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# Further Research on Profitable Globalization and the Ethical Dilemma of U.S. Job Loss

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# Further Research on Profitable Globalization and the Ethical Dilemma of U.S. Job Loss

## **Abstract**

In theory, profitable globalization practices in developed, industrialized countries share a symbiotic relationship with cheaper offshore human resources in third-world, poor, or underdeveloped nations. A short case study of Wal-Mart Stores, Inc. is given, which examines Wal-mart's increased use of the cheaper Chinese workforce. By seeking out a lower cost labor force in a yet developing country, an ethical dilemma arises in that the business in the industrialized nation must ignore or disregard the job loss this decision creates within the borders of the home nation. Political and philosophical differences have led opponents to create an anti-thesis known as anti-globalization. The antiglobalization movement is apprehensive toward the cultural impact profitable globalization has on the poor and underdeveloped countries. This paper compares globalization versus Marxist thought in which some of the anti-globalization opinions are founded. By exploring a variety of sources and looking for matching patterns or ideas that give relevance to the topic, several sources were used in this study including the review of scholarly journals, engaging video documentaries, news reports, labor statistics, economic texts, and the concept of trade union impact on the work force. This paper establishes a theory that this profitable globalization through the offshore outsourcing of labor to foreign businesses is having a derogatory effect on the United States unemployment statistics.

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FURTHER RESEARCH ON PROFITABLE GLOBALIZATION  
AND THE ETHICAL DILEMMA OF U.S. JOB LOSS

By

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### Abstract

In theory, profitable globalization practices in developed, industrialized countries share a symbiotic relationship with cheaper offshore human resources in third-world, poor, or underdeveloped nations. A short case study of Wal-Mart Stores, Inc. is given, which examines Wal-mart's increased use of the cheaper Chinese workforce. By seeking out a lower cost labor force in a yet developing country, an ethical dilemma arises in that the business in the industrialized nation must ignore or disregard the job loss this decision creates within the borders of the home nation. Political and philosophical differences have led opponents to create an anti-thesis known as anti-globalization. The anti-globalization movement is apprehensive toward the cultural impact profitable globalization has on the poor and underdeveloped countries. This paper compares globalization versus Marxist thought in which some of the anti-globalization opinions are founded. By exploring a variety of sources and looking for matching patterns or ideas that give relevance to the topic, several sources were used in this study including the review of scholarly journals, engaging video documentaries, news reports, labor statistics, economic texts, and the concept of trade union impact on the work force. This paper establishes a theory that this profitable globalization through the offshore outsourcing of labor to foreign businesses is having a derogatory effect on the United States unemployment statistics.

## Introduction

Modern globalization has many definitions. The most common definition to date includes direct links to free trade in a market economy. A quote from [ecoagriculture.org](http://ecoagriculture.org) (2008) has defined globalization as, “worldwide economic integration of many formerly separate national economies into one global economy, mainly through free trade and free movement of capital as by multinational companies, but also by easy or uncontrolled migration.” In 2008 there are now thousands of U.S. businesses engaged in some form of international trade, contract outsourcing, business process offshoring, and external globalization. Labor is one of many business processes that are being off-shored by contract agreements to other businesses in countries outside of the United States. Today, goods or services can be manufactured or provided for in one country for use in a different country. The ViewPoint Bank (2008) definition of globalization is stated as, “the process of tailoring products or services to different local markets around the world.” Both definitions of globalization include matters of trade, products and/or services, differing economies and cultures, and the labor force that brings the products or services to the forefront of the business organizational culture.

Globalization is a controversial subject. It encompasses many different disciplines and schools of thought. It can share inter-connected meaning to the fields of sociology, cultural anthropology, economics, trade, marketing, philosophy, business management, technology, and political science. This is a small list of the interdisciplinary studies that have a relationship to modern globalization.

Many people have heard of American-based computer companies making the decision to offshore and outsource their telephone technical support to English speaking

countries such as India. One of the strongest competitors of the Indian tech support business community is Infosys Technologies, based in Bangalore, India. In a July 25, 2008 Reuters news report, Infosys is stated as having gained 63% of its revenue from the United States in their second financial quarter (Chatterjee, 2008). In the same article it is stated that Infosys is attempting to strategically plan ways to cut its dependence on the United States by as much as 40 percent. Infosys presents an interesting concept of a “flat” business world as is stated on the Infosys home page:

The business world has been flattened by globalization, changing demographics, ubiquity of technology, and regulatory compliance. Conducting business in this level playing field requires a change in mindset, strategies and operations. To harness the opportunities of the Flat World, companies must address four shifts — a) Optimize Cost to Fuel Growth b) Think Faster Innovation c) Think Money from Information and d) Think Winning in the Turns. (Infosys, 2008)

This “flat” business world is a form of invitation to western industrialized nations to use the Infosys work force. The meaning of the word “flat” here is that globalization, and the use of qualified laborers in distant countries, allows different cultures, businesses, and governments to be in contact with one another. In business, the advantage of a “flat” world is that a business in an industrialized nation can find cheaper labor in a developing country.

