Is Outsourcing Good for the U.S. Economy?
In a globalized economy, many jobs once done in the U.S. are now "outsourced" to other countries

YES
Outsourcing—sending manufacturing or services work abroad when it can be done there more cheaply—can be a tough sell in the best of times. It's even more of a challenge when jobs in the U.S. are already hard to find, and it's painful to think of precious jobs being shipped overseas. If only we kept the work at home, one might think, we could make a dent in unemployment.

There are at least two problems with such reasoning. First, many American jobs are connected to exporting. This is part of the premise of President Obama's goal of doubling U.S. exports over the next five years. The U.S. is still a great place to build large passenger aircraft, make sophisticated machine tools, or design computer software. It's the world's third-biggest exporter (behind China and Germany).

But the U.S. can be an expensive place to make T-shirts or assemble electronics. If the U.S. were to turn away from free trade and block outsourcing of this kind, other countries would respond by blocking the purchase of American-made goods. That would cost even more American jobs.

The other reason the link between outsourcing and jobs isn't so simple is that the money saved from outsourcing some jobs can be used to create other jobs in the U.S. A start-up company, for example, may succeed only if it can use an inexpensive foreign call center for its customer service. In that case, blocking outsourcing wouldn't keep any jobs in the U.S. Without the ability to outsource some of its work, the start-up wouldn't be able to get off the ground in the first place, and the other jobs it creates would never exist.

Some of the best goods and services come from the U.S.; others come from abroad. Outsourcing and trade give U.S. businesses and consumers access to them all.

Philip Levy
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NO
Outsourcing may sound like a good deal for American businesses, but in practice it's very bad for our economy.

First, when workers lose jobs to outsourcing, they are likely to end up in new jobs with substantially lower pay, and possibly a lower quality of life.

Second, outsourcing places downward pressure on U.S. wages in general: American workers who are in competition with workers in low-wage countries will have a tougher time earning enough to buy a home, save for retirement, or pay for a child's education. In other words, wages for many U.S. workers will no longer support middle-class lives.

Third, outsourcing reduces the job choices for Americans, and we are losing a great deal of potential know-how as a result. Fewer young people are seeking training in certain technical and skilled-manufacturing careers because they see how many of those jobs are moving overseas.

Fourth, outsourcing has increased our nation's trade deficit, which is the gap between how much more we import than we export. Trade deficits mean that the U.S. is, in effect, buying more than it's selling, so we have to borrow to cover the difference, just like any other debt.

Finally, outsourcing is not necessarily a good thing for businesses that do it. Separating innovation and production is inefficient. Shipping costs are rising. It is easier to control inventories and product quality when production is closer to home.

Outsourcing is not inevitable. With a strategy to encourage manufacturing in the U.S., we can succeed: If we reduce the incentives to outsource by changing tax and trade policies, we will keep more jobs in America.

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