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The Creating American Jobs and Ending Offshoring Act: An Important Step¹
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Key Words

Creating American jobs, restricting off-shoring, laws and bills to create jobs, “Trade Equilibrium”

The primary reason behind the U.S. losing millions of jobs is its billions of dollars in trade deficit. The country sacrifices about ten full time jobs for each million dollars of net imports of goods and services. The loss of jobs, in turn, decreases income, demand, investment, and federal and state tax revenues. Budget deficits enlarge and the programs of public and social care shrink.

The U.S. government has taken several steps to create and keep jobs at home. The Congress has already passed (a) “The American Recovery and Reinvestment Act” in 2009 to provide billions of dollars of stimulus funds for various projects and people; and (b) “The U.S. Manufacturing Enhancement Act” in 2010 in order to reduce miscellaneous tariffs on a group of products no longer made in the United States but needed by U.S. manufacturers.

In addition, the U.S. House of Representatives has passed the following bills to promote manufacturing: (a) The Clean Energy Technology Manufacturing and Export Assistance Act, to promote exports of clean energy goods and technology; (b) The National Manufacturing Strategy Act, to develop a manufacturing strategy; and (c) The Strengthening Employment Clusters to Organize Regional Success (SECTORS) Act, to align employee training and education with local employers’ needs.

An important bill called, “The Creating American Jobs and Ending Offshoring Act,” was introduced by Senator Richard Durbin (co-sponsored by 8 other democrats: Barbara Boxer, Sherrod Brown, Byron Dorgan, Patrick Leahy, Harry Reid, Bernie Sanders, Chuck Schumer, and Sheldon Whitehouse) in the Senate in September 2010. It has listed two methods to achieve the goals of creating American jobs and ending offshoring, namely, (a) To give U.S. employers a tax break for hiring new U.S. workers to perform services in the United States—replacing an employee who had been performing similar duties overseas; and (b) Blocking the businesses from taking any deduction, loss or credit for costs related to reducing or ending U.S. operations while expanding similar operations outside of the United States.

The massive \$787 billion American Recovery and Reinvestment Act of 2009 (the Stimulus Act) has failed to create net new jobs. It also has been unable to stop the unemployment situation from getting worse. A primary reason behind these setbacks is that building net new jobs cannot happen in an environment of increasing trade deficit. America in effect is providing stimulus funds to take jobs away from the U.S. and helping create jobs in China, Russia, Brazil, and Mexico--the

¹ While in many ways this article on “Trade Equilibrium” is similar to my other articles on the same topic already published on the university website, it is also different in some other important ways (contents, presentation, reasoning, etc.).

nations with which it has large trade deficits. While the Stimulus Act is providing funds to American businesses, it is unable to stop the recipients to use the largesse to enhance their overseas operations.

The Creating American Jobs and Ending Offshoring bill intends to create jobs while also “Ending Offshoring.” The bill, however, does not address the problem of the millions of jobs the U.S. has already exported. The long-term solution to this complex quandary, in my opinion, is for the U.S. to start creating a state of “Payment Equilibrium” with other countries—which, in turn, would depend upon first establishing a state of “Trade Equilibrium” between them. And toward that end, the dollar surplus countries would have to use this paper money to buy real products from America—not just to help the U.S. economy, but also, first, to help improve their “own” infrastructure and create more net new jobs and prosperity for their “own” citizens.

However, convincing them to do so would not be easy. Each dollar surplus country has its own reasons to hold on to the American money. For China, for example, its dollar surplus is like a gold trophy that it is winning year after year competing in the global markets. The surplus has helped China become a rising super power in the world. Economies of several countries, including that of the United States, often depend upon the decisions made in Peking. The communist China also takes pride in the fact that it continues to excel in the world markets which its communist brethren Russia, militarily much stronger, could not. It is not that China does not understand the benefits offered by the state of Trade Equilibrium; it is just that it also recognizes the enormous economic, social, and political value of its hard-won gold trophies.

However, without ending jobs offshoring and without establishing these equilibriums, unemployment, poverty, and hunger, would continue to rise in America; and support for medical, educational, and transportation facilities would continue to decline. Democratic values and institutions would continue to weaken.

It will take years to create net new jobs in America. But it is doable and has to be done. And the Durbin bill is a step in the right direction.