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OFFSHORING: GOOD OR BAD?

An Economic Argument

Computer Technology Role

Offshoring on large scale was made possible because of ...

Computer Technology Role

Offshoring on large scale was made possible because of ... computers

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Offshoring on large scale was made possible because of ... computers

- and the Internet.

Computer Technology Role

Offshoring on large scale was made possible because of ... computers

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The technology of storing and sending quickly and cheaply gargantuan amounts of information made offshoring economically feasible.

Quotes

In 2017:

Quotes

In 2017:

high national debt (\$19.8 trillion),

Quotes

In 2017:

high national debt (**\$19.8 trillion**)

A car making 20 miles per gallon at a price of gas of \$3 per gallon will require about .87 trillion dollars to travel the distance of 1 light year (not including the cost of maintenance and repairs). Thus **19.8 trillion dollars**, the national debt in 2017, will propel such a car for a distance of about **18 light years**.

Quotes

In 2017:

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high non-bank corporate debt (\$9.6 trillion),

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high financial institution debt (2006) (\$12 trillion),

Quotes

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US total unfunded liabilities (2017)

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enough money to propel a car for a distance of 94 light years.

Quotes

In 2006:

Quotes

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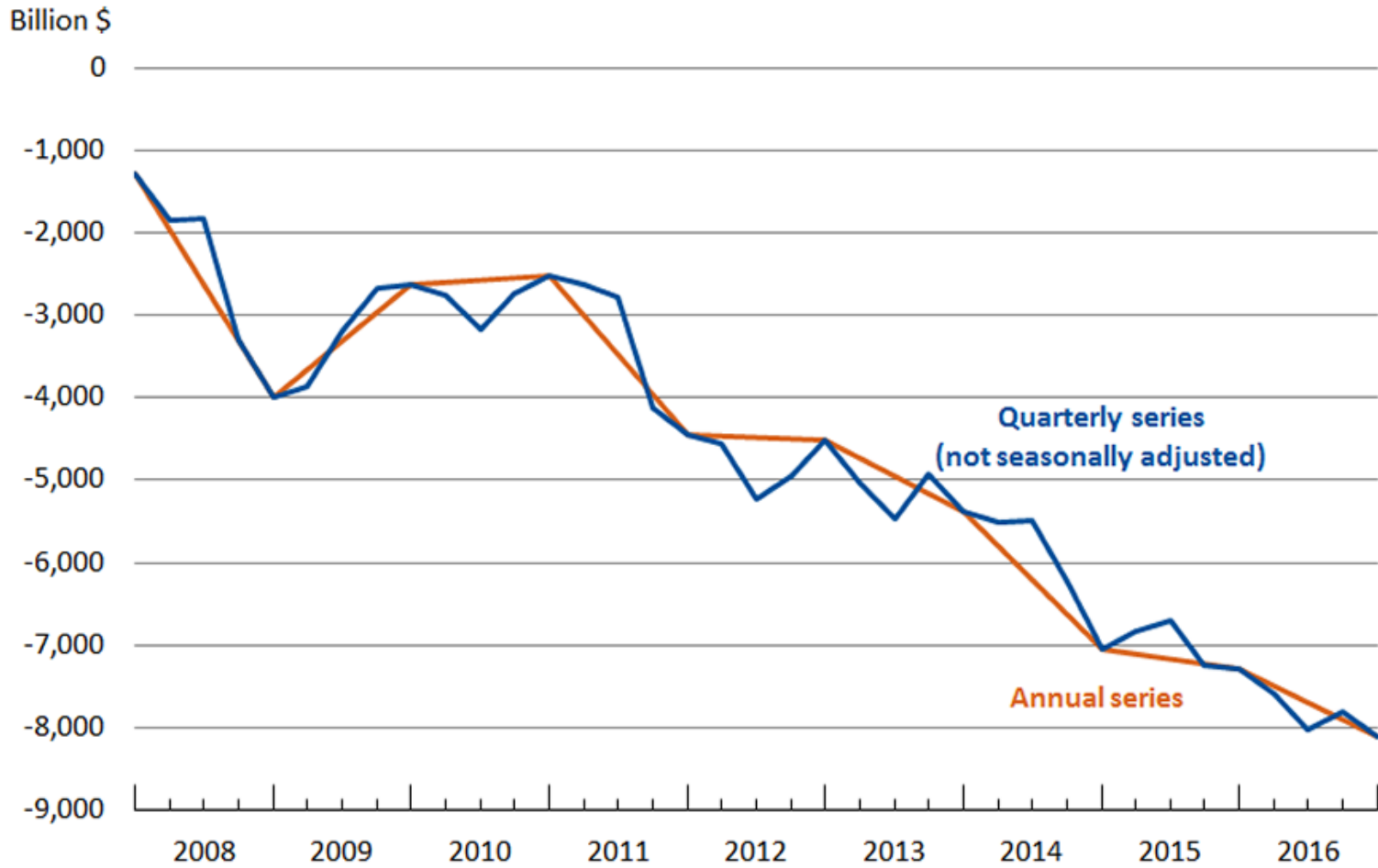
high external debt (amount owed to foreign lenders) and a serious deterioration in the United States **net international investment position (NIIP)** **(-24% of GDP)**

