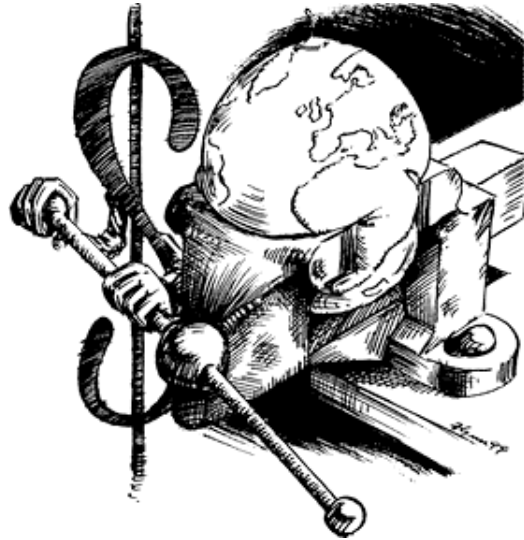


BOOK REVIEW

**We Are the
Capitalists.**

**You Will Be
Assimilated.**

**Resistance
Is Futile.**



by David C. Korten

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- *The Lexus and the Olive Tree*, by Thomas L. Friedman. Farrar, Straus and Giroux, Inc., 1999.
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Economic globalization is without question the defining reality of our time. Edward Luttwak, a longtime fellow at the Center for Strategic and International Studies, a Washington, D.C., think tank, observes in his book *Turbo Capitalism: Winners and Losers in the Global Economy* that "elite Americans do not merely approve of globalization. They treasure it as their only common ideology, almost a religion." Margaret Thatcher gave globalization the nickname TINA, the acronym for her trademark exhortation "There Is No Alternative." Thomas L. Friedman, international columnist for the *New York Times*, has long been among TINA's leading exponents. Indeed, his constant repetition of the TINA mantra in his new book, *The Lexus and the Olive Tree*, will remind fans of *Star Trek: The Next Generation* of the mantra of the Borg, the most dangerous alien species encountered by the crew of the Enterprise: "We are the Borg. You will be assimilated. Resistance is futile."

If the author of *The Lexus and the Olive Tree* were not Thomas L. Friedman, the book could, with cause, be dismissed as simply another elitist corporate puff piece extolling the virtues of deregulation and the elimination of economic borders in the idolatrous pursuit of money. Friedman, however, has often been on the side of progressives, especially in his writing on Israel. His current book has its use, not because it offers any new insights into

globalization -- it does not -- but rather because it reveals so much of the mindset of those self-proclaimed liberals and "new" Democrats who, like Friedman, have uncritically embraced economic rule by currency speculators and mega-corporations as the inevitable and beneficial future of humankind.

Friedman begins his book by telling us that he views globalization much as he views the sun coming up each day:

Generally speaking, I think it's a good thing that the sun comes up every morning. It does more good than harm. But even if I didn't much care for the dawn there isn't much I could do about it. I didn't start globalization, I can't stop it -- except at a huge cost to human development -- and I'm not going to waste time trying. All I want to think about is how *I* can get the best out of this new system, and cushion the worst, for the most people. [Emphasis added.]

From the start, Friedman admits that he is a realist rather than an idealist. Instead of seeking a more transformative vision of society, he accepts the classic liberal compromise, embracing corporate rule in the name of the free market while promising to "cushion the worst" for those who fall through the cracks. But a global economy is not like the sun (if the sun doesn't come up we die; humankind, on the other hand, has survived rather well up to the last twenty years or so without what we now call the global economy), and the worst is, as Friedman himself admits, hardly ever cushioned.

To "get the best" out of the global economy, Friedman advises nations to adopt a one-size-fits-all "Golden Straitjacket," his shorthand for the neoliberal agenda of shrinking government and social safety nets to balance public budgets, keeping wages low to minimize inflationary pressure, privatizing all public assets and putting them into play in the global securities markets, deregulating commerce to give free reign to market forces, eliminating tariffs and quotas to allow goods to move freely across your borders, giving priority to export production, and opening everything to foreign ownership. Bridling the government like this gives free rein to what Friedman calls the "Electronic Herd," the high-rolling financial speculators who will run your way and drop billions of highly leveraged dollars into your economy.

