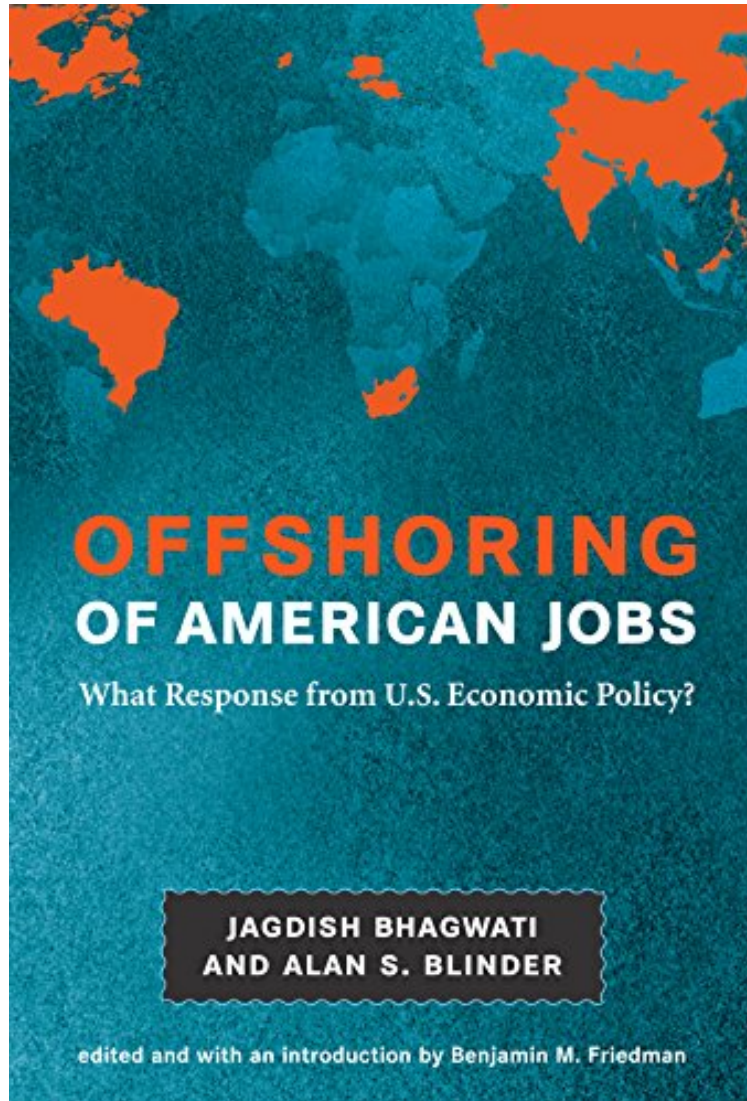


[Mobile pdf] Offshoring of American Jobs: What Response from U.S. Economic Policy? (Alvin Hansen Symposium on Public Policy at Harvard University)

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Jagdish N. Bhagwati, Alan S. Blinder, Benjamin M. Friedman

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Jagdish N. Bhagwati, Alan S. Blinder, Benjamin M. Friedman : Offshoring of American Jobs: What Response from U.S. Economic Policy? (Alvin Hansen Symposium on Public Policy at Harvard University) before purchasing it in order to gauge whether or not it would be worth my time, and all praised Offshoring of American Jobs: What Response from U.S. Economic Policy? (Alvin Hansen Symposium on Public Policy at Harvard University):

1 of 6 people found the following review helpful. Offshoring the Opinions of Economists By Robert Garvin Jagdish Bhagwati turns out to be the king of "ad hominem:" I am very clever, have studied under the finest teachers of economics, have taught most of you (in the audience). During the past 20 years, I have anticipated all the points you raise, and have refuted them convincingly. Don't fixate on India and China. Remember the rise of S. Korea, Taiwan, Singapore, and Hong Kong. Blinder may turn out to be right...for all the wrong reasons. I'm 73, and won't care. Offshoring is an inevitable and creative part of creative destruction. Alan Blinder's "ad rem:" Offshoring will be a Big Deal for English-speaking economies, in number and types of jobs affected. Indians, Philipinos, and Chinese do not speak French or German, so France and Germany will see a lesser impact. Aim yourself towards constant innovation and at jobs that cannot be off-shored. I'd advise my children to prepare for careers that a computer cannot do better, and that a well-educated Indian cannot do well. My own comment: No knock-out punches on either side. I vote for economic advice from another Indian economic gasbag (not at Columbia University) who will give advice at much less cost.

