Free Trade *Fiasco*

The case against trade liberalization.

BY EAMONN FINGLETON

When Robert Lighthizer published his memoirs last year, it was no surprise that he let rip at free trade. After all, he is a protectionist who, in his erstwhile capacity as United States Trade Representative, led the Trump administration's efforts to impose tariffs on China.

What was interesting was the relative serenity with which *No Trade Is Free: Changing Course, Taking on China, and Helping America's Workers* was received. For the most part, former hard-line, pro-free trade economists held their peace. Indeed, some prominent establishment figures even penned favorable blurbs for the cover. They included such former free trade enthusiasts as Senator Marco Rubio (R-FL) and Larry Kudlow, who served as National Economic Council director during the Trump administration.

As for other pro-free trade economists (we'll call them orthodox economists), they may not have admitted it yet, but they evidently now realize that America's foreign trade liberalization program has been a fiasco. Indeed, it will surely be remembered as one of the greatest peacetime fiascos in world history.

It is an error moreover that has been shared by much of the English-speaking world, not least the United Kingdom; and it surely heralds a traumatic reduction in the influence of Anglophone culture in world affairs. It also surely heralds an implosion in the role of economists as torch-bearers showing the way to the future.

This essay will make five main points. First, even if all nations had sincerely obeyed the economics profession's rules for free trade, America had little to gain, and much to lose, from opening up to global free trade.

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Second, because of fundamental changes in the underlying economics of manufacturing over the last century, the incentive for nations to renege on their market-opening commitments has consistently increased. A key change has been that advanced manufacturing has become much more capital-intensive. This has favored those nations that are most effective in maximizing their capacity utilization.

Third, America's economic decline has gone much further than even most U.S. policymakers have understood. The full extent of America's decline has been reflexively swept under the rug by a disgraced economics profession and a pusillanimous press—in other words, the same people whose failings did so much to cause the disaster in the first place.

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Fourth, free trade advocates have been wrong to blame tariffs as the principal cause of the Great Depression. The imposition of tariffs in 1930 was mis-timed, but this did not gainsay the fact that tariffs have had a long previous history of successful deployment in the United States. The real story of the Depression was of a fateful coincidence. Tariffs were imposed just as Wall Street was trying to recover from the most devastating financial bubble in its history.

And last, tariffs are now the least bad option for the United States as it tries to recover some of its former economic glory. Tariffs should be applied responsibly across the board to all nations at a uniform, relatively moderate, rate.

A BEACHED WHALE

For more than forty years, America's once world-dominating manufacturing industries have become ever more hollowed out. One consequence has been that America's trade deficits have gone from the merely frightening to the utterly scarifying.

Instead of robustly building a consensus to tackle the problem, the economists have generally contrived to ignore it. The practical consequence is that America is having to borrow ever-larger sums from abroad.

Not the least of America's creditors is the People's Republic of China. China's holdings of U.S. Treasury bonds recently totaled $776.5 billion. That's almost enough to fund a year of America's gigantic defense budget. Put another way, it is more than twice the total revenues of America's five biggest pharmaceutical companies.

All this foreign borrowing has been necessitated by the decline—and in many cases the entire elimination—of America's once hugely successful manufacturing industries.

The ultimate indicator is the current account, which is the widest and most meaningful measure of a nation's trade. America's most recently reported current account deficit totaled $819 billion. That was up more than 80 percent in five years.

The worst of it is that there seems to be no acceptable way out. Devaluation might work, except that the U.S. dollar is the world's reserve currency. Most of America's trade partners want to retain the status quo, and no U.S. president wants to be the one who dethroned the dollar.

Basically America has been rendered the economic equivalent of a beached whale. No matter which way it turns, it can't get much traction.

A CONTRADICTION AT THE HEART OF ECONOMICS

Little publicized outside the economics profession, a contradiction exists at the heart of modern American economics. On the one hand, economic theorists have long tenaciously argued that the United States wins on balance from free trade. Yet on the other hand, with every year that passes, the protectionist nations have inexorably increased their share of world output—and they seem to have done so mainly at America's expense.

As Washington-based international trade analyst Kevin Kearns points out, the extent to which other nations have misled the United States is extraordinary. He comments: "There has never been any adherence to free-trade theory or practice outside the Anglophone world. There was only lip-service, giving the Americans what they wanted to hear."

Kearns, a former U.S. diplomat who served in Japan, Germany, and Korea, describes France and Germany as "mercantilist to the core." Meanwhile, as he points out, Japan learned its mercantilism from Germany and then served as mentor to China and the rest of East Asia.