When the herd arrives, quickly grab as many dollars as you can before it senses weakness, wipes out the value of your currency, and stampedes away in search of new pastures. We mustn't, Friedman cautions, be distracted by the inequality, environmental destruction, joblessness and economic insecurity, and loss of community and cultural identity the Electronic Herd brings. This is simply capitalism's "creative destruction" at work. Mourn not if your neighbor stumbles and falls, for he is now your competitor -- his misfortune your gain. Just run faster: "Think of participating in the global economy today like driving a Formula One race car, which gets faster and faster every year. Someone is always going to be running into the wall and crashing, especially when you have drivers who only a few years ago were riding a donkey."

Friedman doesn't offer the losers much of a "cushion": be a winner or be road kill, those are your options. Lose your job in Maine? Look for another in San Diego. What about the family and friends left behind? Tough. The Golden Straitjacket is a harsh taskmaster. Can't find a job in San Diego? Then borrow a few million dollars and place some bets in the global financial markets. Make a bad bet and lose it all? Declare bankruptcy and try again.

You weren't born a multi-millionaire with a line of bank credit? Then get a bathroom scale and offer to weigh people on the street corner for a fee.

I did not make this up. Friedman tells us that when visiting Hanoi he paid a dollar each morning to be weighed by a tiny Vietnamese woman who crouched on the sidewalk with her scale. He did it, he assures us, not to find out his weight, which he already knew, but as "my contribution to the globalization of Vietnam. To me, her unspoken motto was: 'Whatever you've got no matter how big or small -- sell it, trade it, barter it, leverage it, rent it, but do something with it to turn a profit, improve your standard of living and get into the game.'"

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those are your options.

To Friedman's eye, even the most desperate survival efforts of globalism's decrepit, excluded poor are an affirmation of his capitalist faith -- evidence that the most common of people love globalization and embrace the entrepreneurial opportunities it offers. Impressed by the resilience of the poor in conditions of extreme adversity, he assures us that "globalization emerges from below, from street level, from people's very souls and from their very deepest aspirations." It is driven by "the basic human desire for a better life -- a life with more choices as to what to eat, what to wear, where to live, where to travel, how to work . . . and what to learn. It starts with a lady in Hanoi, crouched on the sidewalk, offering up a bathroom scale as her ticket to the Fast World."

While people who have been deprived of the most basic means of a decent life will struggle to survive down to their last breath, it is perverse in the extreme to interpret these struggles as an endorsement of an economic system that is in fact limiting their options by eliminating their sources of livelihood and downgrading the terms of their employment, destroying the environment, and destroying local cultures and communities all to the end of further enriching the already rich. When exactly did these people cast a vote for a world of grotesque inequality that leaves the majority struggling in desperation to survive while directing the major economic rewards to renters and speculators?

One might well wonder what planet Mr. Friedman lives on. Most of the people living on planet Earth dream not of the fast cars and Internet connections globalization brings to the few, but of the secure livelihoods, families, communities, and healthy environments which, by Friedman's own admission, economic globalization increasingly places ever further beyond reach.

Ignoring this most basic insight into the actual priorities of the vast majority of the world's people, Friedman goes on to describe what he considers to be globalization's democratizing power. He is particularly enthralled by the idea that anyone with a computer and a few thousand dollars can join the Electronic Herd and fancy themselves to be a player in the making and breaking of errant governments that seek to preserve a degree of cultural or economic sovereignty. He even tells of his own proud boast to the prime minister of Thailand in the winter of 1998 of how he personally helped to bring down the prime minister's predecessor.

Mr. Prime Minister, I have a confession to make. I helped oust your predecessor -- and I didn't even know his name. You see, I was sitting home in my basement watching the Thai baht sink (and watching your predecessor completely mismanage your economy). So I called my broker and told him to get me out of East Asian emerging markets. I could have sold you out myself, via the Internet, but I decided to get my broker's advice instead. It's one dollar, one vote, Mr. Prime Minister. How does it feel to have Tom Friedman as a constituent?

In addition to revealing Friedman's arrogance -- the real action is in the hands of the large hedge funds that gamble with hundreds of billions of dollars of borrowed money -- this also exposes his elitist belief in a democracy of money (one dollar, one vote) rather than persons, in which high stakes international gamblers use borrowed money to bring down the governments of other people's countries.

