# walking a mile in someone else's shoes

## a selection of excerpts

Rare, indeed, is the person who takes a position that goes against his or her self-interest. And so it is with issues related to globalization.

An opinion piece in the local paper concluded that, "Sure, rapid economic change hurts individuals, and it's appropriate to help these displaced persons learn new skills and find new employment. Yet the lesson from Massachusetts's own history should be clear. Don't fear change. Open economies and free trade really do work." The writer's bio tells us he's "a partner in a private equity fund."

But what if he were a 50-year-old standing in the unemployment line six months after his company had moved offshore? He'd probably be a bit more apprehensive about the future and not particularly receptive to the notion that "open economies and free trade really do work."

Or step into the shoes of someone who heads an American manufacturing company that's been the economic anchor of its home city since the early 1900s. Your ties to the community have always been strong, but now you face an unpleasant choice: move overseas or go out of business. All your competitors have shifted production offshore, and they're killing you on price. You've tried to cut costs, but your shareholders are demanding a higher return on their investment, and your customers are pressing you for lower prices. Ignore either group and you'll end up with plenty of time to work on your golf game or take up fly fishing.

And if you can't relate to the concerns of an unemployed assembly line worker or a hard-pressed factory manager, try stepping into the shoes of a consumer. Are you so committed to buying American-made products that you're willing to pay significantly more for a pair of sneakers or any number of other products? Our daily shopping behavior suggests the answer is "no."

Intellectually, we may be able to put ourselves in someone else's shoes. But when it's time to reach for our wallets, we're more likely to act out of self-interest.

Not that that's a bad thing. It's just human nature.

And since we're not out to change human nature, we've set a modest goal for this issue of *The Ledger*. Rather than serving up the usual assortment of original pieces, we're directing you to articles and web sites that offer diverse perspectives on globalization. We've included excerpts from each article or web site, along with details on how to find it.

One more thing: We're not pushing the views expressed in the articles or web sites. Our hope is simply that these resources will serve as a starting point for discussing the issues and challenges that surround the transition to a global economy.

We've tried to come up with articles and web sites that represent a range of views, but perhaps you know of others that (gasp!) may be even better than those we've found. If so, let us know so that we can share them with other readers.

Note: *New York Times* links take you to an abstract of the article. If you want to view the entire piece there's a charge of $3.95 per article. If you don't have money to spare, you can check to see if your local library has a *Times* archive. Or, if you enter the article's title in a search engine, you can often find it on another web site. Why didn't we just provide you with those links? Simple answer: The articles are not ours to give; they belong to the *Times*.

## The World Is Flat: A Brief History of the Twenty-First Century

Thomas Friedman, Farrar, Straus and Giroux

## "It's a Flat World, After All"

by Thomas Friedman, *New York Times Magazine*, April 3, 2005 http://select.nytimes.com/gst/abstract.html?res=F00C16F93E5B0C708CDDAD0894DD404482

*Thomas Friedman, a high-profile columnist for The New York Times, is mostly upbeat about globalization, but he cautions that we will have to make adjustments. The following excerpts are from "It's a Flat World, After All."*

Only 30 years ago, if you had a choice of being born a B student in Boston or a genius in Bangalore or Beijing, you probably would have chosen Boston, because a genius in Beijing or Bangalore could not really take advantage of his or her talent. They could not plug and play globally. Not anymore. Not when the world is flat, and anyone with smarts, access to Google and a cheap wireless laptop can join the innovation fray. . . .

When my software applications could connect seamlessly with all your applications, it meant that all kinds of work — from accounting to software-writing — could be digitized, disaggregated and shifted to any place in the world where it could be done better and cheaper.

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Globalization 1.0 (1492 to 1800) shrank the world from a size large to a size medium, and the dynamic force in that era was countries globalizing for resources and imperial conquest. Globalization 2.0 (1800 to 1900) shrank the world from a size medium to a size small, and it was spearheaded by companies globalizing for markets and labor. Globalization 3.0 (which started around 2000) is shrinking the world from a size small to a size tiny and flattening the playing field at the same time. And while the dynamic force in Globalization 1.0 was countries globalizing and the dynamic force in Globalization 2.0 was companies globalizing, the dynamic force in Globalization 3.0 — the thing that gives it its unique character — is individuals and small groups globalizing. Individuals must, and can, now ask: where do I fit into the global competition and opportunities of the day, and how can I, on my own, collaborate with others globally? But Globalization 3.0 not only differs from the previous eras in how it is shrinking and flattening the world and in how it is empowering individuals. It is also different in that Globalization 1.0 and 2.0 were driven primarily by European and American companies and countries. But going forward, this will be less and less true. Globalization 3.0 is not only going to be driven more by individuals but also by a much more diverse — non-Western, non-white — group of individuals. In Globalization 3.0, you are going to see every color of the human rainbow take part.