Most people, when considering the Infosys relationship to U.S. businesses, can understand that profitable globalization is a way for U.S. firms to save money and thereby increase profits due to the lower cost of labor in India. This type of globalization and contract offshoring of labor can lure many businesses wanting a competitive

advantage over other enterprises in their business field. This is a common viewpoint from a capitalistic point of view; however the people who practice and/or observe worldwide globalization may have political and philosophical differences. There also exists a Marxist point of view that encompasses the thought that these globalization practices are sometimes damaging to other cultures. British scholar Aidan Arrowsmith defines these views toward globalization and has stated: “The Marxist critic of postmodernism Fredric Jameson argues that American capitalism, in the form of huge multi-national corporations backed by the Western media, is (re)colonizing the world. This 'coca-colonisation' of the globe is seen to result in a cultural homogenisation as 'native' cultures are swallowed up by Western values” (Arrowsmith, 2008). The practitioners and observers of globalization may come from different cultural backgrounds. While one set of exchanges may work well for capitalists in the United States, U.S. businesses have a need to be aware of the aspects of business and trade as commenced in Communist countries. This research paper proposes that any U.S. business that wants to be successful in the arena of globalization would seek advice from a specialist in cultural anthropology in order to avoid unforeseen political, philosophical, or cultural differences.

The Marxist viewpoint has stimulated a philosophy within certain socialist circles that has been responsible for creating the anti-thesis of globalization which is now called “anti-globalization.” Persons sharing the anti-globalization political and philosophical viewpoints are generally against U.S. offshore outsourcing, believing that with it comes a hidden agenda of U.S. economic imperialism, or as the movement has phrased it, “coca-colinisation.” The viewpoint is that as U.S. enterprises begin to outsource and attempt to



globalize business practices throughout the world, this business process outsourcing will bring with it the influence of the top American managers who are involved with making the decisions for quality control of such offshoring. In order to implement new quality control standards that match the requirements of the business, the workers in foreign countries must accept U.S. philosophies, cultural change, and a connection to the U.S. organizational culture. In the viewpoint of the anti-globalization movement, the livelihood of the people is directly tied to this culture change in poorer nations. The anti-globalization movement believes that other 'native' cultures are "swallowed up by Western values" (Arrowsmith, 2008). In this viewpoint, as western values are brought to other cultures, they could possibly dilute what were once ancient and mostly unchanged cultures, mixing them with the western culture.

In the latter part of the title for this paper is a philosophical concept known as an ethical dilemma. ProEthics LTD. is an ethics training and consulting firm in Alexandria, Virginia. On their web page they have stated the definition of an ethical dilemma, which is, "Ethical Dilemma: This is an ethical problem in which the ethical choice involves ignoring a powerful non-ethical consideration. Do the right thing, but lose your job, a friend, a lover, or an opportunity for advancement. A non-ethical consideration can be powerful and important enough to justify choosing it over the strict ethical action" (Ethicsscoreboard, 2008). An ethical dilemma exists when one entity must ignore some type of negative consequence in order to carry out or implement the plan of a certain goal. In this paper the ethical dilemma presented is the jobs that are lost by U.S. workers as businesses and corporations strategically plan to implement business process offshoring of jobs to poorer, developing, foreign nations. The temptation for the

businesses to follow through with these plans to offshore labor is that they can employ human resources in a cheaper labor market thus increasing the profitability of the business. What this paper proposes is that while jobs are off-shored by U.S. and developed nations' businesses, and the numbers of jobs is increased in foreign nations, that the same jobs physically cannot exist in two places at the same time, therefore there will be job loss for the workers in the developed country.

### Globalization and Cultural Change

In a paper completed in the United Kingdom by the University of Cambridge Theoretical Roman Archaeology Conference, it was discussed that modern globalization may have some roots leading back to the ancient Roman Empire (Perkins, 2006). The Romans built roads, imported and exported goods within their empire, and had a large cultural influence on the nations in which they conquered and traded. The Roman culture was one of the most influential cultures of the ancient Western world and has had historical influences on many aspects of today's modern Western culture.

In a similar way, the Western cultures of the United States and Europe of today are impacting developing nations. In the documentary "Life # 13 - The Silver Age" (Gawin, 2000) points are brought out throughout the video that many of the Arab people living in the north African country of Tunisia are careful to shun any kind of Western influence. Clinging tightly to their Arab heritage, they have also steered clear of involving themselves with globalization and offshoring practices. In this documentary, discussion is made pertaining to the Tunisian-Arab culture's care for their aged and elderly individuals. It is the opinion of those Tunisians who were interviewed for the

film that Western cultures do not care for their older population in the same way. Many Tunisian senior citizens live with their families instead of being shuffled off to rest homes and retirement communities. The President of Tunisia has passed laws making it obligatory to care for your own aging family members.