AN ATHEIST IN CHARGE OF THE CATHEDRAL

One observer who has noticed the economists' new mood is Pat Choate. Best known as Ross Perot's running mate in the 1996 presidential election, Choate is one of the few fully credentialed American economists who from the start opposed the free-trade orthodoxy.

As for orthodox American economists, they seem to have assumed all along that the trade problem would just take care of itself.

Supposedly as America opened up to free trade, nations like China and Japan would admiringly notice how successful America had become and would eagerly follow in its footsteps.

That was a comforting thought but, as Choate points out, it was dead wrong—and the reasons for the error reflect badly on important elements of the American establishment.

He comments: "Expecting China to adopt the U.S./U.K. trade model was enabled by the ideological blindness of our intellectuals and the greed of our financial system." He adds: "There are other economic models in the world that other nations find deeply beneficial."

As we have mentioned, American economists are finally waking up. What they are discovering is truly shocking. The conventional case for free trade stands revealed as disastrously simplistic.

Actually, for anyone who has been paying attention, the case was always simplistic. Even as far back as the early nineteenth century, when the theory was first enunciated by the London political economist David Ricardo, his assumptions were already problematic.

To make the mathematics work, Ricardo assumed that the world consisted of just two nations: Portugal and England. He further assumed that each nation produced just one product—wine in the case of Portugal and wool in the case of England. It hardly required a doctorate to see that in such circumstances both nations might gain from trading with one another. But generalizing from this to assert that all nations benefit from free trade all the time is a big jump—and an unwise one.

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This should be obvious merely from one striking fact: the World Trade Organization now includes more than 160 nations.

It is hard to exaggerate how radically things have changed. As recently as 1990, China's exports totaled little more than one-sixth of America's. But China was just getting started. It went on to pass the United States in total exports as early as 2006. Then in 2013 it passed the United States also in overall trade (imports plus exports).

This means that it is China, not the United States, that now ranks as the head honcho of the World Trade Organization. It is as if an atheist has been put in charge of the cathedral. Or perhaps a piscatorial analogy might be more appropriate: it is as if a barracuda has been put in charge of the aquarium.

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Perhaps the most striking thing about all this is how long it has taken for the news to get out.

Until recently, intelligent opposition to free trade has been largely confined to the American left, with people such as activist Ralph Nader and journalist Robert Kuttner to the fore in tackling the impact on labor. It is only in the last year that many in the American right have finally awoken to the realization that there is more to the trade story than just a few left-right debating points.

The economics profession's increasingly fragile consensus began to crack in February 2024. That was when the Nobel-winning economist Paul Romer, in a moment little short of apostasy, publicly questioned the orthodoxy. A professor at Boston College, he is a former chief economist of the World Bank.

Romer was quickly followed by Nobel economist Angus Deaton, who, though born in Scotland, has long been a prominent faculty member at Princeton. Then a few weeks later, Janet Yellen, the U.S. Treasury Secretary, bluntly told China that the United States could no longer cope with China's endless exports and would have to impose trade restrictions.

Elsewhere in American society, there is also evidence finally that the truth is beginning to seep through—and we may even be nearing a dam-burst moment. Among prominent figures who have been asking sharp questions is Rana Foroohar, a top New York-based editor at the *Financial Times.* Then there is Peter Thiel, co-founder of PayPal. At the level of think tanks, Jeff Ferry at Coalition for a Prosperous America is well-informed. Other think tank players include Oren Cass, author of *The Once and Future Worker* (2018).

A UTOPIAN PIPEDREAM

The more closely one examines the modern global economy, the more obvious it is that free trade is at best a Utopian pipedream—in other words, a construct that can exist only in impossibly ideal conditions. Certainly "Utopian" was how the late Anglo-French businessman James Goldsmith summed things up as far back as the 1990s. Although few heeded him, he was in a better position than most to offer an opinion. A famously shrewd investor, he had started out a strong believer in free trade, but by the early 1990s he had turned 180 degrees. He felt so strongly that he wrote an entire book on the subject. Its title said it all: *The Trap* (1994).

Let's consider in more detail how the world would look if every nation embraced free trade. Economies of scale would be important in most industries, and particularly in the most advanced manufacturing industries. A few especially efficient manufacturers would rapidly build enormous global market share. Thus the world would soon be down to a few monopolistic producers.

