

Global Economy

Introduction

I am delighted to have this opportunity to welcome you to the U of M for this UM Update Program on American Business in the Global Economy

I can think of few topics more compelling for today's corporate leaders.

It is clear that we are undergoing some profound transformations of our economy and our society

We are experiencing the impact of these changes every day in every facet of our lives.

Themes of the Future

There is an image in my mind this evening however...

...and it comes from two decades ago...

...in fact, exactly 20 years ago this June 20.

When Apollo 11 set down on the Sea of Tranquility to put man on the moon.

The image is that extraordinary photo of our earth, taken by Apollo as it orbited the moon...

...and image that dramatically revealed how nations and peoples are passengers together on spaceship Earth.

The program today has focussed on a subject of great importance to Michigan, to our nation and to the University--the internationalization of nearly every aspect of our lives. And it appears that this process of globalization has only begun.

The Globalization of America

Whether through travel and communication, the arts and culture, the internationalization of commerce, capital, and labor, we will become increasingly dependent on other nations and other peoples.

Some UM signs:

Professors Ken Lieberthall and Mike Oskenberg's briefing of the nation on the extraordinary events in China. In fact, Ken was over in China with the UMAA tour group

Dean Lee Bollinger, Dean of our Law School is currently hosting an Alumni Reunion

...in Florence, Italy, for his European alumni...

...at the UM Campus in Florence...

University of 21st Century

Spacetime physics course...electronic networks

MIT, Oberlin, Vienna, Towson State, Boise State, New Mexico...

Some facts of life:

The world and our place in it have changed.

For most of our history our political and geographic isolation, abundance of resources, and technological leadership insured control over our own destinies and steady improvements in the quality of life.

Today's reality is different. The world has been transformed.

No longer isolated, we are a player, still powerful, but no longer controlling, in a competitive, global market.

The fact is that a truly domestic US economy has ceased to exist.

...It is no longer relevant to speak of the Michigan economy or the American economy...or the competitiveness of Michigan industry or American industry.

Our economy...our companies...are truly international, spanning the globe...and intensely interdependent on other nations and other peoples.

In slightly more than 5 years, US trade deficit has taken us from the world's largest creditor to its largest debtor nation.

Jack Welch, CEO of GE, noted last November:

"Within the next 2 to 3 years, at most, the most important alliances will be forced in every significant global industry--medical, autos, defense, materials, and so on. Those who are slow to recognize the emergence of these global alliances or to act in forming them will find themselves locked out of the game as we enter the 1990s."

American will no longer take its know-how and apply it to low-cost natural resources from third-world countries, turn it into products, and then sell it back to them--as we do in a hierarchical economy. Rather, we'll be only one member in a global dynamic economy with tremendous network interdependency between countries.

In fact, as Robert Reich has noted in his recent article in The New Republic, a company with headquarters in the US, production facilities in Taiwan, and a marketing force spread across many nations competes with another, similarly ecumenical company. This has extraordinary implications, since it means that we all are really part of an international labor market encompassing Asian, African, Western Europe, etc. Hence, our competitiveness as workers depends not on the fortunes of any American corporation, or any American industry, but on what function each of us serve within the global economy.

This has created dramatic discrepancies in America...

...those professions involved with the manipulation of information, so-called "symbolic-analytic services", are highly competitive in the world marketplace and seeing incomes rising rapidly.

...in sharp contrast, those involved in routine production services or routine personal services are simply no longer competitive, and will continue to suffer from decline real income levels for the foreseeable future since they are competing directly with other low-skilled workers throughout the world.

The Role of Knowledge

Key element in transformation, is the emergence of knowledge as the new critical commodity, as important as mineral ores, timber, and access to low skilled labor were at an earlier time.

This new critical commodity knows no boundaries.

It is generated and shared wherever educated, dedicated, and creative people come together...and, as we have learned, it spreads very quickly.

We are in the midst of an information revolution that is changing the basis of economic competitiveness and world power.

Today information and data flow quickly across continents, oceans, and nations.

We learn about events almost as they occur. The world is linked electronically.

As a result, the relationships between nations and the pace of change are increasing.

A global economy is not only possible, it exists.

Markets are changing and realigning. We have seen it in the far east and now we are seeing it in Europe as the continent races toward 1992, an event whose potential consequences we grossly underestimate in the US.

Nor should we forget the importance of Africa and Latin America as they emerge economically.

What's more, these new technologies magnify the effects of change. "Today the velocity of change is so great... that the tectonic plates of national sovereignty and power have begun to shift" (Walter Wriston)

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The knowledge revolution is happening worldwide and at a very rapid rate.

That new technology means economic development and trade is widely understood in developed nations who have been sharply increasing their investments in science and technology.

But less developed nations are also learning the lesson and drawing knowledge from the developed world or generating it themselves.

Brazil, India, Korea are quickly advancing along the competitive path that Japan took 30 years before.

Example:

Over past two decades, India has increased its population of scientists and engineers by tenfold!!!

A World Nation

But there is another important reason for our renewed attention to the international agenda of the University.

The US has become the destination of about half the world's immigrants Probably 10 million this decade alone...

With falling fertility rates, immigration will soon become the main determinant of the variability in our population.

Our nation continues to be nourished and revitalized by the extraordinary diversity of our population--particularly those formerly excluded such as minorities and women and by our immigrants.

Indeed, it is the continuing fluidity of society that is our greatest asset and our primary defense against the doom and gloom

prophecies of America's decline.
America is evolving into the first true "world nation",
with not simply just economic and political, but
indeed ethnic ties to all parts of the globe!

