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To Lou Dobbs CNN
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Dear Lou...

I have listened extensively to you talking about the danger and tragedy of “outsourcing” and the exporting of American jobs. I finally decided to write to you to help you understand the problem and what America must do, if these problems are ever to be corrected.

As you already know, none of your many guests has offered any solutions concerning these problems. When they seem to have done so, their advice has turned out to be an illusion. I, however, will be happy to explain to your audience why and how these problems developed and what America must do if they are ever to be corrected. I anticipated these problems 30 years ago when I wrote a book entitled, *The Biggest Con: How the Government Is Fleecing You*. It was published by Arlington House in 1976. It received over 80 laudatory reviews, was a Conservative Book Club selection and has sold over 100,000 copies in hard and soft cover. I will be happy to send you a copy if you tell me where to send it. But first let me comment on some of the remarks made by some of your recent guests.

You indicated that Craig Roberts was “a terrific economist.” In your promo for his appearance you stated that he claimed that the outsourcing of jobs was going to lead to America becoming a 3rd world country. He is dead right on this, but unfortunately he did not stress or even mention this fact in your actual interview of him. He did correctly point out that we are giving “foreigners ownership of our assets. They acquire ownership of our real estate, of our companies, of the corporate and government bonds so we lose all the future income streams that are associated with the assets when we lose the ownership. So it’s a bad thing. And how is it going to come into balance, that’s the real question because if you are –if you can’t close your trade deficit, with exports, the only other way is *currency collapse*...” You responded by correctly pointing out, “We haven’t been able to run a trade surplus in two decades.”

So here you have a “terrific economist” talking about a potentially, disastrous “currency collapse,” but when you asked him, “What is the solution on outsourcing? What’s the solution on a trade deficit,” he said, “Lou, I’m afraid I don’t have a solution.” He went on to say that he is, “trying to make people aware that there’s a problem” But what good is being “aware” of the problem if it apparently has no solution?

What Roberts *did not make clear* is that America is paying for its consumer imports by exporting its capital. How else does the public think America is paying for all of the foreign merchandise now displayed in our stores? An economically healthy nation pays for consumer

imports with consumer exports. While once we were the world's leading producer and exporter of consumer goods, we now produce relatively little that the world wants - so we make up the difference by exporting our capital. What caused America's factories to vanish? What happened to our railroads? Our shipping lines? Our shoe and shirt factories? In any case, America will continue to export its capital (and go further into debt) to pay for imports until we have no more capital or credit left. However America will experience an economic collapse (and 3rd world status) long before that end is reached. The Government and our media continually mislead the American public. For example, Americans are told that we have such a great economy that foreigners want to "invest their money in America" What the public is not being told is that this means that foreigners are "buying up" America.

Another one of your guests, Congressman David Dreier didn't know what he was talking about *at all*. He believes that "we do still have a strong economy" even though we have a \$500 billion trade deficit and a negative savings rate. That's like assuring someone who continually runs a 105-degree temperature and blood pressure readings of 200 over 150 that they are in great health. Dreier even thinks that "its when our economy is at its strongest that we have a trade deficit." He goes on to say that "Its our strength that gives us access to products from around the world. The world has access to our consumer market." What he doesn't say is that we are buying these products on credit - by going further into debt as a Nation. And as far as a "consumer market" is concerned, any idiot can consume. If the world needs a "consumer market" why couldn't it use India or China, they certainly need consumer goods? But production must precede consumption. If a farmer produces nothing, he can consume nothing. Once he produces 100 bushels of corn he can either consume the corn or exchange it for other products he might consume. But until he produces the corn, he can consume nothing. Americans now believe that we can all consume without producing. Americans are now idiotically told that we have a "consumer driven economy." America's economic health is now measured, not by what we produce, but by what we consume (sales figures) - which merely reflect the sales of products largely produced in other countries. The problem America now faces is that the average American now consumes more than the average American produces. Our \$500 trade deficit brakes down to \$1,700 per person or about \$7,000 for a family of four. So an American family of four has its standard of living subsidized by foreign workers to the tune of \$7,000 per year. Take that subsidy away and their standard of living will drop like a rock.

So, Rep. Dreier didn't have the vaguest idea of what he was talking about, yet he was presented to your listeners as some kind of expert.

