Information Technology and the Ethics of Globalization

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Globalization—the coalescence of the economies and cultures of this planet—has definitely been enabled by Information Technology (I.T.). Globalization, in altering previous economic and social structures, also raises new ethical issues of concern to I.T. professionals and managers.

OFFSHORING AS AN ETHICAL ISSUE

In some circumstances there is no ethical issue involved in exporting jobs to exploit lower wages. If currency exchange rates make work done in Canada cheaper than work done in the U.S., but otherwise the standards of living of the workers in the two countries are comparable, it is hard to see an ethical issue in what seems to be a form of arbitrage on labor prices. 1

An important difference between offshoring and arbitrage is that the "commodity" subject to arbitrage in offshoring is labor. In a true arbitrage situation, the commodity's location does not change the nature of the commodity. But the whole point of offshoring jobs is precisely that we don't want to move laborers from India or China to the United States, because then we would have to pay them prevailing U. S. wages. Offshoring is a new ethical problem brought about because I.T. enables us to take advantage of social contexts with prevailing lower wages by allowing us to perform the relevant features of the job great distances away.

JUSTICE BETWEEN SOCIETIES

If we want to determine the justice of the practice of offshoring, we cannot immediately apply a theory of justice such as Rawls' two Principles of Justice. These principles are thought of as freely chosen by the members of a given society to regulate their background political and social arrangements.2 Rawls argues that two principles would be chosen: (1) (Greatest Equal Liberty Principle) Society is to be arranged so that all members have the greatest equal liberty possible for all; (2) (Difference Principle) Economic inequalities in society are justified insofar as they make members of the least advantaged social class, better off than if there were no inequality. (Rawls 1999a Chapters II and III) These principles are agreed to as applying *within* a society whose members share cooperative benefits and cooperative burdens.

In international labor offshoring, however, economic benefits and burdens are experienced by different societies with different economic and political arrangements. In his later work *The Law of Peoples* (Rawls 1999b), Rawls extends the principles of justice to cover the international situation. Many principles regulating relations between societies are analogous to principles that would be chosen by individuals to regulate their own societies. First, they honor human rights, respect each others freedom, and respect cooperative agreements made between them. Second, peoples do not intervene in each others affairs and only make war in self-defense. (These principles are parallel to the Greatest Equal Freedom Principle). Third, peoples have a duty to assist other people living under unfavorable conditions. (This principle is parallel to the Difference Principle) (Rawls 1999b, 37)

The Law of Peoples, as Rawls formulates it, respects the integrity of individual societies. Not only is there to be no authority over all peoples; but the analogue of the Difference Principle is much more limited than the Difference Principle. One society is permitted to be a lot better off

than another. The only duty is to help less fortunate societies to attain what is necessary to maintain a just democratic society.

Rawls argues for a striking difference between the Principles of Justice and the Law of Peoples which is directly relevant to the offshoring discussion. Rawls says:

... no people organized by its government is prepared to count, as a first principle, *the benefits for another people as outweighing the hardships imposed on itself.* (Rawls 1999b, 40. Italics in original.)

In other words, although we can have agreements between societies (and parties within those societies) which redistribute benefits and burdens, we must first be assured that the internal arrangements within those societies are just. The justice of transnational redistribution of benefits and burdens is necessarily a *secondary* matter, to be considered against a background of justly functioning institutions within societies.

There is an analogous situation with the distribution of benefits and burdens within a society. Rawls' main objection to utilitarian theory is that it doesn't take individuals seriously enough. Utilitarianism is concerned with maximizing average value. It doesn't care very much about how any specific individuals (especially the worst-off) make out, so long as the overall sum is better.3 Rawls' two principles of justice are an alternative to utilitarianism; the principles of justice reflect care about what happens to the individual. (Rawls 1999a, secs 27 and 28) So, similarly, a utilitarian-type approach to relations between societies would hold that so long as the net average value goes up, there is no further issue of justice. But redistribution of benefits and burdens between societies, if extensive enough, can easily wreak havoc with the internal justice of a society. One example may be corn production in the U. S. and Mexico after NAFTA. Subsidized U.S. corn drove small Mexican corn producers out of business. Since we are separate societies, most such out-of-work Mexicans who come to the U.S. to raise corn now shipped to Mexico, often come as illegal aliens. (Bensinger 2003) Clearly issues of justice no longer stay neatly within the boundaries of societies.

The extension of principles of justice to relations between societies, makes one point about offshoring very clear. Offshoring cannot be justified only by showing that people in another society are better off because of it. For the practice to be just, it must be shown that members of both societies are also being treated justly.

