

Apple: Chinese impressed U.S. firm

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to create middle-class jobs in the U.S. now,” said Jared Bernstein, who until last year was an economic adviser to the White House.

“If it’s the pinnacle of capitalism, we should be worried.”

But while Apple is far from alone, it offers a window into why the success of some prominent companies has not translated into large numbers of domestic jobs. What’s more, the company’s decisions pose broader questions about what corporate America owes Americans as the global and national economies are increasingly intertwined.

“Companies once felt an obligation to support American workers, even when it wasn’t the best financial choice,” said Betsey Stevenson, the chief economist at the Labor Department until last September. “That’s disappeared. Profits and efficiency have trumped generosity.”

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In 2007, a little more than a month before the iPhone was scheduled to appear in stores, Jobs beckoned a handful of lieutenants into an office. For weeks, he had been carrying a prototype of the device in his pocket.

Jobs angrily held up his iPhone, angling it so everyone could see the dozens of tiny scratches marring its plastic screen, according to someone who attended the meeting. He then pulled his keys from his jeans.

People will carry this phone in their pocket, he said. People also carry their keys in their pocket. “I won’t sell a product that gets scratched,” he said tensely. The only solution was using unscratchable glass instead. “I want a glass screen, and I want it perfect in six weeks.”

After one executive left that meeting, he booked a flight to Shenzhen, China. If Jobs wanted perfect, there was nowhere else to go.

For more than two years, the company had been working on a project that presented the same questions at every turn: How do you completely reimagine the cellphone? And how do you design it at the highest quality — with an unscratchable screen, for instance — while also ensuring that millions can be manufactured quickly and inexpensively enough to earn a significant profit?

The answers, almost every time, were found outside the United States.

In its early days, Apple usually didn’t look beyond its own backyard for manufacturing solutions. But by 2004, Apple had largely turned to foreign manufacturing. Guiding that decision was Apple’s operations expert, Timothy D. Cook, who replaced Jobs as chief executive last August, six weeks before Jobs’ death. Most other U.S. electronics companies had already gone abroad, and Apple, which at the time was struggling, felt it had to grasp every advantage.

In part, Asia was attractive because the semiskilled workers there were cheaper. But that wasn’t driving Apple. For technology companies, the cost of labor is minimal compared with the expense of buying parts and managing supply chains that bring together components and

APPLE SETS SALES, PROFIT RECORDS

►After uncharacteristically tepid sales in the July-to-September quarter, Apple came back with a vengeance in the last three months of 2011, vastly exceeding analyst estimates and setting new records for quarterly sales and profit.

►Apple Inc. on Tuesday said it sold 37 million iPhones in the quarter, double the figure of the previous quarter and more than twice as many as it sold in last year’s holiday quarter.

►The result may make Apple the world’s largest maker of smartphones. Samsung Electronics, which held that position for most of last year, has said it expects to report shipping about 35 million smartphones in the October-to-December quarter.

►October saw the launch of the iPhone 4S, and the addition of Sprint Nextel Corp. as an iPhone carrier in the U.S.

►Apple said net income in the fiscal first quarter was \$13.06 billion, or \$13.87 per share. That was up 11.8 percent from \$6 billion, or \$6.43 per share, a year ago.

►Revenue was \$46.33 billion, up 7.3 percent from a year ago.

►The Cupertino, Calif., company shipped 15.4 million iPads in the quarter, more than doubling sales over the same quarter last year.

next door. You need a million screws? That factory is a block away. You need that screw made a little bit different? It will take three hours.”

It is difficult to estimate how much more it would cost to build iPhones in the United States. However, various academics and manufacturing analysts estimate that because labor is such a small part of technology manufacturing, paying U.S. wages would add up to \$65 to each iPhone’s expense. Since Apple’s profits are often hundreds of dollars per phone, building domestically, in theory, would still give the company a healthy reward.

