

Economist's View

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Friday, October 09, 2009

"25% of US Jobs are Offshorable"

Alan Blinder says that the amount of offshoring that the US is likely to experience in the future can "be handled by the market system - with some help from government." This seems to back off a bit from his [earlier estimates](#) of the consequences:

[On the measurability of offshorability. Alan S. Blinder. Vox EU:](#) Although overshadowed by the financial crisis and the world recession right now, the debate over offshoring - that is, outsourcing work to foreign (often poorer) countries - seems poised to stage a comeback as a public policy concern in the not-too-distant future. Indeed, with so much protectionist talk and some protectionist action in the air, fear of offshoring may force its way back onto the policy agendas of the US and other rich countries sooner than we think.

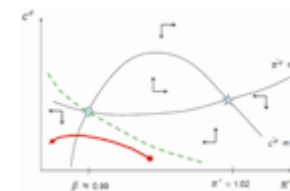
It seems axiomatic that both the economically appropriate and the politically feasible policy responses to offshoring should differ depending on whether the share of the workforce holding *offshorable* jobs is, say, 2%, 25%, or 75%. In the 2% case, we should probably ignore offshoring as a detail of little consequence. In the 75% case, we should perhaps be seeking radical solutions to the manifold problems caused by massive job dislocations. But if a number nearer to 25% is more plausible, as argued here, the situation probably calls for certain marginal (and some not so marginal) policy adjustments - but certainly not panic. Thus it seems important to obtain a rough empirical handle on this number, slippery though the concept of offshorability may be.¹

Several attempts have been made to estimate this fraction in recent years. Unfortunately, they ... present a distressingly wide range - from 11% to 38%. Can we do better?



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Estimating offshorability using individual surveys

In a recent paper, Alan Krueger and I employed standard survey methods to assess the offshorability of each job in a random sample of US workers (Blinder and Krueger 2009). Moving to the individual, rather than the occupational, level is important because substantial heterogeneity exists within many occupation groups (Blinder 2009a). (For example, some accounting services are offshorable, while others are not.) In addition to improving accuracy, the other major purpose of our research was to see if we could develop a technique that could be used in standard labour force surveys, such as the Current Population Survey (CPS) in the US. We think we did.

Using a specially-designed telephone survey, which Princeton University's Survey Research Center put in the field in June and July 2008, we experimented with three different ways to measure offshorability. In the first, professional coders used the answers to standard CPS questions to rate the offshorability of each person's job. In the second, respondents essentially classified their own jobs by answering a single question about the need for face-to-face contact and/or physical presence on the job. (Both attributes indicate an *inability* to move the work offshore.) In the third, we used the answers to a series of questions on face-to-face contact, the ability to deliver one's work from a remote location, etc. to create our own index of the offshorability of each job.

Strikingly, and surprisingly, all three measures agreed on the overall macro number - roughly speaking, 25% of US jobs are offshorable. At the micro level, the three measures agreed on the classification (offshorable or not) of a specific person's job in 70% to 80% of all cases. In studying the detailed responses, we concluded - not surprisingly - that professional coders provided the most accurate assessments of offshorability. That is encouraging news because it implies that the Census Bureau in the US and similar agencies in other countries could easily start producing data on offshorability on a routine basis - probably without changing their survey instruments much, if at all.

In terms of major substantive results, we found that more educated workers appear to hold somewhat more offshorable jobs and that offshorability does not have many statistically significant effects on either wages or the probability of layoff. Perhaps most counter-

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The OBR's risk assessment lacks context - mainly macro

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The Stock Market Is Doing About the Same as Always - Kevin Drum

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Kenneth Arrow Commemoration at the Institute for Advanced Studies - Larry Summers

The US Labor Market is Still Losing Ground Relative to Trend - Douglas L. Campbell

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NBER Working Papers

intuitively, we found that routine work, in the sense defined by Autor et al. (2003), is no more offshorable than work that is not routine.

Policy implications

What might our estimate that roughly 25% of US jobs are, *in principle*, offshorable imply for public policy?

1. First, saying that 25% of all current US jobs are probably offshorable is not the same as predicting that all these jobs will, in fact, move offshore.

For example, even today, after decades of offshoring of manufacturing jobs, nearly 10% of American workers still work in the manufacturing sector. Virtually all of their jobs are offshorable in principle, but they have not actually gone offshore. So the requisite labour force adjustment will almost certainly be less than 25 percentage points. It will also take place gradually, over decades, as did the relative shrinkage of manufacturing employment between 1960 and today.

2. Second, the 25% estimate is roughly the same as the number of jobs - then almost exclusively in manufacturing - that were probably offshorable in the heyday of US manufacturing (around 1960).

The relative shrinkage of the manufacturing sector in the US (and elsewhere) from about 30-35% of total employment then to under 10% now was somewhat painful, especially in places where manufacturing was concentrated; it fostered some protectionist sentiment and some protectionist measures, and it induced a variety of other ill-considered policy responses. But, broadly speaking, the adjustment did not precipitate any major economic or social convulsions. This experience suggests that a similar-sized labour force adjustment can, once again, be handled by the market system - with some help from government.

3. Third, most of the policy responses that would best prepare the workforces of the rich countries for the coming wave of offshoring are conventional and not very controversial.

DeDude on Paul Krugman: Republicans Leap Into the Awful Known

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The Shifting Drivers of Global Liquidity -- by Stefan Avdjiev,

I refer to policies like more job retraining, bolstering the social safety net where it needs bolstering (mostly in the US rather than in Western Europe), and improving trade adjustment assistance and extending it to services. The unconventional - and therefore more controversial - policy responses may need to come in the primary and secondary educational system.

Primary and secondary schools, though well-designed to turn out factory workers for the industrial age, has not adapted very well to the information age and to the likelihood of large-scale offshoring in the service sector. I address how it might do so in Blinder (2009b). In a nutshell, I argue there that our schools will have to put more emphasis on communication skills, interpersonal contact, and creative thinking - and far less on rote memorization.

Footnotes

1 I define "offshorability" as the ability to perform one's work duties from abroad with little loss of quality.

2 For details on the three measures, see Blinder and Krueger (2009), pp. 13-22.

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Leonardo Gambacorta, Linda S. Goldberg, Stefano Schiaffi

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Posted by Mark Thoma on Friday, October 9, 2009 at 12:27 AM in [Economics](#), [International Trade](#), [Unemployment](#) | [Permalink](#) [Comments \(74\)](#)

Comments

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purple said...

--But, broadly speaking, the adjustment did not precipitate any major economic or social convulsions.--

This insane. Been to Detroit ?

It did not produce any social convulsions because we exponentially increased the prison population. Lock 'em up.