Then you had on James Glassman. He offered the observation that the outsourcing "is a mystery" (a mystery to him, but not to me) which we are apparently experiencing despite our "very stimulative (meaning inflationary) monetary and fiscal policy." You and he both talked about "job creation," a ludicrous concept, which I will address shortly. Anyway he was excited about President Bush proposal "to train and retrain" our workers. However, when you logically asked him, "What jobs should they be training for" he answered, "one of the things about a dynamic economy is we don't know what the jobs are." So he now says that it is pointless to talk about retraining, since we don't know "what the jobs are." So his initial enthusiasm about "retraining" can be seen to have been, in his own words, "pointless." In addition, the people who are now being outsourced are, in many cases, highly trained. The night before, Craig Roberts had

pointed out “enrollments in computer engineering jobs dropped 23 percent. MIT announced the enrollment in the engineers has dropped 33 percent in the last two years.” So what should people be retrained for? Glassman’s suggestion was just a cop-out, to hide the fact that he too did not have any solutions to the problems you were discussing.

Now with respect to some misconceptions.

You continually see our problems in terms of “cheap foreign labor” and “job creation,” but these *are not* the problems at all. Japan’s wage scale is higher than our own, yet Japan has a balance of payments surplus. Go into any computer or electronics store and see all of the products made in Japan. I just purchased an expensive, state of the art, Sony computer and a Cannon fax, printer, copier, and scanner - both products made in a country that has a higher wage scale than our own. And German workers have a wage scale comparable to our own (if not higher), yet Germany is still a creditor Nation. In addition countries that have lower wages than we, generally have much lower living costs. Is a Chinese worker who earns \$100 a month, but whose rent is \$15 dollars a month paid less than an American who makes \$2,000 a month but whose rent is \$800 a month? To compare wage rates between two countries without also comparing their costs of living is meaningless.

As far as “job creation” is concerned – every invention has for its purpose the elimination of jobs. The development of the automobile eliminated jobs for buggy – whip makers and blacksmiths. But historically as inventions eliminate jobs, new products arise creating new jobs - which is how a nation’s standard of living advances. You don’t “create jobs” for jobs sake. If you did you might as well pay people for digging holes and filling them up again – which is what America has been largely doing. Whereas in 1950 34% of American workers were employed in factories less than 13% are so employed today. While factory employment has been cut by 2/3 business services jobs have gone from 656,000 to 10,000,000, education workers from 616,000 to 2.5 million and health care workers from 1.5 million to 10.7 million. We now have more people working in government than are employed in our factories. But what do these bureaucrats make that we can eat, wear, listen to, drive around in, or use to pay for imports? It is estimated that more man hours are spent in collecting income taxes than are spent producing all our automobiles and trucks. Putting it another way, it is estimated that the cost to the private sector in collecting income taxes for the government is approximately \$200 billion per year or an amount that exceeds the GDP of Portugal. It should not be the “creation of jobs” you should be focusing on, but the “creation of wealth.” How is America’s standard of living benefited by the billions of dollars in *legal and accounting fees* our economy now generates and which are *included in our GDP figures* as an indication of American “prosperity”?

The only thing that America has left is its vaunted military power, but we won’t have that for very long either. ***You cannot be a military power unless you are an industrial power, and America is no longer an industrial power.*** Levi-Straus closed its last jean factories in America. It used to have over 25 factories here. If we can’t even make jeans in America and sell them at a profit, what can we make? And when America has its economic collapse, what countries are going to be there to give us “foreign aid.”

You also seem to think that the problem of the loss of American jobs to foreigners is a new phenomenon. But “outsourcing” is merely an extension of what has been going on for thirty years which apparently nobody was paying any attention to. However in my book “*The Biggest Con*”, as referred to above, I wrote on page 122:

Yes, we are able to export some computers, agricultural products, and heavy equipment such as airplanes, but look at the foreign cars that are now entering the country. This is the type of merchandise that for so long American industry was able to export. But now foreign markets for American steel, American sewing machines, American tractors, and American radios have all but dried up. As of now we cannot afford to pay for those things, which we wish to import.

And on page 147 I wrote:

If Americans refuse to recognize this danger and permit this destructive growth to continue, our economy, and therefore our society, is doomed; and who can say what will replace it.

I ended the book with these 4 lines:

The American productive giant can achieve miracles, but only if freed of the shackles of government regulations. Americans today find themselves before an awesome crossroad. One road leads to the Promised Land, the other road leads to economic and social tragedy of gigantic proportions. The choice is still ours.

Unfortunately the “choice” I spoke about 30 years ago may no longer be there. We may be on a slide heading inevitably to 3rd world status. However, I can explain to your listeners how we got here, and what we still might do – even at this late hour – to avert the ultimate disaster.

Irwin Schiff