But such calculations are, in many respects, meaningless because building the iPhone in the United States would demand much more than hiring Americans — it would require transforming the national and global economies. Apple executives believe there simply aren’t enough U.S. workers with the skills the company needs or factories with sufficient speed and flexibility. Other companies that work with Apple, like Corning, also say they must go abroad.

“Our customers are in Taiwan, Korea, Japan and China,” said James B. Flaws, Corning’s vice chairman and chief financial officer. “We could make the glass here, and then ship it by boat, but that takes 35 days. Or, we could ship it by air, but that’s 10 times as expensive. So we build our glass factories next door to assembly factories, and those are overseas.”

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Toward the end of Obama’s dinner last year with Silicon Valley executives, Jobs told the president, according to one observers: “I’m not worried about the country’s long-term future. This country is insanely great. What I’m worried about is that we don’t talk enough about solutions.”

In the last decade, technological leaps in solar and wind energy, semiconductor fabrication and display technologies have created thousands of jobs. But while many of those industries started in America, much of the employment has occurred abroad. Companies have closed major facilities in the United States to reopen in China. By way of explanation, executives say they are competing with Apple for shareholders. If they cannot rival Apple’s growth and profit margins, they won’t survive.

The pace of innovation, say executives from a variety of industries, has been quickened by businessmen like Jobs. GM went as long as half a decade between major automobile redesigns. Apple, by comparison, has released five iPhones in four years, doubling the devices’ speed and memory while dropping the price that some consumers pay.

Before Obama and Jobs said goodbye, the Apple executive pulled an iPhone from his pocket to show off a new application — a driving game — with incredibly detailed graphics. The device reflected the soft glow of the room’s lights. The other executives, whose combined worth exceeded \$69 billion, jostled for position to glance over his shoulder. The game, everyone agreed, was wonderful.

There wasn’t even a tiny scratch on the screen.

StocksRecap

	NYSE	NASD
Vol. (in mil.)	3,597	1,617
Pvs. Volume	3,665	1,638
Advanced	1631	1489
Declined	1381	992
New Highs	85	56
New Lows	10	13

	HIGH	LOW	CLOSE	CHG.	%CHG.	WK MO QTR	YTD
DOW	12708.52	12613.54	12675.75	-33.07	-0.26%	▲ ▲ ▲	+3.75%
DOW Trans.	5239.47	5141.83	5205.54	-35.40	-0.68%	▲ ▲ ▲	+3.70%
DOW Util.	449.67	445.38	446.27	-3.49	-0.78%	▼ ▼ ▼	-3.96%
NYSE Comp.	7843.94	7778.69	7840.65	-14.87	-0.19%	▲ ▲ ▲	+4.86%
NASDAQ	2788.38	2766.34	2786.64	+2.47	+0.09%	▲ ▲ ▲	+6.97%
S&P 500	1315.96	1306.06	1314.65	-1.35	-0.10%	▲ ▲ ▲	+4.54%
S&P 400	934.59	922.38	934.25	+3.96	+0.43%	▲ ▲ ▲	+6.27%
Wilshire 5000	13844.43	13732.51	13843.12	+5.72	+0.04%	▲ ▲ ▲	+4.95%
Russell 2000	788.80	775.58	788.27	+5.22	+0.67%	▲ ▲ ▲	+6.39%

