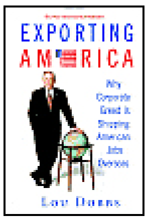
Carnegie Council
ON ETHICS AND
INTERNATIONAL AFFAIRS

Exporting America: Why Corporate Greed Is Shipping American Jobs Overseas

Lou Dobbs

Edited transcript of remarks, 12/02/04 Carnegie Council Books for Breakfast (Merrill House, New York City).



Introduction

JOANNE MYERS: Good morning. I'm Joanne Myers, Director of Merrill House Programs, and on behalf of the Carnegie I'd like to thank you for joining us as we welcome Lou Dobbs to our Books for Breakfast Program. This morning he will be discussing his book, Exporting America: Why Corporate Greed Is Shipping American Jobs Overseas.

Recently it seems impossible to read a newspaper, turn on the television news, or call a customer service representative without being aware of one of the most politically and economically charged issues of our day, the outsourcing of jobs overseas. It has been argued that sending jobs overseas is part of corporate America's quest for short-term profits at the expense of the long-term well-being of our American workers.

Bringing this subject to the attention of the American public has been the mission of our guest this morning, and there is no one who has done more to shine a spotlight on this issue that the world-renown business journalist and CNN anchor Lou Dobbs. In a series of special reports entitled "Exporting America," Mr. Dobbs has argued that thousands of quality jobs are being lost by American workers every month. He further notes that these are jobs that will be performed by people in China, Eastern Europe, India and elsewhere at a fraction of what American workers earn.

Night after night, at 6:00 p.m. on the East Coast and again at 11:00, millions turn to CNN as our guest challenges the dominant broadcast networks with his innovative style, recounting the day's events. At times, his reporting has been provocative — some would even say controversial — but no one would ever argue with the intelligent manner in which the issues are presented or with Mr. Dobbs' skill in giving a voice to the many American workers who have been caught in the crosshairs of corporate America's cost-cutting measures and have lost their jobs.

Although you may know him as the anchor and managing editor of CNN's "Lou Dobbs Tonight," he is also a columnist for *Money* magazine, a Contributing Editor to *U.S. News & World Report*, and publisher of his own financial newsletter, *The Lou Dobbs Money Letter.* His syndicated show, "The Lou Dobbs Financial Report" is broadcast on more than 700 radio stations across the country.

He has frequently been honored by his colleagues and has received nearly every major award for television journalism. Among them are the George Foster Peabody Award for coverage of the 1987 stock market crash, and the Luminary Award by the Business Journalism Review for his visionary work which changed the landscape of business journalism in the 1980s. In 1999 he also received the Horatio Alger Association Award for Distinguished Americans, and in 2000 he was recognized for his role as founder of space.com, the first multimedia company dedicated to space and space-related content by receiving the National Space Club Media Award.

In the world of broadcast journalism there are reporters who cover the news, there are network anchors, and then there is Lou Dobbs. Please join me in giving a very warm welcome to our guest, a man in a class by himself, Lou Dobbs.

Remarks

LOU DOBBS: Thank you very much for those kind words. Let's begin with the issue of outsourcing and try to put it in some context. The issue became critically important to me just about two years ago, as the recovery was taking hold and showing considerable strength, but job creation was lagging seriously, unlike any period which I had covered and, as I researched further, unlike any period in our modern economic history. We are now at about the four-year juncture of our economic recovery, and still we are a net loser in job creation over the course of the past four years in this country. This has never happened before in modern economic history post World War II.

As we focused on that issue, it became clear that there were a number of forces at work. One, no one wanted to acknowledge that there was a policy at work and a process that was being embraced by corporate America, that being namely to seek out the cheapest possible labor, irrespective of the labor market, its location, or its political position in the broad relationships of the United States with the world.

Lacking any data, we began to create our own files about companies that were indeed outsourcing jobs. As we began the process, I thought there would be perhaps 200 corporations engaged in the practice. But the deeper we dug into the story, we found that this business practice was at work in nearly every major U.S. multinational.

