

## LOU DOBBS TONIGHT

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(COMMERCIAL BREAK)

DOBBS: In a moment, I'll be talking with a California lawmaker who says outsourcing has devastated her constituents in Silicon Valley. I'll be joined by State Senator Liz Figueroa. But, first, Marc Andreessen is an Internet pioneer. He co-founded a Silicon Valley firm that helps companies outsource work overseas. He's the chairman of the company Opsware. He also, of course, co-founded Netscape.

Marc Andreessen joins us tonight from Mountain View, California.

Marc, good to have you here.

MARC ANDREESSEN, CHAIRMAN & CO-FOUNDER, OPSWARE INC.: Great. Thanks, Lou.

DOBBS: There are very few issues right now that are more difficult for corporate America to deal with than the issue of outsourcing. You support it. You support it vigorously. Why?

ANDREESSEN: Yes.

I think it's purely good for the American company and it's good for American workers. It's part of the natural process of creating new jobs. I think job destruction and job creation go hand in hand. In the last 10 years, this economy has destroyed 325 million jobs and created 342 million new jobs. And, in general, those new jobs are better jobs than the ones that were destroyed.

And I think, in the next 10 years, we're going to destroy another 400 million, create another 430, 450 million new jobs, and those jobs will be better. I think it's blue skies.

DOBBS: Mark, I quite appreciate job destruction, job creation and the net effect. And that argument is advanced considerably. But that argument doesn't really work if the net result is not a higher value job and that has not occurred in this country now for three years, and perhaps more, actually.

That being the case, why should we accept it as a matter of faith that we can destroy lives -- and it is looking as though -- some estimates range as high as three million jobs have been outsourced now to cheap overseas labor markets.

ANDREESSEN: Right.

DOBBS: Why should we take it as an article of faith that that kind of pain results in better jobs, when we're not seeing it demonstrated in any of the data anywhere?

ANDREESSEN: Right. So, first of all, nobody cares more about the pain caused by job destruction than I do.

I grew up in Wisconsin. And, as you know, in Wisconsin, there have just been a huge number of jobs lost over the last 80, 90 years from agriculture. And when I was growing up, that process was continuing. The flip side of that is, new jobs were created and in general people in Wisconsin have a higher standard of living and higher per capita income now.

(CROSSTALK)

DOBBS: I understand that, Marc.

(CROSSTALK)

ANDREESSEN: That exact same thing...

DOBBS: But what I'm asking you for, why should we take it as an article of faith when we have not seen this happen for four -- nearly four years?

ANDREESSEN: Right, because, for four years, we've been in a recession. If you look at the impact of the recession, it's almost entirely responsible for what is going on.

So let me give you a couple other numbers. In the last 15 years, the number of Americans employed by foreign companies has gone up from 2.5 million to 6.5 million. Offset against that is, yes, American companies now employ 10 million people overseas. But do you think we pay overseas people more or less than foreign companies are paying the American workers?

(CROSSTALK)

DOBBS: That's a different issue, Marc.

(CROSSTALK)

DOBBS: I have got to interrupt you, Marc.

ANDREESSEN: OK.

DOBBS: That is not outsourcing. That is not exporting jobs overseas.

ANDREESEN: Sure, it is.

DOBBS: If I may finish, then I'll

(CROSSTALK)

ANDREESEN: Cars are now being manufactured in the United States by Japanese car companies like Toyota. They're outsourcing to us all over the place. There's all kinds of jobs. Siemens is manufacturing new jobs to the United States.

(CROSSTALK)

DOBBS: Are they doing that, Marc, to produce products for this market?

ANDREESEN: Sure, absolutely, they are doing that.

(CROSSTALK)

DOBBS: That's right. And that's the distinction. And that's the distinction here.

The service jobs, the high-value jobs that are being exported to various countries around the world are not being exported so -- for entry to those markets of those countries, but rather for the return of those services and products to this market. That is the distinction in outsourcing, Marc.

(CROSSTALK)

ANDREESEN: Actually, that's not entirely true.

(CROSSTALK)

DOBBS: Well, no, it's actually -- it's entirely true.

ANDREESEN: Well, the data doesn't actually show that. So, for example, let's look at it a different way.

DOBBS: What data? I would like to know.

ANDREESEN: It doesn't make any economic sense.

So, for example, I guess the implication is, we're shipping dollars overseas and those dollars are staying overseas and they're never coming back. We're creating economic growth in the U.S. We're creating economic growth overseas. When we put jobs in India, we're paying Indians in U.S. dollars. Those dollars are being turned around and spent on American goods and services. The new middle class in India that's emerging as a result of the I.P. offshoring...

(CROSSTALK)

DOBBS: Oh, I assure you..

ANDREESEN: They're buying Levi's jeans. They're buying Nike shoes. They're buying Apple iPods. They're buying Merrill Lynch financial services. We are creating new markets all over the world as a process in doing this.

DOBBS: It's -- that is absolutely true. Markets are being created. Middle-class jobs are being created in India, as you suggest.

ANDREESEN: Yes.

DOBBS: There is just one problem with that.

ANDREESEN: And those -- and those people are consuming American products and services.

DOBBS: They are assuming about half what we're buying from them right now.

ANDREESEN: Actually that's not true.

DOBBS: Actually it is exactly true. The deficit with India is -- for this instance is precisely twice.

