

# [Should the u.s. government levy additional fines or taxes on companies that ship ...](https://assignbuster.com/should-the-us-government-levy-additional-fines-or-taxes-on-companies-that-ship-jobs-overseas/)

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﻿Should the U. S. government levy additional fines or taxes on Companies that ship jobs overseas?
The question of offshoring jobs – especially white-collar jobs – to low-wage countries has been a thorny issue in America over the past few years. The U. S. public opinion shows widespread concern about the effects of this phenomenon on the U. S. economy (Farrell and Rosenfeld 2). On the one hand there are strong proponents for offshoring such as the McKinsey Global Institute and on the other hand there are policy makers who are pushing for legislation to limit offshoring. This document will look at both sides of this argument and come up with a recommendation on whether U. S. government should levy additional taxes on companies that ship jobs overseas.
According to the McKinsey Global Institute the threat posed by shipping jobs abroad has been grossly exaggerated. To start with, they argue that the number of jobs lost per year to offshoring is far fewer than the normal rate of job turnover in the economy (Farrell and Rosenfeld 2). Secondly, savings from offshoring enables companies to invest in future technologies that create more jobs at home and abroad. Thirdly, global competition improves the skills of American companies making them more competitive. Companies that offshore have the opportunity to take advantage of distinctive skills that are available overseas. Fourthly, the U. S. runs a trade surplus in services. This means that America needs other countries to buy its surplus services. If America refuses to similarly offer overseas countries a platform for trade – by refusing to procure their services – these countries may opt to retaliate and thus leave the U. S. with no one to trade in its excess capacity (Farrell and Rosenfeld 3).
On the contrary, in “ It's a Flat World, After All” Friedman (3) argues that the convergence of information and communication technologies (ICTs) have levelled the playing field and if not addressed as a critical issue by the U. S. policies, it could signal the end of American wealth and global dominance. He further argues that whereas in the past American companies offshored primarily to minimize production costs, nowadays they do so because they are unable to find the talent they need locally (Friedman 5). Nobel Laureate Paul Samuelson agrees with Friedman when he states that free trade could leave rich countries worse off by eroding them off their comparative advantages (Farrell and Rosenfeld 3). Moreover, who says that China, India, Russia and the other emerging economies are content with providing low-end, low-wage jobs for eternity. Armed with rich educational heritages, an ambitious youth , access to work experience from leading corporations that have outsourced or offshored to their countries and access to a wide range of information over the Internet, these emerging economic powerhouses have all the necessary ingredient to cultivate core competencies that could usurp the American companies in competing for the future.
From the discussion above, it is clear that for the here and now, offshoring does not lead to mass job losses or reduction in U. S. wages. The McKinsey Global Institute’s paper provides ample evidence to support this (Farrell and Rosenfeld). However, we are of the opinion that over the long term – say 20 years into the future – offshoring will have created more negative effects to the economy than its positives. Outsourcing and offshoring provide a shortcut to a more competitive product now but it typically contributes little to build the people embodied skills that are needed to sustain product leadership especially for organizations that intend to remain competitive in the future (Prahalad and Hamel 8). For this reason the U. S. needs to start putting in place measures to protect its future competitiveness. In our opinion, increasing taxes or fines levied on companies that offshore would not be the solution. The solution would probably be rethinking of the education system, tackling the in-ambition of America’s youth and focusing on how to eliminate their culture of entitlement. Americas greatness was the result of innovation, ambition and investment not protectionist policies.
Works Cited
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