The World-Herald 150

NAME	TKR	LAST	CHG	%CHG	YTD VOLUME (00s)	PE	DIV	NAME	TKR	LAST	CHG	%CHG	YTD VOLUME (00s)	PE	DIV
AT&T Inc	T	30.09	-31	-5	242,273	15	1.76f	IBM	IBM	191.93	+1.95	+4.4	52,118	15	3.00
Abbott Labs	ABT	55.98	+26	+4	74,466	19	1.92	JPMorgan Chase & Co	JPM	37.66	...	+13.3	251,216	8	1.00
Adobe Systems	ADBE	30.95	+72	+9.5	45,560	19	...	Johnson & Johnson	JNJ	65.00	...	-9	119,555	19	1.28
Alcatel-Lucent	ALU	1.94	-07	+24.4	168,449	Kellogg Co	K	50.50	-50	-1	17,576	16	1.72
Alcoa Inc	AA	10.27	+02	+18.7	201,128	15	1.12	Kimberly Clark	KMB	72.27	-125	-1.8	60,705	18	2.80
Alliant Energy	LNT	42.25	-50	-4.2	5,760	15	1.80f	Kinder Mrgy Eng	KMP	88.30	+26	+3.9	8,163	30	4.64
Altera Corp	ALTR	40.12	+44	+8.1	53,035	15	32	Kraft Foods	KFT	38.30	-17	+2.5	72,837	21	1.16
Altria Group	MO	28.28	-33	-4.6	124,027	17	1.68f	Level 3 Commun	LVLTL	18.88	+41	+11.1	9,425	dd	...
Amgen Corp	AEE	31.26	-57	-5.6	17,167	14	1.60f	Lindsay Corp	LNN	60.25	-50	+9.8	897	22	36
Am Fst Tx Ex Inv	ATAX	5.19	+02	+5.1	784	...	50	Macy's Inc	M	35.28	+19	+9.6	58,993	13	.80f
Amer Elec Power	AEP	40.67	-13	-1.5	29,387	11	1.88f	Martha Stewart Liv	MSO	4.28	-02	-2.7	2,725	dd	256
Ameristr Casinos	ASCA	19.67	+02	+13.8	1,319	14	42	McDonalds Corp	MCD	98.75	-220	-1.6	114,105	19	2.80f
Anadarko Petrol	APC	78.99	-51	+3.5	28,582	dd	36	Merck & Co	MRK	38.78	+01	+2.9	129,302	14	1.68f
Aon Corp	AON	47.03	-13	+5	16,869	17	60	MetLife Inc	MET	36.91	+15	+18.4	85,811	10	7.4
Apache Corp	APA	97.71	-67	+7.9	26,024	9	60	Microsoft Corp	MSFT	29.34	-39	+13.0	505,636	11	.80
Apple Inc	AAPL	420.41	-700	+3.8	131,361	15	...	Monsanto Co	MON	80.11	+22	+14.3	24,527	25	1.20
Applied Matis	AMAT	12.31	+09	+14.9	80,996	8	32	Mosaic Co	MOS	54.97	-10	+9.0	38,980	10	20
Aqua America Inc	WTR	21.67	-10	-1.7	3,947	22	66	NCR Corp	NCR	17.82	+04	+8.3	5,128	12	...
Arch Dan Mid	ADM	29.82	-07	+4.3	27,744	9	70f	Nelnet Inc	NNI	24.69	+02	+9	624	5	40
BP PLC	BP	44.70	+07	+4.6	59,648	7	1.68	News Corp B	NWS	19.67	-10	+8.2	19,958	18	.19f
Ballantyne Strong	BTN	4.50	-08	+10.0	406	6	...	Nucor Corp	NUE	43.20	+30	+9.2	18,625	22	1.46f
Bank of America	BAC	7.29	+04	+31.1	2,211,174	dd	0.4	OGE Energy	OGE	55.30	-28	-2.5	2,134	16	1.57f
Becton Dickinson	BDX	78.29	+70	+4.8	15,083	14	1.80f	Oxxi Petl	OXY	100.92	-114	+7.7	47,452	13	1.84
Berkshire Hath A	BRK/A	117574	-1256	+2.5	4	17	...	ONEOK Partners LP	OKS	56.96	+35	-1.4	3,222	22	2.44f