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This quiet crisis is the product of three gaps now plaguing American society. The first is an "ambition gap." Compared with the young, energetic Indians and Chinese, too many Americans have gotten too lazy. As David Rothkopf, a former official in the Clinton Commerce Department, puts it, "The real entitlement we need to get rid of is our sense of entitlement." Second, we have a serious numbers gap building. We are not producing enough scientists and engineers. We used to make up for that by importing them from India and China, but in a flat world, where people can stay home and compete with us, and in a post-9/11 world, where we are insanely keeping out many of the first-round intellectual draft choices in the world for exaggerated security reasons, we can no longer cover the gap. That's a key reason companies are looking abroad. The numbers are not here. And finally we are developing an education gap. Here is the dirty little secret that no CEO wants to tell you: they are not just outsourcing to save on salary. They are doing it because they can often get better-skilled and more productive people than their American workers.

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So parents, throw away the Game Boy, turn off the television and get your kids to work. There is no sugar-coating this: in a flat world, every individual is going to have to run a little faster if he or she wants to advance his or her standard of living. When I was growing up, my parents used to say to me, "Tom, finish your dinner — people in China are starving." But after sailing to the edges of the flat world for a year, I am now telling my own daughters, "Girls, finish your homework — people in China and India are starving for your jobs."

**"The Fruits of Free Trade"**
by W. Michael Cox and Richard Alm, Federal Reserve Bank of Dallas, Annual Report 2002
http://www.dallasfed.org/fed/annual/2002/index.html

*Michael Cox and Richard Alm make the case for free trade. They focus, not on the initial dislocations that free trade can bring, but on its long-range benefits.*

## THE HIGH COST OF PROTECTIONISM

How much does it cost to protect a job? An average of $231,289, figured across just 20 of the many protected industries. Costs range from $132,870 per job saved in the costume jewelry business to $1,376,435 in the benzenoid chemical industry. Protectionism costs U.S. consumers nearly $100 billion annually. It increases not just the cost of the protected items but downstream products as well. Protecting sugar raises candy and soft drink prices; protecting lumber raises home-building costs; protecting steel makes car prices higher; and so forth. Then there are the job losses in downstream industries. Workers in steel-using industries outnumber those in steel-producing industries by 57 to 1. And the protection doesn't even work. Subsidies to steel-producing industries since 1975 have exceeded $23 billion; yet industry employment has declined by nearly two-thirds.

| Protected industry | **Jobs saved** | **Total cost (in millions)** | **Annual cost per job saved** |
|---|---|---|---|
| Benzenoid chemicals | 216 | $ 297 | $ 1,376,435 |
| Luggage | 226 | 290 | 1,285,078 |
| Softwood lumber | 605 | 632 | 1,044,271 |
| Sugar | 2,261 | 1,868 | 826,104 |
| Polyethylene resins | 298 | 242 | 812,928 |
| Dairy products | 2,378 | 1,630 | 685,323 |
| Frozen concentrated orange juice | 609 | 387 | 635,103 |
| Ball bearings | 146 | 88 | 603,368 |
| Maritime services | 4,411 | 2,522 | 571,668 |
| Ceramic tiles | 347 | 191 | 551,367 |
| Machine tools | 1,556 | 746 | 479,452 |
| Ceramic articles | 418 | 140 | 335,876 |
| Women's handbags | 773 | 204 | 263,535 |
| Canned tuna | 390 | 100 | 257,640 |
| Glassware | 1,477 | 366 | 247,889 |
| Apparel and textiles | 168,786 | 33,629 | 199,241 |
| Peanuts | 397 | 74 | 187,223 |
| Rubber footwear | 1,701 | 286 | 168,312 |
| Women's nonathletic footwear | 3,702 | 518 | 139,800 |
| Costume jewelry | 1,067 | 142 | 132,870 |
| **Total** | **191,764** | **$44,352** | |
| **Average (weighted)** | | | **$ 231,289** |

Source: G. C. Hufbauer and K. A. Elliott, ***Measuring the Costs of Protection in the United States,*** (Washington, D.C.: Institute for International Economics, 1994), pp. 11–13.
Appeared in ***Annual Report 2002***, Federal Reserve Bank of Dallas.

Attacks on free trade don't make economic sense. In fact, the critics often get it backwards.

We hear that trade makes us poorer. It's just not so. Trade is the great generator of economic well-being. It enriches nations because it allows companies and workers to specialize in doing what they do best. Competition forces them to become more productive. In the end, consumers reap the bounty of cheaper and better goods and services.

