DAVID DREIER
CALIFORNIA

CHAIRMAN
COMMITTEE ON
RULES

237 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-2305

2220 EAST ROUTE 66, SUITE 225
GLENDORA, CA 91740
(626) 852-2626
(866) 373-6321

http://www.house.gov/dreier

Congress of the United States
House of Representatives
Washington, DC 20515

February 25, 2004

Dear Colleague:

As we continue to debate the role of trade in our 21st Century Economy, I commend to your attention the following Chicago Tribune Op-Ed. Mr. Chapman make a strong case that in this dynamic and ever-changing economy, companies that are free to adapt, compete, and innovate will continue to spur growth and create new, better jobs for Americans.

Sincerely,

David Dreier

Outsourcing and Trade Are No Threat to Jobs

by Steve Chapman

Chicago Tribune — ONLINE EDITION —

Consider two countries. One is a developing nation with lots of dirt-cheap labor that has become an exporting giant. The other has been importing more and more products from abroad and losing manufacturing jobs by the millions. You might guess that the first country is China. But the second? That's China, too.

From 1995 to 2002, [China] lost 15 million manufacturing jobs. Its imports have grown rapidly in recent years. Yet you can hardly say those trends are symptoms of decline, since China's economy is perennially among the world's fastest-growing. *(Emphasis added)*

All this is worth keeping in mind when you hear politicians talk about jobs and trade. [Senator] John Edwards seems to think it's a crime for any factory, anywhere in America, to ever shut its doors. But all sorts of companies go out of business every day, even as new ones start up. That's part of life in a dynamic, ever-innovating economy. It's no more a tragedy for a factory to close than for an old house to be torn down so a better one can be built in its place.

[Politicians] have blamed President Bush for the loss of millions of jobs, even as they criticize free trade agreements and U.S. corporations that, as John Kerry puts it, "ship jobs abroad." But as Cato Institute trade expert Daniel Griswold points out, **U.S. imports have more than tripled since 1980, yet the number of people employed has risen by 31 million.** *(Emphasis added)* In fact, during that period, "annual changes in import volume and civilian employment have been positively correlated. That is, the more net jobs our economy has created, the faster the volume of imports has grown."

The jobs shed during the Bush administration didn't disappear because foreigners were stealing them. They disappeared because of the recession and subsequent sluggish growth. It's a stark fact of life that no economy expands forever. Every boom ends in bust. Once economic growth resumes, though, employment growth inevitably follows, sooner or later.

Many people assume any job that migrates from America to another country permanently diminishes our employment base. Hence the furor over White House economic adviser Greg Mankiw's remark that "outsourcing" of jobs to other countries "is probably a plus for the economy in the long run."

But the angry reaction is just a reminder of journalist Michael Kinsley's adage that in Washington, a gaffe is not when someone tells a lie--it's when someone tells the truth. A nation doesn't prosper by spending lots of money to produce goods or provide services that foreigners can offer for less. If it's sensible for American consumers to save money buying clothes from Malaysia or cars from Japan, why isn't it smart for American firms to save money hiring people in India to answer phones?

The answer you usually hear is that we need the jobs. But American companies have to compete with foreign companies, here and abroad, and if ours spurn cheap labor in India, they stand to lose out to rivals that are not so fastidious. A U.S. company that cuts costs by moving some operations overseas has a better chance of flourishing in the marketplace--which is essential to preserving those jobs that remain here.

Most American jobs are no more likely to be relocated than the Hoover Dam. I can't outsource my haircuts to India or my car repairs to China. A study by McKinsey Global Institute says 70 percent of the economy "is composed of services such as retail, restaurants and hotels, personal care services, and the like ... These services are necessarily produced and consumed locally--and therefore cannot be offshored."

We've been warned that outsourcing will cost the U.S. 3.3 million service jobs by 2015. That sounds like a lot until you remember that in its relentless churning, the American economy typically loses and creates 7 to 8 million jobs every quarter--and added a net of some 3.5 million new jobs a year over the last decade.

We shouldn't mourn the anticipated loss of 3.3 million jobs while ignoring the vastly more numerous positions that will replace them. I say this even though some of those lost jobs may be in my profession. The Reuters news agency is hiring six reporters in India--to write about companies and markets in the U.S.

If trade were a net detriment to American workers, the prosperity of the Clinton era would not have followed passage of the North American Free Trade Agreement. The U.S. economy has nothing to fear from global commerce--nothing, that is, but fear itself.