Berkshire Hath B	BRK/B	78.48	-67	+2.9	27,490	17	...	Oracle Corp	ORCL	28.51	+12	+11.2	235,054	16	24
Black Hill Corp	BKH	33.91	+16	+1.0	1,930	23	1.46	Oshkosh Corp	OSK	24.68	-02	+15.4	8,529	8	...
Black H&R	HRB	16.87	-05	+3.3	38,996	16	.80f	OTter Tail Corp	OTTR	21.98	-01	-2	802	25	1.19
Boeing Co	BA	75.35	-15	+2.7	48,281	15	1.76f	PC&G Corp	PCG	40.16	-48	-2.6	28,331	16	1.82
Brist Myr Sqb	BMJ	62.25	-22	-8.1	113,791	16	1.36f	PEpsiCo	PEP	66.20	+10	-2	41,173	17	2.06
Buckeye Part	BPL	62.30	-24	-2.6	3,155	49	4.10f	Pfizer Inc	PFE	21.66	-05	+1	252,073	14	.88f
Buckle Inc	BKE	43.03	+78	+5.3	1,828	14	.80a	Potash Corp	POT	44.43	-113	+7.6	74,812	14	28
CME Group	CME	240.52	+208	-1.3	3,611	13	5.60	Principal Fnci Grp	PFG	27.37	+07	+11.3	16,568	9	.70f
CSG Systems Int	CSGS	15.83	+10	+7.6	1,083	15	...	Procter & Gamble	PG	64.50	-50	+3.3	95,133	16	2.10
CSX Corp	CSX	21.85	-84	+3.8	241,010	13	48	Prudential Fnc	PRU	58.08	-17	+15.9	22,235	8	1.45f
CVS Caremark Corp	CVS	42.44	-58	+4.1	53,611	17	65f	QQOM Inc	QQOM	58.68	+53	+7.3	109,004	23	86
Cabelas Inc	CAB	26.12	-88	+2.8	6,849	13	...	Royal Dutch Shell A	RDSA/A	72.13	+11	-1.3	15,659	14	3.36
Caseys Gen Store	CASY	52.50	-66	+1.9	2,363	18	.60	SAIC Inc	SAI	12.88	-12	+4.8	14,878	17	...
Caterpillar Inc	CAT	106.29	-08	+17.3	55,074	16	1.84	Schwab Corp	SCHW	12.48	+17	+10.8	88,874	18	24
CenturyLink Inc	CTL	36.94	-84	-7	46,738	17	2.90	Smucker, JM	SJM	81.00	-06	+3.6	3,752	20	1.92
Chevron Corp	CVX	106.72	-29	+3	48,911	8	3.24f	Southern Co	SO	44.90	-47	-3.0	48,455	19	1.89
Cisco Syst	CSCO	19.82	-01	+10.0	300,801	17	24	Stryker Corp	SYK	52.94	+14	+6.5	19,118	16	.85f
Citigroup	C	29.90	+05	+13.6	363,322	8	80	Suntrust Bks	STI	21.29	+07	+20.3	53,549	20	20
Cleco Corp	CLX	68.53	+02	+3.1	9,486	20	2.40	Sysco Corp	SY	30.29	+01	+3.3	22,439	15	1.08f
CocaCola	KO	67.90	-63	-3.0	72,793	13	1.88	TD Ameritrade Hldg	AMTD	17.15	-24	+9.6	53,512	15	24
Comcast Corp A	CMCSA	25.86	-07	+9.1	98,071	18	1.45	Target Corp	TGT	50.75	+60	-9	43,215	12	1.20
CornAgro Foods	CAG	27.01	+01	+2.3	29,248	16	.96	3M Company	MMM	85.93	+32	+5.1	38,822	15	2.20
ConocoPhillips	COP	70.61	+05	-3.1	79,128	9	2.64	Time Warner	TW	37.57	+13	+4.0	70,136	14	.94
Corn Edison	ED	58.38	-24	-5.9	12,762	16	2.42f	Toyota Mot	TM	72.23	+118	+9.4	6,336	...	1.20e
Corning Inc	GLW	14.62	+25	+12.6	181,011	7	30f	Travelers Cos	TRV	58.00	-229	-2.0	65,990	16	1.64
Costco Wholesale	COST	81.73	+09	-1.9	15,966	25	.96	Tyco Intl Ltd	TYC	49.25	-22	+5.4	16,654	15	1.00