Further research now reveals that nearly all of corporate America is in some way either outsourcing directly to cheap foreign labor markets or outsourcing the practice itself by giving themselves a buffer, so that they are not directly engaged in the practice but rather contracting for the practice on their behalf.

The AFL-CIO has found over 200,000 instances of outsourcing. That's a very wide definition of the practice and the number of entities that are involved. That includes every subsidiary and various small and medium-sized businesses.

What struck me as we began reporting on this issue was, first, that corporate America was embracing the practice with such zeal, because the labor savings are not that substantial; but, secondly, that outsourcing itself created such a firestorm when I started reporting on it.

I have never been called so many names and encountered such vitriol from my own peers in this craft. The most audacious and stunning criticisms and personal attacks did not come from corporate America, but from the writers at *The Economist* and the op-ed pages of *The Wall Street Journal*. The Business Roundtable did have one or two things to say; and my good friend Tom Donahue at the U.S. Chamber of Commerce and I engaged in many debates, but we did so respectfully.

What was interesting beyond that was that the attacks were based purely on the position of being against outsourcing itself. They were personal attacks and were not on the merits in any instance. When that occurs, you bet you're right on the issue. And indeed, we raised the frequency and increased the depth of our reporting as a result.

What we've now found is that the Labor Department put together a fig leaf of a report to suggest what was happening in terms of jobs lost. Through the efforts of the University of California at Berkeley, a study last October revealed 14 million jobs at risk, while the Labor Department and the Bush Administration itself were saying this was all at the margin, a mere 1 percent perhaps of all the jobs lost. The U.S.-China Economic Commission just a few months ago reported 400,000 jobs lost this year.

With 14 million jobs at risk and hundreds of thousands of jobs having been lost, the next ploy would be for some to suggest, "These are not significant jobs." They are across the spectrum of jobs in this country. They range from the lower-paid jobs that include call centers, to higher-paid jobs that include everything from engineering, to radiology, research, even Wall Street research.

The phenomenon is pervasive, it is accelerating, and most surveys show that U.S. multinationals plan to increase outsourcing by anywhere from 25-to-30 percent per year for the foreseeable future.

Why is it significant? One, the real pain and loss created by outsourcing is diminishing our middle class.

Secondly, outsourcing is, as Gregory Mankiw, the Chairman of the President's Council of Economic Advisers, said, "simply an element of international trade." For reasons that he did not intend, he thereby revealed part of the scope of this critical problem: the mindset that suggests that we can exploit the cheapest possible labor overseas while containing that within U.S. trade policy. This has resulted in twenty-eight consecutive years of trade deficits and in an external trade debt of over $3 trillion on the part of this country, and this year will result in a $600 billion current account deficit, while the dollar is plummeting. We're in significant trouble.

The op-ed pages of *The Wall Street Journal* have now suddenly recognized that there is a problem with the trade deficit, there is a problem with the dollar, and perhaps we should examine closely some trade policies. They were not about to look too hard at these issues before the election, again approaching things such as free trade from an ideological rather than a rational perspective.

It is time that the country takes a look at what we are doing and understands why. We are the only economic power in the world, we are the only one amongst all of our trading partners, that is not pursuing mutuality, reciprocity, and balance in our international trade. The result is that we are importing $2.6 billion a day to support our deficits. That's not sustainable, and indeed represents over 70 percent of the world's savings each day that we are borrowing, to put it in absolute perspective.

If anyone here is sanguine about the prospects for stability, equilibrium, prosperity, given the current practices and policies of trade, including outsourcing, without significant adjustments in policy, and what I suspect will be significant adjustments in markets, you are living in a fantasy world.

The time is at hand where it is no longer acceptable to simply look at each critically important issue individually or on an ad hoc basis.

