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# Congress of the United States

## U.S. House of Representatives

COMMITTEE ON WAYS AND MEANS

1102 LONGWORTH HOUSE OFFICE BUILDING  
(202) 225-3625

Washington, DC 20515-6348

<http://waysandmeans.house.gov>

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## DEMOCRATS OPPOSE SHIFT OF JOBS OVERSEAS

Dear Democratic Colleague:

Tuesday's Los Angeles Times story discussing the President's economic policy has the headline: "**BUSH SUPPORTS SHIFT OF JOBS OVERSEAS**" (attached).

Though I commend the story, this is not news to Democrats. For the last two years, the Administration and its Republican friends in Congress have pushed tax breaks for companies that move jobs overseas. And, under President Bush, the economy has lost 2.8 million manufacturing jobs.

The House Republican leadership also supports the moving of jobs overseas as part of their tax plan. Ways and Means Committee Chairman Bill Thomas' bill would repeal an existing tax break for U.S. exporters and enact \$40 billion in tax breaks for the off-shore operations of U.S.-based multinational companies. If enacted, it would replace tax incentives to export American goods with tax incentives to export American jobs.

What is new is the Bush Administration's inclusion of outsourcing white collar work in its free trade and economic policy. The Chairman of President Bush's Council of Economic Advisers says, "Outsourcing is just a new way of doing international trade" and that is "a good thing." Chairman Thomas anticipated this new position in his legislation which includes a large loophole to allow companies to outsource almost all of the work needed to make a product and still reap most of the benefits from a tax incentive for "domestic production."

Of course, the thousands of workers who have lost their jobs to China, India, the Philippines and other countries will not agree with the Administration that outsourcing is a good thing. Software engineers, medical diagnosticians, and technicians were told that it was important to be highly trained for job security in a high-tech economy. So, they paid their tuition and went through the years of training now to have the rug pulled out from under them.

"The creation and destruction of jobs is part of the way in which people and materials move from less-productive to more-productive functions in a free-market economy," according to the Economic Report of the President. But if we are supposed to follow the rules of the free market, then why are some Republicans in the Administration and Congress interfering by pushing more tax incentives to artificially encourage jobs to move overseas?

The answer is clear – this is not about economics, it's about politics. There is no law in economics that says that we must pass tax breaks to encourage jobs to move overseas. There is no law in economics that says that we should just throw up our hands and do nothing as thousands of our constituents lose their jobs due to outsourcing. There is no law in economics that says that we should lower our standards of living to those of poor nations in order to maintain a vibrant manufacturing base.

We are supposed to trust the President's economic advisers that we need not worry about job loss, because goods and services will get cheaper and new jobs will somehow come along. Even with so many manufacturing and white collar jobs going abroad, they claim the economy will produce 3.8 million *new* jobs in 2004. Never mind that in 2003, the President Council of Economic Advisers predicted the creation of 3 million new jobs and instead we actually *lost* jobs; somehow the President's economics experts have come to the conclusion that the job market will turn around so radically that, miraculously, in just one year there will be more jobs than when George W. Bush took office instead of the 2.2 million fewer jobs and 2.8 million fewer manufacturing jobs that we see today.

What the so-called experts do not tell us is, with the Administration supporting the export of white-collar jobs just as it has the export of manufacturing jobs, what kind of jobs will be left. They will be low-paying service jobs. Of course, the President's economists would say the free-market will mean cheaper consumer goods and some services, which is fortunate since most working families will be having to work two or three of these low-paid jobs to afford to pay housing, child care, and prescription drug costs which remain high.

We Democrats have a better way. I have sponsored legislation that will revitalize our manufacturing base by lowering tax rates on all domestic producers, including small businesses and farms. Democrats are calling for true tax reform that would prevent companies from profiting from layoffs here in the U.S. We are fighting the use of tax havens such as Bermuda and Luxemburg which big companies use to get out of paying their fair share of taxes. We will continue to fight for a free and fair trade policy that negotiates free trade agreements that include internationally-recognized labor and environmental standards to promote the development of a middle-class abroad instead of the elimination of a middle-class here in America.

We are fortunate this year to have the differences between Democrats and Republicans so defined. Republicans believe that our policies should reward companies that move factory and white collar jobs overseas. Democrats believe we should offer incentives to keep these good jobs in America.

Sincerely,



Charles B. Rangel  
Ranking Democrat

# Bush Supports Shift of

The loss of work to other countries, while painful in the short term, will enrich the economy eventually, his report to Congress says.

By WARREN VIETH  
AND EDWIN CHEN  
*Times Staff Writers*

WASHINGTON — The movement of American factory jobs and white-collar work to other countries is part of a positive transformation that will enrich the U.S. economy over time, even if it causes short-term pain and dislocation, the Bush administration said Monday.

The embrace of foreign outsourcing, an accelerating trend that has contributed to U.S. job losses in recent years and has become an issue in the 2004 elections, is contained in the president's annual report to Congress on the health of the economy.

"Outsourcing is just a new way of doing international trade," said N. Gregory Mankiw, chairman of Bush's Council of Economic Advisors, which prepared the report. "More things are tradable than were tradable in the past. And that's a good thing."

The report, which predicts that the nation will reverse a three-year employment slide by creating 2.6 million jobs in 2004, is part of a weeklong effort by the administration to highlight signs that the recovery is picking up speed. Bush's economic stewardship has become a central issue in the presidential campaign, and the White House is eager to demonstrate that his policies are producing results.