We hear that trade costs jobs and depresses wages. Again, it's just not so. By spurring economic activity and reducing costs, trade helps create jobs. By enhancing productivity, it keeps U.S. companies vibrant, leading to fatter paychecks and added benefits. Workers protected by trade barriers might keep their jobs a while longer, but the costs in inefficiency and higher prices make it economic folly. Whenever we erect barriers to trade, we negate the gains from free exchange and competition. Trade protection degenerates into a negative-sum game in which special interests jostle for advantage at the expense of the common good.

We hear that exports are good because they support U.S. industry, but imports are bad because they steal business from domestic producers. Actually, imports are the real fruits of trade because the end goal of economic activity is consumption. Exports represent resources we don't consume at home. They are how we pay for what we buy abroad, and we're better off when we pay as little as possible. Mercantilism, with its mania for exporting, lost favor for good reason.

We hear that free trade isn't fair trade. Cheap imports can hurt higher-cost U.S. suppliers, but consumers certainly will gain. Why penalize them with tit-for-tat retaliation that only raises prices in the United States? Other countries' trade transgressions don't warrant missteps of our own. A nation will consume more whenever it opens its markets, even if other nations don't reciprocate.

We hear that trade makes us dependent on foreign suppliers, but America doesn't have the climate and resources to make everything it needs. Other nations can produce many goods and services at lower cost. The price of independence is too steep.

Americans can't afford to buy into these trade fallacies. As a society, we often have to choose between protecting domestic industries and opening markets. In a weakened economy, steelmakers, catfish farmers and other producers are lining up to declare war on imports, creating a potential hit on Americans' wallets. At the same time, U.S. negotiators are seeking to expand the world trading system with new free trade agreements.

We need to understand what's at stake. Being wrongheaded on trade increases the risk of making bad choices that will sap our economy and sour our relations with other nations. Getting it right will promote prosperity and peace.

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Although specialization and trade make us wealthier, most societies spend a lot of time, money and energy trying to thwart the exchange of goods and services. At home, companies pursuing their self-interest often breed monopolies that restrict supply and hike prices. The same impulse to stifle competition leads to a variety of trade measures aimed at imports.

As the United States reduced tariffs over the past six decades, producers turned to import quotas, antidumping penalties, domestic-content laws, "voluntary" export restraints and other nontariff barriers. Export subsidies, exchange-rate controls, trade licenses, and onerous labeling, packaging and technical requirements further tilt the market against foreign goods.

In whatever guise, protectionism is pure poison for an economy. Time and again, economic studies show that import restraints aren't worth it. They saddle consumers with huge costs. Dozens of researchers have reached this conclusion for a host of products, from steel, automobiles and semiconductors to textiles, apparel and farm products.

Even when they temporarily stave off job losses, trade barriers are costly. For example, trade protection saved 216 U.S. jobs in the production of benzenoid chemicals, used in suntan lotion and other products—but at a cost of nearly $1.4 million per worker. Because the chemical workers earn a fraction of the protectionist toll, it would cost far less to simply pay them not to work!

In case after case, the costs of protection outweigh the benefits. The tab for each job preserved in the luggage industry is nearly $1.3 million; in softwood lumber, more than $1 million; in sugar, more than $826,000. Moreover, some of the jobs saved are dirty, dangerous and low paying.

### "In Roaring China, Sweaters Are West of Socks City"

by David Barboza, *New York Times*, December 24, 2004
http://select.nytimes.com/gst/abstract.html?res=F40A1EFC35540C778EDDAB0994DC404482

*David Barboza describes how China emerged as one of the world's leading textile producers.*

DATANG, China – You probably have never heard of this factory town in coastal China, and there is no reason why you should have. But it fills your sock drawer.

Datang produces an astounding nine billion pairs of socks each year – more than one set for every person on the planet. People here fondly call it Socks City, and its annual socks festival attracts 100,000 buyers from around the world.

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Beyond the entrepreneurial vigor so palpable here, the textile business is a prime example of how the Chinese government's attempt to guide development more indirectly through local planning instead of outright state ownership is starting to pay off in a big way.

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In the late 1970's, Datang was little more than a rice farming village with 1,000 people, who gathered in small groups and stitched socks together at home, and then sold them in baskets along the highway.

Back then, government officials branded Datang's sock makers as capitalists and ordered them to stop selling socks. Now, they produce over a third of the world's output, and the government has nothing but praise for such entrepreneurs and their domination of the sock business.

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Signs of Datang's rise as a socks capital are everywhere. The center of town is filled with a huge government-financed marketplace for socks. The rice paddies have given way to rows of paved streets lined with cookie-cutter factories. Banners promoting socks are draped across buildings. And each year, Datang is decorated with balloons and flags for the annual socks fair.

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Many of the old government-owned operations are gone. Private enterprises are importing high-end machinery and luring millions of peasants from the countryside.