We need a national policy and strategy on trade. We must understand the impact of what we are doing and the relationship between outsourcing, the environment, our international trade policies, our educational policies, and our immigration policies, because ours is a holistic world. The limitations of our intellect may suggest to us that we deal on an ad hoc basis, but the demands of the world in which we live will require an understanding of those interrelationships and the policies that are necessary to bring about balance and sustainability in the strategies that we employ to pursue prosperity in our economy and society.

We have every opportunity, as we have had for 200 years in this country, to move well beyond our challenges today and to achieve greater prosperity, stability and security. But it cannot be done with faith-based economics and a simple rejection of determinism. That is not the way that we have achieved our destiny in this country to this point, and it is in my judgment the surest way to lose that destiny.

JOANNE MYERS: Thank you very much. I would like to open the floor to questions.

Questions and Answers

QUESTION: You used the word "exploit" work forces abroad. I don't think you exploit; you create work places for other people abroad. And I didn't really understand your explanation of why outsourcing is bad for the economy.

Why don't you address the solution to the problem? You are questioning the creativity of the American economy in terms of educational politics, of research and development, of creating new jobs. Take the example of Novartis. Recently, they created 1,500 workplaces in Boston for researchers. So this is a kind of outsourcing which is also very significant for the Americans.

LOU DOBBS: Novartis is not outsourcing, but rather investing in this economy. They are here to exploit this market. I use it not as a pejorative but as an economic term. They are not creating jobs here to reduce expenses for their home office in Geneva or Zurich. They are here to exploit the world's largest consumer market, $11 trillion. There is quite a difference between outsourcing and foreign direct investment, which is an example that you just brought up.

That is unlike what's happening in the United States. For example Dell Computer laying off 300 people at its call center and shipping the jobs to Bangalore, to Manila, simply to reduce cost in its home economy, providing the same service, the same product, but eliminating the jobs. So therefore it's job destruction.

Every net job that is lost in this country reduces the tax base that provides for education. The public educational system in this country, which has been the backbone of so much of our social and economic mobility, is in dire straits today.

Every corporation which bemoans, and every leader of that corporation who bemoans, the lack of education and a workforce that is not sufficiently educated, who at the same time is now temporized by that concern and simply outsources a job on a price basis and diminishes the tax base in this country for education is a hypocrite and is not looking at the broad issue. Nor is he fulfilling his or her corporate responsibilities as a leader in dealing with the stakeholders that are beyond short-term investors. They include the employees, the suppliers, the community in which they work, and the nation that makes them possible. We don't hear a lot about corporate responsibility. I'm hoping that we shall soon.

The solution is for corporate America to find a conscience and be encouraged to forestall demands on short-term profits and look to the longer term. Secondly, if they are unsuccessful, there is an absolute need for regulation to halt the practice.

QUESTION: You often have me on the horns of a dilemma, because as an Indian and a UN official, I don't know whether to be relieved that you bash outsourcing to India because it deprives you of time to bash the UN.

LOU DOBBS: That's why we have a one-hour broadcast, so we don't have to make those Hobbesian choices.

QUESTIONER: I'm not an economist. But I was struck by your use of the word "conscience," given our venue, the Carnegie Council for Ethics and International Affairs. Are you saying that your view is confined to the welfare of the existing labor force in America and the preservation of their jobs?

Or is there an ethical dimension to the argument that the policies that you condemn would both bring better standards of living to other people around the world and indirectly help the American consumer by the lowering cost of services here, thereby strengthening the overall economy, strengthening eventually the economies in other countries of the world that will open their markets for American products?

LOU DOBBS: The easiest way to answer that is to take note of a few data points. One is that approximately 80 percent of the wealth that has been created in the world over the past three decades has been generated as a result of the driving of the U.S. economy — not the United Nations.

Secondly, the idea that one can take a treasure like the U.S. economy, which is an engine that is driving the economies of Europe and the two largest economies in Asia, and dismiss it as if it is somehow unethical to be concerned about stewardship of its tremendous assets, its educational system, its responsibility to its citizens, seems to be not a matter of ethics but rather shortsighted.