In current circumstances, the social cost to the United States of I.T. personnel losing skilled jobs needs to compensated for in some way. Perhaps there should be an incentive to corporations to provide job retraining to those losing jobs.4 The savings from outsourcing are so substantial—on the order of 50%—that giving departing workers substantial one-time retraining costs would not materially alter the economics of the situation.

Besides job retraining for those losing jobs and contribution to research for new jobs, it is important ethically to exercise extra due diligence when offshoring jobs. Given the very likely disruptive effects on your own personnel, it hardly makes sense to inflict those effects when there is not good reason to think the offshoring will succeed. Doing all this

counts as professional ethical behavior in the context of competitive necessity

A GLOBAL ECONOMY?

 So is the real conflict in the offshoring case is between stateless corporations subject to market forces and the peoples of various countries attempting to live in free and just societies? There is nothing in the structure of a market economy which can save it from its own defects.5 The occasional intervention of an outside (usually governmental) force is necessary to deal with monopolies, for example. But in the case of transnationals, there is no such force. Indeed, given that offshoring is by definition a transnational act, it raises in a stark way the question of exactly what entities can be ethically responsible. Even within societies, corporations have an ethically problematic status, and corporations acting transnationally compound the problem.

Corporations are unique because they are legally individuals—and must be to fulfill their legal function. But they are not subject to the ethical considerations of individuals. For corporations, individual leaders are *legally protected* from being personally liable for the damages caused by their leadership. Therefore the solution has to be a new set of principles for corporations which serve the function of providing ethical accountability.6

Providing appropriate ethical social controls on corporations within a society, however, is not enough. We also need principles for transnational corporations acting across societies. What principles should apply to transnationals, and whose responsibility is it to formulate them and whose responsibility to enforce them?

Rawls, in the *Law of Peoples*, seems to have assumed that the distribution of benefits and burdens takes place largely within individual societies each with their own government and economic institutions, and that each individual government can effectively and justly manage the economic distribution within this society. I believe that globalization makes this assumption false. The social contract for a global economy would therefore assume that the highest level of human organization is not (national) political societies, and consequently that there should be a transnational organization governed by higher ethical principles than Rawls' law of peoples. So a new social contract needs to be constructed to account for these higher level principles.

Working out the global original positions and the principles of justice for a global society is a large task. But however these principles are worked out, they should regulate the way globalized corporations redistribute benefits and burdens across societies.7

OFFSHORING AS A COMPETITIVE NECESSITY

Managers who are uneasy about the practice of offshoring may still feel that competition makes it necessary for them to offshore. This justification is mentioned frequently in discussions of offshoring. In fact, I may even be failing to do my (ethical and professional) duty by my company and its stockholders or stakeholders.

So what is an individual to do, who has on the one hand ethical beliefs based on his role as a citizen in a just society, and on the other hand conflicting directives based on his role as a manager or I.T. professional in a corporation?   (Schultz 2006, Ch. 2, "The Rational Basis of Ethics")

Even if the corporation is not an ethical individual, you as a manager are. The critical point here is that even if reasons of interest make it difficult or impossible for you to do what you believe is ethical, it is still necessary in what you do to acknowledge your own (higher-order) ethical principles. If the fact that other people are not behaving well were a sufficient reason for you not to behave well, the situation could never improve. (Schultz 2006 ch. 3, "Partial Compliance") However, it often requires considerable creativity to acknowledge the higher-order principle when we can't fulfill it.

An individual could initiate support at the appropriate level for policy changes to make the practice of offshoring fairer, including lobbying. Perhaps working toward more general ethical constraints on corporations may be the most effective way of demonstrating one's principles as a citizen in a just state.8

The belief that any kind of economic growth is self-justified seems to lie behind much of the discussion of offshoring as positive. However, justice based on a social contract requires constraints on economic growth. These constraints insure that individuals are treated fairly, both within their societies and in a global context. It is simply a mistake to think that economic growth taken by itself overrides the principles of justice.

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(ENDNOTES)

1   The justice of the labor market itself is probably more important than just the standard of living.

2   More detail about these principles and their derivation appears in Chapter 2 of my book, *Contemporary Issues in Ethics and Information Technology,* Idea Press 2006.

3   See Schultz 2006, Chapter 2, "Theories of Right: Intuitionist vs. end-based vs. duty-based ."

4   Some policy discussions develop this possibility. See www.brookings.edu/comm/policybriefs/pb132.htm.

5   See Schultz 2006, Chapter 5.

6   Limited Partnerships and sole proprietorships can also behave unethically, but the problem of ethical responsibility is considerably more severe in the case of corporations.

7   Michael Intriligator 2005 argues for the necessity of new global institutions to ensure global equity (the economists' word for justice) but does not see the transfer of labor to lower-cost areas as a significant problem.

8   See Schultz 2006, Chapter 9

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