Reply Thursday, October 08, 2009 at 08:06 PM

bakho said in reply to **purple**...

my thoughts exactly. obviously he hasn't been to Flint either.

Reply Friday, October 09, 2009 at 04:20 AM

bakho said in reply to **purple**...

A big part of the shrinkage is increase in productivity through computerization of processes.

Brad DeLong

Must-Read: Adam Jentleson: [@AJentleson on](#)

Should-Read: The problem with the

Should-Read: Nancy Folbre: [Why current](#)

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Should-Read: John Maynard Keynes (1924):

Paul Krugman

Marginal Revolution

Tuesday assorted links

Are the aliens merely sleeping?

Should the real debate be about robots in education?

Qatar estimate of the day

Monday assorted links

What should I ask Lawrence H. Summers?

How much community did WalMart bring?

Calculated Risk

NAHB: Builder Confidence decreased to 64 in July

Tuesday: Homebuilder Survey

LA area Port Traffic increased in June

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Stumbling and Mumbling
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Supply-Side Liberal
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Tea with FT

[Reply Friday, October 09, 2009 at 04:21 AM](#)

paine said in reply to bakho...

i hasten to point out
automation doesn't send jobs over seas or increase our trade imbalance
i can well imagine a production platform

perhaps employing hardly more folks then agriculture
but leaving us in industrial product trade balance

we can indeed produce jobs for
a participation rate as high as folks choose
of course with implicit nairu slack floors
but if we want uaw wages for unskilled service jobs
that will require hyper tight job markets
and a dollar/peso ratio that keeps hard working skill free folks
south of the border....voluntarily

[Reply Friday, October 09, 2009 at 03:30 PM](#)

Curmudgeon said...

Essentially all jobs that do not require hands-on contact with a client can be outsourced. This includes nearly all jobs that stem from post-secondary education. If outsourcing is allowed to decimate the job market for university/college graduates, the intellectual base for R&D, new product development, and all classes of innovation, goes with it.

Regardless of the economic feasibility of outsourcing, it is not socially desirable to sacrifice the capacity for innovation at the alter of efficient trade.

[Reply Thursday, October 08, 2009 at 09:33 PM](#)

paine said in reply to Curmudgeon...

"Regardless of the economic feasibility of outsourcing, it is not socially desirable to sacrifice the capacity for innovation at the alter of efficient trade."

i agree but i hope u raised a hue and cry over de industrialization
surely u don't only
want public policy to harbor only high hu cap jobs ??

NY Fed: Manufacturing Activity "grew modestly" in July

Sunday Night Futures

Sacramento Housing in June: Sales up Slightly, Active Inventory down 18% YoY

Noahpinion

Why did Europe lose the Crusades?

Noah Smackdown, illegal immigration edition

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Economics
Education
Environment
Equity

what gives high hu caps
a greater entitlement to pursue happiness
then the domestic unskilled ??

Reply Friday, October 09, 2009 at 03:35 PM

jr said...

His article fits his last name well, Blinder. First, how many jobs have been off-shored already? Second, those who have lost or lost their chances at now off-shored jobs have settled for better or worse standard of living than would have been available if not off-shoring? Third, at what point does the middle-class revolt (in some manner) at having to settle for lower standard or the suffocating debt-load incurred while trying to maintain a previous standard of living?

If a policy response to off-shoring is strengthening the social-safety net we are doomed to repeat the failures of Rome.

Reply Thursday, October 08, 2009 at 09:33 PM

swag said...

Weaker dollar, less offshoring.

Reply Thursday, October 08, 2009 at 09:39 PM

paine said in reply to **swag**...

right ho !!!

Reply Friday, October 09, 2009 at 03:35 PM

swag said...

<http://www.scmr.com/article/CA6628648.html>

"Off-shore labor and commodity costs are being hit by double-digit increases each year, transportation charges for ocean freight are going through the roof, and many foreign currencies are gaining in value compared to the U.S. dollar. Together, these factors are acting to make offshoring less attractive as a manufacturing and supply chain strategy for many manufacturers—especially when it comes to serving the large U.S. market."

Reply Thursday, October 08, 2009 at 09:43 PM

Roger Chittum said...

WSJ Econ Blog

5 Things to Watch on the Economic Calendar

Video: The Married Millennial Parents Are Coming

Lower Electronics-Store Spending May Not Be What You Think

Renters Spent a Record-High Share of Income on Rent This Spring

As Home Prices Rise, the Foreclosure Crisis Continues to Recede

WSJ Survey: Oil and Inflation Are Stubborn Disappointments

China Fires the First Shot in a Currency War

Wonkblog

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Melania Trump's grandfather was an onion farmer. This company wants to make his onion famous.

Why the White House sent a last-minute request to South Dakota for leather pants

Trump administration unveils goals in renegotiating NAFTA

Jeff Sessions wants police to take more cash from American citizens

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Iraq and Afghanistan
Kenya
Links
Macroeconomics
Market Failure
Media
Methodology
Microeconomics
Miscellaneous
Monetary Policy
MoneyWatch
Oil
Oregon
Policy
Politics
Press
Productivity
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Saving
Science
Social Insurance
Social Security
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Disclaimer

OK, let's assume it's 25 percent and not up to 42% as the HBS study found. <http://blogs.wsj.com/economics/2008/12/17/up-to-42-of-us-jobs-potentially-offshoreable/> There is absolutely nothing to connect that finding with the Pollyanna policy recommendations. We're already suffering a general decline in the US wage levels even before some of the 25%(?) additionally offshoreable jobs are offshored.

NBER working paper <http://www.nber.org/papers/w15107> :

“(4) much of the negative effects of globalization operate through downward pressure on wages of workers who leave manufacturing to take jobs in agriculture or services and (5) the downward pressure on aggregate U.S. wages operating through import competition has been quite important for some occupations. This effect has been overlooked because it operates across, not within, industries.”

Larry Summers 3 years ago <http://blogs.ft.com/economistsforum/2006/10/the-global-middle.html/> :

“[T]he vast global middle is not sharing the benefits of the current period of economic growth - and that its share of the pie may even be shrinking.”

Ann Harrison <http://www.voxeu.org/index.php?q=node/3920> :

“Did the negative effects of international trade and offshoring activities on US wages increase in the 1990s relative to earlier decades? We find that they did, and that the negative impact of offshoring to low-wage countries on both US wages and employment only became important in the 1990s. The wages of older workers appear to have been disproportionately hurt by offshoring activities.”