The nearest historical equivalent to the capitalism of the 1990s, as Friedman himself notes, is the capitalism of the 1920s -- which brought us the Great Depression and World War II.

For all his talk about democracy, Friedman knows full well where global capitalism actually came from, and it wasn't from the rising of the sun, the communications revolution, or the aspirations of the world's street sweepers and taxi drivers. In his *New York Times* column he has been a persistent cheerleader for the policies and practices of the World Bank, the IMF, NAFTA, GATT, the World Trade Organization, APEC, the Multilateral Agreement on Investment, and every similar assault on democracy and the general welfare by financial speculators and global mega-corporations seeking to escape the burdens of public accountability and to extract as much of society's wealth as possible. The global economy is a consequence of intentional choices made by the elites who embrace globalization as their dominant religion. The fact that most of these decisions were made behind closed doors beyond public scrutiny and debate does not make them any the less intentional.

Few would disagree that international commerce and exchange have made substantial contributions to human well-being over the nearly six hundred years since the onset of the commercial revolution. The processes of deregulation and the removal of economic borders that define Friedman's beloved globalization, however, are largely a phenomenon of the past twenty years. While this twenty-year period has produced impressive economic growth and swelled the ranks of the world's billionaires, for most people it has brought absolute declines in real living standards, unconscionable inequality, environmental devastation, and social breakdown -- contributions most of us could easily live without.

Most of the positive accomplishments of capitalism came during the period from the end of World War II through the 1970s when national borders were strong, national economies were regulated, and international trade and finance were managed to serve national interests. Edward Luttwak calls it the period of "controlled capitalism" and

documents how for most people the prosperity it brought is now being destroyed by the unrestrained "turbo capitalism" of the 1980s and 1990s that Friedman so adores. The nearest historical equivalent to the capitalism of the 1990s, as Friedman himself notes, is the capitalism of the 1920s -- which brought us the Great Depression and World War II.

Indeed, as Friedman observes, the financial meltdown that recently swept through Asia, Russia, and Latin America has already turned many of capitalism's much-touted successes into economic road kill. Undaunted by such failures and apparently unconcerned for the pain of the millions of innocent people whose lives have been disrupted, Friedman tells us that these devastating failures are a further positive demonstration of capitalism's creative destruction at work. "I believe globalization did us all a favor by melting down the economies of Thailand, Korea, Malaysia, Indonesia, Mexico, Russia and Brazil in the 1990s, because it laid bare a lot of rotten practices and institutions in countries that had prematurely globalized."

While Friedman is most certainly correct that these unfortunate countries were not ready for the stresses of economic globalization -- if any country ever is -- he seems to forget why they "prematurely" globalized. What about the rotten practices of institutions such as the World Bank, the IMF, and the U.S. Treasury Department, whose officials, like Friedman, told these and other countries even less prepared that they had no alternative to putting on the Golden Straitjacket and binding it up tight? Ready or not, the IMF imposed structural adjustment programs on their economies, while the GATT and the World Trade Organization subjected them to trade, investment, and intellectual property rights rules written primarily to benefit the world's largest corporations. So long as each country's stock bubble was expanding, it was held up by Friedman and his soul mates as an exemplar of economic wisdom and virtue. The next day, when the bubble burst, it was vilified as an economic pariah that suffered the just fate of all who mismanage their economies.

This sort of flip-flop often leaves public officials, such as Enrique del Val Blanco of Mexico's Human Services Ministry, baffled as to what the Electronic Herd expects of them:

We thought we were on the path to the First World and suddenly something went wrong. One minute the World Bank and IMF were saying Mexico was the best example. Now we are the worst example. What did we do? We are losing control. If we don't find another type of development, we are finished. We surrender.

When confronted with such questions, Friedman can only repeat his mantra that the unfortunate losers simply didn't bind the straps on their Golden Straitjacket tight enough.