Since the early 1980s, when China began moving to a market economy, much of its competitive advantage was built on low-cost labor. Companies spend about 92 cents an hour for each worker in China, versus $1.20 in Thailand, $1.70 in Mexico and about $21.80 in the United States, according to a study by Goldman Sachs. Among big exporters, only India, at about 70 cents an hour, is cheaper.

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The Chinese government has also played a crucial role, opening huge swaths of land for development, forming giant industrial parks, doling out tax benefits and developing the infrastructure and transportation networks needed to move products quickly to market.

### "In Chinese Factory, Rhythms of Trade Replace Rural Life"

by Leslie T. Chang, *Wall Street Journal*, December 31, 2004

*If you're a student of American history, Leslie Chang's description of Yue Yuen will take you back to the early days of the American Industrial Revolution and the beginnings of the New England textile industry. To make a further comparison, check out the following links:*

*Lowell National Historical Park:*
***http://www.nps.gov/lowe/2002/home.htm***

*Tsongas Industrial History Center:*
***http://www.uml.edu/tsongas/index2.htm***

*New England Economic Adventure:*
***http://www.economicadventure.org/gazette/index.cfm***

DONGGUAN, China – On Saturday afternoons, the factory complex owned by the world's biggest shoe manufacturer shuts down. More than 70,000 workers, mostly young women from farming villages across China, pour out of the plants and into the dormitories and cafeterias, the paved streets and parks of the Yue Yuen industrial complex.

Yue Yuen is an entire universe that replaces the village world young migrants leave behind. Just like the farms from which these workers come, Yue Yuen has seasons and rhythms, but ones set by commercial dictates in countries thousands of miles away. Yue Yuen runs its own water-treatment systems and power stations. Within each factory compound are dormitories and canteens, a post-office and phone-company branches, medical clinics and shops. One factory complex has a 100-bed hospital, a kindergarten, a 300-seat movie theater and a performance troupe. The city sometimes borrows the ladder from its fire truck, the tallest one in the area, to put out fires.

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In a community such as Yue Yuen [migrants from the countryside] find new lives full of hard work and long hours, but conditions are far better than the sweatshops many imagine Chinese factories to be.

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One-third of the world's shoes are made in Guangdong, the province that borders Hong Kong. In this world, Yue Yuen is king. Established in 1989 by Pou Chen Corp. of Taiwan, Yue Yuen is the largest supplier to Nike, Adidas, Reebok and other brands.

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Yue Yuen runs some factories that make the raw materials for shoes and other factories that cut, stitch and assemble these various parts. It employs designers to work with shoe companies to develop new styles. A Yue Yuen assembly line now takes 10 hours to make a shoe, from readying raw materials to having a finished product ready to ship, compared with 25 days four years ago [in1999/2000].

China's new industrial might is powered by one of the largest migrations in human history. China now has 114 million migrants, people who left their rural villages to work in cities.

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At Yue Yuen, the salary is average — about $72 a month after deductions for room and board — and the company has a reputation for hard workdays and harsh managers. But wages are paid on time. Work is capped at 11 hours a day and 60 hours a week with Sundays off. Workers sleep 10 to a room with hot showers and adequate meals. Eighty-five percent of the workers at Yue Yuen are young women.

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In its first decade, Yue Yuen often worked employees through midnight with few days off. But in the late 1990s, customers such as Nike Inc. and Adidas Salomon AG pushed suppliers to improve worker conditions. Yue Yuen switched to an 11-hour workday and gave employees Sundays off. It established a counseling center for questions and complaints. It improved safety measures and abolished military-style calisthenics and uniforms.

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The Western companies that pushed factories to improve conditions also demanded lower prices. In 2001, Adidas initiated a program at Yue Yuen to increase efficiency. Workers say they work fewer hours but are more exhausted because tasks are precisely parceled out to ensure almost no downtime. Brands now give factories 30 days to deliver an order; three years ago it was 60 days; a decade back it was 90.

### "A New Pattern Is Cut for Global Textile Trade"

by Peter S. Goodman and Paul Blustein, *Washington Post*, November 17, 2004 **http://www.washingtonpost.com/wp-dyn/articles/A55462 2004Nov16.html**

*If you're not familiar with the workings of the World Trade Organization (WTO), this article helps to explain the impact WTO rulings can have.*

AMPARA, Sri Lanka — Wild monkeys and Buddhist shrines outnumber any signs of industry, and rampaging elephants are not uncommon. The closest port lies seven hours away, down a rutted road. Yet here in the jungle of this small island nation in the Indian Ocean, the Daya Apparel Export Ltd. Factory and others like it churn out pants and shirts for American Eagle Outfitters, A-line skirts for the Gap and bras for Victoria's Secret.