In his recent book, Alan Greenspan “attributes the housing boom to the end of communism, which he says unleashed hundreds of millions of workers on global markets, putting downward pressure on wages and prices, and thus on long-term interest rates.” <http://economistsview.typepad.com/economistsview/2008/12/how-to-prevent/comments/page/2/>

Phil Verleger <http://www.nytimes.com/2009/09/20/magazine/20Letters-t-001.html?pagewanted=2&sq=verleger&st=cse&scp=2> :

“The United States’ economic situation has been harmed, not helped, by the push for free trade. America’s skilled workers and middle class are undoubtedly much worse off thanks to the market-opening measures negotiated over the past three decades at the encouragement of almost all economists. The losses have occurred because the

Free exchange

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The views expressed on this site are my own and do not necessarily represent the views of the Department of Economics or the University of Oregon.



Mark Thoma
Department of Economics
University of Oregon

FT Alphaville

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Opening Quote: Royal Mail finds election was not red letter day

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Charting Literary Greatness With Jane Austen

theoretical benefits projected by economists are blocked again and again by our trade partners."

Dani Rodrik http://www.business24-7.ae/articles/2008/7/pages/07132008_0e2fdaac2526432cad20a95916ed4bc4.aspx

"So we have Paul Samuelson, the author of the post-war era's landmark economics textbook, reminding his fellow economists that China's gains in globalisation may well come at the expense of the US; Paul Krugman, today's foremost international trade theorist, arguing that trade with low-income countries is no longer too small to have an effect on inequality; Alan Blinder, a former US Federal Reserve vice chairman, worrying that international outsourcing will cause unprecedented dislocations for the US labour force; Martin Wolf, the Financial Times columnist and one of the most articulate advocates of globalisation, writing of his disappointment with how financial globalization has turned out; and Larry Summers, the US Treasury chief and the Clinton administration's "Mr. Globalisation", musing about the dangers of a race to the bottom in national regulations and the need for international labour standards."

I guess that was a different Alan Blinder. The current one says the globalization project should proceed because "the adjustment did not precipitate any major economic or social convulsions" That's a virtual call for torches and pitchforks.

[Reply Thursday, October 08, 2009 at 09:45 PM](#)

paine said in reply to [Roger Chittum...](#)

nice compendium

and this:

"That's a virtual call for torches and pitchforks" is just what this pissed up a rope of a column deserves as rejoinder

[Reply Friday, October 09, 2009 at 03:40 PM](#)

[Patricia Shannon said...](#)

It appears to me this survey underestimates the problem of off-shorable jobs, because it asked people about their present jobs. As jr pointed out, many jobs have already been offshored, and some of those whose jobs were offshored would have had to take other jobs, like store clerk, making less money. So they have already been offshored.

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Public Health: A Legislative Easter Egg Hunt in the Health Bill

Economic View: How Universal College Admission Tests Help Low-Income Students

Public Health: Revised Senate Health Bill Tries to Win Votes, but Has Fewer Winners

The New Health Care: Don't Assume That Private Insurance Is Better Than Medicaid

Bank Underground

Bitesize: Common ownership across UK banks: implications for competition and financial stability

A CAMEL ride: Retracing the history of UK banking through a new historical database

Bitesize: How trendy are retail sales?

Central Bank Balance Sheets: Past, Present and Future

Bitesize: Blink and you've missed it: French government bond 'mini flash'

The Forward Guidance Paradox

Bitesize: How do fees affect overdraft pricing?

Reply Thursday, October 08, 2009 at 09:55 PM

swag said...

Another barrier to offshoring, though probably less of one than the currently rising cost of it all, is employers' (particularly small biz employers) perceived loss of control over business processes, work being done, and quality of work.

Look at the still-persistent attitudes toward telecommuting:

<http://sturdyroots.com/2008/08/18/gallup-poll-telecommuting-4-day-work-week-acceptance-remains-very-low/>

<http://www.flexjobs.com/community/blogItem.aspx?id=94>

Reply Thursday, October 08, 2009 at 10:07 PM

willid3 said in reply to swag...

true, but it doesn't seem to impact their interest in offshoring. its all about the cost savings (or appearance of same!)

Reply Friday, October 09, 2009 at 02:01 PM

lark said...

The people who think offshoring 25% of American jobs is fine (a great topic to raise during the highest unemployment in decades, I admire the timing) are the very same folks who think it's fine that tens of thousands of Americans die every year because they lack health insurance.

They're called Republicans.

Reply Thursday, October 08, 2009 at 10:09 PM

ken melvin said...

Why?

Reply Thursday, October 08, 2009 at 10:22 PM

cm said...

I don't know whether the author has a sense of proportion. Maybe he could use a 25% cut to his pay and his bank account balance to convey a sense of how much 25% is.

macroblog

An Update on Labor Force Participation

Another Look at the Wage Growth Tracker's Cyclical

GDPNow's Second Quarter Forecast: Is It Too High?

Are Small Loans Hard to Find? Evidence from the Federal Reserve Banks' Small Business Survey

Liberty Street

How the Fed Changes the Size of Its Balance Sheet: The Case of Mortgage-Backed Securities

Just Released: Updated SOMA Portfolio and Income Projections

How the Fed Changes the Size of Its Balance Sheet

The Role of Central Bank Lending Facilities in Monetary Policy

Market Liquidity after the Financial Crisis

Low Productivity Growth: The Capital Formation Link

At the New York Fed: Twelfth Annual Joint Conference with NYU-Stern on Financial Intermediation

On the Economy

What Should Be Done Differently to Address Wealth Inequality?

That's regardless of whether the 25% number is realistic.

[Reply Friday, October 09, 2009 at 12:14 AM](#)

Yuan said...

lark,

actually some people who believe that offshoring is fine are far to the left of the democratic party. there is nothing i want more than to see a dramatic drop in the standard of living of western nations. your standard of living is based on the utter despair of millions in the third world.

[Reply Friday, October 09, 2009 at 12:25 AM](#)

Fred C. Dobbs said in reply to Yuan...

'Off-shoring' was mostly a movement promoted by Big Capitalism in the US, and implemented by US corporate management, as a way of reducing costs & raising profits. Therefore quite appealing for the wealthy upper-reaches of US society. It may also be true that the Democratic left saw this as an opportunity to raise the standard-of-living elsewhere, naively ignoring what it would do to s-o-l here, but what THEY believed is practically irrelevant.

[Reply Friday, October 09, 2009 at 08:12 AM](#)

lark said in reply to Yuan...

One lesson of WWII is that real hard times, the "dramatic drop in standard of living" which you write about so glibly, leads to war.

Be careful what you wish for.

[Reply Friday, October 09, 2009 at 11:05 AM](#)

paine said in reply to Yuan...

yuan
u've fallen for
the zero sum
global wage fund gimmick

Who Would Be Affected by More Banking Deserts?

The Market's Expectations about FOMC Meetings

Are Regional Differences Slowing U.S. Productivity Growth?

