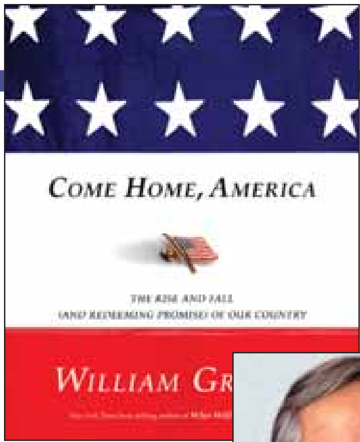

An excerpt from the new book, ***Come Home, America*** (Rodale, 2009) by **William Greider,** national affairs correspondent for *The Nation.*

Blinded by Faith

The case against globalization.

The United States of America (which has a per capita gross domestic product of $46,000) is ensnared in a perverse symbiosis with China (which has a per capita GDP of $2,400). The richest nation on earth borrows—massively, every year—from this very poor country so Americans can sustain a fabulous standard of living. It is an embarrassment, especially for advocates of globalization, but America's depleted condition makes it necessary. The burgeoning U.S. indebtedness to foreign nations contradicts the familiar claims that free trade among nations is a winning proposition for America. Unlike the typically symbiotic relations between species in nature—think of honeybees pollinating apple trees—the cooperative relationship between China and the United States does not deliver mutual rewards.

The Chinese are willing to freely lend hundreds of billions of dollars to America because we need the money to keep buying China's exported goods. Companies producing in the United States sold some $79 billion in exports of goods and services to China in 2007, but Americans bought more than four times that from China in return, about $330 billion. The lopsided trade enables China to accumulate vast reserves of new wealth and lend much of it back to its U.S. customers. China, along with other major foreign creditors like Japan and the oil-rich Arab states, is America's national credit card.

This recycling of wealth allows U.S. consumers to enjoy cheaper goods and to keep living beyond our means, consuming more than we can competitively produce every year. It also gives China the wherewithal to continue its spectacular trans-

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formation into an advanced industrial nation by absorbing manufacturing jobs and now professional services that used to be based in the United States. China gets new factories and wealth. The United States gets outsourced production and an ominous, growing mountain of debt. In the short run, both sides gain something. In the long run, America is a big loser.

China is the source of that "giant sucking sound" Ross Perot talked about back in 1992 when he ran for president (although he thought it would come from Mexico). Between 2001 and 2007, 2.3 million U.S. jobs were lost as the trade deficit with China grew to $260 billion. The nonprofit, nonpartisan Economic Policy Institute has calculated the devastating impact that has had on the American working class, including those who did not lose their jobs. Competition with Chinese workers costs all working people without a college degree—about 100 million people, roughly 70 percent of the workforce—an average $1,400 each in wage income. Of course the same group suffered similar losses from imbalanced trade for many years before China's rise. The average wage of industrial workers, when discounted for inflation, has remained flat since the early 1970s.

It is easy to demonize China, and many Americans do. After all, the Communist mandarins brutally suppress human rights and exploit young rural villagers who leave home to work in the new factories. Furthermore, the U.S. government and U.S. businesses regularly accuse Beijing of various forms of cheating—manipulating its currency for price advantages; blocking foreign products from entering China's market; and ripping off U.S. patent and copyright holders by copying musical works, films, and electronics, for example. The charges have some substance, but not much.

China is merely doing what the global trading system allows it to do. In fact, China is simply following the successful development strategy that Japan pioneered four decades ago and that other Asian tigers like Taiwan, South Korea, and Singapore undertook for their own rapid industrialization. A poor nation rises above poverty not by practicing "free trade," but by leveraging its primary asset—plentiful cheap labor—and managing its national economy in smart, self-interested ways that target the industrial assets of wealthy economies. In the face of criticism of these practices, some Asians point out that the United States targeted Great Britain in much the same way during America's rise to industrial power in the nineteenth century. In those days, Yankees stole English textile-producing technology and built domestic industries by blocking foreign imports.

China is demonized today, but twenty-five years ago, it was Japan. In the 1980s, U.S. leaders loudly accused Japan of instituting policies that caused us to run huge trade deficits and of slyly taking business away from America's advanced industrial sectors. The Japanese apologized occasionally, but they did not back off. In the end, U.S. companies and government capitulated. Starting in the late 1980s, the manufacturers in the major industrial sectors decided, one by one, to embrace the strategy of shifting more U.S. production offshore to take advantage of the low-wage workers available in Asia and elsewhere. Machine tools, computer technologies, auto parts, advanced semiconductors—these and many other industries moved abroad, and more would follow.

South Korea, Taiwan, Singapore, and other nations hoisted themselves up the technological ladder by attracting U.S. multinational corporations to invest capital and technology. China is distinctive only by virtue of its colossal population of 1.3 billion people and its wealth reserves of $1.2 trillion (mainly invested in U.S. debt paper, Treasury bonds, and some private lending).

These once-poor countries are also now among our leading creditors. They share with China the same strong incentive to keep America afloat. If the United States becomes tapped out and can no longer buy what the rest of the world makes, the exporting nations will lose their best customer. That will send the global trading system into deep trouble, leaving it with lots of factories capable of producing far more than the world's other consumers can afford to buy.

