

Winners and losers in the Apple economy

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Once upon a time, the car was the key to understanding the US economy. Then it was the family home. Nowadays, it is any device created by Steven P Jobs Call it the Apple economy, and if you can figure out how it works, you will have a good handle on how technology and globalisation are redistributing money and jobs around the world.

That was the epiphany of Greg Linden, Jason Dedrick and Kenneth L. Kraemer, a troika of scholars who have made a careful study in a pair of recent papers of how the iPod has created jobs and profits around the world. The latest paper, "Innovation and Job Creation in a Global Economy: The Case of Apple's iPod," was published last month in The Journal of International Commerce and Economics.

One of their findings is that in 2006 the iPod employed nearly twice as many people outside the United States as it did in the country where it was invented 13,920 in the United States, and 27,250 abroad.

You probably aren't surprised by that result, but if you are American, you should be a little worried. That is because Apple is the quintessential example of the Yankee magic everyone from Barack Obama to Michele Bachmann insists will pull America out of its job crisis the remarkable ability to produce innovators and entrepreneurs. But today those thinkers and tinkers turn out to be more effective drivers of job growth outside the United States than they are at home.

You don't need to read the iPod study to know that a lot of those overseas workers are in China. But, given how large China currently looms in the US psyche, it is worth noting that fewer than half of the foreign iPod jobs 12,270 are in the Middle Kingdom. An additional 4,750 are in the Philippines, which, with a population of just 102 million compared with China's 1.3 billion, has in relative terms been a much bigger beneficiary of Mr Jobs' genius.

This is a point worth underscoring, because some American pundits and politicians like to blame their country's economic woes on China's undervalued currency and its strategy of export-led growth. In the case of the Apple economy, that is less than half the story.

Now come what might be the surprises. The first is that even though most of the iPod jobs are outside the United States, the lion's share of the iPod salaries are in America. Those 13,920 American workers earned nearly \$750 million. By contrast, the 27,250 non-American Apple employees took home less than \$320 million.

That disparity is even more significant when you look at the composition of America's iPod workforce. More than half the US jobs 7,789 went to retail and other nonprofessional workers, like



office support staff and freight and distribution workers. But those workers earned just \$220 million.

The big winners from Apple's innovation were the 6,101 engineers and other professional workers in the United States, who made more than \$525 million. That's more than double what the US nonprofessionals made, and significantly more than the total earnings of all of Apple's foreign employees.

Here in microcosm is why America is so ambivalent about globalisation and the technology revolution. The populist fear that even America's most brilliant innovations are creating more jobs abroad than they are at home is clearly true. In fact, the reality may be even grimmer than the Tea Party realises, since more than half the American iPod jobs are relatively poorly paid and low-skilled.

But America has winners, too: the engineers and other American professionals who work for Apple, whose healthy paychecks are partly due to the bottom-line benefit the company gains from cheap foreign labour. Apple's shareholders have done even better. In the first of their pair of iPod papers, published in 2009, Mr Linden, Mr Dedrick and Mr Kraemer found that the largest share of financial value created by the iPod went to Apple.

Even though the devices are made in China, the financial value added there is "very low."

In an essay to be published in the July/August issue of Foreign Affairs magazine, the Nobel economics laureate A Michael Spence describes the same phenomenon: "Globalisation hurts some subgroups within some countries, including the advanced economies."

"The result is growing disparities in income and employment across the US economy, with highly educated workers enjoying more opportunities and workers with less education facing declining employment prospects and stagnant incomes."

These contradictions of the Apple economy help to explain the defining paradox of the Aspen Ideas Festival this week, an annual gathering of business people, politicians and writers in the Colorado Rockies.

On one hand, the assembled cognoscenti took a rather bleak view of the US economy. Justin Wolfers, an economist at the Wharton School at the University of Pennsylvania, captured the collective concern, when he told me America was already halfway through a "lost decade" and warned that it was a mistake to assume that the economy would heal of its own accord.

But, in contrast with 2008, when America's

affluent were collectively terrified, the festivalgoers this summer are in high spirits. They should be. Keith Banks, president of US Trust, the private wealth management arm of Bank of America, said that for his millionaire and billionaire clients, the recession was over.

