Offshore Outsourcing: Roots in Corporate Power

an introduction by Andrew Montalenti
What is Globalization?

Globalization is a loaded term. It's difficult to define because the use of it is sometimes at the center of an ideology. When talking about globalization, we need to distinguish among three kinds: social, economic, and technological. Of course, there's overlap.

### Cultural
- Common language
- “Melting Pot”
- Imported entertainment
- Multiculturalism

### Economic
- International trade
- WTO/IMF
- NAFTA
- Financial Markets
- **Outsourcing**

### Technological
- Internet/broadband
- Online communities
- Communication infrastructure
- Internationalization
Other Terms

Economic globalization is sometimes wrapped up in an economic ideology, known variously as liberalism, laissez-faire capitalism, economic libertarianism, or neoliberalism.

Despite the relation to economic libertarianism, social globalization has *nothing at all to do* with social libertarianism.

Also, liberalism/neoliberalism *has nothing to do* with modern progressive politics, even of “liberals.” Traditional liberal progressives (like FDR) were quite against the concepts behind neoliberalism.
Conflation: Cultural and Economic

When reading pro-globalization arguments, you need to look carefully for cultural/social and economic conflation.

- It's tempting to think the cultural benefits are as a result of the economic policies.
- Libertarians love freedoms and civil liberties. But it does not necessarily follow that corporations deserve the same freedoms.
- Immigration and cultural mixing began long before true corporations even existed.
What, really, is a corporation?

What is a corporation?
• Limited Liability
• Perpetual Lifetime
• Profit Maximization
• And now for the really controversial one: regarded as a legal or moral person.
What, really, is a corporation?

What is a corporation?
- Limited Liability
- Perpetual Lifetime
- Profit Maximization

And now for the really controversial one: regarded as a *legal* or *moral person*.

A PERSON???
Corporate Personhood History

Was originally an “artificial” person, which meant...
• Could be sued
• Could be taxed
• Could be held accountable under the law

But then, it became a real, natural person, protected under the 14th Amendment (the one that freed slaves)!
• Has “free speech” protection, among other rights
• Can defend itself against government regulation on the grounds of it being a kind of “unfair discrimination.” In other words, trade laws, ownership restrictions, etc.
• Thanks to the Robber Barons!
Quotations through Corporate History
“I hope we shall crush in its birth the aristocracy of our monied corporations which dare already to challenge our government to a trial by strength, and bid defiance to the laws of our country.”

-Thomas Jefferson, 1814
“As a result of the war corporations have been enthroned and an era of corruption in high places will follow, and the money power of the country will endeavor to prolong its reign by working upon the prejudices of the people until all wealth is aggregated in a few hands and the Republic is destroyed.”

-Abraham Lincoln, 1864
“I believe in corporations. They are indispensable instruments of our modern civilization; but I believe that they should be so supervised and so regulated that they shall act for the interest of the community as a whole.”

-Theodore Roosevelt, 1913
“No business which depends for existence on paying less than living wages to its workers has any right to continue in this country.”

-Franklin D. Roosevelt, 1933
“The institution that most changes our lives we least understand or, more correctly, seek most elaborately to misunderstand. That is the modern corporation. Week by week, month by month, year by year, it exercises a greater influence on our livelihood and the way we live than unions, universities, politicians, the government.”

-John Kenneth Galbraith, 1977
“I’m not going to apologize for all this — that’s the free-market system.”
-Al ‘Chainsaw’ Dunlap, after firing 11,200 Scott Paper workers, 1996
Race to the Bottom?

So how does corporate power fit into globalization?

- Corporations are free to move capital in and out of foreign economies without restriction. This allows a corporation to say, close down a factory in North Carolina, shift capital to Mexico, and open a factory there with lower-cost workers.

- Therefore, corporations can profit off temporary market differentials. Because in Mexico the economy is not prosperous, people will work for very little. However, the second Mexican workers become expensive, the corporation is free to move to other low-cost areas which will surely exist (China, Malaysia, etc.).

- This kind of vicious cycle has been called the “race to the bottom.”
Governments left Defenseless

Governments are also pitted against one another for who can be the most tolerant of bad policies. Corporations “naturally” want to move to places where there is as little regulation as possible—in other words...

- No limits on work week hours.
- No limits of environmental pollution.
- No limits on child labor laws.
- Guaranteed contract work directly from the government in question.
- Control of public utilities/infrastructure.
- Land grants and other “gifts”.

*Move here!*
Corporations vs. Governments

Here's a list of countries listed by GDP wealth.

... 
22. Argentina 
23. Netherlands 
24. Poland 
25. Philippines 
26. Pakistan 
27. Saudi Arabia 
28. Colombia 
29. Ukraine

If Wal-Mart were its own country, it'd go here. 

Wanna Trade?
Forced Globalization

Some governments are bullied into opening up their markets. This is done by organizations like the World Trade Organization, who enter countries with high levels of national debt, and offer them debt relief if they adhere to certain neoliberal economic principles.

• This has been a disaster. Go anywhere in Latin America and ask them what they think of the WTO.

• If you want real proof, take a look at the documentary *Life and Debt*, made about Jamaica's forced globalization, and how it devastated the local economy and led to high crime rates and high unemployment.

• In this film we'll see a small piece of what's going on in Juarez, Mexico, a victim of NAFTA.
Outsourcing, then?

Outsourcing, or “offshore outsourcing”, is really the systematization of this process.

