

The Off-Shored Economy: The Ruins of Detroit

By [Dr. Paul Craig Roberts](#)

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In the 20th century, Detroit, Michigan, symbolized American industrial might. Today it symbolizes the offshored economy.

Detroit's population has declined by half. A quarter of the city-35 square miles-is desolate with only a few houses still standing on largely abandoned streets. If the local government can get the money from Washington, urban planners are going to shrink the city and establish rural areas or green zones where neighborhoods used to be.

President Obama and economists provide platitudes about recovery. But how does an economy recover when its economic leaders have spent more than a decade moving high productivity, high value-added middle class jobs offshore along with the Gross Domestic Product associated with them?

Some very discouraging reports have been issued this month from the Bureau of Labor Statistics. There have been record declines in both jobs and hours worked. At the end of last year, the U.S. economy had fewer jobs than at the end of 1997, 12 years ago. Hours worked at the end of last year were less than at the end of 1995, 14 years ago.

The average work week is falling and currently stands at 33.1 hours for non-supervisory workers.

In a major problem for economic theory, labor productivity or output per man hour and labor compensation have diverged markedly over the last decade. Wages are not rising with productivity. Perhaps the explanation lies in the productivity data. Susan Houseman found that U.S. labor productivity statistics might actually be reflecting the low wages paid to offshored labor. An American company with production in the U.S. and China, for example, produces aggregate results in labor output and labor compensation. The productivity statistics thus measure the labor productivity of global corporations, not that of U.S. labor.

Charles McMillion has pointed out that unit labor costs actually fell during 2009, but that non-labor costs have been rising throughout the decade. The rise in non-labor costs perhaps reflects the decline in the dollar's foreign exchange value and the increased dependence on imported factors of production.

Economists and policymakers tend to blame auto management and unions for Detroit's fall. However, American manufacturing has declined across the board. Evergreen Solar recently announced that it is shifting its production of solar fabrication and assembly from Massachusetts to China.

A U.S. Department of Commerce study of the precision machine tool industry has found that

the U.S. comes in last. The U.S. industry has a shrinking market share and the smallest increase in export value. The Commerce Department surveyed American end-users of precision machine tools and found that imports accounted for 70 percent of purchases. Some U.S. distributors of precision machine tools do not even carry U.S. brands.

The financial economy which was to replace the industrial economy is nowhere in sight. The U.S. has only 5 banks in the world's top 50 by size of assets. The largest U.S. bank, JPMorgan Chase ranks seventh. Germany has 7 banks in the top 50, and the United Kingdom and France each have 6. Japan and China each have 5 banks in the top 50, and together the small countries of Switzerland and the Netherlands have six with combined assets \$1.185 trillion more than the 5 largest U.S. banks.

Moreover, after the derivative fraud perpetrated on the world's banks by the U.S. investment banks, there is no prospect of any country trusting American financial leadership.

The American economic and political leadership has used its power to serve its own interests at the expense of the American people and their economic prospects. By enriching themselves in the short-run, they have driven the U.S. economy into the ground. The U.S. is on a path to becoming a Third World economy.

Paul Craig Roberts was an editor of the Wall Street Journal and an Assistant Secretary of the U.S. Treasury. His latest book, [HOW THE ECONOMY WAS LOST](#), has just been published by CounterPunch/AK Press. He can be reached at: PaulCraigRoberts@yahoo.com

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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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