Written by **Robert Confer** on January 23, 2012

Obama Is Not an Insourcer

As an industrialist, I've taken an interest in President Barack Obama's insourcing kick which has occurred over the past few weeks, highlighted by his weekly radio and Internet address on January 14 and a speech delivered in the East Room of the White House a few days earlier (I'm certain that he'll talk about it during this week's State of the Union Address, too). By "insourcing," the President refers to a reversal of the outsourcing trend by American manufacturers. Some of them, though few in number, are bringing jobs back to the United States.

Obama, of course, has been quick to take credit for the insourcing, citing his economic policies while ignoring the true reasons behind the shift in these scant few jobs. One reason is capitalistic decision-making based on a wide range of criteria including the continued collapse of the European Union (which causes entrepreneurs to abandon that market and return to a focus on American consumers). Another reason is the ongoing productivity lapses in developing nations such as China which frustrate expansion and retention of overseas factories.

It should be noted that President Obama could be responsible for the some of the insourcing due to *one* of his tactics. Our exports have become more attractive to foreign nations thanks to the continued weakening of the U.S. dollar, as the unaccountable public-private partnership known as the Federal Reserve caters to Washington's extravagant spending by printing more money at will, out of the ether.

Regardless of export gains, that's a dangerous monetary policy. Most of my manufacturing peers agree that Obama's other economic policies — those having been initiated and those under consideration — are just as dangerous and have inhibited the growth and forward planning of their companies (that is, unless they are in the wind and solar industries, which have been afforded special favor — corporate welfare — by the Obama administration). If anything, the administration has continued to drive production employment away from America and the outsourcing losses far exceed the insourcing gains.

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This is more than something anecdotal; there is proof to be found in the numbers. The White House points out that 334,000 manufacturing jobs have been created in the United States over the past two years. While this may be exciting to Big Government and the mainstream media, the stats are far from something that Obama should revel in. The reality is that the manufacturing sector in America supports 2.2 million fewer jobs than it did in November, 2007 just prior to the recession. Manufacturing employment remains at its lowest levels in 70 years.

The reasons behind those haunting numbers — and actual proof that America has become increasingly unattractive to manufacturers — can be found in the statistics provided by both the Manufacturing Institute and the Manufacturers Alliance for Productivity and Innovation (MAPI). They have produced reports which look at the structural costs of doing business in the United States — costs that include factors directly influenced by government intervention in the free markets.

In their 2008 report, produced the year in which Barack Obama was elected to the presidency, it was discovered that American businesses faced a 17.6-percent cost *disadvantage* versus nine industrialized countries featured in the study, among them Mexico and China, our biggest threats to manufacturing. Fast forward to late 2011 — nearly three years into Obama's reign — and the most recent study shows that the cost disadvantage grew to 20 percent. Realize that this is not a 2.4-percent decrease in competitiveness; to put it in proper mathematical terms, it's a 13.6-percent decrease in our competitiveness. A 13.6-percent collapse is nothing for the administration to be proud of and certainly no incentive to insource.

What accounts for a cost structure that so repulses the participants of a global economy?

One factor outlined in the MAPI study is corporate tax rates. It is noted in the report that while the combined federal and state tax rate has remained unchanged in America since 1997, the rest of the super powers in the industrialized world have seen theirs drop at least once in that same time period. The tax advantage for foreign locales is now 8.6 percent more beneficial than that of the United States, placing us second-worst behind Japan among the nations studied. When the study was first launched in 2003, the foreign advantage was "only" 5.6 percent.

Obama has done nothing to correct this. As a matter of fact, he wants to head in the other direction, as made evident by his constant talk of making individuals and corporations pay "their fair share" (which really means "higher taxes"). He has, though, alluded to promoting his insourcing crusade — as fake and contrived as it may be — by extending tax breaks to businesses which bring jobs back to America. That speaks volumes about his lack of leadership and even an elementary understanding of capitalism. By failing to address the destructive nature of our tax structure, he will reward insourcing but still maintain the incentive for outsourcing. If he were to decrease our tax rate overall (rather than selectively doing so to play favorites), he would make outsourcing (and thusly insourcing) a non-issue by preventing the exodus of jobs in the first place.

The report also shows an ongoing loss in the area of employee benefits. It's 5.7 percent more economically feasible to do business elsewhere when it comes to benefits. The greatest influence on this comes from escalating health insurance costs. To put it into perspective, my company has faced increases in our health care costs of eight to 11 percent in each of the past three years, and most other businesses are in the same boat.

The President claimed he would save the day with ObamaCare. But as the more astute observers of government know, the health care bill will only drive up the costs. We've already seen some price increases attributed to it (from pharmaceutical and health equipment levies); however, the most shocking ones will come in 2014 when, among other things, the federal government slaps a fee on all insurers. Where will the insurers get the money to pay that princely sum? Why, from the employers and employees who buy insurance, of course!

The Obama administration is just as much to blame for other factors noted in the report, such as pollution abatement (EPA, anyone?), all of which, when combined, paint a miserable picture for the competitiveness of America, now and into the future.

Obama can't fix it. It's not that he doesn't possess the power to do so: As head of the Executive Branch (and all its agencies) and a wielder of the veto pen, he does have the tools to fix what ails our economy. But he chooses not to. Instead, he has added — and will continue to add — to the bureaucratic structure and cost of the federal government as well as the countless hurdles to advancement of the private sector. Obama is responsible for making our economic environment increasingly unattractive, further destroying the manufacturing base that was once our nation's greatest economic strength.

Plainly put, Obama is not an insourcer. When you look at what he's done, he's a net outsourcer and his legacy will carry that dismal trend far into the future.

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