"If I didn't have this job, we wouldn't have enough to eat," said 20-year-old Mohammed Ismail Mazeela, one of 2,000 women from surrounding villages who work at the plant. The $40 monthly wage supports her family in Sammamthurai village, where people walk trash-strewn lanes in bare feet. It buys the electricity powering the lone bulb in her shack, the food her mother cooks over the wood fire on their concrete floor, and schoolbooks for her sister's three children. "There is nothing else here."

Soon there may be even less. On Jan. 1 [2005], World Trade Organization rules governing the global textile trade will undergo their biggest revision in 30 years. The changes are expected to jeopardize as many as 30 million jobs in some of the world's poorest places as the textile industry uproots and begins consolidating in a country that has become the world's acknowledged low-cost producer: China.

### "A Rough Ride for Schwinn Bicycle: As the World Economy Shifted, So Did the Fortunes of an American Classic"

by Griff Witte, *Washington Post*, December 3, 2004 **http://www.washingtonpost.com/wp-dyn/articles/A29737-2004Dec2.html**

*We can give you only the first part of Griff Witte's article, but be sure to read the rest of it at* ***http://www.washingtonpost.com/wp-dyn/articles/A29737-2004 Dec2.html*** *It's worth the effort.*

MADISON, Wis. — In the glass atrium that marks the entrance to the Pacific Cycle company, the old and the new of the bicycle business are displayed side by side. Each is called the Schwinn Sting Ray, and each in its time has been a bestseller.

But the similarities end there. In the space of a generation, everything about the process of designing, producing and selling a Schwinn has changed.

The old Sting Ray broke the conventions of bicycle design, boasting a banana seat, high handlebars and extra-wide tires. In the 1960s and early '70s it became not only a symbol of middle-class aspirations, but also a provider of thousands of jobs that paid good wages with health and retirement benefits.

Today's model, which projects the rough look of a motorcycle, comes from China, where the average factory worker makes less than a dollar an hour. It is a symbol of a different sort — an illustration of how global economic forces and the sometimes clumsy responses of U.S. companies transformed middle-class jobs into low-wage work both at home and abroad.

In a nation that measures jobs in the tens of millions, changes to a few thousand barely register. But when multiplied across a wide range of industries, the rise and fall of companies such as Schwinn help explain why the economy has become less forgiving of workers who lack higher education or specialized skills.

"We're missing a big, important part of our society. Either everyone has to go to college or everyone has to have very low-paying jobs," said Richard Schwinn, part of the fourth and last generation to run the firm that bears his name. "I'm not sure that's a great balance."

The Schwinn Bicycle Co. went bankrupt in 1993 and sold off the brand. But at its peak two decades earlier, the Schwinn family oversaw a labor force of 2,000, the majority of whom never made it past high school. Several thousand more U.S. workers benefited from jobs at Schwinn dealerships, or in the steel and rubber factories that supplied parts.

Richard Schwinn, a large, bearded man with the bearing of a lumberjack, now oversees an empire of 17 at a small custom bike factory in rural Waterford, Wis.

About 75 miles away, in Madison, Pacific Cycle manages the Schwinn brand from a sleek office with just 80 workers. Pacific, part of a Canadian conglomerate, has a couple of hundred employees in California warehouses, taking in the bikes imported from the seven Chinese factories where most Schwinns are produced.

From California, the bikes fan out to mass merchants such as Wal-Mart. Once there, cashiers making less than $10 an hour ring up the latest Sting Ray at prices much cheaper than the original. Pacific sells more than a quarter of all bikes purchased in the United States, with just about 350 U.S. employees.

This is the outcome the Schwinn family had desperately sought to avoid. But like many companies struggling to decipher how American production and service workers fit in a globalized market, Schwinn erred badly. Industry insiders say the family's dogged but ultimately flawed determination to stay American-made contributed to its doom.

"They did a lot of things right over nearly 100 years," said Gary Coffrin, an industry consultant. "But at the end, there were a lot of things that caught up with them."

### "Is Wal-Mart Good for America?"

Public Broadcasting System, FRONTLINE broadcast, November 2004, correspondent Hedrick Smith **http://www.pbs.org/wgbh/pages/frontline/shows/walmart/**

*OK, this is a "hot potato," but there's just no way to focus on globalization without looking at how the relationship between producers and retailers has changed.*

"Wal-Mart's power and influence are awesome," [FRONTLINE correspondent Hedrick] Smith says. "By figuring out how to exploit two powerful forces that converged in the 1990s — the rise of information technology and the explosion of the global economy — Wal-Mart has dramatically changed the balance of power in the world of business. Retailers are now more powerful than manufacturers, and they are forcing the decision to move production offshore."

