

# Intellectual Takeout: An Appetizer

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Think of Intellectual Takeout as a drive-up window for hundreds of ideas that are routinely absent from thousands of classrooms; a place in which busy students preparing for class and writing papers can quickly find credible and digestible information.

The website's "Idea Menu" points students to the best information, articles and books covering the many important topics they're studying. Students also can submit questions by clicking "Ask the Professor." The website's "Campus Network" keeps students informed about campus news and events. And "Career Services" connects them with jobs, internships, and mentors.

What follows is an appetizer to the full "Idea Menu." We've selected four topics—Offshore Outsourcing, Income Inequality, Genetically Modified Food, and Affirmative Action—and reprinted excerpts from articles about them. Please take a moment to sample this intellectual feast – and also kindly pass it on to the college students in your life.

## *Offshore Outsourcing*

### **Topic Summary**

In order to cut costs, many American companies will subcontract with a foreign company in a foreign land to do the same job an American can do. This practice is called Offshore Outsourcing and it often results in an American being fired. Few like seeing a fellow American getting canned and so companies, large and small, are increasingly being criticized for the practice. Outsourcing, however, is a natural part of a dynamic, free, and growing economy. Restrict outsourcing and you restrict economic growth. While it is unfortunate some people lose their jobs, outsourcing protects other jobs by keeping American companies competitive.

### **Outsourcing Is Good for America R. Glenn Hubbard, *Financial Times* (London), 3/23/2004**

Rants about offshoring are the top of a slippery slope towards (wrongly) condemning overseas operations and even trade itself.

Moreover, the facts are more subtle than such fuzzy accusations allow. Companies such as General Electric or IBM gain many jobs—again, higher-paying headquarters and research jobs—in the U.S. by adding jobs in other countries. Those jobs outside the U.S., meanwhile, both secure market access for goods produced by U.S. companies and increase global demand for those goods by reducing production costs.

The offshoring of personal computer equipment provides a case in point. The resulting lower costs of PCs have helped increase industry's demand for information technology. That, in turn, has driven demand for software writers and other technology professionals—in the U.S.

### **The Economics and Politics of Outsourcing, Prof. Steve Suranovic, George Washington University, 2/12/2004**

Both ivory-tower economics AND real life experience show that trade liberalization will lead to the expansion of imports, a decline of domestic import-competing industries, and plant closures, together with all the dislocations that go with it. Yes, and the sad truth is that trade liberalization can and will cause outsourcing.

However, real economics also teaches that reallocations of resources (that's the euphemistic way to say "job losses") are necessary to force improvements in productivity and economic growth so that living standards for all can be raised in the future. Economic theory never said that free trade is painless. The whole truth includes both costs and benefits, both the good and the bad.

Unfortunately, the realities of politics are such that one cannot even suggest that job losses or outsourcing is a necessary component of a healthy economy. Any statement like this brands one insensitive, at best, or a fool, at worst. It also means that politics forces politicians to take public positions that are only partially truthful.

### **Is Your Job Safe? S. T. Karnick, *Outlook*, Winter 2004**

The numbers make it clear that any U.S. manufacturing jobs going to China, Mexico, or other countries are being replaced by even greater numbers of newly created positions within the United States, particularly in higher-tech manufacturing and in services. Thus, even as payrolls have been falling in the manufacturing sector over the past two decades, overall U.S. personal income has continued to rise (except during recessions, as is to be expected).

What many economists see as a terrifying indicator of imminent, long-term economic decline is in fact simply a shift away from production of some sources of value toward the provision of other goods and services. Production of goods such as cars and

textiles shifts to less-developed nations, where lower labor costs make them an attractive option (provided that productivity is high enough to keep overall costs low). All of this is entirely to be expected in an economy that allows any free play of market forces, for in such an environment people will naturally seek the entrepreneurial and investment opportunities that bring the greatest return. Today, of course, those are largely to be found in “new economy” areas such as computers, telecommunications, entertainment, and the like.

### **The Outsourcing Bogeyman, Daniel W. Drezner, *Foreign Affairs*, May/June 2004**

The standard case for free trade holds that countries are best off when they focus on sectors in which they have a comparative advantage -- that is, sectors that have the lowest opportunity costs of production. Allowing countries to specialize accordingly increases productivity across all countries. This specialization translates into cheaper goods, and a greater variety of them, for all consumers.