How Is Employment Really Faring in the Eighth District?

Which States Have the Highest Cost of Living? Lowest?

The Survival Rate of Very Small Establishments

Tim Duy's Fed Watch

June Employment Report Recap

Employment Report Coming Up

Fed's Labor Market Forecasts Don't Make Sense

FOMC Ahead

Fed Just Sort Of Confident About Full Employment

Anxious About the Economy?

Brainard, Powell, Employment Report Ahead

Macro Musings

An Alternative to Raising the Inflation Target

Monetary Disequilibrium

Musings on June's FOMC Meeting

Is the United States Becoming Less of an Optimal Currency Area?

China vs the Trilemma, Price Level Path,

[Reply Friday, October 09, 2009 at 03:42 PM](#)

reason said...

swag is on the right track here. The correct response to offshoring is

1. Reform the international financial system so that hot money flows don't stand in the way of exchange rates adjusting to long term trade imbalances
2. Redistribution within western countries to maintain and improve general living standards.

I stands to reason that there is a problem not only in that Western countries. Why can't the narrow educated elite of poorer countries find something more useful to do in their own countries? That is also a reflection of incorrectly priced currencies. Educated workers are actually relatively more plentiful in Western countries.

I don't think large trade barriers are the answer, although I will point out (and be ignored for the umpteenth time) that VAT taxes imports and not exports and income tax is exactly the other way around.

[Reply Friday, October 09, 2009 at 01:48 AM](#)

willid3 said in reply to **reason**...

probably cause its easier to control a smaller population of educated people with a large helping of the uneducated than to control the reverse?

[Reply Friday, October 09, 2009 at 02:04 PM](#)

paine said in reply to **reason**...

reason

lay out the ctrade tilt case
for vat over income tax

btw

you need to make clear
its the long run north /south forex relation tilts
that international hot money flows viciously distort
not north north forex relations
wish i had a keen little model of this
ready at hand to link folks to

[Reply Friday, October 09, 2009 at 03:49 PM](#)

**Balance Sheet
Confusion, and FOMC
Debates**

**Bad Optics: the Fed's
Balance Sheet Edition**

**Talking Monetary Policy
with Paul Krugman**

Macro Musings P odcast

**66 - Ryan Cooper on
Economic Anxiety,
Populism, and
Population Growth**

**65 - Stephen Miller on
Financial Crises,
Capital Requirements,
and the US Banking
System**

**64 - Ricardo Reis Defends
Macroeconomics**

**63 - Matt Yglesias on the
Politics of Fed Policy**

**62 - Mandel and Swanson
on *The Coming
Productivity Boom***

**61 - Steve Horwitz on
Monetary
Disequilibrium and
Austrian Business Cycle
Theory**

**60 - Matt Klein on Greece,
Optimal Currency
Areas, and Safe Assets**

**Worthwhile Canadian
Initiative**

**Monetary Policy for a
central bank with no
balance sheet**

**Add dentists to Millennials'
list of victims**

**Project Link update:
Labour Force Survey,
1953-2017**

reason said in reply to paine...

Paine,

I actually don't disagree with you on this, but I think short term benefits could be gained here. I tend to suspect there are structural consequences however, as with all taxes. The US underestimates the importance of export industries.

[Reply Monday, October 12, 2009 at 01:24 AM](#)

Fred C. Dobbs said...

Soon the problem will be to figure out how to off-shore the jobs that haven't already been cast away. Is this some sort of a zen thing?

[Reply Friday, October 09, 2009 at 04:06 AM](#)

ken melvin said...

30 million jobs, \$1 trillion in wages, \$250 billion in revenue, most of a \$ trillion in demand, The good professor is la la.

[Reply Friday, October 09, 2009 at 05:21 AM](#)

save_the_rustbelt said...

We can also in-shore.

Why educated nurses when we can get cheap nurses from the third world?

[Reply Friday, October 09, 2009 at 05:32 AM](#)

Robbie said...

I have a great idea!

Send jobs over-sea's.

Then make some spreadsheets, pie-charts and useless articles, such as this one, and tell everyone that it is okay to arbitrage labor in this fashion. Lose your job to help another get a job!

Pay-It forward!

[Reply Friday, October 09, 2009 at 05:50 AM](#)

veh said...**Understanding Softwood Lumber: Another View**

Never mind the flatness, feel the length (of the observed Phillips Curve)

Monopoly/monopsony power and hungriness for sales/purchases

Equalising the twin markups in a monopolistically competitive macroeconomy

Roger Farmer

The Liberal Conscience (Bertrand Russell Edition)

David and Goliath: The sunspot agenda meets the MIT machine

Cách Nền Kinh Tế Văn Hành

Let's All Be Keynesians Now

Post Keynesian Dynamic Stochastic General Equilibrium Theory

Keynesian Economics Without the Consumption Function

Reinventing the Keynesian Cross

Digitopoly

The young entrepreneur myth?

Y2K Everyday?

Is social graph portability workable?

Energy fuels the Star Trek Economy

The Value of Free in GDP

And the old "retraining" crap rears its head yet again.

FOR WHAT JOBS?

Stupid.

I had the same thought as others re: the lack of social upheaval justifying offshoring. Aux barricades, I guess. Apparently it's the only means of conveying desparation.

[Reply Friday, October 09, 2009 at 06:18 AM](#)

techy said...

is it possible that all taxes and benefits cost are eliminated (or subsidized) so that cost to hire equals wages only? if so will that help employing people here in usa rather than offshore the job?

can the payroll tax be eliminated and replaced by higher tax on profits?

health care can be subsidized(since in a country like india there is no healthcare cost)

[Reply Friday, October 09, 2009 at 06:28 AM](#)

techy said...

another things...in india they have the concept of Export oriented units(EOU)...and these entities do not pay any tax for the profits they make by selling products/services to foreign countries..

i guess limited number of jobs....but unlimited nummber of people....its just distribution of quality of life across the globe from developed countries.

[Reply Friday, October 09, 2009 at 06:31 AM](#)

Barry said...

swag said...

"Another barrier to offshoring, though probably less of one than the currently rising cost of it all, is employers' (particularly small biz employers) perceived loss of control over business processes, work being done, and quality of work.

Look at the still-persistent attitudes toward telecommuting:"

1) Offshoring is very likely to involve transferring work functions outside of a corporation, unlike telecommuting. It's international outsourcing.

Economists found something surprising and you won't believe what happened next

Technology Policy and the Trump Administration

Chris Blattman

IPA's weekly links

IPA's weekly links

IPA's weekly links

IPA's weekly links

IPA's weekly links

IPA's weekly links

IPA's weekly links

Carola Binder

New Publication: Measuring Uncertainty Based on Rounding

Low Inflation at "Essentially Full Employment"

Do Socially Responsible Investors Have It All Wrong?