Covidien PLC	COV	48.89	+66	+8.6	40,323	13	.90	USC Corp	USG	13.31	+07	+31.0	27,218	dd	...
DTE Energy Co	DTE	52.96	-31	-2.7	5,381	12	2.35	Union Pacific Corp	UNP	111.21	-01	+5.0	39,091	17	2.40f
Deere Co	DE	86.42	-48	+11.7	51,985	13	1.64	UPS class B	UPS	75.00	-13	+2.5	35,698	18	2.08
Disney	DIS	39.25	...	+4.7	93,155	16	80f	US Bancorp	USB	28.45	-04	+5.2	88,802	12	50
Dominion Resources	D	50.31	-17	-5.2	17,288	17	2.11f	Utd Technologies	UTX	77.78	+92	+6.4	55,906	15	1.92
Dow Chemical	DOW	33.38	+28	+16.1	66,387	18	...	Valero Energy	VLO	24.19	+67	+14.9	115,970	9	.60
DuPont	DD	49.41	+06	+7.9	53,580	13	1.64	Valmont Ind	VMI	102.50	+55	+12.9	585	18	72
Duke Energy	DUK	21.14	-13	-3.9	56,563	17	1.00	Verizon Comm	VZ	37.79	-61	-5.8	277,474	44	2.00
EMC Corp	EMC	25.14	+170	+16.7	514,790	25	...	Visa Inc	V	101.01	+141	-5	30,195	20	.88f
Edison Intl	EIX	40.12	-19	+3.1	16,997	13	1.30f	WallMart Strs	WMT	61.39	+48	+2.7	72,512	14	1.46
Emerson Elec	EMR	50.64	+90	+8.7	43,288	15	1.60f	Walgreen Co	WAG	34.27	+41	+3.7	86,179	12	90
Energizer Hold	ENR	78.72	+36	+1.6	4,647	21	...	Watsco Inc	WSO	68.57	+104	+4.4	2,254	26	2.48f
Exelon Corp	EXC	39.22	-61	-9.6	73,592	10	2.10	WellPoint Inc	WLP	69.40	-178	+4.8	47,886	9	1.00
Exxon Mobil Corp	XOM	87.18	-29	+2.9	120,816	10	1.82	Wells Fargo & Co	WFC	30.54	-38	-10.8	278,555	11	48
FDX Corp	FDX	90.79	-27	-8.1	16,528	16	5.92	Werner Entpr	WERN	25.49	...	+5.8	2,194	19	.20a
Ford Motor	F	12.82	+16	+19.1	451,047	8	20	Westar Energy Inc	WR	28.19	+04	-2.1	6,506	15	1.28
Gen Dynamics	GD	71.34	-40	+7.4	18,936	10	1.88	Western Union Co	WU	19.16	+25	+4.9	35,277	13	32
Gen Electric	GE	18.84	-10	+5.2	392,109	15	68f	Whirlpool	WHR	54.36	+40	+14.6	19,230	12	2.00
General Motors Co	GM	24.79	+13	+22.3	81,737	5	...	Williams Cos	WMB	29.06	+03	+7.8	47,549	18	1.04f
Google Inc	GOOG	580.93	-459	-10.1	29,871	20	...	Windstream Inc	WIN	12.12	-11	+3.2	61,153	23	1.00
Gordmans Stores	GMAN	15.19	-14	+20.8	274	12	...	Yahoo Inc	YHOO	15.69	-01	-27	156,690	19	...
Harley Davidson	HOG	43.32	+145	+11.4	48,627	17	50	Yum! Brands Inc	YUM	62.27	...	+5.5	32,735	23	1.14
Hartford Fn Sv	HIG	18.60	-03	+14.5	48,584	8	40	Zimmer Holdings	ZMH	56.55	+49	+5.9	16,428	16	.72
Hershey Company	HSY	61.39	-38	-6	11,848	23	1.38								
Hewlett Packard	HPQ	28.52	-16	+10.7	147,229	9	48								
Hormel Foods	HRL	29.55	+12	+9	8,856	17	60f								
Intel Corp	INTC	26.90	+19	+10.9	549,209	11	84								