The current trend of outsourcing business processes overseas is comparative advantage at work. The main driver of productivity gains over the past decade has been the spread of information technology across the economy. The commodification of simple business services allows those benefits to spread further, making growth even greater.

McKinsey Global Institute has estimated that for every dollar spent on outsourcing to India, the United States reaps between \$1.12 and \$1.14 in benefits. Thanks to outsourcing, U.S. firms save money and become more profitable, benefiting shareholders and increasing returns on investment. Foreign facilities boost demand for U.S. products, such as computers and telecommunications equipment, necessary for their outsourced function. And U.S. labor can be reallocated to more competitive, better-paying jobs; for example, although 70,000 computer programmers lost their jobs between 1999 and 2003, more than 115,000 computer software engineers found higher-paying jobs during that same period. Outsourcing thus enhances the competitiveness of the U.S. service sector (which accounts for 30 percent of the total value of U.S. exports). Contrary to the belief that the United States is importing massive amounts of services from low-wage countries, in 2002 it ran a \$64.8 billion surplus in services.

## ***Income Inequality***

### **Topic Summary**

Income inequality refers to the income and wealth disparities between the rich and the poor. To many, this divide is a symbol of injustice and proof of a divided society. To them, inequality breeds higher crime, bad health, and low self-esteem. True, we do not all start out on equal footing, but in a free society income inequality more often represents the just rewards for hard and innovative work. And because some are rewarded, the poor are encouraged to work for their own rewards, guaranteeing a growing, thriving economy.

### **Inequality of Wealth and Incomes, Ludwig von Mises, *The Freeman: Ideas on Liberty*, May 1955**

Inequality of wealth and income is an essential feature of the market economy. It is the implement that makes the consumers supreme in giving them the power to force all those engaged in production to comply with their orders. It forces all those engaged in production to the utmost exertion in the service of the consumers. It makes competition work. He who best serves the consumers profits most and accumulates riches.

... Bigness in business does not impair, but improves the conditions of the rest of the people. The millionaires are acquiring their fortunes in supplying the many with articles that were previously beyond their reach. If laws had prevented them from getting rich, the average American household would have to forego many of the gadgets and facilities that are today its normal equipment. This country enjoys the highest standard of living ever known in history because for several generations no attempts were made toward "equalization" and "redistribution." Inequality of wealth and incomes is the cause of the masses' well-being, not the cause of anybody's distress. Where there is a "lower degree of inequality," there is necessarily a lower standard of living of the masses.

### **Equality and Capitalism, Donald Boudreaux, *The Freeman: Ideas on Liberty*, September 2002**

Let's not be so quick to grant that capitalism creates greater wealth inequality.

Do a mental experiment. Imagine resurrecting an ancestor from the year 1700 and showing him a typical day in the life of Bill Gates. The opulence would obviously astonish your ancestor, but a good guess is that the features of Gates's life that would make the deepest impression are that he and his family never worry about starving to death; that they bathe daily; that they have several changes of clean clothes; that they have clean and healthy teeth; that diseases such as smallpox, polio, diphtheria, tuberculosis, tetanus, and pertussis present no substantial risks ....

In short, what would likely most impress a visitor from the past about Bill Gates's life are precisely those modern advantages that are not unique to Bill Gates—advantages now enjoyed by nearly all Americans.

And while we modern Americans focus on how much more money Bill Gates has than the rest of us, our time-traveler would likely find the differences separating Gates from average Americans to be much smaller than the gargantuan differences between his own pre-industrial life and that of today's ordinary Americans.

He would also likely find the wealth differences between ordinary Americans and the richest Americans trivial compared to the differences between most pre-industrial folk and the royalty who ruled them.

Material benefits enjoyed in the past only by the superrich are, in today's capitalist societies, enjoyed by nearly everyone. This undeniable fact demolishes accusations that capitalism creates inequality.

**Two Americas: One Rich, One Poor? Understanding Income Inequality in the United States, Robert Rector and Rea S. Hederman, Jr., The Heritage Foundation, Backgrounder No. 1791 Aug 24, 2004**

Class warfare has always been a mainstay of liberal politics. For example, vice presidential candidate John Edwards has declared, “There are two Americas...one privileged, the other burdened ...one America that does the work, another America that reaps the reward. One America that pays the taxes, another America that gets the tax breaks.”