Ethics would suggest to me that one look to those within this economy and this nation state who are responsible for creating wealth, to generating wealth and prosperity and security for Americans, who are sharing that wealth with the entire world — for which we don't get much credit, and certainly not from the UN.

QUESTION: It was recently announced that China and about ten other nations in the Far East have created a free trade zone. Will they freeze us out of our goods and services from the Far East?

LOU DOBBS: Bloc trading is something that the Bush Administration — and the Clinton Administration before it — has been working very hard to break down.

The agreement is between China and the ASEAN nations. But the fact is that the ASEAN nations are not blocking anyone. They are growing, dynamic economies in their own right and are global competitors for resources.

The problem is that our policymakers are not recognizing this. It's not a political motivation, but primarily the fact that the Chinese economy will be the largest in the world within the next twenty to thirty years. With 1.2 billion people, there will be a tremendous competition for natural resources, for energy, and we must be prepared to deal with that issue, as is Europe, as is the rest of the world.

We are seeing a tremendous impact already, whether it be concrete, cement, steel, or lumber. The Chinese will be voracious in their demand for those resources. We simply don't have a policy to deal with it. It's one of the reasons that we need to have some sensible conscious strategy to preserve this economy.

I assure you that I wasn't the only journalist that Premier Wen spoke with last December when he visited this country. He made it clear to me that the Chinese interest is in achieving the highest technology from the United States and Europe. They are already established in terms of middle-level technology. They have known their direction for the past twenty years.

Where we are headed we have only begun to debate, and that is unacceptable if we are to achieve success as an economy. And it is not adequate to simply leave to U.S. multinationals an unfettered view of trade that is not in the interest of the United States. It has to change soon.

QUESTION: You said that it was not by any means clear that exporting jobs was economical, that labor was cheaper abroad.

LOU DOBBS: I'm sorry. If you heard me say that, I misspoke. What I meant to say was that the labor savings is only at the margin. It's hardly determinant for a corporation's profitability.

QUESTIONER: It strikes me as surprising that American business would make a judgment so carelessly. If you believe in free enterprise, in the profit motive, you make decisions based very much on a question of the cost structure of your company. And if you make a judgment that the cost structure of your company will be lowered by having the work done elsewhere, then in the end you're offering a service to American consumers, who are very large in number, overwhelmingly larger than any net job loss. It is important that Americans be able to buy products at the most competitive rates.

Leave aside the considerations advanced about the value in the long term of creating markets in places like India and China and ASEAN — markets for high-end American goods. But let's just spare a thought for the poor American consumers, who if all these jobs are to be kept onshore, will be paying much more for products than they now do.

LOU DOBBS: That would be wonderful if the labor savings from the U.S. multinationals were going to consumers. They're going to profits primarily. Over the course of the past four years, profits in this country have risen approximately 85 percent while wages on a real basis adjusted for inflation have risen no more than 4.5 percent.

Inflation is running at about 3 percent, the lowest level in forty years in this country. That's all to the good.

If people continue to lose jobs and have their purchasing power diminished, they will need to have a lot of those cheap goods. Wal-Mart is now the number three export market for China, for example. That may be the way of the world, but it's not the way of the world that would be most beneficial to Americans and the middle class, because I live under a view that the middle class is the backbone and the future of this country. I want to see it enlarged. I want those who aspire to be part of it to have every opportunity. I don't see that occurring if this trend is fully extrapolated.

QUESTION: While I agree fully with your basic argument about the need for an integrated national approach to these problems, the reality is that the world of 2004 and beyond is very different from the world of the 1990s, and it will continue to change.

We have added in the past five years five major continental economies into the world economy. China, India, Brazil, Mexico, and Russia have gradually joined in, each of which has invested tremendous amounts of resources in their own economies, including large investments in education. Chinese and Indian universities today are producing world-class graduates. We no longer have national labor forces, but rather a global talent pool.