For a glimpse of how powerfully monopolistic forces can kick in even in the less-than-perfect competition of the last four decades, consider the passenger airliner industry. As recently as the 1980s, as many as ten manufacturers around the world could claim to build serious airliners. Now the full-sized passenger jet category is down to a tight duopoly: Boeing and Airbus. Moreover, already with close to 60 percent of the market, Airbus is looking increasingly dominant.

How in practice might industries develop if allowed perfect freedom? A good guess surely is that as soon as they had the freedom to do so, they would form cartels. And this would, of course, negate the whole point of trying to approach perfect competition.

ABSENTMINDED GLOBALISTS

To understand how badly America has been served by its economists, let's begin at the beginning. Washington's push for trade liberalization began for real in the mid-1960s, with the launch of the Kennedy Round of international trade talks.

The surprising thing in retrospect is how absentminded the American policymaking community seems to have been. Few economists appear to have reality-checked the assumptions underlying trade liberalization. As for the media and the policymakers, they simply deferred to the economists.

America's great manufacturing corporations were less enthusiastic, but in general their reservations were muted. Any manufacturing executive who voiced serious doubts would likely be dismissed as a wimp, and an un-American wimp at that! After all, it seemed that, by virtue of its uniquely creative culture of freedom, America was destined to prevail forever as undisputed leader of the world economy.

Of course, America in those days had much to be confident about. American manufacturers dominated the world market in almost every advanced manufacturing field. And in 1964 alone (the year the Kennedy Round talks got going), America made spectacular breakthroughs in space travel, integrated circuits, lasers, laser diodes, and semiconductor materials. No wonder that, with just 6 percent of the world's population, the United

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Simplistic and Unwise

David Ricardo

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—E. Fingleton

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States accounted for more than one-third the world's economic output.

WHERE WAS THE UPSIDE?

The first thing to note about America's trade liberalization is that at the outset in key industries, America already enjoyed a market share close to saturation—as high as 80 percent or even higher in many cases. Realistically, therefore, even in the unlikely event that other major nations sincerely honored their market-opening commitments, the upside for American exporters was limited. American exporters moreover found that many overseas markets were unpromising for various cultural reasons unrelated to mercantilism. Culture can affect trade in myriad ways, many of them less than obvious. Take the car industry. Even at Detroit's zenith in the 1950s, America exported remarkably few cars to the United Kingdom. There was nothing wrong with Detroit's quality or its prices. The problem merely was that the British like to drive on the left.

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As for the reality of the 1960s world trade system, the rewards to a nation from cheating were already then considerable. In large measure, this reflected fundamental changes in the economies of manufacturing, and in particular, an increasingly decisive role played by economies of scale. This stemmed in considerable measure from faster and cheaper transport, and the whole effect strongly favored nations that maximized their capacity utilization.

Meanwhile, the world's most determined exporting companies—based typically in Japan or Germany—paid much lower wages than the big American corporations. Many of them were so determined to win share in the American market that they would sell below even their lowest permissible prices.

This drove a stake through the heart of the post-World War II American corporate model. A principal assumption of that model was that no buyer or seller was large enough unilaterally to influence supply and demand. Just how far this assumption diverged from reality was notably apparent in the 1960s computer industry, where customers talked of "Snow White and the Seven Dwarfs." IBM was, of course, cast in the role of Snow White.

The reality was that American manufacturers made big profits in the relatively uncontested home market; and this gave them not only the wherewithal to invest heavily for the future, but to sell abroad at discounted prices. This model worked because the American home market was both huge and assiduously protected.

It is hard to exaggerate the significance of America's large population. At nearly two hundred million in 1970, it was close to the combined populations of West Germany, the United Kingdom, France, and Italy! Thus for any nation that aspired to increase its world market share, a vital first step was to maximize its access to the U.S. market.

THE IMPORTANCE OF BEING HIDDEN

When the American press talks about manufacturing, it rarely has in mind so-called intermediate goods. That's a major omission, because advances in intermediate goods drive progress in global manufacturing. The term refers to, among other things, the highly purified materials, precisely wrought components, and sophisticated production equipment that are essential to the production of advanced consumer goods.

Manufacturers of intermediate goods think of themselves as the aristocrats of industry. The view seems to be supported by the facts. Certainly the nations that are adept at making intermediate goods at any one time tend also to lead in overall economic prowess. Britain led in intermediate goods in the nineteenth century. Then in the early years of the twentieth century, the lead passed to the United States. America pre-dominated into the post-World War II era and by the 1960s seemed utterly impregnable.

