





# Outline



1. Defining Globalization
2. Ticket for Admission
3. Roles & Responsibilities
4. Challenges to Our Success



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# “Globalization”

...in the economic context,  
describes the process by which the  
*global economy* becomes more  
interdependent & more integrated.

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**“more interdependent”**

meaning

**Consumption decisions & Production decisions** are driven by an international web of individuals, firms, transnational organizations, and governments ---**well beyond Erie County.**

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## “more integrated”

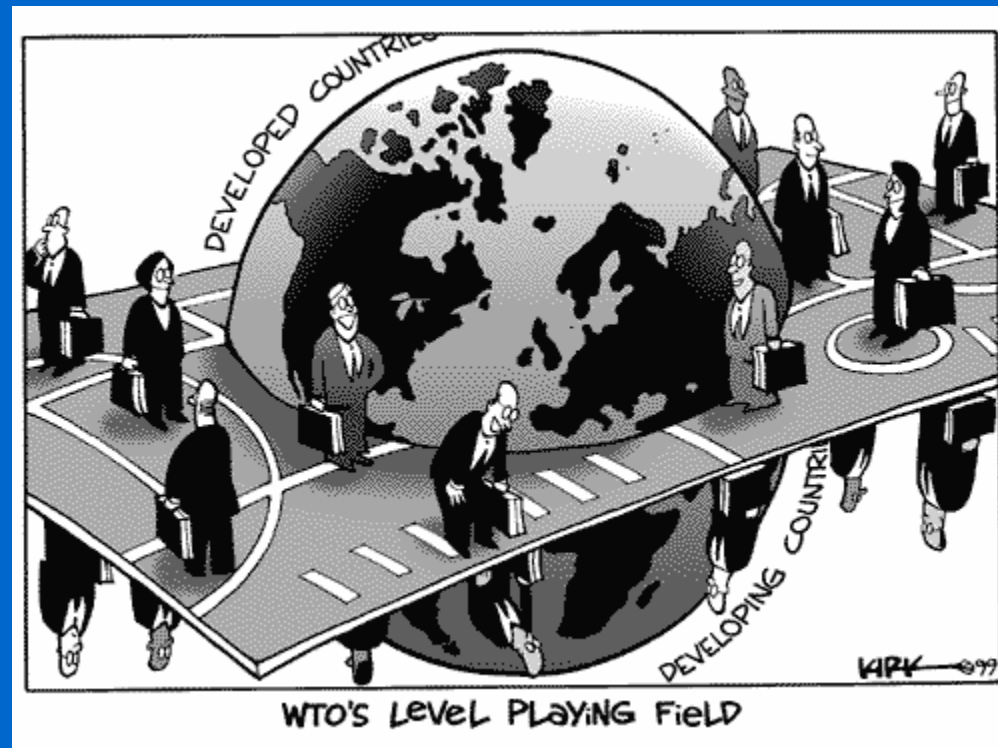
...**unified control** of all aspects of industrial **production** from raw materials through distribution of the finished product.

meaning

**Markets** for products, services, labor & financial capital are **being integrated beyond the local**, state or even national level to the international level.

# “Globalization”

“leveling the playing field in the race to the TOP!”



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“in a level global playing field”

➤ *Expanded access to global markets*

\*Increased buying opportunities for **consumers**

\*Increased global sales potential for **business**

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“in a level global playing field”

➤ *New forces-at-work*

Consumers the world over are drawn to  
quality products at low price!

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Economic fate of a company—here & abroad--is decided through the collective buying action of consumers-worldwide!

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“in a level global playing field”

➤ *New forces-at-work*

Increased international pressure on all  
business firms to focus on the bottom  
line....keeping cost low !

\*\*cost per unit = price per unit

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# Ticket for Admission onto the Global Playing Field

Natural Resources

Capital

Labor & Entrepreneurship

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# Natural Resources

➤ Limited exploitability for global markets



Lake Erie Wonders

# Capital \$\$\$\$

- Fundamental for business investment & economic growth.
- Financial capital knows no borders, possesses no national loyalties!

....ebbs & flows between continents in search of a high return!

....travels at the speed of a mouse click!



# Labor

- Powerhouse for participation in the global economy
- Most abundant resource in Erie County
- Most underdeveloped resource



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**Globalization** is changing the way  
*the economy* looks at LABOR.

**Ideas rather than materials or physical brawn  
have been by far the greatest contributors during  
the past half-century to our average annual  
increase of 3 ¼ percent in real gross domestic  
product (GDP).**

Federal Reserve Chairman Alan Greenspan, 3/11/04

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**Globalization** is changing the way  
*businesses worldwide* looks at **LABOR**.