3 of 4 people found the following review helpful. The Offshoring of American Jobs By G.X. Larson This slim volume, featuring Jagdish Bhagwati and Alan Blinder, includes two essays by the scholars just mentioned along with several short comments by other scholars. Blinder's essay is the centerpiece of the volume; the highlight of Blinder's essay is that he predicts that 30 to 40 million American jobs are potentially offshore-able, where offshoring means hiring a person in a foreign nation to do the equivalent work that an American worker could do. Blinder is not concerned about factory and manufacturing jobs being offshored, since this has already happened; rather, Blinder notes that there is cause for concern because certain service jobs have potential to be offshored. Indeed, service jobs such as computer programming and call centers have already seen some offshoring, mostly to India. Why India? Because English is a common language in the country, meaning Indian workers are proficient enough to handle impersonal service jobs, and, of course, wages are lower there than in the United States. The United States (and other wealthy English speaking nations) are in a peculiar position here in comparison to other wealthy nations because other countries such as Norway, Sweden, and Germany do not have a worldwide pool of Norwegian, Swedish, and German speakers to tap into. What's more thought provoking is that impersonal service jobs often require college education, which means a significant amount of college educated Americans might be seeing their occupations offshored in the near future: the fields of computer science, accounting, radiology, etc., are all occupations that can be done abroad at or near the same quality. Personal service jobs, such as nursing, hair cutting, lawn mowing, lawyering and doctoring are safe from offshoring, but only if the aspects of each job remain personal. For example, the legal profession has recently seen jobs in the document review field move to India, where practitioners know English and are familiar with the common law system. Medical tourism also poses problems for the American medical profession. All of this is to say that not only are low-skilled manufacturing jobs in danger of exodus, but many high-skilled, education-requiring jobs have potential to be easily offshored. This is a political problem in the making, Blinder notes, because highly educated workers are less likely to sit idly by and watch their occupations be sent abroad. Protectionism is a evil spectre within the economics profession (all the authors in this volume bend over backwards to show that they do not support protectionism), but can carry much appeal to the highly educated and low skilled alike, most of which have never heard of comparative advantage. What, then, is to be done? Blinder proposes that, if his forecast is correct, the United States must strengthen trade adjustment assistance (TAA) (and the social safety net in general), which would help soften the fall for workers whose jobs have been offshored; must prepare workers of the future with adequate education, meaning education focused on preparing kids for the personal service sector; must remain a central innovator in fields of technology and medicine, and whatever else will be highly valued in the future. Blinder writes that "sometimes a quantitative change is so large that it brings about qualitative changes". Indeed, the potential offshoring of 30 to 40 million American jobs, many of which require 4+ years of higher education, would be a large addition to the many other economic and political problems facing the United States today. A weaker dollar could hurt Americans' standard of living, but it would help to even out the disparity in regards to prices and wages, meaning American exports would be more affordable to the rest of the world and wages paid to Americans would no longer be a premium burden to employers. The economic development of India, while apparently hurting certain aspects of the American domestic economy, will undoubtedly help others; on top of this, wages in India will increase, thus making the appeal to offshore jobs less appealing.

A coda. In his response to Bhagwati's essay (Bhagwati's essay, by the way, adds very little to the volume and is written in High Emeritus to boot) Blinder writes that, "to the vast majority of humankind, earning a decent living is overwhelmingly more important than being able to pick up bargains at Wal-Mart. Our job as economists is to convince the body politic that, once you add up all these Wal-Mart savings, and factor in the new jobs that trade create, the nation is indeed better off. Unfortunately, we have largely failed in this task for over two hundred years." This quote sums up the crass utilitarianism of contemporary economic science, which is why society mistrusts economics. We ought to do better. On an unrelated note, Professor Irwin's comment on Blinder's essay is the best response in the volume. Irwin does not claim that offshoring is not a real phenomenon, nor does he stray from the subject like Bhagwati. Irwin quotes Alfred Marshall by saying nature makes no leap: Irwin agrees with Blinder that offshoring is real and imminent, but believes it will happen slowly enough that the collateral damage will not be great. I agree with Blinder for the most part, and think that offshoring of high-skill-requiring occupations has the