"Wal-Mart has reversed a hundred-year history that had the retailer dependent on the manufacturer," explains Nelson Lichtenstein, a professor at the University of California Santa Barbara. . . .

To understand the secret of Wal-Mart's success, Smith travels from the company's headquarters in Bentonville, Ark., to their global procurement center in Shenzhen, China, where several hundred employees work to keep the company's import pipeline running smoothly. Of Wal-Mart's 6,000 global suppliers, experts estimate that as many as 80 percent are based in China.

"Wal-Mart has a very close relationship with China," says Duke

University Professor Gary Gereffi. "China is the largest exporter to the U.S. economy in virtually all consumer goods categories. Wal-Mart is the leading retailer in the U.S. economy in virtually all consumer goods categories." . . .

When trade agreements were signed between the U.S. and China in the 1990s, bringing China into the World Trade Organization, American political and business leaders embraced the idea. China's 1.2 billion people were viewed as an enormous untapped market for American-made goods. The reality, experts say, is the opposite. China's exports to the U.S. have skyrocketed.

At a salary of only 50 cents an hour or $100 a month, Chinese labor is an unbeatable bargain for international business. And the Chinese government is doing everything it can to be sure the country's infrastructure supports the export business. Ten years ago Shenzhen's main port did not exist. Today it's on the verge of becoming the third busiest port in the world.

Wal-Mart estimates it imports $15 billion of Chinese goods every year and concedes that the figure could be higher — some estimates range as high as $20 or $30 billion. Company executives are quick to point out they have always scoured the globe for low cost suppliers to benefit the American consumer.

"We do depend on products from around the globe to draw our consumers into the stores," says Ray Bracy, Wal-Mart's vice president for federal and international public affairs. "We feel they need to have the best product, the best value, at the best price we can achieve."

Some experts contend Wal-Mart's "everyday low prices" are causing a clash between the interests of Americans as workers and the desires of Americans as consumers.

"If people were only consumers, buying things at lower prices would be just good. But people also are workers who need to earn a decent standard of living," says economist Larry Mishel of the Economic Policy Institute. "The dynamics that create lower prices at Wal-Mart and other places are also undercutting the ability of many, many workers to earn decent wages and benefits and have a stable life."

Economist Brink Lindsey of the Cato Institute sees it another way. "I think Wal-Mart is good for America," he says. "Wal-Mart is doing what the American economy is all about, which is producing things consumers want to buy . . . offering consumers a wide range of goods at rock-bottom prices. It is meeting the market test."

## "How Costco Became the Anti-Wal-Mart"

by Steven Greenhouse, *New York Times*, July 17, 2005

*Even in the tough, competitive world of discount retailing, there may be more than one way to succeed.*

ISSAQUAH, Wash. — Jim Sinegal, the chief executive of Costco Wholesale, the nation's fifth-largest retailer, had all the enthusiasm of an 8-year-old in a candy store as he tore open the container of one of his favorite new products: granola snack mix. "You got to try this; it's delicious," he said. "And just $9.99 for 38 ounces." . . .

But the piece de resistance, the item he most wanted to crow about, was Costco's private-label pinpoint cotton dress shirts. "Look, these are just $12.99," he said, while lifting a crisp blue button-down. "At [department stores], this is a $45, $50 shirt."

Combining high quality with stunningly low prices, the shirts appeal to upscale customers — and epitomize why some retail analysts say Mr. Sinegal just might be America's shrewdest merchant since Sam Walton.

But not everyone is happy with Costco's business strategy. Some Wall Street analysts assert that Mr. Sinegal is overly generous not only to Costco's customers but to its workers as well.

Costco's average pay, for example, is $17 an hour, 42 percent higher than its fiercest rival, Sam's Club. And Costco's health plan makes those at many retailers look Scroogish. One analyst, Bill Dreher of Deutsche Bank, complained last year [2004] that at Costco "it's better to be an employee or a customer than a shareholder."

Mr. Sinegal begs to differ. He rejects Wall Street's assumption that to succeed in discount retailing, companies must pay poorly and skimp on benefits, or must ratchet up prices to meet Wall Street's profit demands.

Good wages and benefits are why Costco has extremely low rates of turnover and theft by employees, he said. And Costco's customers, who are more affluent than other warehouse shoppers, stay loyal because they like that low prices do not come at the workers' expense. "This is not altruistic," he said. "This is good business."

