Business Week Concedes Globalism Is A Problem

by Phyllis Schlafly December 13, 2006

Printer Friendly version

Google Ads are provided by Google and are not selected or endorsed by Eagle Forum

Economists, academicians and financial consultants for years have been preaching that globalism is the wave of the future and that anyone who wants to survive in business must ride its surfboard or drown. All of a sudden, Business Week is having second thoughts.

This voice of business now says that the United States is no longer the captain of our fate because "globalization has overwhelmed Washington's ability to control the economy." As recently as ten years ago, the United States could set its course for economic growth by tax and spending decisions made by our elected representatives.

But no more. Whether you are a Republican supply-side tax-cutter, a Wall Street deficit hawk of either party, a Silicon Valley techie, or Nancy Pelosi pandering to those who want to boost the minimum wage, you must face the fact that you are marginal in comparison with the elephant in the room, which is globalization.

By many traditional criteria, our economy is doing great. Unemployment, inflation and interest rates are low, the stock market and household wealth are high, and goods are cheaper than ever.

But real wages for many U.S. workers are down over the past five years and have stagnated for others. Business Week now admits that our weak wage growth is driven by competition from cheap labor in Asia and that Congress is virtually powerless to make any significant difference.

The effects of globalization are not equal. Janet Yellen, president of San Francisco's Federal Reserve Bank, warned in a recent speech: "Globalization and skill-based technological change may have been working in combination to particularly depress the wage gains of those in the middle of the U.S. wage distribution."

Gone are the days when the man once acclaimed as the most powerful in the world, Federal Reserve Chairman Alan Greenspan, could manipulate our economy by tweaking our interest rates. Although President Bush's tax cuts poured hundreds of billions into the economy and cut our federal deficit by 40 percent because taxes on business and high-income individuals were so much higher, they generated fewer U.S. jobs than expected.

What about the area we brag about: research and development? Business Week admits that it's no longer a given that U.S. workers benefit directly from U.S.-funded research because India and China are increasingly attractive places for U.S. companies to do R&D, and education is no answer because globalization depresses wages for the better educated as well as the poorly educated.

In the Franklin D. Roosevelt era of the 1930s, conventional wisdom was that socialism, based on government spending to deal with all problems, was the wave of the future. That folly persisted into the 1970s, when Richard Nixon famously said, "We are all Keynesians now."

Fortunately, such nonsense died with Watergate and was replaced by Reaganomics and its assumption that government is the problem, not the solution.

Now the fashion is to promote globalism as our inevitable future, but that means world socialism because any free market requires a government to regulate and enforce its rules and contracts. Business Week seems to concede this when it reports that some are toying with "the creation of global institutions for governing the world economy."

The 2006 election showed that the middle class understands that globalization means the free movement of labor as well as goods across borders, and that is the enemy of well-paid American jobs. Even if U.S. workers give up pensions, health care, overtime, and all the employment benefits that have become the norm in America, there is no way they can be competitive with the very cheap labor in Asia.

Republicans should listen attentively to the campaign messages of the Democrats who won in November 2006. Sherrod Brown, who defeated Senator Mike DeWine (R-OH), promised: "In the U.S. Senate I want to revamp U.S. trade policy to reward corporations that create jobs at home."

Campaign materials of Bob Casey, who defeated Senator Rick Santorum (R-PA), proclaimed that Casey "opposes unfair trade laws like CAFTA that put U.S. workers at a disadvantage." Jim Webb, who defeated Senator George Allen (R-VA), said, "The middle class is continuing to get squeezed by stagnant wages and rising cost of living. . . . We must reexamine our tax and trade policies ... so that free trade becomes fair trade."

Ben Cardin, who was elected to the open U.S. Senate seat in Maryland, said, "I will soon be introducing legislation to restore international tax fairness to prevent further discrimination against American workers." Even Robert Reich, Bill Clinton's Labor Secretary, who is now at the University of California/Berkeley, asks, "How long can and should the U.S. continue to subsidize the rest of the world?"

The Democrats are full of rhetoric but are bankrupt of solutions. Nor does Business Week suggest solutions, merely pointing out that the old tools don't work any more.

If Republicans want to take back Congress in 2008, they will have to find solutions other than the tiresome mantras that we should improve our educational system and be more competitive with cheap labor abroad. The winners will be those who make friends with the middle class, a.k.a. the Reagan Democrats.