• Entire departments of corporations are relocated to other countries, where work is done for less.
  • Has been happening for decades with manufacturing.
  • Arguably has been happening for centuries with colonial mercantilist policies, of, e.g. the British Empire.

• Common targets are call centers and technical support due to transparency of long-distance phone routing.

• More recently software programming has been a target.
So What? Is this so bad?

Outsourcing makes *perfect sense* in our current corporate legal framework.

- Corporations have a real, legal obligation to maximize profits. Shareholders come first.
- Corporations have no obligation to American communities, except to allow them to buy their products.
- Outsourcing is, very often, a cheaper option.

Besides, we've got excuses!

- It's jobs Americans don't want anyway.
- Americans will evolve through education and retraining.
- Savings passed on to the consumer.
Visual Quick Start Guide

Here's a visual view of the ideal software offshore outsourcing situation.

- **American Corporation**
  - specifications
  - code is written and uploaded to server

- **Outsourcing Agency**
  - interpretation of specs for code design

- **Workers in, e.g. India**
  - while (n--)
    - *p++ = *q++;
    - ...
  - }

...
It's an Industry in Itself

Outsourcing Agencies play both sides.

Think Tanks

American Corporation

Outsourcing Agency

Workers in India

Indian Government
Major Cost Savings

Using offshore, outsourced labor allows corporations to hire a whole team for less than a single American programmer. You can see why they flock to the idea.

Indian team: $3000/mo.
- Manager
- Lead Developer
- Developer
- Graphic Designer

American: $4000/mo.
- Single Programmer
One side: Benefits of Outsourcing

- People who are born in foreign countries shouldn't have less opportunity than I do simply by virtue of their being born there. Outsourcing shifts labor demand around the world, allowing these people to get some work.
- Due to temporary differentials in wage markets, corporations can produce items for less than in the US.
- For some industries, this wage differential allows them to produce items that *simply would not have been feasibly produced* otherwise.
- More money for foreigners -> more savings -> more investment -> foreign economy picks up?
- All economies prosper the more strong economic powers there are. Grand vision of global prosperity. See *The World is Flat*. 
Other side: The Blind Market

But the free market disregards a few things.

- **Distribution**: countries should have self-sustenance in a few key industries, because a culture develops around that industry. Some purists argue that comparative advantage means we should just push entire industries to other, cheaper countries.

- “**Externalities**”: the *importance* of things like humane working conditions, environmental damage, job stability, community devastation, labor immobility due to personal ties, etc. don't enter into it.

- Some countries sacrifice social benefits (unemployment, retirement, medical) to “be competitive” Reverses years of hard political work. Happening in the USA!
The Middle Class

Outsourcing, and indeed globalization, doesn't really have an answer to the question, “How do we maintain a middle class?” Some obstacles...

• Short-term job loss and wage decreases.
• Market instability, need to change careers multiple times in one's lifetime.
• Unemployment and its psychological effects.

In fact, some of the most ardent neoliberals argue for things like eliminating the minimum wage and eliminating the 40-hour work week, which would have devastating effects on any kind of stable middle class.
A Sick Irony: Human Rights

Though corporations are now recognized as persons and get protection as such, more and more laborers are forfeiting their rights to basic human protections.

• Around the world and in Chinatown, in sweatshops, with labor abuses.
• Harms to future generations with the environment.
• In America with the decline of the power of labor unions.
• In Third-World countries with the decline of social services, the auctioning off of public utilities, etc.
• In India and elsewhere with working strange hours, long hours, and doing mind-numbing work because, in some cases, “it's cheaper to have an Indian type it than to buy a scanner to scan it.”
The Real Question: Minimal Morality

Do humans have basic values which we all share? Do these include rights such as whether people should be overworked, underpaid, etc.?

If we do believe in some minimal moral standards, how do we enforce them internationally? A hundred years ago, people enforced moral standards with trade unions - but globalization makes trade unions much more difficult to maintain.

Should we do business with countries whose labor class is abused and mistreated?
Homework

Check out some of these for further enlightenment:

- *Gangs of America*, Ted Nace. **ESSENTIAL**.
- *The Divine Right of Capital*, Majorie Kelley. **ESSENTIAL**.
- *Unequal Protection*, Thom Hartmann.
- **DVD:** *The Corporation*.
- **DVD:** *Life and Debt*.
So, What Can I Do?
What you can do...

• Learn a little corporate history. Again, check out *Gangs of America* by Ted Nace or *The Divine Right of Capital* by Marjorie Kelley.

• Write your congressman/senators about opposing bad economic policies, holding corporations accountable for the crimes they commit in other countries, and about establishing a global standard for acceptable human living conditions.

• Ask for new theories on a global economic vision. Simply deregulating and shouting the catchphrase “Global Competitiveness” doesn't seem to be cutting it.
Other things you can do...

• Fight any attacks on basic rights our forebears fought for, like the minimum wage, the 40-hour work week, overtime compensation, severance pay, good working conditions, unemployment benefits, retirement plans, social security.

• Be a trailblazer and fight for new rights: universal health care, economic reparations to devastated communities, lower college tuitions and higher availability of higher education, better public schools, etc.

• Raise the debate in your classes, with your parents, with your friends. This is your future, you need to talk about it. I think change is possible. I'm hopeful.

Good luck!
Thanks for listening.

If you have any questions, or want a copy of this slideshow, e-mail me:

am1221@nyu.edu