## "My Outsourced Life"

A.J. Jacobs, *Esquire Magazine*, September 2005 **http://www.smartmoney.com/esquire/index.cfm?Story=20050909-outsource**

*"Outsourcing" or "offshoring" — whatever you want to call it — is no laughing matter, unless you're reading A.J. Jacobs' satirical piece in which he contracts out almost every aspect of his life to a pair of firms in India. One note of caution: The article contains a few "indelicate" words and phrases.*

It began a month ago. I was midway through "The World Is Flat," the bestseller by Tom Friedman. I like Friedman, despite his puzzling decision to wear a mustache. His book is all about how outsourcing to India and China is not just for tech support and carmakers but is poised to transform every industry in America, from law to banking to accounting. CEOs are chopping up projects and sending the lower-end tasks to strangers in cubicles ten time zones away. And it's only going to snowball; America has not yet begun to outsource.

I don't have a corporation; I don't even have an up-to-date business card. I'm a writer and editor working from home, usually in my boxer shorts or, if I'm feeling formal, my penguin-themed pajama bottoms. Then again, I think, why should *Fortune* 500 firms have all the fun? Why can't I join in on the biggest business trend of the new century? Why can't I outsource my low-end tasks? Why can't I outsource my life?

The next day I email Brickwork, one of the companies Friedman mentions in his book. Brickwork — based in Bangalore, India — offers "remote executive assistants," mostly to financial firms and health-care companies that want data processed. I explain that I'd like to hire someone to help with *Esquire*-related tasks — doing research, formatting memos, like that. The company's CEO, Vivek Kulkami, responds: "It would be a great pleasure to be talking to a person of your stature." Already I'm liking this. I've never had stature before. In America, I barely command respect from a Bennigan's maitre d', so it's nice to know that in India I have stature.

## "An Elder Challenges Outsourcing's Orthodoxy"

by Steve Lohr, *New York Times*,
September 9, 2004
http://select.nytimes.com/gst/abstract.html?res=F00D1FF93C540C7A8CDDA00894DC404482

*When Paul Samuelson talks, a lot of people still listen*

At 89, Paul A. Samuelson, the Nobel Prize-winning economist and professor emeritus at the Massachusetts Institute of Technology, still seems to have plenty of intellectual edge and the ability to antagonize and amuse.

His dissent from the mainstream economic consensus about outsourcing and globalization will appear later this month [September 2004] in a distinguished journal, cloaked in clever phrases and theoretical equations, but clearly aimed at the orthodoxy within his profession: Alan Greenspan, [former] chairman of the Federal Reserve; N. Gregory Mankiw, [former] chairman of the White House Council of Economic Advisers; and Jagdish N. Bhagwati, a leading international economist and professor at Columbia University.

These heavyweights, among others, are perpetrators of what Mr. Samuelson terms "the popular polemical untruth."

Popular among economists, that is. That untruth, Mr. Samuelson asserts in an article for the *Journal of Economic Perspectives*, is the assumption that the laws of economics dictate that the American economy will benefit in the long run from all forms of international trade, including the outsourcing abroad of call-center and software programming jobs.

Sure, Mr. Samuelson writes, the mainstream economists acknowledge that some people will gain and others will suffer in the short term,

but they quickly add that "the gains of the American winners are big enough to more than compensate for the losers."

That assumption, so widely shared by economists, is "only an innuendo," Mr. Samuelson writes. "For it is dead wrong about necessary surplus of winnings over losings."

Trade, in other words, may not always work to the advantage of the American economy, according to Mr. Samuelson . . . .

According to Mr. Samuelson, a low-wage nation that is rapidly improving its technology, like India or China, has the potential to change the terms of trade with America in fields like call-center services or computer programming in ways that reduce per-capita income in the United States, "The new labor-market-clearing real wage has been lowered by this version of dynamic fair free trade," Mr. Samuelson writes . . . .

To put things in simplified terms, he explained in the interview, "being able to purchase groceries 20 percent cheaper at Wal-Mart does not necessarily make up for the wage losses."

## "Auto woes manufacture city's decline"

by Sharon Silke Carty, *USA Today*, January 11, 2006 **http://www.usatoday.com/money/autos/2006-01-11-ypsilanti-usat_x.htm**

YPSILANTI, Mich. — Look at a map of Ypsilanti and draw your finger along Ford Street and over to the Ypsilanti Automotive Heritage Museum, home to obscure cars once built here. Or circle around to Factory Street and Ford Lake, a man-made invention created when Henry Ford brought the promise of hydropower and middle-class wages to the city in the 1930s.

There's no denying Ypsilanti has a history deeply rooted in the auto industry. It was even, at one point, a booming little auto town — with a peak population of 29,500 in 1970. Now, after decades of declining employment in the auto sector, Ypsilanti's population is down about 25% to an estimated 22,200 in 2004. Its median household income is $28,000, 31% below the national average.

The question is: Can Ypsilanti survive long enough to turn into something else?

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. . . . [T]he problems it faces are indicative of those dogging much of the Rust Belt as the domestic auto industry consolidates in an effort to stay competitive with foreign automakers.