In comparison, the documentary also uses references and interviews senior citizens living in India. One elderly Indian gentleman gives the account that as a younger man his family numbered about 20 people and was self-sufficient. Now, in his old age the family numbers 250 people and they cannot support the entire family with the land they possess. The man stated in the documentary that the younger middle-aged individuals have forsaken the care of the elderly and modeled their lives after the Western cultures that are influencing them due to globalization. The man commented that the younger generation now makes the decision to place their own spouses and children ahead of the care for the elderly.

This film suggests that while these developing nations are being globalized, there is also a trickled-down exchange of culture within the people who accept the foreign organizational culture. As globalization continues to absorb into developing nations, it brings an inseparable root of cultural change.

It has been said that nearly any job that can be accomplished by using a computer can be off-shored and outsourced to a cheaper labor market in another country. Most people in the United States have heard about or have possibly experienced firsthand the change of quality in technical support of telephone call centers that have been off-shored to another English-speaking country such as India. India is the largest English-speaking country in the world with a population of 1.15 billion. Even though the country of India

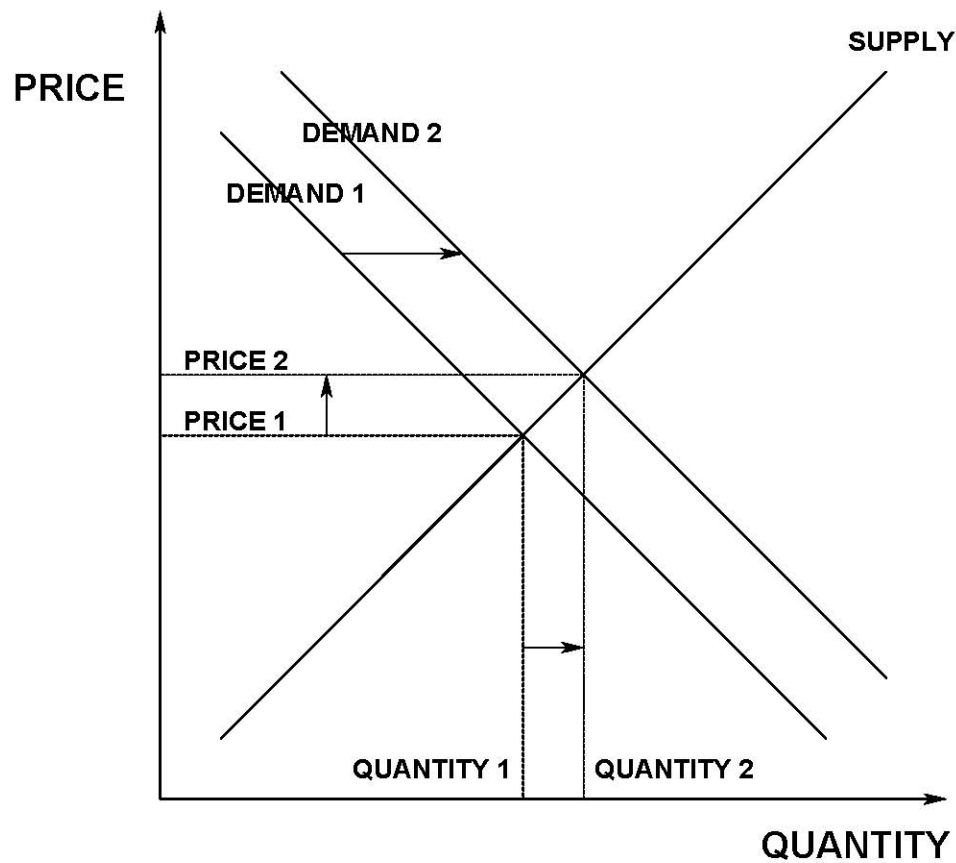
is mentioned very frequently in debates concerning the offshoring of the labor market, according to the documentary video “Globalization: Winners and Losers,” 50 percent of India’s population still lives in poverty (Purdue, 2004).

With 63% of their revenues coming from U.S. based businesses (Chatterjee, 2008) the success of Infosys Technologies is one of the obvious ways globalization is taking shape between the United States and other countries. There have been problems with offshoring due to language barriers and other cultural differences. In a May 2, 2005 Computerworld article Patrick Thibodeau has stated:

Dell Inc. last week announced a three-year contract to manage 57,000 desktop and laptop PCs in the U.S. for Honeywell International Inc., expanding a deal under which Dell already manages 16,000 Honeywell PCs in Europe. About 18 months ago, Dell said it had stopped routing most technical support calls from U.S. corporate users to a facility in India after some customers complained about the quality of the help they received. The company didn't completely end its use of offshore help desk services for U.S.-based users. But at least in regard to Honeywell, technical support will be delivered from sites in the U.S., according to Dell. (Thibodeau, 2005)

Even though companies like Infosys Technologies have been very successful at offshoring services from businesses in developed nations, it does not necessarily mean every business arrangement has been a winner. In the Honeywell/Dell example, customer demands from Honeywell have forced Dell to offer at least some of their technical services based in the United States and not from a cheaper, off-shored location.