ANDREESEN: For manufactured products that's true. Look at services.

Do you think we run a services deficit or surplus?

DOBBS: Marc, you were saying what?

ANDREESEN: We run...

DOBBS: Were you not talking about buying products?

ANDREESEN: Products and services. We run a deficit on products. The difference in the dollar comes back in investing America. We run a surplus in services. Lou, we run a \$75 billion a year services surplus. \$75 billion...

DOBBS: Are you talking about globally, Marc.

ANDREESEN: Yes, globally.

DOBBS: Oh, absolutely not, Marc. We have \$550 billion current account deficit in this country.

ANDREESEN: Right, I'm telling you...

DOBBS: That is services that is products in -- I mean, Marc, let's -- let's go back to the issue of outsourcing. If you prefer.

ANDREESEN: Well, hold on a second. The president's economic report that just came out in 2002 we ran a \$75 billion surplus in services.

DOBBS: In 2002?

ANDREESEN: We benefited services trade.

DOBBS: In 2002?

ANDREESEN: In 2002.

DOBBS: Do you release...

(CROSSTALK)

DOBBS: Marc, we can sit here and not really edify anyone including ourselves by trading statistics. The fact is it is 2004, the fact is in the most event report on trade we show for the first time negative numbers in the area in which you live, that is technology which is supposed to be bringing us all of these wonderful jobs that so far are not materializing.

ANDREESEN: Look, technology took a big hit in the last four years due to recession. When I was involved in creating the first Internet browser in 1993, I can tell how many Internet jobs there were, there were 200. I can tell you how many there are now, there's two million now. We created new jobs in the next 10 years. I'll tell you what, we're going to create a huge number of new jobs in the next 10 years.

DOBBS: I expect you to do so. What I don't expect you to understand is that there is no one listening to us that should take -- has any reason to take as you an article of faith that by moving jobs overseas simply to acquire cheap labor that in any way adds to innovation to this country.

ANDREESEN: Absolutely it does. It compounds innovation, allows American companies to invest both overseas and the U.S. It allows American companies to hire more people in the U.S. It allows American companies to sell their products and services into a larger global market. I tell you another thing, it encourages peace and stability worldwide. The best thing that can happen to us from a national security standpoint we determine to develop the middle classes in India and China. And in fact the really best thing we could do is to start offshoring to the Middle East.

If you want to systematically go after global security and peace, figure out how to bring everybody into this world of increasing returns from economic, increasing returns from trade...

DOBBS: Marc, you surely not suggesting that we create a middle class anywhere in the world at the expense of our own?

ANDREESEN: Of course not. It's not at the expense of our own.

DOBBS: That's precisely the effect of what is happening.

ANDREESEN: No it's not.

DOBBS: No, sir, it is.

ANDREESEN: Trade has been win-win for 200 years.

DOBBS: Win-win. Marc, you are too smart for this. You are absolutely too smart for this. When you hear win-win, what do you think of, a software salesman, right?

ANDREESEN: Not at all.

DOBBS: Come on. If it's -- thank you. I also have a sense of humor like you do, Marc. You know what, I don't think we should have too much a sense of humor about what we're doing to hardworking men and women in this country. Please, would you take as an article of faith if you were sitting there driving code that you are going to get to a result or would you want to empirically be able to demonstrate it?

ANDREESEN: Absolutely.

DOBBS: Here are the empirical demonstrations of what we're dealing with right now.

We have a half trillion dollar trade deficit. I'm sorry, go ahead. ANDREESEN: Empirical demonstration is over 200 years of standard of living has risen massively. We created 140 million net jobs. They say we created 342 million jobs in the last 10 years alone.

DOBBS: You do understand we have to talk in net terms.

ANDREESEN: Per capita income. We're up 17 million net new jobs in the 10 years, including the impact of the recession.

DOBBS: The last 10 years.

ANDREESEN: The last 20 years we're up 38 million net jobs. And those jobs per capita income, in that period of time, since World War II to today, per capita income is up. Everybody is better off.

DOBBS: By the way, if you are trying to convince me, our viewers, that it's good to live in America, that really isn't the issue. The fact is how do we preserve and improve on the quality of life for our middle class, for all Americans.

ANDREESSEN: Economic growth is the key.

Would we agree economic growth is the key?

DOBBS: We -- I would agree absolutely that economic growth is the key.

ANDREESSEN: We agree job creation is the key?

DOBBS: Absolutely.

ANDREESSEN: Right, and this is what happens. We create jobs, grow, innovate, exploit new markets, we develop new markets.

DOBBS: But you haven't accounted for the experience of the past four years nor the failure of this economy through two and a half years since the recession ended to generate jobs and that is the critical issue, Marc.

ANDREESSEN: Let's separate out. No. 1 in IT we had a big recession, right. We had a big bubble. We had a dotcom bubble.

DOBBS: Marc, I got to be honest with you. We have taken far more time than we should have. Come back, we're going to argue some more, do me a favor -- watch that, you know, faith based economics, will you?

hit's dangerous stuff, macro economics as well as it is in technology. You can reciprocate with counsel to me as well, Marc. You get the last word.

ANDREESSEN: I reciprocate to you with exactly the same counsel, for 200 years the standard of living in this country has risen. and it's going to continue rising for the next hundred, I don't think there's any question about that. DOBBS: I admire your faith and we appreciate your time.

ANDREESSEN: Thank you.