Thailand is an instructive case of what actually happens when a country puts on the Golden Straitjacket to entice the Electronic Herd to visit. Through the 1980s the Thai economy was fueled by direct investment from Japanese corporations building production facilities there to produce goods destined for export to the United States. As the inflow of direct investment began to level off, Thai economists came up with a scheme to keep foreign money flowing in to maintain Thailand's high economic growth rate. They set a domestic interest rate above that of the U.S. dollar and guaranteed a fixed exchange rate between the dollar and the Thai baht. This created a powerful incentive to borrow in dollars and invest in baht to reap a profit guaranteed by the Thai government.

Just as the Thai technocrats intended, foreign money poured in and the country's foreign debt predictably escalated from \$21 billion in 1988 to \$89 billion in 1997 -- \$66.2 billion of it private. Most of the baht found their way into the purchase of real estate and existing stock shares in Thai companies, while the foreign exchange reserves created by the inflow of dollars financed a sharp increase in spending on imported goods. As the economy boomed and real estate and share prices headed for the sky, fortunes were made and the money poured in even faster to get in on the action. U.S. and other foreign banks eager to profit from the Thai money machine competed with one another to lend to anyone who wanted to borrow. The Thai government even invited the foreign banks to open branches in Bangkok to speed borrowing of dollars and other foreign currencies.

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The agricultural and industrial sectors, Thailand's real productive sectors, couldn't compete for funds against the quick and easy high returns being generated by investments in stocks and real estate. Instead of upgrading their production facilities to maintain their internationally competitive position, industrialists and agriculturists diverted the cash flows from their industrial plants and farms to more lucrative real estate or portfolio investments. This resulted in the seeming paradox that the faster foreign money flowed into Thailand, the faster the productive sectors decapitalized in favor of speculation. The country's actual productive base began to decline, and exports, which previously had grown vigorously, began to level off -- undermining the country's ability to repay its rapidly growing foreign debt. Meanwhile, imports of luxury goods -- paid for with borrowed dollars -- continued to rise unabated, fueling continued economic growth and creating an illusion of prosperity.

In the early stages, payments due on foreign loans had been easily covered by new inflows. In its 1996 World Development Report the World Bank cited Thailand as "an excellent example of the dividends to be obtained through outward orientation, receptivity to foreign investment, and a market-friendly philosophy backed up by conservative macro-economic management and cautious external borrowing policies."

The financial pyramid began to unravel at the beginning of 1997, when the consequences of the real estate over-building and a glut of unoccupied buildings and uncollectible loans forced two of Thailand's premier finance companies to default on interest payments to foreign lenders. Sensing weakness, financial speculators attacked the Thai currency by borrowing huge quantities of baht and presenting them to the Central Bank for exchange to dollars. The more astute portfolio investors started pulling their money out of the country. Concern turned to panic and stock prices plummeted. The Bank of Thailand, which committed \$9 billion of the country's foreign reserves to maintaining the guaranteed exchange rate, found its efforts were futile and watched in horror as the baht lost nearly 50 percent of its former value. The speculators who had helped to precipitate the crisis by using borrowed baht to sop up the government's foreign exchange reserves repaid their loans with deflated baht. The government announced that as many as a million Thais would lose their

jobs in three months' time, negotiated a \$17.2 billion emergency loan from the IMF, and announced that the IMF funds would be used to guarantee the foreign debts of the Thai finance companies, local banks, and enterprises that were in default -- thus converting private debt to public debt and protecting the reckless foreign banks and investment funds from the consequences of their folly with money borrowed by the IMF with government guarantees from the very same foreign banks.

This is not an economic policy designed to direct savings to investments that increase productive capacity. In short, it's not the market envisioned by classic Adam Smithian economists at all. Instead, it's a worldwide casino where high-stakes gamblers and monopolists play for the chance of garnering as much of society's wealth as possible. Friedman himself marvels that "the cornucopia of stocks and bonds, commodities and futures contracts, options and derivatives being offered from scores of different countries and markets around the world mean that you can make a bet on almost anything today." The stakes are winner-take-all: this Electronic Herd "doesn't play chess. It plays Monopoly." Indeed, for all his rhetoric about markets and democracy, Friedman tacitly admits that the global economy is about rule by an elite cadre of global gamblers and corporations intent on replacing global markets with global monopolies.

