; health care and social assistance 39,000; restaurants and bars 27,000; professional and technical services 27,000; administrative and waste services 17,000, repair, maintenance and laundry services 12,000; wholesale 11,000; warehousing and storage 7,000; logging and mining 7,000; financial activities 6,000; air transportation 3,000.

In goods production other than domestic construction, the economy remains dead in the water: manufacturing jobs, zero; semiconductors and electronic components, zero; communica-tions equipment, zero; computer and peripheral equipment, zero; textile mills, zero; paper, zero; chemicals, zero; primary metals, -1,000; transportation equipment, -1,000; electrical equipment and appliances, -2,000.

This is not a profile of a high-tech knowledge-based economy. It is not even the profile of a low-tech developing economy.

It is the profile of an economy in serious trouble. Where are the jobs for skilled workers or jobs for university graduates in engineering or jobs in R&D for scientists? Where are the jobs in export and import-competitive sectors to close the massive U.S. trade deficit?

On April 2, the day the March jobs report was released, research economist Charles W. McMillion reported in *Manufacturing & Technology News* that "the superiority the United States has held in technology trade has suddenly vanished."

For the first time on record, during the last half of 2003 the U.S. ran a trade deficit in advanced technology products and services! As recently as 1997 the U.S. had a $60 billion trade surplus in technology goods and services.

The new millennium brought an acceleration in the outsourcing of technology jobs. Dr. McMillion reports that the U.S. has had a deficit in advanced technology products with China since 1995 and an overall deficit in technology goods and services trade with China since 1999. The U.S. technology deficit with China is almost five times larger than the U.S. technology deficit with Japan.

These facts do not reconcile with the reassurances from pundits that the U.S. has nothing to fear from China, allegedly a low-tech producer of textiles and shoes.

Recently, the American public has been deceived by a spate of "studies" sponsored by offshore platforms and by interest groups that benefit from outsourcing. These propaganda exercises purport to show that Americans benefit from outsourcing.

Where is the benefit for Americans when the U.S. economy cannot create jobs in export and import-competitive industries in order to close the massive trade deficit?

Where is the benefit for Americans when dollar devaluation drives up energy prices?

Where is the benefit for Americans of losing the lead in advanced technology products?

Where is the benefit for Americans of declining U.S. enroll-ments in electrical engineering and computer science?

Where is the benefit for Americans of having their human capital destroyed when they are replaced by cheap foreign labor?

Economists who are not up-to-

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date trade specialists are far behind the latest knowledge when they proclaim that all these developments must be good for America, because they are the results of free trade. In the latest work in trade theory, Ralph E. Gomory and William J. Baumol build on earlier research and demonstrate that a country's gains in productive capability can worsen the positions of its trading partners.

Their work has definite implications for trade policy. Not only can a country with a successful trade policy capture industries from a free trade country, but also a country that transfers its high-tech occupations and production abroad in order to lower the cost of producing for its domestic markets is reducing its own capability while increasing that of a competitor.

The notion that the U.S. can base production offshore and still come out ahead flies in the face of everything we know about economic development.

Some pundits have the mistaken impression that foreign direct investment in the U.S. renders offshoring concerns pointless. With so much foreign capital pouring into the U.S., how could the U.S. economy be any but the best?

The answer is that 95 percent of foreign direct investment during 1999-2002 (the last four years for which data are currently available) was used to acquire existing U.S. assets and their future income streams.

We are paying for our dependence on imported goods by turning over the ownership of our economy to foreigners. •