Flat Note From the Pied Piper of Globalization

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THE WORLD IS FLAT:
A BRIEF HISTORY OF THE
TWENTY-FIRST CENTURY
by Thomas L. Friedman
Farrar, Straus and Giroux, 2005 488 pp $27.50 cloth $16 paper

THOMAS L. FRIEDMAN'S new book is one of those works that reveals more than the author seems to intend—or perhaps understands. For the past year or so, a new tone has seeped into the writings of Friedman and the other pundits who have promoted the protection system for transnational investors that we call globalization and the rest of the world calls "neoliberalism." In the past they have assured us that, whatever we call this process, it is a "win-win" for everyone, apparently the only exception to the dictum of another Friedman (Milton, no relation) that there is no free lunch.

But as the economic casualties—lost jobs, lower wages, the proliferation of sweatshops—have mounted, the tune is now slightly less upbeat. There is, after all, a bit of a bill to be paid, and Americans, of all people, will have to pay it.

As one would expect, Friedman's new book is a paean to the entrepreneurs who are "flattening" the world; in other words, taking advantage of the new technologies that allow businesspeople to enter the global market from anywhere.

In his trademark style, Friedman gives us pithy snippets of his conversations with people around the world who are getting rich on this phenomenon and, not surprisingly, think it is a great thing.

The perpetually astonished Friedman gets a bit intoxicated by his own metaphor. "My God, he's telling me the world is flat!" he exclaims after talking to a businessman in India, and proceeds to equate this discovery to Columbus's first sighting of the "new world." Still, he ably describes the mosaic of globalization from the point of view of the winners. He shows us Wal-Mart's warehouses, Japanese teaching machines that talk to each other, and the multiethnic management team that runs IBM's partnership with China.

Like other cheerleaders for capital mobility—Bill Clinton, Newt Gingrich, and Francis Fukuyama come to mind—Friedman has an affinity for wildly simplistic historic analogies. Globalization 1.0, he tells us, began with the discovery of America and lasted until 1800, when the invention of the multinational corporation ushered in Globalization 2.0. Luckily for us, the new era began in the year 2000. "In Globalization 1.0," Friedman writes, "there was a ticket agent. In Globalization 2.0 the e-ticket machine replaced the ticket agent. In Globalization 3.0 you are your own ticket agent."

You don't have to buy into Friedman's contrived and fractured history to accept the obvious point: the barriers of time, space, and nationality have been shrinking between the world's buyers and sellers, relentlessly leveling the economic playing field.

ALTHOUGH cleverly packaged, none of this is particularly new. What makes it instructive are the revealing gaps in Friedman's understanding of economics and history and the way in which he somewhat inadvertently shows the careful reader the abyss into which his global free- market fundamentalism leads.

For starters, Friedman seems to have no understanding of the huge and growing U.S. trade deficit that has been the engine of growth for many of those export businesses in Asia that impress him so much. The free trade and investment agreements of the past decade that set the rules for globalization were made possible by the willingness of Democrats and Republican leaders to provide American capital with access to cheap foreign labor in return for their access to corporate political contributions. Despite the financial damage to U.S. workers, the American consumer market has been maintained by borrowing back the profits made by the foreign partners of U.S. business and selling off income-producing assets.

One doesn't have to be an economist to understand that not even the great United States can continue to buy more from the rest of the world than it is selling and to finance its trade deficit through borrowing. The question is not, will this come to an end, but, when? Optimists say we can continue for another decade. Pessimists think two or three years. Ex-chair of the Federal Reserve Paul Volcker now says we have a 75 percent chance of an economic crisis within the next five years.

None of this is on Friedman's radar screen. In this 488-page book on globalization there is not even an index reference to the U.S. trade deficit.