EconTalk on the Economics of Pope Francis

Happiness as a Macroeconomic Policy Objective

Cautious Optimism about Fed Independence

Thoughts on Angrist and Pishke's "Undergraduate Econometrics Instruction"

Environmental Economics

2) Given large reductions in salaries, offshoring is much more palatable.

[Reply Friday, October 09, 2009 at 07:59 AM](#)

reason said...

techy,

I guess you don't understand, that differences in costs of employment (not just wages) should all be offset by exchange rate movements. It just isn't in practice like it should in theory. The tell-tale statistic is the US trade deficit (i.e. how much more Americans are spending than they are earning), and the trade surpluses in east asia and the middle east. The international financial system is broken - it needs fixing.

[Reply Friday, October 09, 2009 at 08:25 AM](#)

paine said in reply to **reason**...

reason
has it right

the only other ways to rebalnce a nation's trade are savagely brutal

1) relative deflation of your price level

2)--this one is prefered by wall street---

simply reduce imports by stagnating
household cosumption expenditures
and let faster expanding global demand pull up exports

[Reply Friday, October 09, 2009 at 03:57 PM](#)

techy said...

reason..

but what about the tax cost differential?

it costs almost \$25k/year for taxes and benefits related to hiring a software developer with salary of say \$80k/year.

it costs less than \$25k for a similar dude in india.

exchange rate system also applies...but it is not the only reason.

[Reply Friday, October 09, 2009 at 08:48 AM](#)

"Pruitt blasts Europe, Merkel for 'hypocrisy' on climate" [part 4]

"Pruitt blasts Europe, Merkel for 'hypocrisy' on climate" [part 3]

"Pruitt blasts Europe, Merkel for 'hypocrisy' on climate" [part 2]

"Pruitt blasts Europe, Merkel for 'hypocrisy' on climate" [part 1]

You blink and they grow up

"Many Academics Have Taken Money From Google Without Disclosing It"

Or, how about climate scientists at tribal council?

Tim Taylor

Global Value Chains and Productivity

The Pricing Answer to Traffic Congestion

Apprenticeships for Early Childhood Education?

The Ingredients for a US Productivity Revival

Tally Sticks and the Fundamentals of Money

Arm's-Length International Trade

The Five Grandchildren Query

The Big Picture

A snapshot of the jobs malaise

Ultra Low Mortgage Rates + Full Employment = ?

10 Tuesday AM Reads

willid3 said in reply to techy...

in the end the actual difference in cost between the 'dude' in India and the 'dude' in the US is maybe 15%. tax costs aren't even in the equation. its the standard of living in India. You can live a lot cheaper there than in say New York city, or San Jose, or Dallas. it gets real close though if you live in say a really small town in the US though. the other difference is that unlike here in the US, when you offshore the jobs to India (or any other country), business doesn't care if they don't physically see the contractor. some thing they won't do for contractors located in the US. and they don't get the same team working on their work all the time.

[Reply Friday, October 09, 2009 at 02:26 PM](#)

paine said in reply to techy...

yes it is the only consideration
if you want to equalize total compensation

maybe you have no idea how over valued the us dollar really is vis a vis
the rupee rmb and peso

[Reply Friday, October 09, 2009 at 04:00 PM](#)

Alex Tolley said...

In extremis, which jobs really are not doable from anywhere? The idea that personal location is required will not hold in the C21st. Lawn services, hairdressing, retailing - all can eventually be done by advanced telechiric and robotic devices. To me, this means that ultimately almost all "jobs" can be outsourced to the lowest bidder.

If true, then all the hand wringing over jobs is just some much putting fingers in the dyke of the old nation state world order. This order could erode quite quickly, possibly within a few generations. I'm not so sure our descendants would miss it.

[Reply Friday, October 09, 2009 at 08:49 AM](#)

Fred C. Dobbs said in reply to Alex Tolley...

If the military can manage to fire weapons remotely from un-manned aircraft, there's no reason why they can't off-shore the task to pilots in the very countries which we are bombing. Now THAT would be progress!

[Reply Friday, October 09, 2009 at 01:22 PM](#)

Galloway: Amazon Will Be Broken Up

The Federal Reserve Payments Study 2016: Recent Developments in Consumer and Business Payment Choices

Vacant Trump Administration Top Jobs

MiB Ed Thorp on Beating Vegas & Wall Street

Beat the Press

Lessons on Obamacare Repeal: Benefits Are Hard to Retract Based on Lies

Trump vs. CBO: Lies from the White House

Lessons on Labor Economics for the Owner of a Roofing Company in Nebraska

Mick Mulvaney Gives Mix of Groundhog Day and Flat Out Lies on MAGAnomics

The Robots Are Taking the Jobs Gang Agree with Trump Against CBO

Macron and Trump: Reporters and Body Language Readers, the Word from NPR

Senator Patrick Toomey Tells Washington Post He Doesn't Know What a Financial Crisis Is

Jared Bernstein

Links to start the week: "That horse ain't real," Reeves v. Samuelson, Why R's don't understand insurance.

Alex Tolley said in reply to Fred C. Dobbs...

certainly should reduce the "collateral damage"!

Reply Friday, October 09, 2009 at 05:06 PM

paine said in reply to **Alex Tolley**...

alex

you are making an automation argument eh ??

why not build the junk here ??

automation is not a horror

if jobs are allowed to expand with demand

and hour premia raised above time and a half

and over time pro ration levels seriously dropped

we all can job attend for a smaller share of our life's waking hours ..right ??

Reply Friday, October 09, 2009 at 04:03 PM

Alex Tolley said in reply to **paine**...

Not quite my argument. I use the term telechiric (ie remote operated) advisedly.

Likewise with robots, think more semi-autonomous than autonomous.

We already have remote surgeons operating on patients and I would expand that category hugely. The brains behind any machine can be situated anywhere. Now I do not see how a US brain can work faster than a foreign brain cutting hair, so no, I don't think we can survive with a productivity differential. Likewise, the machines/devices themselves can be made anywhere and shipped to the target destination. I see no intrinsic reason why Mrs. X in the USA cannot put on her hair styling machine whilst her stylist in country Y is alerted to this and can start doing her hair.

At some point I think that Coase's arguments about organization of firms stats to apply and limits the use of this approach, but where that limit might be I have no idea.

Reply Friday, October 09, 2009 at 05:14 PM

paine said in reply to **Alex Tolley**...

alex

forex baby forex

The deficits generated by Trump's budget are much bigger than CBO's estimates

A few links to click through to.

Back from China and ready to roll!

That Seattle minimum wage study has some curious results.