Higher cost, low-end value **domestic workers**

**substituted**

for lower cost, similarly skilled **foreign workers**

**OR** **labor-saving technology.**

# Proof ?

## ✓ A Rise in Wage Inequality

(high-end versus low-end value)

\*Bachelor's degree = **\$51,206**

\*No high school diploma = **\$18,734**

## ✓ Greater Disparity of Income Distribution

\*Income share of top 20% of Households = **49.8%**

\*Bottom 20% of households = **3.4%**

## ✓ Growth in Poverty

2001=11.7% → 2002=12.1% → 2003=12.5%

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**One Global Business Leader says:**

“The jobs are going to go where the best-educated workforce is with the most competitive infrastructure and environment for creativity and supportive government. It is inevitable.” John Chambers, the CEO of Cisco Systems

# Local Implications

## ✓ A Rise in Unemployment

Ohio's unemployment rate 6th highest in nation.

(April 05: 5.2% US; 6.1% OH; 6.4% Erie)

## ✓ 250,000 jobs lost between 2001-04

191,000 in high-paying manufacturing sector

## ✓ Occupations with projected largest openings for Ohio over next 10 years

Food prep/service workers (#10,218 with average wage of \$6.72)

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# Success in the Race to the TOP

... requires connecting and collaborating!



# Role of Leaders

1. Develop the ability & willingness to “pull together.”
2. Develop a “vision” to summons & focus community energies for the sake of the “WHOLE.”

# Role of Business

1. Develop the ability & willingness to “**value partner**” anywhere in the world!
2. Recognize that it is “**GOOD** for **business**” to invest in education, training and experience building of workers!

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One Global Business Leader says:

“It’s the educational quality of our workforce that will determine our competitiveness.” Intel CEO Craig Barrett (1 March 05)

# Role of Government

1. Guarantee “**employability**” not employment!
2. Build a **strong** educational infrastructure
  - train youth “how to learn”—flexible adaptation
  - retrain workers for periodic transitions
3. Facilitate an adequate **safety net**  
(health care & pensions)

# Re-negotiate what's important

Workplace practices, legal rules, environmental standards & social safety nets **add costs to production** for business & **reduce international price competitiveness**.

**RESULT**: Increased pressure on societies to re-evaluate domestic social arrangements.

# Challenges in the race to the TOP

As the highest income country in the world, US possesses the capacity to produce a “**world class education**” for every citizen!

**TRUTH:** shrinking commitment to education.  
FY2006 Federal Budget \$56 / \$2,568 billion  
proposed for Department of Education.

**TRUTH:** Ohio system of financing public education  
declared in violation of the State Constitution  
(1997).

# Challenge in the race to the TOP

Healthy workers are productive employees!

**TRUTH:** The nation's tab for health care—already the highest per person in the industrialized world:

2005: \$6,423 per person

**15.4%** of GDP (\$1.9 trillion)

By 2014: \$11,045 per person

**19.0%** of GDP (\$3.6 trillion)

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**To maintain international price competitiveness  
U.S. businesses ...**

**-shed health care cost;**

**-pass cost increases on to workers;**

**-tap healthcare fund for operating expenses.**

{Note: GM expected to tap employee healthcare fund for \$6 billion.}

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## National Governors Association says:

This is a critical time for **Medicaid**, the federal-state program that provides health and long-term care coverage for more than 53 million Americans. **Medicaid**, which will spend \$330 billion in fiscal 2005, has surpassed **Medicare** to become the country's largest health care program, and on the state level, **has just surpassed K-12 education as the largest single portion of state budgets.**

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## Federal Government says:

**Medicaid** program for low income:

Projected cut of \$40 billion beginning FY 2006.

**Medicare** program for seniors:

Part A Trust Fund (HI) projects deficit in 2010;  
depletion of trust fund in 2019.