Furthermore, after endlessly repeating the TINA mantra and assuring us in eloquent prose that economic globalization arises out of the aspirations of the world's common people, Friedman ultimately admits to what most of the world already knows. Globalization is a made-in-America product imposed on the world using every instrument of power at America's command.

The Golden Straitjacket was mostly made in America. The Electronic Herd is led by American Wall Street bulls, and the most powerful agent pressuring other countries to open their markets for free trade and free investment is Uncle Sam. Our recruiting poster reads: UNCLE SAM WANTS YOU (for the Electronic Herd) . . .

In most societies people cannot distinguish anymore between American power, American exports, American cultural assaults, American cultural exports and plain vanilla globalization. They are now all wrapped into one.

Friedman tells us that most of the world sees globalization as

twenty something [American] software engineers who come into your country wearing long hair, beads and sandals, with rings in their noses and paint on their toes. They kick down your front door, overturn everything in the house, stick a Big Mac in your mouth, fill your kids' heads with ideas you've never had or can't understand, slam a cable box onto your television, lock the channel to MTV, plug an Internet connection into your computer and tell you: "Download or die."

That's us. We Americans are the apostles of the Fast World, the enemies of tradition, the prophets of the free market and the high priests of high tech. We want "enlargement" of both our values and our Pizza Huts. We want the world to follow our lead and become democratic, capitalistic, with a Web site in every pot, a Pepsi on every lip, Microsoft Windows in every computer, and most of all -- most of all -- with everyone, everywhere, pumping their own gas.

Consumed with pride in America's trashing of the world's cultures, economies, and democratic institutions, Friedman seems not to notice that the agenda America is imposing on the world is purely an agenda of a handful of American corporations, not America's people. In fact if he took a closer look, he might find that most Americans are as sick of

having this agenda pushed down their own throats as are our counterparts around the world.

Intentionally or not, people like Friedman serve as cheerleaders for injustice when they ridicule all who dare to dream of the world that might be.

Friedman moves farthest from traditional liberalism in his final chapter, in which he reveals that the success of globalization depends on America's willingness to use its military power to impose the globalization agenda against any "who would threaten the system of globalization -- from Iraq to North Korea." He continues:

The hidden hand of the market will never work without a hidden fist. McDonald's cannot flourish without McDonnell Douglas, the designer of the U.S. Air Force F-15. And the hidden fist that keeps the world safe for Silicon Valley's technologies to flourish is called the U.S. Army, Air Force, Navy, and Marine Corps

With all due respect to Silicon Valley, ideas and technology don't just win and spread on their own. "Good ideas and technologies also need a strong power that promotes those ideas by example and protects those ideas by winning on the battlefield," says foreign policy historian Robert Kagan.



So much for Friedman's earlier claims that economic globalization is an inevitable and self-propelling force arising out of the dreams and aspirations of every man and woman.

There are a few brief passages in which Friedman laments the loss of cultural diversity, destruction of the natural environment, and the disempowering of the poor that have been the hallmarks of globalization. In these passages, he attempts to position himself as a kinder, gentler globalizer. He divides the world into those who are for and against globalization and those who are for and against safety nets -- claiming that he and Bill Clinton both fall in the pro-globalization, pro-safety net category. He is saying, in effect: let's pick up a few of the pieces caused by the explosive damage of globalization -- just enough so that American hegemony is not seriously questioned. Do nothing, however, he cautions, "that would violate the economic rules of the Golden Straitjacket," such as imposing burdensome taxes on the rich or restricting the freedom of the Electronic Herd.

Friedman's articulation of this "new" Democratic line is enormously helpful, because he is so explicit about the internationalist agenda being advanced by a coalition of New Democrats and Old Republicans: a combination of the iron fist of the military with a little trickle of compassion, just enough to placate the downtrodden but not cost too much, and to isolate those who are talking about real change -- all to ensure American-led global hegemony! He even cautions us to be prepared for a rough ride ahead as globalization brings ever faster and more violent cycles of boom and bust:

Global financial crisis will be the norm in this coming era. With the speed of change going on today, and with so many countries in different stages of adjustment to this new globalization system, crises will be endemic. So, dear reader, let me leave you with one piece of advice: Fasten your seat belts and put your seat backs and tray table into a fixed and upright position. Because both the booms and the busts will be coming faster. Get used to it, and just try to make sure that the leverage in the system doesn't become so great in any one area that it can make the whole system go boom or bust.