How accurate is this characterization? How unequal is the distribution of economic resources in our society?

Census figures showing that the top fifth of households have \$14.30 of income for every \$1 at the bottom are flawed by the exclusion of taxes and social safety net spending and by the fact that the “fifths” do not contain equal numbers of people.

Adjustment for these factors radically alters the picture of income distribution: The top fifth of the population has \$4.20 of income for every \$1 at the bottom.

The top fifth of U.S. households (incomes above \$84,000) perform a third of all labor, contain the best educated and most productive workers, and provide a disproportionate share of the investment needed to create jobs and spur economic growth.

Far from shirking the tax burden, these families pay 82.5 percent of total federal income taxes and two-thirds of federal taxes overall. By contrast, the bottom quintile pays 1.1 percent of total federal taxes.

***Capitalism and Freedom*, Chapter 10: The Distribution of Income, Milton Friedman (University of Chicago Press 1962)**

A capitalist system ... can be, and in practice is, characterized by considerable inequality of income and wealth. This fact is frequently misinterpreted to mean that capitalism and free enterprise produce wider inequality than alternative systems and, as a corollary, that the extension and development of capitalism has meant increase inequality.

One of the most striking facts which runs counter to many people’s expectation has to do with the sources of income. The more capitalistic a country is, the smaller the fraction of income paid for the use of what is generally regarded as capital, and the larger the fraction paid for human services. In underdeveloped countries like India, Egypt, and so on, something like half of total income is property income. In the United States, roughly one-fifth is property income. ... The great achievement of capitalism has not been the accumulation of property, it has been the opportunities it has offered to men and women to extend and develop and improve their capacities. ...

Another striking fact, contrary to popular conception, is that capitalism leads to less inequality than alternative systems of organization and that the development of capitalism has greatly lessened the extent of inequality.

The chief characteristic of progress and development over the past century is that it has freed the masses from backbreaking toil and has made available to them products and services that were formerly the monopoly of the upper classes, without in any corre-

sponding way expanding the products and services available to the wealthy.

## Quotes on Income Inequality

"To take from one because it is thought that his own industry and that of his father's has acquired too much, in order to spare to others, who, or whose fathers have not exercised equal industry and skill, is to violate arbitrarily the first principle of association—the guarantee to every one of a free exercise of his industry and the fruits acquired by it."—Thomas Jefferson, Note in Destutt de Tracy's *Political Economy*, 1816.

"Property is the fruit of labor—property is desirable—is a positive good in the world. That some should be rich shows that others may become rich and hence is just encouragement to industry and enterprise. Let not him who is houseless pull down the house of another, but let him work diligently to build one for himself, thus by example assuring that his own shall be safe from violence when built. . . . I take it that it is best for all to leave each man free to acquire property as fast as he can. Some will get wealthy. I don't believe in a law to prevent a man from getting rich; it would do more harm than good." —Abraham Lincoln, reply to New York Workingmen's Democratic Republican Association, March 21, 1864.—*The Collected Works of Abraham Lincoln*, ed. Roy P. Basler, vol. 7, p. 259–60 (1953).

## Genetically Modified Food

### Topic Summary

Genetically Modified foods (GM foods) hold the promise to solve many of the world's hunger and malnutrition problems. Thanks to advances in biotechnology, new genetically modified crops are being developed that are more productive, more nutritious and better fight pests and disease. It may seem a no-brainer to use GM food. Less cost, more nutritious, what more is there to think about? But GM food is meeting some heavy opposition from those who claim it will have unintended consequences on the environment and human health. Clearly, GM foods must be thoroughly tested for safety and the tests to date show GM foods are not a risk to human health or the environment.

### Articles

**Brussels' Bad Science Will Cost the World Dear, Henry I. Miller and Gregory Conko, *Financial Times* (London), August 16, 2003**

[T]he European Commission's Joint Research Center reported that two-thirds of large European companies that had been involved in developing GM crops had cancelled substantial projects since 1998. Yet the EU seems determined, through its unscientific, unwise, and unproductive approach to regulation, to let the sector fall further behind.

