

Why Did America Give Away Its Manufacturing Jobs?

Paul Craig Roberts

By [Dr. Paul Craig Roberts](#)

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Region: [USA](#)

Theme: [Global Economy](#)

Not long ago a couple of publishers asked about my memoirs. I told them I had no interest. Memoirs are an enormous undertaking, especially when your files haven't been organized for the purpose.

Moreover, many of mine have been discarded in moves. When you have lived as long as I have and been involved in so many major issues, files are a voluminous collection. Moreover, I have always had a jaundiced eye toward memoirs, being unsure whether they are an exercise in egotism.

In past times I think memoirs, even if they were attempts to control the narrative, **something done for us today by the CIA and woke media and universities, still made information available that otherwise** would have died with the person. I find this a bit sobering as there is a great deal of information that is going to die with me.

Despite all the winnowing of my files, I still have 25 crates that if I did nothing else for one year I might get through. To organize the information, I would need at least two assistants. I have barely touched the crates, and already I have found important matters long forgotten.

In 2004 NY Democrat **Senator Chuck Schumer** and I opened a New Year with a jointly authored column in the New York Times. We raised the offshoring issue. American manufacturing jobs and the tech jobs of American professionals were being sent to Asia. We posed the question that if jobs offshoring was free trade, as economists claimed, was free trade any longer in America's interest? My position was that jobs offshoring is a contradiction of free trade—more later—and Schumer was still in his idealistic period when he was concerned about the displacement of American labor by foreign labor in the production of goods and services that Americans consumed.

Our article caused a firestorm. The Brookings Institution in Washington called a conference and asked us to come and defend our position. C-Span broadcast the conference live and rebroadcast it a number of times. Schumer and I carried the day.

Delighted with the publicity, Schumer suggested a follow-up article. The NY Times was eager. We began a draft, and then it went cold. My explanation is that Wall Street, which was committed to jobs offshoring, got to Schumer and explained campaign contributions to him.

I continued on. Conservatives, free market economists, and libertarians, who are indoctrinated with free trade, but who do not comprehend the theory, called me a heretic. Nevertheless, both the Wall Street Journal and the Washington Post were intrigued that the "most ardent" of the "Reagan policymakers" had taken a position against the policy that

Wall Street was imposing on the country.

The Wall Street Journal assigned Timothy Aepfel to arrange a series of debates to be published in the Wall Street Journal between me and Columbia University Professor **Jagdish Bhagwati**. The question was: Is jobs offshoring really free trade?

Adam Smith and David Ricardo's theory of free trade rests on the principle of comparative advantage. What this means is that a country's capital remains employed at home and is employed in areas in which the capital is best used. If all countries do this, there are gains from trade, and all countries will be better off than if they are self-sufficient. I have wondered if the free trade theory was used as a stratagem to repeal the British Corn Laws and reduce the income and power of the landed aristocracy.

Both Smith and Ricardo made it completely clear that if a country's capital left the country, it was pursuing *absolute advantage*, not comparative advantage, and free trade theory is vitiated. **This is the point I made. Without comparative advantage, there is no case for free trade.**

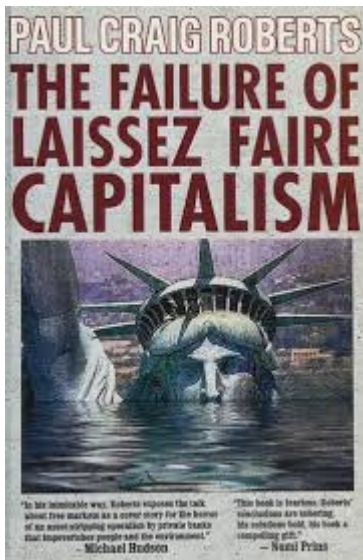
The Wall Street Journal wasn't the only media institution interested in the facts. So was the Washington Post. The Washington Post assigned their economics editor Paul Blustein to interview me and my critics and to do a news report. Blustein interviewed me at least three times prior to writing his story. Keep in mind that Blustein had been a critic during my Treasury days with the Reagan administration. Nevertheless, after giving my critics their say, Blustein wrote:

"Still, mainstream economists can't answer a key question that Roberts raises, which is how the U.S. economy can generate better employment opportunities to replace the white-collar jobs that are suddenly vanishing.

"Roberts recently got some support for his argument from a heavyweight academic economist, William J. Baumol . . . a past president of the American Economic Association and a book he published with Ralph E. Gomery, [a distinguished mathematician] that pokes some holes in economic orthodoxy by showing that free trade will not necessarily provide mutual gains to countries."

Today this exchange of ideas in the Wall Street Journal and the Washington Post and the honest appraisal of one's opponents is not possible. **I am banned from the Wall Street Journal, a newspaper I used to edit. I am banned from the Washington Post** for which I was a contributor. I am banned from the NY Times which used to call me and ask me to write on current issues. I am banned from the newspapers of the Scripps Howard News Service. I am banned from the San Diego Union, the San Francisco Examiner, and the Los Angeles Times for which I was a regular contributor.

There is no debate. There are narratives, and the narratives are imposed. Journalism as an occupation no longer exists. Today the struggle is not to get at the heart of an issue, but to have one's agenda prevail.



In 2013 I returned to the issue of offshoring production for the home market in my book *The Failure of Laissez Faire Capitalism*. **In the decade since Schumer and I had published our article, the US had lost 54,000 factories. The number of factories employing 1,000 or more declined by 40%.** Those employing 500-1,000 declined by 44%. Those employing 250-500 declined by 37%. Factories employing 100-250 declined by 30%. The losses are net of new start ups. The US manufacturing work force shrank by 5,000,000 employees.

In the first decade of the 21st century the population of Detroit, Michigan, declined by 25%. Gary, Indiana, lost 22% of its population. Flint, Michigan lost 18%. Cleveland, Ohio, lost 17%. St Louis, Missouri, lost 20%. Pittsburgh Pennsylvania, South Bend Indiana, and Rochester New York also lost population. These cities were once the home of American manufacturing and industrial might.

Wherever the alleged “gains of trade” might have occurred, it wasn’t in these cities.

The Democrats’ open borders policy might be replenishing these cities’ populations, but the jobs are not there to support them.

There is another reason jobs offshoring did not produce for Americans any gains from trade. When the goods and services produced abroad are brought back into the US to be marketed, they come in as imports. Thus the trade deficit widens, which means the US incurs more foreign debt. Is the growth in debt caused by jobs offshoring covered by gains from trade?

The US has not been governed in a thoughtful way for three decades. The folly will exact a large price.

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Paul Craig Roberts is a renowned author and academic, chairman of The Institute for

Political Economy where [this article](#) was originally published. Dr. Roberts was previously associate editor and columnist for The Wall Street Journal. He was Assistant Secretary of the Treasury for Economic Policy during the Reagan Administration. He is a regular contributor to Global Research.

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About the author:

Paul Craig Roberts, former Assistant Secretary of the US Treasury and Associate Editor of the Wall Street Journal, has held numerous university appointments. He is a frequent contributor to Global Research. Dr. Roberts can be reached at <http://paulcraigroberts.org>

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