Quotes

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U.S. Net International Investment Position



U.S. Bureau of Economic Analysis

Quotes

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high trade deficits.

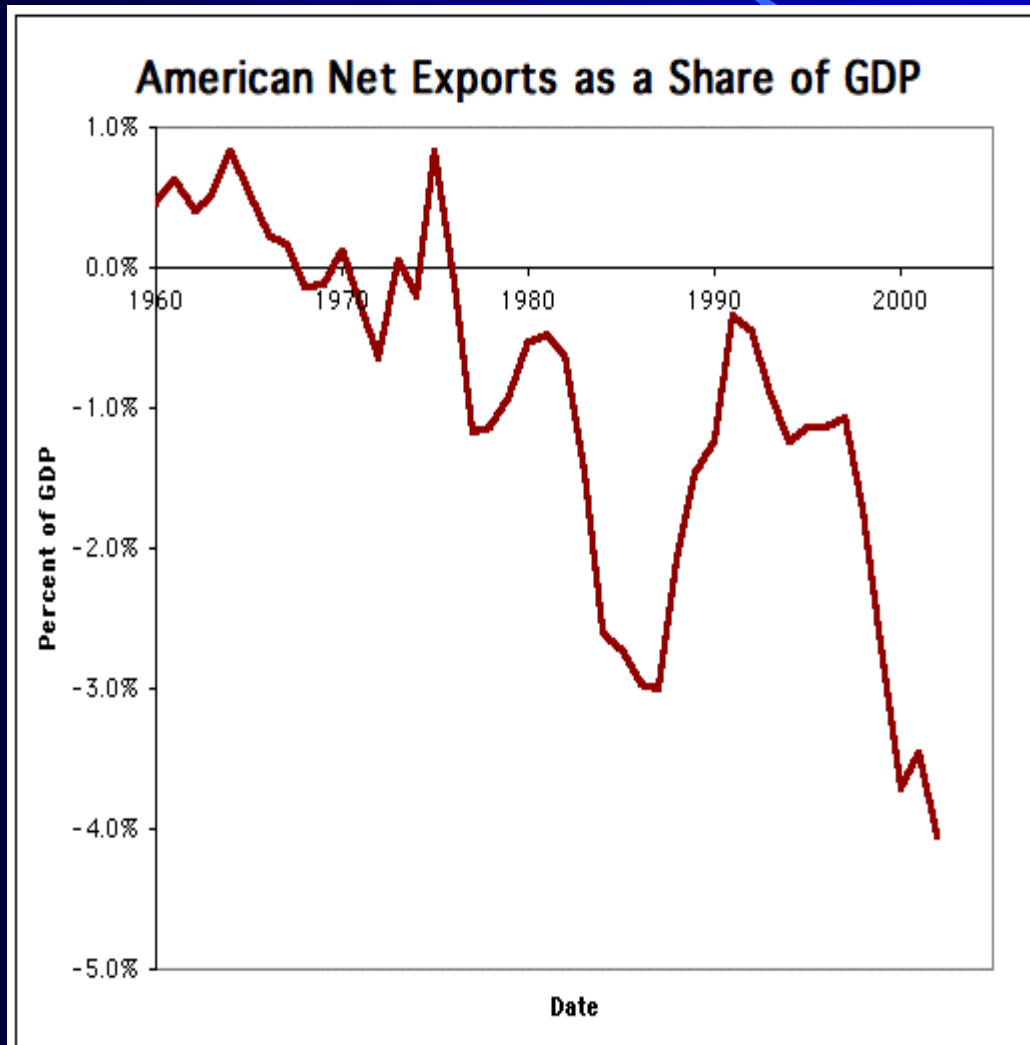
Quotes

In 2006:

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high trade deficits (\$741 billion/year).