There are other industries taking advantage of globalized outsourcing. In the health-services field, doctors now have the option to outsource radiology (the reading of x-rays), medical billing procedures, and medical claims processing to a globalized India (Outsource2india, 2008). According to a New York Times International Herald Tribune (IHT) article of August 21, 2007 firms are now outsourcing legal services to India as well. The beginning paragraph of this IHT article states, “Bruce Masterson, the chief operating officer of Socrates Media, asked his outside counsel to customize a residential lease for all 50 U.S. states in 2003. About \$400,000 was the firm's estimate. He rejected that cost and hired QuisLex, a firm in Hyderabad, India, that did the work for \$45,000” (Cotts and Kufchick, 2007). Research indicates that each time a U.S. business contracts for work to be done in another country, even if it saves the U.S. firm capital and investment dollars, some person in the United States is not going to be paid for the same work. This aspect of international outsourcing and globalization must then have an impact in the overall U.S. job market.



## Supply and Demand

Drawing by: J. Hendee - 7-18-08

**Figure 1**

### An Economic Philosophy

The above supply and demand graph is a fundamental microeconomic model for the PRICE and QUANTITY of scarce goods sold in a simple theoretical system known as perfect competition in a market economy. The arrows in this graph show the movement of supply and demand as they affect the price of sellable goods. Simply stated, as the DEMAND 1 goes up to DEMAND 2, the quantity of goods sold (QUANTITY 1) must increase (QUANTITY 2) causing a shift up in price from PRICE 1 to PRICE 2. In economics, the Latin terminology used is “ceteris paribus” loosely being translated to

English as “all things being equal” or as Tucker (2003) has stated in the text *Microeconomics for Today*, “all other things remain unchanged” (p. 9).

This is the fundamental beginning to the science of market economics. Globalized labor can be a product of varying dollar amounts similar to the price of a quantity of goods produced by a business entity. The dollar amount of labor is called a wage. As is stated in an Master of Business Administration (MBA) glossary, “wage is [the] actual remuneration paid to an employee for services rendered. Minimum wages, in the U.S.A., are established by the federal Fair Labor Standards Act” (VentureLine, 2008). The supply and demand of human resources can determine the cost of wages accrued by a business. From another glossary of economic terms, it is stated: “In a perfect market, wages (the price of labor) would be determined by supply and demand. But the labor market is often far from perfect. Wages can be less flexible than other prices; in particular, they rarely fall even when demand for labor declines or supply increases. This wage rigidity can be a cause of unemployment” (The Economist, 2008).

In the documentary film *The Corporation* (2004), producer Mark Achbar makes a striking point concerning the populations of poor people in developing countries. In these countries, the film claims, one of the only things the poor have to offer anyone is their ability to complete the tasks of labor. In economics, this ability to be productive in society is called the human capital. As the Tucker (2003) has stated pertaining to this function, “human capital is the accumulation of education, training, experience, and health that enables a worker to enter an occupation and be productive. Less human capital is required to be a carpenter than a physician. Therefore, many people are qualified, and the supply of carpenters is larger than the supply of physicians” (p. 249).

In the process of offshoring labor to developing countries, businesses in developed countries have realized a profitable advantage in the hiring of these foreign labor forces.

As the supply and accessibility of cheaper labor is realized, the temptation to enter into contract agreements with foreign labor managers increases. What this research paper proposes, among other things, is that as physical labor is accomplished in one geographical location on Earth, the same labor will find no need to be accomplished in another portion of the world. There is a supply of human resource labor in developing countries rushing to meet the need of business process offshoring. As the developed nations' business taps into the cheaper labor force and begins to increase their profits due to the lower cost of that labor, the work force within the same developed nation has less of the same work to do. The demand for labor in the developed country goes down, but because of the economic principle of wage rigidity, workers in the developed country expect the same relative wage and they will potentially refuse to work for lower wages, which increases unemployment.

Various organizations, both nationally and internationally, track unemployment statistics. "The Organization for Economic Cooperation and Development (OECD) formed in 1960 [and] currently has twenty-nine of the world's developed, industrialized countries as its members" (Enotes, 2008). Among these nations are listed the United States, the United Kingdom, France, Greece, Italy, Japan, Canada and others (OECD-1, 2008). According to what is stated on the OECD web site,

The OECD brings together the governments of countries committed to democracy and the market economy from around the world to: support sustainable economic growth; boost employment; raise living standards; maintain financial stability;



assist other countries' economic development; and to contribute to growth in world trade. The OECD also shares expertise and exchanges views with more than 100 other countries and economies, from Brazil, China, and Russia to the least developed countries in Africa. (OECD-2, 2008)

The OECD Standardized Unemployment Rates (SURS) report for May 2008 stated, "In the Euro area, the standardised unemployment rate was 7.2% in May 2008....for the United States the standardised unemployment rate for June 2008 was 5.5%... In March 2008, the standardised unemployment rate in Italy was 6.5%, (and) In May 2008, the standardised unemployment rate in France was 7.4%" (OECD-1, 2008). In their June 2008 report, the U.S. Department of Labor Bureau of Labor Statistics stated the following data pertaining to unemployment within the United States, which also confirms the OECD standardised unemployment rate listed above, "The number of unemployed persons was essentially unchanged in June [from May], at 8.5 million, and the unemployment rate held at 5.5 percent" (Bureau of Labor Statistics-1, 2008). The hardest hit of all states in the United States is Michigan, where, according to the Michigan Department of Labor and Economic Growth web site the statistic is stated as being "8.5% [unemployment] in July of 2008" (Michigan, 2008). This is one of the highest unemployment rates in the country. Michigan's economy is largely based in the manufacturing community and must now compete with the cost of goods and the cheap labor that makes these goods in globalized developing countries.