That reckoned without Japan, which from modest beginnings in the 1950s proceeded in the 1970s and 1980s to establish leadership in a host of categories. In recent years, however, even Japan has increasingly been eyeing China's rise. Although Japan has so far seemed to hold its own, there seems little doubt that, in the fullness of time, China, with ten times Japan's population, will succeed to leadership.

China's rise moreover is being powerfully speeded by the nation's industrial policy. The term refers to a strategy whereby top financial bureaucrats, working with major banks, map out the road ahead for key industries and shower funding on those industries and corporations that seem most capable of investing it successfully. For an excellent account of how China has been using industrial policy, see, for instance, "How China Pulled So Far Ahead on Industrial Policy" in the *New York Times* on May 27, 2024.

The manufacture of intermediate goods is generally both highly capital-intensive and highly know-how–intensive. Thus, a deep economic moat is dug around the manufacture of the most important intermediate goods. This in turn means that in any particular category, there may be no more than two or three suppliers worldwide.

Inside the moat, the incumbents enjoy great scope to collude on pricing. Most of the time they price high but, faced with a newcomer trying to break in, they can drop prices dramatically in a short but devastating trade war—a war that they are almost certain to win.

A striking example of intermediate goods in plain sight is in the garment industry. Although thousands of manufacturers around the world make garments, only one—Tokyo-based YKK—dominates the global market in zippers. YKK's global market share was reportedly around 40 percent.

A similarly evident monopoly is in the bicycle industry. Thousands of manufacturers around the world make bicycles, but there is only one Shimano, an Osaka-based company that dominates the global market for bicycle gears.

The rise of oligopolistic forces in advanced manufacturing is nothing new, but what is new is the extent to which American corporations have been marginalized if not entirely excluded from the game. The issues here are not just economic but political. Although it would take a lot for a producer nation to cut off supplies to the United States, that possibility always exists and, particularly at a time of geopolitical tensions, it can assume considerable proportions. As journalist James Fallows has pointed out, America's situation recalls the story-book problem where, for the want of a nail, a horseshoe was lost, and for the want of a horseshoe, a horse was lost, and so forth.

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If intermediate goods are so important, why don't we hear more about them? Producers have various reasons for avoiding the limelight. For one thing, they would rather not hear from U.S. antitrust regulators. They also feel the need to tread lightly where the U.S. Defense Department is concerned. After all, the United States still—sometimes—invokes buy-American policies in munitions.

The larger picture, as indicated by international trade figures, is devastating. Unfortunately, these figures are rarely reported in the press anymore. The change seems to have been inspired by the international trade lobby's 1990s theme that "trade deficits don't matter." Top U.S. editors considered the matter closed.

REMEMBERING THE U.S. CONSUMER

Orthodox free-trade economists insist that the American economic model of the early post-World War II era—the one that is so fondly remembered today by many elderly Americans—was largely an illusion. Specifically, they allege that, because the U.S. government levied sizable tariffs on imports, this model may have nicely served big business, but it short-changed consumers.

This surely takes too narrow a view. Certainly any wider view would include the fact that American wages in those days ran twice those in Germany and Britain and more than three times those in Japan.

In any case, the consumer's interest should not be judged merely by a snapshot at a single moment in time. Rather, it should be judged by the consumer's entire position as he or she goes forward. Because the American system delivered superior economic growth (in fact, GDP growth of more than 4 percent per year in the 1950s and 1960s), consumer welfare was on a fast track upwards.

In our own time, China offers a speeded-up version of the same movie. In the short run, Chinese consumption is being held back as part of an effort to boost the savings rate; but in the longer run consumption is growing fast. Just how fast is apparent in, for instance, Chinese car ownership, which has almost doubled in the most recent eight years.

THE BELATED TRUTH ABOUT THE GREAT DEPRESSION

As we will see, tariffs are a key part of any solution to America's current disaster. But before we consider the case for tariffs, it is important to clear away some false impressions.

The standard view is that the so-called Smoot-Hawley tariffs of 1930 caused the Great Depression. That is one of the great misconceptions of history and it obscures how effective a tool tariffs can be in restoring present-day America's economic well-being.

In typical discussions of tariffs, little or no mention is made of America's pre-1930 experience with them. All through the nineteenth century and into the first years of the twentieth, tariffs were considered an important tool of American economic policy.