Friedman does acknowledge the downside of global flattening; for example, it empowers Osama bin Laden as well as Wal-Mart. But he doesn't take this to its logical contradiction: *in order to make the world horizontal and rid it of the "vertical" social and political constraints on commerce, government—especially governments that are democratic and accountable—must be weakened. But in order to keep the flat world safe from the bin Ladens of the world and to enforce the rules needed to keep the market functioning, we need strong governments.*

FRIEDMAN POINTS out that Marx and Engels predicted his vision of capitalism a century and a half ago. Free trade, they wrote, would sweep away "all fixed, frozen relations" and blow away new ones before they could ossify. The fathers of communism thought this would lead to concentration of wealth, an immiseration of the working class, and ultimately The Revolution. It hasn't quite worked out that way; on the other hand, we've not had an extended period of unregulated global trade either.

Friedman has three responses. One, the most frequent, is to shrug and tell the reader to "sort it out."

The second is a faith that the world's economic interconnectedness will create such wealth that its citizens would have no stake in revolution—or even war. A few years back, Friedman had a theory that no two nations that had a McDonald's would go to war. The breakup of Yugoslavia landed that theory in the dustbin of history.

His updated proposition is that global supply chains will make all nations' economies so dependent on each other that war will be impossible. Perhaps, but history suggests otherwise. For example, at the end of the last great period of globalization, just prior to the outbreak of World War I, the British pundits assured the nation that trade with Germany had become too important for the two countries to go to war.

As he has shown in his support of the invasion of Iraq, Freidman's most important ace in the hole is the United States. In the absence of world government, it is the job of the U.S. superpower to enforce the rules. But how will that superpower keep its economic supremacy in the flattened world?

Not to worry, writes Friedman. "America as a whole will benefit more by sticking to the basic principles of free trade, as it always has, than by trying to erect walls."

As it always has? Surely, he cannot be serious. From its very beginnings, up until the Second World War, the United States was a protectionist nation. Erecting tariff walls was the second bill George Washington signed after he became president. The economic cause of the civil war was trade policy, and the protectionists won.

It wasn't until the Second World War had decimated our major commercial competitors that the U.S. governing class embraced free trade. Indeed, Western Europe, Japan, and Oceania similarly became modern nations behind protectionist walls.

All of these nations in their own ways managed to capture, fix, and freeze their comparative advantage by limiting imports and using government power to invest in infrastructure.

The extra advantages of the United States included resources, a huge market, a governing class culture that was more bourgeois than aristocratic, and its geographic isolation from European wars.

In any event, Friedman's confidence born of ignorance takes him just so far. Gradually, the book becomes infused with worry that Americans might not be up to the task. We don't take science and engineering degrees, we lack ambition, we waste energy, and we don't work hard enough.

Much of this is true. We certainly waste energy, and most Americans are not so "ambitious" that they will work themselves to death for Chinese wages. Yet the fact is that Americans work longer hours than workers in any other advanced nation. And as for science and engineering degrees—or for any degrees for that matter, given the flattened world, it is hard to make the case to young people that they should invest in technical professions that are rapidly being outsourced.

It's not just the jobs of factory workers , telemarketers, accountants, and radiologists that are leaving. Outsourcing has now ratcheted up to design research and development functions that were supposed to be the last bastion of American comparative advantage. "American" transnationals are locating R&D in India, Taiwan, and China, where the skills are high and come cheap. It's estimated that 80 percent of engineering tasks in product development can now be easily outsourced.

Friedman, the pied piper of global free-market fundamentalism, leads us into the river, and as we splash and sink to the bottom, blames us for not being good enough swimmers.

Still, he's right that America should be doing much more to prepare its population for the brutal competition that its leaders have led them to. So Friedman presents a laundry list of perfectly reasonable proposals for retraining, portable pensions, and investment in infrastructure and health. Then he looks around for the leadership needed to mobilize the political effort to get these things done.

He's pretty sure it will not come from democratically elected politicians, whom he dismisses as cowards afraid to tell the people the truth. Therefore, it must come from business. And he wonders why it doesn't.

At this point, Friedman's argument becomes stunningly naïve—and suggests that he really doesn't understand the globalization that he has spent the last decade promoting.

The reason why American business leaders are not demanding the policies that would make America more competitive is because, through the trade agreements that Friedman lauds, they have disconnected themselves from the country's future. America's competitiveness is no longer their problem. What's good for General Motors—or GE or IBM or Microsoft—is no longer necessarily good for America, and vice versa.