In his message to Congress on Monday, Bush said the economy "is strong and getting stronger," thanks in part to his tax cuts and other economic programs. He said the nation had survived a stock market meltdown, recession, terrorist attacks, corporate scandals and war in Afghanistan and Iraq, and was finally beginning to enjoy "a mounting prosperity that will reach every corner of America."

The president repeated that message during an afternoon discussion about the economy at SRC Automotive, an engine-rebuilding plant in Springfield, Mo., where he lashed out at law-

## White House economic forecast

In his annual economic report to Congress, President Bush projected continued growth in gross domestic product, low

	Real GDP growth	Consumer price index
2002	2.9%	2.2%
2003	4.2	2.0
2004	4.0	1.4
2005	3.4	1.6
2006	3.3	1.9
2007	3.3	2.2
2008	3.1	2.5
2009	3.1	2.5

Source: White House Council of Economic Advisors

makers who oppose making his tax cuts permanent.

"When they say, 'We're going to repeal Bush's tax cuts,' that means they're going to raise your taxes, and that's wrong. And that's bad economics," he said.

Democrats who want Bush's job were quick to challenge his claims.

Sen. John F. Kerry of Massachusetts, the front-runner for the Democratic presidential nomination, supports a rollback of Bush's tax cuts for the wealthiest Americans and backs the creation of tax incentives for companies that keep jobs in the United States — although he supported the North American Free Trade Agreement, which many union members say is responsible for the migration of U.S. jobs, particularly in the auto industry, to Mexico.

Campaigning Monday in Roanoke, Va., Kerry questioned the credibility of the administration's job-creation forecast.

"I've got a feeling this report was prepared by the same people who brought us the intelligence on Iraq," Kerry said. "I don't think we need a new report about jobs in America. I think we need a new president who's going to create jobs in America and put Americans back to work."

In an evening appearance at George Mason University in Fairfax, Va., Sen. John Edwards of North Carolina mocked the Bush administration's economic report.

Edwards, who also supports repealing tax cuts for the richest Americans and offering incen-

tives to corporations that create new jobs in the United States, said it would come as a "news bulletin" to the American people that the economy was improving and that the outsourcing of jobs was good for America.

"These people," he said of the Bush administration, "what planet do they live on? They are so out of touch."

The president's 411-page report contains a detailed diagnosis of the forces the White House says are contributing to America's economic slowdown and a wide-ranging defense of the policies Bush has pursued to combat it.

It asserts that the last recession actually began in late 2000, before the president took office, instead of March 2001, as certified by the official recession-dating panel of the National Bureau of Economic Research.

Much of the report repeats the administration's previous economic prescriptions.

For instance, it says the Bush tax cuts must be made permanent to have their full effect on the economy.

Social Security also must be restructured to let workers put part of their retirement funds in private accounts, the report argues. Doing so could add nearly \$5 trillion to the national debt by 2036, the president's advisors note, but the additional borrowing would be repaid 20 years later and the program's long-term health would be more secure.

The report devotes an entire chapter to an issue that has be-

# Jobs Overseas

inflation and a steady decline in unemployment. Figures for four major indexes; all but 2002 are projections:

Unemployment rate	Payroll employment (in millions)
5.8%	130.4
6.0	130.1
5.6	132.7
5.4	136.3
5.2	138.6
5.1	140.6
5.1	142.5
5.1	144.4

Los Angeles Times

come increasingly troublesome for the administration: the loss of 2.8 million manufacturing jobs since Bush took office, and critics' claims that his trade policies are partly to blame.

His advisors acknowledge that international trade and foreign outsourcing have contributed to the job slump. But the report argues that technological progress and rising productivity — the ability to produce more goods with fewer workers — have played a bigger role than the flight of production to China and other low-wage countries.

Although trade expansion inevitably hurts some domestic workers, the benefits eventually will outweigh the costs as Americans are able to buy cheaper goods and services and as new jobs are created in growing sectors of the economy, the report said.

The president's report endorses the relatively new phenomenon of outsourcing high-end, white-collar work to India and other countries, a trend that has stirred concern within such affected occupations as computer programming and medical diagnostics.

"Maybe we will outsource a few radiologists," Mankiw told reporters. "What does that mean? Well, maybe the next generation of doctors will train fewer radiologists and will train more general practitioners or surgeons. . . . Maybe we've learned that we don't have a comparative advantage in radiologists."

Government should try to salvage the short-term disruption

by helping displaced workers obtain the training they need to enter new fields, such as health-care, Mankiw said, not by erecting protectionist barriers on behalf of vulnerable industries or professions. "The market is the best determinant of where the jobs should be," he said.

Bush's quick visit to Missouri — his 15th to a state considered a critical election battleground — was the first of several events this week intended to underscore recent economic gains. Although U.S. job creation remains relatively sluggish, the nation's unemployment rate fell from 6.4% in June to 5.6% in January, and the economy grew at the fastest pace in 20 years during the last half of 2003.

The format of his visit to SRC Automotive — one that he particularly likes — involved several employees and local business owners sharing the stage with the president to discuss their perspectives on the economy, with Bush elaborating on their stories to emphasize particular aspects of his economic program.

Today, Bush is scheduled meet with economic leaders at the White House. On Thursday, he goes to Pennsylvania's capital, Harrisburg — in another swing state that he has already visited more than two dozen times since becoming president.

*Vieth reported from Washington and Chen from Springfield. Times staff writers Scott Martelle in Norfolk, Va., and Maria La Ganga in Roanoke, Va., contributed to this report.*