Links: Recession risks; the really, really bad Senate GOP health plan; see ya later...

Here's an idea: let's have Congress micromanage the Fed...what could go wrong?

Robert Reich

The Trump Standard

The 10 Steps to Impeach a PresidentIt won't be easy to impeach...

THE ART OF THE (TRUMP AND PUTIN) DEALSay you're Vladimir Putin,...

POLITICAL JUJITSU: NOW'S THE TIME FOR MEDICARE FOR ALLAs...

Trump's Escalating Assault on the Press

NOW'S THE TIME FOR MEDICARE FOR ALLAs Republicans in Congress...

It's Time for Medicare for All

Rortybomb

Why Banking Leverage Requirements Are Not Enough

lower the dollar till we export as much as we import

or if there is forex resistance as there will be purchasing power tariffs get applied

we need a nice trade war to focus attention on the forex tilt

you do follow me eh ???

ricardo insures balanced trade

if we simply adjust the all traders

national price levels to retain national
trade balance for every nation

to work smoothly will require an global authority

imf could be ramped up

won't happen simply because those in a power position to implement it
are the ones benefiting from the tilt

[Reply Friday, October 09, 2009 at 06:07 PM](#)

Steve Bannister said in reply to **paine...**

so true, paine. What I ponder is that financial capital has every interest to keep the
game going as they have since the 80's to only their benefit. GS vs. imf?

[Reply Friday, October 09, 2009 at 06:12 PM](#)

paine said in reply to **Alex Tolley...**

we are sympatico alex

i get your future

but the cost of a foreign remote operator

vs a domestic remote operator

is a function of the rate of currency exchange

any absolute advantage can be neutralized

then only ratios of product and service prices are relevant

that is what ricardo is all about

provided the domestic job force contains operators skillful enough to do the remote
work to customer standards

ie quality issues

[Reply Friday, October 09, 2009 at 06:13 PM](#)

**The Right Wants Glass-
Steagall for the Wrong
Reasons**

**New Paper: Demand-Side
Business Dynamism**

**Trump's Tax Plan Isn't
Tough on Wall Street or
Carried Interest After
All**

**New Report on Taming
Corporate and
Financial Power**

**What Jeb Hensarling Gets
Wrong About Capital
Requirements**

**Metlife, Living Wills, and
the Necessity of
Technocratic
Regulators**

interfluidity

**Quick thoughts about
airline economics**

A tao of politics

**You tell me it's the
institution**

Persuade

**Party polarization is
endogenous**

**The economic geography
of a universal basic
income**

Election angst

Modeled Behavior

**There Obviously Is A Tech
Bubble, But Hopefully
That Doesn't Matter**

**Appraisers May Be Holding
Back The Housing
Market, And That Might
Be Okay**

**How Bad Intellectual
Property Laws Hurt**

Alex Tolley said in reply to paine...

Pains, as you say - forex is the key. But secular devaluations brings it's own side effects. What might a truly "flat" world look like, when relative wages for comparable jobs are the same globally? What effect would that have on factories & jobs that could be automated with capital? What would the transition period as we "rush to the bottom" look like?

[Reply Saturday, October 10, 2009 at 09:37 AM](#)

realpc said...

"our schools will have to put more emphasis on communication skills, interpersonal contact, and creative thinking - and far less on rote memorization."

Well isn't that stupid. How can you learn anything if you don't remember anything? And how can schools teach "communication skills, interpersonal contact, and creative thinking" anyway? This is the new (well not really so new) education myth -- learning from books is all wrong. No, kids should learn by doing things and interacting. Just burn all the books.

Isn't it possible to learn from books, and also to do things and interact? Doing things and interacting is just what kids do anyway. They have to learn how to read books.

[Reply Friday, October 09, 2009 at 08:56 AM](#)

ken melvin said...

In the 70s, foundries moved to Mexico then to China. The former business operator became an occasional commuter.

[Reply Friday, October 09, 2009 at 09:02 AM](#)

cm said...

techy: When deliberating the cost differential of "technical" workers, consider the current or recent offshoring patterns in tech - what was offshored was mostly manufacturing ops and product engineering, not all the non product related G&A. While G&A tends to be not so large in small companies, in the large companies that do most offshoring G&A often dominates the product staff. Even in a software company that has no manufacturing (much of today's software is not even distributed on CD anymore but by download) where most of the non-support product work is design and

Classic Video Game Consumers

We Will Never Have A Self-Reliant Healthcare System

Sorry, Advocates, The Minimum Wage Debate Is Not Over

How To Think About Investing In Housing

Monetary Policy And Declining Mobility

Angry Bear

Not business but finance models

R and D

Open thread July 18, 2017

Shootings by Police Officers: Self-Control and More

Prescient Commentary

Some Thoughts on ACA and BCRA

Trump: the endgame (oped)

Dave Giles

The Bandwidth for the KPSS Test

Canada Day Reading List

Recent Developments in Cointegration

Instrumental Variables & the Frisch-Waugh-Lovell Theorem

Unit Roots & Structural Breaks

Marc Bellemare on "How to Publish in Academic Journals"

June Reading List

development, you can easily have a more than 1:1 ratio between "others" and "engineers".

In other words, the "overhead cost" of an engineer is more than just the benefits, it includes all the (prorated) cost of operations - office rent, insurance, HR, Finance, Legal, Marketing, (domestic) Sales, IT (probably more substantial than commonly imagined), and the layers upon layers of management that large organizations have and that are usually not offshored. And when offshoring, then you need staff to handle the communications and management of the foreign operations. Much of that overhead cost will also apply to "cheaper" offshore staff. Some of the administrative and IT cost will be offshored as well, but again you need some domestic staff to handle the offshore sites.

And that's just the financial consideration. Usually the per-worker offshore productivity is lower, even with experienced staff, because those troops are not embedded with the headquarters which usually remains the center of gravity of where the action and decision making happens. And then there is the "Moscow is far away" effect.

[Reply Friday, October 09, 2009 at 09:44 AM](#)

willid3 said in reply to cm...

there is also the team approach that the offshorers tend to take. I.E. as a rule customer will have the same tech working for them.

[Reply Friday, October 09, 2009 at 02:30 PM](#)

cm said in reply to willid3...

willid3, I don't understand what you mean.