Also on the U.S. Bureau of Labor Statistics web site are figures for unemployment in previous years. Forty years ago, in 1968, the unemployment rate was 3.6 percent (Bureau of Labor Statistics-1, 2008). This figure is nearly 2 percent lower

than the unemployment rate experienced in the United States today. I propose that the 7.4% unemployment in France, 6.5% in Italy, and 5.5% in the United States is directly related to the globalization of business process offshore labor. After World War II and into the late 1960s, there was a very pro-American, buy-American climate inside the borders of the United States. Today, the climate has changed, and in order to save money many consumers will buy goods at a store like Wal-Mart that advertises a slogan of low price guarantees, that also imports many of its retail items from China.

As the population has grown, and as the country has developed, as businesses and corporations have expanded their profits and their borders through market economics, there has been an outward gaze toward the cheaper labor markets of China, India, Indonesia, the Dominican Republic, and parts of developing Africa, Central and South America, and Asia. In these less developed countries the labor force will do the work for less money than the typical U.S. laborer. To beat the cost of labor, businesses in developed countries have been taking advantage of the cheaper labor forces. When a single job is no longer in existence in a developed country due to business process outsourcing to foreign nations, the job then exists in a foreign nation for less money. If a physical work is being done in one location, likewise it is not being done in another place somewhere else. It is physically impossible to create the exact same widget in two places at the exact same time. The place where the job is no longer physically being done must experience some level of unemployment.

### The Trade Union Impact

The benefits trade unions have on a population of the work force is examined from an economic standpoint. The source used for economic definitions is *Microeconomics for Today* by Irvin Tucker. First, Tucker (2003) has stated, “unions increase the demand for labor” (p. 251). In Tucker’s discussion of trade unions and labor he has also stated:

Another approach is to boost domestic demand for labor by decreasing competition from other nations. For example, the union might lobby Congress to protect the U.S. electronic parts industry against competition from Japan. Another approach might be to advertise and try to convince the public to “Look for the Union Label.” Effective advertising would boost the demand for electronic products with union-made components and, in turn, the demand for union labor because it is derived demand. (2003, p. 251-252 italics added)

According to Tucker, trade unions can be useful organizations in creating a demand for labor. Demand for labor would be a benefit to the worker and the work force. It can create some job security and possibly higher wages.

Part of the benefits of trade unions is their ability to stand behind the employees pertaining to labor contracts. Tucker (2003) has stated in his text that “unions use collective bargaining to boost wages” (p. 254). He also briefly explains collective bargaining as:

(Another) way to raise the wage rate above the equilibrium level is to use collective bargaining. Collective bargaining is the process of negotiating labor contracts between the union and management concerning wages and working

conditions. By law, once the union has been certified as the representative of a majority of the workers, employers must deal with the union. If (the) employers deny union demands, the union can strike and reduce profits until the firms agree to a higher wage” (Tucker, 2003, 254)

By increasing the demand for labor, and by using collective bargaining to help enforce contract agreements between labor workers and businesses, labor workers gain importance. This importance of the worker is discussed in an organizational behavior text by Robbins and Judge (2007) which has stated, “when you possess what others require but that you alone control, you make them dependent on you and, therefore, you gain power over them.” (p. 474). Pertaining to importance, Robbins further has explained in his text, “Organizations, for instance, actively seek to avoid uncertainty. We should, therefore, expect that the individuals or groups who can absorb an organization’s uncertainty will be perceived as controlling an important resource.” (p. 474) The labor union can help increase the demand for the workers, and can increase the workers’ importance which leads to a certain amount of dependency on the work force. Dependency on the work force means the workers have developed a type of personal power within the organization with the help of the trade union. This personal power is not absolute in the organization; the management still holds a vast majority of the organizational power, but there is a small shift on the balance of power in favor of the workers, and this is one of the benefits of the trade union. It gives the workers a voice, and in the case of a labor union worker strike, a voice that can be heard all the way to the top management officials.

In the documentary, *Globalization: Winners and Losers*, the film has stated that there has been much talk in China concerning the formation of labor unions for the people (Purdue, 2004). It is discussed in the video that the concept of the trade union is considered a threat to the Communist Chinese government. This is peculiar in philosophy because in *The Communist Manifesto*, authors Karl Marx and Friedrich Engels (1848) predicted the beginning of the end of the industrialized capitalistic societies at the time of the Industrial Revolution would start with the formation of trade unions, which, as they explained, would in turn result in an empowerment of the working class leading to civil revolt against the upper classes or “bourgeois.” In Marx’ day, the bourgeoisie were the wealthy and well-to-do business owners in control of the factories in which the working class did their work. In a reverse observation, according to the research done in this video, Communist China considers the trade unions to be a threat to their way of life because it entertains the possibility of bringing even more Western influence to their culture and philosophy structure.

