

Should the American People Work Together to Fix Outsourcing and Inflation?

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This is 2011, 82 years after the Great Depression, and our economy is no better now than it was in 1929. What is hurting our economy so much? According to Schumpeter, the issue is in outsourcing, an economic monster disguised as a potential benefit. According to *The Washington Post*, the increase in price inflation and the decrease of jobs and benefits is a major factor in our economic crisis. I think that both inflation and outsourcing have a hand in our massive economic recession, and that all Americans need to work together to end this financial crisis, to bring an end to outsourcing and inflation.

The prices of commodities have gone up, banks have collapsed and died, people are out of work, along with many other problems that plague our economy now. I think that the American people should take action today, ending the crushing financial grip of outsourcing and inflation, lowering prices and bringing American jobs back to America.

Outsourcing has completely crippled our economy, overused by almost all large companies. Outsourcing is the contracting of producing goods or services to another country. This concept is favored by many large companies, because it allows for cheaper work, and in turn, lower price of production and more profit. But this can come at a price. The long chain reaction of economic destruction that comes from outsourcing leads to unseen consequences. Outsourcing, with cheaper labor and production, leads to cutting corners, which leads to a

decrease in quality, which leads to unhappy customers, which leads to a decrease in sales, which leads to a collapse of the company and a hole in the economy. Outsourcing can also lead to budget failure and failure of the product.

Eight years ago Boeing, America's biggest aeroplane-maker, decided to follow the example of car firms and hire contractors to do most of the grunt work on its new 787 Dreamliner. The result was a nightmare. Some of the parts did not fit together. Some of the dozens of sub-contractors failed to deliver their components on time, despite having sub-contracted their work to sub-sub-contractors. Boeing had to take over some of the sub-contractors to prevent them from collapsing. If the Dreamliner starts rolling off the production line towards the end of this year, as Boeing promises, it will be billions over budget and three years behind schedule (Schumpeter).

This example from Boeing can show the severe and painful consequences of outsourcing, costing the company billions of dollars more than if Boeing had just made the parts itself. And how about Toyota, and its serious string of recalls, one recently caused by issues with the gas pedal? Toyota outsources, and could this recall along with other recent recalls of car companies, namely Toyota and Ford, be connected to outsourcing?

Some recent reports published in various newspapers suggest that the safety recalls illustrate the problems associated with the entire production system – such as supplier involvement in product development (e.g. concurrent engineering), **outsourcing**, extreme modularity in design, lean production concepts, and also pressure to reduce costs of commodity components (Boyer and Verma).

Outsourcing is believed to be good and profitable for the company, but it comes at a terrible price: the economy. The failure of multiple products, services and companies due to outsourcing slowly creates a large hole in the economy that is hard to close. About fixing the damage caused by outsourcing, Schumpeter says, “When outsourcing goes wrong, it is the devil to put right (online).”

Furthermore, along with damaging product quality and customer satisfaction, outsourcing also eats up jobs. According to *The American Dream*, a pessimistic publication pertaining to the problems plaguing our country, “19.6% of the workforce in America is either unemployed or underemployed (page 1).” 1 in every 5 people doesn’t have a job. Outsourcing causes a loss of jobs, because they are all contracted to places where the workers work for considerably less than American workers do. But now, when 1 in every 5 people is unemployed, maybe we should stop outsourcing now, before it gets even worse. The bad news: it’s going to get worse if we don’t do something about it. We, the people, need to step forward and take action by bringing jobs back home and making products that say “made in America”. I’m sick of everything I pick up that says “made in China”.

Inflation is considered to be one of the worst economy breakers of all time, dealing damage to the strength of the American dollar, and increasing the prices of goods and services. There are two types of inflation: monetary inflation and price inflation. Monetary inflation is caused by an increase in the supply of currency, making each dollar worth less. If the federal reserve has, for example, 10 billion ounces of gold in the federal reserve, and there are 10 billion \$1 bills in circulation, then each dollar is equal to one ounce of gold. Let’s say for now, that the standard dollar is equal to one ounce of gold. Now, the government decides that it will put

another 1 billion dollars into circulation. There is no increase in the amount of money in the federal reserve, but there is an increase in the amount of money, making each dollar worth less. Each dollar is now worth only 9/10 of an ounce of gold. Each dollar just lost 10% of its value. This loss of value, in turn, causes price inflation, the increase in prices of goods in response to monetary inflation. If with a standard dollar, you buy a pack of gum for \$1, then how much does a pack cost after price inflation? If the value of a dollar decreased by 10%, but the value of the pack remains the same, then the pack of gum costs 10% more than before inflation. Instead of paying \$1 for a pack of gum, you must now pay \$1.10 to represent the same amount of gold in the federal reserve. This increase in the prices of goods and services can severely harm an economy.

Inflation harms the American economy, because when inflation occurs, the price of everything doesn't go up. Well isn't that good if the price of everything doesn't increase? No. In our economy, the problem is that when prices go up, our salaries do not go up, meaning that everyone really has less money to spend on what they need. If the previous inflation example really happened, then everything should increase by 10%. But that's not how it works. If prices increase by 10%, then shouldn't your salary also increase by 10%, so everyone still has the same net buying power? Unfortunately, this increase in price with a decrease in buying power has caused many people to go into poverty, and making many products unaffordable by the common person. This chain reaction caused by an increase in the money supply, leads to loss of jobs and money circulation in the capitalist economy that America uses. "It [Bourgeoisie] has agglomerated population, centralized means of production, and has concentrated property in few hands (Marx)." What Marx is saying is that in response to inflation, the rich become richer and the poor become poorer.

In order to stop the ever-growing problem of inflation, we need to first eliminate monetary inflation. This can be done by taking money out of circulation until each dollar represents its standard unit of gold. When each dollar is worth more, prices will go down, but wages need to be kept frozen while we decrease price inflation. A decrease in wages will eliminate all the benefits of ending inflation. For example, if you make \$10,000 a month, and the price of your commodities costs \$9,000 with inflation, 90% of your money is used for commodities alone. Likewise, after inflation is reduced, you make only \$9,000 a month and your commodities cost \$8100, then 90% of your money is still used for the same commodities as before, eliminating most benefits of reducing inflation. If wages are frozen when inflation is decreased, then everyone's buying power is increased.

Our economy is in trouble, and time is running out. If we do not act now, our economy may collapse as early as next year, says *The American Dream* (page 1). In an article from *The American Dream*, 47 statistics form a very powerful idea that our economy is falling quickly. "According to a recent Gallup poll, 35 percent of Americans believe that unemployment is currently the most important problem in the United States. Another 29 percent believe that the economy is currently our biggest problem. (*The American Dream*)" And if our economy fails, there is great potential for a chain reaction that could potentially decimate the world economy. I challenge everyone who suffers because of the greed, stupidity, and lack of foresight of the companies, politicians, and individuals who have messed our economy up, to stand up and make it right again. In order to save our country and economy, we need to eliminate outsourcing, bringing jobs back to the U.S. and bringing money back to America, and we need to eliminate inflation, decreasing the ridiculously high prices for our basic needs, and reestablishing the base

of our economy. As the newest generation, it is our responsibility to restore the broken economy that we have inherited.

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