[Reply Friday, October 09, 2009 at 05:55 PM](#)

willid3 said in reply to cm...

what i mean is this. in the US the original way outsourcing was done was that the vendor would hire the employees from the company that was doing the outsourcing (outsourcee). and those same people would work on their original employers projects and support (and usually didn't work on any other companies projects or support). while new staff might be added from time to time as needed, but the outsourcee knew who was doing the work almost always. not so with the team approach off shore vendors use. in that case, the outsourcee only has a small local team (usually more

Chris Dillow

[Facts, frictions & "mainstream" economics](#)

[On BBC bias](#)

[My Brexit dilemma](#)

[On contradictory risk attitudes](#)

[Ideologue managerialists](#)

[The centrist crisis](#)

[The Taylor Review: 1990s answers to 2010s problems](#)

The Baseline Scenario

[A New Economic Vision, in 27 Words](#)

[The Importance of Fairness: A New Economic Vision for the Democratic Party](#)

[Economism and Arbitration Clauses](#)

[How Markets Work](#)

[Fees Add Up](#)

[Soak the Poor, Feed the Rich](#)

[Review Copies of Economism](#)

Greg Mankiw

[CEA Chairs on Steel Tariffs](#)

[Report from the NFF](#)

[Hamilton Tickets Redux](#)

[Advice for Young Economists](#)

[Economists for Hasset](#)

[On Taxes and Deficits](#)

like customer service, some technically savvy but not always) that they deal with. the rest are in another country. but the outsourcee never knows who will working on their projects and support at any time, as the vendor will select from a list of available techs to do the work at any given time. this basic limits the need for staff for the vendors and increases the billing per employee

[Reply Saturday, October 10, 2009 at 04:34 PM](#)

kthomas said...

Marx is in his grave laughing his arse off.

"But, broadly speaking, the adjustment did not precipitate any major economic or social convulsions." You really got to wonder what type of person would write something like this. I hope he was paid well.

Have a nice day, folks.

[Reply Friday, October 09, 2009 at 09:52 AM](#)

Patricia Shannon said...

The fact that the cost of living in dollars varies so widely among countries, seems to me an indication that the exchange rates are faulty.

[Reply Friday, October 09, 2009 at 02:46 PM](#)

paine said in reply to Patricia Shannon...

gee pat

"seems to me an indication that the exchange rates are faulty "

nice of u to join the club

i suspect you've seen one or another of us here

writing much the same thought

at least a zillion times

what made it suddenly important to u??

[Reply Friday, October 09, 2009 at 05:06 PM](#)

Patricia Shannon said in reply to paine...

A New Mankiw Publication

Economic Principals

**Two Ways of Thinking
about the Trump Years**

Mending the Gap?

**Literature of
Disillusionment**

**Economic Principals is Not
Writing This Week**

Landscape Architecture

Arnold Kling

The case against charities

**John Goodman on health
legislation prospects**

**The state of the housing
market(s)**

**Polarized attitudes about
college**

**Looting the state
governments**

**Deirdre McCloskey's
manifesto**

Bobos and their children

Naked Capitalism

**Mary Beard's SPQR: The
Romans and the
Succession Crisis of
Today**

Links 7/18/2017

The US Retail Crisis

**A Memo From MMT's Legal
Department**

**2:00PM Water Cooler
7/17/2017**

**Barriers to Entry: On Bar
Exams and Supreme
Court Seats**

I have made the same comment several times in the past, maybe not recently. I don't have time to join in every discussion. I have a job. I don't comment unless I feel I have something to add. I often refrain from commenting if others are expressing my views. And there are financial topics discussed on this forum where I don't have much, if any knowledge, and am just an observer and learner.

[Reply Friday, October 09, 2009 at 10:44 PM](#)

Patricia Shannon said in reply to paine...

And I've certainly joined in the discussion of off-shoring of jobs before, because it made age discrimination in the IT field easier, which hurt my life badly.

[Reply Friday, October 09, 2009 at 10:55 PM](#)

Real Person from the Real World said in reply to **Patricia Shannon**...

The differential has always been there. However, at one time past, you went to Egypt or India for Cotton and the cheap labor to pick it, but then went to England or the US for a more skilled workforce to weave the clothe.

Many of these countries still have a cheap cost of living, but are now also competing with developing their own more skilled labor. Not clothe, but something more mobile, as software. Plenty of Indians come to the US to work and stayed to become software entrepreneurs, and that was not just because of the perks of living here but the leg up in income from back home. When it comes to old age, many may return not just because of family, but the cheap living... servants for everything.

Until their economy starts raising those salaries and employing more of those excess people, and some jobs are so mobile, there will always be cost competition.

[Reply Saturday, October 10, 2009 at 09:20 AM](#)

paine said...

this column of Blinder's is awful
plain awful
unless of course
it's meant ironically

[Reply Friday, October 09, 2009 at 03:24 PM](#)

Steve Bannister said...

[Links 7/17/2017](#)

Kevin Drum

Paul Ryan Wants to Cut the Domestic Budget Nearly in Half

Donald Trump Is In a Huff Over Iran

Mitch McConnell Is Offering Up a Eulogy for Trumpcare

It's the Comey Letter Wot Won It

Trumpcare Is Dead

Mass Unemployment Starting in 2025? Believe It.

Lunchtime Photo

Ezra Klein

Matt Yglesias

Duncan Black

How's It Working

I Know What's In The Crazy Drawer

Trust, It Is Breached

Late Night

Happy Hour Thread

Globollocks

Top 17/17 Books I Read in the First Half of 2017!

Steve Benen

'Obamacare' successes undermine Republicans' repeal crusade

Balanced trade constitutional amendment. Is there an echo in here?

[Reply Friday, October 09, 2009 at 04:30 PM](#)

paine said in reply to Steve Bannister...

steve of course i agree
but why must it be an amendment
why not just a law ???

[Reply Friday, October 09, 2009 at 05:03 PM](#)

Steve Bannister said in reply to Steve Bannister...

works for me. As long as its balanced. the amendment argument is convenient when I am unfortunate enough to be talking to the balanced fiscal budget amendment crowd. But I am great with a law...as long as the dems are in control.

[Reply Friday, October 09, 2009 at 05:07 PM](#)

Alex Tolley said in reply to Steve Bannister...

Let us suppose that a chunk of that trade is US corporations that have outsourced their manufacturing. The importation of the finished goods is a -ve trade balance is it not? So how much of the trade imbalance is due to US corporations reimporting their own goods from abroad?

If we tax those corporations, would it be the same as applying a trade tariff?

[Reply Friday, October 09, 2009 at 05:18 PM](#)

Steve Bannister said in reply to Alex Tolley...

Right, Alex. But its the foreign value added that shows up in the net current account (we export intermediate goods and import finished goods). What you rightly point out is that we would need a very good system to balance trade... essentially we would need to know the country of origin of all value add. thats what computers can be good at.

As far as taxing, unless you did it at the foreign value added level, it might have the wrong effects. and if you are going to do that, might as well do tariff, or my favorite which is a vat based on foreign value add.

[Reply Friday, October 09, 2009 at 05:31 PM](#)

paine said in reply to Steve Bannister...