No one in the upper realms of U.S. government or industry can claim to be surprised by China's self-interested strategies. Beijing, if anything, has been far more forthright about its intentions than Tokyo and the other Asian tigers were. In the early 1990s, the Chinese government issued a series of policy directives for five strategic industrial sectors and explained how China intended to become a world-class producer and exporter of autos, chemicals, advanced electronics, and other goods. Foreign multinational companies were eager to gain access to China's promising market of domestic consumers. Beijing invited them to compete for entry, but on China's terms.

America's governing elites seem blinded by faith.

Foreign companies would be given generous tax breaks and other incentives, but they would be required to relocate some production, both jobs and technology, in China. Furthermore, foreign investors would have to partner with domestic enterprises and help China's infant industries acquire more sophisticated industrial skills. Some nations like Japan were wary at first and held back. American multinationals plunged in with enthusiasm.

Washington officials understood all of this. Corporate ambitions to invest in China were embraced and aggressively promoted by the federal government. In the 1990s, the Clinton administration cleared the way by agreeing to grant China full membership in the global trading system and the World Trade Organization. Bill Clinton at the time predicted win-win results for both countries, including lots of good jobs for Americans. But the reverse happened. China's great leap forward was driving the U.S. trade deficit skyward as Clinton left office, and it has tripled since.

The trade deficit and national debt are the clearest evidence of America's weakened condition. In 2007 alone, the U.S. economy swallowed an overall trade deficit of nearly $731 billion. It was compelled to borrow almost 6 percent of U.S. GDP from abroad. Over the last fifteen years, the United States has accumulated more than $6 trillion in trade-deficit debt, which, by virtue of encompassing the entire economy of households, the business community, and government, is more ominous and far-reaching than debt incurred by the federal government.

When a family or company has to borrow more money than it earns every year to pay its bills, the company or family is understood to be very unhealthy financially. The same gauge applies to a national economy. The U.S. trend is ominous because it has been going on for many years, although it has usually been ignored or blamed on peculiar circumstances. The change in the country's fortunes represents an extraordinary shift of power: Twenty years ago the United States was the creditor nation, lending its surplus capital to the rest of the world. Now we are the borrower nation, busily digging ourselves a deeper hole.

The deterioration of America's economic strength has been difficult for many to grasp because it is happening like a slow-motion mudslide. The commonly discussed economic statistics do not reflect it, and influential opinion leaders seldom talk about it with any candor. News media outlets treat trade deficits as unimportant and report the telling statistics deep in the financial pages.

Yet the United States is in the midst of a profound and frightening industrial transformation tantamount to an aging person gradually losing weight and muscle. Economists prescribe various remedies to conceal the wasting, but in fact it continues, driven by fundamentals of global industrialization the economists do not recognize. The United States is like a family awaiting notice that its credit cards are maxed out. Imagine the impact it would have on Americans' lifestyles if the country had to abruptly reduce consumption by 6 percent—roughly the amount supported by foreign borrowing. Someone ought to tell the Pentagon that in such circumstances it seems unwise to pick a fight with our biggest banker.

How could this have happened to us, the nation with incomparable advantages, the richest and arguably most inventive society? We were the only great industrial power left unscathed after World War II. The United States was the broad-shouldered giant that set out to rebuild the global economy when nobody else could do it. Fifty years ago, the United States' economic power permitted us to reorganize and take charge of the world. Now we are a stumbling Goliath.

In the victor's role, America shouldered the burdens of leadership to pursue both self-interested intentions and a progressive vision. Leaders understood that our muscular economy could not prosper if the rest of the world remained in ruins. So the United States adopted a broadly generous agenda, and other countries joined in. Don't punish the losers, as had been done after World War I, the policy said. Instead, help them recover and rebuild. Don't let old colonialist powers reclaim their dominion over poor countries. Create new institutions—the World Bank and the International Monetary Fund—to rebuild the international trading system and keep it stable and fair. Make the U.S. dollar the reliable anchor for the world's other currencies. Use the United Nations to mediate rivalries and sustain the peace among nations.

The cold war struggle—capitalism versus communism—raised the stakes of power and split the industrialized world into two competing realms with scores of underdeveloped nations in between. The United States fused global development assistance with its strategy for containing the Soviet Union. Military spending and overseas deployments of American forces stimulated the economies of struggling nations, rewarding Japan, Germany, and other allies with money and jobs. U.S. multinational corporations became the engine for dispersing the American system worldwide, relocating low-skill production of consumer goods like shirts and shoes to poorer nations to jump-start their industrial development.

On the whole, the process worked. Poor nations gained, and some became wealthy competitors of the United States.

Others at least became less poor. Third world countries observed the contrast in the economies of the Soviet Union and the United States and, one by one, those who had a choice chose the American side of the argument. The global expansion of trade and investment was being transformed, meanwhile, by great technological breakthroughs in an industrial revolution driven by semiconductors, computers, digital communications, and other life-enhancing inventions. Most of these wondrous things were invented in America. So how did it happen that the United States, progenitor of such great advancements, wound up in its deep hole?