Marx stated some of his philosophy relating to his prediction of the coming of the trade unions and the fall of the bourgeoisie with these words:

The unceasing improvement of machinery, ever more rapidly developing, makes their livelihood more and more precarious; the collisions between individual workmen and individual bourgeois take more and more the character of collisions between two classes. Thereupon the workers begin to form combinations (Trades Unions) against the bourgeois; they club together in order to keep up the rate of wages; they found permanent associations in order to make provision beforehand

for these occasional revolts. Here and there the contest breaks out into riots.

(Marx and Engels, 1848, p. 7)

According to a point made in a Rutgers syllabus on a study of *The Communist Manifesto*, the author of the syllabus has stated, the goal of Communism “can be attained only by the forcible overthrow of all existing social conditions” (Rutgers, 2008). The peculiarity within this scenario is that Marx predicted the Trade Unions would instigate the beginning of the end of the bourgeois capitalists but today Communist China fears that the unionization of China would bring them closer to Western capitalism. In a humanitarian view it seems that by denying the Chinese workers the access to unionization, the Chinese government is also denying the Chinese workers the greater benefit of the same Marxist-inspired philosophy contained in the formation of trade unions against the bourgeois capitalists.

### The Wal-Mart Story

In order to paint a better picture of real issues surrounding globalization and job loss, take a look at the Wal-Mart Stores, Inc. (NYSE: WMT). Wal-Mart is now the largest corporation in the world by revenues (Hightower, 2002). There are many ongoing blogs and Internet journal pages continually discussing and assessing various aspects of the Wal-Mart business practices. The Public Broadcasting Service (PBS) created a documentary film entitled, “Is Wal-Mart Good for America?” (H. Smith, 2004). In this film the global impact of Wal-Mart is discussed in detail. The film tells the story of how Wal-Mart founder Sam Walton began the Wal-Mart business in 1962 under a “buy American” slogan. Walton’s business idea was to offer lower prices to consumers while

making a profit by selling a greater number of retail goods. This became known as Wal-Mart's "Low Price Guarantee."

The same PBS documentary follows Walton's career with Wal-Mart into trade negotiations with China as early as the 1970s and 1980s. Walton knew early on that the Chinese work force presented a lower cost labor solution which allowed him to be very competitive with his goods in the retail market. On October 10, 2000, former President of the United States Bill Clinton signed the U.S.-China Relations Act of 2000 that permanently opened the trade door to China (M. Smith, 2000). Prior to this bill, China had been under a mandatory yearly trade review. According to the PBS video, this bill allowed the Wal-Mart Stores, Inc. to increase their business process offshoring of goods purchased from mainland China manufacturing plants. This cheaper labor market gave Wal-Mart a competitive edge against other retailers such as K-Mart and Target. It has also caused the loss and closure of some U.S. manufacturing plants.

The Rubbermaid Company was one of these manufacturing facilities. In the documentary PBS tells the story of how Rubbermaid had made the lethal business decision to market a majority of their retail goods through the Wal-Mart stores (H. Smith, 2004). In the 1990s, Rubbermaid was faced with a scorching price increase to the cost of the resins required to make their plastic products. In order to recoup the cost of the now more expensive resins, Rubbermaid approached Wal-Mart and told them they would have to implement a price increase. Wal-Mart decided to not take the price increase and as a form of business discipline against Rubbermaid, refused to sell several of the Rubbermaid products in the Wal-Mart stores.

After two years of this business discipline Rubbermaid was forced to declare bankruptcy. An American company was pushed out of business because they had drawn too close to Wal-Mart Stores, Inc. Rubbermaid was later sold to a competitor named Newell and the name of the company today is now Newell Rubbermaid (NYSE: NWL).

According to the PBS documentary, Wal-Mart now imports over 60% of its goods sold in its stores from China. The company imports in excess of \$25 billion dollars a year in trade goods from Chinese factories (H. Smith, 2004). As has been discussed in other portions of this paper, as a foreign worker does the work created by a U.S. business, that same job cannot physically be created at the same time in the United States. The triumph for Wal-Mart is the discovery of the cheaper Chinese labor market, but at the same time the availability of creating these same physical products on U.S. soil decreases. As Wal-Mart's profits increase, and the jobs flowing to China increase, there must be an impact on jobs within the United States.

Widgets made in a foreign country cannot physically be made inside the borders of the United States at the same time. The U.S. business must choose where to manufacture an item, whether it be inside the U.S. or off-shored to a foreign country. If the decision is for the good(s) to be made in a foreign land, then an impact on the U.S. work force is absorbed into the U.S. economy. I propose the impact is the loss of jobs within the boundaries of the United States. Therefore, in order for a business like Wal-Mart to garner profits by employing a cheaper Asian work force, there must be job loss in the United States as a by-product of Wal-Mart's profits. What this research project is attempting to determine is if there is enough evidence surrounding the case for profitable globalization that it does indeed present some form of U.S. job loss.