Trump wonders 'why legislators don't seem to listen to him'

Trump grudgingly admits Obama's Iran nuclear deal is working

The Republican health care gambit falls apart

Monday's Mini-Report, 7.17.17

Spicer sticks to discredited 'adoption' story on Russia meeting

On infamous Russia meeting, Trump's story keeps evolving

Felix Salmon

Betraying Norman Rockwell

The Cash Offer Edition

People of color aren't managing foundations' money. They should be.

Rich people giving to rich people: The good, the bad, and the very, very ugly

The Met museum and the curse of growth

The White-Collar Crime Edition

Hello, Dollar

"What you rightly point out is that we would need a very good system to balance trade"

why ??

its simple really it's just not automatic
but an algorithm would suffice technically

once the major trading nations agreed to submit their currencies to it
which they won't of course unless trade wars threaten to
produce an even worse long run outcome
for the present arbitrage players

in ricardo's day
sharp thought figured
the gold system was automatically correcting
by the use of inevitable forced deflation and inflation
that is
till the realities of the international credit system collided with the simplicity of the
gold adjustment model to vicious unprecedented effect
shortly after ricardo put himself
out to pasture
the nation forced to deflate
ran into an obvious rising real debt burden ie a prosperity crusher

[Reply Friday, October 09, 2009 at 06:22 PM](#)

Steve Bannister said in reply to paine...

good history. xrates seem to be fairly blunt tools, but I am listening. So something like the imf sdr approach?

[Reply Friday, October 09, 2009 at 06:30 PM](#)

anne said...

"Alan Blinder says that the amount of offshoring that the US is likely to experience in the future can 'be handled by the market system - with some help from government.' "

-- Mark Thoma

Heck, as Paul Krugman writes, we cannot even keep public school teachers teaching let alone create the sort of jobs Roosevelt created. Since the Clinton years where has

there been government help in creating jobs?

[Reply Friday, October 09, 2009 at 05:54 PM](#)

Real Person from the Real World said...

I don't agree with Blinder. I think 25% is far too low a figure.... more like 60% and that includes more high end better paying jobs as well as manufacturing and call centers -- as in computer software engineering or reading X-rays. Until incomes and employment rises over there, there will be price competition on labor between the US and there. Education once helped hold the line, but now that is failing...

As Krugman points out in another blog page here, the US is slipping now, even in education, and that could lead to the US losing everything it had gained.

Educational loans for higher ed became a big business, and a lot of financial middle men made big bucks selling education at the going rate. Students try to work, but trying to work and get education daunts all but a hardy few.... We complain that kids don't stay in high school, or present problems, but with 2 parents working long hours or maybe multiple jobs, how can they be involved enough with their kids to help them stay out of trouble and stay in school?

Meanwhile, all sorts of aid is thrown at foreign students that are seen as profit centers by higher ed. These students get subsidized education back home to start, quick entry into low end entry jobs by employers both here and And overseas because of the education and cheap pay. Eventually, they get the finishing and polishing on that education here, with the leg up in pay that includes, while our own citizen students struggle an uphill battle.

Another complaint is that Americans don't save, but the fed keeps interest rates low for businesses, while credit cards bleed people whose pay continually drops or whose jobs become vulnerable due to globalization and we get getting rid of social safety nets because "that's socialism". Its at the point where people end up living paycheck to paycheck. How can the average peon save for old age, when they can't even buy a new car or pay for health emergencies?

Thanks to the GOP mindset, everything that can be milked for money as a profit center has been tried. Drugs and treatments are now hyped on TV and the Internet (insufficient eye lashes or Erectile Dysfunction ring a bell?). But look at how many people lack basic health care. Some well heeled fashionista gets 'thicker darker eyelashes' while another person struggles to pay for diabetes medications or dies of a

coronary because he/she lacked adequate health insurance. And all you hear meanwhile is about rationing or whining about 'why should I be paying for people who are obese?'

What we need is more, cheaper education to help retain knowledge related employment, so that eventually maybe we can stem the tide job loss where it matters most (top end jobs in science and technology). We also need to increase the educational opportunities for all citizens. And I am not saying we should not continue to educate foreigners. Being in school with foreigners can be a useful experience. I just suggest we provide more robust and generous support and help for citizens born and raised here.

[Reply Saturday, October 10, 2009 at 10:11 AM](#)

cm said...

Real Person: I don't want to quibble about how many percentage points that 25% figure is off, but I think you underestimate the proportion of jobs tied to physical infrastructure or literally the US soil, and physically delivered/performed business and consumer services and other multiplier jobs around that. Even many "knowledge" jobs realistically require a high enough degree of domestic "face to face" interaction so that while they may be offshored "in principle" they cannot be so profitably or while maintaining the quality of essential job functions (and by that I don't mean worker competence but the loss of effective interaction - I'm so far unimpressed by videoconferencing and "web collaboration" solutions).

Jobs tied to physical infrastructure can also be lost, but that's probably truly a loss by disinvestment in the activity, not offshoring.

[Reply Saturday, October 10, 2009 at 04:50 PM](#)

Real Person from the Real World said...

Just because it doesn't work now, doesn't mean people won't keep trying to penny pinch doing it. Eventually, some of it works well enough. That's a problem. Just good enough to justify the money saved. It worked, not great, but we save x amt of money. Don't underestimate the willingness to go with partially successful solutions.

[Reply Sunday, October 11, 2009 at 08:56 AM](#)

cm said...

Real Person: You are right, as evidenced by the recent offshoring excesses (everybody had to offshore just out of peer pressure), that apparently many businesses are unwilling to divest themselves from even when not successful. At the end of the day, in the longer term, etc. if it's a money and effectiveness losing arrangement it cannot be hidden. But of course that's not a guarantee that things will be corrected. Many businesses have gone bust due to stupidity and management inertia. Perhaps it also *can* be hidden if everybody continues to do it, cue the joke with the two guys in snow shoes running from the bear.

[Reply Sunday, October 11, 2009 at 12:08 PM](#)

halbhh said...

In response to Blinder on this:

"For example, even today, after decades of offshoring of manufacturing jobs, nearly 10% of American workers still work in the manufacturing sector. Virtually all of their jobs are offshorable in principle, but they have not actually gone offshore."

I immediately searched this page (with comments also) for the term "defense"

Surprisingly the word "defense" was not on the page.

What portion of the 10% of Americans in the manufacturing sector are manufacturing for the Department of Defense.

These jobs will not be offshored, obviously, for security and political reasons.

But...if they number, say, above 60% of the remaining American manufacturing workers, for example, that would be a devastating fact.

hal

[Reply Wednesday, October 14, 2009 at 08:43 AM](#)

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