With such gloomy advocates, globalization hardly needs critics. Why exactly should America use its money and military power to impose on the world a regime that by Friedman's own words will bring massive economic instability and require that we each run ever faster simply to survive? Why not seek some more viable and humane alternative?

Friedman's unconvincing answer is that "if you put sand in the gears of such a fast, lubricated, stainless-steel machine, it might not just slow down. It could come to a screeching, metal-bending halt." To use Friedman's own analogy in answer -- if you find yourself in a Formula One racing car with no brakes that is running ever faster and faster out of control toward a precipice, wouldn't putting sand in the mechanism to bring it to a screeching halt be a rather good idea?

You may wonder why I seem so angry at the likes of Thomas L. Friedman. Pretensions aside, he commands far too few financial assets to in fact bring down governments. Nor is he heading a global mega-corporation engaged in profiteering from sweat shops and the rape of the earth. True to his own disclaimer, he didn't create the unjust and dehumanizing world of which he writes. He is, after all, only a newspaper reporter and columnist whose job is to provide readers of the *New York Times* with observation and commentary on the world that is.

I take offense at Friedman's ongoing rant in support of globalization because we know from recent history that seemingly overpowering and inevitable forces (e.g., racism, sexism, and environmental destruction) can be overcome or dramatically limited when idealistic social movements arise to challenge them. Perhaps the greatest obstacle facing such movements is the disempowering belief, stridently propagated by the Friedmans of the world, that any rational person will surely recognize that nothing can possibly be changed and the only prudent course is to accept this reality and find ways to profit from it.

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While the idealists who shape transformative social movements to advance freedom, equality, and a healthy environment look to a world that might be and seek a path to its attainment, Friedman is a classic realist. He accepts unjust and destructive institutional structures as immutable givens and focuses on how to gain the greatest personal or national advantage. Intentionally or not, people like Friedman serve as cheerleaders for injustice when they ridicule all who dare to dream of the world that might be. In the name of realism, he contributes to a sense of powerlessness among those inclined to work for change -- thus

making it possible for a small elite, acting in secret beyond democratic accountability, to shape the institutions of power to serve their narrow and exclusive ends. This is the same point made by Michael Lerner in *Jewish Renewal* when he argues that for Judaism the primary meaning of "idolatry" is "realism," and the primary meaning of God is the Force of Healing and Transformation that allows us to transcend that which is and move toward that which should be.

If we draw but one lesson from Friedman, it is that we will never resolve the global crisis of inequality, social breakdown, and environmental destruction that increasingly threatens our very survival by listening to Friedmanesque realists. We must look instead to idealists who dare to challenge the status quo and to empower us with visions of the world that might be.

Instead of using our power to impose the dark vision of turbo capitalism on the world, why not bring our wisdom and compassion to bear in creating economic institutions for a world of rich cultural and biological diversity in which everyone is assured access to an adequate and satisfying means of livelihood, individual freedoms are guaranteed, family and community are strengthened, productive work, cooperation, and responsibility are rewarded, and a sustainable relationship is maintained between humanity and the life-support systems of our planet? There are at least two familiar options. One is the controlled capitalism of the post-World War II years that created mass affluence by balancing the power of big unions, big government, and big business.

The second is a more populist, community-oriented alternative outlined in my recent book, *The Post-Corporate World: Life After Capitalism*, that I call the mindful market economy. It combines the principles of one person, one vote democracy, a properly regulated market economy comprised of local stakeholder-owned, human-scale enterprises, and an ethical culture. Nothing radical or exotic. Drawing inspiration for the design of its structures and processes from the study of healthy living systems, it actualizes the traditional liberal ideal of democratic, self-governing, self-organizing societies based on the values and institutions to which most of us already profess allegiance.

The next time a Friedman-style realist starts ranting at you about the need to accept reality and tighten up the straps on your Golden Straitjacket, tell them you have no interest in his or her dark and soulless vision of a winner-take-all-world divided between speed mongers and road kill. And by the way, you place a great stock in human freedom and democracy. Straitjackets -- golden or otherwise -- are only for escape artists and the criminally insane.

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