Opinion/Editorial

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Millions of Jobs Shipped Overseas: How to Reverse the Trend
By Tom Pauken

U.S. multinational firms are shedding millions of American jobs while adding millions overseas. According to a recent *Wall Street Journal* story, newly released data from the U.S. Commerce Department showed that from 2000 to 2009, big firms eliminated 2.9 million jobs in the U.S. while creating 2.4 million jobs in other countries.

These new numbers underscore that the persistently high unemployment rate the U.S. currently faces is not simply the result of the most recent recession. Rather it's part of a decade-long trend in which has there has been zero growth in private sector jobs nationally. Our onerous business tax system, with its 35% income tax rate and its 6.2% employer portion of the payroll tax, makes it clear why this is happening. This system rewards debt – which is deductible – while punitively taxing the engines of economic growth – capital investment, employment, and savings.

Over the past four decades, every other major trading country in the world has put into place a border-adjusted business consumption tax which places our companies, on average, at an 18% tax disadvantage with our trading competitors. Meanwhile, foreign manufacturers of goods shipped into the United States don't have to pay our corporate taxes and simultaneously receive a tax credit on their business consumption tax back home. As an example, Germany enjoys an advantage of 19% under this system. That means that a 19% tax is added to the cost of a Cadillac when GM exports it to Germany. And when a Mercedes makes its way to the U.S., not only does the German manufacturer not have to pay a similar tax, it also receives a refund from its own government on the 19% tax it paid for the goods and services that went into building their car. This same scenario gets played out over and over with all our trading competitors with the only difference being that the advantage changes based on each country's business consumption tax rate. For China it's a 17% advantage, Mexico's is 16%, and the U.K.'s is 20%, just to give a few examples.

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Eliminating our onerous business tax system and replacing it with an 8% border-adjusted business consumption tax will level the playing field with our trading competitors and will give U.S. multinationals an incentive to create jobs in America.

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The Texas Workforce Commission is a state agency dedicated to helping Texas employers, workers and communities prosper economically. For details on TWC and the programs it offers in coordination with its network of local workforce development boards, call (512) 463-8556 or visit www.texasworkforce.org.