The facts of life



Intellectual Property

What is Intellectual Property?

- The intangible creative work, not its particular physical form
- Value of intelligence and artistic work comes from creativity, ideas, research, skills, labor, non-material efforts and attributes the creator provides
- Protected by copyright and patent law

Intellectual Property

“The United States has been the birthplace of 161 of Britannica's 321 Great Inventions, including items such as the airplane, Internet, microchip, laser, cellphone, refrigerator, email, microwave, LCD and LED technology, air conditioning, assembly line, supermarket, bar code, electric motor, and ATM, and others.”

[Wikipedia]

Intellectual Property

“One can think of part of the income that U.S. natives enjoy as being based on their

monopoly of access to the superior technology”.

Donald R. Davis, David E. Weinstein

Intellectual Property

That “superior technology” was possible because of the protection of intellectual property in the U.S. That spurred innovation and progress.

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Those who cannot tap to it are being characterized as victims of “digital divide”.

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Those who cannot tap to oil and other natural resources are **not** characterized as victims of “natural divide”.

Intellectual Property

But somehow, when it comes to physical wealth of others, like oil and other commodities, the idea of “spreading wealth around” does not apply anymore.

So, the creators of intellectual property and technology that is based on it have to deliver more and more of fruits of their work for a barrel of oil or an ounce of gold.

The proof of the
pudding ...

The proof of the
pudding ...

is in the eating!

The proof of the
pudding ...

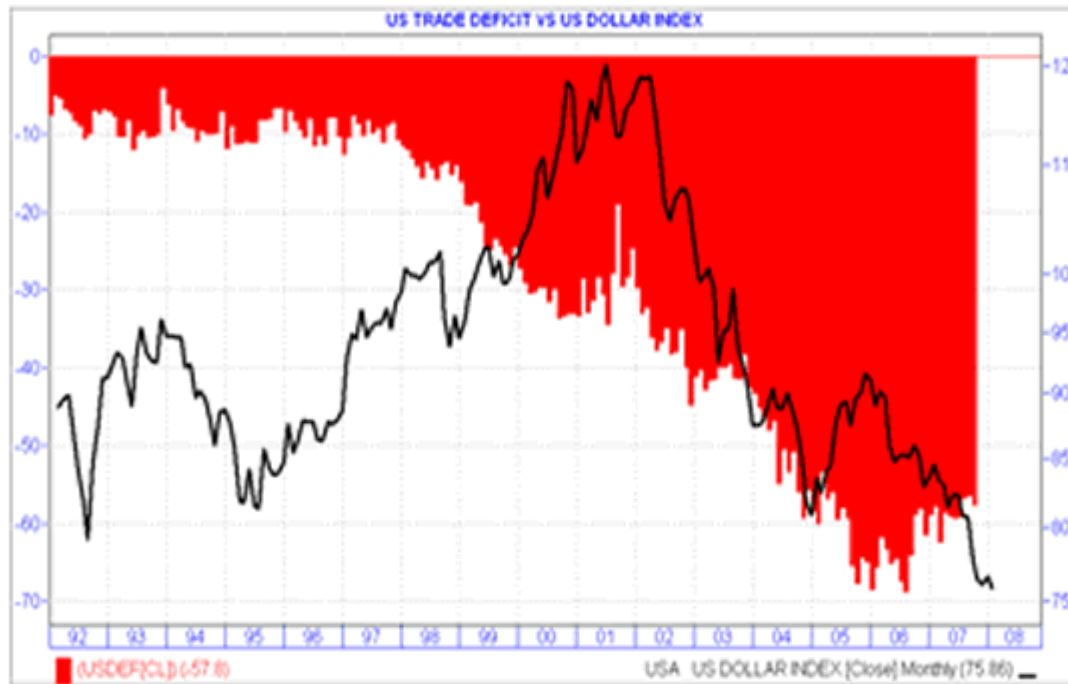
Real hockey stick

The proof of the pudding ...



The proof of the pudding ...

US TRADE DEFICIT VS US DOLLAR INDEX



Source: Plexus Asset Management (based on data from I-Net Bridge)

The proof of the
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Wealth-producing primary sector jobs in the U.S. such as those in manufacturing and **computer software** have often been replaced by much lower paying wealth-consuming jobs such those in retail and government in the service sector.