The ethical dilemma that ensues from this case example of the Wal-Mart Stores, Inc. is that in order to accomplish their goals of higher profits through utilization of a cheaper Chinese work force, they must in some form disregard the ethical problem of lost U.S. manufacturing jobs to the Chinese competitors. It can be reasonably assessed that this matter is worthy of further quantitative and qualitative scientific study.

### Conclusion

In this paper I have approached the issues of profitable globalization and the ethical dilemma of U.S. job loss. It is observed that as the global marketplace expands that there will be both winners and losers in the interim of change. As the wealth of industrialized nations is spread into the lesser-developed countries of the world, there is going to be both positive and negative impact. In order to ignore the negative impacts of progress, people must accept that there are going to be some casualties and economic collateral damage. As businesses and their share-holders continue to make profits at the expense of the ultra-poor of the world, it is reasonable to assess that in so creating profits there is also going to be a certain amount of drain on the people and the culture that is performing these tasks of work.

The losers are those who continue to struggle for a job at home while businesses gain access to lower cost human resources in other parts of the Earth. Added to the losses are the numerous foreign countries that for centuries had incredibly diverse cultures. Due to globalization some of these countries are now slowly losing touch with cultural norms and becoming westernized. The ethical dilemma is in the slaying of the jobs and the culture as a negative result to the profitable actions of the wealthy top executives in

charge of the businesses that number a staggering minority of the global population. There are six billion people in the world. Of this population, there are only a mere 4.6% of that world population who live within the United States. There is yet an even slimmer percentage of that U.S. national population who actually benefit from profitable globalization.

The ethical dilemma of job loss is experienced first in the middle and lower classes of the U.S. way of life. It was once proposed—without solution—to ponder whether or not the wealthy in command have lost touch with the majority of humanity on the planet. It is worth a remark to exclaim concerning those of the elite who have long since found little use for folding money or the experience of actually entering a grocery store and simply buying a gallon of milk for themselves. There exists on both sides a “we and they” mentality. As profitability and entitlement increase, connection to the lower classes becomes less threaded and loose.

It seems the poor will always be with us, and as long as there is an underprivileged class there will be at least one more privileged than the first willing to ignore the negative ethical situations in the pursuit of the taking advantage of the lesser fortunate. This study presents a challenge to businesses, but not just businesses. It goes deeper into the foundational aspects of what drives humankind to either survive at all costs, regardless of the benefits one to another, or perhaps chose a humanitarian hand up for those who are less fortunate along life’s path.

It is not a condemning science, but a continuing one that requires people to stabilize their busy schedules and settle into simple cognitive thought. In this case of exposure it is an inescapable reality that we must study the ethical dilemma connected to

the benefitting of one at the expense of another. It seems more important than simple business or politics, but a necessary portion for our collective survival on planet Earth.

### *Expanded Conclusion*

“Why go through all the trouble of writing an expanded and updated version of [this research paper] only a [short time] after the [research paper] was first published?” (Friedman, 2005, ix) During an expanded research study an impression was made during the literature review in what Thomas Friedman stated in the expanded edition of his book “The World is Flat.” Friedman acknowledges the current fact that globalization is an ever changing rapidly growing facet of the world economic system. This paper started as a McNair Scholars Summer Research Institute publication on October 3<sup>rd</sup>, 2008. On October 4<sup>th</sup> the initial research was presented at the 2008 University of Delaware McNair Research Conference. (University of Delaware, 2008) At this conference it was publicly discussed among this author’s colleagues that what this research needed was a conclusion that included a study of policy change that should be implemented in order to protect the U.S. worker.

As this is a theoretical and exploratory research paper it was decided that the author would choose a single think tank entity for literature review. The think tank chosen for this study was the online edition of the Economic Policy Institute’s (EPI) scholarly journals and news releases. Let it be known and noted that this author had never heard of EPI prior to this research. As a welcome confirmation of the validity to the exploratory research conducted here, this author found several papers on the EPI

database system that corroborated and expounded on this author's initial research findings and direction of research.

The EPI is a non-profit educational organization (Economic Policy Institute 1, 2008) and from their web site:

“EPI was established in 1986 to broaden the discussion about economic policy to include the interests of low- and middle-income workers. Today, with global competition expanding, wage inequality rising, and the methods and nature of work changing in fundamental ways, it is as crucial as ever that people who work for a living have a voice in the economic debate.” (Economic Policy Institute 1, 2008)

On their web site this researcher was able to find collaborative essays and publications that corroborate the initial awareness and original research of this McNair paper that was introduced at the University of Delaware in October, 2008. As a conclusion for this paper, the following comments were gleaned from an expanded literature review through an independent study conducted by this research and his faculty mentor during the fall 2008 semester at Eastern Michigan University.

