Exporting Jobs *by Mike Curtis*

How do we stop American companies from sending our jobs to China? They've been laying off workers, closing down factories, and sending jobs to other countries at an increasing rate for the last 50 years. And right now we need all the jobs we can get. How do we stop American companies from hiring people in other countries to make the products that are consumed in the United States — that is, without having Americans work for the same subsistence slave wages that other people are working for in impoverished countries all over the world?

We've tried tariffs and quotas, and we've tried trade agreements, which simply say: if you let your people buy from us we will let our people buy from you. None of these have solved the problem of unemployment. We could try what's been called "Fair Trade", where we only let into our country, products equal in value to the products that were bought from us by people in other countries. It seems like reasonable approach, until we are reminded that unemployment is high even in some of the countries where the value of exports far exceeds that of imports.

There are several activities that account for the imbalance of international trade. Money is sent to people in other countries as a gift, like the Mexican workers who send hundreds of millions of dollars home to their families. Those dollars eventually come back to the U.S. and purchase American goods, which add to the value of our exports. Inheritance and Foreign aid given to other governments has the same effect. Dollars spent by tourists and soldiers for hotel rooms, dinners, entertainment, and souvenirs in other countries eventually come back to the U.S. and buys products, which further adds to our exports.

The primary activity that increases imports over exports is foreign investment. In the past, Japanese auto makers sold cars in the United States and spent some of the money building auto factories here in the U.S. No products were exported in exchange for the money spent in the United States, but the trades were complete. Foreigners invest in the United States so in the future they can take American products out of the country without giving an equal value of products in exchange.

In recent years the Chinese government has taken money from the sale of Chinese products in the United States and invested it in U.S. government bonds. Only when the bonds are cashed in and American products are purchased and exported is it counted as an export in the balance of trade. Every dollar of our national debt that is bought with foreign products each year adds an equal amount to the annual trade deficit. Some of the money that was paid for imported goods is put in U.S. banks. It can be used to buy things all over the world, but only if it buys an American product and that product leaves the United States does it count as an export in the balance of trade.

In addition to foreign investment into the United States each year there are income streams from previous American investments in other countries. Let's say in past years I bought stock in a Chinese cell phone manufacturer. They sell phones in the U.S. and put some of the money in a U.S. bank. At the end of the year they pay me a dividend out of the profits that are sitting in the bank. The money paid to me offsets the value of products leaving the country and reduces our exports by the same amount. Even though I got the money that represented cell phones without giving anything of equal value in exchange (because of my previous investment) when I spend the money in a NY restaurant I am, in effect, exchanging cell phones for dinners. The product of Chinese labor is exchanged for that of American labor. An exchange of value for value is always the case when you buy or sell even if some of the products remain in the country, and therefore, are not counted in the balance of international trade.

When foreigners sell products and invest the money within the United States, as long as the money is spent on buildings, machinery, inventories, or promoting sales, it results in a demand for products or services, which are produced by American labor. When foreigners buy government bonds and the money is spent on the military, infrastructure, healthcare, or food and housing for the poor there is no less a demand for labor than if they had bought American products instead. That is not to say that government borrowing should be allowed in a democratic society, but it has not diminished the demand for labor and added to unemployment.

Some foreign investments are win win relationships like the Japanese auto plants, which increases productivity by more than the value of the cars they take out of the country. Other foreign investments are primarily exploitive: by owning the land, the natural opportunity, foreigners are able to take products out of the country without giving anything in exchange. However, even in the case of foreign landlords who exploit our labor, there are not necessarily any fewer jobs.

What causes unemployment is idle land. When companies close a factory and refuse to sell the land to the highest bidder it adds to the number of people who are unemployed. Non use and under use of land is the cause of unemployment. To create jobs we need only shift all taxes to the rental value of land. If we eliminate all taxes on income and sales it will make it more profitable to hire people and produce goods and services. If we levy a tax on the rental value of land (all natural resources) it will make it prohibitively expensive to hold it idle or grossly under used — which is the root cause of unemployment.

For more, read Protection or Free Trade by Henry George or take a course with the Henry George Institute: henrygeorge.org