Outsourcing Should Not Be an Issue

Although it is not apparent from political ads, neither party seems to understand what is occurring with respect to the loss of jobs overseas and what can be done about it. Nevertheless, offshore outsourcing—usually referred to as outsourcing—has become a major issue in the presidential campaign.

The Democratic camp is blaming Mitt Romney for shipping jobs overseas as head of Bain Capital. The Republicans call Obama the “outsourcer in chief” for sending billions of dollars in stimulus funds to companies that operate abroad.

Outsourcing is the relocation of jobs from the United States to areas of the world with lower labor costs or tax savings. This boils down to a financial decision. Firms seek to reduce costs for the products and services they produce by deciding which tasks can best be handled in a foreign country and then shipping those parts of their operations overseas.

Outsourcing has been occurring for several decades and is primarily a product of globalization. Other factors involved are high corporate tax rates in the United States (the highest in the developed nations), improved technology, and an increase in low-cost, skilled workers in developing countries.

With outsourcing come lower costs for a wide range of goods and services, benefitting consumers in this country. As with most activities in life, there is a trade-off. The trade-off is between cheaper products and services and lost jobs.

Most mainstream observers contend that regardless of which party wins the election, outsourcing will continue. This is because there is not a great deal that policy makers in Washington can do to stop the process without creating trade wars with other nations.
One step, however, could be taken to slow it down. This involves rewriting the tax code to reduce the corporate tax rate to a more reasonable level. While this would provide an incentive for companies to keep production at home, it seems unlikely that this will occur in the current political environment.

Wayne Curtis, Ph.D., a former superintendent of Alabama banks, is retired from the board of directors of First United Security Bank. He may be contacted at wccurtis39@gmail.com.