

# Biden’s plan to discourage companies from offshoring production may also help him politically.



Last week, alongside its \$2.3 trillion infrastructure plan, the Biden administration announced a new tax plan to fund it. This plan includes provisions that would discourage the offshoring of jobs and profits by US companies. [Stephanie Rickard](#) finds that voters are more likely to vote against governments when offshoring occurs that moves jobs out of their local area. In light of these findings, Biden’s tax proposals and ‘Buy American’ executive order appear politically savvy.

President Biden’s [long-awaited tax plan](#) was announced last week. One of the most important objectives of the “Made in America” tax plan, according to the Biden Administration, is to reduce the offshoring of American jobs. To achieve this goal, the administration seeks to eliminate tax-based incentives to move production overseas. For example, the Biden plan would eliminate a [provision](#) that lets companies exclude 10 percent of their tangible foreign assets from the calculation of the base of the minimum tax. Via his tax plan and [Buy American executive order](#), Biden hopes to reverse the decades-long trend of US firms moving production abroad.

When a local factory closes to move production abroad, people lose their jobs. The local area’s economy also suffers. Workers in auxiliary companies and local suppliers may also be laid off as a result of a local factory closure. As jobs become scarcer in the region, wages fall, house values may drop, young people may leave, and local tax revenues decrease.

Given the negative economic effects of offshoring, it is perhaps no surprise that voters dislike it. According to a 2013 study, ninety-five percent of US respondents surveyed [opposed](#) businesses’ decisions to move manufacturing operations abroad. In a [recently published study](#), I find evidence that voters dislike offshoring so much that they punish politicians in office (also known as incumbents) by voting against them when offshoring occurs in their local area. In my analysis, I find that incumbent government parties lose more votes in municipalities where a local plant moved production abroad between elections than in municipalities without such an offshoring event. And incumbent parties’ votes fall further as the number of jobs lost due to offshoring increases.

Results from an original survey correspond with my findings from election returns. Fifty-four percent of respondents said offshoring would make them less likely to vote for the incumbent in the next national election. And twice as many respondents identified offshoring as an event that would make them less likely to vote for the incumbent government party than the closure of a local business to move to a different part of the country.

Given these findings, Biden’s efforts to stop offshoring look politically savvy. The question is – will they work? American presidents have long promoted “Buy American” campaigns but their efforts have had mixed success in changing firms’ location decisions. And Biden’s tax proposals face a tough political battle in Congress. Despite the administration’s efforts, offshoring may continue and if it does incumbents should beware.

- This article is based on the paper, [‘Incumbents Beware: The Impact of Offshoring on Elections’](#) in the *British Journal of Political Science*.
- Featured image: [“Buy American”](#) by [Wendigo\\_](#) is licensed under [CC BY NC SA 2.0](#)

[Please read our comments policy before commenting.](#)

*Note: This article gives the views of the author, and not the position of USAPP – American Politics and Policy, nor the London School of Economics.*

Shortened URL for this post: <https://bit.ly/3uzVrz7>

---

## About the author



**Stephanie Rickard** – *LSE Government*

[Stephanie Rickard](#) is Professor of Political Science in the [LSE Department of Government](#), and a Centre Affiliate of the LSE US Centre. Her book '[Spending to Win: Political Institutions, Economic Geography, and Government Subsidies](#)' is available from [Cambridge University Press](#).