When plants close people move to find new jobs, surrounding businesses fail, and the overall tax base shrinks. Like Ypsilanti, many auto towns are searching for a new industry, if there is one, to replace the lost jobs. Many are shells of what they once were.

In Ypsilanti, three of 14 schools have closed. In some neighborhoods, rows of homes sit boarded up. In others, meticulously preserved Victorians sit next to crumbling houses.

Ypsilanti's police force is 27% smaller than in 1997, and the recreation department is mostly closed. The city has talked about filing for bankruptcy but worries that a state-appointed receiver would sell off assets, such as the city's snowplows, which no town in Michigan should be without.

But something needs to be done. "We're broke. We're cut to the bone. There's no place else to cut that really won't be felt," says Cheryl Farmer, Ypsilanti's mayor for 10 years.

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***One optimistic note in the story's final paragraphs . . .***

Still, the region has maintained a reputation for strong colleges and universities. Ypsilanti is home to Eastern Michigan University, and the University of Michigan is less than 10 miles away.

Folks like restaurant owner [Linda] French hope access to the universities will change Ypsilanti into a hip urban center. "We weren't always a factory town," she says. "We're in historical times now. We're seeing factories close, but Ypsilanti might end up being better off."

## "Small World"

by Bill McKibben, *Harper's Magazine*, December 2003

*Distances are shrinking, boundaries are blurring, and the world's economy is becoming more integrated with each passing day. But there are also indications that people are rediscovering the virtues and pleasures of locally produced products and services.*

*Writer Bill McKibben visited the town of Barre in his home state of Vermont and came away with a story that looks at that trend by focusing on two thriving local businesses: (1) a radio station, WDEV, that offers its listeners an eclectic mix of programming — auto racing from the local track, a bird-watching hour, Music to Go to the Dump By, girls high school basketball, college hockey, Dinner Jazz, a conservative talk show, a liberal talk show, and (2) the Farmer's Diner, where "something like 80 percent of the food it serves was raised within 60 miles of the kitchen."*

Forget the red states and the blue states. WDEV [in Waterbury, Vermont] exists in a kind of purple state. Many parts of its schedule sound like things you can hear elsewhere. If you've got the new satellite radios, you can get bluegrass twenty-four hours a day and nineteen flavors of jazz. Modern radio stations aim for a particular niche — say, thirty-five-year-old males who want sports around the clock. But it's a rare place in our society where Thelonius Monk and stock-car racing coexist. It's radio that actually reflects the reality of local life, and it seems very strange because it's all but disappeared everywhere else.

A couple of miles downhill from Thunder Road, on the slightly tired main street of Barre, Tod Murphy opened up a diner . . . right next to the hardware store. Ham and eggs, breakfast all day, bottomless cup of coffee. A local joint. But the Farmer's Diner is maybe the most local joint in the whole United States — something like 80 percent of the food it serves was raised within sixty miles of the kitchen. In a country where the average forkful of dinner travels 1,500 miles to reach your lips, this makes Murphy's diner perhaps the most interesting restaurant in America.

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. . . . I began to wonder if maybe "local" really is what comes next — whether as the globalized world begins to fray socially and environmentally and even economically, people might start wanting to shorten their supply lines. Energy that comes from a windmill on the ridge instead of an oil tanker from the Gulf, say. . . . The momentum in the direction of globalization seems too powerful to buck, the economic logic unmatchable. But in a region where jobs are draining away, and where an ethic of self-reliance remains a dim, vestigial, but honored memory, it seems at least an outside possibility.

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An economist would argue that we've chosen this world — that if we didn't want the Sysco truck unloading frozen dinners into the back door of the family-casual chain dining house, we wouldn't go there. That if we wanted to listen to local radio, local radio would ipso facto exist. And there's plenty of truth in all that — by and large we have picked (with the assistance of immense quantities of advertising) the cheapest, the easiest, the saltiest, the greasiest. Something in dirty talk [radio] appeals to many of us, and community has often seemed like more work than it's worth. Our choices have in some ways built our world. On the other hand, it's hard to test whether these are the choices we really, or still, want to make. If most every radio station in your town is owned by some big broadcaster, you need millions of dollars to buy a frequency, if indeed one is even open. If your choice of restaurants is confined to twenty places with a loading ramp at the back for the tractor-trailer, then it's harder to make a statement of your desires.

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Look — we live in a world where [big chains], with their unbelievable efficiency, have managed to erode away most of what were once local economies — "Low Prices Always" might as well replace "In God We Trust." So it's a stretch to imagine that a really good hot turkey sandwich might matter — that the pendulum might be poised to swing back the other way. But it's sweet to imagine it too.

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When you're local, it's harder to be a complete jerk. ■