



Business Roundtable

Worldwide American Companies Provide Many Benefits for American Workers and the American Economy

Strong worldwide operations create American jobs, boost workers' wages, and raise America's standard of living

Creating Jobs in the United States

Worldwide American companies are a key generator of jobs for America's workers

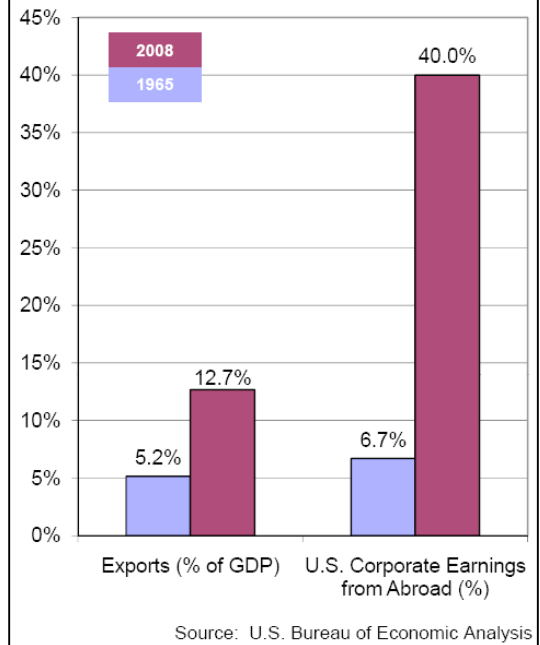
- Worldwide American companies employed 22 million Americans in 2007. When measured by industry of the establishment, rather than industry of the parent, more than 6.1 million Americans in manufacturing, or 44% of all U.S. manufacturing employees, and 15.2 million Americans in service industries (including trade and transportation) work for these companies.
- Suppliers to worldwide American companies and spending by their employees created an additional 41.2 million American jobs in 2007. Total employment generated by worldwide American companies, both directly and indirectly, is 42% of total U.S. private employment.

Boosting Wages of American Workers

Higher productivity of worldwide American companies leads to higher wages for American workers

- U.S. companies with overseas operations pay American workers more than comparable U.S. companies without such operations, controlling for industry, size, and location. Workers for worldwide American companies are estimated to earn 10-15% more relative to workers employed by U.S. companies without overseas operations even after controlling for other factors.
- Because overseas affiliates of U.S. companies frequently rely on supplies exported by the U.S. parent, expansion abroad increases the demand for U.S. workers. As the typical worldwide American company expands operations in its foreign affiliates, it is estimated that for each dollar of additional wages paid in the foreign affiliate, U.S. wages increase by \$1.84 as U.S. parent operations expand.
- A Federal Reserve Board study finds that worldwide American companies are responsible for more than three-fourths of the increase in labor productivity in the non-financial corporate sector over the 1977-2000 period – and all of the labor productivity growth in the non-financial corporate sector in the late 1990s. Higher productivity results from greater use of advanced technology, organizational efficiency, and innovation spurred by R&D.

U.S. Economy Grows Internationally, 1965 - 2008



Raising Our Standard of Living by Boosting the U.S. Economy

Worldwide American companies lead the way in investment, R&D, and exports

- Worldwide American companies produced \$2.6 trillion of U.S. GDP in 2007, or 22 percent of all U.S. business output. Total production directly and indirectly generated by U.S. parent companies in the United States (including production by suppliers and production of goods and services purchased by employees of U.S. parent companies and their suppliers) is estimated to be \$6.0 trillion in 2007, or 50% of total private GDP.
- Worldwide American companies invested \$482.5 billion in plant and equipment in the United States in 2007, or 29% of all private nonresidential investment.
- Harvard economist Martin Feldstein has estimated that each dollar of overseas investment by worldwide American companies increases U.S. income by \$1.72 in present value.
- Worldwide American companies undertook \$200.4 billion in R&D in the United States in 2007, accounting for 74% of all R&D expenditures by U.S. businesses. Worldwide American companies perform more than 85% of their R&D in the United States, and a 10% increase in sales by overseas affiliates is estimated to increase U.S. R&D by their U.S. parents by nearly 5%.
- Nearly 70% of the worldwide employment and more than 70% of worldwide investment and production of worldwide American companies and their majority-owned overseas affiliates are in the United States.
- Worldwide American companies are responsible for nearly half of all U.S. exports – \$558.6 billion in 2007. U.S. parent companies alone exported \$515.4 billion in goods in 2007, 45 percent of all U.S. merchandise exports. The remaining share of company-related exports is accounted for by exports to the overseas affiliates of U.S. companies by other American companies. It is estimated that a 10% increase in sales by overseas affiliates increases exports by U.S. parents to their overseas affiliates by 6.5%.
- Gross overseas income of worldwide American companies represents 40% of total U.S. corporate profits in 2008. Across all worldwide American companies, 55 percent of worldwide net income was earned by their overseas affiliates in 2007.
- An OECD study of developed countries finds that each dollar of outward foreign investment leads to \$2 of additional exports and increases the country's bilateral trade surplus by \$1.70.
- Another study by the National Bureau of Economic Research finds that each dollar of foreign investment by worldwide American companies leads to \$3.50 in additional investment in the United States.

For a list of source documents and additional research, please see the Business Roundtable fact sheet, "Further Reading on International Tax Issues."

**Let's maintain the foundation for sustained economic growth.
Business tax policy must promote U.S. international competitiveness.**