Nor, Mr Banks told me, were they overly worried by the lackluster US economy or Europe's even weaker performance. That's because the global economy overall powered by the emerging markets continues to grow strongly, and Mr Banks's American "high net worth individuals" are not just US citizens, but global capitalists.

A second theme of the festival is hand-wringing about the overly polarised American political debate. The worriers are referring to the divide between Republicans and Democrats. But the truth is that not much separates the Republicans and Democrats gathered here.

The summer issue of Aspen Magazine called these affluent festivalgoers "internationalists." They are the winners in the Apple economy, and the reason American politics is becoming so raucous is that the gap between them and the losers is growing.

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White Tiger returns to bite 'Shining India'

AFP, New Delhi

Feuds over property and deadly clashes over land are as much a part of India's economic rise as call centres and the foreign acquisitions made by its leading companies.

The background of millions of personal struggles between the forces of economic development and those clinging to their homes has been taken up by one of India's brightest young literary talents in his second novel.

Aravind Adiga, whose debut novel "The White Tiger" won the Booker prize in 2008, sets his new book in a scruffy tower block in his adopted home of Mumbai, a swirling mass of 16 million people, slums, apartment buildings and Bollywood.

The plot revolves around the battle between a hard-nosed property magnate, who wants to knock down the cooperative housing tower to build a new luxury development, and a minority of older residents who resist his lucrative offer.

"It poses some very fundamental questions about democracy in India. I tend to side with the person who refuses to take the money, but he's frustrating the aims of the other people," Adiga told AFP in an interview.

"This stuck me as crucial not just to Mumbai, but everything that is happening in India," he added ahead of the launch of the book, titled "Last Man in Tower", in his homeland.

-- Fights over land --
Land acquisition has emerged as one of the biggest political issues in India and a pressing economic problem as companies and governments consistently clash with protesters over large development projects.

Car company Tata Motors abandoned a proposed factory in 2008 in the face of demonstrations by farmers and the country's biggest foreign direct investment project, by South Korean steelmaker Posco, has been stalled for six years.

Last month, several farmers died in a protest over compensation for land acquired to build a new highway linking New Delhi and the Taj Mahal city of Agra, the latest fatalities in a long-running dispute.

"These issues come up anywhere in the world where you're having a new road built or a new



Aravind Adiga poses with his book "The White Tiger" after winning the 2008 Booker Prize in London.

stadium," said Adiga, who was the New Delhi-based correspondent for Time magazine before turning to fiction.

"In India it's more visceral because it's for the most part a developing country. For a man to say 'no' to a large sum of money strikes me as an

extraordinary thing."

And millions of farmers in overcrowded India are adamant they will not move from their ancestral property in the name of industrialisation.

-- An 'unsentimental' view --

Adiga's second novel is a more complex undertaking than the punchy White Tiger and again demonstrates his role as a unique chronicler of contemporary India at a time of wrenching change.

It returns to some of the themes that propelled him to fame, including his savage take on the new middle class and his brutally frank descriptions of the grime and deprivation that characterise much of the country.

"Some novels that come out of India tend to be sentimental in their outlook on life," added Adiga, 36. "They (his characters) are figures that I see around me."

What he sees around him has earned him millions of fans -- as well as an army of critics who objected to White Tiger's mockery of the optimistic national narrative of a new "Shining India" and emerging superpower.

Instead, it shone a deeply unflattering light on poverty, inter-caste tension and the country's economic inferiority to neighbouring China.

"I am entirely aware that if I had written this book in Pakistan or Sri Lanka or any neighbouring country I'd be in jail," he said. "I'm very grateful that I live in India that is liberal and tolerant."

"Some people were clearly upset (about White Tiger), but India is one of the few places on earth where you can publish a book like this and you don't have to worry about anything other than being mobbed in a bookstore."

Throughout the interview he emphasises that he is personally undecided about India's current trajectory.

He admits admiration for the hugely wealthy yet morally bankrupt property developer in Last Man In Tower, arch-capitalist Dharmen Shah, who like all the characters has evident flaws but clear human qualities.

"I wonder if this amoral energy (which Shah possesses) is what it takes to start a new nation," Adiga said. "I also wonder if it will drive us into chaos."

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