A Future of Hope

It is astonishing to me that these global
interconnections have proceeded so swiftly.
It is only twenty years ago that we caught
our first glimpse of the planet earth from
the surface of the moon. Perhaps in some
ways that sight has helped us see ourselves
for the first time as one human family.

We are no longer self-sufficient or self-sustaining. We are not
immune to the shocks of the world society. We have never
been more dependent on other nations and peoples.

Unfortunately, many see
internationalization as a threat promising
doom on gloom for our future. And indeed
the cost has been great for many segments of
our society from farmers and laborers to the
highest reaches of corporate America. But I
believe these can be seen as only temporary
dislocations.

Certainly, there are threats to our prosperity
and security inherent in the destabilization
that comes from so rapid and profound a
change in the relations among people. But
think of the long term opportunity and
challenge this offers! For the first time in
history, we are linked together integrally,
more self-conscious of our common fate
than ever before. Clearly the key thing now
is to learn to learn to appreciate our
differences while at the same time forging
some basis of common values.

We must take care not to lose perspective--

On the whole, the world is becoming more connected and more democratic.

From the moment when we first saw ourselves reflected as
one world from the moon's surface back in 1969, we have
been increasingly bound together through commerce, culture, arts,

literature, travel, and communications.
Despite the pessimists, we have no full scale wars and we have made
at least some progress in limiting the arms race.
Chances of superpower warfare are less and prospects
for prosperity are good.

Michigan's Heritage

Understanding cultures other than our own will become
necessary not only for personal enrichment and good
citizenship, but indeed, necessary for our very survival
as a nation.

If our institutions are to serve America in its role as a member
of the global community, we must think and act more
imaginatively, more aggressively, and more strategically
to strengthen our role as truly international centers of learning.

As you have gathered today, the University
has strong international programs and some
of the leading specialists to be found
anywhere on foreign people and places and
cultures and on international issues.

Indeed, from our founding this University
has been linked to the international world
of scholarship. The initial vision of the
University, set out by French priests in 1817,
was based on law governing the Imperial
University of France. Our early presidents
traveled regularly to Europe gathering books
and ideas and borrowing heavily from
educational traditions and practices in
England, Germany, and other European
countries.

And from these international roots grew the
distinctively American model of a public
research university that has shaped our
nation's system of higher education. As
partners with our State and larger society,
public universities such as Michigan
helped to transform the Frontier and harvest
its agricultural riches, and then help forge
our industrial strength. Today we are an
integral part of the knowledge revolution

that is once again transforming our society. And we will develop our international programs in this same spirit--to provide intellectual and practical leadership to help our state and nation grasp the opportunities and challenges of internationalization rather than allowing ourselves to be passively shaped and undermined by them.

The Challenges to Michigan

Certainly we have a long ways to go in this country to know what we need to know to participate fully as members of our human family. American knowledge of other languages and cultures is abysmally inadequate. By every measure we fall short educationally of the knowledge and skills it will take to do business, work cooperatively on common problems or advance our common ideals for humanity.

Too many of our graduates have never been exposed to a foreign language or visited a foreign country. Many have not had a chance to feel the texture of life in another era or another culture through literature and poetry or film. Some cannot locate Mexico or Egypt on a map.

Despite the intellectual richness of our campus, we suffer still from the insularity and ethnocentrism that is the heritage of a country that for much of its history has been insulated from the rest of the world and self sufficient in its economyperhaps even self absorbed

Consequently, we must reexamine the way in which we foster, manage and promote the international dimension of our educational mission.

- We must strengthen the international component of our teaching and scholarship so that it pervades the liberal arts

curriculum and that of the professional schools.

- We must be mindful that knowledge is not tied to geographic regions; rather the knowledge revolution is a world wide phenomenon and science speaks a universal language
- We must be open to the challenge and excitement for our intellectual work in the disciplines that results from the infusion of other experiences and perspectives of other regions, cultures and traditions.

We must ensure that our students are prepared with an understanding of how the rapidity of modern communications and ease of travel will change the texture of their lives.

Above all, we must enable our students to appreciate the unique contributions to human culture which come to us from other traditions.....to communicate.. to work.. to live.. to thrive..in multicultural settings whether in this country or anywhere on the face of globe.

U of M: The University of the World

Therefore a key priority for the University of Michigan for the future is to build on the foundation of strength in international studies we have in placeand to remain in the forefront of international educational programs in languages, study abroad, faculty and student exchanges, international research collaboration. Indeed, increasingly, I believe it is the infusion of international perspectives into our disciplines and professions that will be critical.

Education, however strongly rooted in a state or nation, is a universal institution just as the language of science and scholarship is a universal language.

We occasionally attempt to develop slogans to represent
key strategic thrusts...

...the University of America...or America's University

But perhaps a better slogan is

The University of Michigan:

A University **of** the World...and **for** the World...

After all, as President Marion Burton stated over a half-century ago...

"The function of the State University--of Michigan---is to serve the state
and through the state to serve the nation and the world."

Concluding Remarks

In this era of change, the university as a public institution
is especially conscious of its mission to serve its society.

Your program today is just one part of the University's efforts
to meet the needs of the business community.

We recognize that with the explosion of knowledge
we are helping to create,

we must redouble our efforts to make that knowledge
available for people like you who need to put it to practical use.

I hope that you find your work here today useful,

and that you will let us know of other ways we can work with you.

Please come back and don't forget to catch our game tomorrow.