What made the 1930s different was a fateful coincidence: the Smoot-Hawley tariffs were enacted just as the American economy was trying to pick itself up after the Wall Street crash. The crash followed a wild financial bubble which had begun in the mid-1920s and was largely unrelated to international trade. The bubble burst in the fall of 1929, when in the first four days alone, stock prices fell by nearly a quarter. The tariffs were obviously mistimed; but this hardly gainsays the fact that, used intelligently, tariffs can powerfully boost a nation's growth.

Even given all this, many proponents of free trade are not finished. While they may concede that the role of tariffs in the Great Depression may have been mischaracterized, they hold that America should remain faithful to what is perceived to be its "home of the free" ideology.

But actually where nineteenth century American trade is concerned, there never was a "land of the free" ideology.

Far from accepting David Ricardo's case for open markets, many nineteenth-century American opinion-leaders embraced a radically different economic model—the infant industry model. This model was promoted as early as the late eighteenth century by America's first Treasury secretary, Alexander Hamilton. Some years later, it was presented in a powerful book by the German-American economist Friedrich List.

List was a self-taught philosopher and all-round deep thinker—and an avowed protectionist. His ideas went on to exert a considerable influence over America's economic strategy for more than a century. In large measure, he was preaching to the converted, as political support for protectionism was then the norm above the Mason-Dixon line. Of countless U.S. thinkers and political leaders who supported tariffs, some of the more prominent were Abraham Lincoln, William McKinley, and Theodore Roosevelt. Others included the banker Andrew Mellon and the publisher Horace Greeley.

A key feature of the infant industry model—and of national economic growth models more generally—is a strong emphasis on exports. This model urged nations to deploy tariffs and subsidies to help promising young manufacturing companies get going.

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TARIFFS FOR TODAY

For America's problems in 2024, the only effective policy tool available is tariffs. The immediate effect of tariffs is to restore American manufacturers' margins, offering them the wherewithal to invest for the future and—perhaps—to re-shore some of the countless American jobs that have been shipped abroad in recent decades.

Tariffs moreover offer several less obvious advantages. For one thing, they tend to suppress a nation's consumption. This of course may sound like they are part of the problem, but actually it is simply another way of saying that tariffs boost a nation's savings rate (we have already seen this effect in the case of China). However much free trade advocates might wish it otherwise, the United States desperately needs to boost its savings rate. A program of across-the-board, modestly rising tariffs over five years would represent a giant step towards putting the United States back on its feet.

President Donald Trump faced down a powerful taboo when in 2018 he imposed tariffs on Chinese steel. Supposedly he risked touching off a domino effect of economic collapses around the world. In the event, he touched off merely bathos.

The U.S. economy survived. The Chinese economy survived. And, apart from the immediate *dramatis personae,* almost no one in the United States noticed. Even less noticed was the fact that on taking office in 2021, President Joe Biden kept most of Trump's tariffs in place.

ANOTHER SYNDROME IN STOCKHOLM

Orthodox American economists often display considerable righteousness toward intellectual opponents. To say the least, this attitude would appear to be a rejection of the West's scientific method, and in particular that method's emphasis on careful and full consideration of contrary evidence. Certainly righteousness seems more prevalent among economists than among scientists in other academic disciplines.

Where does the righteousness come from? One little-noticed but important factor has surely been the Nobel Economics Prize. The prize's Swedish awarding committee has displayed a remarkably strong bias: more than two-thirds of all prizes awarded since the prize was established in 1968 have gone to Americans.

Most of the American winners moreover seem to have been knee-jerk free traders (certainly if they have ever doubted the orthodoxy, they seem to have kept their misgivings to themselves).

The Nobel committee's bias towards orthodox Anglophone economics seems anomalous given that Sweden's own economy diverges remarkably from the Anglophone ideal. (Sweden not only operates a comprehensive welfare system but, for generations, has worked constantly to maximize its exports.)

Perhaps the most remarkable aspect of the Nobel story is how badly East Asian economists have done. No citizen of the People's Republic of China, for instance, has ever won. Nor have any economists from Japan, South Korea, or Taiwan. The implicit message is surely that there is nothing much the West can learn from East Asia. But if that is so, why has the region proved so spectacularly successful for so long in building its share of global economic output?

It is past time the economics profession addressed frankly the many contradictions in its worldview.

ECONOMISTS IN THE DOCK

America's remarkable relative decline should not have happened. All that was needed was for a few senior members of the American establishment to have brought some common sense and intellectual courage to the task.

Almost the entire U.S. establishment has much explaining to do. The situation is reminiscent of Agatha Christie's *Murder on the Orient Express,* where all the several suspects cooperate in eliminating the victim.