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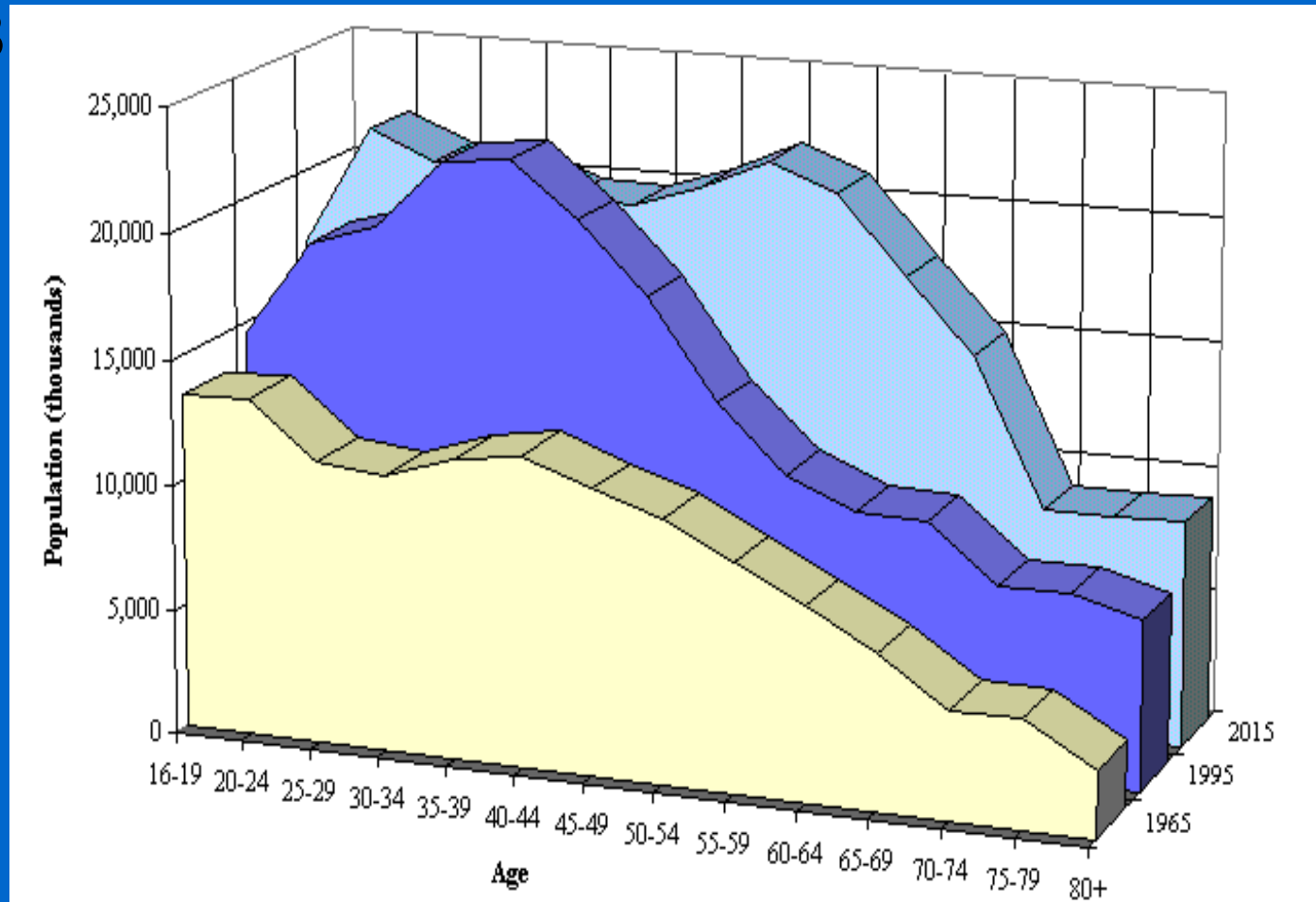
## Statistics show:

**.....45 million uninsured Americans and counting!**

Remember, healthy workers are productive employees!

# Challenge in the race to the TOP

1/4 of US population will begin entering early retirement starting 2008 to 2026.



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To maintain **international price competitiveness**  
U.S businesses ...

shed pension costs.



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# Pension Plight

The nation's guarantor of private-sector pension plans and trustee of nearly 3,500 *failed* **defined benefit plans**. PBGC posted a record deficit of more than \$23 billion in 2004 (\$62 billion in liabilities and only \$39 billion in assets). **Recent defaulters** include the steel and airline industry with the manufacturing sector which includes the **auto and auto parts industry groups next in line**.

Testimony of Bradley D. Belt Executive Director of Pension Benefit Guaranty Corporation (3/2/05)

# OASI Plight

*Key Dates* based on 2004 Report on Social Security\*\*

2018 - 1st Year Expenditure > Payroll Receipts

2029 - 1st Year Expenditure > Payroll Receipts + Interest

2044 - Year Trust Fund ASSETS are Exhausted

\*\*Assumes NO CHANGES

# Globalization ....

ties community well-being more tightly to the fate of its **businesses** as it ties the success of **business** to the maintenance of international price competitiveness!



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## Critical Issues in a level global playing field

(1)

**Cushion workers** against the increased risk of exposure to **international economic forces** (competition).

(2)

**Unburden firms** of social overhead costs that reduce their **international price competitiveness**.

# Starting Point for discussions

- “Even if you’re on the right track, you’ll get run over if you just sit there!”

Will Rogers

# Globalization

- ...is here to Stay!
  - ...requires thinking differently--thinking about the whole not just the separate pieces.
- ➔ **Forge common goal:**  
Maintenance of overall community well-being

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# Globalization

Tighter “in house” partnering:

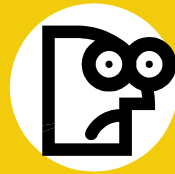
Government + Businesses

Businesses + Community

Community + Government

# Conclusions

1. Buyers worldwide call the shots for local businesses.
2. Local business must focus on lowering cost per unit to remain competitive in the global arena!
3. Government must function as a social lubricant.
4. Workers must possess creative imaginations & strong motivation to attract new high-value business to the community.



**It's QUESTION TIME !!**

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# *Thank You!*

Find me at <http://www.firelands.bgsu.edu>

**Dr. Kay E. Strong**  
**Associate Professor of Economics**

**BGSU Firelands**