At the root of the problem is the EU's adherence to the so-called "precautionary principle," which holds that as long as the evidence about a product, technology or activity is in any way incomplete, it should be prohibited or, at the least, heavily regulated. This in turn is based on the false assumption that little harm comes from delaying the introduction of new products and technologies.

The principle exaggerates the potential drawbacks of new products and underestimates their benefits. The decision making process it dictates is intentionally weighted against new technologies even after they have been cautiously examined.

Literally thousands of laboratory, greenhouse, and field studies show the risks of GM plants and foods to be minimal, while their benefits—in terms of increased yields and reduced pesticide use—are legion. Future increases in their use would improve human nutrition and, by reducing pressure on land and water, protect fragile ecosystems.

### **Will Frankenfood Save the Planet? Jonathan Rauch, *Atlantic Monthly*, October, 2003**

What is much less widely appreciated is biotech's potential to do the environment good. Take as an example continuous no-till farming, which really works best with the help of transgenic crops. Human beings have been ploughing for so long that we tend to forget why we started doing it in the first place. The short answer: weed control. Turning over the soil between plantings smothers weeds and their seeds. If you don't plough, your land becomes a weed garden—unless you use herbicides to kill the weeds. Herbicides, however, are expensive, and can be complicated to apply. And they tend to kill the good with the bad.

In the mid-1990s the agricultural-products company Monsanto introduced a transgenic soybean variety called Roundup Ready. As the name implies, these soybeans tolerate Roundup, an herbicide (also made by Monsanto) that kills many kinds of weeds and then quickly breaks down into harmless ingredients. Equipped with Roundup Ready crops, farmers found that they could retire their ploughs and control weeds with just a few applications of a single, relatively benign herbicide—instead of many applications of a complex and expensive menu of chemicals. More than a third of all U.S. soybeans are now grown without ploughing, mostly owing to the introduction of Roundup Ready varieties. Ploughless cotton farming has likewise received a big boost from the advent of bio-engineered varieties. No-till farming without biotech is possible, but it's more difficult and expensive, which is why no-till and biotech are advancing in tandem.

### **Corn Kids, Katherine Mangu-Ward, *Weekly Standard*, 02/27/2003**

[A]gribusiness giant Monsanto gained consent from the EPA to sell genetically-altered corn designed to resist rootworm, one of the biggest pests to America's largest crop, corn.

...Approval of the genetically modified corn was picked up right away by most major newspapers and wire services and reporters reflexively turned to reliable critics of genetically modified foods, like the Union of Concerned Scientists, for "balance." A standard quote reads: "To some people, this is technological progress toward a more efficient global agricultural system that could feed the hungry and help farmers. To others, it sounds unnatural and potentially hazardous, an unparalleled level of human tinkering

with nature."

"What we have here is companies doing as they usually do: profiting in the short term" even if it endangers long-term viability, said Jane Rissler, of the Union of Concerned Scientists.

...The real topic of these environmental scientists' concern is corporate behavior. A 50 percent refuge makes it less profitable to use GM corn. Ultimately UCS wants to reduce the amount of GM products for reasons that have everything to do with politics, and nothing to do with science.

### **Genetically Modified Foods: Harmful or Helpful? Deborah B. Whitman, *Cambridge Scientific Abstracts*, April 2000**

The world population has topped 6 billion people and is predicted to double in the next 50 years. Ensuring an adequate food supply for this booming population is going to be a major challenge in the years to come. GM foods promise to meet this need in a number of ways.

...There is a growing concern that introducing foreign genes into food plants may have an unexpected and negative impact on human health. A recent article published in *Lancet* examined the effects of GM potatoes on the digestive tract in rats 32, 33. This study claimed that there were appreciable differences in the intestines of rats fed GM potatoes and rats fed unmodified potatoes. Yet critics say that this paper, like the monarch butterfly data, is flawed and does not hold up to scientific scrutiny 34. Moreover, the gene introduced into the potatoes was a snowdrop flower lectin, a substance known to be toxic to mammals. The scientists who created this variety of potato chose to use the lectin gene simply to test the methodology, and these potatoes were never intended for human or animal consumption.

On the whole, with the exception of possible allergenicity, scientists believe that GM foods do not present a risk to human health.