One of the reasons why we are encountering some of these issues, particularly the higher end, is because in effect what we are seeing is a reconfiguration of all of the structures of how R&D and how knowledge are being created.

You can take any major multinational corporation and look at the way in which they create knowledge today — through the use of cross-functional, cross-cultural, virtual teams moving across borders. They're globally integrated. They're working together as a team. It's not simply that GE is modifying its light bulbs so it can sell them simply in the China market, but that GE is building products and components that end up in Europe, in Southeast Asia, and all around the world.

And so we may have entered a very different area of the world economy. Part of that national strategy will require us to think about how we can make better use of Chinese and Indian engineers. And similarly, as Indian companies build up their capability, they will begin to use our engineers and our capabilities if we have the talent pool.

One of the most interesting pieces of data that just came out was the decline of foreign investment into the United States. This declining investment is of even bigger concern.

LOU DOBBS: If you're concerned about that, then why aren't you also concerned about the fact that both China and Japan have been withdrawing from our debt markets and are not supporting at the same level our borrowings, because they have the hammer hand? Therein is one of the greatest vulnerabilities to this economy.

It's great to talk about trends, continental cross-training. It's just international business. We don't need fancy words for it. We're talking about multinationals doing what they are designed to do, driving products into markets and creating wealth in the markets in which they exist.

The distinction between outsourcing and driving international business is that you're sending a job off to provide the same services or goods back into the home economy. Now, if we want to send every job possible into India and drive that for the Indian market, let's do it. As a matter of fact, we are doing it. We have a significant trade deficit with India. I've been accused of bashing India.

I don't bash India at all. I happen to find Indian culture to be perhaps the most interesting culture on the planet. I am one of the few people who has taken his family to India on vacation.

What I blame are U.S. policymakers and CEOs of U.S. multinationals who have neither the courage, the humility, nor the good judgment to understand the impact of their decisions. Hats off to the Indians for their entrepreneurialism and their capacity. But we need to be focusing on driving the educational system in this country.

QUESTION: If Americans don't have jobs, what is the advantage of lower costs? They can't purchase anything.

LOU DOBBS: Right, and that's exactly the point. If the practice of outsourcing is expanding, you are diminishing perforce the power of the economy.

One of the great tests for outsourcing is when is the last time you heard of a CEO's job being outsourced, or the board of directors, or senior management? It doesn't happen, does it? It's strictly on a cost basis. I love to hear people use these code words — productivity, efficiency, global competitiveness. Say what you mean. You mean the cheapest possible labor. That's exactly what is happening.

No one believes more in free enterprise democracy than I do. Few people have benefited more from it. I have been a businessman as well as a journalist. Nobody in this room believes more in capitalism, its relationship to freedom, and in being pro-business. But I am not pro-stupidity, nor am I anti-middle class.

QUESTION: For many years American business has been on the forefront of fighting local regulation that keeps out foreign companies. For example, McDonald's is all over the world. In France, they have driven many wonderful little bistros out of business, and a lot of people in France have urged regulation to protect French business. But as a result, American business has done extremely well all over the world.

Now, you say we need regulation to make sure that American companies don't ship jobs over to foreign countries such as India. Yet, I'm sure you wouldn't urge all these countries, like France, to re-impose the kinds of restrictions they once had that kept American businesses out of their countries.

LOU DOBBS: I would not propose any regulation on the United States that I would not expect of a trading partner. When I talk about balance and reciprocity, I would certainly not want our friends in Switzerland to have to put a Novartis plant in the United States and give up those jobs. They're more than welcome to keep them in Switzerland — the point being Switzerland should not have the opportunity to kill good jobs that are simply there to provide goods and services into their home market. It makes no sense, and the result is negative for the economy.

JOANNE MYERS: Thank you very much.

Merrill House, 170 East 64th Street, New York, NY 10021