Global Issues

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Globalization

Globalization – refers to the process of creating a worldwide network of business and markets.

- Results in a greater mobility of goods, services, and capital around the world.

- Products manufactured in one country are sold in another.

Arguments for Globalization

- Globalization increases competition among multiple possible providers of the same product
- Competition ensures that higher quality products are sold at the best possible price

- Lower prices means more purchasing power for consumer

- Globalization allows for employment in poorer countries

- Creating jobs around the world reduces the chances of war because countries can support their economy

Arguments against Globalization

- The world trade organization has to much control of globalization issues
- United states and other countries should not be subordinates of the WTO
- Globalization forces workers of developing countries to compete with countries who's workers violate worker rights.
- Accelerates the loss of manufacturing jobs and white color jobs overseas
- Removal of trade barriers hurt workers in foreign countries

Dot-com bust increased IT sector unemployment

- dot-coms – which were internet-related start up companies.
- Values for these companies were high
- Even though sales were low
- In 2000 370 dot-coms were valued at 1.5 trillion while sales were only 50 billion
- When dot-coms stock fell, the industry had to shed half a million jobs
- The worst downturn since the great depression

Foreign workers in American IT industry

- While hundreds of IT workers in the U.S were losing their jobs, U.S companies were hiring tens of thousands of foreign workers to work in the U.S

➢ H-1B and L-1 Visas allow foreigners to work in the U.S

➢ H-1B allows worker to work for six years. For a company to file for a H-1B for employee, they must demonstrate that there are no qualified Americans to the job

➢ The worker must be paid the prevailing wage as well

➢ Companies bring in Foreign workers or hire foreign students from graduating universities.

- Number of H-1B between 2000-01=163,600

- Number of H-1B between 2001-02=79,100

- Controversy about the H-1B program led to the congress on Oct 1, 2003 setting a quota of 65,000, .

- Universities and organizations argued that the quota was too low. Bill gates was quoted as saying " that anyone who's got the education and experience, there not out their unemployed.

- Congress added an exemption of 20,000 for foreigners with advanced degrees.

➤ L-1 visa allows American companies to import foreign workers from overseas facilities into the U.S for seven years.

➤ Companies are not required to pay the prevailing wage, and this saves employers money.

➤ Critics of L-1 visa claim that lower paid foreign workers are replacing higher-paid American high-tech facility workers.

➤ No limit to the number of L-1 visas issued in a given year.

➤ Numbers are low . In 2006 about 50,000 L-1 workers in the U.S

Foreign Competition

- The trend of foreign workers seeking employment in the U.S is being replaced by the increasing capabilities of IT companies in developing nations such as India and China.

- China is the number one producer of computer hardware

- Indian companies now employ more than a million people and exceed sales of 17billion.

- Increase in the number of Chinese college students from 11 million in 2000 to 16 million in 2005

- Chinese universities are recognized for their research expertise. Intel's new Pentium extreme edition chip was developed at China's Tsinghua University.

➢ Evidence of global competition comes from the annual association for Computing Machinery Collegiate Programming Contest.

➢ 29 years ago only North America and Europe competed.

➢ In 2005 4,109 teams from 71 countries. The Top 78 moved on.

➢ The winning team was from Shanghai Jiao Tong University, 2nd and 3rd place teams were from Russia

➢ Top American team was from University of Illinois and was tied for 17thplace.

➢ The 2008-09 recession saw top American corporations "offshoring" jobs to countries like India to reduce the cost of business.

Digital Divide

- Digital divide refers to the situation where some people have access to modern information technology while others do not.

➤ The assumption that those with access to these technologies have opportunities denied to those who do not.

➤ Became popular in the mid-90s with the growth of the internet.

➤ Two fundamentally dimensions are : Global divide and social divide

- Global divide – refers to the disparity in internet access between more industrialized and less industrialized nations
- One piece of evidence to support what Norris calls the digital divide is the percentage of people with internet access
- In 2006 1.1 Billion people or 17% percent of the world population has internet access

- Oceania, the Americas, and Europe are above the average.

- Asia and Africa are below the average.

