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The pros and cons of off-shore jobs

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Would you rather pay higher prices for television sets, automobiles and clothing made exclusively by American workers, or lower prices for the same items produced by foreign workers? That's the fundamental question Americans must answer when they consider the transfer of jobs overseas.

Microcomputer production provides a good example. From 10 percent to 30 percent of the fall in the prices of microcomputers in recent years has been due to "off-shoring" by firms such as Dell, which now produces many computers in China. Lower prices for computer hardware have stimulated productivity growth in the American economy and, according to the Institute for International Economics, added $230 billion to our national product between 1995 and 2002. That economic growth has fed lots of hungry mouths nationwide and also has generated tax revenues that support our schools, build our roads and support our police forces.

Many are aware that Gateway found it difficult to compete and is in the process of closing its Hampton computer assembly plant. Gateway employed about 2,500 people at its peak. This is the other side of the off-shoring coin, and it's a very sharp, jagged coin for the workers who receive pink slips.

Still, the off-shoring of jobs continues because it increases the efficiency of American firms and offers all Americans lower prices. That's why the Super Wal-Mart is so crowded — there are lots of good deals to be had there. Wal-Mart, Target and Dell are visible representations of economic globalization. Any American who buys from them tends to benefit at least a little bit. When we add all American consumers together, the total benefits of globalization are incredibly large. Relatively few Americans would like to return to the world in which we paid higher prices for computers, shirts, sneakers, cars, etc.

The problem is that the adverse effects of globalization are not shared equally and tend to be felt by small segments of our population. The losers from the off-shoring of jobs include the workers at Gateway, traditional small businesses selling items such as clothing and appliances, and manufacturing firms that have found it difficult to keep up with Chinese and Indian competitors. There's no doubt that productivity growth can be disruptive, and its effects are particularly painful to older workers.

So even though nearly all Americans benefit from globalization, a segment of the population ends up losing their jobs. Still, the United States would be worse off if it followed the siren song of some elected political figures and either outlawed off-shoring or made it very difficult to accomplish. McKinsey and Co. estimates that the United States gains $1.12 from every dollar spent on the outsourcing of jobs to India.

What can we do to help out those workers who lose their jobs? First, we can provide them with job retraining and education at public expense. A strong argument exists in support of the notion that all Americans, using public tax funds, should assist those who are hurt by these powerful forces.

Second, we can create more jobs in the American economy so that those who lose their jobs can move easily into these new positions. Of course, this is easier said than done. Relatively few displaced computer assembly employees are qualified to become nurses (which we need). That's why training and education are such an important part of the solution.

Third, we can extend our social safety net by offering somewhat more generous unemployment benefits, health care and other services to those whose jobs are lost due to globalization. We cannot and should not attempt to insure workers indefinitely against basic economic reality, but we can buffer them from its worst effects.

The benefits of international trade and globalization have been immense to the average American. During an election year, however, there is a tendency for candidates in both parties to become protectionist. Sen. John Kerry has talked about "Benedict Arnold CEOs" who outsource jobs and President Bush quickly disowned his own chief economic adviser, Gregory Mankiw, when Mankiw pointed out that the long-term effects of the off-shoring of jobs were positive for the United States.

But Mankiw was right. Off-shoring and globalization are good things for Americans. We can make this notion easier to accept, however, if we pay for job retraining and increased education, create more jobs and extend our social safety net to catch those who crash. We'll still be way ahead after we've paid for these things.

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