The Costs of Trading in the Global Economy

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The radio ads that I heard every morning during most of the Clinton years urging me to invest in the "global economy" have disappeared from the airwaves. It's now clear that "global economy" is a euphemism for transferring American tax dollars and jobs to the Third World.

Bailouts beget bailouts, as Majority Leader Dick Armey warned us in his April letter to colleagues. Within hours after the omnibus appropriations bill was locked into law including the $18 billion gift to the International Monetary Fund, the Clinton Administration announced a $30 billion bailout to Brazil.

Treasury Secretary Robert Rubin calls this latest bailout "preventive financial diplomacy." That's Clintonesque code language for ripping off the taxpayers.

Tired of dealing with the pompous bureaucrats in the IMF and fiscal conservatives in Congress, Rubin has let it be known that the Brazil bailout will bypass both institutions. The Clinton Administration will just send U.S. taxpayers' money directly to Brazil while Congress is in recess, including tapping into the Exchange Stabilization Fund, the same ploy used in the Mexican bailout of 1995.

It's time for the American public to wake up to the fraud of the "global economy" concept and the lies of the prominent politicians who prattle about it. Their skill in parsing words was learned at the feet of the master who taught us how to dance around the meaning of simple expressions like "is" and "sexual relations."

Any "market" for U.S. products in Third World countries is a fiction when they don't have the money to buy our goods and their "trade" is subsidized by big U.S. banks that, in turn, fleece the American taxpayers to cover their losses. The chief "reform" sought by Congress was to try to get the IMF to stop lending our money to bankrupt countries at below market rates.

China has been Exhibit A of the global-economy political and financial propagandists promising that Asian trade would create progress toward capitalism and democracy. From Russia to China, Communist totalitarianism has simply shifted into an oligarchy run by a clique of gangsters hostile to the United States.

A new book published in Hong Kong, "China's Pitfall" by Shanghai economist He Qinglian, exposes what really happened to the tremendous investment of U.S. money poured into China. This book "resoundingly" vindicates the skeptics, according to a detailed review in the New York Review of Books.

He Qinglian proves that the so-called "reform" initiated by Deng Ziaoping was "a process in which power-holders and their hangers-on plundered public wealth." The Communist bosses used their political power to transfer to themselves the state property that had been accumulated during 40 years of the people's sweat under Mao Tse-tung.

Deng issued a call for everyone to go into business and get rich, "even more boldly" and "even faster." His message led virtually every Party official to join the racket, using "sordid methods," bribes, kickbacks, and ignoring contracts and debts.

Friends or children of powerful officials took control of the most productive sections of state enterprises. One process was popularly called "official turnaround," whereby officials would buy raw materials or commodities at fixed prices and then "turn around" to reap large illicit profits by selling on the private market.

Public funds were used for speculation in real estate or stocks. If they made profits, the officials would keep it; if not, they would pass along the losses to state accounts.

Joint enterprises with foreign businesses allow the preferred class to deposit their profits in overseas accounts (which was illegal for others). He Qinglian calculates that this outflow of capital to private foreign accounts amounted to about half as much as the total foreign investment coming into China.

He Qinglian writes that a current popular saying is: "In the 90s we slaughter whoever we see." The word "slaughter" (zai) corresponds to the American expression "rip off."

The large foreign investment that, in the mid-1990s, ranged between 30 and 40 billion U.S. dollars a year, created the illusion that China was producing new wealth. This illusion was augmented by the fact that China's state banks took the personal savings of ordinary citizens (the equivalent of U.S. $240 billion), and used them to support state enterprises propped up with "loans" that could never be repaid.

The underworld economy, including drug trafficking, smuggling, sale of human beings, counterfeiting, prostitution and pornography, has merged with the legitimate economy. In parts of China, underworld gangsters have either assumed political power or made alliances with Communist officials to form a force that "treats farmers almost like slaves."

While the world is told that China is progressing toward a Western-style economic system, Communist bosses have kept their socially and financially privileged positions. What Deng called "reform," He Qinglian calls it "the marketization of power."

He Qinglian concludes that this "government-underworld alliance" shows that "progress toward a civil society ruled by law is no more likely an outcome than is descent into a mafia model." Whatever you call it, it's certainly not capitalism or democracy.