- 5% of the population - 1 0ut of 20 persons in Africa in 2006 had internet access

- Factors that hamper internet development in less technological countries?
- ➢ Little wealth

- ➢ Inadequate telecommunications infrastructure

- ➢ Primary language is not English

- ➢ Literacy is low and education is inadequate

- ➢ Country's culture may not participate in the technological age

- **Social divide** refers to the difference in access between the rich and poor within a country. In the U.S internet use varies according to age, wealth, and educational achievements

- Surveys conducted in America in 2008 found:
- ➢ Online access varied from 93% of 12-17 years olds to 27% for those 76 and over.
- A 2006 survey found:
- ➢ 91% of adults in households making $75,000 annually used the internet
- ➢ 53% of adults living in households making $30,000 use internet
- ➢ 91% of people with a college degree use internet while only 40% of those who dropped out used internet.

Methods of technological Diffusion

- Technological diffusion refers to the rate at which new technology is assimilated into society.

- Two theories predict how technology is acquired:

➢ Normalization model, different groups get adopt to the technology at different times, but at some point all groups are using technology

➢ Stratification model, the model is the same, but the number of people who adopt the technology is lower than in other groups.

Critiques of the digital divide

- Mark Warschauer suggest three reasons why the term digital divide is not helpful.

- First , it tends to promote the idea that the difference between the "haves and the "have nots" is simply a question of access

- Politicians jumped to the conclusion that providing technology will solve the problem, and Warschauer disagrees

- He gave the example of a small town in Ireland to back his claim.

- Second , the term digital divide implies that everyone is on one side or another of a huge canyon.

➤ Warschauers argues that in reality access is a continuum and each individual occupies a particular place on it.

➤ Example- how do you categorize someone with 56k speed modem. They have access, but is unable to retrieve the same wealth of material as someone with a broadband connection

- Third, the term digital divide implies that a lack of access will lead to a less advantaged position in society.

- Warschauer argues that models of technological diffusion shows those less advantaged in society access technologies at a later time

- Warschauer points out that the internet does not represent the pinnacle of information technology.

Net Neutrality

- Corporations that operate long-distance internet backbone connections have suggested that they may begin to charge *tiered service.*

- Tiered service – charging more for higher priority routing of Internet packages. Needed to guarantee a satisfactory level of service to companies that need it. Such as Voice-over-IP.

- Companies like Google and Yahoo have asked congress to enact "net neutrality" legislation that would require service providers to treat all packages the same.

- Consumer groups argue that with tiered service:

➢ Only large corporations would be able to pay for the highest tiered level service

➢ Small start up companies wouldn't be able to compete with corporate giants. Hence discouraged innovation

➢ Tiered service may lead to bias in content steaming.

- Opponents of net neutrality suggest that allowing people to pay more to get higher quality service can benefit consumers.

➤ Rapid delivery of data packets is more valuable to a person who does video conference rather than a person who sends email messages.

➤ The increase in popularity of YouTube and other video sites will fill the internets data pipe.

➤ Significant amounts of money is needed to upgrade the Internet infrastructure to support higher band-width applications. Money should some from companies selling data intensive content.

Winner-Take-All-Society

- In their book The winner-Take-All society, economists Robert Frank and Phillip cook explore the growth of markets where a few top performers receive a disproportionate share of the rewards.

- This phenomenon has now spread throughout the global market, and corporations compete for top executive talent that can give an edge over competition.

- CEO compensation has risen much faster that wages of production workers.

Factors that lead to Winner-Take-All phenomena

➢ IT and efficient transportation systems make it easier for a leading product to dominate the worldwide market. Ex, music production.

➢ Network economies encourage people to flock to the same product. Mac vs. PC

➢ English has become the de facto language of international business.

➢ Business norms have changed. Stealing employees from other firms.

Harmful effects of Winner-Take-All

- Frank and cook argue that winner-take-all is bad for society because:

➢ Draws some of the most talented people into socially unproductive work. More lawyers than nurses

➢ Creates wasteful investment and consumption. Everyone wears a $600 dollar suit but it does little to increase chances.

➢ Students become focused on elite schools trying to get the top jobs rather than credentials.

➢ Winner takes all harms society. companies focus on establish names rather than giving new names a chance.

Reducing Winner-Take-All effect

- Frank and cook suggest four methods to reduce effect:

➢ Enact laws that limit hours business can stay open. Employees are not burdened.

➢ Business can form cooperative agreements to reduce positional arms race. Salary in sports teams.

➢ More progressive tax structures reduce excess competition for the few handsomely rewarded positions. Higher taxes for those with higher income reduces competition for positions. Society benefits when they engage in productive work.

➢ Campaign finance reform can reduce the political power of the wealthiest 1% of the population who control 37% of the wealth. Reduce the political power you reduce the attraction to these position.