The short, simple explanation, I regret to say, is national arrogance. The glory days of World War II and its triumphant aftermath brought on presumptions of singular American greatness—really, American superiority—that were profoundly flawed. It was widely assumed that, whatever the circumstances, the United States would prevail because we were inherently better than other peoples of the world—more principled, more productive, and, of course, more powerful. Weren't World War II and the fabulous postwar prosperity proof of American supremacy?

Not everyone subscribed to these inflated convictions, of course, but the nation itself used them as a subtext for governing the world. If push came to shove, the United States would have its way. This great fallacy—resulting from the human conceit of overweening pride—is still believed by the people in charge, if not the broad population. The nation is learning, slowly and painfully, how wrong it was. People from everywhere in the world are capable.

The United States' approach to globalization was also informed by companion fallacies derived from the assumption of superiority. Though never stated explicitly, they were clearly visible in U.S. policies and actions. One fallacy was the belief that, deep down, everyone else in the world wanted to be like us. No matter what other governments might say, the U.S. economy was considered the obvious model for success, and sooner or later other nations would have to follow it. We would tolerate foreign deviations from this model for a while because we assumed that ultimately the American system would prevail.

A second fallacy was that U.S. economic prowess could not be surpassed. After all, the reasoning went, American science and engineering were leading the technological revolution. If other nations ascended the industrial ladder, their success was not a threat: Americans would simply climb higher. We would get more education, become even more skillful and productive, and invent new stuff to sell the world.

A third fallacy was aggressively preached and even pushed on other nations. The U.S. system of capitalism—which tolerates less governmental intrusion and places more power in the hands of private enterprise and capital—was depicted as the only legitimate version of capitalism, superior to all others. The American approach gives its own multinational corporations as much freedom and influence as possible and assumes that these companies embody the national interest and will do all they can to advance it. This U.S. perspective has been embedded in numerous trade agreements and World Trade Organization rules governing global trade. The WTO protects the interests of capital and corporations; it has nothing to say about defending workers and societies against capitalism's depredations.

These strands of American belief fused together to form the dogmatic ideology that rules American politics. This orthodox doctrine of corporate-led globalization is deeply embedded in respectable thought and embraced by both political parties. The belief system is so powerful, and its adherents so devout, that I sometimes think of it as "the church of free trade." Yet U.S. market doctrine has never fully convinced other advanced nations, and many have ignored important aspects from the outset. Poorer countries that were too weak to resist at first are now openly revolting against the stern dictates that Washington pompously labels the "Washington Consensus."

China is merely doing what the global trading system allows it to do.

America's governing elites seem blinded by faith. They are true believers who are, not coincidentally, also under the influence of the nation's most powerful business and financial interests. You can see why they might believe in this ideology. Young and old alike, they have been running the world for two generations—or at least they thought they were. Whatever setbacks it faces, the United States somehow has always seemed to come out okay. Despite the deepening U.S. predicament, very few politicians are willing to suggest departing from the orthodoxy for fear they will be scorned as reactionary protectionists. Major media outlets play the role of enforcers, punishing dissenters who stray from the faith and express unsanctioned ideas. The political debates are exceedingly simpleminded and revolve around the orthodoxy's favorite bromide—"more trade good, no trade bad"—as if that were our only choice.

Globalization has claimed the high moral ground in American politics for another, more substantial reason: It represents progress. The rise of global trade offers the historic

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promise of reshaping the relations between rich and poor nations in positive ways. The process that advocates envision enables impoverished nations, aided by trade and foreign capital, to lift themselves up by gaining at least a foothold on the economic ladder. There is much truth in that assumption, and as a result, critics of globalization are often accused of being narrow-minded and indifferent to world poverty.

But the dogma does not tell the whole truth. We are in the midst of an industrial revolution and, like previous technological upheavals in history, it is both progressive and brutally reactionary. Its retrograde force enriches some by injuring and destroying many others, exploiting the powerless low-wage workers at one end of the global system as it robs industrial workers at the other end of their livelihoods and hard-earned place in society. Every industrial revolution of the past has tolerated the same moral contradiction—creativity and shocking injustice, side by side. In the industrial revolution of the late eighteenth and early nineteenth centuries, children worked in coal mines and "dark Satanic mills," as poet William Blake characterized their workplaces. Now, new billionaires live in princely splendor while great masses of their fellow citizens are cast aside and ruined.

Every previous technological revolution has been followed by political storms created by protest movements and new ideologies that arose to confront injustice and restore injured societies or to overthrow capitalism. Today, in the United States and around the world, we are seeing the early stages of similar reform movements—popular rebellions against the human and environmental destruction that flow unchecked from free-market globalization. In this sense, capitalists and corporations are the reactionaries resisting the future. The U.S. government, for the most part, is their ally.

There is something else the proponents of the established dogma did not explain to Americans: Their own country would become a loser. The national economy would experience severe erosion in exchange for globalization's advances, and so would the finances of many ordinary Americans. For many years, the authorities have vehemently denied this possibility and promised the opposite. But people figured it out for themselves. ◆