In the EPI paper, “The Offshoring of Innovation” (Economic Policy Institute 2, 2008) this EPI study relates many aspects of how the low-cost labor in underdeveloped countries such as India and China are attracting western business research and development (R&D) dollars. As is stated in that text, “It appears that the emerging economies of India and China have leap-frogged certain stages of economic development by attracting private-sector R&D production.” (Economic Policy Institute 2, 2008) As is pointed out in this profitable globalization paper, if a job exists in another country, it no

longer exists in the originating country. In the same way, with an increase in R&D development in under-developed countries from U.S. business dollars, there has to be a decrease in the same R&D structure here in the U.S. Not only are jobs being off-shored to under-developed countries, but so is the innovation principles that are used to design new technologies. As with many other aspects of this research paper, there needs to be policy changes in effect to protect the U.S. research and development community from being off-shored to third world countries of the lowest bidder. In another EPI briefing paper entitled “The Burden of Outsourcing” (Economic Policy Institute 3, 2008) more evidence is given that outsourcing is costing U.S. jobs.

EPI has found that “5.6 million jobs were lost or displaced by the U.S. non-oil trade deficit.” (Economic Policy Institute 3, 2008) Imported items are at a high level while exported items are very low. This causes an incredible trade deficit. Along with this trade deficit goes the U.S. worker’s jobs. Again, this paper calls for policy changes to protect the U.S. worker.

As this paper has stated in the section “The Wal-Mart Story” on October 10, 2000, former President of the United States Bill Clinton signed the U.S.-China Relations Act of 2000 that permanently opened the trade door to China. (M. Smith, 2000) With this trade door opened, and China entering into the World Trade Organization, the EPI has tracked U.S. job loss in a research paper entitled “The China Trade Toll” and has stated,

“The growth of U.S. trade with China since China entered the World Trade Organization in 2001 has had a devastating effect on U.S. workers and the domestic economy. Between 2001 and 2007 2.3 million jobs were lost or

displaced, including 366,000 in 2007 alone. New demographic research shows that, even when re-employed in non-traded industries, the 2.3 million workers displaced by the increase in China trade deficits in this period have lost an average \$8,146 per worker/year. In 2007, these losses totaled \$19.4 billion.”

(Economic Policy Institute 4, 2008)

Not only has there been an incredible increase in lost U.S. jobs, the figures of lost wages are into the billions of dollars. This researcher would like to interject the current details found in recent media broadcasts of our day. Millions of people in the U.S. have been defaulting on their home mortgages, and in 2007 there was a very large mortgage crisis tracked by the Wall Street Journal and many other news media groups. The financial district of Wall Street was granted a \$700 billion dollar bailout plan to make up the slack or face bankruptcy and ruin. It is possible to conclude that the Reagan-era NAFTA documents, signed in the days of the Clinton administration were a failure and detrimental to the U.S. lifestyle. The Congress of the U.S. needs to act quickly to revoke any of these items in order to protect the U.S. worker and the American way of life. If there is not a change in this structure, and these matters are left unattended long enough, the workers will continue to lose their jobs. As people lose their jobs there will be no one in this country to continue to manufacture goods here. As the goods decrease, it can and will have an effect on the Gross Domestic Product (GDP). The U.S. has long enjoyed a huge margin of difference in GDP over the entire rest of the world. Loss in GDP, should it develop into double digit percentages, could permanently induce more crisis, and even possible upheaval in the political structure of the U.S. government. This researcher can also conclude that an economic crisis of this magnitude could force the hand of a national

security issue. There is much at stake by pursuing the higher profits of globalizing the western business workforce.

In an EPI paper entitled “Offsets and the Lack of a Comprehensive U.S. Policy” EPI has stated,

“Over the past several years, the outsourcing of hundreds of thousands of white-collar and service jobs from the United States to countries like India and China has received increasing attention. But there is a particular outsourcing arrangement that takes place under the radar, that involves high-paying, high-technology jobs in the export sector, and that impacts national security. This arrangement, known as an offset, is the transfer of technology and/or production from a U.S. company to another country in return for a sale. While offsets are virtually unregulated in the United States, other countries have well-established policies that are feeding the development of their own industries by bringing U.S. productive capacity and technology to their shores.” (Economic Policy Institute 5, 2008)

This is probably the most important discovery of this profitable globalization research paper. As consumers, U.S. residents can experience globalization of the technology sector as soon as one picks up the phone to call a technology company for customer support, and the phone is answered by a technician in India or some other under-developed country. Mildly annoying at times, the root of this global change in the technology sector is actually more dangerous than just the loss of a few U.S. jobs. If left un-checked these matters of globalization could permanently change the way Americans live and the way the U.S. is governed. Law makers need to look long and hard at these

issues and come up with a plan that will protect the U.S. worker and the U.S. lifestyle. If not, then it is entirely possible that in our lifetime we could see the end of what was once an American lifestyle and the advent of some totally new structure either within the population of U.S. citizens, or within the government as we know it, or both.



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