## ***Affirmative Action***

### **Topic Summary**

America has a long history of racial injustice. Minority rights were not fully protected under the law until Congress passed the Civil Rights Act in 1964 and the Voting Rights Act in 1965. Though minorities are now protected under the law, many believe the historical weight of racism continues to stall minority advancement. In order to help set minorities on more equal footing, many advocate a controversial policy of affirmative action.

Affirmative action has been around since the 1960s and '70s and can take the form of racial preferences, racial set asides, or racial quotas. Whatever the form, affirmative action works by preferring one individual over another based on the color of their skin, usually when hiring employees or admitting prospective college students. Preferring someone based on race violates bedrock constitutional protections. And though affirmative action is intended to help minorities, many argue affirmative action in

theory and in practice holds minorities back from achieving their true potential, encouraging mediocrity over excellence.

## Articles

### **Don't Do Me Any Favors, John McWhorter, *The American Enterprise*, April/May 2003**

But the most tragic result of racial preferences is their effect on their supposed beneficiaries. Extended disenfranchisement often leaves a group ill-equipped to compete at the highest level, even when the doors to success are wide open. These realities are not pretty. But what they mean is that a crucial component in a group's rise to the top is learning tricks to a new trade, as disadvantaged groups in America have done for centuries. There comes a point, during any previously reviled group's climb to the top, where that group can reach the same level as the ruling group only if the safety net is withdrawn. Sometimes a group must refashion its entire self concept in order to move ahead.

Lowered standards are directly antithetical to these endeavors. A person can only hit the highest note when he has the incentive to do so: This is a fundamental tenet of economics and psychology alike. Black Americans are not exempt from this fact of the human condition.

My opposition to racial preferences is based on a purely logical conviction: They dumb black people down. The injustices that blacks have suffered in America in the past are obvious. But the fact remains: Students growing up in a system whose message is "You only have to do pretty well to get into a top school" will rarely drive themselves to the top.

### **A Systematic Analysis of Affirmative Action in American Law Schools, Richard H. Sande, *Stanford Law Review*, November 2004**

A reader persuaded by the evidence in prior Parts might concede that affirmative action hurts the intended beneficiaries more as a class than it helps them, but might insist that racial preferences are nonetheless vital. "Without some consideration of race in law school admissions," the argument goes, "the number of minority lawyers would drop precipitously, and the number of black lawyers would fall back to levels unseen since the Civil Rights Act of 1964." This is one of those arguments that is repeated so often that it is taken as an indisputable article of faith throughout most of legal academia. ... [W]e will examine this claim, and attempt to answer a central question: what effect would the elimination or substantial modification of racial-preference policies have upon the number of practicing black lawyers? As we shall see, the paradoxical but straightforward answer is that the annual production of new black lawyers would probably increase if racial preferences were abolished tomorrow.

...If it is true ... that large racial preferences place blacks in schools where they will generally perform badly, and that this leads to both lower graduation rates and lower bar passage rates for blacks than for academically similar whites, then race-blind policies will moderately increase black graduation rates and will dramatically improve their performance on the bar.

**America: A Race-Free Zone, Ward Connerly, *American Experiment Quarterly*, Fall 1998**

Quietly and like a cancer, seemingly benign “affirmative action” programs and policies became discriminatory. The experiment began to fail miserably. But another component of the American experiment failed temporarily as well: freedom of speech. Because of political correctness or the threat of intimidation or both, no one dared to challenge the social disaster in the making.

I recently attended a meeting in the Oval Office with President Clinton and Vice President Gore to discuss race and affirmative action. The meeting could not have been more revealing about the extent to which the American experiment has gone sour.

This was evident when the president and vice president took me to task for opposing race-based preferences but not applying the same distaste to “preferences for athletes,” as they described it.

Think about it. The president and vice president of the greatest democracy on the planet comparing race-based preferences to preferences for athletes. I wanted to tell them that being an athlete is one’s talent, and that athletic ability can reside in any man or woman of any color or ethnic background. But one’s color is not a talent.

I wanted to ask the president why my history book does not contain the chapter about America’s civil war over the enslavement of athletes. And why are we not having a national dialogue about the status of athletes?

In his State of the Union address the president said, “To discriminate against any American is un-American.” Yet this is the same president who said that without affirmative action, Asians would fill every seat in many of our public universities—and he sees nothing wrong with that statement. Do you understand why the American experiment is in grave danger? ■