Friedman himself gives us testimony of the CEOs who no longer consider their companies to be American firms. Why then should they want to be taxed in order to make this country more competitive than any other? Friedman's effort to avoid this obvious point leads him to the bizarre. Perhaps, he muses, the government prosecution of the Enron and Global Crossing crooks has somehow made Big Business too timid to speak up on public issues!

It's hard to take his puzzlement seriously. If the CEOs of transnational corporations with American names thought *their* future depended on the competitiveness of the U.S. economy, they would simply not permit the underinvestment in skills and education that Friedman complains about. They would not sit still for the huge disparities between what they pay their starting lawyers and what the country pays a teacher with twenty years of experience. They would not allow the Republican Party—their party—to turn over education or science policy to religious cranks. They would roll over the social conservatives just as they did years ago when Sunday blue laws got in the way of seven-days-a-week retailing.

Friedman has but to walk through the corridors of the Senate and House Office buildings to understand that business gets what business wants in today's Washington. "Oh, I get the speeches the CEOs give on education to the National Press Club," one congressman said to me. "But when they send in their K Street lobbyists, it's all about the tax break or lifting the environmental regulation. They've never come to me about the education budget."

There is little doubt that technology is flattening the world and accelerating the creative destruction of the market. But as national economies developed, we learned the hard way that the process needs to be controlled and slowed down because of the brutal destruction and vast imbalances of wealth it causes. And the more rapidly this process accelerates, the more it requires social controls and guidance to make it work for everyone. But instead of guiding the process, the rules of the global marketplace have flattened the protections and systematically chopped up the national social contracts without replacing them with a global one.

Friedman is blind to the class structure that inevitably grows out of this horizontal flattening. Ex-Mexican president Ernesto Zedillo, who oversaw the destruction of Mexico's small farmers and domestic industries by the North American Free Trade Agreement, complains to him that Mexico needs more infrastructure. "The only way for government to serve is to get people to pay higher taxes [but] then populism comes up and kills it." It is the rich and powerful who don't pay taxes in Mexico. Instead of taxing the oligarchs, Mexican "reformers" like Zedillo raised taxes on food and medicine in a country where almost half the people live on less than $2 a day. Then he complains about the nerve of populists who resist having their real wages lowered further.

Under Zedillo's regime, egged on by the flatteners at the World Bank and the U.S. Treasury, the Mexican government cut subsidies to the poor for tortillas and cooking oil. At the same time, Zedillo spent tens of billions of dollars to bail out incompetent cronies who had bought the banks privatized by yet more reform. By 2003 the government's payments to the banks—most of which were now in the hands of U.S. and Spanish investors—were almost three times what it was spending on roads and education.

By concentrating on elite personalities and gee-whiz gadgetry and ignoring the effect of globalization on political power, Friedman plugs his ears to the warning echoing in the old Marxist analysis with which he agrees. Uncontrolled markets destroy the social fabric. Margaret Thatcher, who insisted that there was no such thing as society, was intellectually tougher. Friedman, having applauded the liberation of capital from its social obligations, loses his nerve and is reduced to pious hopes that capitalists will somehow do the right thing to protect labor and the environment and plan for the future.

But the reader senses that Friedman suspects that most Americans will not make it. That's why he hedges his bets by suggesting a realignment of American political parties, with the business wing of the Republican Party and the affluent East Coast and Hollywood social liberals joining together to resist the "populist" demands of increasingly disgruntled working people in both blue states and red.

Thus, in the end, Friedman seems to understand that his global boosterism is a con. For the privileged, peripatetic Friedman—who will never have to be retrained, never have to sit through a lecture on work habits in a shabby social service agency meeting room, never have his house foreclosed—the nihilistic vision of the world as an accelerating treadmill of constant insecurity, jobs with longer hours and shorter pay, the destruction of community, and the triumph of dog-eat-dog competition is as close to heaven as you can get. For most people it is a vision of hell. ●

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