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# More Capitalism, Please

Since at least World War II, American business leaders have been encouraged to see the world as a garden of opportunity. They've hired foreign workers to lower their labor costs. They've opened foreign factories to be close to new markets.

These moves abroad have cost a lot of Americans their jobs. But the good has outweighed the bad. The globalizing approach has been good for American firms, who have seen global revenues skyrocket. It's been good for American consumers. One study found that globalized production reduced computer prices by roughly 25 percent between 1995 and 2002 alone.

Hiring foreign workers has, on balance, been good for American employment levels. A variety of studies have found that companies that hire workers abroad become more competitive, grow more and are more likely to turn around and hire more workers at home.

Offshoring and outsourcing has also been good for American productivity. An International Monetary Fund study found that offshoring contributed to 11 percent of the productivity gains in services and 5 percent of the gains in manufacturing.

Finally, global hiring has been fantastic for the world's poor. Over the past generation, we have seen the greatest reduction in poverty in human history. Hundreds of millions of people in Asia, Africa and Latin America are alive and prospering today because Western investment has come to former poverty-stricken regions.

As a result, all postwar presidents have embraced the general logic of globalization, that American companies should take advantage of foreign opportunities to make themselves more productive.

But that may be changing. President Obama's attacks on Mitt Romney's character have morphed into a broader attack on the logic of global capitalism. Obama is now running an ad showing Romney tunelessly singing "America the Beautiful" while onscreen the text blasts him for shipping jobs to China, India and Mexico.

The accuracy of the ad has been questioned by the various fact-checking outfits. That need not detain us. It's safest to assume that all ads you see this year will be at least somewhat inaccurate because the ad-makers now take dishonesty as a

## The answer to the outsourcing attack.

mark of their professional toughness.

What matters is the ideology behind the ad: the belief that Bain Capital, the private equity firm founded by Romney, should not have invested in companies that hired workers abroad; the assumption that hiring Mexican or Indian workers is unpatriotic; the assumption that no worthy person would do what most American business leaders have been doing for the past half-century.

The ad, and the rhetoric the campaign is using around it, is a departure, even by the standards of political posturing. It is the most naked statement of mercantilism and economic nationalism we've seen from a president in decades.

Does President Obama believe any of this? Probably not. There's no real evidence that when he's off the campaign trail he has any problem with outsourcing and offshoring. He's lavishly praised people like Steve Jobs who were prominent practitioners. He's hired people like Jeff Immelt of G.E., whose company embodies the upsides of globalization. His economic advisers have generally touted the benefits of globalization even as they work to help those who are hurt by it.

The Obama campaign is taking this tack because it is trying to hang globalization and creative destruction around Romney's neck. Just as Republicans spent years promising voters that they could have tax cuts forever, now Democrats are promising voters that they can have all the benefits of capitalism without the downsides, like outsourcing.

Romney can try to avoid this fight, but it will just keep coming up in one form or another. He is an efficiency expert. It has been the business of his life to take companies that were mediocre and sclerotic and try to make them efficient and dynamic. Sometimes efficiency experts do their jobs by replacing the management team. Sometimes they do it by closing sluggish product lines. Sometimes they do it by moving operations abroad.

The logic is the same. As Reihan Salam put it in *National Review*, "The road to job creation runs through job destruction." Just as the road to physical fitness runs through sweat, the road to efficiency runs through pruning and innovation.

In this election, Romney represents modern capitalism and its unfortunate logic — that even the process of growth produces losers. If he's to establish any credible identity, Romney will have to offer a full-throated defense of capitalism. He needs to break with President Obama by offering more capitalism, not less. He needs to break with the orthodoxy of his own party by being explicit about what he would do to help those who lose out in the process.

The president is trying to make this a referendum on modern capitalism. If Romney can't define his capitalist vision, he'll lose. □