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## Job Drought Continues

By [Paul Craig Roberts](#)

In March the [US economy](#) created a paltry 111,000 private sector jobs, half the expected amount. Following a well-established pattern, US job growth was concentrated in domestic services: [waitresses](#) and [bartenders](#), [construction](#), administrative and waste services, and [health care](#) and social assistance.

In the 21st century the US economy has ceased to create jobs in knowledge industries or [information technology \(IT\)](#). It has been a long time since any jobs were created in export and import-competitive sectors.

The Bureau of Labor Statistics forecasts no change in the new pattern of US payroll job growth. Outsourcing and offshore production have reduced the need for American engineers, scientists, designers, accountants, stock analysts, and other professional skills. A college degree is no longer a ticket to upward mobility for Americans.

Nandan Nilekani is CEO of Infosys, an Indian software development firm. In an interview with *New Scientist* ([Feb 19, 2005](#)), he noted that outsourcing is causing American students to **"stop studying technical subjects. They are already becoming wary of going into a field which will be 'Bangalored' tomorrow."**

[Bangalore](#) is [India's](#) Silicon Valley. A 21st century creation of outsourcing, Bangalore is a new R&D home for Hewlett-Packard, GE, Google, Cisco, Intel, Sun Microsystems, Motorola, and Microsoft. The *New Scientist* [reports](#): **"The concentration of high-tech companies in the city is unparalleled almost anywhere in the world. At last count, Bangalore had more than 150,000 software engineers."**

Meanwhile [American software engineers](#) go begging for employment, with several hundred thousand unemployed. I know engineers in their thirties with excellent experience who have been out of work since their jobs were outsourced four or five years ago. One is moving to Thailand to take a job in an outsourcing operation at \$875 a month.

A country that permits its manufacturing and its technical and scientific professions to wither away is a country on a path to the Third World. The mark of a Third World country is a labor force employed in domestic services.

Many Americans and almost every economist and policymaker do not see the peril. They confuse outsourcing with free trade, and they have been taught that free trade is always beneficial.

Outsourcing is [labor arbitrage](#). Cheaper foreign labor is being substituted for more expensive First World labor. Higher productivity no longer protects the wages and salaries of First World employees from cheap foreign labor. Political change in Asia has made it easy to move First World capital and technology to cheap labor, and the Internet has made it easy to move cheap labor to First World capital and technology. When working with First World capital and technology, foreign labor is just as productive—and a lot cheaper.

This is a new development. It is not a development covered by the [case for free trade](#).

Outsourcing's apologists claim that it will create new jobs for Americans, but there is no sign of these jobs in the payroll jobs data. Moreover, it doesn't require much thought to see that the same incentive to outsource would apply to any such new jobs. By definition, outsourcing is the substitution of foreign labor for domestic labor. It is impossible for a process that replaces domestic employees with foreigners to create jobs for domestic labor.

Now biotech and pharmaceutical jobs and innovation itself are being moved offshore. The *Boston Globe* reports that Indian chemists with Ph.D. degrees work for one-fifth the pay of US chemists. [[Be careful not to call it outsourcing](#), By Scott Kirsner, March 21, 2005]

American chemists cannot give up 80% of their pay to meet the competition and still pay their bills. Rising interest rates will make it difficult enough for Americans to make their mortgage payments, and the dollar's declining exchange value will raise the prices of the goods and services that have been moved offshore.

Americans are unaware of the difficult adjustments that are coming their way. By the time Americans catch on to outsourcing, its proponents will have changed its name to "**strategic sourcing**" or "**partnering**."

Corporations, economists, and politicians have written off [American labor](#). No end of the job drought is in sight.

*Paul Craig Roberts, a former Reagan Administration official, is the author of [The Supply-Side Revolution](#) and, with Lawrence M. Stratton, of [The Tyranny of Good Intentions : How Prosecutors and Bureaucrats Are Trampling the Constitution in the Name of Justice](#). Click [here](#) for Peter Brimelow's Forbes Magazine interview with Roberts about the recent epidemic of prosecutorial misconduct.*

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