The most obvious of the guilty parties has been America's economists. Loftily positioned in the crowsnest of the Good Ship America, they are supposed to be ever watchful for economic disasters on the horizon. Why did they miss this one?

It was a pretty obvious problem. Here's how Yvonne Smith, an executive at the Port of Long Beach, put it: "We export cotton; we import clothing. We export hides; we bring in shoes. We export scrap metal; we bring back machinery. We're exporting waste paper; and we bring back cardboard boxes with products inside them."

The same point was made—in a more scholarly way—by the late John Culbertson. A former economic adviser to the Federal Reserve Board, he published a devastating essay in *Harvard Business Review* in 1986 titled *The Folly of Free Trade.* Among other things, he predicted the collapse of American manufacturing. Other authors and commentators who have proved similarly prescient have included Robert Kuttner, Alan Tonelson, Lester Thurow, Jeffrey Madrick, Peter Navarro, Michael Lind, Thomas Palley, Dean Baker, Larry Mishel, and Paul Craig Roberts. In many cases, their point was that free trade would lead to massive joblessness in America's manufacturing states. These warnings have been borne out; yet most orthodox economists seem not yet to have realized what has hit their profession.

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As for this present writer, his misgivings go back to the late 1980s when, on the strength of several years of on-the-spot observation, he concluded that East Asia would never open up to American-style free trade.

He published a book in 1995 outlining how radically the East Asian economic system differs from American-style capitalism. As he pointed out, the East Asian economic model makes innovative use of cartel pricing, *keiretsus,* permanent employment, consumption controls, and, of course, import controls to boost global market share. These nations' success is most obvious in the speed with which they have continued to ramp up exports. (Even Japan, which has been generally portrayed as lagging in recent times, has enjoyed amazing success in building global leadership in a host of advanced intermediate goods.)

WHO ELSE SHOULD WE BLAME?

The economics profession aside, various other elements of the American establishment have contributed to the disaster. There have for a start been the Ivy League universities. Then there are the big Wall Street investment banks and the major organs of the financial and business press.

Among elected representatives, President Bill Clinton bears a disproportionate share of the blame—and deservedly so. As a non-economist, however, he has an alibi, in that he was merely signing off on the Mad Hatter advice he was getting from his economic advisers. Key here were Robert Rubin, former top Wall Street investment banker who was the first director of the National Economic Council (1993–1995) before becoming U.S. Treasury secretary from 1995 to 1999, and Larry Summers, a former Harvard economics professor who served as World Bank chief economist (1991–1993) and U.S. Treasury undersecretary for international affairs (1993–1995). Summers succeeded Rubin as U.S. Treasury Secretary in the crucial last years of the 1990s (when the terms of China's admission into the world trade system were hammered out).

Clinton was, of course, hardly the only elected representative to cooperate with Wall Street's China agenda. Virtually all the senators and congressmen during Clinton's time in office seem to have been willing shills for the China trade lobby.

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One of the few exceptions was Ernest F. Hollings, who served for nearly forty years as Democratic senator for South Carolina. Other exceptions included Representatives Marcy Kaptur (D-OH), Phil English (R-PA), Sander Levin (D-MI), Don Manzullo (R-IL), David Bonior (D-MI), and Nancy Pelosi (D-CA), and Senators Sherrod Brown (D-OH), Barbara Mikulski (D-MD), and Byron Dorgan (D-ND).

As for major U.S. government bureaucracies, none emerges with much credit. Those who bear a disproportionate share of the blame include the U.S. State Department and the U.S. Treasury Department.

Then there is the Central Intelligence Agency. What exactly was the CIA's role? This surely will be remembered as one of the great questions of American history. The CIA's *raison d'être,* after all, is to safeguard America's national security. And security in this context surely means economic as well as military security.

A reasonable inference is that dozens of top CIA people shockingly failed the American nation. We can name some of them: William Webster, Bob Gates, Jim Woolsey, John Deutch, and George Tenet. They are known to us because each in turn served as head of the agency in the 1990s. But many others who for now are shielded by official secrecy will undoubtedly in the fullness of time be found to have been even more culpable.

WHERE DO WE GO FROM HERE?

If democracy is to be saved, America needs to ask itself some fundamental questions. There are so many mysteries to be solved. It is time for an impartial public inquiry. The economists, the intelligence operatives, the politicians, the State Department—they all have questions to answer. And it is long past time the entire American establishment was required to reconsider its assumptions. ◆