potential to be politically more problematic than the decline of American manufacturing (i.e. the loss of manufacturing jobs). If Blinder's 30 to 40 million jobs estimate is correct (I suspect the estimate is a little on the high side), then a significant chunk of the labor force will be extremely irate. They will not just be out of work or underemployed, they will have little prospect of lateral occupation changes. This is because in today's economy/society, credentials matter, and if you don't hold a BS in engineering, your computer science degree will be of no help breaking into the engineering profession. This highlights the fact that higher education is no longer a panacea or a ticket to the upper middle class (let alone the middle class). Many lawyers who were once getting by doing document review---the lowest rung of the legal profession, lower than ambulance chasing---have seen their wages slashed, and many blame India. All the while the American Bar Association endorsed offshoring these menial "doc review" jobs to India. If professional organizations such as the AMA, ABA, and whoever holds the pot for the radiology profession ever take a significant stand against offshoring, then American capitalism will be placed in a bind. The gravy train is long gone.2 of 3 people found the following review helpful. History will tellBy Rich T.It's an interesting debate, but neither one gets it right. Each passing year makes Bhagwati's essay seem more irrelevant and Blinder's more impotent. Offshoring continues to take its toll on US employment. As things continue to worsen, the interests of US citizens (aka "politics") will trump the economists' notions of so-called "free trade". After all, a nation is not obliged to put any economic theory ahead of its own well-being, and reality will ultimately dictate the response.What will NOT happen is a general transition to "personal service" jobs as a panacea. We cannot survive as a nation of plumbers serving electricians serving massage therapists serving lawyers serving doctors serving plumbers, all of whom support retail and hospital jobs. There will simply not be enough work to go around. In order to be strong and healthy as a nation, we need a significant chunk of jobs in the manufacturing and "impersonal service" sectors.Here's my own solution to the offshoring debate: the US government needs to offer (actually impose) a "deal" on those who run US corporations (which, when you get down to it, serve CEO interests and not necessarily US citizen interests). On the one hand, eliminate the corporate income tax, but on the other hand, impose an equalizing tariff on the wages of foreign workers who serve the US market in certain industries, such as IT. Not the former without the latter. I encourage everyone to properly understand this approach and then to seriously think about the ramifications of such a policy.

It is no surprise that many fearful American workers see the call center operator in Bangalore or the factory worker in Guangzhou as a threat to their jobs. The emergence of China and India (along with other, smaller developing countries) as economic powers has doubled the supply of labor to the integrated world economy. Economic theory suggests that such a dramatic increase in the supply of labor without an accompanying increase in the supply of capital is likely to exert downward pressure on wages for workers already in the integrated world economy, and wages for most workers in the United States have indeed stagnated or declined. In this book, leading economists Jagdish Bhagwati and Alan S. Blinder offer their perspectives on how the outsourcing of labor and the shifting of jobs to lower-wage countries affect the U.S. economy and what, if any, policy responses are required. Bhagwati, in his colorful and pithy style, focuses on globalization and free trade, while Blinder, erudite and witty, addresses the significance of labor market adjustment caused by trade. Bhagwati's and Blinder's contributions are followed by comments from economists Richard Freedman, Douglas A. Irwin, Lori G. Kletzer, and Robert Z. Lawrence. Bhagwati and Blinder then respond separately to the issues raised. Benjamin Friedman, who edited this volume (and organized the symposium that inspired it), provides an introduction.

A provocative, entertaining, and high-level discussion of offshoring and its consequences. The debate between Bhagwati and Blinder -- and the comments of a distinguished set of panel members -- will bring the reader to the frontier of thinking on one of the most important policy issues of our time. (Robert W. Staiger, Department of Economics, Stanford University)This outstanding volume provides an exceptional contribution to the debate on offshoring. The two main writers, Jagdish Bhagwati and Alan Blinder are both world-class economists who combine clear and original arguments and deep insights on the subject. It will become a classic and is a must-read for policymakers, economists, scholars or anyone who is interested in this important global phenomenon. (K.C. Fung, Department of Economics, University of California, Santa Cruz)Outsourcing has become synonymous to losses of jobs and income in the US popular debate. But the views on outsourcing among academic economists are much more diverse. Reflecting this divide, this book provides an entertaining discussion, conducted by distinguished economists, of the likely effects of outsourcing in the years to come. (Henrik Horn, Professor of International Economics, Senior Research Fellow, Research Institute of Industrial Economics (IFN), Stockholm)About the AuthorJagdish Bhagwati is University Professor at Columbia University. He is the author of *In Defense of Globalization*, *The Wind of the Hundred Days* (MIT Press, 2002), and other books. Alan S. Blinder is G. S. Rentschler Memorial Professor of Economics and Public Affairs at Princeton University. He is the author of *The Quiet Revolution: Central Banking Goes Modern* and other books. Benjamin M. Friedman is William Joseph Maier Professor of Political Economy at Harvard University. His latest book is *The Moral Consequences of Economic Growth*. Alan S. Blinder is G. S. Rentschler Memorial Professor of Economics and Public Affairs at Princeton University. He is the author of *The Quiet*

Revolution: Central Banking Goes Modern and other books. Perez Zagorin is Joseph C. Wilson Professor of History Emeritus at the University of Rochester and a Fellow of the Shannon Center for Advanced Studies at the University of Virginia. He has been a Fellow of the American Academy of Arts Sciences since 1976.