The New York Times

The iEconomy

BY THE NEW YORK TIMES STAFF

NOMINATION FOR THE 2013 PULITZER PRIZE
CATEGORY: EXPLANATORY REPORTING

Apple Inc., with its enormous profits, messianic founder and wildly popular products, had become a company almost above reproach. It took the persistence of a dozen New York Times business reporters to penetrate the curtain of America's wonder company and discover the troubling underside of Apple's success. Their look at the decisions of this one iconic company helps explain how the global economy is changing and how American jobs are being transformed in an increasingly interconnected world.

As a direct result of the series, called "The iEconomy":

- More than a million workers at the Chinese factories that make Apple's iPhones and iPads got 25 percent raises. Their working conditions significantly improved after Apple's supplier plants were opened to outside inspections for the first time.
- Some 30,000 employees at Apple stores got raises of up to 20 percent.
- Apple announced it would invest $100 million to manufacture some computers in the United States.
- Apple tripled its social responsibility staff, re-evaluated its dealings with manufacturers, asked competitors to help curb excessive overtime in China, and reached out to advocacy groups it once rebuffed. It publicly identified its suppliers for the first time.
- Other computer companies like Hewlett-Packard and Intel began to rethink how they deal with overseas suppliers. Analysts predicted a ripple effect through the entire industry.
- Congress opened an investigation into the dubious tactics that Apple and other technology companies use to reduce their tax bills.

The Times series revealed:

- The irresistible allure of low-cost manufacturing partners in China, all hungry to meet Western demands on short notice, leading Apple and other computer makers to pull production from the United States and abandon a home economy desperate to add jobs;
- The harsh, at times deadly conditions under which Chinese workers assembling iPhones, iPads and other Apple devices live and work;
- The extraordinary and sometimes questionable lengths to which Apple, the most profitable company in America, and other technology companies go to reduce their tax bills;
- The low pay and high turnover at Apple's popular stores;
- The lottery-like odds of trying to earn a living by devising apps for the iPhone or iPad.

- The shrewd use by technology companies, including Apple, of America's antiquated patent system to thwart competitors, sometimes stifling innovation.

The series also truth-tested a claim that Apple and other tech companies often make: that they can't create more jobs in America because Asia's manufacturing prowess just can't be duplicated elsewhere. In fact, The Times showed, Japanese automakers made similar arguments three decades ago, and they proved baseless. Indeed the Japanese (and Germans and South Koreans) now build millions of cars a year in the United States. Moreover, The Times found, Brazil has persuaded Foxconn, Apple's Asian manufacturing partner, to start making iPhones and iPads in that country.

Finally, the iEconomy series offered a disturbing glimpse of the future. A new wave of robots, far more adept than those now used, is already replacing workers around the world in both manufacturing and distribution.

To tell these stories, The Times had to penetrate a company so obsessively secret that it refused to give Times reporters interviews or access to any operations. Apple employees know that speaking to a reporter without permission is grounds for termination.

To unearth the more than six dozen knowing Apple insiders who spoke to The Times, reporters built a database of hundreds of current and former Apple executives and contacted each of them. Though many immediately hung up, enough were persuaded to talk that a detailed portrait of how Apple operates could be drawn. (The series has had no factual corrections, and there have been no challenges to its accuracy.)

The "iEconomy" series began with a simple question: Why doesn't America make any cellphones — the most ubiquitous consumer product of our time? And what does that omission say about how technology companies, and especially Apple, conduct business?

To answer those questions, The Times assigned staff in six nations, led by Charles Duhigg in the United States and Keith Bradsher and David Barboza in China. Assisted by multimedia reporters and producers and more than a dozen translators, the Times team visited Chinese laborers near their factories and at their homes. Times reporters collected tax documents from four continents and tracked down former executives who helped create convoluted tax-avoidance plans like "Double Irish With a Dutch Sandwich." They cultivated sources at the White House and at Singaporean ministries, at Caribbean bureaucracies, and at schools and municipal agencies in Apple's hometown.

The series quickly went viral, drawing thousands of reader comments and attention across the political spectrum. "I don't usually like the NYT," Ari Fleischer, press secretary to President George W. Bush, tweeted, "but this article about why Apple doesn't hire Americans for manufacturing is a must read." Jon Stewart and Rush Limbaugh discussed the series on their broadcasts. Award-winning financial columnist Allan Sloan sent this e-mail to an editor at The Times: "You guys are doing terrific Apple stories that, to steal a phrase, may change the world." Henry Blodget of Business Insider wrote, "The article illustrates just how big a challenge the U.S. faces in trying to stop the 'hollowing out' process that has sent middle-class jobs overseas — and, with it, the extreme inequality that has developed in recent years."

The Times translated its series into Chinese on overseas Web sites. The Times also translated reader comments back into English, so that the views of Chinese readers — many of whom thanked The Times for its reporting — could be shared with an American and European audience.

Thanks to the "iEconomy" series, we all better understand the darker side of the elegantly designed devices we hold in our hands. The New York Times is proud to nominate "The iEconomy" for the Pulitzer Prize for Explanatory Reporting.