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http://en.wikipedia.org/wiki/Balance_of_trade

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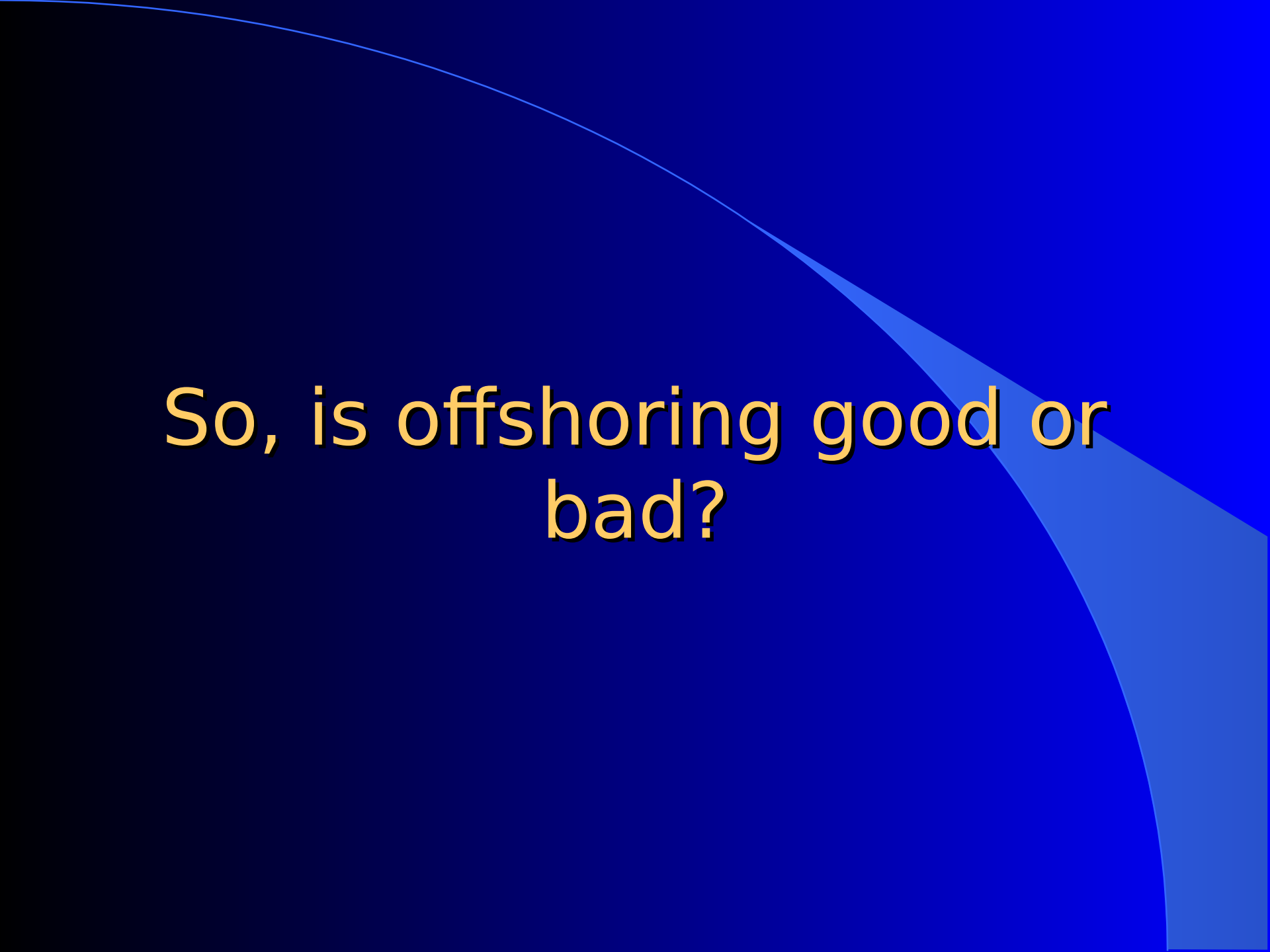
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- making our enemies and adversaries stronger politically and militarily
- making us dependent on their supplies

Economy is not everything ...

Never mind:

- siphoning out national intellectual property
- making our enemies and adversaries stronger politically and militarily
- making us dependent on their supplies and loans.



So, is offshoring good or
bad?